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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

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PATRICK CARIOU,

Plaintiff-Appellee,

-against-

RICHARD PRINCE, GAGOSIAN GALLERY, INC., and LAWRENCE GAGOSIAN,

Defendants-Appellants

---X

Docket No. 11-1197-cv

SDNY: 08-cv-11237 (DAB)

DEFENDANTS-APPELLANTS' MEMORANDUM OF LAW IN OPPOSITION TO PLAINTIFF-APPELLEE'S <u>MOTION TO DISMISS THE APPEAL</u>

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PRELIMINARY STATEMENT

On March 25, 2011, Defendants-Appellants Richard Prince, Gagosian Gallery, Inc., and Lawrence Gagosian (collectively "Appellants") filed a joint Notice of Appeal from a March 18, 2011 Memorandum and Order (the "Order") issued by the district court (Batts, J.), which included permanent injunctive relief against them. *See* 28 U.S.C. § 1292(a)(1). Plaintiff-Appellee Patrick Cariou ("Cariou") now moves to dismiss the appeal without prejudice.

Cariou argues that the appeal is moot because Appellants have agreed temporarily to comply with the district court's injunctions pending the results of this appeal, including temporarily storing items with a neutral third-party, rather than having them destroyed. Compliance with a court order never renders the order moot, and Appellants only agreed to put the paintings in storage until the district court's order is reversed. If Appellants prevail on this appeal, and the injunctions are reversed or vacated, Appellants will be able to resume all commercial activities currently enjoined by the district court's Order. Because a favorable decision from this Court will have immediate and practical benefits for Appellants, this Appeal is anything but moot.

STATEMENT OF FACTS

In his Amended Complaint ("Complaint"), Cariou alleged that Appellants infringed his copyright by, among other things, creating, marketing, and selling a

series of paintings and catalogs (the "Paintings" and the "Catalogs," and collectively, the "Items"). *See* Declaration of Hollis Gonerka Bart, dated June 1, 2011 ("Bart Dec.") ¶ 3. Appellants asserted, among other things, the defense of fair use under 17 U.S.C. § 107. *See id.* ¶ 4.

On May 14, 2010, the parties crossed-moved for summary judgment on liability, including the claim of infringement and the defense of fair use. Neither party moved for summary judgment on damages or remedies. *Id.* ¶ 5.

The Order granted Cariou's motion for summary judgment on liability, and rejected Appellants' defense of fair use. Without the benefit of briefing from either party, the Order went beyond the issues that were *sub judice,* and granted injunctive relief against Appellants. *See* Order, at Brooks Dec. Ex. A. The district court set a hearing on damages, which it later adjourned pending determination of this appeal. *See id.*[1]

Specifically, the Order: (i) permanently enjoined Appellants from infringing Cariou's copyright in the Photographs, thus prohibiting them from selling, displaying, marketing, promoting, or distributing the existing Paintings and Catalogs, which the district court found to be infringing; (ii) ordered Appellants to deliver to Cariou, within ten days, all unsold Items in their possession, custody, and control, "for impounding, destruction, or other disposition, as Plaintiff

[1] In doing so, the district court implicitly recognized that it would be more efficient for this Court to hear the appeal, and for the damages hearing to await the result.

determines;" and (iii) ordered Appellants to notify any known owners of the Paintings that the Paintings infringe Cariou's copyright and cannot be publicly displayed. Each of these injunctions (collectively the "Injunctions") mirrors a request for injunctive relief in Cariou's Complaint. *See* Complaint, at Bart Dec. Ex. A, pp.13-14 ¶¶ A, C and D.

Due to the Injunctions, Appellants cannot currently sell, display, loan, market, promote, copy or distribute any of the existing Items. If the Injunctions are reversed or vacated on appeal, however, Appellants will be entitled to resume these commercial activities.

Likewise, Appellants wrote letters to the current owners of the Paintings informing them of the Order, and the district court's view that the Paintings infringe Cariou's copyright and cannot be publicly displayed. *See* Brooks Dec. Ex. D. The letters further told the current owners that Appellants had filed this appeal. If the Injunctions are reversed or vacated on appeal, Appellants will be entitled to recall and/or correct these forced letters.

To comply with the portion of the Injunctions requiring Appellants to turn over the Items within ten days for impoundment, destruction, or other disposition, the parties executed a stipulation (the "Stipulation"), under which Appellants delivered the Items to Cariou for the "other disposition" which Cariou had the right to select – namely the Items would be stored and preserved in a neutral third-party

location. *See* Stipulation, at Brooks Dec. Ex. B. The Stipulation, by its express terms, expires on final determination of this appeal. *See* Stipulation ¶ 1; Brooks Dec. ¶ 5. The Stipulation recites that its purpose is to comply with the district court order requiring "impounding, destruction, or other disposition." *See id.* at Whereas Clause. By entering the Stipulation, Appellants were assured that the Items would be preserved intact until this appeal could be heard, rather than irreversibly destroyed.

If Appellants prevail on appeal and this Court reverses the findings of the district court, the Stipulation will expire (along with the underlying injunction it enforces), and Appellants will be entitled to retrieve their Items from storage, and resume all rights of custody, possession, or control, including the rights to display, promote, sell, advertise, lend, or otherwise dispose of the Items. In sum, contrary to Cariou's baseless argument that the injunction requiring impounding, destruction, or other disposition is "not being enforced" (*see* Cariou Mem. p.7), the Stipulation actually is the method by which Appellants are complying with the mandatory injunction – pending the results of this appeal – by allowing for an "other disposition" (*i.e.,* third-party storage), which is less draconian than immediate destruction, without the opportunity for a hearing.

Cariou now moves to dismiss this appeal without prejudice, and argues that the appeal is "moot" because Appellants currently cannot commit further acts of

alleged infringement – at least until their appeal is heard, an event Cariou now seeks to delay with this motion. Indeed, Cariou goes so far as to vaguely suggest that the Injunctions themselves may be unnecessary (or moot), but – notably – the Injunctions are currently still in place, and still restraining Appellants' activities. Indeed, contrary to Cariou's suggestion, absent the Injunctions, there is nothing prohibiting Prince from creating new paintings. Furthermore, Cariou's suggestion is entirely circular. If the Injunctions are vacated, and this appeal is then dismissed, both the Stipulation and the underlying Injunction requiring delivery to Cariou for "other disposition," will automatically expire, and Appellants will be entitled to retrieve their Items from storage, and resume all enjoined activities.

Respectfully, Cariou's motion is illogical. Cariou is not the party aggrieved by the Injunctions, and the fact that he is satisfied with the *status quo* does not render Appellants' appeal moot. Appellants are the parties aggrieved by the Injunctions and the *status quo*. If Appellants prevail on this appeal and the Injunctions are vacated, the Stipulation will expire by its terms, and the *status quo* will be materially altered in favor of Appellants. This controversy is therefore very much alive, and Cariou's motion to dismiss should be denied.

ARGUMENT

POINT I

APPELLANTS' APPEAL FROM THE DISTRICT COURT'S INJUNCTIONS IS NOT MOOT

Because the district court issued a permanent injunction, Appellants are entitled to an immediate appeal as of right. *See* 28 U.S.C. §1292(a)(1) ("The courts of appeals shall have jurisdiction of appeals from . . . interlocutory orders of the district courts of the United States . . . granting . . . injunctions").[2]

Cariou argues incorrectly that the appeal is moot because Appellants already agreed (under penalty of contempt) to comply with the injunction pending appeal, wrote the required letters to the owners, and delivered up the existing Items for storage, pursuant to the Stipulation. Cariou further claims that because the Items are now outside Appellants' physical control, Appellants are probably unable to violate the Injunctions prohibiting further infringement, even if they wanted to. Cariou, however, does not, and cannot, dispute that if Appellants prevail on this appeal and the Injunctions are vacated, the Stipulation will expire by its terms, and Appellants will be free to retrieve their Items, and recall and/or correct their forced

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[2] Although Cariou argues that the Order contains one injunction and two "equitable orders," as opposed to three separate injunctive orders, Cariou does not dispute that the district court issued at least one permanent injunction, appealable as of right. As a matter of law, there is no requirement that Appellants seek a stay before pursuing their appeal under 28 U.S.C. § 1292(a)(1). Likewise, Appellants are not required to "expedite" the appeal. Indeed, at this point, any delay in this appeal is due to Cariou's baseless motion to dismiss. *See* Second Cir. Local Rule 31.2(a)(3).

letters, and resume any commercial activity currently enjoined. *See Four Seasons Hotels & Resorts, B.V. v Consorcio Barr, S.A.*, 320 F.3d 1205, 1209 n.2 (11th Cir. 2003) ("compliance with the terms of an injunction does not moot a case where the action in question could be resumed or undone").

Cariou's argument has no support in the law. A party does not lose the right to appeal an injunction when it agrees – or is forced – to comply with the injunction temporarily, until its appeal is decided. *See New York SMSA Ltd. P'ship v. Town of Clarkstown*, 612 F.3d 97, 103 (2d Cir. 2010) (Second Circuit asserts jurisdiction over Town's appeal, because district court's order requiring Town to re-draft law was an effective injunction, notwithstanding Town's amendment of law "subject to the outcome of this appeal"); *Duhn Oil Tool, Inc. v. Cooper Cameron Corp.*, 367 Fed. App'x 148, 149 (Fed. Cir. 2010) (summary order) (injunction is immediately appealable, even if defendant previously voluntarily halted enjoined acts, because injunction "prevents [defendant] from changing its mind"); *Westar Energy, Inc. v. Lake*, 552 F.3d 1215, 1221-24 (10th Cir. 2009) (injunction was immediately appealable as of right under 28 U.S.C. § 1292(a)(1), despite defendant's announcement that it would comply with injunction pending appeal); *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1300-01 (Fed. Cir. 2005) (injunction prohibiting infringement is

immediately appealable, even if defendant abandoned infringing activities before injunction issued).[3]

Not surprisingly, Cariou cites not one case for his remarkable argument that an appeal from an injunction is moot if the enjoined party voluntarily complies with the injunction pending determination of its appeal. Cariou instead cites cases that make an entirely different point – namely a request for an injunction may become moot if there is no realistic expectation that the wrongful conduct will ever recur. For example, Cariou cites to *Consumers Union v. Gen. Signal Corp.*, 724 F.2d 1044 (2d Cir. 1983), but that case supports Appellants. There, this Court exercised jurisdiction under 28 U.S.C. § 1292(a)(1) to vacate a preliminary injunction. In doing so, the Court noted that the preliminary injunction with respect to a specific television commercial had become moot because defendant had already changed the commercial. *Id.* at 1052. However, the Court then analyzed the substantive defense of fair use, and vacated the preliminary injunction on the ground that the plaintiff was unlikely to succeed on the merits. *Id.* at 1054-55. Nothing in *Consumer Union* remotely suggests that the appeal itself was rendered moot, in whole or in part, because the underlying injunction was rendered

[3] Conversely, Cariou's argument, taken to its extreme, seems to violate public policy, because it would discourage parties from resolving issues between themselves, and from complying with injunctions until their appeals can be heard.

partially moot. To the contrary, that became another basis for this Court to find in favor of appellants, and vacate the injunctions.[4]

Moreover, unlike the defendants in *Consumers' Union* and the other cases cited by Cariou, Appellants fully intend to resume their sales of the Paintings and other enjoined activity if the Injunctions are vacated and the Order reversed. Indeed, for this very reason, the Stipulation was drafted to remain in place only temporarily, until this appeal is decided. *Cf. Dejohn v. Temple Univ.,* 537 F.3d 301, 309-11 (3d Cir. 2008) (injunction is not rendered moot by voluntarily cessation of enjoined activity, unless it is absolutely clear that activities will not resume in the absence of the injunction).

If Appellants prevail on this appeal and the Injunctions are dissolved, Appellants will no longer be required to comply with either the Injunctions or the Stipulation, which enforces portions of the Injunctions pending appeal. Thus, a favorable decision on this appeal will give Appellants immediate, tangible benefits.

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[4] The remainder of Cariou's cases are equally irrelevant. *See Robert Stigwood Group Ltd. v. Hurwitz*, 462 F.2d 910 (2d Cir. 1972) (appeal from ***denial*** of preliminary injunction is moot if there is no reasonable expectation that wrong will be repeated); *Allee v. Medrano,* 416 U.S. 802, 811-12 (1974) (relief not moot if it would allow plaintiff to continue unionization activities); *United States v. W.T. Grant Co.*, 345 U.S. 629, 632, 635-36 (1953) (defendants' cessation of wrongful conduct did ***not*** render the case moot, but Court's denial of injunction was a proper exercise of discretion); *Kuklachev v. Gelfman*, 629 F. Supp. 2d 236 (E.D.N.Y. 2008) (plaintiff's motion seeking injunction is moot absent reasonable expectation that wrongful conduct will recur); *Am. Express Travel Related Servs. Co., Inc. v. MasterCard Int'l Inc.*, 776 F. Supp. 787 (S.D.N.Y. 1991) (same).

Appellants continue to have a concrete interest in the outcome of this appeal, which is therefore not moot. *See In re Flanagan*, 503 F.3d 171, 178 (2d Cir. 2007) ("When an appellant retains an interest in a case so that a favorable outcome could redound in its favor, the case is not moot.").

POINT II

ALL THREE INJUNCTIONS ARE IMMEDIATELY APPEALABLE WITHOUT A SHOWING OF SERIOUS CONSEQUENCES, BUT SERIOUS CONSEQUENCES DO EXIST

In addition to the permanent injunction restraining Appellants from infringing Cariou's copyright, the district court also issued two mandatory injunctions, both essentially copied from the relief requested in Cariou's Complaint. Cariou incorrectly argues that these injunctions are not appealable because they do not have "serious consequences," but all three injunctions are immediately appealable as of right, under 28 U.S.C. § 1292(a)(1), without the need for Appellants to show "serious consequences." *See Commodity Futures Trading Comm. v. Walsh,* 618 F.3d 218, 223-25 (2d Cir. 2010) (orders which grant injunctions are automatically appealable as of right, whether or not they have serious or immediate consequences); *Saudi Basic Indus. Corp. v. Al-Jubail Petrochemical Co.*, 364 F.3d 106, 111 (3d Cir. 2004) (same).[5]

[5] Cariou cannot rely on *Carson v. Am. Brands, Inc.,* 450 U.S. 79, 84 (1981), where the Supreme Court held that an order which does not deny an injunction, but which merely has the practical effect of doing so, may be immediately appealed under 28

Cariou cannot, and does not, deny that the Court granted an injunction under 17 U.S.C. § 502, prohibiting Appellants from further infringing Cariou's copyright. *See* Order p.36 ("Defendants . . . are hereby enjoined and restrained permanently from infringing the copyright in the Photographs . . ."). Therefore, the Order is immediately appealable, without the need for any additional showing.[6] Cariou's motion must be denied on this ground alone, and, as such, this Court need not consider Cariou's remaining argument that other portions of the Injunctions are not really injunctions, but are instead merely equitable orders, without serious consequences.

However, if this Court were inclined to reach Cariou's additional arguments, they are equally without merit. First, these injunctions have serious consequences. For each additional day that the Injunctions are in effect, Appellants are prevented

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U.S.C. § 1292(a)(1) if an appellant can also show "serious, perhaps irreparable, consequences." The Second Circuit has expressly held that there is no need to make this additional "*Carson* showing" for orders which explicitly grant injunctions. *See Commodity Futures,* 618 F.3d at 224 ("*Carson* does not impose an additional 'serious consequences' requirement for appellate jurisdiction over orders that explicitly grant, continue, modify, refuse or dissolve injunctions and thereby meet the plain terms of the statute.").

[6] Because this injunction is inextricably bound up with, and premised on, the district court's grant of partial summary judgment on liability, the underlying merits of the summary judgment are raised on this appeal. *See, e.g., Cross Med. Prods., Inc.* 424 F.3d at 1301 (appeal from injunction prohibiting further infringing use requires court to consider underlying grant of summary judgment which found use to be infringing); *LaForest v. Former Clean Air Holding Co., Inc.*, 376 F.3d 48, 51, (2d Cir. 2004); *United States v. Allen*, 155 F.3d 35, 39-40 (2d Cir. 1998).

from possessing, controlling, copying, displaying, publishing, advertising, promoting, selling, marketing, or distributing the Paintings, with sales prices ranging up to the millions, or the Catalogs. Likewise, Appellants have been forced to inform all known owners of the Paintings of the district court's rulings, including her ruling that the Paintings cannot publicly be displayed, thereby eviscerating important rights of collectors who were not before the district court. Until this Court vacates this injunction and Appellants can recall and/or correct the letters, Appellants are forced to live with the continued impact they have on important and long-standing business relationships. Moreover, until reversed or vacated, this Order affects, or potentially affects, each of the existing owners, who were not before the district court, but who may nevertheless continue to feel bound by the Order, and the indirect instructions not to display the Paintings in public.

Second, the two additional injunctive paragraphs are mandatory injunctions, and thus appealable as of right with or without "serious consequences." Specifically, the Order mandates that: "Defendants shall within ten days . . . deliver up for impounding, destruction, or other disposition, as [Cariou] determines, all infringing copies of the Photographs, including the Paintings and unsold copies of the Canal Zone exhibition book . . ." This is an injunction. Federal Rule of Civil Procedure 65 – which applies to all injunctions – was amended in 2001 to make it clear that copyright impoundment orders fall within Rule 65. *See* Fed. R. Civ. P.

65(f); *accord Digital Filing Sys., L.L.C. v. Aditya Int'l,* 323 Fed. App'x 407, 410, 420 (6th Cir. 2009) (summary order) (post-trial order requiring impoundment and destruction is an injunction).

Cariou argues that this is an "equitable order," not an injunction, but cites no case to support his argument. Instead, he cites cases stating that impoundment and destruction are discretionary remedies. This argument misses the point. Injunctions are equitable, discretionary remedies, and a court's discretion to grant or deny injunctive relief does not make the resulting order any less of an injunction. *See, e.g., Rosco, Inc. v. Mirror Lite Co.,* 2006 U.S. Dist. LEXIS 73366, at *10 (E.D.N.Y. Sept. 29, 2006) ("Whether to grant or deny a permanent injunction is within the district court's equitable discretion") (Internal citation omitted); *Sanofi-Synthelabo v. Apotex, Inc.,* 492 F. Supp. 2d 353, 397 (S.D.N.Y. 2007) (same).[7]

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[7] Cariou's cases do not support his position. In *RSO Records, Inc. v. Peri,* 596 F. Supp. 849, 863-64 (S.D.N.Y. 1984) the district court stated that it had discretion to order destruction of infringing materials, but nothing in *RSO* suggests that any resulting order would not be an injunction. *Macewen Petroleum, Inc. v. Tarbell,* 136 F.3d 263, 264 (2d Cir. 1998), *citing Donlon Indus. v. Forte,* 402 F.2d 935, 937 (2d Cir. 1968), held that an order imposing a litigation bond was not an injunction, and was also not appealable as a collateral order because exercises of discretion are not generally appealable under the collateral order doctrine. Likewise, *Midway Mfg. Co. v. Omni Video Games, Inc.,* 668 F.2d 70 (1st Cir. 1981), held that the district court discretion to vacate an *ex-parte* order of impoundment and suppress evidence was not appealable as a collateral order. Appellants here are relying on the express statutory grant of 28 U.S.C. § 1292(a)(1), not the collateral order doctrine, and therefore these cases are inapposite.

The Order mandating impoundment and/or destruction is subject to Rule 65. It was directed towards the Appellants, enforceable by contempt, and granted the relief requested in Cariou's Complaint. It is therefore immediately appealable. *See, e.g., Cohen v. Bd. of Trs. of the Univ. of Med. And Dentistry of N.J.*, 867 F.2d 1455, 1464-68 (3d Cir. 1989); *Commodity Futures,* 618 F.3d at 224-25; *see also, Westar Energy*, 552 F.3d at 1223 ("Orders which themselves grant or deny injunctive relief are appealable as injunctions under 28 U.S.C. § 1292(a)(1) without the *Carson* showing. Since the district court's order expressly granted relief, it is immediately appealable notwithstanding the court's failure to label the relief as injunctive") (citation omitted); *accord United States v. E-Gold, Ltd.,* 521 F.3d 411, 415 (D.C. Cir. 2008) (order directing defendants to take specific actions was immediately appealable, even if not expressly denominated as an injunction: "An injunction is an injunction is an injunction. That which we call an injunction by any other name is reviewable on interlocutory appeal."); *Anderson v. Davila,* 125 F.3d 148, 154-55 (3d Cir. 1997) (order which is directed to a party, enforceable by contempt, and grants some of relief sought in complaint is an injunction subject to immediate appeal, regardless what label court put on it).

Indeed, the *Midway* Court did not even consider (let alone decide) whether the order was appealable under 28 U.S.C. § 1292(a)(1), perhaps because the order was an *ex-parte* TRO, not an injunction, and thus not subject to Section 1292(a)(1). Moreover, *RSO* and *Midway* predate the 2001 amendment to Rule 65, stating that copyright-impoundment orders are injunctive.

Likewise, the third injunctive paragraph, requiring Appellants to notify each known owner of any Painting of the district court's view that the Paintings infringe Cariou's copyright and therefore cannot be displayed, is a mandatory injunction, subject to immediate appeal. *See, Duhn Oil*, 367 Fed. App'x at 149 (although court stated it was not granting injunction, "it specifically imposed . . . an affirmative obligation on [defendant] to provide instructions to its . . . customers, which unambiguously state that the lockscrews are not to be engaged during installation or use, ... Therefore, the order is an immediately appealable injunction.") (internal quotation and citation omitted).[8] At the very least, it has the effect of granting an injunction, and is therefore appealable, given its ongoing, serious consequences. *See HBE Leasing Corp. v. Frank,* 48 F.3d 623, 632-33 (2d Cir. 1995) (order has practical effect of granting an injunction "if it is directed to a party, enforceable by contempt, and designed to accord or protect some or all of the substantive relief sought in the complaint").[9]

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[8] *Petrello v. White,* 533 F.3d 110, 115-16 (2d Cir. 2008), is not to the contrary. There, this Court held that an order granting plaintiff's motion for contractual specific performance, which did not specify exactly what defendant was supposed to do or a deadline for him to do it, was not a mandatory injunction because it was not specific enough to be punishable by contempt. That case is inapposite here, because Appellants understood that the ten-day time period likely applied to this injunctive paragraph as well, and indeed sent the letters on March 28, 2011, within ten days of the district court's Order, and because here the Order was specific about what Appellants were required to do.

[9] The Second Circuit has not yet determined whether a showing of serious consequences is required for immediate appeal of every order which has the

In sum, the district court issued a permanent injunction against future infringement under 17 U.S.C. § 502; a permanent injunction mandating impoundment, destruction, or other disposition; and a mandatory injunction requiring affirmative acts by Appellants. All three injunctions currently remain in full force and effect, and Appellants' appeal from them is not "moot." Each of these injunctions is immediately appealable as of right without any further showing.

POINT III

THE COURT SHOULD HEAR THE APPEAL ON THE MERITS NOW RATHER THAN AWAIT A HEARING ON DAMAGES

Appellants have an absolute right to take this appeal pursuant to 28 U.S.C. § 1292(a)(1). Moreover, although the district court initially denied Appellants' motion to stay the hearing on damages pending the determination of this appeal, the court later reversed its position and adjourned the damages hearing, *sine die*. Clearly, the district court recognized the potential inefficiency of holding a trial on damages before this Court has had an opportunity to review the Order, including the imposition of the Injunctions and the underlying findings of liability which supported the Injunctions.

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practical effect of granting an injunction. *See Commodity Futures,* 618 F.3d at 224-25, *citing HBE Leasing,* 48 F.3d at 632 n.5; *see also, e.g., Saudi Basic Indus., Corp.*, 364 F.3d at 111. As noted *supra,* even if this showing were necessary here, and it is not, it is easily made.

Should this Court reverse or vacate the Order in whole or in part, there may be no need for a trial on damages and/or that trial may be significantly limited in scope. Indeed, if the district court proceeds before this appeal is heard, there may ultimately be a need for the entire damages trial to be redone. Conversely, this Court can squarely address all the findings made by the district court (including her imposition of Injunctions, and her finding that the Paintings were not fair use) without waiting for the conclusion of any trial on damages.

Thus, over and above the fact that Appellants have a statutory right to proceed with this appeal on the merits, judicial efficiency will be served here by doing so.

CONCLUSION

For all of the reasons stated, Cariou's motion to dismiss the appeal without prejudice should be denied.

Dated: New York, New York
June 1, 2011

Respectfully submitted,

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