

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

ANNIE SLOAN INTERIORS, LTD.

CIVIL ACTION

VERSUS

NO: 17-11767

JOLIE DESIGN & DECOR, INC.

SECTION: "S" (1)

ORDER AND REASONS

IT IS HEREBY ORDERED that Defendants' Motion to Partially Dismiss Amended Complaint (Doc. #93) is **DENIED**.

IT IS FURTHER ORDERED that Annie Sloan Interiors, Ltd.'s Motion for Preliminary Injunction (Doc. #89) is **GRANTED**. Annie Sloan Interiors, Ltd. is entitled to the injunctive relief stated in the accompanying Preliminary Injunction Order.

IT IS FURTHER ORDERED that this Order and Reasons be filed under seal.

BACKGROUND

This matter is before the court on defendants' motion partially to dismiss the amended complaint. It is also before the court on plaintiff's motion for a preliminary injunction.

Annie Sloan Interiors, Inc. ("ASI") designs and manufactures paints and associated products under the trademarks ANNIE SLOAN® and CHALK PAINT®. On April 19, 2010, ASI and JDD entered into an agreement whereby JDD became ASI's exclusive distributor in the United States (the "2010 Agreement"). The operative contractual language in this regard states:

Supplier [ASI] hereby appoints Distributor [JDD] as Supplier's [ASI's] exclusive distributor of Products in the Territory, and Distributor accepts that position on a perpetual basis.

The 2010 Agreement defines "Territory" as the "United States of America." Working under the 2010 Agreement, JDD successfully built a distribution network for ASI's products in the United States. Around the same time that ASI and JDD entered into the 2010 Agreement, they also entered into

a manufacturing agreement with Davis Paint Company for Davis to be the exclusive manufacturer of ANNIE SLOAN® CHALK PAINT® in the United States. JDD was very successful in selling ANNIE SLOAN® CHALK PAINT® in the United States and it eventually expanded its territory to include Canada, Australia and New Zealand.

ASI's and JDD's relationship deteriorated, and they engaged in multiple unsuccessful attempts to discuss and mediate their differences. In October 2017, JDD began selling ANNIE SLOAN® CHALK PAINT® on Amazon, against ASI's wishes.¹ As a result, on November 3, 2017, ASI filed this action against JDD seeking a declaratory judgment finding that: (1) the 2010 Agreement's perpetual term is against Louisiana public policy and is terminable at the will of either party upon a reasonable notice pursuant to Louisiana Civil Code article 2024; (2) 180 days constitutes reasonable notice for terminating the 2010 Agreement; (3) JDD's activities in countries other than the United States are not encompassed by the 2010 Agreement and JDD does not have rights to the exclusive distributorship of ASI's products in those countries; and, (4) to the extent that JDD's activities in countries other than the United States are conducted under the 2010 Agreement, the termination of the 2010 Agreement will result in the termination of JDD's exclusive distributorship in those countries. JDD filed an Answer raising affirmative defenses of equitable estoppel, detrimental reliance and waiver. JDD also filed counterclaims, which it voluntarily dismissed without prejudice.

¹ The 2010 Agreement states in the Purchase for Resale clause that "[a]ll Products purchased by Distributor [JDD] shall be purchased solely for commercial resale[.]" ASI contends that this means sale to the stockists, not directly to consumers through third-party retailers.

On December 19, 2017, ASI filed a motion for partial summary judgment seeking a declaration that Louisiana Civil Code article 2024 applies to the 2010 Agreement because the contract does not have a specific or determinable duration. Article 2024 states: "[a] contract of unspecified duration may be terminated at the will of either party by giving notice, reasonable in time and form, to the other party." La. Civ. Code art. 2024. In its May 4, 2018, Order and Reasons ruling on the motion, this court noted that the Supreme Court of Louisiana has not specifically addressed the question whether Article 2024 applies to contracts that state they have a "perpetual" duration. This court examined the applicable jurisprudence from the Louisiana intermediate courts of appeal and the United States Court of Appeals for the Fifth Circuit, and held that Article 2024 applies to the 2010 Agreement making it terminable at the will of either party after giving reasonable notice. This court explained that following the principles outlined in the applicable jurisprudence:

[T]he court determines that Article 2024 is applicable. The 2010 Agreement states that JDD accepts the appointment as ASI's distributor of certain products in the Territory *"on a perpetual basis."* The 2010 Agreement "specifies" that its term is "perpetual." However, using a specific word to define the term does not automatically mean that the contract has a specific duration. To the contrary, a contract that continues on "a perpetual basis" will presumably go on forever. The "perpetual" term of the 2010 Agreement is for an "unspecified duration" that is also undeterminable. There is nothing in the contract that references a specific future event the happening of which will terminate the contract like there was in [cases decided by the Louisiana intermediate courts of appeal].

Doc. #42. The court further held that it was unnecessary to rule on the merits of JDD's affirmative defenses to answer the legal question posed and resolved by ASI's motion for partial summary judgment, i.e. "whether the 2010 Agreement is subject to Article 2024 because it is for an uncertain and undeterminable term." Id. The court noted that JDD's affirmative defenses, which rely on the amount of time, money and effort JDD has expended in pursuing the 2010 Agreement, pertain to the

reasonable notice that ASI must give to JDD to proceed under Article 2024, not whether Article 2024 applies.² Id.

On May 8, 2018, ASI wrote a termination letter to JDD stating that ASI would terminate the 2010 Agreement on November 5, 2018.

Thereafter, JDD sought an order under 28 U.S.C. § 1292(b) or Rule 54(b) of the Federal Rules of Civil Procedure certifying for immediate appeal this court's May 4, 2018, Order and Reasons as it pertained to the court's ruling regarding the applicability of Article 2024 to the 2010 Agreement. JDD also sought a stay of these proceeding pending its appeal. This court denied the motion finding that immediate appeal would not materially advance the litigation.

ASI was granted leave to file its First Supplemental and Amended Complaint for Declaratory Judgment and for Damages. In its amended complaint, ASI adds Jolie Home LLC ("JHL") and Lisa Rickert, who is a member of JDD and JHL, as defendants. ASI added allegations that JDD is acting in bad faith under the 2010 Agreement and that Lisa Rickert established JHL to unfairly compete with ASI. ASI seeks a declaratory judgment holding that: (1) the 2010 Agreement is terminable at will by either party, upon reasonable notice given to the other;³ (2) JDD's representation of ASI in territories outside of the United States is terminable at will by either party, upon reasonable notice given to the other; (3) ASI is the sole owner of certain trademarks and domain names and directing JDD to turn them over to ASI; and, (4) JDD's actions fall short of the 2010 Agreement's implied covenant of good faith and fair dealing and JDD has breached several provisions of the 2010

² The May 4, 2018, Order and Reasons also addressed ASI's motion to dismiss JDD's counterclaims. JDD has dismissed its counterclaims.

³ Notably, ASI no longer seeks a declaratory judgment finding that 180 days constitutes reasonable notice for terminating the 2010 Agreement.

Agreement, giving ASI the right immediately to terminate it under La. Civ. Code art. 2015. ASI also brought a claim against JDD arising under the Louisiana Unfair Trade Practices Act ("LUTPA"), La. Rev. Stat. § 51:1404, *et seq.*; a tortious interference with contractual relations claim against Lisa Rickert; and, a conspiracy claim against JDD, Lisa Rickert and JHL.

JDD filed a motion to dismiss ASI's First Supplemental and Amended Complaint seeking dismissal of ASI's claims relating to trademarks and domain names; any claim for breach of the "Competing Products" clause of the 2010 Agreement; any claim based on actions taken by JDD that constitute permissible preparation for future, post-termination competition; ASI's claim for tortious interference with contractual relations; and, ASI's conspiracy claim. JDD argues that these claims either do not state a justiciable controversy or otherwise do not state a claim for which relief can be granted.

After JDD filed its motion to dismiss, ASI also filed a Second Supplemental and Amended Complaint adding a Lanham Act a claim against JDD and JHL for trademark infringement. ASI also added a breach of contract claim against JDD alleging that JDD breached the 2010 Agreement. ASI argues that the addition of the Lanham Act claim renders moot JDD's argument for dismissal of its trademark claims.

ASI also filed the instant motion for preliminary injunction seeking to enforce the terms of the 2010 Agreement through its termination date of November 5, 2018, and to enforce trademark law as it applies to the parties both prior to and after the termination date.

Specifically, ASI seeks an order requiring all defendants:⁴

- 1) To cease (a) applying JHL labels to ASI Products, (b) decanting ASI Products into JHL tins, pots, and other containers, and (c) otherwise engaging in reverse passing off ASI Products as JHL's products, including creating or using advertising for JHL's products representing ASI Products as JHL's products, including without limitation brand stories, color cards, videos, social media posts, photos, and other materials that promote JHL and JHL's paints but depict ASI Products instead;
- 2) To the extent that JHL labels have already been applied to ASI Products, destroy all inventory of such products in the possession of Defendants, their affiliates or the agents of Defendants or their affiliates, including without limitation all such inventory in Australia or New Zealand or in transit to Australia or New Zealand;
- 3) Issue written notice to any stockist who has already received ASI Products that have been re-labeled with JHL labels, offering to repurchase such re-labeled products at Defendants' expense and informing such stockist that Defendants have been enjoined from further sales of such re-labeled products;
- 4) Cease creating or using advertising or labels for JHL's products that state or imply that (a) JHL has been selling paint since 2010 or any date prior to November 5, 2018 or (b) JHL's product uses "the formula" or has been selling the "exact same product" since 2010 or any date prior to November 5, 2018;
- 5) Cease creating or using advertising or labels for JHL's paint products that use any ASI Trademarks, including CHALK PAINT in any font or format, Trade Dress, or any confusingly similar mark or colorable imitation thereof;

⁴ For the purposes of the proposed injunction, ASI defined the following phrases: "ASI Products" means all products advertised or sold in connection with ASI's Trademarks, including ANNIE SLOAN® and/or CHALK PAINT®, or otherwise manufactured or distributed under the 2010 Manufacturing Agreement or the 2010 Distributorship Agreement; "ASI's Trademarks" means ANNIE SLOAN, CHALK PAINT and other marks owned by ASI, including without limitation: U.S. Trademark Registration Nos. 4083675, 4820195, 4923750, 4232734 and 4322847; AU Trademark Registration Nos. 1488265, 1524674, and 1618832; Canadian Trademark Registration No. TMA954186; and New Zealand Trademark Registration Nos. 983213, 983215, and 996657. "Territory" means the United States, Canada, Australia, and New Zealand. "Trade Dress" means the layout and design of ASI's 2011 label.

- 6) Destroy all advertising or labels for JHL enjoined under clauses (1), (4), or (5) above, including without limitation JHL color cards manufactured by Dorn Color, the Jolie Brand Story, paint tin labels, and product cards;
- 7) Issue written notice to any stockist, suppliers, and public relations firms in the Territory who have already received advertising materials enjoined under clauses (1), (4), or (5) above informing such stockist, suppliers, and public relations firms that Defendants have been enjoined from further distribution of such advertising materials and directing that stockists, suppliers and public relations firms to destroy the enjoined materials;
- 8) Develop new labels for JHL paint products that are clearly distinguishable from the current and historic labels for ASI Products;
- 9) Transfer to ASI or cancel all domain names that incorporate one or more of ASI's Trademarks, including without limitation AnnieSloanUnfolded.com and ChalkPaintNorthamerica.com; and
- 10) Refrain from registering any new domain names that include "Annie Sloan" or "Chalk Paint."

ASI also seeks an injunction requiring JDD specifically to perform the 2010 Distribution Agreement through November 5, 2018, and to cease:

- 11) Refusing to on-board new Annie Sloan® stockists or delaying the on-boarding of Annie Sloan® stockists in an attempt to convert such potential stockists into stockists for JHL after November 5, 2018;
- 12) Selling ASI Products directly to consumers through internet channels that bypass stockists, including Amazon;
- 13) Challenging the validity of ASI's Trademarks and ASI's ownership of or exclusive right to use ASI's Trademarks;
- 14) Using CHALK PAINT® without also using ANNIE SLOAN® in advertisements of ASI Products;

- 15) Distributing advertising or promotional materials of any type to stockists intended to promote their purchase of JHL products prior to or after November 5, 2018.

Further, ASI seeks an order that prohibits defendants, after November 5, 2018, from:

- 16) Using ASI's Trademarks including CHALK PAINT® in any font or format, Trade Dress, or any confusingly similar mark or colorable imitation thereof;
- 17) Making any advertising claim that identifies or promotes any JHL paint color using the slogans "same formula" or "original formula" for any new paint color developed by or for JHL;
- 18) Making any advertising claim that identifies or promotes any JHL paint color using the "same formula" or words of similar import as ASI's paint product on November 5, 2018, unless such JHL paint product in fact uses the same formula as in use for ASI's paint product on November 5, 2018; or
- 19) Making any advertising claim that identifies or promotes any JHL paint color as using the "original formula" as an ASI paint product unless that JHL paint color in fact uses the same formula as the ASI paint product used in its first introduction into commerce in the United States.

On August 23, 2018, defendants filed a unilateral stipulation in which they agree

- a) No Defendant is taking or will take the position in the above-captioned litigation that Jolie Home, LLC is permitted to do anything that JDD is prohibited from doing under the 2010 Agreement between JDD and ASI;
- b) Defendants will not operate a website using the domain name anniesloanunfolded.com;
- c) JHL has not sold, and is not now selling, any product using the CHALK PAINT® trademark as a trademark or brand to identify the source of the product;
- d) JHL will not sell any product using the CHALK PAINT® trademark as a trademark or brand to identify the source of the product for as long as CHALK PAINT® remains a registered trademark in the United States Patent and Trademark Office;

- e) JDD will not initiate dissolution proceedings during the pendency of this litigation; and
- f) On or before September 6, 2018, JDD will take action to transfer the registration of the domain name chalkpaintnorthamerica.com to ASI.

JDD argues that several of ASI's requests for injunctive relief are rendered moot by the stipulation, including: prohibiting the defendants from purchasing, distributing, or representing paint products that compete with ASI's products through the termination date; mandating that JDD transfer the domain names that include ASI's trademarks to ASI by the termination date; mandating that JDD continue to use ANNIE SLOAN® trademarks (including CHALK PAINT®) solely in promoting ASI's products; and, prohibiting the defendants from using ASI's CHALK PAINT® registered trademark or ASI's ANNIE SLOAN® registered trademark, or any confusing similar variation of either, in connection with any paint product or accessory other than in JDD's representation of ASI products before the termination date.

This court held oral argument on defendants' motion to dismiss, and an evidentiary hearing on ASI's motion for preliminary injunction. At the hearing, the testimony and exhibits established that JLH has entered into a contract with Davis Paint to produce paint for JHL after the November 5, 2018, termination of the 2010 Agreement between JDD and ASI, and ASI's and JDD's contract with Davis Paint. Davis Paint will produce for JHL the same exact paint that is now labeled as ANNIE SLOAN® CHALK PAINT® and it will be labeled Joile Paint. Jolie Paint will be available in the same colors as ANNIE SLOAN® CHALK PAINT®, but some of the colors will be renamed, and Jolie Home will add a few new colors. JHL has also been developing marketing materials to promote Jolie Paint which display furniture some of which was painted with paint that came from cans that have the ANNIE SLOAN® CHALK PAINT® label. These marketing materials have been

through several drafts and are not currently available to the public. However, Lisa Rickert provided copies of some of the marketing materials to magazine editors in New York City in July 2018. The evidence also established that Lisa Rickert has been informing JDD's stockists that she will be in the decorative paint business after November 5, 2018. Both motions were taken under submission, and the parties were permitted to file post-hearing memoranda.

ANALYSIS

I. JDD's Motion to Dismiss (Doc. #93)

A. Case or Controversy

1. Rule 12(b)(1) of the Federal Rules of Civil Procedure

"Motions filed under Rule 12(b)(1) of the Federal Rules of Civil Procedure allow a party to challenge the subject matter jurisdiction of the district court to hear a case." Ramming v. United States, 281 F.3d 158, 161 (5th Cir. 2001). "Lack of subject matter jurisdiction may be found in any one of three instances: (1) the complaint alone; (2) the complaint supplemented by undisputed facts evidenced in the record; or (3) the complaint supplemented by undisputed facts plus the court's resolution of disputed facts." Id. In a 12(b)(1) motion, the party asserting jurisdiction bears the burden of proof that jurisdiction does in fact exist. Id. A court lacks subject matter jurisdiction when it does not have the statutory or constitutional power to adjudicate the case. Home Builders Ass'n v. Miss., Inc. v. City of Madison, 143 F.3d 1006, 1010 (5th Cir. 1998).

The federal Declaratory Judgment Act states: "[i]n a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought." 28 U.S.C. § 2201. "A federal court may not issue a

declaratory judgment unless there exists an ‘actual controversy’; i.e., there must be a substantial controversy of sufficient immediacy and reality between the parties having adverse legal interests.”

Middle S. Energy, Inc. v. City of New Orleans, 800 F.2d 488, 490 (5th Cir. 1986). A controversy is justiciable only where “it can be presently litigated and decided and not hypothetical, conjectural, conditional or based upon the possibility of a factual situation that may never develop.” Rowan Cos. v. Grim, 876 F.2d 26, 28 (5th Cir. 1989) (quoting Brown & Root, Inc. v. Big Rock Corp., 383 F.2d 662, 665 (5th Cir.1967)). It gives federal courts the competence to declare rights, but it does not impose a duty to do so. If there is jurisdiction, whether to grant a declaratory judgment is within the sound discretion of the trial court.

2. Motion to Dismiss ASI's Trademark Claim

Defendants argue ASI's First Supplemental and Amended Complaint does not state a justiciable case or controversy related to the validity or ownership of the trademarks because it does not allege actual trademark infringement by any of the defendants. In the Second Supplemental and Amended Complaint, ASI alleges a Lanham Act claim for trademark infringement against JDD and JHL, thereby rendering moot defendants' motion to dismiss ASI's trademark claim.

3. Motion to Dismiss ASI's Domain Name Claims

Defendants argue that ASI's First Supplemental and Amended Complaint does not state a justiciable case or controversy related to its domain name claims because there is no allegation that JDD is violating the Anti-Cybersquatting Consumer Protection Act. In the stipulation, defendants agreed that they would not operate a website called anniesloanunfolded.com and that they would turn over control of the website chalkpaintnorthamerica.com to ASI. ASI argues that the issue is not moot because the websites include ASI's trademarks. However, defendants have informed the

court that they have begun the process of either transferring the websites to ASI or discontinuing their use. Therefore, defendants' motion to dismiss ASI's domain name claims is rendered moot.

B. Failure to State A Claim⁵

1. Rule 12(b)(6) of the Federal Rules of Civil Procedure

Rule 12(b)(6) of the Federal Rules of Civil Procedure permits a motion to dismiss a complaint for failure to state a claim upon which relief can be granted. To survive a Rule 12(b)(6) motion to dismiss, enough facts to state a claim for relief that is plausible on its face must be pleaded. In re Katrina Canal Breaches Litig., 495 F.3d 191, 205 (5th Cir. 2007) (quoting Bell Atl. v. Twombly, 127 S.Ct. 1955, 1964-65 & 1973 n. 14 (2007)). A claim is plausible on its face when the plaintiff pleads facts from which the court can "draw the reasonable inference that the defendant is liable for the misconduct alleged." Ashcroft v. Iqbal, 129 S.Ct. 1937, 1949 (2009). "Factual allegations must be enough to raise a right to relief above the speculative level, on the assumption that all the allegations in the complaint are true (even if doubtful in fact)." Twombly, 127 S.Ct. at 1965. The court "must accept all well-pleaded facts as true and view them in the light most favorable to the non-moving party." In re S. Scrap Material Co., LLC, 541 F.3d 584, 587 (5th Cir. 2008). However, the court need not accept legal conclusions couched as factual allegations as true. Iqbal, 129 S.Ct. at 1949-50.

⁵ In its complaint, ASI seeks to enforce the "Competing Products" clause of the 2010 Agreement, which states: "Distributor [JDD] agrees that it will not distribute or represent any products in the Territory that compete with the Products during the term of this agreement or any extension thereof." Defendants moved to dismiss this claim arguing that the "Competing Products" clause of the 2010 Agreement is unenforceable under La. Rev. Stat. § 23:921(C), because it is an impermissible restraint on competition. However, in their reply memorandum, defendants withdrew their motion to dismiss this claim.

2. Motion to Dismiss ASI's Tortious Interference with Contractual Relations Claim

In 9 to 5 Fashions, Inc. v. Spurney, 538 So.2d 228, 234 (La. 1989), the Supreme Court of Louisiana recognized a limited cause of action for tortious interference with contractual relations that pertains to “only a corporate officer's duty to refrain from intentional and unjustified interference with the contractual relation between his employer and a third person.” The Court explained that:

an officer is privileged to induce the corporation to violate a contractual relation, or make its performance more burdensome, provided that the officer does not exceed the scope of his authority or knowingly commit acts that are adverse to the interests of his corporation. Where officers knowingly and intentionally act against the best interest of the corporation or outside the scope of their authority, they can be held liable by the party whose contract right has been damaged.

Id. at 231. The elements of the cause of action are:

(1) the existence of a contract or a legally protected interest between the plaintiff and the corporation; (2) the corporate officer's knowledge of the contract; (3) the officer's intentional inducement or causation of the corporation to breach the contract or his intentional rendition of its performance impossible or more burdensome; (4) absence of justification on the part of the officer; (5) causation of damages to the plaintiff by the breach of contract or difficulty of its performance brought about by the officer.

Id. at 234.

Defendants argue that ASI has not stated a claim against Lisa Rickert for tortious interference with contractual relations because ASI cannot prove that Lisa Rickert was not acting in her capacity as JDD's president or that her actions were detrimental to the contract at issue, or caused a breach of the contract.

ASI argues that it has stated a cause of action against Lisa Rickert for tortious interference with contractual relations because it has alleged sufficient facts to demonstrate that Lisa Rickert's formation of JHL, and her actions with regard to performing under the 2010 Agreement caused JDD to breach the contract by: preventing JDD from using its "best efforts" to represent ASI's products; representing competing products during the term of the contract; improperly using ASI's trademarks; and failing to keep an adequate stock of ASI's products. ASI also argues that Lisa Rickert caused JDD to breach the agreement by selling ASI's products on Amazon. ASI alleges that Lisa Rickert has disparaged ASI to the stockists and is trying to entice them to sell her competing paint. Thus, ASI has stated enough facts in its complaint to state a claim for tortious interference with contractual relations. Therefore, defendants' motion to dismiss this claim is DENIED.

4. Motion to Dismiss ASI's Conspiracy Claim

Louisiana Civil Code article 2324(A) states that "[h]e who conspires with another person to commit an intentional or willful act is answerable, *in solido*, with that person, for the damage caused by such act." Under this article, an independent cause of action for civil conspiracy does not exist; rather, the actionable element of article 2324 is the intentional tort the conspirators agreed to commit and committed in whole or in part causing plaintiff's injury. See Ross v. Conoco, Inc., 828 So.2d 546, 552 (La. 2002). The tortious conduct is the unlawful act. Chrysler Credit Corp. v. Whitney Nat. Bank, 51 F.3d 553, 557 (5th Cir. 1995).

Defendants argue that ASI has not stated a sufficient claim for civil conspiracy because ASI is essentially alleging that Lisa Rickert is conspiring with herself by acting through JDD and JHL.

ASI contends that it is not arguing that Lisa Rickert is conspiring with herself, but rather that Lisa Rickert, JDD and JHL are all conspiring. Lisa Rickert's husband and brother are also members

of JHL, thus there are more people involved in that entity and allegedly acting in a conspiracy to violate the LUTPA by using information they gained from JDD to start JHL. ASI has stated enough facts to maintain its conspiracy allegations. Therefore, defendants' motion to dismiss ASI's conspiracy claim is DENIED.

II. ASI's Motion for Preliminary Injunction (Doc. #89)

"A preliminary injunction is an extraordinary equitable remedy that may be granted only if the plaintiff establishes four elements: (1) a substantial likelihood of success on the merits; (2) a substantial threat that the movant will suffer irreparable injury if the injunction is denied; (3) that the threatened injury outweighs any damage that the injunction might cause the defendant; and (4) that the injunction will not disserve the public interest." Sunbeam Products, Inc. v. West Bend Co., 123 F.3d 246, 250 (5th Cir. 1997). The four factors are mixed questions of fact and law. The party seeking injunction must clearly carry the burden of persuasion on all four requirements. See Karaha Bodas Co., L.L.C. v. Perusahaan Pertambangan Minyak Dan Gas Bumi Negara, 335 F.3d 357, 363 (5th Cir. 2003).

A. Substantial Likelihood of Success on the Merits

ASI argues that it is substantially likely to succeed on the merits of its Lanham Act and breach of contract claims.

1. Lanham Act Claims

ASI argues that it is substantially likely to prevail on its trademark claims because defendants are engaging in reverse passing off, unfair competition, trade dress infringement and false advertising. ASI also argues that it is undisputed that ASI owns the ANNIE SLOAN® and CHALK

PAINT® trademarks, and JDD and JHL are improperly using them. Further, ASI argues that it will prevail on its domain name claims because they implicate the trademarks.

Defendants argue that ASI does not have a claim for reverse passing off because ASI is not the manufacturer of the paint. Defendants argue that ASI has not proved the trade dress infringement claim. Defendants also argue that ASI's claims related to the use of the ANNIE SLOAN® and CHALK PAINT® trademarks are moot because defendants have stipulated that they are not now improperly using, and will not in the future improperly use, the trademarks. Further, JDD has stipulated that it will not use the anniesloanunfolded.com domain name, and it is turning over chalkpaintnorthamerica.com to ASI.

Section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125(a), provides:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a). ASI contends that defendants have violated the Lanham Act by engaging in (1) reverse passing off; (2) trade dress infringement; (3) false advertising, and (4) improper use of ASI's trademarks.

i. Reverse Passing Off

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1), prohibits the use of any "false designation of origin" or "reverse passing off", which is where "Company A" sells its own product using "Company B's" trade name and dress; or where "Company A" sells "Company B's" product using "Company A's" trade name and dress. Hunn v. Dan Wilson Homes, Inc., 789 F.3d 573, 588 (5th Cir. 2015) (quoting Johnson v. Jones, 149 F.3d 494, 504 (6th Cir.1998)). In Dastar Corp. v. Twentieth Century Fox Film Corp., 123 S.Ct. 2041, 2047 (2003), the Supreme Court of the United States held that "the most natural understanding of the 'origin' of 'goods'—the source of wares—is the producer of the tangible product sold in the marketplace[.]" However, the court recognized "[t]he concept might be stretched . . . to include not only the actual producer, but also the trademark owner who commissioned or assumed responsibility for ('stood behind') production of the physical product." Id. (see also Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc., 618 F.3d 417, 438 (4th Cir. 2010)).

It is undisputed that Davis Paint manufactures the paint that is currently marketed as ANNIE SLOAN® CHALK PAINT® in North America. It is also undisputed that Annie Sloan created CHALK PAINT® and commissioned Davis Paint to produce it in the United States. Annie Sloan testified at her deposition that she came up with the idea for CHALK PAINT® over 25 years ago and that she developed the colors. Annie Sloan first produced the paint in Belgium, and then worked with Davis Paint to perfect the product to sell in the United States. In his deposition, Kevin Ostby, the president of Davis Paint, testified that Annie Sloan came to him with the idea for CHALK PAINT®, and they worked back-and-forth to develop the product for the United States market.

ASI is substantially likely to prevail on its reverse passing off claim. JHL's plan is to sell the paint that is currently manufactured by Davis Paint and sold as ANNIE SLOAN® CHALK PAINT® as Jolie Paint. Although there is a dispute as to the ownership of the actual formulae that are used to make the paint, it is undisputed that Annie Sloan herself was the originator of the idea and colors. Neither JDD, JHL, nor Lisa Rickert had anything to do with the creation of CHALK PAINT® and they plan to sell it as their own product.

Further, the marketing materials that have been produced for JHL, such as the "Brand Story" and "Everyday Guide," show furniture some of which was supposedly painted with Jolie Paint. Two JHL employees, Elana Gaines and Jane Drew, both testified that some of the furniture shown in those photographs was painted with paint that came out of cans bearing ANNIE SLOAN® CHALK PAINT® labels.

Additionally, emails show that JHL contacted Dorn Color, Inc., the company that makes the paint chip color cards for ANNIE SLOAN® CHALK PAINT® to make paint chip color cards for JHL's Jolie Paint using ANNIE SLOAN® CHALK PAINT®. JHL sent Dorn the list of new names for the paint colors currently sold as ANNIE SLOAN® CHALK PAINT®.

Further, emails between Scott Rickert and Ostby state that JHL intended to paste Jolie Paint labels over the ANNIE SLOAN® CHALK PAINT® labels and sell the paint as Jolie Paint. Ostby also testified that Scott Rickert planned on pouring paint from cans bearing the ANNIE SLOAN® CHALK PAINT® labels into ones labeled as Jolie Paint. This is the classic example of the defendant selling the plaintiff's product under defendant's own name. Based on all of this evidence, ASI is substantially likely to succeed on its reverse passing off claim.

ii. Trade Dress Infringement

ASI contends that JHL is engaging in trade dress infringement by intending to use a label on its Jolie Paint that is substantially similar to the label used on ANNIE SLAON® CHALK PAINT® from 2011 until 2017.

The Lanham Act includes a cause of action for trade dress infringement that is analogous to the common law tort of unfair competition. Amazing Spaces, Inc. v. Metro Mini Storage, 608 F.3d 225, 250–51 (5th Cir. 2010) (quotations omitted). "Trade dress" is "the design or packaging of a product which serves to identify the product's source." Eppendorf-Netherler-Hinz GMBH v. Ritter GMBH, 289 F.3d 351, 354 (5th Cir. 2002). Trade dress is protected from infringement to "secure the owner of the [trade dress] the goodwill of his business and to protect the ability of consumers to distinguish among competing products." Two Pesos, Inc. v. Taco Cabana, Inc., 112 S.Ct. 2753, 2760 (1992).

"Trade dress refers to the total image and overall appearance of a product and may include features such as the size, shape, color, color combinations, textures, graphics, and even sales techniques that characterize a particular product." Amazing Spaces, 608 F.3d at 250–51. The inquiry into a product's trade dress focuses on whether a combination of features creates a distinctive visual impression that identifies the source of the product, not on the isolated elements of the dress. Lady Primrose's, Inc. v. After Hours Bath Prods., Inc., 211 F.3d 125, 2000 WL 309967, at *2 (5th Cir. March 6, 2000) (quotation omitted). To establish a claim for trade dress infringement, a plaintiff must demonstrate that: (1) the trade dress is protectable because it is inherently distinctive or has acquired a secondary meaning; (2) the trade dress is not functional; and, (3) the defendant's trade dress creates a likelihood of confusion. Id. at *2-3.

ASI argues that its trade dress in the design of the ANNIE SLOAN® CHALK PAINT® that was on the paint cans from 2011 to 2017, and is still used in advertising, is inherently distinctive and has acquired a secondary meaning. Trade dress is "inherently distinctive" if it is suggestive, arbitrary, or fanciful as opposed to merely generic or descriptive." *Id.* at *2. It acquires a "secondary meaning" when customers associate it with a certain product. *Id.* In evaluating secondary meaning, courts consider "the length and manner of use of a mark, the nature and extent of advertising and promotion of the mark, the sales volume of the product, and instances of actual confusion." *Id.* at *3 (quotation omitted).

ASI's label at issue is of minimalist style with black writing on a white background. It has the words ANNIE SLOAN® appearing as a signature, with CHALK PAINT® in all capital letters underneath. Below CHALK PAINT®, is the description: "a unique decorative paint by Annie Sloan for furniture, walls and paint effects." The color of the paint in the can is on the next line. The last line states the amount of paint in the can.

ASI's trade dress has acquired a secondary meaning. The specific trade dress at issue was used on the ANNIE SLOAN® CHALK PAINT® cans for over 8 years, and images of those cans are still used in advertising on the internet, especially in social media posts. Those cans are also featured in instructional videos, some of which feature Annie Sloan herself. Millions of customers worldwide have purchased more than 15 million cans of ANNIE SLOAN® CHALK PAINT® with this trade dress. It is immaterial that there is no evidence of actual confusion in this case because Jolie Paint is not yet on the market and all documents displaying the proposed Jolie Paint label are designated as "Attorneys' Eyes Only" pursuant to a protective order. Thus, there could not be such evidence in this case.

The functionality of trade dress "turns on whether its design as a whole is superior to other designs, not on whether its component features viewed individually each have a function." Id. at *3 (quotation omitted). In other words, "[a] product is functional if exclusive use would put competitors at a significant non-reputation-related disadvantage." Id.

ASI's trade dress on its CHALK PAINT® cans is not functional, rather it is simply a design on a can of paint that indicates its source. There are thousands of possible designs, colors, and font sizes and styles that can be used on a paint can to describe what is inside. It is the paint itself that is the functional product, not the design on the can.

The likelihood of confusion between the two companies' products is determined by weighing the "digits of confusion" which are: "(1) the similarity of the two products; (2) the identity of the retail outlets and purchasers, (3) the identity of advertising media, (4) the strength of the trade dress, (5) the intent of the defendant, (6) similarity of design (7) evidence of actual confusion, and (8) the degree of care employed by customers." Id. at *4. No single factor is dispositive as to the likelihood of confusion. Id.

In this case, the weighing of the digits of confusion demonstrates that there is a likelihood of confusion. The two products are admittedly identical and will be sold through the same retail outlets to the same purchasers. Testimony from Lisa Rickert, Scott Rickert and Ostby established that JHL intends to sell under its label the exact same paint manufactured by Davis Paint and currently sold as ANNIE SLOAN® CHALK PAINT®. Lisa Rickert also testified that she intends for current ASI stockists to become stockists for JHL. As discussed above, the ASI trade dress has a strong product association due to the high volume of sales and its presence in internet advertising, social media and instructional videos.

The design of the JHL label is substantially similar to the ASI trade dress, as is evident from a side-by-side comparison:



The Jolie Paint label that was established to be the final version has black writing on a white background. The top line has "jolie" written in a script that mimics a signature, just like "Annie Sloan" is written in script on ASI's can. Just below that is the word "PAINT" in all capital letters in a plain, block font similar to the one used for CHALK PAINT® on the ASI can. Under "PAINT" is the description "a unique paint for furniture, walls, floors, and accessories", which is similar to the description on ASI's can. The last line has the amount of paint in the can and "Made in the USA." Defendants argue that the Jolie Paint label is distinct because it does not include the CHALK PAINT® trademark and the word "jolie" is in lowercase, so it does not look like a signature. The cumulative features of the JHL label are substantially similar to the ASI trade dress.

Further, evidence at trial confirmed that JHL intended to copy ASI's trade dress. JHL's publicist, LJ Public Relations, advised JHL to "look to convert the [Annie Sloan] brand's popularity" and to "maximize brand alignment to amplify consumer awareness." Elana Gaines, JHL's marketing director, testified that she and Lisa Rickert decided on the design of the Jolie Paint label to create a connection to their past of selling ANNIE SLOAN® CHALK PAINT®. Further, Lisa Rickert had

a text message exchange with Ostby regarding the Jolie Paint label in which Ostby stated that there was a concern that it "looked like the old Annie can." Lisa Rickert responded that there was a low risk in mimicking ASI's trade dress because in her opinion ASI "abandoned all of their previous packaging and there is only one font that has any similarity." Thus, it is clear that JHL intended to copy ASI's trade dress.

In sum, ASI has established that it has a protectable trade dress that JHL intentionally copied with bad intent. Thus, ASI is substantially likely to succeed on its trade dress infringement claim.

iii. False Advertising

ASI contends that JHL's intended advertising materials for Jolie Paint constitute false advertising because they include statements that are literally false.

The United States Court of Appeals for the Fifth Circuit has established that a plaintiff must prove the following elements to establish a *prima facie* case of false advertising:

- (1) A false or misleading statement of fact about a product;
- (2) Such statement either deceived, or had the capacity to deceive a substantial segment of potential customers;
- (3) The deception was material, in that it is likely to influence the consumer's purchasing decision;
- (4) The product is in interstate commerce; and
- (5) The plaintiff has been or is likely to be injured as a result of the statement at issue.

Pizza Hut v. Papa John's Intern., 227 F.3d 489, 495 (5th Cir. 2000). To be entitled to relief, "a plaintiff must demonstrate that the commercial advertisement or promotion is either literally false, or that [if the advertisement is not literally false,] it is likely to mislead and confuse consumers." Id. (quotation omitted). To constitute false advertising, the statement "at issue must be a specific and

measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact." Id. (quotation omitted).

JHL's label for its paint states that it is "[t]he formula trusted by designers and DIYers since 2010." ASI contends that this statement is literally false because "the formula" for the paint has changed over time. Ostby testified that each color is manufactured on its own and each color has its own formula. He also testified that the formulae have changed over time. Further, when Davis Paint first started making ANNIE SLOAN® CHALK PAINT®, there were only 12 colors. There are now over 30, and each has its own formula. Ostby's testimony establishes that the statement on JHL's label regarding "The formula trusted . . . since 2010" is literally false because the paint in the cans for each and every color is not the "one formula" supposedly used since 2010.

This statement has the capacity to deceive potential customers and influence their purchasing decisions. The Jolie Paint label also states that Jolie has "teamed up with the original manufacturer of chalk paint in the USA to bring you the product you've enjoyed and trusted since 2010." The conjunction of the two statements makes it obvious that JHL is alluding to ANNIE SLOAN® CHALK PAINT®. Annie Sloan testified that she was involved in developing the paint and colors and has worked on quality control issues over the years that have resulted in changes to "the formula." JHL's statement is deceiving potential customers and influencing their purchasing decisions by encouraging the inference that the manufacturer alone, without input from Annie Sloan, was responsible for the quality of ANNIE SLOAN® CHALK PAINT® over the years and that it will remain the same even without her personal involvement. JHL intends to put its paint into commerce with this literally false statement that is likely to injure ASI's reputation if the quality of

the paint declines. Therefore, ASI has established that it has a substantial likelihood of success on its false advertising claim.

iv. Improper Use of ASI's Trademarks.

ASI argues that JHL is intending to infringe on its CHALK PAINT® trademark by using it on the label of Jolie Paint.

To establish a trademark infringement claim, a plaintiff first must show ownership of a legally protectable mark, and then it must establish infringement of the mark. Am. Rice, Inc. v. Producers Rice Mill, Inc., 518 F.3d 321, 329 (5th Cir.2008). It is undisputed that ANNIE SLOAN® and CHALK PAINT® are currently registered trademarks of ASI. Infringement occurs where one "uses (1) any reproduction, counterfeit, copy[,] or colorable imitation of a mark; (2) without the registrant's consent; (3) in commerce; (4) in connection with the sale, offering for sale, distribution[,] or advertising of any goods; (5) where such use is likely to cause confusion, or to cause mistake or to deceive." Id. (quotation omitted). Likelihood of confusion is established by weighing the same "digits of confusion" that are used in the trade dress infringement analysis. Id. (citation omitted).

The Jolie Paint label says that Jolie has "teamed up with the original manufacturer of chalk paint in the USA to bring you the product you've enjoyed and trusted since 2010." ASI argues that using the words "chalk paint" in this manner constitute trademark infringement. JHL argues that it is a fair use of the term "chalk paint."

Fair use of a trademark can either be descriptive or nominative. The descriptive fair use "defense allows a party to use a term in good faith to describe its goods or services, but only in actions involving descriptive terms and only when the term is used in its descriptive sense rather than in its trademark." Sugar Busters LLC v. Brennan, 177 F.3d 258, 270–71 (5th Cir.

1999)(citations omitted). The purpose of the fair-use defense is to prevent a “markholder from ‘appropriat[ing] a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods.’” Id. at 271 (citations omitted). However, the fair use “defense does not apply if a term is used as a mark to identify the markholder's goods or services.”

Id.

The United States Court of Appeals for the Fifth Circuit has explained the nominative fair use doctrine as follows:

[O]ne who has lawfully copied another's product can tell the public what he has copied. It also permits one to use another's mark truthfully to identify another's goods or services in order to describe or compare its product to the markholder's product. The right of fair use is limited, however, insofar as the use cannot be one that creates a likelihood of confusion as to source, sponsorship, affiliation, or approval.

We have held that a nominative fair use claim is a claim that a mark's use is noninfringing and therefore creates no likelihood of confusion. Thus, we have also said that a court ordinarily should consider a nominative fair use claim in conjunction with its likelihood-of-confusion analysis in order to avoid lowering the standard for confusion.

* * *

In order to avail oneself of the nominative fair use defense the defendant (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder.

Bd. of Supervisors for Louisiana State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 488–89 (5th Cir. 2008) (citations and quotations omitted).

JHL's use of “chalk paint” on its label is neither descriptive nor nominative fair use. JHL is not using the words to state what type of paint is in the can, but rather to refer the customer back to

ANNIE SLOAN® CHALK PAINT®. Therefore, it is not a descriptive fair use. The label states that Jolie has "teamed up with the original manufacturer of chalk paint in the USA to bring you the product you've enjoyed and trusted since 2010[,]" and in the same paragraph states "[e]xperience the best with the exact same products that you have come to know and love." Clearly JHL is using the words "chalk paint" to suggest affiliation with the ANNIE SLOAN® CHALK PAINT® product. Therefore, it is not a nominative fair use, and ASI is substantially likely to prevail on its trademark infringement claim.

2. Breach of Contract Claims

ASI argues that it is substantially likely to succeed on its claims that JDD has breached the 2010 Agreement by selling ASI's paint on Amazon, representing a competing paint, failing to onboard new stockists and failing to properly use ASI's ANNIE SLOAN® and CHALK PAINT® trademarks.

Under Louisiana law, the essential elements of a breach of contract claim are: (1) the existence of a valid contract; (2) a party's breach thereof; and, (3) damages resulting from the breach. See Favrot v. Favrot, 68 So.3d 1099, 1109 (La.Ct.App.2011). In Clovelly Oil Co., LLC v. Midstates Petroleum Co., LLC, 112 So.3d 187, 192 (La. March 19, 2013) (citations and quotations omitted), the Supreme Court of Louisiana explained the law applicable to contract interpretation:

Contracts have the effect of law for the parties and the interpretation of a contract is the determination of the common intent of the parties. The reasonable intention of the parties to a contract is to be sought by examining the words of the contract itself, and not assumed. When the words of a contract are clear and explicit and lead to no absurd consequences, no further interpretation may be made in search of the parties' intent. Common intent is determined, therefore, in accordance with the general, ordinary, plain and popular meaning of the words

used in the contract. Accordingly, when a clause in a contract is clear and unambiguous, the letter of that clause should not be disregarded under the pretext of pursuing its spirit, as it is not the duty of the courts to bend the meaning of the words of a contract into harmony with a supposed reasonable intention of the parties. However, even when the language of the contract is clear, courts should refrain from construing the contract in such a manner as to lead to absurd consequences. Most importantly, a contract must be interpreted in a common-sense fashion, according to the words of the contract their common and usual significance. Moreover, a contract provision that is susceptible to different meanings must be interpreted with a meaning that renders the provision effective, and not with one that renders it ineffective. Each provision in a contract must be interpreted in light of the other provisions so that each is given the meaning suggested by the contract as a whole.

The 2010 Agreement provides in pertinent part:

Sale of Products by Distributor. Distributor [JDD] shall use its best efforts to distribute the Products and to fully develop the market for the Products within the Territory.

* * *

Competing Products. Distributor [JDD] agrees that it will not distribute or represent any Products in the Territory that compete with the Products during the term of this Agreement or any extensions thereof.

Advertising. . . . At all times during the term of the distributorship created by this Agreement and any extension thereof, Distributor [JDD] shall use the Trademarks in all advertisements and other activities conducted by Distributor [JDD] to promote the sale of the Products. . . .

* * *

Purchases for Resale. All Products purchased by Distributor [JDD] shall be purchased solely for commercial resale, excepting those Products reasonably required by Distributor for advertising and demonstration purposes.

The 2010 Agreement defines "Trademark" as "any trademark, logo, or service mark, whether or not registered, used or represented or describe the Products of Supplier, as set forth in Attachment C[,]'" which are ANNIE SLOAN® and CHALK PAINT®.

The evidence at the hearing established that JDD is breaching all of the aforementioned clauses of the 2010 Agreement. Jane Drew, JDD's stockist trainer, testified that she has not conducted a training class for new stockists since June 2018. Stephen Milne, ASI's Board Secretary, also testified that JDD told potential stockists in Australia that they would have to wait until October or November to become stockists.⁶ Failing to onboard new stockists is a breach of JDD's agreement to fully develop the market for ASI's products.

Lisa Rickert testified that in July 2018, she attended desk-side meetings in New York City with editors of influential home and lifestyle magazines, such as Better Homes and Gardens and HGTV Magazine, to promote Jolie Paint, which was called Jolie Chalk Paint at the time. Lisa Rickert gave these editors copies of JHL's marketing materials that included pictures of furniture that was purportedly painted with Jolie Paint, but was actually painted with ANNIE SLOAN® CHALK PAINT®.

The court does not accept the defendants attempt to justify these meetings by arguing that the editors were given information on Jolie Home under "strict embargo" not to distribute it until after November 5, 2018, and that the meetings do not constitute representing a competing paint product because the publications require long-lead times and would not be available to the public

⁶ Although the 2010 Agreement defines the territory as the United States, it is undisputed that JDD has since expanded its distribution territory to include Australia.

until after the termination of the 2010 Agreement. It is undisputed that in July 2018, Lisa Rickert was bound by the 2010 Agreement to refrain from promoting paint products that compete with ANNIE SLOAN® CHALK PAINT®. The meetings Lisa Rickert had with magazine editors in July 2018 breached her obligation under the 2010 Agreement to promote ANNIE SLOAN® CHALK PAINT®, regardless of when the material would actually be published. Further, JDD employees were working on JHL promotional materials such as the "Brand Story" and "Everyday Guide" while they were still employed at JDD. These JHL materials blatantly plagiarize portions of Annie Sloan's books. Therefore, JDD breached the 2010 Agreement by allowing its employees to represent a competing paint product.

JDD has also failed to properly use ASI's trademarks in its advertising. At the hearing, ASI showed numerous examples of JDD's advertising CHALK PAINT® without also including the ANNIE SLOAN® trademark in a magazine and on Instagram. It is obvious that JDD was trying to disassociate CHALK PAINT® with ANNIE SLOAN® so that when its Jolie Paint can that mimics ASI's trade dress hits the market it could more easily convert the popularity of ASI's brand to JHL.

JDD also breached the 2010 Agreement by selling ASI's products directly to consumers on Amazon. The 2010 Agreement restricts JDD to "commercial resale." Annie Sloan testified that her business model has always been to support small businesses by selling her products to stockists who in turn sell to consumers. Lisa Rickert confirmed that she understood this in a YouTube video titled "The History of Chalk Paint® in North America." Further, Lisa Rickert asked ASI for permission to sell on Amazon, which ASI denied. If Lisa Rickert believed that the 2010 Agreement entitled her to sell ASI's products directly to consumers on Amazon, she would not have asked for permission

to do so. Therefore, JDD breached the 2010 Agreement by selling ASI's products on Amazon against the terms of the contract. For the foregoing reasons, ASI is substantially likely to prevail on its breach of contract claims.

B. Substantial Threat that the Movant Will Suffer Irreparable Injury if the Injunction is Denied

This case is largely about trademark infringement. The United States Court of Appeals for the Fifth Circuit has said that in a trademark infringement case, injury is presumed if likelihood of confusion is proved, because "there seems little doubt that money damages are 'inadequate' to compensate [owner] for continuing acts of [infringer].'" *Abraham v. Alpha Chi Omega*, 708 F.3d 614, 627 (5th Cir. 2013) (quotation omitted). As stated above, ASI has proved a likelihood of confusion between its trade dress and JHL's proposed label. Further, the injunctive relief ASI seeks as to JDD's continuing breaches of the 2010 Agreement is more important than any monetary damages ASI might seek for such breaches. Indeed, it is unlikely ASI has suffered any monetary damages related to JDD's representation of a competing product that is not yet on the market or JDD's failure to properly use ASI's trademarks. Further, ASI has likely profited from JDD's selling ASI's products on Amazon. However, ASI seeks to enjoin such actions on the principle of harm to its favored business model. Finally, it would be extremely difficult for ASI to quantify the amount of money it has lost by JDD's failing to onboard new stockists because there is no evidence as to how many potential stockists have been affected and what their hypothetical sales would have been. Therefore, ASI has demonstrated irreparable injury that is not compensable by monetary damages.

C. The Threatened Injury Outweighs Any Damage that the Injunction Might Cause the Defendant

The threatened injury to ASI's good will outweighs any damage that the injunction might cause to defendants. JHL argues that it has expended time and resources to prepare to compete in the marketplace for decorative paint that will be lost if the injunction is entered. Although JHL could contract with the paint manufacturer, design a label for its future paint, and prepare materials to promote its paint product after the termination date, JHL has exceeded the limits of appropriate preparation for business subsequent to the termination date. The actions JHL has undertaken were in an effort to infringe on ASI's trademarks and trade dress to engage in unfair competition. While the 2010 Agreement does not prevent defendants from preparing for fair competition, it does not give them a license to prepare to compete by committing trademark infringement. Further, Lisa Rickert has improperly represented a competing paint product during the term of the 2010 Agreement. Any damage JHL suffers in terms of lost time and resources are the result of defendants' overstepping permissible preparation to compete. Therefore, the threatened injury to ASI is greater.

D. Whether the Injunction Will Dissserve the Public Interest

An injunction will not dissserve the public interest. Although the public has an interest in a competitive marketplace for goods, it also has an interest in ensuring that the competition is fair. ASI is substantially likely to prevail on several Lanham Act claims, as well as its breach of contract claims. Enjoining such prohibited acts is in the public interest.

CONCLUSION

IT IS HEREBY ORDERED that Defendants' Motion to Partially Dismiss Amended Complaint (Doc. #93) is **DENIED**.

IT IS FURTHER ORDERED that Annie Sloan Interiors, Ltd.'s Motion for Preliminary Injunction (Doc. #89) is **GRANTED**. Annie Sloan Interiors, Ltd. is entitled to the injunctive relief stated in the accompanying Preliminary Injunction Order.

IT IS FURTHER ORDERED that this Order and Reasons be filed under seal.

New Orleans, Louisiana, this 11th day of October, 2018.



MARY ANN VIAL LEMMON
UNITED STATES DISTRICT JUDGE