

Martha Stewart and Macy's Face Off in New York Breach of Contract Lawsuit

by Michael Cifelli on July 31, 2012

The New York business litigation involving Macy's and Martha Stewart began last week. The home goods diva is accused of breaching her agreement with Macy's to sell her goods at rival J.C. Penney.

The first round in the dispute went to Macy's. Last Friday, the company was awarded a preliminary injunction prohibiting Martha Stewart Living (MSO) from rolling out its sales plan under the agreement with J.C. Penney. It specifically bans the company from making, marketing, distributing or selling any Martha Stewart-branded products implicated in the lawsuit, such as bedding, bath, kitchen textiles, dinnerware and cookware.

Justice Jeffrey Oing held that Macy's had shown that it was likely to prevail on its breach of contract claim, finding that it had established that MSO's agreement with J.C. Penney was "mutually incompatible" with its prior agreement with Macy's with respect to certain exclusive products. He further concluded that Macy's would suffer "irreparable harm" if those products were available for sale at a rival department store.

While Macy's appears to have a leg up in alleged breach of contract claim, the court has only granted a preliminary injunction. Macy's will have the opportunity to offer additional evidence when the trial commences this fall.

However, should Macy's succeed at trial, Stewart could be barred from selling many of her products at J.C. Penney until her contract with Macy's expires in 2018. This could also be detrimental to J.C. Penney who is trying to revamp its stores by offering a "shop-in-shop" store model featuring products from Martha Stewart, Liz Claiborne, Cynthia Rowley and William Rast.