

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 OPPOSITION TO THE
ASSOCIATED PRESS’S MOTION IN LIMINE NO. 2 TO EXCLUDE EVIDENCE OF
FAIR USE, PURPOSE, AND INTENT UNDER FRE 402, 403 AND THE “LAW OF THE
CASE” DOCTRINE**

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. EVIDENCE OF POLITICAL AND CHARITABLE PURPOSES, INCLUDING ONE 3 TWO'S SUPPORT OF POLITICAL CAUSES, IS RELEVANT AND ADMISSIBLE FOR STATUTORY DAMAGES.....	1
A. The AP's Claims for Statutory Damages Require an Analysis of the Circumstances of the Infringement and One 3 Two's State of Mind	1
B. The AP Has Failed to Meet Its Burden Under Federal Rule of Evidence 403.....	4
III. ONE 3 TWO'S EVIDENCE OF DONATIONS IS ALSO RELEVANT FOR THE ADJUDICATION OF THE DISPUTE OVER DAMAGES	4
IV. NO "LAW OF THE CASE" PREVENTS ONE 3 TWO FROM USING EVIDENCE FOR ISSUES THAT REMAIN FOR TRIAL	5
V. CONCLUSION	6

I. INTRODUCTION

Plaintiff The Associated Press (the “AP”)’s Motion in Limine No. 2 should be denied. The AP seeks to exclude *in limine* two relevant and essential groups of evidence: (1) Fairey’s and One 3 Two, Inc. d/b/a Obey Clothing’s (“One 3 Two”) purpose and intent in creating and distributing the artistic portrayal of Obama created by Shepard Fairey (the “Hope Poster”); and (2) evidence of and reference to an amount that One 3 Two contends was used to support the candidacy of Obama (\$161,351). The Court should deny this Motion because (1) Fairey’s and One 3 Two’s purpose and intent in making and distributing the Hope Poster, including evidence in support of fair use, is evidence that the jury must analyze in determining statutory damages under 17 U.S.C. § 504(c); and (2) the amount of \$161,351 is also a key dispute between the parties’ experts on how to calculate actual damages in this case under 17 U.S.C. § 504(b). Not only is this evidence relevant for the jury’s determination, it is essential. The jury is entitled to hear the narrative and background of this case and any less evidence could compromise a fair trial. The AP’s claim that the minimal risk of unfair prejudice warrants exclusion of this evidence must be rejected.

II. EVIDENCE OF POLITICAL AND CHARITABLE PURPOSES, INCLUDING ONE 3 TWO’S SUPPORT OF POLITICAL CAUSES, IS RELEVANT AND ADMISSIBLE FOR STATUTORY DAMAGES

A. The AP’s Claims for Statutory Damages Require an Analysis of the Circumstances of the Infringement and One 3 Two’s State of Mind

The AP contends that evidence of Fairey’s and One 3 Two’s intent and purpose in making and distributing the Hope Poster, and its overall promotion of the candidacy of Mr. Obama, is irrelevant to the issues of “substantial similarity, liability under the DMCA, and the AP’s actual damages.” *See* AP’s Mot. at 1-2. The AP notably omitted the remaining issue for trial which makes this evidence highly relevant: statutory damages, including the AP’s request

to enhance those damages because of willful infringement. *See, e.g.*, AP’s First Amended Counterclaims ¶¶ 191, 197, 209.

In setting the “just” amount of statutory damages under 17 U.S.C. § 504, the factfinder is vested with “wide discretion.” *See, e.g., Nat’l Football League v. PrimeTime 24 Joint Venture*, 131 F. Supp. 2d 458, 472 (S.D.N.Y. 2001). Factors that have been considered to determine an appropriate amount of statutory damages include the “circumstances of the infringement,” “expenses saved and profits reaped by the defendant in connection with the infringement,” and the “infringer’s state of mind.” *See Fallaci v. New Gazette Literary Corp.*, 568 F. Supp. 1172, 1174 (S.D.N.Y. 1983) (internal citations omitted). The jury will determine the statutory award to “discourage wrongful conduct.” *See Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 114 (2d Cir. 2001). The range of statutory damages that the jury may award is enhanced if the AP, as it seeks to do in this case, convinces the jury that One 3 Two’s infringement was “willful” in that it “had knowledge that its conduct represented infringement or perhaps recklessly disregarded the possibility.” *See* 17 U.S.C. § 504; *Twin Peaks Productions, Inc. v. Publications Int’l, Ltd.*, 996 F.2d 1366, 1382 (2d Cir. 1993).

The evidence that the AP seeks to exclude in this Motion—the purposes underlying the creation and distribution of the Hope Poster—is precisely the type of evidence the jury must consider in awarding statutory damages. For example, the political impetus for Fairey’s creation and One 3 Two’s subsequent distribution of the Hope Poster is a crucial part of the “circumstances of the infringement”; and One 3 Two’s reasons to distribute Fairey’s artwork on its merchandise are part of its relevant “state of mind.” Without this evidence, the jury will not be able to competently perform its duty in this case. The jury is entitled to, and must, hear the entire story surrounding the conduct at issue to determine what indeed was wrongful, what

should be deterred, and what amount appropriately achieves the statutory objectives of 17 U.S.C. § 504(c). It is only predictable that the AP will urge the jury, as it has done in its submissions to this Court (including this Motion *in Limine*), that One 3 Two was financially motivated to infringe the AP's copyright and a high statutory damage amount should be awarded. *See* AP's Motion for Summary Judgment; AP's Mot. at 2; *see U2 Home Entertainment, Inc. v. Kim*, 1998 WL 966084 (E.D. Pa. November 4, 1998) (considering the infringer's intent to profit in determining statutory damages). One 3 Two will, and is entitled to, respond to this argument with evidence that its purpose from the onset was to support the candidacy of Obama and use artwork that was also created to achieve that goal. For instance, One 3 Two's donation of \$161,350.69 to support projects promoting the candidacy of Obama reflects (and makes more likely) the company's continuing motivation to support a political movement and not to financially profit from infringement.¹

The AP's choice to pursue an enhanced range of damages on grounds that infringement was "willful" further underscores the relevance of this evidence. For example, One 3 Two's overriding intent from the beginning to use its merchandise bearing the Hope Poster to support Obama's candidacy reflects the lack of a motive to infringe the rights of others—and consequently makes it "less probable" that One 3 Two willfully infringed the AP's copyright than without the evidence. *See* Fed. R. Evid. 401. Additionally, even though the issue of fair use is no longer one that will be presented to the jury, as this Court has noted in the past, evidence of the infringer's belief of fair use remains relevant in determining whether infringement is willful.

¹ To the extent the AP argues that contributions to causes supporting the Obama campaign in this amount is not fully supported by the evidence, the AP argues the weight and not the admissibility of the evidence. The AP is able to argue its interpretation of this amount through cross-examination.

See Getaped.Com, Inc. v. Cangemi, 188 F. Supp. 2d 398, 403 (S.D.N.Y. 2002) (citing *Princeton University Press v. Michigan Document Services, Inc.*, 99 F.3d 1381, 1392 (6th Cir. 1996)).

B. The AP Has Failed to Meet Its Burden Under Federal Rule of Evidence 403

The AP’s failure to recognize that this evidence is necessary for the determination of statutory damages and willfulness explains its failure to correctly weigh the factors of Rule 403. Evidence of One 3 Two’s and Fairey’s intent and purpose in creating and distributing the Hope Poster is highly probative toward a lower amount of statutory damages and weighs against a finding of willfulness. This probative value is not substantially outweighed by a risk of unfair prejudice. The jury will be clearly notified—by counsel’s argument and jury charge—of the issues before them and how to decide each issue. Further, this evidence cannot be excluded, considering the necessity and inextricable link of this evidence to the core of the case—the purpose and intent underlying the Hope Poster *is* what this case is about. *See Old Chief v. United States*, 519 U.S. 172, 182, 187-88 (1997) (judge should make its determinations under Rule 403 “with an appreciation of the offering party’s need for evidentiary richness and narrative integrity in presenting a case”).

III. ONE 3 TWO’S EVIDENCE OF DONATIONS IS ALSO RELEVANT FOR THE ADJUDICATION OF THE DISPUTE OVER DAMAGES

The AP’s Motion to exclude, pursuant to Rule 403, the evidence of One 3 Two’s use of \$161,350.69 in profits for projects to promote Obama’s bid for the presidency also lacks merit.

First, One 3 Two’s use of \$161,350.69 to support projects promoting Obama’s candidacy is unquestionably relevant as it is a disputed point between the parties as to the appropriate amount of damages. The AP includes this figure as part of its initial burden in presenting proof of One 3 Two’s gross revenue under 17 U.S.C. § 504, and One 3 Two disagrees with that methodology. *See, e.g.*, Ex. A, Hair Report ¶ 23 (addressing why AP Expert Kedrowski’s

calculation including \$161,351 related to Obama Special Projects was in error). Thus, the AP's argument that the \$161,351 in donations is not fully supported by the evidence only demonstrates why it cannot be excluded, as the figure *itself* is a contested point between the parties. Additionally, as acknowledged by the AP, One 3 Two relies on part of these figures to meet its burden in proving its deductible expenses.

Second, given the centrality of this evidence for the purposes of damages, the AP has no plausible argument that its probative value is substantially outweighed by the risk of unfair prejudice. The AP's lone case in support of its argument, *Ty Inc. v. Softbelly's, Inc.*, No. 00 C 5230, 2006 WL 5111124, at *13-14 (N.D. Ill., Apr. 7, 2006), excluded evidence of charitable contributions where the ultimate issue for trial was a likelihood of confusion between two products and the contributions had no central role for an issue to be tried, as is the case here with damages.

IV. NO "LAW OF THE CASE" PREVENTS ONE 3 TWO FROM USING EVIDENCE FOR ISSUES THAT REMAIN FOR TRIAL

The AP also seeks a blanket exclusion of all evidence relating to "fair use" under the "law of the case doctrine."² Even assuming the propriety of this doctrine at this stage of the litigation, there has been no ruling that One 3 Two's evidence used in opposition to the AP's Motion for Summary Judgment is inapplicable, incompetent, or otherwise inadmissible. Nor has there been a finding of fact that One 3 Two had no political or charitable purpose involving the Hope Poster. This Court granted the AP's Motion with respect to fair use only, and One 3 Two

² This vague request alone warrants denial. See *Nat'l Union Fire Ins. Co. of Pittsburgh v. L.E. Myers Co. Group*, 937 F. Supp. 276, 287 (S.D.N.Y. 1996) (motions *in limine* require "necessary specificity with respect to the evidence to be excluded . . . evidence should be excluded on a motion *in limine* 'only when evidence is clearly inadmissible on all potential grounds'") (internal citation omitted).

