

**PUBLIC VERSION**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SHEPARD FAIREY AND OBEY GIANT  
ART, INC.,

Plaintiffs,

v.

THE ASSOCIATED PRESS,

Defendant and Counterclaim  
Plaintiff,

v.

SHEPARD FAIREY, OBEY GIANT ART,  
INC., OBEY GIANT LLC, STUDIO  
NUMBER ONE, INC., and ONE 3 TWO,  
INC. (d/b/a OBEY CLOTHING),

Counterclaim Defendants.

ECF

Case No. 09-01123 (AKH)

**MEMORANDUM OF LAW IN SUPPORT OF COUNTERCLAIM DEFENDANT  
ONE 3 TWO, INC.'S MOTION FOR SUMMARY JUDGMENT OR,  
IN THE ALTERNATIVE, PARTIAL SUMMARY JUDGMENT**

## TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION .....	1
II. SUMMARY OF ARGUMENT .....	3
III. BACKGROUND .....	5
A. One 3 Two is the Exclusive Licensee of Obey Giant .....	5
B. One 3 Two Sold Merchandise Featuring Fairey’s Obama Image and Used Profits to Support President Obama’s Campaign .....	7
C. One 3 Two’s Limited Role in This Litigation .....	9
1. One 3 Two Was Not Initially a Party to This Litigation and the AP’s Allegations Do Not Focus on One 3 Two’s Conduct .....	10
2. One 3 Two Had No Knowledge of Fairey’s Alleged Misconduct .....	11
IV. SUMMARY JUDGMENT STANDARD .....	12
V. THE AP’S DMCA CLAIM AGAINST ONE 3 TWO FAILS AS A MATTER OF LAW .....	12
VI. NO REASONABLE JUROR COULD CONCLUDE THAT ONE 3 TWO IS LIABLE FOR COPYRIGHT INFRINGEMENT BECAUSE THE OBAMA IMAGE IS NOT SUBSTANTIALLY SIMILAR TO THE PROTECTIBLE ELEMENTS OF THE GARCIA PHOTO .....	14
A. Not All Elements of the Garcia Photo Are Protectible .....	16
1. The Facts Documented in the Garcia Photo Are Not Protectible .....	17
2. The <i>Scenes à Faire</i> Doctrine Precludes the Copyrightability of Certain Elements of the Garcia Photo .....	17
B. The Protectible Elements of the Garcia Photo Are Not Substantially Similar to the Obama Image .....	19
VII. THE AP’S CONTRIBUTORY INFRINGEMENT AND DECLARATORY JUDGMENT CLAIMS NECESSARILY FAIL AS A MATTER OF LAW .....	22
VIII. THE UNDISPUTED FACTS SHOW THAT THE AP IS NOT ENTITLED TO DISGORGEMENT OF ONE 3 TWO’S PURPORTED “INDIRECT PROFITS” .....	22
A. One 3 Two’s Non-Obama Sales Involve Diverse, Unrelated Products .....	24

B.	The AP Must Submit Evidence Linking Indirect Profits to Infringement.....	25
C.	The AP's Expert Relies on Rank Speculation as "Evidence" of a Causal Link.....	27
1.	The AP Does Not Base Its Causation Analysis on Facts.....	28
2.	The AP's Analysis Is Seriously, and Admittedly, Flawed .....	31
(a)	One 3 Two Cannot Have Made "Indirect Profits" Before the Obama Merchandise Was Sold.....	32
(b)	Kedrowski's Admissions Regarding Her Methodology Establish That There Is No Methodology to Her Analysis at All .....	33
(c)	Kedrowski Made No Effort to Establish what One 3 Two's Revenues Would Have Been But For the Alleged Infringement .....	35
IX.	CONCLUSION.....	36

**TABLE OF AUTHORITIES**

	<b><u>Page</u></b>
<i>Apple Computer, Inc. v. Microsoft Corp.</i> , 35 F.3d 1435 (9th Cir. 1994) .....	16
<i>Arista Records LLC v. Usenet.com, Inc.</i> , 633 F. Supp. 2d 124 (S.D.N.Y. 2009) .....	22
<i>Arnstein v. Porter</i> , 154 F.2d 464 (2d Cir. 1946) .....	15
<i>Bill Diodato Photography, LLC v. Kate Spade, LLC</i> , 388 F. Supp. 2d 382 (S.D.N.Y. 2005) .....	14, 17, 18, 19
<i>Bridgeport Music, Inc. v. WM Music Corp.</i> , 508 F.3d 394 (6th Cir. 2007) .....	13
<i>Cabell v. Sony Pictures Entertainment, Inc.</i> , 714 F. Supp. 2d 452 (S.D.N.Y. 2010) .....	12
<i>Daubert v. Merrell Dow Pharmaceuticals, Inc.</i> , 509 U.S. 579 (1993) .....	28, 33
<i>Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.</i> , 499 U.S. 340 (1991) .....	14
<i>Gordon v. Nextel Communications &amp; Mullen Advertising, Inc.</i> , 345 F.3d 922 (6th Cir. 2003) .....	13
<i>Hoehling v. Universal City Studios</i> , 618 F.2d 972 (2d Cir. 1978) .....	15, 21
<i>Kaplan v. The Stock Market Photo Agency, Inc.</i> , 133 F. Supp. 2d 317 (S.D.N.Y. 2001) .....	16, 17, 20
<i>Kerr v. New Yorker Magazine, Inc.</i> , 63 F. Supp. 2d 320 (S.D.N.Y. 1999) .....	16, 21
<i>Mackie v. Reiser</i> , 296 F.3d 909 (9th Cir. 2002.) .....	27, 29
<i>On Davis, Inc. v. The GAP, Inc.</i> , 246 F.3d 152 (2d Cir. 2001) .....	23, 25, 26, 33

<i>Pavlica v. Behr</i> , 397 F. Supp. 2d 519 (S.D.N.Y. 2005) .....	22
<i>Perfect 10, Inc. v. Visa Intern. Service Ass'n</i> , 494 F.3d 788 (9th Cir. 2007) .....	13, 14
<i>Peter F. Gaito Architecture, LLC v. Simone Development Corp.</i> , 602 F.3d 57 (2d Cir. 2010) .....	15
<i>Polar Bear Productions, Inc. v. Timex Corp.</i> , 384 F.3d 700 (9th Cir. 2004) .....	25, 26, 31
<i>Psihoyos v. The National Geographic Society</i> , 409 F. Supp. 2d 268 (S.D.N.Y. 2005) .....	16, 17, 19
<i>Semerdjian v. McDougall Littell</i> , 641 F. Supp. 2d 233 (S.D.N.Y. 2009) .....	23, 27
<i>Shine v. Childs</i> , 382 F. Supp. 2d 602 (S.D.N.Y. 2005) .....	19
<i>Straus v. DVC Worldwide, Inc.</i> , 484 F. Supp. 2d 620 (S.D.Tex. 2007) .....	17, 34
<i>Williams v. Crichton</i> , 84 F.3d 581 (2d Cir. 1996) .....	14

## STATUTES

11 U.S.C. § 504(b) .....	23, 25
17 U.S.C. § 201(d)(2) .....	16
17 U.S.C. § 1202(b)(1) .....	12
17 U.S.C. § 1202(b)(3) .....	12

## RULES

Fed. R. Civ. P. 56(c) .....	12
Fed. R. Civ. P. 702 .....	28

**OTHER AUTHORITIES**

1 Nimmer on Copyright § 2.08[E][1] .....17  
4 Nimmer on Copyright § 14.03[B] .....26

**I. INTRODUCTION**

This motion for summary judgment is probably quite different from the defensive motion the Court was expecting to adjudicate. This case began as what appeared to be a principled dispute between an artist and a copyright holder about (a) what constitutes copyright infringement when the allegedly infringed work is a photograph and (b) the application of the fair use defense when a news photograph is used as a visual reference in what became an iconic political poster. Over the course of the intervening year, the focus shifted, initially to issues of spoliation and fabrication of evidence (involving not only the artist who created the image in question but also the photographer who snapped the photograph.) Days before this motion was due, the focus shifted again [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. What once was a principled dispute between parties claiming to hold various copyrights is now litigation driven by the amount of money one of them believes it can get from a clothing company it views as a deep pocket.

While the Court likely expected the defensive motions for summary judgment to primarily address issues of fair use or spoliation of evidence, by this motion for summary judgment, Counterclaim Defendant One 3 Two, Inc. (“One 3 Two”)—a clothing manufacturer who has an indirect contractual relationship with the artist—asks the Court to find that the undisputed facts show that One 3 Two did not violate the Digital Millennium Copyright Act (the “DMCA”), did not infringe any copyrights, and that even if Defendant and Counterclaimant the Associated Press (the “AP”) could establish liability against One 3 Two, it has no basis to recover the more than [REDACTED] in “indirect profits” it contends One 3 Two earned as a result

of the purported infringement. These issues, which relate specifically to One 3 Two, are now at the heart of the case.

One 3 Two is an independent entity that was brought into this case in the late fall of 2009, many months after the litigation was commenced. One 3 Two is the exclusive licensee of a company known as Obey Giant Art, LLC (“Obey Giant”), which is affiliated with the graphic artist Shepard Fairey. As the Court is well aware, this lawsuit arises out of an illustration Shepard Fairey created of then-Senator and Presidential Candidate Barack Obama (the “Obama Image”), which used a photograph taken by photojournalist Mannie Garcia (“Garcia”) in 2006 (the “Garcia Photo”) as a visual reference.

Pursuant to its license with Obey Giant, One 3 Two produced and/or sold apparel and other merchandise that featured the Obama Image. The undisputed facts show that One 3 Two had no access to the Garcia Photo at all. Nor did One 3 Two have any involvement in the creation of the Obama Image. Indeed, One 3 Two first received the Obama Image from Shepard Fairey over a month after he created the image and began widely circulating it in various forms. It is therefore more than a little ironic that this Motion was due [REDACTED]

[REDACTED]  
[REDACTED] which disposed of Garcia’s claim that he, and not the AP, owned the copyright in the Garcia Photo. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]. One 3 Two hopes to bring the litigation to a close either through a ruling that



adjudicates the liability issues in One 3 Two's favor or eliminates the AP's claim for exorbitant damages.

## II. SUMMARY OF ARGUMENT

As to liability, summary judgment should be granted to One 3 Two on all of the causes of action the AP has alleged. [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] The undisputed facts establish that the AP's claims against the [REDACTED] Counterclaim Defendant fail as a matter of law.

First, the claim against One 3 Two under the DMCA is fatally defective because there is no evidence that One 3 Two intentionally removed copyright information or that it distributed copies of the Garcia Photo with the knowledge that copyright information had been removed. Indeed, One 3 Two never even learned *which* photograph Fairey had used until that information came out through this lawsuit and so hardly could have manipulated the photograph in any manner. Even if the AP can establish that *Fairey* took such actions—a fact that Fairey has disputed in his pleadings and depositions—summary judgment should still be granted as to One 3 Two as it merely used the Obama Image weeks after Fairey had created it, and without any knowledge as to Fairey's creative process.

Second, the AP cannot succeed on its copyright infringement claim because the Obama Image does not infringe any protectible elements of the Garcia Photo. In particular, this Court may determine on summary judgment, based upon its review of the Garcia Photo and the Obama Image, that the only similarities between those two works arise from non-copyrightable elements of the photograph. The AP is essentially trying to copyright the face of Barack Obama, which is not protectible, and that goes far beyond what the law allows. Because the AP's infringement

claim<sup>1</sup> against One 3 Two depends upon a finding that the Obama Image in fact infringes Garcia's work, the AP's claim against One 3 Two fails as a matter of law.<sup>2</sup>

Even if the Court denies One 3 Two's motion as to liability, it should still dispose of the AP's unsupported and exorbitant claim for indirect profits, which the Court may decide as a matter of law. The AP is pursuing claims against One 3 Two largely because of the AP's mistaken belief that it will be able to recover more than ██████████ in "indirect profits" from One 3 Two. By definition, indirect profits are profits on sales of merchandise One 3 Two made that do not infringe any copyright, but that the AP contends were in some way caused by the alleged infringement. However, the AP's "evidence" on this point falls far short of what is required by the law to show a causal link between the infringement and indirect profits, and the Court can eliminate this claim—and a substantial element of the Parties' divergent valuation of the AP's claims—before trial.

No reasonable juror could find in favor of the AP on any of its Counterclaims against One 3 Two, and the AP cannot meet its burden with respect to One 3 Two's indirect profits. One 3 Two's request for summary judgment should be granted.

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<sup>1</sup> This same argument defeats the AP's claims for Copyright Infringement, Contributory Infringement and Declaratory Judgment. Each of those causes of action requires the AP to demonstrate that One 3 Two infringed the AP's copyright, and that the AP cannot do so is fatal to all three claims.

<sup>2</sup> Both the AP and the Fairey Companies submitted extensive primers on their legal positions in December 2010 to this Court, the focus of which was on the fair use defense. Although the case law indicates that summary judgment *might* be proper on the fair use defense, One 3 Two believes that the determination of fair use in this case is likely more appropriate for the trier-of-fact, as this Court indicated at the last status conference on November 30, 2010, and so has not moved on this ground. Should the AP nonetheless seek to dismiss One 3 Two's fair use defense in its summary judgment motion, however, One 3 Two is prepared to set forth in its opposition these key disputes of fact.

### III. BACKGROUND

#### A. *One 3 Two is the Exclusive Licensee of Obey Giant*

One 3 Two is a clothing company formed for the purpose of selling apparel featuring Fairey's artwork. [Declaration of Christopher Broders ("Broders Decl."), ¶ 2; Declaration of Regan Donald Juncal ("Juncal Decl."), ¶ 3; Deposition of Regan Donald Juncal ("Juncal Depo.") at 43:18-20; Deposition of Frank Shepard Fairey ("Fairey Depo.") at 54:24-55:6.] One 3 Two, whose products are sold in more than 20 countries worldwide, sells an extensive line of men's and women's casual clothing and apparel, targeting an urban, 18- to 30-year old demographic. [Broders Decl., ¶ 2.]

One 3 Two first formed its relationship with Fairey in 1999, when One 3 Two initially contracted to become the exclusive apparel licensee of Obey Giant. Counterclaim Defendant One 3 Two, Inc.'s Statement pursuant to Local Rule 56.1 ("Sep. Stmt.") Nos. 1-2. Christopher Broders, one of the founders of One 3 Two, had a background in the apparel industry. [Broders Decl., ¶ 3.] Broders knew of Fairey's artwork and thought his images and graphic designs would translate well to apparel. [Broders Decl., ¶ 3; Broders Depo. at 30:2-11.] Broders and Steve Mellgren, one of the other founders of One 3 Two, approached Fairey with an exclusive license proposal. [Broders Decl., ¶ 3; Broders Depo. at 31:8-32:2.] Ultimately, Obey Giant negotiated a written exclusive license agreement with One 3 Two, which has since been amended several times (the "Exclusive License Agreement"). Sep. Stmt. No. 2.

The relationship between Fairey and his companies and One 3 Two is contractually-based and arose from arms-length negotiations between unrelated parties. [Broders Decl., ¶¶ 3-5.] Neither Fairey, nor any other person who holds interests in the companies that manage Fairey's work, now has or has ever held an interest in One 3 Two. Sep. Stmt. Nos. 1-6. Instead, One 3 Two is owned by Broders, Juncal, Eric Singer, Mike Ternosky, Steve Mellgren, and Dale

Moody—none of whom has any financial stake in the Fairey Companies. Sep. Stmt. Nos. 4-5. One 3 Two is now based in Irvine, California, having previously been based in Santa Ana, California. [Declaration of Don Juncal (“Juncal Decl.”), ¶ 2.] Obey Giant is based in Los Angeles, more than 30 miles from the One 3 Two location. *See Answer and Affirmative Defenses of Plaintiffs and Counterclaim Defendants* filed on December 14, 2009, ¶ 70.

Under their agreement, Obey Giant is obligated to provide One 3 Two with a certain number of Fairey’s designs per year, which One 3 Two fashions into apparel. [Broders Decl., ¶ 6, Ex. B, paragraph 9.1.] One 3 Two sells the merchandise and pays Obey Giant royalties pursuant to the licensing agreement. Sep. Stmt. No. 7. One 3 Two does not supervise or control the creation of any of Fairey’s designs, and did not supervise or control Fairey’s creation of the image in question in this lawsuit, the Obama Image. Sep. Stmt. No. 8.

While One 3 Two was formed primarily to create t-shirts and sweatshirts bearing Fairey’s graphics, from its very first season onward its products have also included substantial sportswear lines that do not include Fairey’s designs. Sep. Stmt. No. 9. In the 2008-2009 time period when the alleged infringement took place, One 3 Two had a broad product line that included accessories, hats, handbags, jewelry and sportswear items. Sep. Stmt. No. 10. One 3 Two’s “Look Book” for 2010 demonstrates the diversity of its products, which have continued to expand over the years. [Juncal Decl., ¶ 3, Ex. H.] As One 3 Two’s product lines have diversified, its sales have also increased, and it has enjoyed growth in revenues and profits even during the recent economic downturn that has harmed other clothing manufactures and retailers. [Juncal Decl., ¶ 3.]

***B. One 3 Two Sold Merchandise Featuring Fairey's Obama Image and Used Profits to Support President Obama's Campaign***

The design at issue in this litigation, the “Obama Image,” was created by Fairey in January 2008. Sep. Stmt. No. 11.<sup>3</sup> It is undisputed that Fairey used the Garcia Photo as a visual reference when creating the Obama Image. Sep. Stmt. No. 12. The Obama Image became hugely popular almost immediately after its release. [Crowther Decl., ¶ 13; Amended Complaint for Declaratory Relief of Shepard Fairey et al., ¶¶ 19-22] Initially, One 3 Two did not intend to use this design to create any merchandise. [Juncal Decl., ¶ 5; Juncal Depo. at 79:23-80:16.] While some of the founders of One 3 Two supported Barack Obama in his run for the presidency, they did not want to profit from his candidacy or create an appearance that they hoped to do so. [Juncal Decl., ¶ 5; Juncal Depo. at 80:8-80:16.] However, other apparel manufacturers began using the Obama Image for t-shirts even though such use was in violation of One 3 Two’s exclusive license agreement with Obey Giant, and One 3 Two was asked by one of its largest customers—the retail store Urban Outfitters—to create t-shirts with the Obama Image for Urban Outfitters to sell. [Juncal Decl., ¶ 5; Juncal Depo. at 80:2-81:9.] After discussing the issue with Fairey and his companies, One 3 Two decided to create t-shirts and other items with the Obama Image (the “Obama Merchandise”) and to donate as much of the profits generated by the sales of that merchandise to support the Obama campaign. [Juncal Decl., ¶ 5; Broders Decl., ¶ 12.]<sup>4</sup>

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<sup>3</sup> Fairey actually created multiple designs incorporating the “Obama Image,” including images that were accompanied by the text “Progress” and the text “Hope.” These images are attached as Exhibits I and J to the Declaration of Robyn C. Crowther (“Crowther Decl.”) filed concurrently herewith and authenticated in that declaration.

<sup>4</sup> After making the decision to donate profits, One 3 Two learned that because it is a corporate entity, it could not donate substantial portions to the campaign itself under the campaign finance laws then in place. [Broders Decl., ¶ 13.] Instead, as demonstrated below, One 3 Two used profits from the Obama Merchandise to support the campaign by, among other (footnote continued)

One 3 Two first received a copy of the Obama Image for the purpose of placing it on apparel on about February 28, 2008. Sep. Stmt. No. 13. One 3 Two never received a copy of, nor did it ever have access to, the Garcia Photo. Sep. Stmt. No. 14. On receiving the Obama Image, One 3 Two began producing the Obama Merchandise, and did not make any changes to the Obama Image aside from subtle changes relating to sizing and typography.<sup>5</sup> Sep. Stmt. No. 15. One 3 Two began to sell the t-shirts in April 2008. [Broders Decl., ¶ 11.]

The AP frequently notes that the sales of Obama Merchandise were substantial, and generated profits for One 3 Two. *See, e.g.*, The AP's First Amended Answer, Affirmative Defenses, and Counterclaims filed on November 12, 2009 ("FAC") at ¶ 55. While that is true, it is undisputed that One 3 Two intended from the outset to use as much of the profit it made on the Obama Merchandise to support Obama's candidacy. [Juncal Decl., ¶ 5; Broders Decl., ¶¶ 9 & 12.] Between March and November 2008, One 3 Two used at least [REDACTED] of its profits from the Obama Merchandise for projects to promote Obama's bid for the presidency. [Broders Decl., ¶ 13.] These donations included creating window installations using the Obama Image, purchasing advertisements in magazines featuring the Obama Image, supplying funds for the creation of posters and stickers featuring the Obama Image, and giving away the Obama Merchandise at no cost. [Broders Decl., ¶ 13; Broders Depo. at 86:3-18; 209:20-210:21.]

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things, creating more merchandise, some of which was given away for free, and by purchasing advertising to support Obama's campaign. [Broders Decl., ¶ 13; Broders Depo. at 209:20-210:21.]

<sup>5</sup> One 3 Two created a number of different apparel styles featuring the Obama Image. Some of these displayed a black and white version of the Obama Image, some others included text beneath the Obama Image, and others displayed the Obama Image less prominently with additional design features. [Broders Decl., ¶ 11, Exs. E, F, & G.] None of these styles materially altered the Obama Image, however, and they are therefore immaterial to the Court's infringement analysis with respect to One 3 Two.

**C. One 3 Two's Limited Role in This Litigation**

Because the facts forming the basis of the AP's claims in this lawsuit have evolved substantially since the litigation began, it is important to separate what is widely-known now from what facts were known by One 3 Two at the time it manufactured and sold the allegedly infringing items.

Initially, this lawsuit was a preemptive effort by Fairey to establish that the Obama Image was a "fair use" of the Garcia Photo, and the AP's corresponding claims for copyright infringement and violation of the DMCA. *See* Complaint for Declaratory Judgment and Injunctive Relief filed on February 9, 2009. Months later, claims of fabrication and spoliation of evidence by Fairey arose and have taken on a life of their own.<sup>6</sup> *See generally* FAC. Those facts were not known by One 3 Two before they were revealed in the context of this lawsuit in October 2009; indeed, One 3 Two had not even been added as a Counterclaim Defendant at the time these facts came to light. [Broders Decl., ¶ 14; Juncal Decl., ¶ 7; Juncal Depo. at 73:9-24; 193:6-25; 197:10-15; 198:23-199:2; Broders Depo. at 53:23-54:7; 56:13-61:25; 66:23-69:10; Fairey Depo. at 342:19-345:14.] While the AP contends Fairey engaged various conduct in bad faith, these were all acts by Fairey himself, not anyone affiliated with One 3 Two. *See* FAC at ¶¶ 139-178. The only evidence supporting the AP's claims against One 3 Two is no more than that One 3 Two used the Obama Image on merchandise it sold without the AP's consent. Those claims are very different than many of the allegations the AP has leveled at Fairey, and One 3 Two's liability must be assessed independently.

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<sup>6</sup> There was also a dispute between the AP and Garcia regarding the ownership of the copyright of the photograph. That dispute fizzled once the AP uncovered evidence that Garcia also had spoliated evidence.

**1. One 3 Two Was Not Initially a Party to This Litigation and the AP's Allegations Do Not Focus on One 3 Two's Conduct**

On March 11, 2009, the AP filed its Answer and Counterclaim against Fairey and the Fairey Companies. Eight months later, on November 12, 2009, the AP amended its Answer and Counterclaim and added One 3 Two as a counterclaim defendant. *See* FAC. The AP's FAC alleges four counterclaims against Counterclaim Defendants Fairey, the Fairey Companies and One 3 Two (collectively, the "Counterclaim Defendants"): (1) copyright infringement; (2) contributory copyright infringement; (3) declaratory judgment; and (4) violation of the DMCA. FAC at ¶¶ 189-212.

Although Fairey and his companies are separate and distinct from One 3 Two the FAC generally treats Fairey and One 3 Two, and each of their respective allegedly infringing works, as one and the same. *See, e.g.*, FAC at ¶ 52 (defining all counterclaim defendants as either "Counterclaim Defendants" or "Fairey") and defining the "series of posters and other merchandise based on the Obama Photo" as the "Infringing Works"). Only two paragraphs in the FAC contain factual allegations that specifically reference One 3 Two's conduct. *See* ¶ 55 (alleging that One 3 Two "has manufactured and sold hundreds of thousands of infringing T-shirts and related items, earning revenues from the Infringing Works") and ¶ 109 (alleging that One 3 Two "knocked off" the "influential fuct™ brand of clothing's logo and designs"). Indeed, the majority of allegations relate to Fairey's actions and conduct. *See generally* FAC. While such conclusory assertions might have been sufficient to avoid a motion to dismiss, they cannot salvage The AP's claims at this stage of the litigation. Now is the time for the AP to come forward with evidence to support the claims it has alleged against One 3 Two, and, in many critical instances, it cannot do so.



## 2. One 3 Two Had No Knowledge of Fairey's Alleged Misconduct

In its recently-submitted primer on copyright law, the AP argued that Fairey had engaged in certain acts of bad faith that impacted his ability to pursue his claims and defenses. *See* The AP's letter submission to the Court dated December 22, 2010 at 6. It is undisputed that One 3 Two was neither responsible for these actions, nor had any knowledge of them before it was sued in this litigation. [Broders Decl., ¶ 14; Juncal Decl., ¶ 7.] The AP contends first that Fairey stripped copyright management information from the Garcia Photo. *See* FAC at ¶¶ 141, 208-209. There is no evidence that Fairey ever told One 3 Two that he had stripped copyright management information from the photograph he used as a visual reference, or that One 3 Two would otherwise have any knowledge regarding this alleged conduct and in fact One 3 Two had no such knowledge. *Sep. Stmt.* No. 17. Indeed, prior to this litigation, One 3 Two did not even know which specific photograph Fairey referenced to create the Obama Image, and so could hardly have known the specifics of Fairey's creative process. *Sep. Stmt.* No. 18.

Next, the AP has repeatedly asserted that Fairey's admission that he fabricated and destroyed evidence to conceal the identity of the photograph supports a finding of bad faith. One 3 Two had no knowledge of this conduct. [Juncal Decl., ¶ 7; Broders Decl., ¶ 14; Juncal Depo. at 73:9-24; 193:6-25; 197:10-15; 198:23-199:2; Broders Depo. at 53:23-54:7; 56:13-61:25; 66:23-69:10; Fairey Depo. at 342:19-345:14.] Fairey has testified that he told no one about his actions until October 2009. [Fairey Depo. at 342:19-345:14.] One 3 Two first became aware of Fairey's misrepresentations and destruction of evidence just one or two days before Fairey issued a press release to this effect in October 2009. [Broders Decl., ¶ 14; Juncal Decl., ¶ 7; Juncal Depo. at 73:9-24; 193:6-25; Broders Depo. at 53:23-54:7; 56:13-61:25; 66:23-69:10.] There is consequently no basis for attributing any of the alleged misconduct by Fairey to One 3 Two, and it has no impact on One 3 Two's request for summary judgment.

#### **IV. SUMMARY JUDGMENT STANDARD**

Pursuant to Federal Rule of Civil Procedure 56(c), summary judgment is proper when “the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c). The moving party has the burden of demonstrating the absence of any issue of material fact. *Cabell v. Sony Pictures Entertainment, Inc.*, 714 F. Supp. 2d 452, 457-58 (S.D.N.Y. 2010). “Materiality is determined by the governing substantive law”—which, in this case, is the Copyright Act. *Id.* at 458. The facts material to One 3 Two’s motion are not in dispute and summary judgment is consequently appropriate.

#### **V. THE AP’S DMCA CLAIM AGAINST ONE 3 TWO FAILS AS A MATTER OF LAW**

Because there is no evidence that One 3 Two engaged in *any* conduct that could be deemed a violation of the DMCA, One 3 Two is entitled to summary judgment of that claim.

The AP alleges that One 3 Two violated two provisions of the DMCA: Sections 1202(b)(1) and (3). Section 1202(b)(1) of the DMCA makes it unlawful to intentionally remove and/or alter copyright-management information. *See* 17 U.S.C. § 1202(b)(1). Section 1202(b)(3) provides that it is unlawful to distribute works or copies of works knowing that copyright information has been removed or altered. *See* 17 U.S.C. § 1202(b)(3). The AP fails, however, to offer any factual basis for its claim that One 3 Two violated either provision.

Indeed, nowhere does the FAC even allege that *One 3 Two* intentionally removed copyright information or that it distributed copies of the Garcia Photo with the knowledge that copyright information had been removed. *See* FAC. Nor could the AP truthfully make such allegations, as One 3 Two did not engage (and could not have engaged) in such conduct. One 3 Two never even had access to the Garcia Photo, and did not know which photograph Fairey used as a visual reference—much less whether the version of the photograph that Fairey located ever

had a watermark or that Fairey took any action to remove that watermark. Sep. Stmt. Nos. 14, 18. As no reasonable juror could find that One 3 Two violated the DMCA, the AP's DMCA claim should be summarily adjudicated in favor of One 3 Two. *See Gordon v. Nextel Communications & Mullen Advertising, Inc.*, 345 F.3d 922, 923 (6th Cir. 2003) (affirming summary judgment in favor of defendants on DMCA claim where the plaintiff "failed to introduce sufficient evidence that the copyright notice was removed with the requisite intent").

Fairey has also denied that he violated the DMCA and One 3 Two is aware of no evidence to suggest otherwise. *See Answer and Affirmative Defenses of Plaintiffs and Counterclaim Defendants* filed on December 14, 2009, ¶ 141 [Juncal Decl. ¶ 6, Broders Decl., ¶ 10.] In the event that the AP presents evidence that Fairey violated the DMCA, however, there is no basis in fact or law for attributing Fairey's conduct to One 3 Two. Vicarious liability only exists when "(1) a defendant has the right and ability to supervise the infringing conduct and (2) the defendant has an obvious and direct financial interest in the infringement." *See Gordon* 345 F.3d at 926 (noting that these elements are independent requirements). Here, the Exclusive License Agreement makes clear that One 3 Two had neither the right nor the ability to supervise Fairey's conduct with respect to the creation of any of his designs, including his use of the Garcia Photo to create the Obama Image. [Broders Decl., ¶ 6, Exs. B & C.] One 3 Two merely reproduces the designs on apparel that it receives from Fairey and his companies. Sep. Stmt. No. 8. Because One 3 Two lacks the requisite control over Fairey and his companies, One 3 Two cannot be held vicariously liable for Fairey's alleged conduct. *See Bridgeport Music, Inc. v. WM Music Corp.*, 508 F.3d 394, 400 (6th Cir. 2007) (publisher not vicariously liable for artist's conduct where exclusive publishing agreement merely provided publisher with right to own and exploit the artist's work, not to control his song writing activities); *see also Perfect 10, Inc. v.*

*Visa Intern. Service Ass'n*, 494 F.3d 788, 805-06 (9th Cir. 2007) (ability to assert indirect economic pressure insufficient to establish vicarious infringement).

**VI. NO REASONABLE JUROR COULD CONCLUDE THAT ONE 3 TWO IS LIABLE FOR COPYRIGHT INFRINGEMENT BECAUSE THE OBAMA IMAGE IS NOT SUBSTANTIALLY SIMILAR TO THE PROTECTIBLE ELEMENTS OF THE GARCIA PHOTO**

The AP's copyright infringement claim is equally and irreparably flawed. In order to succeed on a claim for copyright infringement, the AP must show: "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). "The second element, copying, is comprised of two requirements: actual copying and improper appropriation." *Bill Diodato Photography, LLC v. Kate Spade, LLC*, 388 F. Supp. 2d 382, 389 (S.D.N.Y. 2005).

If the AP establishes actual copying, it "must then satisfy the 'improper appropriation' requirement by demonstrating that 'substantial similarities' as to the protected elements of the work would cause an average lay observer to 'recognize the alleged copy as having been appropriated from the copyrighted work.'" *Id.* If "the similarity concerns only noncopyrightable elements of plaintiff work," or "no reasonable trier of fact could find the works substantially similar," summary judgment is appropriate. *Williams v. Crichton*, 84 F.3d 581, 587 (2d Cir. 1996) (quoting *Walker v. Time Life Films, Inc.*, 784 F.2d 44, 48 (2d Cir.), *cert. denied*, 476 U.S. 1159 (1986)). If a work contains both protectible and unprotectible elements, the Court "must take care to inquire only whether "the protectible elements, standing alone, are substantially similar." *Williams*, 84 F.3d at 588 (quoting *Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1002 (2d Cir. 1995)). Where, as here, "similar works resemble each other only in unprotected aspects . . . defendant prevails." *Bill Diodato Photography*, 388 F. Supp. 2d at 390 (citing 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 13.03[B][2](2005)).

It is appropriate for the Court to resolve issues of infringement on summary judgment. “A party seeking summary judgment on a claim of non-infringement of copyright must establish that at least one element of the alleged infringement cannot be proven as a matter of law.” *Id.* at 394. Summary judgment is proper “when the similarity between the works relate only to non-copyrightable elements or when no reasonable jury could find the two works substantially similar.” *Id.*; see also *Peter F. Gaito Architecture, LLC v. Simone Development Corp.*, 602 F.3d 57, 63 (2d Cir. 2010) (noting that “it is entirely appropriate for a district court to resolve [substantial similarity] as a matter of law, ‘either because the similarity between two works concerns only non-copyrightable elements of the plaintiff’s work, or because no reasonable jury, properly instructed, could find that the two works are substantially similar’”).

Substantial similarity can involve questions of fact, and summary judgment was previously frowned upon in copyright litigation. See *Arnstein v. Porter*, 154 F.2d 464, 474 (2d Cir. 1946). However that concept was rejected years ago by various copyright cases decided in the Southern District of New York, which granted summary judgment “when all alleged similarity related to non-copyrightable elements of the plaintiff’s work.” *Hoehling v. Universal City Studios*, 618 F.2d 972, 977 (2d Cir. 1978) (citing *Alexander v. Haley*, 460 F. Supp. 40 (S.D.N.Y. 1978); *Musto v. Meyer*, 434 F. Supp. 32 (S.D.N.Y. 1977); *Gardner v. Nizer*, 391 F. Supp. 940 (S.D.N.Y. 1975); *Fuld v. National Broadcasting Co.*, 390 F.Supp. 877 (S.D.N.Y. 1975)). Thus, when the alleged copying includes only non-protectible elements, the Court may summarily adjudicate the matter in favor of the defendant. *Id.* at 979.

As a preliminary matter, because One 3 Two used the Obama Image (and not the Garcia Photo), the AP’s infringement claims against One 3 Two depend upon an initial finding that the

Obama Image is an infringing work.<sup>7</sup> Thus, the Court’s infringement analysis must involve a comparison between the Garcia Photo and the Obama Image created by Fairey. One 3 Two does not dispute that the AP has a valid copyright in the Garcia Photo. Nor does it dispute that Fairey had access to the Garcia Photo or that he used the Garcia Photo as a reference in creating the Obama Image. As explained below, however, because no reasonable jury could find substantial similarity of *protectible* elements in the Garcia Photo and the Obama Image—as is required to establish infringement—summary judgment should be granted in favor of One 3 Two.

**A. *Not All Elements of the Garcia Photo Are Protectible***

“The most basic proposition of copyright law is that the law does not protect an idea itself, but only a particular expression of that idea.” See *Kerr v. New Yorker Magazine, Inc.*, 63 F. Supp. 2d 320, 323 (S.D.N.Y. 1999). Although photographs are copyrightable, not all aspects of photographs constitute original expression entitled to copyright protection. Courts in this District have found that protectible elements of a photograph may include posing the subjects, lighting, angle, selection of the film and camera, evoking the desired expression, background, perspective, shading, and color. See, e.g., *Psihoyos v. The National Geographic Society*, 409 F. Supp. 2d 268, 275 (S.D.N.Y. 2005); *Kaplan v. The Stock Market Photo Agency, Inc.*, 133 F. Supp. 2d 317, 323-27 (S.D.N.Y. 2001).

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<sup>7</sup> As an exclusive licensee, One 3 Two is entitled to all the “protections and remedies” afforded to the licensor under the Copyright Act. 17 U.S.C. § 201(d)(2) (“[t]he owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title”). In other words, One 3 Two stands in the licensor’s shoes for the purposes of determining what protections and remedies One 3 Two is entitled to under copyright law. See, e.g., *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1447 (9th Cir. 1994) (“If the copyright owner of a derivative work is the *exclusive* licensee of certain rights in the underlying work, he is treated as the copyright owner of the underlying work for the purpose of exercising those rights.”(emphasis in original)). Accordingly, if this Court concludes that the Obama Image created by Fairey is not an infringing work, One 3 Two is entitled to the benefit of that ruling.

### **1. The Facts Documented in the Garcia Photo Are Not Protectible**

While the above-enumerated elements of a photograph may at times be protectible, “[a] copyright in a photograph derives from “the photographer’s original conception of his subject, not the subject itself.” *Psihoyos*, 409 F. Supp. 2d at 275; *see also* 1 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 2.08[E][1] (Matthew Bender, Rev. Ed.) (“[C]opyright in [a] photograph conveys no rights over the subject matter conveyed in the photograph.”). The “facts” of a photograph—such as the features of the face of a photographic subject—are not protected. *See, e.g., Straus v. DVC Worldwide, Inc.*, 484 F. Supp. 2d 620, 638 (S.D.Tex. 2007) (“The idea of taking a portrait of Arnold Palmer is not protectible ....”).

### **2. The *Scenes à Faire* Doctrine Precludes the Copyrightability of Certain Elements of the Garcia Photo**

Under the *scenes à faire* doctrine, elements of a photograph that “follow naturally from the work’s theme rather than from the author’s creativity” are similarly not protectible. *Psihoyos*, 409 F. Supp. 2d at 274. Conventional images or poses likewise are not protectible. *See, e.g., Bill Diodato Photography*, 388 F. Supp. 2d at 392-93 (holding that positioning of the bottom portion of legs of woman wearing high heels and sitting on toilet in bathroom stall with her toes pointed inward was “clearly not original” and finding that “such a pose cannot be copyrighted”); *Kaplan*, 133 F. Supp. 2d 317 at 323-24 (ruling that depiction in photograph of businessperson standing on ledge of tall building looking down onto car-lined street, taken from the viewpoint of the businessperson, is an unprotectible *scene à faire*).

Here, Garcia indisputably did not “create the scene” depicted in the Garcia Photo—indeed, the Code of Ethics of the National Press Photographers Association would have forbidden him to do so. Sep. Stmt. No. 19. For instance, the Code of Ethics requires “the accurate and comprehensive representation of subjects,” which Garcia understood meant that he

“wouldn’t be allowed to say, if you’re the subject, could you scoot over? Could you move your hair?” [Garcia Depo. at p. 118-19.]

The AP nevertheless contends that Garcia captured a “moment” in which President Obama struck a pose consistent with depicting him as a “political leader.” See FAC at ¶¶ 98 & 131. This so-called “three-quarters pose” is a conventional pose that is a classic *scene à faire* and thus not protectible. Indeed, the experts designated by both the AP and Fairey agree that President Obama’s pose is conventional, not original. Sep. Stmt. No. 20; compare Expert Report of Marita Sturken (designated by Fairey) ¶ 10 (“Barack Obama is in three-quarters pose, looking out seemingly above the crowd and toward an imagined horizon. The pose is a convention that creates the image of a figure who is thoughtful and pensive, tangible and accessible yet above the crowd.”) with Expert Report of Laurie Dahlberg (designated by the AP) ¶ 13 (“Professor Sturken and I essentially agree that the history and traditions of western art have created these conventions and ideals in political portraiture that are familiar and thus highly desirable to us.”).

This case consequently is like *Bill Diodato Photography*, which involved a photograph depicting “a woman’s feet as she sits on the toilet, used as a striking device to highlight fashion accessories.” 388 F. Supp. 2d at 392. The court there noted that “numerous images in popular culture with similar premises pose woman on toilets, usually in high heels, their toes pointed slightly inward” and concluded that this pose was not original and could not be copyrighted. *Id.* at 393. The court further stated that “‘plaintiff’s copyrights cannot monopolize the various poses used,’ and ‘can protect only plaintiff’s particular photographic expression of these poses and not the underlying ideas thereof.’” *Id.* Similarly, the conventional pose depicted in the Garcia Photo, and the elements associated with that pose (*i.e.* President Obama’s thoughtful gaze out at the horizon and the angle of his body), all of which are part of the “conventions and ideals” of political portraitures, are thus not protectible under the Copyright Act. With the pose removed



from the analysis, the only potentially protected elements of the Garcia Photo would be the lighting, selection of the film and camera, background, perspective, shading, and color. As described below, none of these elements were present in the Obama Image used by One 3 Two.

***B. The Protectible Elements of the Garcia Photo Are Not Substantially Similar to the Obama Image***

Where, as here, a photograph contains both protectible and unprotectible elements, the Court “must attempt to extract the unprotectible elements from [its] consideration and ask whether the protectible elements, standing alone, are substantially similar.” *Bill Diodato Photography*, 388 F. Supp. 2d at 390. This test focuses on the “total concept and feel” of the works at issue after the unprotectible elements have been eliminated from consideration. *Psihoyos*, 409 F. Supp. 2d at 274; *see also Shine v. Childs*, 382 F. Supp. 2d 602, 612 (S.D.N.Y. 2005) (noting that “total concept and feel” is the “dominant standard used to evaluate substantial similarity between artistic works” in the Second Circuit).

Stripping away the unprotectible elements, it is clear that the Obama Image does not take any copyrightable expression from the Garcia Photo. Indeed, the most observable similarities between the two works relate to elements flowing directly from their subject matter—President Obama—which are *not* protectible. In comparing the protectible elements of lighting, selection of the film and camera, background, perspective, shading, and color of the Garcia Photo and the Obama Image, an ordinary lay observer can determine that there is no similarity among these elements:



*See* Exs. J and K to Crowther Decl.; *see also* FAC at ¶ 158.

Because the Obama Image is a graphic design as opposed to a photograph, there is no similarity with respect to the selection of the film and camera or lighting. As to background, the Obama Image does not display an American flag in the background whereas the Garcia Photo does. Regarding perspective, the Garcia Photo and the Obama Image are cropped differently. Finally, with respect to shading and color, the two works are entirely different: the Garcia Photo has a realistic color scheme whereas the Obama Image incorporates shades of red, blue, and cream and resembles a more abstract work of art. Accordingly, no reasonable jury could find that the protectible elements of the Garcia Photo are substantially similar to the Obama Image. *See, e.g., Kaplan*, 133 F. Supp. 2d at 326.

Most importantly, the “total concept and feel” of the Garcia Photo and the Obama Image is entirely different. While the Garcia Photo depicts a portrait of President Obama suitable for news reporting, the Obama Image is an iconic piece of artwork that has an edgy, provocative feel that is characteristic of Fairey’s street art. *See* [Crowther Decl., ¶ 6, Ex. M.] Examples of Fairey’s street art were referenced in the AP’s FAC and are displayed below:



See FAC at ¶¶ 103, 105, and 108.

Under the “total concept and feel” analysis, the only conclusion that a reasonable juror could reach is that the Obama Image is not an infringing work. *See Kerr*, 63 F. Supp. 2d at 325-26 (granting summary judgment based on lack of substantial similarity where two images of a male figure with a skyline Mohawk had an entirely different “concept and feel” because one image was a pen and ink drawing with “a sketchy, edgy feel to it” and the other image had “cool colors and smooth lines” which gave “a more serene and thoughtful impression”). As the Second Circuit has recognized, dismissing claims such as this one, where the only similarity is based on non-copyrightable elements, is a means “to put a swift end to meritless litigation and to avoid lengthy and costly trials.” *Hoehling*, 618 F.2d at 977. Accordingly, the AP’s copyright infringement against One 3 Two should be dismissed.

## **VII. THE AP'S CONTRIBUTORY INFRINGEMENT AND DECLARATORY JUDGMENT CLAIMS NECESSARILY FAIL AS A MATTER OF LAW**

Because the Obama Image did not infringe the Garcia Photo, the AP's contributory infringement and declaratory judgment claims against One 3 Two necessarily fail as a matter of law. First, because the AP cannot establish direct infringement of a third party, the AP's contributory infringement claim against One 3 Two must fail. *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 149 (S.D.N.Y. 2009) (in order to establish contributory infringement "there must be the direct infringement of a third party"); *see also Pavlica v. Behr*, 397 F. Supp. 2d 519, 528 (S.D.N.Y. 2005) (dismissing claim for contributory infringement where the plaintiff failed to submit admissible evidence of primary copying). Second, because the AP's request for declaratory judgment is predicated on a finding of infringement, that claim also fails as a matter of law.

## **VIII. THE UNDISPUTED FACTS SHOW THAT THE AP IS NOT ENTITLED TO DISGORGEMENT OF ONE 3 TWO'S PURPORTED "INDIRECT PROFITS"**

The factual discussion above makes it clear that it was Fairey—not One 3 Two—who accessed the AP's photograph, Fairey who referenced that photograph in creating his Hope image and, indeed, Fairey who commenced litigation to clarify the rights to the Obama Image. One 3 Two only infringed the AP's copyrights, if at all, by reproducing Fairey's Obama Image on the Obama Merchandise, which implicates no new rights that were not otherwise at issue in the litigation. One 3 Two received the Obama Image, as the exclusive licensee for apparel, and made t-shirts and sweatshirts bearing the image, which it gave away or sold, donating as much of the profit generated by the sales to support the Obama campaign. [Broders Decl., ¶¶ 9, 11-13; Juncal Decl., ¶ 5.] The AP brought One 3 Two into the lawsuit not to further clarify the ownership of the Obama Image, but instead to increase the damages the AP hopes to recover. The AP apparently believes that One 3 Two's pockets are deeper than Fairey's and that the AP is

entitled to recover from One 3 Two the outrageous sum of more than [REDACTED], notwithstanding that the amount is more than 400 times the highest fee that the AP has ever charged for a license of a photograph in the past [REDACTED]. [Kedrowski Depo., Day 2, at 156:21-157:12.]

The vast majority of the damages AP seeks arise from One 3 Two's alleged "indirect profits," meaning profits earned on merchandise that did not feature the Obama Image, but which consumers purportedly purchased as a result of the alleged infringement. In order to claim these profits, a copyright holder must establish a causal linkage between the sales of the allegedly infringing products and the defendants' revenues from sales of merchandise that does not contain the disputed image. *On Davis, Inc. v. The GAP, Inc.*, 246 F.3d 152, 160 (2d Cir. 2001). The AP has not made this link with any competent evidence. When the copyright holder fails to do so, the Court can dispose of the claim for indirect profits on summary judgment. *Semerdjian v. McDougall Littell*, 641 F. Supp. 2d 233, 246 (S.D.N.Y. 2009).<sup>8</sup>

As shown below, the AP ignores clear evidence that One 3 Two is a company that has been steadily expanding its base for more than a decade and sells many other items of apparel that have no linkage whatsoever to the Obama Merchandise. Sep. Stmt. No. 9. Instead, the AP's expert selectively cites testimony from One 3 Two's accountant and relies on a calculation that

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<sup>8</sup> The AP bears the burden of establishing the total related revenue, after which One 3 Two will have the Opposition to seek to deduct appropriate costs. *See* 11 USC 504(b). Because the only issue for this motion is whether the AP has met its initial burden to establish a nexus between the alleged infringement and *any* indirect revenues, this motion refers to the full [REDACTED] in indirect revenues that the AP's expert calculated as the "indirect profits." If the AP were permitted to offer evidence of the indirect revenues at trial, One 3 Two would submit evidence supporting a significant difference between the purported indirect revenues and One 3 Two's profits. That would be the apportionment analysis which is appropriate only if the AP has satisfied its burden on attribution.

she has admitted contains a significant mathematical error, but which she refused to alter because her gut feeling was the damages number was in the right ballpark.

The AP's conclusion also makes no sense. The AP contends One 3 Two's "direct profits" from the sale of the Obama Merchandise was just over [REDACTED] (and One 3 Two's experts put this number at half that amount). Yet, the AP concludes that One 3 Two was somehow able to generate another [REDACTED] in profits on merchandise that did *not* include the Obama Image simply because of the Obama Image's "fame, success and widespread popularity." Sep. Stmt. No. 22.<sup>9</sup> The revenues from the Obama Merchandise during 2008 and 2009 were less than 5 percent of One 3 Two's gross revenues for the same period, yet the AP claims that the Obama Merchandise somehow caused either 16.7 percent, or 27 percent, of the sales of *non*-Obama Merchandise (depending on which of its expert's opinions the AP chooses to rely.) This rank speculation fails to provide the factual basis required by the law for the AP to be able to recover indirect profits and that claim therefore fails as a matter of law.<sup>10</sup>

**A. One 3 Two's Non-Obama Sales Involve Diverse, Unrelated Products**

The AP's claims against One 3 Two are based on the sales of t-shirts and sweatshirts that included the Obama Image. See FAC ¶¶ 54-56. As of 2008, One 3 Two's clothing line included far more items than just t-shirts and sweatshirts reproducing Fairey's designs, such as substantial sportswear lines that do not feature Fairey's designs or other graphics at all. Sep. Stmt. Nos. 9-10. One 3 Two offers a variety of styles, including accessories, handbags, and jewelry that have no identifiable artwork by Fairey whatsoever. Sep. Stmt. No. 10. The AP contends that it is

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<sup>9</sup> By contrast, the AP asserted that Fairey himself had received [REDACTED] in indirect profits from his own work. [Kedrowski Report, ¶ 18(vi).]

<sup>10</sup> At trial, One 3 Two will also show that the AP cannot establish any link between the protectible elements of the Garcia Photo and the sales of the Obama Merchandise and thus cannot recover One 3 Two's direct profits even if it establishes that the Obama Merchandise was infringing.

entitled to a portion of the profits on these items that have no relation whatsoever to the Obama Merchandise, except that they were both manufactured and sold by One 3 Two. The law does not support the AP's position.

***B. The AP Must Submit Evidence Linking Indirect Profits to Infringement***

Section 504(b) of the Copyright Act permits a plaintiff to seek "any profits of the infringer that are attributable to the infringement and are not taken into account in computing actual damages." 11 U.S.C. § 504(b). This notion of attribution is similar to the familiar causation requirement in tort law, requiring a plaintiff to show that the alleged misconduct by the defendant led to the plaintiff's purported injuries. Trial courts should

conduct a threshold inquiry into whether there is a legally sufficient causal link between the infringement and subsequent indirect profits. Such an approach dovetails with common sense—there must first be a demonstration that the infringing acts had an effect on profits before the parties can wrangle about apportionment.

*Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d 700, 711 (9th Cir. 2004). While the statute permits a plaintiff to satisfy this burden by showing evidence of the defendant's gross profits, the Second Circuit interprets that language to require the plaintiff to put on evidence of profits that have at least some reasonable relationship to the infringement. *On Davis*, 246 F.3d at 160.

In *On Davis*, the plaintiff filed suit against a large clothing retailer, The Gap, Inc., claiming copyright infringement as a result of certain advertisements in which models wore his nonfunctional eyeglasses. *Id.* at 156. The Second Circuit determined that the plaintiff had not satisfied his burden by putting forward evidence of the gross overall revenues of Gap stores

(more than \$1.68 billion), as “the term ‘gross revenue’ under the statute means gross revenue reasonably related to the infringement, not unrelated revenues.” *Id.* at 160. The \$1.68 billion figure contained revenues earned from clothing lines that had nothing to do with, and therefore could not be attributed to, plaintiff’s eyewear product, such as “sales under other labels within the Gap, Inc.’s corporate family that were in no way promoted by the advertisement, not to mention sales under the ‘Gap’ label of jeans, khakis, shirts, underwear, cosmetics, children’s clothing, and infantwear.” *Id.* at 161.

The AP appears to have confused this element of attribution—which is the copyright holder’s burden—with the concept of apportionment, which applies after the copyright holder satisfies the initial burden of causation, and permits a defendant to demonstrate that only a portion of the profits reasonably attributable to the alleged infringement can be apportioned to the infringement itself. For example, the AP’s expert Kathleen Kedrowski testified that “the plaintiff’s expert” was not required to remove items unrelated to infringement from the analysis of indirect profits. [Kedrowski Depo., Day 1 at 39:17-40:25.] Indeed, Kedrowski testified that a plaintiff is permitted to put forth “the entire gross revenue of the company, or the plaintiff may choose to put forth a direct subset of that.” [*Id.* at 32:2-33:4.] But that is not the law. With respect to indirect profits, “a copyright owner is required to do more initially than toss up an undifferentiated gross revenue number; the revenue stream must bear a legally significant relationship to the infringement.” *Polar Bear*, 384 F.3d at 711 (citation omitted). Plaintiffs seeking to recover indirect profits must “formulate the initial evidence of gross revenue duly apportioned to relate to the infringement.” 4 Nimmer on Copyright § 14.03[B].

This attribution analysis must be based on facts, and not speculation or conjecture. “[T]o survive summary judgment on a demand for indirect profits pursuant to § 504(b), a copyright holder must proffer sufficient non-speculative evidence to support a causal relationship between



the infringement and the profits generated indirectly from such an infringement.” *Mackie v. Reiser*, 296 F.3d 909, 915-916 (9th Cir. 2002). “When an infringer’s profits are only remotely and speculatively attributable to the infringement, courts will deny recovery to the copyright owner.” *Straus*, 484 F. Supp. 2d at 645. Often, although not always, when considering indirect profits, courts will conduct a “decision to buy” inquiry, meaning a search for evidence that customers purchased unrelated products because of the alleged infringement. *See Semerdjian*, 641 F. Supp. 2d at 248 (citing cases). Here, the AP has no evidence that anyone bought any of the multitude of non-Obama products sold by One 3 Two because they had seen, or were aware of, the Obama Image.

The AP seeks profits from these separate lines of clothing, whether they were available at the same locations where the Obama Merchandise was offered, or not, and with no analysis as to whether a consumer who was likely to have purchased a product with the Obama Image was likely to have later purchased a skirt, or a pair of jeans, or a handbag from the same company. The Obama Merchandise did not prominently display the One 3 Two logo anywhere, making it unlikely that any but the most savvy of consumers would connect the Obama Image with a brand of hip, urban street wear. While the AP would like to place the burden to prove a negative on One 3 Two, the law requires the AP to show some evidence of causation between the purported infringement and these admittedly non-infringing products. In fact, the only “evidence” in the record to support that position are the unsupported conjectures of the AP’s damages expert.

***C. The AP’s Expert Relies on Rank Speculation as “Evidence” of a Causal Link***

The AP’s only evidence regarding whether consumers purchased non-Obama clothing from One 3 Two as a result of the Obama Merchandise comes from its designated damages expert, Kedrowski, who tries to support her conclusion of a causal link with her own speculation, with certain deposition testimony from One 3 Two’s *accountant* twisted out of context, and

information regarding *Fairey's* purported fame. None is sufficient to create a triable issue of fact that [REDACTED] in "indirect profits" from non-Obama merchandise is attributable to One 3 Two's sales of the Obama Merchandise.

**1. The AP Does Not Base Its Causation Analysis on Facts**

As will be described in detail below, the AP's position is that 16.7 percent of the sales of non-Obama products by One 3 Two were caused by the sales of the Obama Merchandise. [Crowther Decl., Ex. T, Kedrowski Report, Ex. D-3.]<sup>11</sup> Even setting aside this argument's gross errors, it is not supported by any facts whatsoever.

The AP has submitted no evidence of any consumer survey, public opinion poll or customer feedback information to establish why customers bought non-Obama products from One 3 Two, and Kedrowski conceded that she did not have or rely upon any such information. Sep. Stmt. No. 23. The absence of this evidence is fatal to the AP's ability to claim indirect profits for several reasons. First, Kedrowski admittedly has limited experience with the apparel industry, and has not offered any information suggesting that she has sufficient expertise to opine on consumer behavior, particularly as it relates to apparel purchases. Sep. Stmt. No. 24. She could not, therefore, rely on her own experience or specialized knowledge to opine as to the reasons that customers made purchases from One 3 Two or that the Obama Merchandise generated indirect profits for One 3 Two. Fed. R. Civ. P. 702 (requiring an expert's opinion testimony to be based on scientific, technical or specialized knowledge); *see also Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 589-90 (1993).

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<sup>11</sup> Kedrowski has actually served three reports: her Preliminary Report on October 1, 2010, her Preliminary Rebuttal Report, served on November 2, 2010, and a Supplemental Rebuttal Report dated December 1, 2010. The only one that discusses One 3 Two's indirect profits is the Preliminary Report. [Crowther Decl., ¶ 13.]

Second, Kedrowski did not cite any factual information showing that sales of non-infringing merchandise were related to infringement. When asked what support she had for her opinion that the Obama Image had buoyed One 3 Two's performance, Kedrowski cited nothing more than that the *Obama Image* itself has gained "fame and notoriety". Sep. Stmt. No. 25. The mere fact that the *Obama Image* was well-known does not support, let alone establish, any causal link between that image and the purchase of non-Obama items from One 3 Two that had no obvious linkage to even a famous image. See *Mackie*, 296 F.3d at 916 (copyright holder is required to submit sufficient non-speculative evidence to support a causal relationship between infringement and indirect profits).

Third, even the "facts" that Kedrowski recites in support of her conclusion that One 3 Two indirectly benefited from the sales of the Obama Merchandise fall far short of the standard the AP must meet. Most of these facts consist of the misconstrued deposition testimony of Adam Van Berckelaer—an accountant who works for One 3 Two. Kedrowski relies on the following observations made by Van Berckelaer: That One 3 Two probably received more "notoriety" as a result of its Obama Merchandise, but that Van Berckelaer didn't believe there was any dollar figure that could be placed on that notoriety; and Van Berckelaer's "personal opinion" that the Obama Merchandise probably increased awareness of One 3 Two somewhat, which "may or may not" cause people to buy the company's products. Sep. Stmt. No. 26.<sup>12</sup>

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<sup>12</sup> Kedrowski also cites Van Berckelaer's testimony that the sales of the Obama Merchandise directly benefited One 3 Two's bottom line, but that is neither controversial nor relevant to the analysis of indirect profits.

These equivocal statements, which were outside the scope of Van Berckelaer's designation as one of One 3 Two's persons most knowledgeable,<sup>13</sup> provide absolutely no evidence that a single sale of non-Obama merchandise by One 3 Two was caused by One 3 Two's sales of Obama Merchandise. To the contrary, as One 3 Two's President Don Juncal testified, there is a good chance that One 3 Two's sales of the Obama Merchandise drove away potential customers. "About 47 percent of the country didn't vote for this gentlemen. There probably was some negative that came back with it." [Juncal Depo. at 178:3-7.] When asked if the efforts to market the Obama Merchandise had a positive effect on One 3 Two's business, Mr.

[REDACTED]

[REDACTED]

went on to explain that the company took a side because "we thought it was the right thing to do" and not because it would be a positive marketing effort for the company. [*Id.* at 179:7-180:11.] No testimony ties One 3 Two's sales of non-Obama merchandise to the Obama Merchandise.

Finally, while Kedrowski cites a number of other factors supporting a link between the Obama Image and indirect profits, they all relate to additional media coverage of and benefits enjoyed by Shepard Fairey and his companies, not to One 3 Two. Sep. Stmt. No. 27.<sup>14</sup> These facts, like the others Kedrowski cites, at best support the hypothesis that One 3 Two reaped some intangible benefits from the Obama Merchandise. They provide no information as to whether that translated into sales of unrelated items or, importantly, what *portion* of One 3 Two's revenue

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<sup>13</sup> When quoting Van Berckelaer's testimony in her report, Kedrowski omits (without acknowledging the deletions) the objections to that improper line of questioning based on foundation and scope. [*See* Van Berckelaer Depo., at 253:9-22; 254:3-22; 365:12 - 367:15.]

<sup>14</sup> Kedrowski concludes that the media coverage provided One 3 Two with free marketing and advertising that it would have had to otherwise purchase, apparently disregarding the fact that One 3 Two does not advertise or engage in traditional marketing. [Juncal Depo. at 177:1-13.]

is attributable to the alleged infringement. They certainly do not establish that ██████ in revenues (27 percent of One 3 Two's total revenues) were reasonably related to the sales of the Obama Merchandise, and thus cannot defeat summary judgment. Instead, AP must make a non-speculative, "reasonable approximation" of the amount of the indirect profits that can be attributed to the infringement and the AP has utterly failed to do so. *Polar Bear*, 384 F.3d at 712 (citations omitted).

## 2. The AP's Analysis Is Seriously, and Admittedly, Flawed

Lacking any factual basis to support her conclusion that ██████ in "indirect profits" are attributable to sales of the Obama Merchandise, Kedrowski also attempted to arrive at a mathematical formula to justify her conclusion. The Court should disregard this flawed analysis.

Kedrowski based her approximation of the indirect profits that the AP can recover on her comparison of One 3 Two's actual annual revenues to what those revenues would have been if the performance had followed the Compound Annual Growth Rate or "CAGR" that Kedrowski selected. [Kedrowski Report, ¶ 91; Exh. D-3.] This "CAGR" calculation is the only actual mathematical analysis Kedrowski relied on to evaluate the indirect profits issue, even though she acknowledged that a different form of analysis, a regression analysis, would have been more accurate<sup>15</sup>. Sep. Stmt. No. 28.

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<sup>15</sup> Kedrowski's Preliminary Report acknowledges the need to show a nexus between the "Infringing Works and the non-Infringing Works" and contemplates performing a regression analysis of Fairey's financial records in the future to establish that nexus, but never offered any opinion regarding such an analysis as to One 3 Two. [Kedrowski Report, ¶ 90.] At her deposition, Kedrowski acknowledged that she nonetheless did perform such an analysis, but "the result did not make sense." [Kedrowski Depo., 143:18-146:8.]

For purposes of the CAGR analysis, Kedrowski compared One 3 Two's gross revenues in 2007 to its gross revenues in 2009, and used a formula to establish what the growth rate (expressed as a percentage) would have been between 2007 and 2009 to achieve that result if the growth over those two years had occurred consistently, which percentage she found to be 16.7 percent per year. Sep. Stmt. No. 29. Significantly, this 16.7 percent has nothing to do with the Obama Merchandise, or infringement, or any accepted legal theory of damages; it is no more than the average growth rate of One 3 Two's revenues between 2007 and 2009. Sep. Stmt. No. 29.

Then Kedrowski calculated the total "residual revenue" One 3 Two received, which is purportedly the revenues left once the direct revenues from the infringing products are deducted, by subtracting the amount of direct revenues from the Obama Merchandise sold in 2008 and 2009 from the total revenues earned between 2006 to 2009. According to Kedrowski, the total "residual revenue" that One 3 Two received between 2006 and 2009 was [REDACTED]. Sep. Stmt. No. 30. Then, inexplicably, Kedrowski multiplied the total residual revenue amount by the CAGR of 16.7 percent that she had previously calculated and opined that the resulting amount of [REDACTED] constituted One 3 Two's indirect revenues attributable to infringement. Sep. Stmt. No. 31. This analysis is so riddled with mistakes that it provides no evidence of anything, much less of a nexus between indirect profits and alleged infringement.

**(a) One 3 Two Cannot Have Made "Indirect Profits" Before the  
Obama Merchandise Was Sold**

The largest and most evident error in Kedrowski's calculation is that the [REDACTED] figure includes purported "indirect revenues" that One 3 Two had earned over the 27 months *before* One 3 Two had even sold a single Obama t-shirt, from January 2006 to March 2008. As indicated above, Kedrowski multiplied her CAGR percentage by all of the "residual revenue"

earned by One 3 Two from 2006 to 2009. Yet One 3 Two did not sell any Obama Merchandise until April 2008, and the image did not even exist until late January 2008. Sep. Stmt. 16. There can be no “reasonable relationship” between the Obama Merchandise and revenues earned before the Obama Image was even imagined by Fairey. *See On Davis*, 246 F.3d at 160.

This is not a small error. One 3 Two earned significant revenues in 2006 and 2007, as Kedrowski acknowledges: a total of more than [REDACTED]. [See Kedrowski Report, Ex. D-3.] Kedrowski’s residual revenue number is therefore artificially increased by this amount, and her indirect profits opinion is increased by [REDACTED].<sup>16</sup>

**(b) Kedrowski’s Admissions Regarding Her Methodology Establish  
That There Is No Methodology to Her Analysis at All**

When confronted with this obvious error at her deposition, Kedrowski admitted that it was inappropriate to include “residual revenues” from 2006 and 2007 in this analysis, because there was no infringement at all in 2006 and 2007. Sep. Stmt. 32. Nevertheless, Kedrowski insisted that her original damage number of [REDACTED] is in fact a reasonable estimate of One 3 Two’s indirect profits in 2008 and 2009 based on “the other factors” by which she meant the vague statements of One 3 Two’s accountant (which are likely not admissible or binding), One 3 Two’s overall finances and *Fairey’s* notoriety. None of these offer a principled basis to support Kedrowski’s figure, nor appear to be based on any of Kedrowski’s specialized knowledge. See *Daubert*. 509 US at 589-90. Sep. Stmt. No. 33.

Kedrowski’s refusal to change her total dollar amount provides further evidence that she has made no effort to reliably estimate the indirect profits attributable to the purported infringement. Kedrowski opined that 16.7 percent of what she characterized as One 3 Two’s

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<sup>16</sup> To determine the amount of this mistake, one must multiply Ms. Kedrowski’s CAGR by [REDACTED] (the revenue from 2006 and 2007), which totals [REDACTED].

revenues from non-infringing products was caused by infringement, and she multiplied that percentage by what she quantified as the residual revenues to reach her indirect profit number of [REDACTED]. [Kedrowski Report, Ex. D-3.] However, given Kedrowski's admission that revenue should be excluded from 2006 and 2007 her analysis, her indirect profits calculation could at most be based on residual revenues from 2008 and 2009, which total some [REDACTED]. The [REDACTED] represents more than 27 percent of [REDACTED]. When Kedrowski insisted that [REDACTED] remains a reasonable estimate of One 3 Two's indirect profits despite the computational error, she effectively abandoned her previous opinion that the percentage of non-infringing sales caused by the alleged infringement was 16.7 percent, and instead opined that 27 percent of the non-infringing sales were caused by infringement. This new opinion is not based on anything at all and may as well be plucked from thin air.

In addition, that Kedrowski is equally comfortable quantifying the indirect profits One 3 Two received as a result of the alleged infringement at *either* what she believes to be 16.7 percent of the residual revenues from 2006 to 2009, *or* 27 percent of the residual revenues from 2008 to 2009 shows that there is no rationality whatsoever to her analysis. The purpose of this exercise is to give the trier of fact some reasonable quantification of the amount of non-infringing sales were caused by the infringement. What Kedrowski *believes* to be the proper amount to pay her client sheds no light on that whatsoever, especially as her "expertise" is in accounting, not in consumer behavior, and she has no information other than financial performance to support the opinions she offers. Kedrowski's analysis does "not provide any basis to conclude how much" the Obama Merchandise contributed to One 3 Two's non-Obama sales, much less to separate the impact of the Obama Merchandise from the other reasons people bought One 3 Two's products in 2008 and 2009. *Straus*, 484 F. Supp. 2d at 487. For that



reason, the AP's claim for indirect profits should be adjudicated in One 3 Two's favor as a matter of law.

**(c) Kedrowski Made No Effort to Establish what One 3 Two's Revenues Would Have Been But For the Alleged Infringement**

Kedrowski's analysis contains other flaws that cast further doubt on the reliability of her conclusions. First, she herself indicates that the CAGR analysis is not the best method to calculate "indirect profits," yet she did not offer any opinion using what she considered to be a better method, the regression analysis, as to One 3 Two. See *supra* note 15.

Second, Kedrowski made no effort to establish a base line for what growth One 3 Two would have experienced had the infringing works never been produced or sold. Kedrowski calculated her 16.7 percent CAGR figure by comparing the revenues earned in 2007 with those in 2009—a year in which the AP contends One 3 Two sold infringing products. Kedrowski did not deduct the revenues One 3 Two received directly from the sale of Obama Merchandise in 2009 from her analysis, but instead used *total* revenues. [Kedrowski Report, ¶ 92.] This comparison failed to include any steps whatsoever to isolate the revenues generated by the Obama Merchandise—direct or indirect. Without doing so, it is impossible to opine as to what revenues or profits were caused by infringement. The practical effect is to attribute all of One 3 Two's growth from 2008 and 2009 to the Obama Merchandise—an assumption that even Kedrowski disclaims. [Kedrowski Depo., Day 2, 114:19-115:14.]

The failure to analyze attribution led Kedrowski to greatly overstate the AP's indirect profits even pursuant to her own analysis. Deducting the direct revenues from the Obama Merchandise would have reduced the 2009 revenue by ██████████, and reduced the CAGR to 15.282 percent, a decrease that Kedrowski acknowledged at her deposition. [Kedrowski Depo., Day 2, at 29:8-13.] Applying Kedrowski's methodology in a manner that, at least in some

fashion, attempts to quantify indirect profits attributable to infringement would at a minimum require multiplying the 15.282 percent CAGR by the residual revenues for 2008 and 2009 only, and the product of that calculation is [REDACTED]. The number Kedrowski is “still comfortable with”—[REDACTED]—is almost double that amount. [Kedrowski Depo., Day 2, at 112:2—113:12.]

The AP’s burden on indirect profits under the law is to offer at least some logical, rational, principled basis for attributing profits on non-infringing products to the infringement it claims. Nothing in the record assists AP in meeting that burden, and the Court should reject the claim for indirect profits as a matter of law.

#### **IX. CONCLUSION**

In late 2009, having decided to amend its pleadings to allege spoliation claims against Fairey many months after the litigation began, the AP elected to tack on claims against One 3 Two to increase the amount of damages it might recover. Now the AP must differentiate One 3 Two from Fairey and present evidence sufficient to establish liability against One 3 Two. There are no such facts to support the AP’s claims under the DMCA. In addition, the image One 3 Two reproduced on the Obama Merchandise is not substantially similar to the protectible elements in the AP’s work, such that One 3 Two cannot be liable for copyright infringement as a matter of law. And even if there were facts sufficient to establish a triable issue with respect to One 3 Two’s liability, no such facts exist that would allow the AP to recover the [REDACTED] in indirect profits it has claimed.

