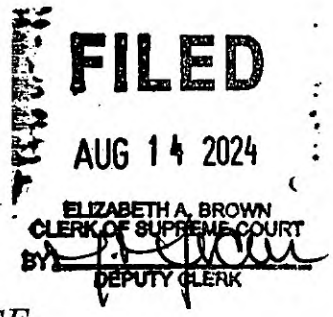
IN THE SUPREME COURT OF THE STATE OF NEVADA

ADVD HOLDINGS, LLC, A NEVADA LIMITED LIABILITY COMPANY; AND DRUCE FU, AN INDIVIDUAL,
Appellants,
vs.
TAPROOT HOLDINGS NV, LLC, A NEVADA CORPORATION,
Respondent.

No. 86451



ORDER OF AFFIRMANCE

This is an appeal from a preliminary injunction order in a commercial lease dispute. Eighth Judicial District Court, Clark County; Mark R. Denton, Judge.

Respondent Taproot Holdings NV, LLC occupies commercial warehouse space owned by appellant ADVD Holdings, LLC. When Taproot attempted to extend the lease for its occupancy, ADVD informed Taproot that it was in default and must bring its account current before the lease could be renewed. ADVD served Taproot with a notice of default and offered Taproot four options to cure the default. Taproot selected one option and performed under that option, repaying the entire amount that ADVD alleged was owed. When the lease term expired, ADVD informed Taproot that it was a holdover tenant and began charging a higher rental rate while the parties continued negotiations to renew the lease. After several months of failed negotiations, ADVD served Taproot with a 30-Day No Cause Notice to Quit. Taproot sued, seeking declaratory and injunctive relief and alleging that ADVD breached the parties' leases and settlement agreement, and breached the implied covenant of good faith and fair dealing. After an evidentiary hearing, the district court issued a preliminary injunction

barring ADVD from removing Taproot from the premises so long as Taproot continues to pay the monthly holdover tenant rate. ADVD appeals.

ADVD first argues that Taproot lacks standing to bring its claims.[1] Although Taproot was not a party to the original lease, it is undisputed that Taproot is the current tenant in possession of the premises. Taproot thus has an interest in the litigation. *Cf. Nev. Pol'y Rsch. Inst., Inc. v. Cannizzaro*, 138 Nev. 259, 261, 507 P.3d 1203, 1207 (2022) ("[S]tanding concerns whether the party seeking relief has a sufficient interest in the litigation[ ] so as to ensure [it] will vigorously" litigate its claims) (internal quotation marks omitted). Accordingly, we conclude that the district court did not err in finding that Taproot had standing for purposes of seeking injunctive relief.[2] *See Arguello v. Sunset Station, Inc.*, 127 Nev. 365, 368, 252 P.3d 206, 208 (2011) (explaining that "[s]tanding is a question of law reviewed de novo").

"A preliminary injunction is proper where the moving party can demonstrate that it has a reasonable likelihood of success on the merits and that, absent a preliminary injunction, it will suffer irreparable harm for which compensatory damages would not suffice." *Excellence Cmty. Mgmt., LLC v. Gilmore*, 131 Nev. 347, 350-51, 351 P.3d 720, 722 (2015). "[T]his court will only reverse the district court's decision when the district court abused its discretion or based its decision on an erroneous legal standard or on clearly erroneous findings of fact." *Id.* at 351, 351 P.3d at 722 (quoting

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[1]The record belies Taproot's contention that ADVD waived the right to challenge standing by failing to raise the issue below.

[2]To the extent the parties address privity of contract in relation to standing, we need not consider those arguments at this time given our conclusion that Taproot has standing.

Boulder Oaks Cmty. Ass'n v. B & J Andrews Enters., LLC, 125 Nev. 397, 403, 215 P.3d 27, 31 (2009)) (internal quotation marks omitted).

ADVD argues that the district court erred in granting Taproot injunctive relief because it applied the Ninth Circuit's "sliding-scale" test in evaluating Taproot's motion. The district court found that although Taproot had not demonstrated a likelihood of success on the merits of all its claims, injunctive relief was nonetheless appropriate given Taproot's strong showing on the other elements. *See All. for the Wild Rockies v. Cottrell*, 632 F.3d 1127, 1134-35 (9th Cir. 2011) (observing that a preliminary injunction is appropriate despite questions as to the merits of a plaintiff's claims where the balance of the hardships "tips sharply towards the plaintiff . . . so long as the plaintiff also shows that there is a likelihood of irreparable injury and that the injunction is in the public interest"). While the district court cited the Ninth Circuit's "sliding-scale" test in its order, we conclude that it did not base its decision on an incorrect legal standard, as it clearly considered Nevada law in evaluating Taproot's motion.

We first agree that Taproot demonstrated a likelihood of success on some of its claims. There is substantial evidence in the record to support the district court's findings that the parties entered into a valid settlement agreement and that Taproot performed in accordance with that agreement. *See May v. Anderson*, 121 Nev. 668, 672, 119 P.3d 1254, 1257 (2005) (listing elements for a valid settlement agreement). There is also no dispute that Taproot will suffer irreparable harm absent an injunction given ADVD's multiple efforts to remove it from the premises—an act which would severely disrupt Taproot's business and cause Taproot to suffer a loss of goodwill and investor confidence. *See Sobol v. Cap. Mgmt. Consultants, Inc.*, 102 Nev. 444, 446, 726 P.2d 335, 337 (1986) (concluding that

interference with business operations, injury to goodwill, and "damaging [a company's] reputation in the eyes of creditors" may constitute irreparable harm); *Guion v. Terra Mktg. of Nev., Inc.*, 90 Nev. 237, 240, 523 P.2d 847, 848 (1974) (recognizing that interference with the right to carry on a lawful business constitutes irreparable injury authorizing injunctive relief). Taproot also demonstrated that eviction could place its multiple privileged licenses at risk, as Nevada law strictly regulates where Taproot may conduct business. *See* NRS 678B.220 (medical cannabis geographic license limits); NRS 678B.260 (adult-use cannabis geographic license limits); NRS 678B.500(2) (requiring approval before a cannabis establishment may move locations); *see also State, Dep't of Bus. & Indus., Fin. Inst. Div. v. Nev. Ass'n Servs., Inc.*, 128 Nev. 362, 370, 294 P.3d 1223, 1228 (2012) (concluding that the suspension of a business license constitutes irreparable injury).

We also approve of the district court's weighing of the parties' relative hardships and the public interest in preserving the status quo. *See Clark Cnty. Sch. Dist. v. Buchanan*, 112 Nev. 1146, 1150, 924 P.2d 716, 719 (1996) ("The district court may also weigh the public interest and the relative hardships of the parties in deciding whether to grant a preliminary injunction."); *Dixon v. Thatcher*, 103 Nev. 414, 415, 742 P.2d 1029, 1029 (1987) (authorizing a preliminary injunction to preserve the status quo). Given the highly regulated nature of Taproot's business, it is in the public interest to maintain the status quo. The public interest also favors enforcing agreements. Further, ADVD will suffer little harm in comparison to Taproot, given that the district court ordered a sizeable bond and required Taproot to pay the higher holdover rental rate for the length of the litigation. Considering all the factors, we perceive no abuse of discretion in

the district court's decision to grant injunctive relief.[3] Based on the foregoing, we

ORDER the judgment of the district court AFFIRMED.

Stiglich, J.
Stiglich

Pickering, J.
Pickering

Parraguirre, J.
Parraguirre

cc: Hon. Mark R. Denton, District Judge
James A. Kohl, Settlement Judge
James Kwon, LLC
Greenberg Traurig, LLP/Las Vegas
Eighth District Court Clerk

[3]Given our disposition, we need not reach ADVD's argument that the district court improperly denied its countermotion to evict Taproot.