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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,

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

ECF Case

**THE ASSOCIATED PRESS'S
MOTION IN LIMINE NO. 4 TO
EXCLUDE CERTAIN
TESTIMONY OF NEIL
ZOLTOWSKI**

The Associated Press (the “AP”) respectfully moves, pursuant to Federal Rules of Evidence 702 and 403, to exclude certain testimony of Neil Zoltowski, an expert witness disclosed by One 3 Two, Inc. (“Obey Clothing”), pertaining to current, online photo-licensing rates of third-party Getty Images, as well as any evidence or argument relating thereto.

A. INTRODUCTION

Obey Clothing apparently intends to offer the testimony of Neil Zoltowski, a financial and economic consultant with StoneTurn Group, LLP and Obey Clothing’s expert witness on the issue of the AP’s economic damages. Mr. Zoltowski opines on the licensing fee that the AP would have received if Obey Clothing had obtained a license from the AP to use its copyrighted photograph of then-Junior Senator Obama (the “Obama Photo”) in Mr. Fairey’s illustrated version of that photo (the “Obama Image”), which Obey Clothing distributed and sold on apparel and other items (the “Obama Merchandise”). Lacking any background or experience in photo licensing, Mr. Zoltowski relies instead on third-party Getty Images’ current automated online licensing feature, which he and his staff accessed through <gettyimages.com>. This testimony should be excluded as irrelevant to the issue of the actual damages that the AP is entitled to recover under 17 U.S.C. § 504(a) and (b) (“Section 504”), and is likely to prejudice the AP, confuse the issues, and mislead the jury.

First, as a threshold matter, the third-party Getty Images material on which Mr. Zoltowski relies is clearly inadmissible hearsay, as it consists of out of court statements by a third party offered for its truth that does not fall within any of the recognized hearsay exceptions.

Second, Mr. Zoltowski has no experience in either the newsgathering or photo archive industries and has not offered any basis for concluding that any license fee generated by Getty Images’ automated online system for isolated uses of certain Getty photographs in late 2010 is a

proper measure of the AP's actual damages during the period March 2008 through August 2009, the period during which Obey Clothing commercially exploited Obama Photo through its distribution and sale of the Obama Merchandise.

Third, Getty Images' current automated licensing system employs a licensing model that the AP has never used in negotiating commercial licenses. It is wholly irrelevant to the question of what a license fee for Obey Clothing's myriad uses of the Obama Photo would have looked like and will only confuse the jury and prejudice the AP.

Fourth, the third-party Getty Images material also is irrelevant because it involves individual licenses for routine uses, not a complex, multifaceted license covering the right to use an extremely and unusually popular image of Mr. Obama on a widespread basis.

Because the proffered argument, testimony and evidence is irrelevant to the fair market value of Obey Clothing's extensive uses of the Obama Photo at the time of the infringement, it is inadmissible at trial and should be excluded.

B. LEGAL STANDARD

The Rules of Evidence permit an expert witness with pertinent "knowledge, skill, experience, training, or education" to offer opinion testimony grounded in "scientific, technical, or other specialized knowledge" that will assist the trier of fact. FED. R. EVID. 702. Federal courts are "gatekeepers" with regard to the admissibility of expert opinion under Rule 702. See Kumho Tire Co. v. Carmichael, 526 U.S. 137, 141 (1999). As such, they must ensure that the proffered expert testimony not only has a "reliable foundation" but also that it is "relevant in that it 'fits' the facts of [the] case." See Troublé v. Wet Seal, Inc., 179 F. Supp. 2d 291, 302 (S.D.N.Y. 2001) (citing Daubert v. Merrell Dow Pharms., Inc., 509 U.S. 579, 591-92 (1993)). The party offering the purported expert testimony bears the burden of demonstrating that the testimony is reliable and relevant, before it becomes admissible at trial. See Daubert, 509 U.S. at

592 n.10; see also FED. R. EVID. 702 advisory committee notes, 2000 amendments (citing Bourjaily v. United States, 483 U.S. 171 (1987)). Further, even if an expert's testimony satisfies Rule 702 it may still warrant exclusion under Rule 403 because "its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury." See Daubert, 509 U.S. at 595 (quotations omitted). Indeed, the Second Circuit has noted that Rule 403 plays a "uniquely important role . . . in a district court's scrutiny of expert testimony given the unique weight such evidence may have in a jury's deliberations." Nimely v. City of N.Y., 414 F.3d 381, 397 (2d Cir. 2005).

C. ARGUMENT

1. Mr. Zoltowski's Testimony Based On Getty Images' Contemporary Automated Licensing Scheme Is Irrelevant.

Any argument, testimony or evidence regarding the one-off license fees generated by Getty Images' current online automated licensing system is irrelevant to determining the AP's actual damages in this case.

Under Section 504(a) of the Copyright Act, a copyright holder may recover both (i) its actual damages and (ii) the infringer's profits, to the extent the two measures are not duplicative. Actual damages are primarily measured by "the extent to which . . . the copyrighted work at the time of the infringement has been injured or destroyed." See Fitzgerald Publ'g Co. v. Baylor Publ'g Co., 807 F.2d 1110, 1118 (2d Cir. 1986) (emphasis added). In cases like this one, actual damages are measured by the reasonable license fee for the alleged infringement (i.e., the fair market value of a license authorizing defendant's particular use(s) of the copyrighted work). See Davis v. The Gap, Inc., 246 F.3d 152, 164-68 (2d. Cir. 2001); see also Brown v. Columbia Recording Corp., No. 03 Civ. 6570 (DABTHK), 2006 WL 3616966 (S.D.N.Y. Dec. 12, 2006)

(awarding plaintiff \$155,500 based on defendant's unauthorized sampling of plaintiffs' musical composition and sound recording).

In his expert report, Mr. Zoltowski, who lacks any experience with newsgathering or photo archives, relies in large part on third-party Getty Images' current, automated licensing service, available at www.gettyimages.com, as support for his opinion regarding actual damages. Specifically, for each of Obey Clothing's numerous uses of the Obama Photo,¹ Mr. Zoltowski or one of his staff visited Getty Images' website in October and November 2010, selected a photograph of a former president and used Getty Images' automated licensing feature to generate a license, and a license fee, for a particular use of that photo (e.g., use of a photo of President Clinton on t-shirts). (See, e.g., Zoltowski Report 16, 19, 21, 22 and Exs. 5-9.) To determine the sum of AP's actual damages, Mr. Zoltowski uses these Getty Images-generated license fees as a proxy for the potential license fees for each of Obey Clothing's uses of the Obama Photo. (See id., Ex. 10.) Mr. Zoltowski's opinions based upon that "analysis," however, are irrelevant to the determination of the AP's actual damages in this case for several reasons.

First, and most obviously, the Getty Images-based price quotes that Mr. Zoltowski includes in his expert report constitute inadmissible hearsay under Federal Rule of Evidence 802. Neither Mr. Zoltowski nor anyone on his staff has any personal knowledge of the Getty Images system, Obey Clothing never subpoenaed Getty Images for information or testimony about that system, and there has been no discovery whatsoever about what Getty Images' actual licensing practices are for an image like the Obama Photo under the circumstances presented here (myriad

¹ Mr. Zoltowski's report enumerates Obey Clothing's uses of the Obama Photo, including (i) 236,625 units of apparel; (ii) four full-page advertisements in national magazines; (iii) 90,000 promotional flyers (approximate); (iv) 70,000 promotional posters; (v) 30,000 promotional postcards; and (vi) 17 window treatments, or window graphics, at retailers. (Exhibit A, Expert Report of Neil J. Zoltowski dated November 2, 2010 ("Zoltowski Report") 11.)

uses of an extremely popular image for an expanding range of merchandised items over an extended period of time).

Second, Mr. Zoltowski and his staff conducted this exercise in October and November 2010—over two and a half years after Obey Clothing began its exploitation of the Obama Photo by distributing the Obama Merchandise, and over a year after the company ended that exploitation. There is no evidence in the record that Getty Images’ current automated pricing structure or licensing policies were in place during the period in which Obey Clothing distributed and sold the Obama Merchandise (indeed, it is not even clear that Getty’s automated pricing applies to all of Getty’s own photos, much less the AP’s photos). (See Zoltowski Report 14 n. 72 (discussing Mr. Zoltowski’s “assumption that Getty Images’ pricing has not changed materially since the time period when the parties would have entered into these license agreements.”) Accordingly, neither Mr. Zoltowski nor Obey Clothing has established that these price quotes are probative of the fair market value of a license fee for the Obama Photo during the time period that is actually relevant to Obey Clothing’s infringement.

Third, Getty Images’ online licensing system is wholly at odds with the AP’s own licensing practices, and thus is not reflective of how a license fee in this case would have been arrived at. The AP does not now have, nor has it ever maintained, an automated online system for generating licenses for the use of its photos for commercial purposes. Instead, to adequately consider the myriad factors relating to any given use, the AP requires that a customer actually speak with an AP Images’ sales representative before receiving a price quote or license to commercially exploit one of the AP’s copyrighted images.² (See Exhibit **B**, B. Sell Dep. (Dec. 2,

² The irrelevance of the Getty Images material is underscored by Mr. Zoltowski’s admission that one of the two images he considered, a photo of President Clinton, bore a “Restriction” notice (Continued...)

2010) 170:17-177:5 (“But when a commercial customer comes to The Associated Press to license a picture, they must talk to a sales rep and that sales rep doesn’t simply refer[] to the sales guide, they look at the picture, they try to evaluate what the picture is”; see also Exhibit C, F. DeGrave Dep. (Mar. 23, 2010) 65:8-69:15.) Further, in determining acceptable licensing terms for a given photo, the AP considers numerous factors, including the customer’s nature and business as well as the particular use or uses planned by the customer. (See id. 56:13-63:12; B. Sell Dep. 166:3-169:7.)

To the extent any comparables are needed, they can readily be found in the licenses that Obey Clothing itself entered into for the use of photos in derivative images on its apparel and merchandise prior to or during its use of the Obama Photo. (See Exhibit D, OTT 000644-46 (license agreement between Obey Clothing and photojournalist Al Rockoff for use of Mr. Rockoff’s stock photography and derivative images based on that photography); Exhibit E, OTT 000833-35 (license agreement between Obey Clothing and photographer Martha Cooper for use of Ms. Cooper’s stock photography derivative images based on that photography); see also Exhibit F, FAIREY3000890-91 (licensing agreement between Obey Clothing, Obey Giant Art, Inc. and photographer Jenny Lens for use of Ms. Lens’ stock-photography collage.) Mr. Zoltowski’s opinions based on Getty Images’ automated licensing service largely ignore the probative value of this plainly relevant evidence.³

stating that any commercial use would require additional clearance, and that he did not know whether that meant a customer could not automatically license that photo but instead would have to speak directly with a Getty Images sales representative to finalize the license. (See Exhibit G, N. Zoltowski Dep. (Dec. 14, 2010) 329:12-330:20.)

³ At his deposition, Mr. Zoltowski testified that he felt comfortable relying upon third-party Getty Images’ online licensing service because Farah DeGrave, a manager in AP’s photo licensing business, testified that, in circumstances where they are unable to access AP’s pricing guidelines, AP sales representatives might consult the Getty Images’ site for pricing assistance. (Continued...)

Fourth, and finally, Mr. Zoltowski's opinions based on the automated Getty Images licenses fail to consider the expansive and cumulative nature of Obey Clothing's numerous uses of the Obama Photo. Though he admits that Obey Clothing and the AP would likely have held several licensing negotiations given the evolution of Obey Clothing's uses of the Obama Photo over time (see Zoltowski Report 13-14), Mr. Zoltowski's testimony based on Getty Images' automated licensing system treats each of Obey Clothing's uses in isolation and without consideration of accompanying uses (see id. 15-16 (apparel), 16-19 (magazine advertisements), 19-21 (flyers and postcards), 21-23 (posters), 23 (window treatments)). In other words, his Getty Images-based licensing exercise considers each of Obey Clothing's different applications of the Obama Photo as a one-off use rather than one use in a series of ever-expanding uses. This approach is unrealistic and unfounded. As Mr. Zoltowski recognizes, Obey Clothing used the Obama Photo in a variety of media, ranging from apparel to advertisements, and distributed at least 440,000 copies of Obama Photo (as copied in the Obama Image). (Zoltowski Report 11.)⁴ Blake Sell, the AP's expert on photo licensing, testified that under standard industry practice the

(See, e.g., Exhibit G, N. Zoltowski Dep. 116:1-16; 129:23-133:22.) But the passages of Ms. DeGrave's testimony that Mr. Zoltowski cites do not address licensing negotiations like those that would have likely occurred between the AP and Obey Clothing regarding the company's uses of the Obama Photo—that is to say that these passages do not address multiple-use licensing negotiations between parties over time for what was indisputably an enormously popular and successful image. (See Zoltowski Report 14 n. 73 (citing F. DeGrave Dep. 133. 138-139); see F. DeGrave Dep.133:1-25; 138:1-139:25.) Accordingly, Ms. DeGrave's deposition does not provide a reliable basis for Mr. Zoltowski's assumption that the fair market value of a license fee for Obey Clothing's use of the Obama Photo could have consisted of several one-off, lump-sum license fees generated by Getty Images' website.

⁴ We note that Obey Clothing asserted in its opposition to the AP's motion for summary judgment that it had produced and distributed approximately 2 million items bearing the Obama Image. (See Docket # 180, Obey Clothing's Memorandum of Law in Opposition to the AP's Motion for Summary Judgment dated January 26, 2011, 53.) Obey Clothing has not produced evidentiary support for this figure, but if it is correct, Mr. Zoltowski's opinions regarding the AP's actual damages are woefully deficient and should be excluded in toto as unreliable.

AP and Obey Clothing would have reached a licensing arrangement that encompassed both currently intended uses and unknown, potential future uses, rather than holding a series of isolated negotiations as Mr. Zoltowski suggests. (See B. Sell Dep. 163:10-182:2.)⁵ As such, Mr. Zoltowski's testimony based on Getty Images online licensing system is irrelevant to determining the fair market value of a license fee covering Obey Clothing's uses of the Obama Photo because it neither reflects prevailing licensing practices nor accounts for the actual nature of Obey Clothing's uses.

Because Mr. Zoltowski's testimony based on Getty Images' current, online licensing service is irrelevant to determining the AP's actual damages, this testimony should be excluded under Federal Rule of Evidence 702. See Daubert 509 U.S. at 591-92.

2. Mr. Zoltowski's Testimony Based on Getty Images' Contemporary Licensing Rates Should be Excluded Under Federal Rule of Evidence 403.

Mr. Zoltowski's testimony based on Getty Images' current automated online licensing system should also be excluded pursuant to Federal Rule of Evidence 403. Specifically, to the extent that such testimony has any probative value in determining the AP's actual damages, that probative value is substantially outweighed by the likelihood that this testimony will unfairly prejudice the AP, confuse the issues, and mislead the jury.

As discussed above, the proposed testimony is not reflective of industry practice during the relevant time period, of the actual licensing practices of the parties in this case, or of the actual uses involved here. Instead, it seeks to reduce the actual damages inquiry in this case to little more than a series of unrelated, one-off licensing transactions. This reductive approach is

⁵ Mr. Zoltowski admitted at his depositions that he has no experience whatsoever with respect to the licensing of photography. (N. Zoltowski Dep. 143:7-144:22.) It is not surprising that his opinion regarding the AP's actual damages fails to adequately account for industry practice in the photography licensing business.

wildly misleading as it fails to capture how Obey Clothing's uses of the Obama Photo evolved and how a licensing arrangement covering those uses would have looked at the time the use occurred. The record clearly shows that Obey Clothing's uses of the Obama Photo expanded over time as it decided to apply the Obama Image to additional units and in new media. (See Zoltowski Report 5.) And a proper determination of the AP's actual damages in case should consider these particular characteristics of Obey Clothing's unauthorized uses. See Columbia Recording Corp., 2006 WL 3616966, at *5 (discussing expert's computation of a reasonable license fee, including a built-in advance based the "uncleared" nature of defendant's sampling of plaintiff's song). Also wholly missing from Mr. Zoltowski's approach is any recognition of the unusual popularity of the Obama Image as compared to numerous other poster images of Mr. Obama, including several made by Mr. Fairey in the same style. Mr. Zoltowski fails to recognize that the whole is greater than the sum of the parts he purports to rely on. There is no doubt that the popularity of the Obama Image and Obey Clothing's desire to keep using it would have impacted the licensing rates for the photograph, yet Mr. Zoltowski does not even discuss these relevant considerations, further undermining his analysis. Because Mr. Zoltowski's Getty Images-based testimony fails to take any of these considerations into account, it should be excluded under Rule 403 as substantially more prejudicial and misleading than probative.

D. Conclusion

For the reasons stated above, the AP respectfully asks that the Court grant it motion to exclude, under to Federal Rules of Evidence 702 and 403, the opinion testimony of Mr. Zoltowski to the extent that it relies on Getty Images' current, online photo-licensing rates.

Date: February 25, 2011

Respectfully submitted,

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