

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)

**COUNTERCLAIM DEFENDANT ONE 3 TWO, INC.'S REPLY TO
COUNTERCLAIMANT THE ASSOCIATED PRESS'S OPPOSITION TO
ONE 3 TWO, INC.'S MOTION FOR SUMMARY JUDGMENT**

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I. INTRODUCTION

While there are substantive, cutting-edge legal issues to be decided in this case, the positions taken by Counterclaimant the Associated Press (the “AP”) consistently rely on overstated or mischaracterized versions of the facts and overreaching legal arguments that only highlight the weaknesses in the AP’s claims. As much as the AP may desire to collect licensing fees for every use of every photograph in its massive library, the law does not permit the sweeping control the AP asserts. Without the law or facts in its support, the AP cannot proceed forward on any of its claims. The Court should grant summary judgment in favor of Counterdefendant One 3 Two d/b/a Obey Clothing (“One 3 Two”) on the AP’s claims, including those for infringement under the laws of copyright and the DMCA and its claims for indirect profits.

In this instance, because the similarities between the photograph of Barack Obama taken by AP photographer Mannie Garcia (the “Garcia Photo”) and Shepard Fairey’s artwork depicting Obama (the “Obama Image”) are not protected by law, there was nothing illegal about Fairey’s use of the elements of the Garcia Photo he referenced, or One 3 Two’s reproduction of them on merchandise (the “Obama Merchandise”). That reality does not denigrate the Garcia Photo or the rights to it that the AP acquired. It reflects the principle long acknowledged in copyright law that facts do not belong to the person who documents them.

The AP attempts to hold One 3 Two responsible for conduct by Fairey that One 3 Two did not know about and could not control. At the same time, the AP fails to establish conduct by One 3 Two itself that supports the AP’s newly asserted claims of vicarious liability for Fairey’s alleged violation of the Digital Millennium Copyright Act (the “DMCA”). Ironically, while the AP argues that One 3 Two should be subject to adverse inferences (if not the entry of judgment)

for everything from Fairey’s alleged but unproven removal of rights-management information from the Garcia Photo, to his admitted spoliation and fabrication of evidence, to the crash of a One 3 Two computer hard drive many months before litigation relating to the Obama Image was even contemplated, the AP simultaneously suggests that it is inappropriate for One 3 Two to cite accurate facts that distinguish One 3 Two—an entity that is not owned, managed or controlled by Fairey—from Fairey (including the use of One 3 Two’s corporate rather than brand name in legal documents).

But One 3 Two is not Fairey. This fact not only eliminates the AP’s ability to punish One 3 Two for Fairey’s acts, it also precludes the AP’s effort to seek profits that One 3 Two generated on items that did not bear the Obama Image, otherwise known as indirect profits. The AP has not demonstrated any evidence that *any* sale of such items by One 3 Two was caused by the claimed infringement, or any rational basis to calculate what portion of those sales could be attributed to the infringement in any event. The Court should eliminate the AP’s pursuit of its multimillion-dollar claims against a clothing company the AP sees as a deep pocket and grant One 3 Two’s motion in its entirety.

II. THE UNDISPUTED FACTS SHOW THAT THERE IS NO SUBSTANTIAL SIMILARITY BETWEEN THE GARCIA PHOTO AND THE OBAMA IMAGE

One 3 Two and the AP have cross-moved for summary judgment on the issue of substantial similarity. One 3 Two has consequently briefed this issue in its Motion for Summary Judgment (“Motion”) and in its Opposition to the AP’s Motion for Summary Judgment (“Opposition”). To the extent possible, the AP’s arguments are addressed here in summary fashion, and One 3 Two focuses on those issues raised in the AP’s Opposition but not its Motion.

A. *The AP Misstates the Test for Substantial Similarity*

As a preliminary matter, the AP misstates the test for substantial similarity in three key respects: (1) the AP's analysis skips over the required first step of separating protectible from unprotectible elements, which is often referred to as the "more discerning ordinary observer test," *See, e.g., Lewinson v. Henry Holt & Co., LLC*, 659 F. Supp. 2d 547, 565 (S.D.N.Y. 2009) (applying more discerning ordinary observer test); *Sheldon Abend Revocable Trust v. Spielberg*, No. 08 Civ. 7810, 2010 WL 3701343, *2 (S.D.N.Y. Sept. 21, 2010) (same); (2) the AP fails to apply the "total concept and feel" test that is the dominant test in the Second Circuit, *Shine v. Childs*, 382 F. Supp. 2d 602, 612 (S.D.N.Y. 2005) ("total concept and feel" is the "dominant standard used to evaluate substantial similarity between artistic works" in the Second Circuit); and (3) the AP argues that the necessary degree of similarity may be less than "substantial similarity" because Fairey admitted he had access to the Garcia Photo.¹ The Court should not consider these misstatements of the law and should instead follow the approach routinely used by courts in this District and analyze substantial similarity based on protectible elements in conjunction with the "total concept and feel" test.

¹ The AP cites *Steinberg v. Columbia*, 663 F. Supp. 706, 714 (S.D.N.Y. 1987), for the proposition that "the necessary degree of similarity may be less," in a misguided attempt to suggest that something less than substantial similarity is required in this case. AP Opp. at 19. To the extent the AP is attempting to invoke the "inverse ratio rule" (a rule which stands for the proposition that a concession of access and evidence of actual copying may lessen a party's burden in showing substantial similarity), that rule has been rejected by the Second Circuit and is inapplicable in any event. *See Green v. Lindsey*, 885 F. Supp. 469, 480 (S.D.N.Y. 1992) (noting that inverse ratio rule has been rejected by the Second Circuit); *Sheldon Abend Revocable Trust v. Spielberg*, No. 08 Civ. 7810, 2010 WL 3701343, *3, n.3 (S.D.N.Y. Sept. 21, 2010) (noting that inverse ratio rule was irrelevant because "it is applied only in the determination of whether there was actual copying").

B. The Obama Image Does Not Copy Any Protectible Expression of the Garcia Photo

This District generally recognizes the following elements of a photograph to be protectible: (1) posing the subjects, (2) lighting, (3) angle, (4) selection of film and camera, (5) evoking the desired expression, (6) background, (7) perspective, (8) shading, and (9) color. *See, e.g., Psihoyos v. The National Geographic Society*, 409 F. Supp. 2d 268, 275 n.5 (S.D.N.Y. 2005) (listing elements); *Kaplan v. Stock Market Photo Agency, Inc.*, 133 F. Supp. 2d 317, 323-27 (S.D.N.Y. 2001) (same). These elements are only entitled to protection if they are original to the photographer, however. *See, e.g., Bill Diodato Photography, LLC v. Kate Spade, LLC*, 388 F. Supp. 2d 382, 394 (S.D.N.Y. 2005) (granting summary judgment for defendant where the photographer's creation of the subject was not original, even though photograph was rendered in an original way). Thus, in analyzing substantial similarity in this case, the central question is: What aspects of the Garcia Photo can properly be considered to be Garcia's original artistic creation?

It is undisputed that Garcia did not create the scene at the National Press Club, he did not pose Obama, and he exerted very little control over the shot. One 3 Two Opposition ("One 3 Two Opp.") at 20-22; One 3 Two's Response to the AP's Statement of Undisputed Fact in Support of its Motion for Summary Judgment ("Resp. to AP SUF") No. 76. Accordingly, any elements of the photograph that were outside of Garcia's control cannot be considered his original creation. What Garcia did do is snap an attractive photograph of a political figure at a particular moment in time. *Id.* However, that decision resulted in an unoriginal portrait of a political leader striking a pose that has been captured by many other photographers many times before. As explained below, once these unoriginal, unprotectible elements are removed from

consideration, it is clear that there is no substantial similarity between the Garcia Photo and the Obama Image. The entirely different concept and feel of the two works merely confirms this result. The recent analogous cases cited by One 3 Two support these conclusions while the outdated and inapposite cases cited by the AP should be disregarded.

1. The Obama Image Is Not an Exact Copy of the Garcia Photo

Although the AP acknowledges (as it must) that the Obama Image is not an exact copy of the Garcia Photo, it analyzes its infringement claim in this case as if it were. AP Opp. at 23, 27. Any lay observer can see the Obama Image is not an exact copy of all or part of the Garcia Photo. Rather, the Obama Image transformed the entire Garcia Photo into a new work of art:



Notably, the AP attempts to further its case by cropping the Garcia Photo in its memoranda and pleadings to make it have the same tight focus on President Obama's face. *See, e.g.*, AP Opp. at 25; the AP's First Amended Answer, Affirmative Defenses and Counterclaims ("FAC") at ¶ 53. Yet even the AP's re-cropped and unauthenticated copy of the Garcia Photo cannot change the indisputable fact that Fairey did not make a verbatim copy of the Garcia Photo, but instead changed the work significantly.

The cases cited by the AP involving exact copies consequently are not on point, in large part because they do not include any analysis of substantial similarity of protectible elements. *See, e.g., Pagano v. Chas. Beseler Co.*, 234 F. 963, 964 (S.D.N.Y. 1916) (finding infringement where defendant's lantern slide was an exact reproduction of the plaintiff's photograph); *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301, 311 (S.D.N.Y. 2000) (plaintiff granted copyright protection of photograph only for plaintiff's incremental contribution and protected only from verbatim copying); *Images Audio Visual Productions, Inc. v. Perini Building Co., Inc.*, 91 F. Supp. 2d 1075, 1080-87 (E.D. Mich. 2000) (defendant used exact copy of plaintiff's photograph, and substantial similarity was not at issue). AP Opp. at 23.

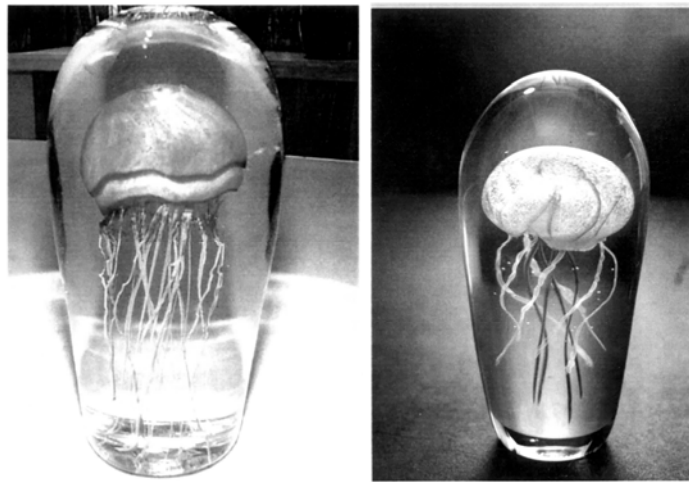
Although there are undeniable similarities between the two works at issue here, one is not a verbatim copy of the other, and therefore substantial similarity must be established. As explained below, the Obama Image does not copy any protectible expression from the Garcia Photo, and therefore there is no substantial similarity.

2. Photographs of People, Places, and Things As They Occur in Nature Are Afforded Less Copyright Protection than Artist-Created Scenes

One 3 Two does not dispute that photographs of real people, places, and things are entitled to copyright protection where the photographer exercises a certain degree of creativity. However, realistic depictions of people, places, and objects as they occur in nature are typically afforded less copyright protection than artist-created scenes involving the same subject. *Compare Kerr v. New Yorker Magazine, Inc.*, 63 F. Supp. 2d 320, 325 (S.D.N.Y. 1999) (no infringement based on copying the idea of the New York City skyline on someone's head because common elements were those that the subject could be expected to include), *with Steinberg v. Columbia Pictures Ind., Inc.*, 663 F. Supp. 706, 710-13 (S.D.N.Y. 1987) (defendant

infringed plaintiff's illustration of New York City skyline by copying imaginary buildings created by plaintiff as well as plaintiff's "sketchy, whimsical style").

The Ninth Circuit confronted this issue in *Satava v. Lowry*, 323 F.3d 805 (9th Cir. 2003), which involved two glass sculptures portraying realistic depictions of jellyfish. In *Satava*, the Court held that the scope of protection for "realistic depictions of live animals" is narrow and found no infringement of the plaintiff's glass jellyfish sculpture by the defendant's sculpture, both of which are depicted below:



Satava, 323 F.3d at 812-13; *One 3 Two Opp.* at 25-26; *see also Psihoyos*, 409 F. Supp. 2d at 275 (characteristics captured in photographs of objects as they occur in nature are not protectible); *Singer v. Citibank N.A.*, No. 91 Civ. 4453, 1996 WL 200292 (S.D.N.Y. Apr. 25, 1996) (no infringement where both works were designed to invoke a real place, Times Square). Like the sculpture portraying a realistic depiction of a jellyfish in *Satava*, the Garcia Photo is entitled to "thin" protection, and the AP must show "virtually identical copying" in order to succeed on its infringement claim. 323 F.3d at 812.

Notably, the cases cited by the AP which involve photographs of pre-existing people, places, and things all involved instances where the photographer exerted a degree of creativity that is noticeably absent in this case. See *Rogers v. Koons*, 960 F.2d 301, 307 (2d Cir. 1992) (photographer posed group for photograph); *SHL Imaging*, 117 F. Supp. 2d at 303-04 (photographer carefully arranged lighting and staging of frames in order to create unique design over four-day photo shoot); *Eastern Am. Trio Prods., Inc. v. Tang Elec. Corp.*, 97 F. Supp. 2d 395, 417 (S.D.N.Y. 2000) (photographer supervised layout, positioned items, selected particular angles and lighting); *Campbell v. Koons*, No. 91-6065, 1993 WL 97381, at *2 (S.D.N.Y. Apr. 1, 1993) (photographer rented farm and pigs, chose subjects' wardrobe, and posed subjects).² AP Opp. at 23-24. Because Garcia did not create the scene or pose his subjects, and because he exercised very little control over the shot, the Garcia Photo does not possess the same degree of original expression as the carefully crafted photographs in the cases listed above. Accordingly, this case is more like *Satava*, *Psihoyos*, and *Singer*, and unless the AP can demonstrate substantial similarity between the protectible elements of the works, its infringement claim fails as a matter of law.

3. Photographing an Unoriginal Pose at a Particular Moment in Time Does Not Render It Copyrightable

Under the *scènes à faire* doctrine, elements of a photograph that “follow naturally from the work’s theme rather than from the author’s creativity” are not protectible. *Psihoyos*, 409 F. Supp. 2d at 274. Thus, that Garcia captured an unoriginal pose at a particular moment in time

² The AP also relies on *Images Audio Visual Prods., Inc. v. Perinin Bldg. Co.*, 91 F. Supp. 2d 1075, 1080-85 (E.D. Mich. 2000), and *Scanlon v. Kessler*, 11 F. Supp. 2d 444, 447 (S.D.N.Y. 1998), in support of its substantial similarity argument. Substantial similarity was not at issue in those cases, and thus they fail to support the AP’s argument. AP Opp. at 23-24.

does not render an otherwise unprotectible *scène à faire* protectible. *See, e.g., Straus v. DVC Worldwide, Inc.*, 484 F. Supp. 2d 620, 638 (S.D. Tex. 2007) (photographer “has no monopoly on portraits of Arnold Palmer in which he sits upright and faces the camera”). As explained in One 3 Two’s Motion and Opposition, President Obama’s conventional three-quarters pose, and all the elements which naturally flow from that classic political pose, are unprotectible *scènes à faire*.

This case is nearly on all fours with *Reece v. Island Treasures Art Gallery*, 468 F. Supp. 2d 1197, 1209 (D. Haw. 2006), where the court held that a traditional hula pose and all the elements flowing from that pose were unprotectible *scènes à faire*:



See One 3 Two Opp. at 23 (discussing unprotectible traditional hula pose depicted above).³

Andersson v. Sony Corp. of America, No. 96 Civ. 7975, 1997 WL 226310 (S.D.N.Y. May 2, 1997), is also on point and instructive in this regard. In that case, the defendant

³ The AP attempts to distinguish One 3 Two’s case law, claiming that the cases all involved the use of a photograph to create a new infringing photograph. AP Opp. at 28-30. However, “copying” can take place by recreating a scene and photographing it as alleged in those cases, or by using technology to duplicate the work. In either instance, the question is not *how* the defendant created his work, but whether the second work appropriates the protectible elements of the first. As *Reece* shows, the concepts in the cases involving two photographs are equally applicable, where, as in this case, the artist uses a photograph to create a new work of art in a different artistic medium.

advertising company altered versions of the plaintiff's photographs by using a scanner and then a computer to add and/or subtract images from the plaintiff's photographs in order to create proposed advertisements or "comps." *Id.* at *1. The defendant then hired another photographer who used the plaintiff's photographs as a reference and tried to recreate some elements of the photographs. *Id.* at *2. The District Court found that the copying at issue was not illegal because it was limited to the reproduction of a particular, non-original pose and non-copyrightable ideas. *Id.* at *3. The court denied the plaintiff's infringement claim, finding no substantial similarity as to protectible elements. *Id.*

Similar to the pose in *Andersson* and the hula pose in *Reece*, the conventional nature of President Obama's pose is unmistakable, as is evident from the examples below:



See One 3 Two Opp. at 24 (discussing conventional nature of the classic three-quarters pose).

Accordingly, 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), are part of the “conventions and ideals” of political portraiture, and thus are not protectible. *See* One 3 Two Opp. at 17-18.

4. The “Total Concept and Feel” of the Obama Image and the Garcia Photo Is Entirely Different

After removing the unprotectible elements from consideration, the Court should analyze the few remaining elements in conjunction with the “total concept and feel” test—a test which the AP has repeatedly failed to apply. *See Shine*, 382 F. Supp. 2d at 612. As explained in One 3 Two’s Motion and Opposition, the “total concept and feel” of the two works is entirely different. One 3 Two Motion at 20-21; One 3 Two Opp. at 29-30 (citing *Kerr*, 63 F. Supp. 2d at 325-26). The Garcia Photo is a classic headshot taken by a newspaper photographer at a press conference; the Obama Image is an edgy, provocative piece of artwork that conveys a powerful political message. Moreover, the realistic style of the Garcia Photo is in sharp contrast to the abstract artistic style embodied in the Obama Image. These differences mean that the Obama Image is not substantially similar to the Garcia Photo under the applicable legal framework and One 3 Two is entitled to summary judgment of the AP’s infringement claims.

5. *Silberman* and *Steinberg* Are Inapposite

Although a number of recent, analogous cases analyze substantial similarity, the AP instead focuses on *Silberman v. Innovation Luggage, Inc.*, No. 01 Civ. 7109 (GEL), 2003 WL 1787123 (S.D.N.Y. Apr. 3, 2003) (an unpublished case), and *Steinberg v. Columbia Pictures Indus., Inc.*, 663 F. Supp. 706, 711 (S.D.N.Y. 1987) (a case decided more than twenty years ago). These cases are distinguishable and should be afforded little weight in light of the substantial body of directly applicable case law that has developed.

Silberman, like many of the cases upon which the AP relies, involved alleged infringement based on an exact copy of a photograph. No. 01 Civ. 7109, 2003 WL 1787123. Specifically, the defendants used a scanner to create an exact copy of part of the plaintiff's photograph of the New York skyline. *Id.* at *3. The defendants enlarged the image to make posters, some of which were tinted green. *Id.* The defendants also scanned another, smaller, part of the plaintiff's photograph to make pricing cards. *Id.* In finding infringement, the court noted that the defendants digitally reproduced the photograph "precisely as [the photographer] composed and created it." *Id.* at *8. As explained above in Section II.B.1., unlike the infringing works at issue in *Silberman*, the Obama Image is not an exact copy of the Garcia Photo or any portion of the Garcia Photo. Indeed, if one were to reproduce the Garcia Photo with a scanner or color copier, the resulting image would be much different than the Obama Image. Because the Obama Image is a transformative piece of artwork rather than an exact copy, *Silberman*, like the other cases involving exact copies, is inapposite.

Steinberg, which involved two illustrations of the New York skyline, is also inapplicable to the facts of this case. *See* 663 F. Supp. 706. In that case, the plaintiff created an illustration of the New York skyline, which included buildings which were inspired by the general appearance of buildings in Manhattan but which did not actually exist. *Id.* at 713. In addition, the illustration "was executed in the sketchy, whimsical style that has become one of [the plaintiff's] hallmarks." *Id.* at 712. After concluding that defendant's illustration copied both the plaintiff's imaginary buildings and his artistic style, the court found infringement. *Id.* at 712-14. Here, in contrast, the Garcia Photo is a realistic (rather than an artist-created) depiction of President Obama, and the Obama Image does not copy the artistic style of the Garcia Photo.

This important distinction was recognized by the court in *Singer*, a case involving two works of graphic art depicting Times Square. No. 91 Civ. 4453, 1996 WL 200292 (S.D.N.Y. Apr. 25, 1996). In that case, the court noted that, unlike the parties in *Steinberg*, the plaintiff and defendant “purposefully included elements which the average person . . . would recognize as being elements of Times Square” and that they “did set out realistically to depict the same city blocks and many of the same objects actually on those blocks.” *Id.* at **3-4. The court also distinguished *Rogers v. Koons*, 960 F. 2d 301, noting that “such an alignment [of a couple on a bench with eight puppies] occurs rarely in nature, and rarer still when a sculptor is present.” *Id.* at *4. The court reasoned that, in contrast to *Steinberg* and *Rogers*, “an alignment of buildings, taxis, pedestrians and billboards is precisely the natural state of Times Square” and upheld the judgment in favor of defendants. *Id.* at *4, *10. Thus, the realistic portrayal of President Obama in the Garcia Photo is similar to the artists’ realistic portrayals of Times Square in *Singer*. Accordingly, the Court should apply the reasoning set forth in *Singer* and similarly find that *Steinberg* and *Rogers* are distinguishable.

C. The AP Improperly Relies on Experts to Establish Substantial Similarity

The AP repeats the analytical error in its Motion and once again improperly attempts to rely on expert testimony to establish substantial similarity. AP Opp. at 26. As explained in One 3 Two’s Opposition, the Second Circuit “has long held that substantial similarity should be determined not with the help of or solely by experts in the relevant field, but from the perspective of the ordinary lay observer.” *Shine*, 382 F. Supp. 2d at 614; One 3 Two Opp. at 30-31. The AP’s expert, Laurie Dahlberg, is not a lay observer and, accordingly, her paid testimony should be discounted for purposes of determining substantial similarity. AP Opp. at 26. Moreover, the AP cannot use its own expert’s testimony to create a disputed issue of fact when substantial

similarity is decided based on a lay observer test. Despite the AP's suggestion to the contrary, One 3 Two referenced Dahlberg's opinion in its opening memorandum for the *sole purpose* of demonstrating that the parties agree that the Garcia Photo features a classic, conventional, political pose and that there is no factual dispute precluding summary judgment on this issue.

Accordingly, for the reasons stated in One 3 Two's Motion and Opposition, summary judgment should be granted in favor of One 3 Two on the AP's infringement claims.

III. THE AP HAS PROVIDED INSUFFICIENT EVIDENCE TO SUSTAIN ITS CONTRIBUTORY INFRINGEMENT AND DECLARATORY JUDGMENT CLAIMS

Because the Obama Image is not substantially similar to, and therefore did not infringe, the Garcia Photo, the AP's claims against One 3 Two for contributory infringement or for declaratory relief must also be dismissed. *See Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 149 (S.D.N.Y. 2009).

Additionally, even if there were a triable issue as to whether Fairey infringed the AP's rights when he created and distributed the Garcia Image, the AP has failed to provide sufficient evidence that One 3 Two knew, or had reason to know, that the Obama Image constituted an infringement, which is necessary for the AP to prevail. To make its claim that One 3 Two was contributorily liable for Fairey's alleged infringement, the AP relies on the facts it set forth in support of its own Motion for Summary Judgment. *See, e.g.*, AP Opp. at 31; AP SUF Nos. 53-60; 144, 155. As more fully set forth in One 3 Two's response to those facts, the AP's assertions are not supported by the evidence and in large part rely on inadmissible evidence that cannot be considered at summary judgment. *See* One 3 Two's Resp. to AP SUF. Accordingly, without competent, admissible evidence to support a finding that One 3 Two knew, or had reason to

know, that Fairey infringed the AP's copyright (including that the Obama Image was not a fair use of the Garcia Photo), summary judgment on contributory liability in favor of One 3 Two is warranted.

IV. ONE 3 TWO IS ENTITLED TO JUDGMENT AS A MATTER OF LAW ON THE AP'S DMCA COUNTERCLAIM

The AP's Opposition reveals that no fair-minded jury could return a verdict for the AP on its DMCA claims against One 3 Two, as the AP has failed to provide sufficient evidence on AP's claim of vicarious liability and on an underlying infringement of the DMCA. One 3 Two is entitled to summary adjudication of this claim in its favor.

A. The AP Acknowledges that One 3 Two Is Not Directly or Contributorily Liable Under the DMCA

The AP concedes in its Opposition that One 3 Two is not liable for direct or contributory infringement of the DMCA—arguing only that One 3 Two is *vicariously* liable for Fairey's conduct allegedly violating 17 U.S.C. § 1202(b). *See* AP's Memorandum pp. 32-35.⁴ Accordingly, the AP's claim that One 3 Two's principal, Don Juncal, was aware in March 2008 that there might be "legal issues" regarding the Obama Image is simply a red herring: evidence

⁴ Because the AP's claims of vicarious liability have never been articulated in this litigation prior to AP's Opposition, the Court would be justified in "brushing aside" these arguments that were not adequately stated in the AP's pleadings or discovery responses and granting summary adjudication on this claim in favor of One 3 Two. *See Syracuse Broadcasting Corp. v. NewHouse*, 236 F.2d 522, 525 (2d Cir. 1956); *Schaffer v. A.O. Smith Harvestore Products, Inc.*, 74 F.3d 722, 731 (6th Cir. 1996) (affirming summary judgment for defendant where plaintiff failed to plead claims of vicarious liability); *see, e.g., FAC*.

of knowledge is “completely irrelevant” to whether one can be held liable as a vicarious infringer. *See MGM, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1238 (C.D. Cal. 2007).⁵

B. The AP Has Failed to Provide Sufficient Evidence Showing Vicarious Liability

In order to prevail on a claim that One 3 Two is vicariously liable for Fairey’s purported DMCA violations, the AP must show, *inter alia*, that One 3 Two had the right and ability to supervise Fairey’s alleged removal of copyright management information, and his unauthorized distribution thereof, at the time the violation occurred. *See Gordon v. Nextel Commc’ns & Mullen Advertising, Inc.*, 345 F.3d 922, 923 (6th Cir. 2003); AP Opp. at 34-35. Because the AP has failed to meet its burden in setting forth admissible evidence supporting this essential element, summary adjudication in favor of One 3 Two is appropriate.

The AP fails to provide admissible evidence showing that One 3 Two had any “degree of control over the direct infringer [Fairey].” *Demetriades v. Kaufmann*, 690 F. Supp. 289, 292 (S.D.N.Y. 1988). For example, the AP has not provided evidence that One 3 Two had the right

⁵ The AP’s vague request for the Court to grant an adverse inference against One 3 Two based on Juncal’s failure to produce a certain email dated March 25, 2008 should be rejected. *See* AP Opp. at 34; AP’s Counterstatement of Material Fact ¶ 9. First, the only “adverse inference” would be that Juncal had knowledge of infringement, which is completely irrelevant to vicarious liability. Second, One 3 Two (who is the defendant in this action—not Juncal) produced the email in question from the files of a different employee, since Juncal’s computer files had been destroyed in April 2008, months before the lawsuit began. This is evident by the “OTT” Bates stamp on the document in question, which is the prefix used by One 3 Two to identify its document production. *See* Kehoe Decl. Ex. 62 (email bearing “OTT” bates stamp). There is no law cited that supports an adverse inference instruction against a party who produced the records in question from one source, but not another, because the other copy of the identical document was lost or destroyed nearly a year before the litigation began.

Additionally, though irrelevant, AP has not provided admissible evidence that One 3 Two knew that there was an underlying violation of the DMCA. For example, the AP’s purported “dispute” to One 3 Two’s Material Facts 17 and 18 are not disputes at all. The AP provides irrelevant evidence that does not support its assertion that One 3 Two had any knowledge of alleged infringement committed by Fairey, including knowledge of the specific photograph (footnote continued)

and ability to select the reference image that Fairey used to create the Obama Image; to advise and control Fairey's creation of the Obama Image; or to otherwise "take away the tools" that would have allowed Fairey to violate the DMCA. *See Perfect 10 v. Visa Int'l Service Ass'n*, 494 F.3d 788, 804 (9th Cir. 2007).⁶

Rather, the AP misplaces its analysis by focusing on One 3 Two's right and ability to control its *own* conduct, which is insufficient to establish the right and ability to control the infringing conduct of *another*. According to the AP, One 3 Two could have policed Fairey's conduct by refusing to accept Fairey's designs for use on its merchandise, as provided for in the Exclusive License Agreement. This argument is flawed in two key respects. First, it does not address the issue of whether One 3 Two had the right and ability to control Fairey's conduct at the time the violation occurred; the relationship between One 3 Two and Fairey under the Agreement meaningfully begins *after* Fairey completes his artwork—by which time any violation of the DMCA by Fairey had already been committed. Declaration of Christopher Broders filed in support of One 3 Two's Motion, ¶ 6, Exs. B & C; *see Perfect 10 v. Amazon.com*, 508 F.3d 1146, 1173-74 (9th Cir. 2007) ("[the] right to terminate a[] . . . partnership does not give . . . the right to stop direct infringement . . ."). Second, the law has expressly rejected the

Fairey referenced to create the Obama Image. Without competent and admissible evidence, the AP has failed to show any "dispute" of a material fact.

⁶ The failure to provide evidence supporting an inference that One 3 Two could control the alleged DMCA infringement distinguishes this case from the cases upon which the AP relies, which find defendants vicariously liable where there was a right and ability to prevent infringement at the time and location the infringement takes place. *See A&M Records v. Napster*, 239 F.3d 1004 (9th Cir. 2001) (defendant had the ability and right to block a user's access to a program on which infringement took place); *Gershwin Publ'g Corp. v. Columbia Artists Mgmt.*, 443 F.2d 1159, 1163 (2d Cir. 1971) (defendant's management role over programs constituted a "position to police" infringing conduct while such conduct transpired); *Broadcast Music, Inc. v. CDZ, Inc.*, 724 F. Supp. 2d 930, 935 (C.D. Ill. 2010) (defendants owned, operated, maintained, controlled, operated, and managed dancehall where infringement took place).

notion that the power to exert economic pressure constitutes control over infringing conduct. *See Perfect 10 v. Visa*, 494 F.3d at 803 (“[T]he mere ability to withdraw a financial ‘carrot’ does not create the ‘stick’ of ‘right and ability to control’ that vicarious infringement requires.”); *see also Banff Ltd. v. Limited, Inc.*, 869 F. Supp. 1103, 1109 (S.D.N.Y. 1994) (“[T]he parties’ paths must cross on a daily basis, and the character of this intersection must be such that the party against whom liability is sought is in a position to control the personnel and activities responsible for the direct infringement.”).⁷

In fact, the AP cannot provide sufficient admissible evidence on this issue because the evidence affirmatively supports the opposite conclusion. The AP has not disputed the fact that One 3 Two never accessed the Garcia Photo. Any DMCA infringement occurred, if at all, by Fairey, whose conduct (over the period of a few days in January 2008) was not subject to One 3 Two’s supervision or control. *See* the AP’s Response to One 3 Two’s SUF No. 14. By the time One 3 Two was involved, the Obama Image had not only been created but was widely disseminated.

C. The AP Has Failed To Show an Underlying Violation of the DMCA

In order to establish its DMCA claim (and thus hold One 3 Two vicariously liable for the violation), the AP must first establish that the Garcia Photo that Fairey used contained copyright management information for him to remove. In its Counterclaims, the AP alleged with a

⁷ For this reason, the AP’s supporting evidence of One 3 Two’s right to reject Fairey’s artwork is irrelevant and misdirected. *See* AP’s Response to One 3 Two’s Statement of Undisputed Fact ¶ 8 & Kehoe Opp. Decl. Exs. 77 & 78. This evidence does not provide any support for the assertion that One 3 Two had supervisory rights and abilities to prevent DMCA infringement from occurring in the first place. Additionally, this evidence is irrelevant, as it involves conduct occurring in April 2009—well after the Obama Image was created (January 2008) and after commencement of this lawsuit (February 2009). Further, this evidence is (footnote continued)

supporting screenshot that “when the Obama [Garcia] Photo is downloaded through Google Images, it is accompanied by the copyright management information depicted below . . . [and] when Fairey downloaded the Obama [Garcia] Photo through Google Images, it bore this copyright information, which he stripped from the image.” *See* FAC ¶ 141. The AP has not provided any evidence in support thereof in the Opposition. The declaration of Jim Gerberich, the AP’s person most knowledgeable about this issue, asserts only that all AP images are *distributed or licensed* to the AP’s members and customers with a *caption* that identifies the AP as the copyright owner. *See* Gerberich Decl. ¶ 10 (emphasis added). Tellingly, neither this declaration nor any other competent evidence establishes that the Garcia Photo *always* bore such copyright management information. To the contrary, the AP’s evidence reveals that Fairey testified—under penalty of perjury in a deposition—that there was no watermark and no credit to the AP on the version of the Garcia Photo he found on the Internet. *See* Kehoe Decl. Ex. 10, pp. 97-99. The only “evidence” to support the existence of such information are statements that Fairey made to the press, which Fairey testified were incorrect. *See id.*

The AP’s request for an adverse inference to be drawn from the fact that Fairey failed to produce the original photograph does not excuse the AP’s failure to satisfy its burden. Nothing, including Fairey’s failure to produce the Garcia Photo he downloaded, prevents the AP from providing admissible evidence (such as a declaration) in support of the allegation made in its Counterclaims that the Garcia Photo that was available on Google Images necessarily included copyright management information.

inadmissible as evidence of subsequent remedial measures (Fed. R. Evid. 407) and should not be considered in connection with AP’s Opposition. *See* Fed. R. Civ. P. 56(c)(2).

In sum, the only evidence that the AP would put before a jury on its claim that the DMCA was violated would be Gerberich's sworn testimony, as reflected by his Declaration, and a request for an adverse inference (which is at best questionable). The AP has not provided any authority for the proposition that One 3 Two could be subject to an adverse inference instruction based on Fairey's post-litigation misconduct. At most, this is a scintilla of relevant evidence that Fairey violated the DMCA, and no jury could reasonably find for the AP. The Court should issue summary judgment for One 3 Two on this claim.

V. THERE IS NO CAUSAL LINK BETWEEN THE ALLEGED INFRINGEMENT AND ONE 3 TWO'S INDIRECT PROFITS

Even if the Court were to deny One 3 Two's motion with respect to liability issues, it should preclude the AP from seeking the many millions dollars in indirect profits that the AP has claimed. The AP's effort to show that it is entitled to profits One 3 Two generated on the hundreds of items in its apparel line other than the Obama Merchandise (the "Non-Obama Merchandise") confirms that neither the evidence nor the AP's expert's opinion is competent to support such an award. The fundamental error in the AP's analysis is that it makes no effort whatsoever to identify which, if any, of One 3 Two's sales were even in part attributable to One 3 Two's use of the Obama Image.

The AP does not dispute that it has the burden to show that causation element in order to survive summary judgment. That is clearly the law in the Second Circuit. Such awards are the exception, not the rule, and like the plaintiffs in many indirect profits cases, and the AP has failed to carry its burden. *See On Davis v. The GAP, Inc.*, 246 F.3d 152, 160-61 (2d Cir. 2001).

To the contrary, the AP submitted evidence in support of its Opposition that absolutely disproves any hypothesis that One 3 Two's sales of Non-Obama Merchandise were caused by

One 3 Two's sales of Obama Merchandise. The AP's evidence shows no correlation between One 3 Two's sales of Non-Obama Merchandise and either the sale of Obama Merchandise by One 3 Two or even the dissemination of the Obama Image by Fairey. One 3 Two's sales of non-infringing items fluctuated during the relevant period in ways that are entirely unrelated to one another or the popularity of the Obama Image. These hard facts stand in stark contrast to the unsupported and illogical assumptions of the AP's expert, which not even the AP is willing to support, given the serious flaws in her analysis.

At most, the AP has offered evidence that the Obama Image may have increased the prestige of the "Obey" brand that One 3 Two shares with Fairey, but courts uniformly reject the argument that evidence of unquantified and unascertainable "brand prestige" is sufficient to establish a right to indirect profits. The same finding is appropriate here.

A. Indirect Profits Are Rarely Available to Copyright Holders

Although indirect profits may, in some circumstances, be recovered by a copyright plaintiff, "such claims are difficult to prove and are often unsuccessful." *Rainey v. Wayne State University*, 26 F. Supp. 2d 963, 971 (E.D. Mich. 1998) (citing 1 Nimmer on Copyright § 14.03 [A] at 14-33 (1996)). Claims for indirect profits are addressed on a case-by-case basis, but the law is clear that when a demand for indirect profits is based on a suggestion of enhanced "brand prestige" or notoriety that the plaintiff cannot reasonably quantify, they may not be recovered. As early as 1960, this District rejected as too speculative a plaintiff's effort to recover a portion of the revenues generated by an attorney's law practice and other sources even though the Court found that the attorney had plagiarized the plaintiff's book on eminent domain and marketed it as

his own. *Orgel v. Clark Boardman Co. Ltd.*, 128 U.S.P.Q. 531 (S.D.N.Y. 1960).⁸ The Southern District reiterated this observation (in a decision affirmed by the Second Circuit) in 1980, explaining that damages from infringement cannot be actually ascertained where they consist of unmeasurable goodwill and increased prestige. *Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting System Inc.*, 503 F. Supp. 1137, 1155 (S.D.N.Y. 1980), *aff'd* 672 F.2d 1095 (2d Cir. 1982).

Judge Posner articulated the basis for this rule in 1983, when sitting as a trial judge in the Northern District of Illinois. Even when the court believes that “*some* benefit must have accrued to [the defendant] from the infringement,” it “exceed[s] the bounds of permissible speculation to base a damage award on the hypothesis” when the court is unable to assign a dollar value to the benefit because the plaintiff failed to offer evidence establishing how much of the defendant’s performance resulted from the infringement and other factors at work. *Deltak v. Advanced Sys., Inc.*, 574 F. Supp. 400, 411-12 (N.D. Ill. 1983), *vacated and remanded on other grounds*, 767 F.2d 357 (7th Cir. 1985).⁹ Similarly, the Western District of New York granted summary judgment on a claim for indirect profits, finding that, even if there was a marginal benefit to a theme park that included an attraction based on a film, *Backdraft*, that infringed the plaintiff’s screenplay, the percentage of such profits attributable to the infringement was too speculative

⁸ *Orgel* was a case arising under the 1909 Copyright Act, which permitted a court to award an amount of damages “as to the court shall appear to be just” within certain restrictions “in lieu of actual damages and profits.” 17 U.S.C. § 101(b). The District Court judge in *Orgel* awarded “in lieu” damages in an amount greater than the proven actual damages and profits in part because the plaintiff could not sustain his burden of proof on indirect profits. 128 U.S.P.Q. at 531. No similar discretionary award is available under the Copyright Act of 1976 which applies here. *Compare* 17 U.S.C. § 504(b).

⁹ In *Business Trends Analysts, Inc. v. The Freedonia Group*, 887 F.2d 399 (2d Cir. 1989), discussed in detail below, the Second Circuit rejected the Seventh Circuit’s analysis on (footnote continued)

and the relationship too attenuated to justify indirect profits. *Burns, M.D. v. Imagine Films Entertainment, Inc.*, No. 92-CV-2438, 2001 WL 34059379 at *4-5 (W.D.N.Y. Aug. 23, 2001).

The claim for indirect profits should similarly be rejected here because the evidence contradicts the speculative claims the AP has made.

B. The Evidence the AP Submits Actually Contradicts the Speculation that the Notoriety of the Obama Image Led to Increased Profits for One 3 Two on Non-Obama Merchandise

As discussed below, most of the evidence the AP submits to support its claim of indirect profits indicates that the Obama Image enhanced Fairey's reputation and his "Obey" brand. Perhaps recognizing that such evidence is legally insufficient to carry its burden, the AP argues that there are no facts showing that "the success of the Obama Merchandise did *not* generate additional benefits" for One 3 Two. AP Opp. at 42 (emphasis added). This statement demonstrates the AP's improper effort to shift the burden to One 3 Two and is demonstrably false.

1. The AP Must Submit Non-Speculative Evidence of Causation before the Burden to Disprove Causation Shifts to One 3 Two

It is the AP's burden to submit non-speculative evidence of causation before One 3 Two incurs any burden whatsoever. *See On Davis*, 246 F.3d at 160-61. One 3 Two's moving papers demonstrated that there is no evidence in the record that would permit the AP to establish causation. There was consequently no need for One 3 Two to submit evidence to negate that point; to obtain summary judgment, One 3 Two was only required to demonstrate that the AP

quantifying actual damages using a "value of use" methodology. *Id.* at 405-06. It did not, however, address Judge Posner's analysis of indirect profits.

could not establish an element as to which it has the burden. *See Brady v. Town of Colchester*, 863 F.2d 205, 210-11 (2d Cir. 1988) (“in cases where the nonmovant will bear the ultimate burden of proof at trial on an issue, the moving party’s burden under Rule 56 will be satisfied if he can point to an absence of evidence to support an essential element of the nonmoving party’s claim.”).

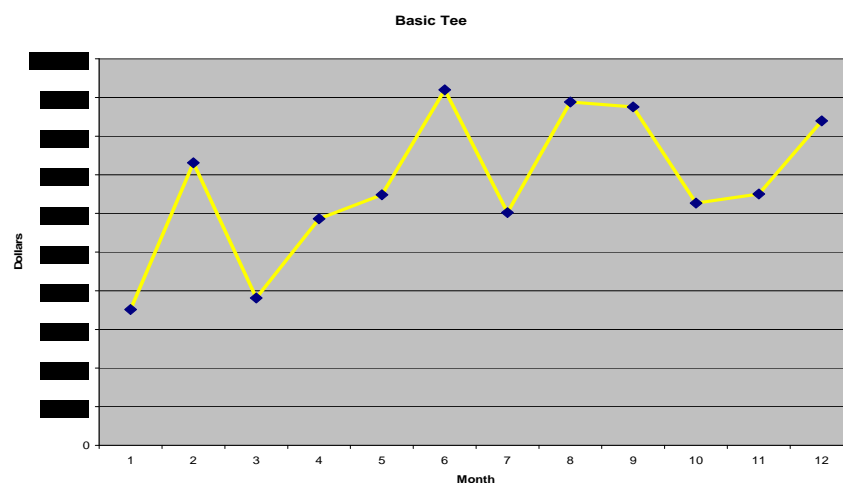
In addition, the AP itself has now submitted evidence demonstrating that there is no quantifiable amount of indirect profits that might be attributed to infringement. As explained in the moving papers, the AP’s claims against One 3 Two are based on the sales of t-shirts and sweatshirts that featured the Obama Image. *See* AP’s Mot. at 24; 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 display Fairey’s designs or other graphics at all. Sep. Stmt. Nos. 9-10.¹⁰ The only evidence the AP offers that anyone who bought a t-shirt or sweatshirt with the Obama Image on it was more likely to buy any other merchandise from One 3 Two is its claim of brand prestige, because all items are marketed under the “Obey” brand. This fact is insufficient as a matter of law. Perhaps more significantly, the exhibits to the AP’s Opposition establish that the claimed enhanced prestige resulting from the alleged infringement did not result in a quantifiable increase in sales at all.

2. The AP’s Own Exhibits Establish that It Cannot Meet Its Burden

The AP submits, as part of its Opposition papers, revenue summaries from One 3 Two for 2008 and 2009. Kehoe Opp. Decl. Exs. 81 and 82. These summaries confirm that there are many items other than t-shirts and sweatshirts that were sold by One 3 Two during those years.

Id. Exhibit 81 is the Revenue Summary for 2008. The third page of that document breaks down “Revenue by Category” and lists 30 different categories of items that generated revenue for One 3 Two in 2008, as well as the amount of revenue generated on a monthly basis. This data completely undermines any claim the AP might have to indirect profits.

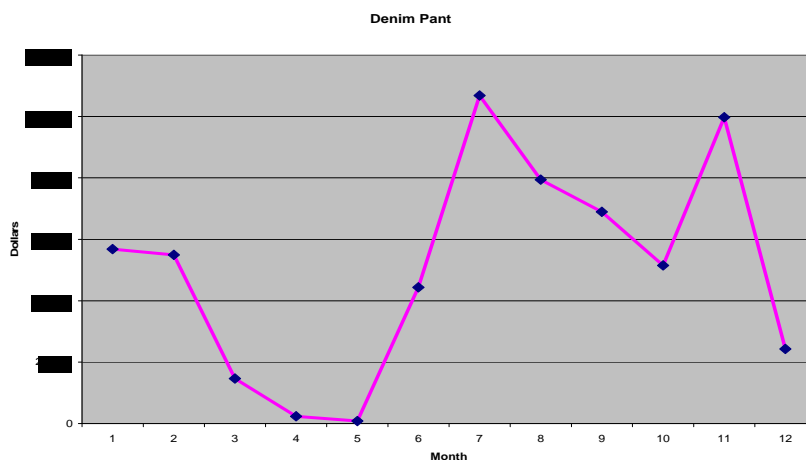
First, this data shows that throughout 2008, sales of One 3 Two’s best-selling product, Basic Tees, fluctuated substantially. They increased by more than 100 percent between January and February, and it is undisputed that One 3 Two sold no Obama Merchandise before April 2008. Sep. Stmt. No. 16. Sales of Basic Tees then decreased by nearly 50 percent between February and March, *after* the Obama Image had been widely publicized. The following chart, created using Microsoft Excel® based on the numerical data for Basic Tees in Exhibit 81, shows how sales fluctuated during 2008:



¹⁰ The AP’s response to this undisputed fact quibbles with the language and quantification, but does not dispute that One 3 Two sold items other than t-shirts and sweatshirts with Fairey’s graphics on them in 2008 and 2009. AP’s Resp. to Sep. Stmt. Nos. 9-10.

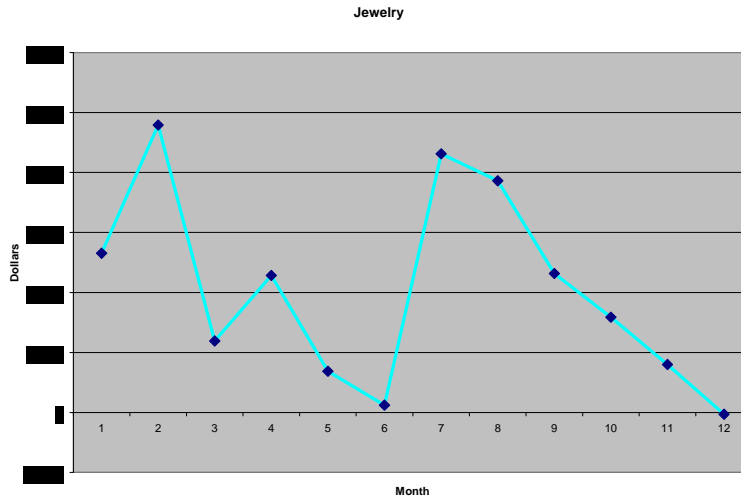
Given that sales of even a somewhat similar product to the Obama Merchandise did not increase consistently over the months following the alleged infringement, the evidence the AP submitted only emphasizes the false assumption of causation on which its indirect profits claim is based.

Next, the data in Exhibit 81 shows that sales of items in the Denim Pant category fluctuated in ways that were completely inconsistent with the sales of Basic Tees. The graph of the sales of the Denim Pant category generated by Excel looks like this:

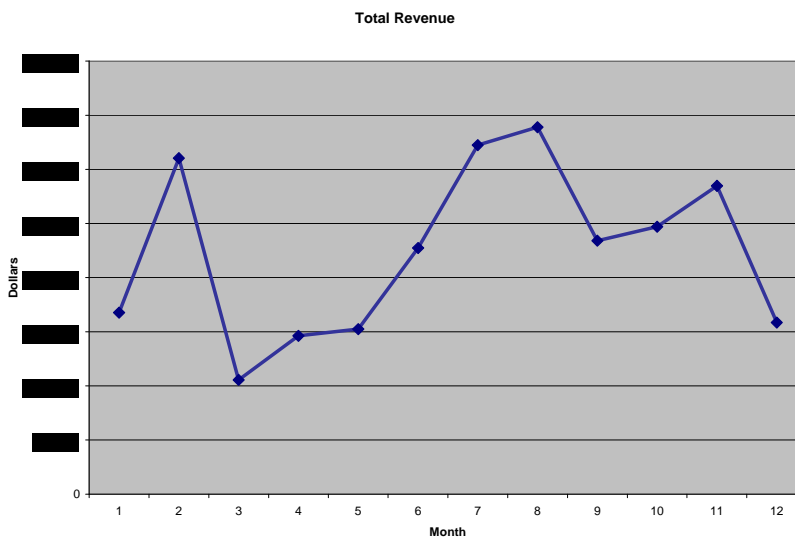


Sales of Basic Tees increased substantially between March and April 2008, but sales of Denim Pants dropped by more than 83 percent during that same period. Sales of Basic Tees decreased by 34 percent between June and July 2008, while sales of Denim Pants more than doubled during the same period. There is no demonstrable correlation between the number of Basic Tees that One 3 Two sells in a period and the number of Denim Pants it sells during that same time.

To add a third data point, Excel generated the following graph of One 3 Two's sales in the Jewelry category for 2008, and the sales fluctuations are not consistent with those of either Basic Tees or Denim Pants:

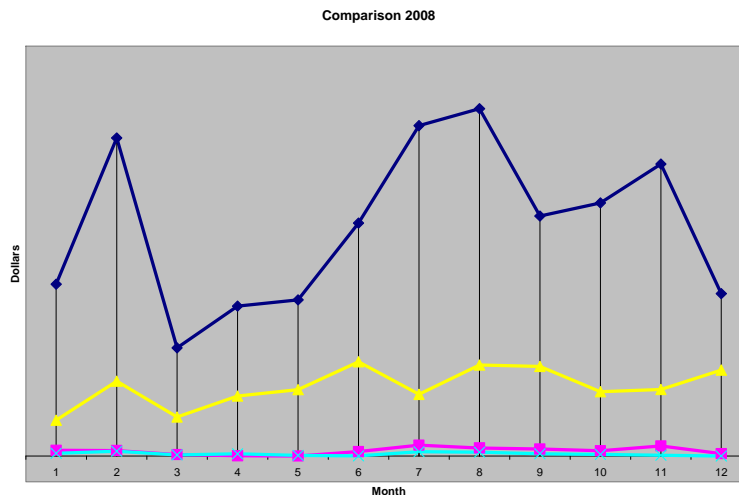


Three different products show totally different trends during 2008. One 3 Two's *overall* performance was also inconsistent throughout 2008. Between February and March of 2008—after the publication of the Obama Image—One 3 Two's revenues dropped by more than 66 percent, and revenues between August and September 2008 dropped again by more than 30 percent. The Excel graph of One 3 Two's total revenues by month as reflected in Exhibit 81 reflects these points:



In December 2008, One 3 Two's total revenues were nearly equal to those in January 2008 and in April and May 2008, with spikes and troughs in other months.

The AP's expert, Kathleen Kedrowski, masked these fluctuations by artificially "smoothing out" the growth between 2008 and 2009 in her damages model. One 3 Two detailed some of the flaws in that model in its moving papers, and those flaws are discussed further below. What the graphs demonstrate, however, is that the assumption of consistent growth throughout 2008 is completely belied by the actual data. Combining the graphs of monthly sales discussed above into a single graph shows that One 3 Two's products perform very differently from one another and that it cannot be assumed that increased sales of t-shirts and sweatshirts with the Obama Image on them caused any more sales of Non-Obama Merchandise at all:



Analyzing sales One 3 Two made to particular customers similarly undercuts the assumption of causation. Exhibits 81 and 82 show sales grouped by certain of One 3 Two's customers. On page 2 of Exhibit 81, there is a table of monthly sales by One 3 Two's Top 20 Domestic and International Customers during 2008, which includes sales to Urban Outfitters. It is undisputed that it was Urban Outfitters who first requested that One 3 Two manufacture apparel with the Obama Image for Urban Outfitters to sell, and that Urban Outfitters was the first customer to receive those items from One 3 Two. Sep. Stmt. 16; Kehoe Decl. Ex. 63. Exhibit 81 shows that One 3 Two's sales to Urban Outfitters were substantially higher in January 2008—

before the Obama Image was published and before any Obama Merchandise was created or sold—than in *every other month in 2008* except July and August. While it may be natural to assume that the popularity of the Obama Image caused One 3 Two to sell more clothes and accessories, the hard data does not support that assumption at all.

What these exercises establish is that there is nothing more than speculation to support the claim that One 3 Two's sales of any product other than the Obama Merchandise increased as a result of the alleged infringing sales. The AP's evidence based on One 3 Two's gross revenues is consequently inadequate to support an award of indirect profits. In *On Davis*, the Second Circuit found that the fact that The Gap's revenues during the infringing quarter were 10 percent greater than the same quarter the previous year, along with the amount of The Gap's total gross revenues for the infringing period, was not enough to survive summary judgment because it failed to show any causal connection between the alleged infringement and the profits. *Id.* at 161. The plaintiff's failure to limit the claim even to those items sold by The Gap rather than one of its other affiliated stores, or to the types of products that were the subject of infringement (eyewear), was fatal to his claim. While the AP has hired an expert to offer testimony on this subject, the expert has made no more effort to segregate the revenues caused by infringement than had the plaintiff in *On Davis*, and the evidence is equally inadequate. What the AP has demonstrated is only its unsubstantiated belief that the Obama Image benefitted the "Obey" brand generally, and that is legally insufficient to establish causation without evidence quantifying the dollar amount of that "benefit."

C. Enhanced Brand Prestige Alone Is Insufficient to Support an Indirect Profits Award

Much of the AP's Opposition to One 3 Two's Motion as to indirect profits is based on evidence that, according to the AP, demonstrates that the "Obey" brand was enhanced by the Obama Image and the Obama Merchandise. Even the cases that the AP cites, in which some indirect profits were allowed, however, note that there must be more than just evidence of an association between a particular product and the brand responsible for the infringement to permit recovery. The AP relies heavily, for example, on *Andreas v. Volkswagen of America, Inc.*, 336 F.2d 789 (8th Cir. 2003), which concerned an advertisement for the Audi TT coupe that infringed the plaintiff's copyright. While the Eighth Circuit found a sufficient relationship between the advertisement and sales of the TT coupe model to permit recovery of indirect profits from those sales, the plaintiff's effort to recover indirect profits based on the sale of other Audi models was rejected as too speculative. *Id.* at 709-800. That the models of cars all shared the "Audi" brand, and even evidence that Audi believed that the TT coupe was the "image building spearhead" of its fleet, was insufficient to allow the plaintiff to seek profits from sales of other models. *Id.*

Similarly, the AP cites *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505 (9th Cir. 1985), for the proposition that a single statement in an annual report in which the defendant conceded that the infringing stage production had enhanced the operations of its casino and hotel was sufficient to permit indirect profits *if ascertainable*. Ultimately, while the plaintiff in *Frank Music* was permitted to recover indirect profits from the hotel and casino because the Court concluded the evidence was sufficient to support such an award, the plaintiff was *not* permitted to seek indirect profits from the parent company, MGM, Inc. because:

Although MGM, Inc. may have reaped some marginal benefit from the infringement, for example from a slight increase in movie revenue as a result of the advertising value of the MGM Grand, or from a rise in stock value attributable in part to the success of the hotel, the percentage of such profits attributable to the infringing material in Act IV of *Hallelujah Hollywood* is too speculative and the relationship between such profits and the infringement too attenuated to justify the award of additional damages based on any profits received by MGM, Inc.

Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 886 F.2d 1545, 1554 (9th Cir. 1989) (“*Frank II*”). The Ninth Circuit rejected the “brand premium” analysis offered by an expert again in 2004, finding it “woefully insufficient” to support an award of indirect profits. *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d 700, 714 (9th Cir. 2004). In other words, no decision cited by either of the Parties has based an award of indirect profits based solely on the purported enhancement of the defendant’s brand. Yet, the AP offers only the evidence that all of One 3 Two’s products are identified with the “Obey” brand name somewhere, even if limited to the neck or price tag, in support of its claims. That brand association is legally insufficient without some other evidence to support causation, and the AP has none.

1. Plaintiff Must Establish that Indirect Profits Are Ascertainable to Survive Summary Judgment

The AP’s failure to offer any method whatsoever by which the Court might quantify the indirect profits the AP contends were caused by One 3 Two’s alleged infringement is similarly fatal to its claims. The AP attempts to argue that the burden to present such evidence is on One 3 Two, but that misstates the law. Time and again, courts have rejected claims for indirect damages when the plaintiff advances a theory, but not a reliable method of calculating, the purported indirect damages. In *Estate of Vane v. The Fair Inc.*, the Fifth Circuit considered expert testimony offered by the plaintiff alleging that the defendant retail store had used the

plaintiff's photograph in the defendant's advertising campaign. 849 F.2d 186, 189-90 (5th Cir. 1988). The Fifth Circuit affirmed the trial court's refusal to award damages based on profits finding that the expert's model did not adequately estimate what portion of the damages came from the infringing photographs, even though the Court conceded that the photographs added some value to the advertisement. *Id.* In *Mackie v. Rieser*, the Ninth Circuit rejected as "rank speculation" an expert's use of the defendant's internal documents showing that it hoped to generate a 1.5 percent response rate on marketing brochures for the Seattle Symphony containing an infringing photograph to calculate the attributable indirect profits. 296 F.3d 909, 916 (9th Cir. 2002).

The Second Circuit has explained that even when considering advertising materials (which are indisputably promotional in nature), the assumption that the purported infringement must have contributed in some way to the sales made by the defendant is not enough to support an award of indirect profits. In *Business Trends*, the Second Circuit evaluated claims against a defendant who provided copies of the plaintiff's copyrighted study to potential clients at a sharply discounted rate in an admitted effort to generate more business. 887 F.2d at 401. The president of the defendant admitted that the use of the plaintiff's work had led to more sales. *Id.* at 407. But because the plaintiff had not pursued the issue, or made any effort to match future purchases with the infringement, the Second Circuit found that the plaintiff had not demonstrated causation, and the burden never shifted to the defendant to apportion damages between infringing and non-infringing acts. *Id.*¹¹

¹¹ In its 2001 decision in *On Davis*, the Second Circuit revisited the analysis of actual damages in *Business Trends*, but similarly rejected the plaintiff's effort to seek indirect profits. *On Davis*, 246 F.3d 152.

This is consistent with the Ninth Circuit’s approach, where a plaintiff offered an expert to testify that the defendant Timex Corporation’s advertisement, which included the plaintiff’s material, had generated excitement for the Timex brand as a whole:

[The plaintiff]’s claim to the infringer’s profits is similar [to those asserted in *Roy Export* and *Orgel*]: Timex’s infringement enhanced prestige, and that prestige generated profits. And like those cases, it is impossible to connect the dots of [the plaintiff]’s theory because there is a gap between the infringement and actual sales revenue—and thus, the alleged profits.

Polar Bear, 384 F.3d at 715. That an expert had attempted to quantify the value of the “brand prestige” did not change the Court’s analysis. *See also Sid & Marty Krofft Television Prods., Inc. v. McDonald’s Corp.*, 1983 WL 1142, *2 (C.D. Cal. 1983) (rejecting plaintiff’s formula for calculating indirect profits as overly speculative). In sum, courts require plaintiff to show not just facts that support an assumption that some of the defendant’s indirect profits must have been caused by the infringement, but also a “reasonably accurate method of calculating profits” that are attributable to the infringement. *Burns*, 2001 WL 34059379 at *4. As demonstrated below, the only method of calculation the AP has offered comes from its expert, whose analysis is far too speculative and flawed to satisfy the legal standard.

2. The Critical Facts Permitting Recovery of Indirect Profits Do Not Exist Here

There is no bright-line rule that establishes when indirect profits may be recovered, and when they may not. However, a review of the relevant decisions suggests that indirect profits, if reasonably quantifiable, might be obtained when there is either (a) evidence linking the sales which profits the plaintiff seeks to recover to purchasers who were exposed to the infringing work or (b) where the plaintiff limits the profits sought to products actually promoted by the infringing work.

For example, the *Frank Music* cases allowed recovery of indirect profits from hotels and casinos who used the infringing musical production to attract consumers, but not from films produced by the company unrelated to the musical production. *Frank II*, 886 F.2d at 1554. *Polar Bear* allowed the plaintiff to seek profits from (1) trade show booth sales where the infringing works were exhibited and (2) a particular advertising promotion that included the infringing work (as to which the defendant had separately quantified its sales), but not from retail sales of the particular watch advertised at the trade shows and in the advertising promotion because there was no evidence that retail purchasers even saw the infringing work at the trade show or in the promotion. 384 F.3d at 715. The cases the AP cites also involve indirect profits claims that were limited to those sales where the purchasers were exposed to the infringing work. *Thornton v. J Jargon Co.*, 580 F. Supp. 2d 1261, 1280 (M.D. Fla. 2008); *William A. Graham Co. v. Haughey*, 568 F.3d 425, 443 (3d Cir. 2009). Conversely, when the plaintiff fails to present evidence that might connect purchasers with the infringing work, indirect profits are denied. *Business Trends*, 887 F.2d at 407.

Alternatively, courts permit indirect profits where the plaintiff's evidence limits the profits sought to those products that are promoted in an infringing advertisement. *Andreas*, 336 F.2d 789 (allowing evidence of profits from particular Audi model advertised in infringing work, but not other models); *cf. Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir. 1983) (indirect profits not allowed because not related to infringing maps).

Against this backdrop, as the Ninth Circuit has explained, the Court must make a “threshold inquiry” about whether there is a legally sufficient causal link between the indirect profits and the alleged infringement. *Mackie*, 296 F.3d at 915. The evidence the AP cites, including its expert's admittedly flawed analysis (which the AP all but expressly abandoned in

its Opposition) fail to limit the indirect profits sought to those instances in which purchasers were exposed to the Obama Merchandise, or particular products similar to the Obama Merchandise. No case has allowed a plaintiff to recover indirect profits when the evidence actually disproved causation, and based on the analysis of One 3 Two's revenue summaries discussed above, there is no credible basis for the AP to seek indirect profits here.

D. The Evidence the AP Cites Is Legally Insufficient to Survive Summary Judgment

The AP's Opposition includes a laundry list of information supporting the proposition that the Obama Image benefitted the reputation of Shepard Fairey, his "Obey" brand and, by implication, One 3 Two's "Obey Clothing" brand. Those statements are neither controversial nor disputed. Nor are these facts sufficient to establish that the alleged infringement of the Garcia Photo by One 3 Two caused One 3 Two to sell any product that did not have the Obama Image on it.

1. Evidence of Fairey's Reputation in the Art World Is Not Evidence of Increased Sales of Non-Obama Merchandise by One 3 Two

First, the AP cites several pieces of evidence from people associated with Fairey and his companies (Obey Giant LLC, Obey Giant Art, Inc. and Studio Number One, Inc., collectively, the "Fairey Companies") that the Obama Image's popularity enhanced Fairey's reputation in the art world. Kehoe Opp. Decl. Exs. 110, 111, 112, 113, 114, 123; Declaration of Robyn C. Crowther filed in support of Motion, Ex. U, Sturken Report ¶¶ 40, 49. That may be true. If so, there is not a single piece of evidence suggesting that people who are aware of the reputations of artists, particularly fine artists whose work is exhibited and sold in galleries, are the same people

who might purchase t-shirts, hoodies or accessories.¹² The AP clearly appreciates the importance of limiting its analysis to those persons who are at least likely to purchase clothing from One 3 Two, as the AP argues that the fact that a significant portion of the population did not vote for Barack Obama in the 2008 election is irrelevant because there is no evidence that those who voted for John McCain were potential customers of One 3 Two. AP Opp. at 42. Yet the AP failed to introduce any evidence suggesting that Fairey's ability to charge higher prices for his artwork, or the fact that his artwork might appeal to more mainstream clients, meant that new customers were likely to buy jeans from One 3 Two. Consequently, that evidence does not bridge the gap between the AP's claim that the "Obey" brand was enhanced and the argument that One 3 Two's sales of non-Obama merchandise increased as a result. If anything, the evidence the AP submitted rendered that gap too wide to be bridged.

**2. Evidence that the Obama Merchandise Was a Marketing or
Promotional Tool for One 3 Two Does Not Demonstrate Causation**

To bolster its position, the AP next cites some emails from One 3 Two personnel indicating that the Obama Image was a promotional marketing tool for One 3 Two. Kehoe Opp. Decl. Exs. 115, 116, 117. That an allegedly infringing product is used as a marketing tool or for promotional reasons does not provide evidence of causation sufficient to shift the burden of apportionment to the defendant. Many cases analyzing indirect profits considered advertisements and/or sales tools and still found insufficient evidence of causation. *Deltak*, 574

¹² The only document the AP cites that comes even close is an email from Fairey's business associate, Justin McCormack, that the Obama Image had been good for royalties. Kehoe Decl. Ex. 123. AP asserts without citation, that this reference was to royalties from One 3 Two. AP Opp. at 38. There is nothing in the document that references One 3 Two apparel or anything else, and the AP has submitted no evidence whatsoever indicating that the only royalties Fairey or his companies receives come from One 3 Two.

F. Supp. 400, *Vane*, 849 F.2d 186; *Business Trends*, 887 F.2d 399; *Rainey*, 26 F. Supp. 2d 963; *On Davis*, 246 F.3d 152; *Mackie*, 296 F.3d 909; *Andreas*, 336 F.2d 789; *Polar Bear*, 384 F.3d 700; *Latimer v. Roaring Toyz, Inc.*, 2010 WL 3747148 (M.D. Fla. 2010). Even if the Obama Merchandise served as a promotional or marketing tool for One 3 Two, the AP must still present some evidence that it was a **successful** marketing tool in order to satisfy its burden. *Compare Deltak*, 574 F. Supp. at 411-412 (where evidence was that infringing marketing tool was ineffective, evidence of causation was too speculative to support award of indirect profits).

The AP explicitly relies on an email from Chris Broders, one of One 3 Two's founders, referencing the Obama Image's impact on the brand awareness, Kehoe Opp. Decl. Ex. 117, and testimony from One 3 Two's accountant, Adam Van Berckelaer, of his own opinion that the Obama Image increased market awareness. Broders' email explains, however, why brand awareness is not the same thing as increased sales or profits:



Kehoe Opp. Decl. Ex. 117 (emphasis added). Van Berckelaer's deposition testimony that the AP relies on is in accord. Another founder, President Don Juncal, expressed a similar sentiment in the evidence the AP submitted. The AP contends that Juncal's May 30, 2008 email admits that the Obama Image was a promotional tool for One 3 Two. AP Opp. at 40, n. 14. The text of that email reiterates One 3 Two's marketing philosophy of "less is more." Kehoe Opp. Decl. Ex.

107. One 3 Two believes that *less* exposure of the Obey brand is likely to lead to more sales. Shepard Fairey made statements suggesting he shares this belief in the 2010 *Creativity Magazine* that the AP cites, when he explained that taking on more “mainstream” clients was not necessarily popular with his early fans, indicating that perhaps he now had access to different, but not more, customers. Kehoe Opp. Decl. Ex. 113, p. 2.

Courts considering claims for indirect profits appreciate that “sales are a function of many variables which are interrelated in complex and often unknown ways.” *Sid & Marty Krofft Television Productions, Inc.*, 1983 WL 1142 at *2. Again, the evidence the AP cites in its Opposition confirms this obvious point. While the AP contends that a One 3 Two employee, Romeo Trinidad, Jr., prepared remarks in July 2009 indicating that the Obama Merchandise had opened up new international marketing tiers for One 3 Two, in the next sentence Trinidad expressed the reality that to increase sales, One 3 Two would also need to offer “the right product at the right price, and deliver on time.” Kehoe Opp. Decl. Ex. 116. As demonstrated by the revenue analysis, the Obama Merchandise had no impact whatsoever on One 3 Two’s ability to do so.

The evidence undercuts the assumption that increased awareness of the “Obey” brand based on the Obama Image and Merchandise also led to increased revenue and profits for One 3 Two, and consequently, contrary to what the AP suggests, there is no triable issue of fact on that issue. The law precludes the AP from establishing causation with respect to indirect profits solely on evidence of enhanced brand prestige. The fact that the AP’s evidence does not support the conclusion that even one sale of non-Obama merchandise resulted from the sales of the Obama Merchandise underscores that the AP failed to meet its burden of production and summary judgment is appropriate.

E. The AP's Expert Testimony Does Not Create any Non-Speculative Basis for the Claim for Indirect Profits

As discussed previously, even if the evidence supported the conclusion that *some* of One 3 Two's sales of non-Obama merchandise in 2008 and 2009 resulted from the increased awareness of the "Obey" brand that accompanied the Obama Image and Merchandise, the AP still would need to present a non-speculative method of valuing the revenues generated by those sales. *Burns*, 2001 WL 34059379 at *4. The only evidence on that point comes from the AP's designated expert, Kedrowski, and her calculations provide no information whatsoever about which, if any, sales by One 3 Two are attributable to the Obama Image or Merchandise.

1. Kedrowski's Analysis Makes No Effort to Limit Claimed Revenues to Those Caused by the Alleged Infringement

There is no dispute about how Kedrowski went about calculating the indirect revenues purportedly attributable to One 3 Two's claimed infringement: She 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; AP Opp. at 45. As explained in One 3 Two's moving papers, 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, and the AP does not argue otherwise. *Id.* To calculate the amount of indirect revenues allegedly caused by One 3 Two's infringement, Kedrowski then multiplied this 16.7-percent figure (the compound annual growth rate, or "CAGR") by the total revenues One 3 Two generated in 2006, 2007, 2008 and 2009, less the

revenues generated by the Obama Merchandise (the “Residual Revenue”). Thus, her opinion in her expert report was that the total indirect profits for which One 3 Two is liable are “up to”

██████████ The AP now concedes that this conclusion includes a “math error” of more than ██████████ and apparently intends to base its request for indirect profits on only ██████████ in indirect revenue. AP Opp. at 46. While the AP may be willing to forgo the damages that cannot be supported even by its expert’s own methodology, it ignores the larger point, which is that this “math error” demonstrates that the AP has no basis for quantifying the indirect profits it seeks at all.

The AP apparently misunderstands the purpose of the “indirect profits” calculation. That calculation is supposed to provide the Court with a “reasonably accurate method” of determining what revenues, and resulting profits, were caused by the infringement. *Burns*, 2001 WL 34059379 at *4. Kedrowski’s calculation is nothing of the sort. Her “CAGR” reflects the average growth of One 3 Two between 2007 and 2009—not anything about the Obama Merchandise. Her original opinion was that 16.7 percent of the indirect revenues of One 3 Two could be attributed to infringement. The position that the AP takes in its Opposition—that Kedrowski intended to limit her analysis to 2008 and 2009 and thus the correct indirect revenue number is ██████████—is at odds with Kedrowski’s testimony at her deposition. While Kedrowski acknowledged the “math error,” she also testified that she was comfortable that the total value of the indirect revenues generated by One 3 Two’s alleged infringement was ██████████ ██████████ Sep. Stmt. 33.¹³ What this means is that despite her methodology, Kedrowski was equally comfortable expressing an opinion that One 3 Two’s claimed infringement caused 16.7

percent of One 3 Two's sales of non-Obama merchandise or that it caused 27.7 percent of those sales.

When an expert performs this type of “about face,” courts are reluctant to credit their testimony. In *Mackie*, the Ninth Circuit considered a declaration from an expert who initially conceded that there was no way to quantify the indirect profits caused by the infringement, but then attempted to quantify them by relying on the defendant's internal documents about the desired rate of return from the brochure with the infringing images in it. 269 F.3d at 916. The Ninth Circuit first noted that the contradictory testimony might not be sufficient in any event to create a triable issue of fact, but also described the expert's belated calculation as “rank speculation.” *Id.* Judge Posner similarly took an expert to task in *Deltak*. Explaining that the expert did not rely on any expertise when he commented on the credibility of deposition testimony of witnesses (as did Kedrowski in her reports), and that the calculations the expert offered did not in any way attempt to account for factors other than infringement that might have affected the defendant's growth in revenues, the expert was described as taking on the role of an advocate and as completely unbelievable. 574 F. Supp. at 405-07; *see also Vane*, 849 F.2d at 188 (expert's failure to control for factors other than infringement rendered testimony insufficient to establish attribution).

Here, whatever number the AP submits is the amount of indirect revenue at issue, the AP will never be able to offer a credible explanation as to why that number has anything to do with the purported infringement. Kedrowski never attempted to limit her analysis of indirect revenues to infringement: At her deposition she testified that she believed that was the defendant's burden

¹³ The AP labels this fact “Disputed” in its Response to One 3 Two's Separate Statement, but even the AP's explanation of this “dispute” concedes that Kedrowski testified that (footnote continued)

and so had not made the necessary calculations. Kedrowski Depo., Day 1 at 39:17-40:25; 32:2-33:4. The percentage of causation she used was nothing more than the company's average growth rate for two years and had nothing to do with the Obama Image or Merchandise, and in the end that percentage was (according to the AP's new calculation) off by *almost 40 percent*. There is no one other than Kedrowski who has purported to quantify the indirect revenues attributable to One 3 Two's infringement. Because Kedrowski's analysis is neither reasonable nor anything more than rank speculation, the AP is left with no such evidence at all.

Exhibits 81 and 82 also suggest a variety of methods Kedrowski might have used to try to evaluate whether the enhanced "brand prestige" that Fairey and the "Obey" name received as a result of the Obama Image translated into increased sales by One 3 Two of Non-Obama Merchandise, and that her failure to do so was not the result of a lack of information. Kedrowski could have looked at similar items of apparel, or just items featuring graphic artwork by Fairey, or compared the sales of Obama Merchandise by One 3 Two to its customers to the sales it made of other items. Kedrowski did none of that, nor any other analysis to isolate the impact of the Obama Merchandise, perhaps because the data undercuts the argument the AP hopes to make.

2. The AP's Effort to Create a "Battle of the Experts" Does Not Give Rise to any Triable Issue of Fact

Realizing that its own expert failed to offer legally sufficient evidence of a link between the alleged infringement and One 3 Two's indirect revenues, the AP desperately attempts to use calculations made by One 3 Two's expert and an expert designated by Fairey to provide some basis to quantify indirect profits. AP Opp. at 44-45. This transparent effort is as unpersuasive as it is disingenuous.

‘[REDACTED] could remain a reasonable estimate for Obey Clothing's indirect revenue’

Initially, the AP asserts that One 3 Two's expert, Mark Hair, concluded that One 3 Two "received quantifiable indirect revenue as a result of its infringing use—the only differences between them relating to the specific methodology they used to analyze that benefit and the amount they ultimately calculated." AP Opp. at 44. This statement is contradicted later in the AP's brief, when it accurately quotes from Hair's expert report, in which Hair opined that the likely maximum "Indirect Revenue, *if any*, One 3 Two received as a result of the notoriety related to the Obama Image" was [REDACTED], which after discounted for costs amounts to *maximum* profits of [REDACTED] AP Opp. at 47. The AP submits only an excerpt of Hair's report, and specifically omits Paragraph 42 of that report, in which Hair states:

Additionally, Ms. Kedrowski bases her calculations of Indirect Revenue on the premise that "a portion of the revenue generated, based on the compound annual growth rates for Fairey and Obey Clothing, from non-Infringing Works-related merchandise and artwork, *may* be due to Fairey and Obey Clothing's infringing actions" (emphasis added). However, lacking from the Kedrowski Report is any substantive analysis which supports her hypothesis that a causal linkage between notoriety and any Indirect Revenue exists, or alternatively, between sales of Obama Merchandise and any Indirect Revenue. Further, Ms. Kedrowski does not cite to any evidence suggesting that Mr. Fairey's notoriety, or the Obama Merchandise, made any substantial contribution to One 3 Two's indirect profits, nor did she make any effort to quantify the percentage of indirect profits that may be attributed to the notoriety/Obama Merchandise. Given that there are many other factors that may be responsible for an increase in One 3 Two's revenue, as I discussed below, I find no credible factual basis for Ms. Kedrowski's conclusion.

For the Court's convenience, a copy of the page with this paragraph is attached hereto as Exhibit "A." In short, Hair did not, as the AP represented, conclude that One 3 Two "received quantifiable indirect revenue as a result of its infringing use." AP Opp. at 44. Instead, recognizing that if the Court determined that the AP would be permitted to offer evidence relating to indirect profits, One 3 Two would be required to apportion that revenue and deduct

costs, Hair calculated the costs that should be deducted from any indirect revenue determined to be attributable to infringement. After critiquing Kedrowski's methodology, Hair compared One 3 Two's actual performance in 2008 with the performance One 3 Two projected for 2008, which projection was done before One 3 Two planned to sell any Obama Merchandise, and assumed that any indirect revenues from the Obama Merchandise could not exceed the difference. Kehoe Opp. Decl. Ex. 88. Hair in no way concluded that this amount was caused by infringement. *Id.*

Fairey's expert, John Jarosz, performed a similar exercise. Kehoe Decl. Ex. 126. Even the AP's excerpt of Jarosz's rebuttal report includes Jarosz's statement that there is no evidence whatsoever that indirect revenues were caused by the alleged infringement: "As noted above, it is not at all clear that there is a causal link between the Obama Works and the residual sales of Mr. Fairey and the Fairey Companies. Ms. Kedrowski has not proven that such a link exists." Kehoe Opp. Decl. Ex. 126, ¶ 198. This is not, as the AP suggests, a battle of the experts. Kedrowski has offered no evidence of causation, Hair found no facts to support it, and Jarosz concluded it was "not at all clear" that there was any causal link. Of three experts, none has offered evidence of causation, and the only conclusion supported by the evidence is that there is none. The only "battle" is between the experts and the AP, who insists there is causation even absent evidence to support it. As such, it is appropriate for the Court to dispose of the claim for indirect profits on summary judgment.

VI. CONCLUSION

This case involves a transformative work that did not copy any protected element from the AP's photograph. In the AP's overreaching effort to monetize its archive, it seeks damages arising out of a non-infringing work. It asserts DMCA claims against a party who had neither the means nor the opportunity to engage in or authorize the conduct that allegedly violated that

statute. Then it seeks to exponentially increase the amount of money at issue by claiming a portion of profits generated even on non-infringing items. But the overreaching characterizations of the evidence and authorities are not sufficient to create triable issues of fact. For all the foregoing reasons, One 3 Two respectfully requests that the Court grant summary judgment, or alternatively partial summary judgment, in its favor on all of the AP's Counterclaims.

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Respectfully submitted,

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