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Fourth Circuit Holds That Contractual Language Does Not Compel Court to Grant Equitable Relief

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The U.S. Court of Appeals for the Fourth Circuit recently affirmed the denial of a preliminary injunction motion by Bethesda Softworks, LLC (Bethesda), finding that the district court did not abuse its discretion by looking to factors outside of the agreement between the parties in ruling on the motion.

Bethesda sought to enjoin Interplay Entertainment Corp. (Interplay) from infringing copyrights related to a video game series. Bethesda argued that it was not required to demonstrate irreparable harm independently because the Asset Purchase Agreement (APA) entered into by the parties provided that a breach of the APA would “result in irreparable injury” entitling Bethesda to equitable relief. The district court denied the motion, holding that Bethesda had not established that it would be irreparably harmed. On appeal, Bethesda argued, among other things, that the district court abused its discretion by not granting the motion for equitable relief based on the clause in the APA.

The Fourth Circuit affirmed the denial of the motion, concluding that the district court had not abused its discretion by looking beyond the APA. In doing so, the Fourth Circuit pointed out that contractual provisions do not alone control whether or not a court may grant equitable relief. The Fourth Circuit thus affirmed the denial of the motion for a preliminary injunction based upon the district court’s determination that Bethesda failed to establish irreparable harm.

Bethesda Softworks, L.L.C. v. Interplay Entertainment Corp., 2011 WL 5084587 (4th Cir. October 26, 2011).

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