

Contract Law

Case 5:  
Barbie v.  
Bratz

# Mattel, Inc. v. MGA Entertainment, Inc.

## Employment Contracts and Non-Compete Clauses

### OBJECTIVE

To understand the use of an employment contract that includes a non-compete clause between an employer and an employee and the concept of an employee's "duty of loyalty" to an employer.

### TOPICS COVERED

- Employment contracts
- Non-compete clauses
- Employee's "duty of loyalty" to employer
- "Fair and just" non-compete clauses

CASE: 5

# Mattel, Inc. v. MGA Entertainment, Inc.

## Employment Contracts and Non-Compete Clauses

### BACKGROUND

- Mattel, the creator of Barbie dolls, sued its former employee, Carter Bryant, and his employer, MGA Entertainment, Inc., manufacturer of Bratz dolls, for breach of an employment contract.
- Carter Bryant signed an employment contract, which included a non-compete clause, with Mattel. Under this contract, the parties agreed that anything Carter Bryant created while working for Mattel was the property of Mattel. The contract prohibited Carter Bryant from working for any of Mattel's competitors during the term of the contract.
- Mattel claimed that Carter Bryant violated the employment contract and his "duty of loyalty" to Mattel by developing the Bratz doll while still employed by Mattel. Mattel also alleged that Carter Bryant then conspired with MGA Entertainment, Inc., a competitor, to manufacture and distribute the Bratz doll.

### BEFORE YOU BEGIN

**What is an employment contract?**

An employment contract is a document that exchanges promises between an employer and an employee and describes the terms and obligations of each party during the employment.

**What is a non-compete clause in an employment contract?**

A non-compete clause, when included in an employment contract, prohibits an employee from working with a competitor of the employer while employed by the employer and for a period of time after employment.

**What is the purpose of a non-compete clause?**

One of the purposes of a non-compete clause is to protect confidential information of the employer.

**What is an employee's "duty of loyalty" to his employer?**

An employee, as an agent of an employer, has a "duty of loyalty" to his employer to work in the best interest of the employer and not for his own self-interest.

**What is a "fair and just" non-compete clause?**

For a non-compete clause to be enforced, it must be fair and just to the employee and must not unfairly restrict the employee trying to pursue his profession. Courts balance the rights of business owners to protect their assets and the rights of the employee to earn a living.

## ISSUE BEFORE THE COURT

Whether a signed employment contract that includes a non-compete clause is enforceable by an employer to protect confidential designs created by an employee from being sold to a competitor.

## THE FACTS

In 2004, the Plaintiff, Mattel, Inc. (Mattel), the world's largest toy manufacturer and the owner of Barbie dolls, filed a complaint against its former employee, Carter Bryant (Bryant), the creator of the Bratz line of dolls and MGA Entertainment, Inc. (MGA Entertainment), the manufacturer of the Bratz dolls. Bratz toys were first introduced in June 2001, and had since become one of the world's premiere toy lines and girls' lifestyle brands. Bratz dolls have pouty lips and edgy, urban clothes that have drawn young girls to estimated annual sales of \$500 million.

Mattel claimed ownership rights to the Bratz line because it alleged that Bratz' creator, Bryant, developed the sketches while working for Mattel. Mattel asserted claims against the Defendants for: (1) breach of contract, (2) breach of duty of loyalty, and (3) wrongful interference with a contract. Mattel sought money damages and a court order preventing MGA Entertainment from making future Bratz dolls and related products.

Mattel employed Bryant as a product designer twice from September 1995 through April 1998 and January 1999 through October 2000. Upon starting his second term, Bryant signed an Employee Confidential Information and Inventions Agreement in which he agreed not to engage in any employment or business other than with Mattel or to assist any competing business of Mattel. Bryant assigned to Mattel all rights, title, and interest in any inventions he conceived of during his employment. In exchange, he was paid a salary without any royalties.

Bryant also completed Mattel's Conflict of Interest Questionnaire. Bryant certified that he had not worked for any of Mattel's competitors in the prior 12 months and had not engaged in any business dealings creating a conflict of interest. Bryant agreed to notify Mattel of

One of the most common causes of breach of employment contract lawsuits is the difference in interpretation of the terms and conditions of the agreement.

any future events that raised a question of conflict of interest.

After Bryant left employment, Mattel's CEO alleged that he had received an anonymous letter stating that Bryant had created the Bratz doll while working at Mattel and that Bryant had taken a vacation day from Mattel to discuss the doll with MGA Entertainment. As evidence, Mattel produced a new employment agreement between Bryant and MGA Entertainment that Bryant signed September 18, 2000, while Bryant was still employed by Mattel.

Pursuant to MGA Entertainment's employment agreement, Bryant agreed to provide product design services for MGA's line of Bratz dolls. In return, MGA Entertainment agreed to pay Bryant \$5,500 per month for the first six months and \$5,000 per month for the next three months. In addition, MGA Entertainment also agreed to pay Bryant a 3% royalty on the future sales of the Bratz line.

Bryant testified during trial that the sketches he showed MGA Entertainment in 2000 were transferred from originals he made in the summer of 1998 in between his two periods of employment with Mattel. Bryant testified that observing students walking from school, browsing through Steve Madden shoe ads in *Seventeen*, and looking at the cover of the Dixie Chicks album "Chicks With Attitude" inspired the sketches. Bryant claimed that since he was a clothing designer for Barbie, the sketches at issue had nothing to do with his work at Mattel.

A situation which has a potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional interest is known as conflict of interest.

Ruth Handler, creator of Barbie and Ken, named the dolls after her daughter Barbara and son Kenneth.

#### Sources

The case briefing above contains excerpts and direct extractions from the sources noted below that have been combined with the author's own expert legal input. The case has been condensed and formatted from its original content for purposes of this workbook.

Mattel, Inc. v. MGA Entertainment, Inc., 616 F.3d 904 (9th Cir. 2010).

United States Court of Appeals, 9th Circuit

July 22, 2010. Opinion written by the Honorable Chief Justice Alex Kozinski.

**You Be the Judge!**

NAME \_\_\_\_\_

DATE \_\_\_\_\_

## Review the Case

After reading Mattel, Inc. v. MGA Entertainment, Inc., answer the following:

1. Identify the Plaintiff(s) in the case.

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2. Identify two of the Defendant(s) in the case.

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3. Is the Plaintiff seeking money damages?

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4. Is the Plaintiff seeking any other type of court order?

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5. What is a non-compete clause? How does this clause protect Mattel's business?

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6. Explain Bryant's duties under the employment contract with Mattel.

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7. How did Mattel compensate Bryant under the employment agreement?

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NAME \_\_\_\_\_

DATE \_\_\_\_\_

### **Review the Case (continued)**

**8.** Bryant completed a Conflict of Interest Questionnaire for Mattel. What did Bryant certify in the questionnaire?

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**9.** What are the dates that Bryant worked for Mattel?

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**10.** According to Mattel, explain how Bryant violated the terms of his employment contract.

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**11.** When did Bryant claim that he developed the Bratz doll?

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**12.** What inspired Bryant to develop the Bratz doll?

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**13.** What were Bryant's duties under the MGA Entertainment Employment Contract?

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**14.** According to their employment contract, how was Bryant compensated by MGA Entertainment?

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**15. BONUS:** Based on this case, do you believe employment contracts are fair to employees? Explain.

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NAME

DATE

## Make the Argument

In order for the judge or jury to render a decision, the following are some of the questions that must be considered:

1. Did the Defendant, Bryant, sign an employment contract with the Plaintiff?

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2. Did the Defendant, Bryant, violate the terms of the employment contract by entering into an agreement with MGA Entertainment?

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3. Is the enforcement of Bryant's employment contract fair and just to all parties?

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CASE: 5

NAME \_\_\_\_\_

DATE \_\_\_\_\_

## You Be the Judge

Having reviewed the case and considered the questions involved, decide the case for either the **Plaintiff** or the **Defendant**:

**Decision for the Plaintiff**



**Decision for the Defendant**

**Mattel, Inc.**

**MGA Entertainment, Inc.  
and Carter Bryant**

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**CASE: 5**