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**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

SHEPARD FAIREY and OBEY GIANT ART, INC.,
Plaintiffs,

v.

THE ASSOCIATED PRESS,
Defendant/Counterclaim Plaintiff,

v.

SHEPARD FAIREY, et al.,
Counterclaim Defendants,

And

MANNIE GARCIA,
Defendant, Counterclaim Plaintiff &
Cross Claim Plaintiff/Defendant,

v.

SHEPARD FAIREY and OBEY GIANT ART, INC.,
Counterclaim Defendants,

And

THE ASSOCIATED PRESS,
Cross Claim Plaintiff/Defendant.

Case No.: 09-CV-01123 (AKH)

ECF Case

**THE ASSOCIATED PRESS'S
OPPOSITION TO ONE 3 TWO,
INC.'S MOTION IN LIMINE NO. 7
TO EXCLUDE UNRELATED
COPYRIGHT CLAIMS AND
SETTLEMENT EVIDENCE**

The Associated Press (the “AP”) respectfully submits that this Court should deny One 3 Two, Inc.’s (“Obey Clothing’s”) Motion *in Limine* No. 7 to exclude evidence of prior intellectual-property claims involving Obey Clothing as well as relating to settlement of those claims.

I. INTRODUCTION

Through its Motion *in Limine* No. 7, Obey Clothing moves this Court to exclude evidence of the clothing company’s involvement in two prior intellectual-property disputes—one stemming from Obey Clothing’s sale of merchandise bearing an image derived by Shepard Fairey from a copyrighted poster by artist Felix René Mederos (the “Mederos Dispute”), and the other stemming from a series of intellectual-property claims by Bravado International Group Merchandise Services, Inc (the “Bravado Dispute”), including one pertaining to a design provided to Obey Clothing by Mr. Fairey and his design firm. Obey Clothing claims that such evidence is irrelevant under Federal Rule of Evidence 402 and is inadmissible under Federal Rule of Evidence 408. Neither claim is true.¹

As a threshold matter, Obey Clothing concedes that evidence of the Mederos Dispute is not precluded by Rule 408 as it involved a settlement paid by Mr. Fairey and not Obey Clothing. And, there is little doubt that this evidence is relevant under Rule 402 to show that Obey Clothing willfully infringed the AP’s copyright as it demonstrates that Obey Clothing was on express notice of Mr. Fairey’s use of pre-existing works in his graphics without permission.

¹Obey Clothing’s motion does not identify exactly which evidence it considers to be settlement evidence within the ambit of Rule 408. As discussed herein, Rule 408 is narrow in scope and addresses only evidence actually within the context of settlement negotiations. Obey Clothing has indicated that it will amend and supplement its motion once the parties have disclosed evidence and exhibits intended to be offered at trial. (OC Mot. 1, n.1.) The AP reserves the right to directly address any specific objections made by Obey Clothing at that time.

With regard to the Bravado Dispute, Obey Clothing's motion to exclude appears to go well beyond the narrow confines provided by Rule 408, and seeks to exclude evidence that (i) Obey Clothing received prior claims relating to its use of Mr. Fairey's graphics that incorporate the protectable intellectual property of others on merchandise, (ii) operation of the reverse-indemnity provision pursuant to which Obey Clothing (as licensee) indemnifies Mr. Fairey and his company, Obey Giant LLC, (as licensors) for the use of his graphics, and (iii) the actual settlement agreement with Bravado reflecting these facts. The AP does not intend to offer the settlement agreement at trial to show liability or for other purposes precluded by Rule 408. However, the evidence of prior claims and the operation of the reverse-indemnity provision is relevant to a number of issues remaining in the case. In addition to notice of willful copyright infringement, as with the Mederos Dispute, the evidence is also highly probative of the nature of the relationship between Obey Clothing and Obey Giant LLC. In particular, the evidence demonstrates that Obey Clothing was responsible for clearing rights for the use of Mr. Fairey's graphics on Obey Clothing's merchandise, which Obey Clothing denied on summary judgment and likely will also deny at trial.

II. ARGUMENT

A. Evidence of Obey Clothing's Involvement in Past Intellectual-Property Disputes Is Relevant to the AP's Potential Damages Claims.

Without citing a single case to support its position, Obey Clothing argues that evidence of the Mederos and Bravado Disputes is "doubly irrelevant" to the issues remaining in this case. (OC Mot. 2.) But Obey Clothing completely misapprehends the issues to be tried.

Trial of this case will involve three issues: (i) the substantial similarity between the Obama Photo and the Obama Image; (ii) Obey Clothing's violation of the Digital Millennium Copyright Act; and (iii) the damages due to the AP as a result of Obey Clothing's copyright

infringement. With respect to the third issue, the AP is entitled to pursue statutory damages under Section 504(c) of the Copyright Act, in lieu of actual damages or Obey Clothing's profits, if it elects to do so. See 17 U.S.C. § 504(c)(1)-(2).² Further, if it prevails on the merits, the AP may also recover an award of attorney's fees under Section 505. See id. § 505.

Evidence of whether Obey Clothing's use of the Obama Photo was in willful or reckless disregard³ of the AP's copyrights is relevant to the AP's recovery under both Sections 504(c) and 505. See id. §504(c)(2) ("In a case where . . . infringement was committed willfully, the court in its discretion may increase the award of statutory damages [up] to . . . \$150,000."); see also Yurman Design, Inc. v. PAJ, Inc., 263 F.3d 101 (2d Cir. 2001) (affirming enhanced statutory-damages award based on defendant's reckless disregard of plaintiff's copyrights as demonstrated by, among other things, defendant's failure to investigate possible infringement issues); Kepner-Tregoe, Inc. v. Vroom, 186 F.3d 283, 289 (2d Cir. 1999) (affirming award of attorney's fees as "justified based on the [district] court's finding of willfulness and . . . in line with the statutory goal of deterrence") (citing Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 n.19 (1994)). And it is well-established that a party's experience, familiarity, or sophistication with respect to copyright law can constitute evidence of that party's willful or reckless disregard of copyright issues. See, e.g., Viacom Int'l Inc. v. Fanzine Int'l, Inc., No. 98 Civ. 7448 (RCC), 2001 WL 930248, at *4 (S.D.N.Y. Aug. 16, 2001) (finding willfulness where defendant had been involved in copyright

² Under Section 504(c)(1), the AP may elect to recover statutory damages at anytime before this case is submitted to the jury. ("[T]he copyright holder may elect, at any time before final judgment is rendered, to recover . . . an award of statutory damages.") The AP has not yet done so and expressly reserves the right to make that election at the appropriate time.

³ Willfulness exists where an infringer displays a "[r]eckless disregard of the copyright holder's rights." Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1010 (2d Cir. 1995) (internal quotation omitted). Notably, the AP does not have to show willfulness in order to prevail on its claim for copyright infringement. See, e.g., Castle Rock Entm't v. Carol Pub. Grp., Inc., 955 F. Supp. 260, 266 (S.D.N.Y. 1997) (noting that willfulness is not essential to a finding of liability under the Copyright Act).

litigation under similar facts and was or should have been familiar with copyright law); Castle Rock Entm't v. Carol Pub. Grp., Inc., 955 F. Supp. 260, 266-67 (S.D.N.Y. 1997) (finding “clear evidence” of willfulness where, in addition to other facts, defendants had experience with and familiarity of copyright law); Engel v. Wild Oats, Inc., 644 F. Supp. 1089, 1092 (S.D.N.Y. 1986) (finding willfulness where circumstantial evidence indicated that defendant’s art-director knew or should have known that copying plaintiff’s photograph for use on a line of t-shirts constituted infringement).

Here, evidence relating to the Mederos and Bravado Disputes is probative of Obey Clothing’s experience with a variety of intellectual-property-related issues prior to its use of the Obama Image and, thus, of Obey Clothing’s willful disregard of the AP’s copyrights. Specifically, each dispute stemmed initially from Obey Clothing’s use of graphic images—including those provided by Mr. Fairey—on apparel sold by the company. In each dispute, a third-party intellectual-property owner, or its agent, complained that Obey Clothing’s apparel designs incorporated protectable intellectual property without license and in violation of the owner’s rights. And in each dispute, those claims arose well in advance of Obey Clothing’s unlicensed use of the Obama Photo, as copied in the Obama Image. (See Exhibit A (FAIREY 105177-79 (July 26, 2007, e-mail raising Mederos-related copyright claim); Exhibit B (FAIREY 3000329-332 (January 10, 2007, e-mail between agents of Obey Clothing and Obey Giant LLC, one of Mr. Fairey’s corporate entities and Obey Clothing’s licensor, invoking the parties’ reverse-indemnity provision with respect to a Bravado-related claim).) These two intellectual-property disputes—and, particularly, the underlying claims and communications relating thereto—indicate that, prior to its distribution and sale of the Obama Merchandise, Obey Clothing knew or should have known that its unlicensed use of the Obama Photo could give rise

to copyright issues. In fact, in October 2007, Justin McCormack, an owner in Obey Giant LLC, warned—or provided notice to—Obey Clothing that the company’s commercial application of Mr. Fairey’s designs could give rise to intellectual-property claims and that Obey Clothing bore the risk of such use:

At the end of the day, *we must reiterate that not all of Shepard’s art can translate to apparel* and, in lieu of submitting t-shirt art for our approval, *you need to use your own best / educated judgement* [sic].

(See Exhibit C (MCCORMACK 0000162-65).) Because the AP’s damages claim may turn, in part, on Obey Clothing’s willfulness, evidence relating to the Mederos and Bravado Disputes is undoubtedly relevant to the determination of issues to be tried in this case. *See* Fed. R. Evid. 401.

B. Evidence Relating to Past Intellectual-Property Disputes Is Admissible Under Federal Rule of Evidence 408 to Demonstrate The Nature of Obey Clothing’s Relationship with Mr. Fairey and Notice of Claims.

Obey Clothing asserts that Federal Rule of Evidence 408 mandates exclusion of evidence of its settlement of the Bravado Dispute⁴ because the “only possible reason” to use this evidence would be to suggest that the Obama Image infringes the Obama Photo. (OC Mot. 3.) Again, Obey Clothing’s argument misses the point.

Rule 408’s exclusionary principle is limited. The Rule excludes evidence of “furnishing or offering or promising to furnish . . . valuable consideration in compromising or attempting to compromise [a] claim” or “conduct or statements made in compromise negotiations” for only the narrow purposes of proving liability, showing the amount of the claim, or impeachment through

⁴ With respect to the Mederos Dispute—which concerned Obey Clothing’s t-shirt design but was reached between Mr. Fairey and Mr. Mederos’s estate—Obey Clothing concedes that evidence of the settlement of this claim falls beyond the purview of Rule 408. (OC Mot. 3, n.3.) Further, it has failed to cite any authority for the proposition that it can object to admissions of manifestly relevant settlement communications between third parties regarding a claim separate from those before the Court. As a result, Obey Clothing’s motion with respect to this dispute is baseless and should be denied in its entirety.

prior inconsistent statement.⁵ The Rule, however, freely admits such evidence for other purposes, including to show a party's notice of relevant issues. See FED. R. EVID. 408(b); FED. R. EVID. 408 advisory committee's notes ("Rule 408 is inapplicable when evidence of the compromise is offered to prove notice.") (citing cases); see also U.S. v. Gilbert, 668 F.2d 94, 97 (2d Cir. 1981) (upholding admission of prior SEC civil consent decree as evidence of defendant's notice of reporting requirements, even though "a civil consent decree, as the settlement of a civil suit, is governed by FED. R. EVID. 408").

Though the AP does not intend to introduce the actual settlement agreement between Obey Clothing and Bravado for the purpose of showing liability or the amount paid, the AP does intend to introduce relevant evidence of the dispute that arose prior to that settlement—namely, that Mr. Fairey's company, Obey Giant LLC, had in fact invoked the reverse-indemnity provision in the Obey Giant-Obey Clothing licensing agreement that grants Obey Clothing the right to use Mr. Fairey's trademarks and graphic designs on clothing. The AP intends to develop evidence of this dispute to demonstrate the sophisticated nature of the relationship between Mr. Fairey, his company, and Obey Clothing and to establish Obey Clothing's express notice that it bore the risk of using Mr. Fairey's graphic designs on apparel and other merchandise. Thus, to the extent that any such evidence could constitute compromise evidence within Rule 408's ambit, the AP's use fits comfortably within one of the Rule's permitted uses. See Fed. R. Evid. 408(b) ("This rule does not require exclusion if the evidence is offered for purposes not

⁵ The express language of Rule 408 excludes only evidence of statements or conduct actually made in the context of settling or attempting to settle a claim. As noted above, Obey Clothing has not, in its motion, identified what evidence it believes to be in this context. To the extent Obey Clothing seeks to exclude all evidence referring to the Mederos and Bravado Disputes themselves, and not simply statements made in the context of negotiating a settlement of those disputes, Obey Clothing's motion is overly broad and should be denied outright.

prohibited by subdivision (a).”) Accordingly, Rule 408 provides no ground to exclude this evidence.

III. CONCLUSION

For the reasons stated above, this Court should deny Obey Clothing’s motion in limine No. 7 to exclude evidence of the company’s involvement in the Mederos and Bravado Disputes.

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Respectfully submitted,

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