

C.A. Nos. 08-55075 and 08-55126

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

JULES JORDAN VIDEO, INC.,
a California corporation, et al.

Plaintiffs, Appellees and Cross-Appellants,

v.

144942 CANADA, INC.,
a Canadian corporation
d/b/a KAYTEL VIDEO DISTRIBUTION, et al.

Defendants, Appellants and Cross-Appellees.

Appeal From The United States District Court
For The Central District Of California
Honorable S. James Otero, Judge Presiding
U.S.D.C. No. CV 05-0517 SJO,
consolidated with CV-05-06771-SJO and CV 05-06769

APPELLEES' PRINCIPAL AND RESPONSE BRIEF

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1, Federal Rules of Appellate Procedure, plaintiff and appellee Jules Jordan Video, Inc. makes the following disclosures: It has no parent corporations and no publicly-held company owns ten percent or more of its stock.

STATEMENT OF JURISDICTION

Plaintiffs and appellees Jules Jordan Video, Inc. (“JJV”) and Ashley Gasper (“Gasper”) (collectively “plaintiffs”) agree with appellants’ statement of jurisdiction regarding their appeal, C.A. No. 08-55075.

Plaintiffs provide this additional information regarding their cross-appeal, C.A. No. 08-55126.

The district court had jurisdiction (a) under 28 U.S.C. §§ 1331 and 1338 for copyright claims and (b) under 28 U.S.C. § 1367(a) for Gasper’s publicity claim.

On September 4, 2007, the district court granted the motion by defendants 144942 Canada, Inc. dba Kaytel Video Distribution, Alain Elmaleh and Leisure Time Video Canada, Inc. (collectively “Kaytel”) for judgment as a matter of law (“JMOL”) on the plaintiffs’ copyright claims. (Excerpts of Record (“ER”) 29-32.)

On January 23, 2008, the plaintiffs appealed from the portion of the final judgment finding for Kaytel on Gasper’s copyright claims, the order granting Kaytel’s JMOL motion on copyright infringement claims and the portion of the order denying in part Gasper’s motion for attorneys’ fees. (Supplemental Excerpts of Record (“SER”) 1-3.) That notice of appeal was timely pursuant to Federal Rules of Appellate Procedure, Rule 4(a), and this Court therefore has jurisdiction under 28 U.S.C. § 1291.

This Court has consolidated both appeals, deemed them cross-appeals and identified C.A. No. 08-55075 as the lead appeal.

ISSUES PRESENTED AND SUMMARY OF ARGUMENT

The jury unanimously found that Kaytel counterfeited a large percentage of the Jules Jordan film library and hijacked Gasper's right of publicity to serve that end. They awarded the plaintiffs almost \$5.5 million in damages. But one wouldn't know that from reading Kaytel's opening brief, because there is nary a mention of any evidence about Kaytel's concerted infringement of the plaintiffs' intellectual property. Instead, Kaytel throws up a host of mostly procedural issues to try to distract this Court from this damning verdict. None of Kaytel's arguments survive even superficial scrutiny.

- **Does the Copyright Act preempt Gasper's claim for violation of his right of publicity where that claim only concerns Kaytel's unauthorized use of his persona, name and likeness? (Argument, § I.)**

No. Gasper's publicity claim is not based on copying his dramatic performance, but rather Kaytel's unauthorized use of his name, persona and likeness on the counterfeit DVD covers to lure customers to buy its knock-offs.

- **Was it plain error to award damages against all three defendants? (Argument, § II.B.)**

No. There is substantial evidence of actual damages, lost profits and punitive damages against each separate defendant.

- **Should this Court affirm the jury’s apportionment of damages among the three defendants? (Argument, §§ III.B. and III.C.)**

Yes. Kaytel has waived this argument by failing to object below. In any event, the special verdict required the jury to apportion damages, and the damages evidence supported that apportionment since the evidence differed as to each defendant.

- **Should this Court affirm the district court’s imposition of joint and several liability against all three defendants? (Argument, § III.D.)**

Yes. Kaytel specifically requested imposition of joint and several liability and it was legally correct.

- **Did the district court correctly deem requests for admissions (“RFAs”) admitted when Kaytel Distribution failed to respond to them within the statutory time? (Argument, §§ IV.B and IV.C.)**

Yes. Under Federal Rules of Civil Procedure, Rule 36, RFAs not timely answered by Kaytel Distribution are deemed admitted, even if Kaytel Distribution’s default is later taken. In any event, Kaytel Distribution has not established prejudice, because these admissions do not relate to the plaintiffs in this appeal—JJV and Gasper—whose equally damning RFAs were also read to the jury.

- **Did the district court abuse its discretion in denying Kaytel Distribution’s motion to withdraw its admissions? (Argument, § IV.D.)**

No. The propounding party, co-plaintiff John Stagliano, Inc. (“JSI”), would have been unduly prejudiced at a point too late to conduct necessary discovery. And again, these admissions do not even relate to this appeal.

- **Did the district court abuse its discretion in how it instructed the jury on the deemed admissions? (Argument, § IV.E.)**

No. The court properly instructed the jury that the admissions were only binding on Kaytel Distribution and could only be used in the JSI action. The jury is presumed to have followed the court’s instructions.

- **Did the district court abuse its discretion in submitting a special verdict form to the jury? (Argument, § V.)**

No. The special verdict form had been substantially agreed upon by all parties. Moreover, Kaytel waived its objections because it failed to timely raise them and they would not have been “pointless formalities.”

- **Did the district court abuse its discretion in admitting the deposition testimony of Ouzzan and Elkeslassy? (Argument, § VI.)**

No. Ouzzan and Elkeslessay were unavailable under Federal Rules of Civil Procedure, Rule 32(a)(4)(B) because they live in Canada and are more than 100 miles away from the trial site. This rule did not require the plaintiffs to secure their

attendance at trial. Finally, Kaytel suffered no prejudice, because it introduced its deposition cross-examination of the witnesses.

- **Did the district court abuse its discretion in awarding fees to Gasper on his right of publicity claim? (Argument, § VII.)**

No. Gasper was the prevailing party. Moreover, the court did not abuse its discretion in awarding the fees of Gasper's Canadian counsel for their work in seizing evidence from Kaytel in Canada for use in this action.

The issues presented and summary of argument regarding the plaintiffs' cross-appeal are presented in that section of this brief, at pp. 49-50, below.

STATEMENT OF THE CASE

Plaintiffs agree with Kaytel's Statement of the Case concerning the pleadings in the three consolidated district court actions and will only include additional information necessary to support this brief.

This appeal relates only to the claims of Gasper and JJV against Kaytel. (ER 443.) Before trial, the plaintiffs dismissed their claims against defendants Jacky Elkeslassy, Gerald Ouzzan and Sylnet Distribution, Inc. (ER 200.) Also just before trial, the action against the Canadian Multimedia Entertainment defendants settled. (ER 2585.) The plaintiff in a companion case, JSI, settled its action against Kaytel after trial. (ER 2578.)

Kaytel challenges various procedural rulings the district court made throughout the case. These include denial of Kaytel Distribution's motion to withdraw its admissions, the admission of the deposition testimony of Ouzzan and Elkeslassy, and the submission of the special verdict form to the jury. The procedural background and facts concerning these rulings will be discussed in the argument sections relevant to those issues.

STATEMENT OF MATERIAL FACTS

A. The Parties.

Gasper/JJV. Gasper started making adult films in 1994. (SER 170.) He produces, directs and performs in his films under the stage name Jules Jordan. (*Id.*) In 2001, Gasper formed the company JJV, of which he is the president and sole shareholder. (SER 165-66.) JJV produces and distributes adult films, particularly the Jules Jordan film franchise. (SER 166.) Jules Jordan films have a strong brand following, particularly because JJV, unlike other adult film distributors, releases only one Jules Jordan film per month. (SER 173-74.)

Not only does Gasper direct and star in the Jules Jordan films, he also writes the scripts and shoots the scenes—he is the “creative force behind the movies.” (SER 122:4-5, 125-28, 169-70.) As of the time of trial, Gasper had produced about 85 movies as Jules Jordan, 60 of which were made after JJV was formed. (SER 119, 138, 170.) Gasper has received over 100 awards for his Jules Jordan films, such as Best DVD, Best Performance, and Best Production. (SER 174:3, 190-91.) As Jules Jordan, Gasper has also been featured on numerous magazine covers and spotlighted in many magazine articles. (SER 191:18-19.)

Gasper received a \$6,000 monthly salary from JJV for his performances and for his administrative work as president of JJV. (SER 124-26.) He did not receive a director’s fee and was not paid for his services as a director, producer, writer or cameraman. (SER 124, 126.) At the end of the year, Gasper would receive a bonus based upon his company’s income. (SER 137.) So, Gasper was treated as a JJV

employee for his performing and administrative work, but not for his creative services—i.e., the writing, the casting, the stylization and the locations, and deciding how the scenes would be shot with which performers. (SER 128-29, 140.)

In line with this division of labor, JJV and Gasper had an oral agreement that Gasper would own the copyrights to the films. (SER 141:7-12.)

Stagliano. John Stagliano, another well-known adult film producer, runs JSI. (SER 262.) JSI distributed the works of many producers, including Stagliano and Gasper, under the brand names Evil Angel and Evil Empire. (SER 263-65.)

Kaytel. Elmaleh is the sole or majority shareholder in all of the Kaytel companies. (SER 142-43, 158-60.) Elmaleh formed 2918919 Canada Inc. as a Canadian holding company; it owns Kaytel Video Distribution (“Kaytel Distribution”) and Leisure Time Video Canada (“Leisure Time”). (SER 162-63.) These companies were major adult entertainment distributors in the Canadian market. (SER 144, 259.) Elmaleh also owned a dozen retail adult entertainment stores in Canada. (SER 143, 155.) Elmaleh controlled all these entities and employees were shared among the companies. (SER 113, 156-57, 161.)

B. The Relationship Between JSI And Gasper/JJV.

In 2001, Gasper agreed with Stagliano and JSI that JSI would be the sole distributor of Jules Jordan films in the United States, but Gasper retained ownership of his copyrights. (SER 131-32, 170-71, 267-69, 272.) Consistent with Gasper’s employment status at JJV and due to his sole creative control of the films, the copyrights to the Jules Jordan films were registered in

Gaspar's name. (SER 167.) JSI prepared Gaspar's copyright registration paperwork. (SER 120-21, 270.) In February 2004, to facilitate the ability to pursue litigation in an unrelated matter, Gaspar assigned the copyrights to four of the films at issue here to JJV. (SER 118, 168.)

Jules Jordan films were distributed in JSI's distinctive red boxes but also carried the Jules Jordan name. (SER 263, 265, 269.) Gaspar/JJV would get 65% and JSI would get 35% of the gross sales revenue. (SER 132-36, 190, 271.) On a monthly basis JSI would pay either Gaspar or JJV (once it was incorporated), but "it was understood that [Gaspar] owned the movies and [he] would get paid whether it was a corporation or if it was [him] individually." (SER 133:20-22.) Jules Jordan was consistently the top sales performer in JSI's library. (SER 112.)

In February 2006, Gaspar/JJV ended its relationship with JSI and began distributing its own movies. (SER 171-72.)

C. JSI And Gaspar Discover The Counterfeit Copies And Follow The Trail To Kaytel.

In Spring 2005, JSI began receiving returns of Jules Jordan movies at a much higher rate than normal. (SER 175-76.) When Gaspar examined the merchandise, he realized that the returns were counterfeit copies of his films. (SER 175.) The counterfeit copies are inferior to the authentic films and differ in the following ways: (a) the counterfeits are produced in a compressed format, causing the counterfeits to have inferior resolution and color quality, (b) the counterfeits have coded numbered markings which show that they were not produced by JSI, (c) the counterfeit labels used inferior printing that made it obvious they were not originals, and (d) the counterfeits did not have a user-friendly tear strip on the shrink wrap like the authentic films. (SER 151-52, 179-81, 187.)

Gaspar and JSI discovered that Kaytel used the services of defendant Media Mastering Services to produce unauthorized masters of a number of JSI titles, including 13 Jules Jordan films. (SER 182-84, 205, 275-76.) Through a replication broker named Gerald Ouzzan (and his company Sylnet), Kaytel then contracted with Diadem Digital to replicate thousands of

copies of these counterfeit DVDs. (SER 183-86, 239-54, 273-74.) Kaytel signed documents and falsely assured these other companies and individuals that it had the rights to manufacture copies of these DVDs. (SER 206-09, 212-14, 255-56.)

Kaytel Distribution, through one of its employees, Elkeslassy, then set up a Canadian company called Jacky's One Stop, which sold these counterfeit goods to distributors, primarily Direct Distributors ("Direct") in New York. (SER 114-15, 147, 157, 164, 192, 218-25.) Although the sales were nominally between Direct and Jacky's, the dealings and money were with Kaytel. (SER 218-25, 229-35, 266.) Direct was also falsely told that Jacky's and Kaytel had the rights to these DVDs. (SER 226-28.) Direct then distributed the counterfeit merchandise throughout the United States. (SER 236-37.)

Plaintiffs settled (either before or after suing) with MMS, Diadem, Sylnet, Jacky's and Direct in exchange for monetary payments and promises to provide documentation and testimony concerning the counterfeiting scheme. (ER 2585; SER 217, 238, 257-58.) Kaytel, however, refused to settle and the cases against it went to trial.

D. The Jury's Unanimous Verdict In Favor Of Gasper/JJV And JSI.

The jury unanimously found that all three defendants infringed the plaintiffs' copyrights, awarding \$30,000 in statutory damages against Kaytel Distribution for each of the 13 Jules Jordan titles, \$30,000 for each film against Leisure Time, and \$140,000 for each film against Elmaleh. (ER 35-58.) The jury also unanimously found that all three defendants violated Gasper's right of publicity and awarded Gasper varying amounts in actual damages, lost profits and punitive damages against each defendant. (ER 63-65.) In total, the jury awarded the plaintiffs \$2.6 million in copyright damages and just under \$2.85 million in publicity damages against Kaytel. (ER 35-65.)

The district court granted Kaytel's JMOL motion as to the plaintiffs' copyright claims, but left the publicity judgment for Gasper intact. (ER 29-32.) The court awarded Gasper attorneys' fees as the prevailing party, but the award was less than Gasper requested. (ER 1-7.)

ARGUMENT FOR APPELLEES' BRIEF

II. GASPER'S PUBLICITY CLAIM WAS NOT PREEMPTED BY THE COPYRIGHT ACT.

Neither the facts nor the law support Kaytel's contention that the Copyright Act preempts Gasper's publicity claim. (AOB 17-27.)

A. Standard Of Review.

This Court reviews de novo whether a federal law preempts a state law. *Laws v. Sony Music Entm't, Inc.*, 448 F.3d 1134, 1137 (9th Cir. 2006).

B. Gasper Sued For Kaytel's Unauthorized Use Of His Name, Persona And Likeness In Addition To Kaytel's Unauthorized Copying Of His Dramatic Performance.

Gasper's stage name since 1994 has been Jules Jordan. (SER 170.) Jules Jordan is an award-winning actor, director, producer, writer and cinematographer, who has been featured on numerous magazine covers and in articles. (SER 125-28, 169, 174:3, 190-91.) The Jules Jordan film franchise has achieved great sales and a strong brand following, due in part to the fact that (unlike most adult film companies) JJV only releases one Jules Jordan film per month. (SER 112, 173-74.) Jules Jordan's name appears prominently on his DVD covers, and, indeed, his name is part of the titles of 10 of the 13 films at issue. (ER 304-05; SER 404-17.) Given that the DVDs are shrinkwrapped and thus consumers cannot preview their content, the Jules Jordan name must be the main reason consumers buy these DVDs. Kaytel thus capitalized on the Jules Jordan name to sell the counterfeit DVDs.

Ignoring the facts in the record, Kaytel quotes only from the general allegations in the complaint to argue that the "focus" of Gasper's publicity claim was solely its unauthorized duplication of Gasper's films. (AOB 17-19.) In actuality, Gasper's complaint alleged that Kaytel misappropriated his name and likeness in selling the counterfeit DVDs. (ER 2387-88.)

The Amended Pretrial Conference Order echoed that the gist of Gasper's publicity claim was that Kaytel used his name and likeness without his consent. (ER 324-25.) Likewise, Gasper's counsel told the jury both in opening and in closing argument that the basis for the publicity claim was unauthorized use of his name, persona and likeness. (SER 74:14-18, 280:14-16.) Finally, the jury was instructed that this was the basis of Gasper's claim. (SER 81:23-24.)

C. Standard For Copyright Preemption: Whether Rights Asserted Under State Law Are Equivalent To Copyright.

The Copyright Act provides that an equivalent right that comes within the subject matter of copyright is preempted. 17 U.S.C. § 301(a). This Court has “adopted a two-part test to determine whether a state law claim is preempted by the Act. We must first determine whether the ‘subject matter’ of the state law claim falls within the subject matter of copyright as described in 17 U.S.C. §§ 102 and 103. Second, assuming that it does, we must determine whether the rights asserted under state law are equivalent to the rights contained in 17 U.S.C. § 106, which articulates the exclusive rights of copyright holders.” *Laws*, 448 F.3d at 1137-38.

D. Gasper's Publicity Claim Is Not Equivalent To Copyright, Because The Gist Of His Claim—The Improper Use Of His Name, Likeness And Persona—Does Not Come Within The Subject Matter Of Copyright.

The unauthorized use of someone's name or persona is outside the subject matter of copyright and not preempted. In *Brown v. Ames*, defendants sold cassettes and CDs, as well as music catalogs, with the names and sometimes the likenesses of plaintiff musicians on or in them. 201 F.3d 654, 656 (5th Cir. 2000). The court held a “persona does not fall within the subject matter of copyright” and that “contrary to [defendants'] implications, [plaintiffs'] names and likenesses do not become copyrightable simply because they are used to identify the source of a copyrighted work.” *Id.* at 658 (emphasis omitted).

Likewise here, Kaytel used the Jules Jordan name and persona, which appeared on the DVD covers and in the films' titles, to sell its counterfeits. Since the DVDs are shrinkwrapped,

it is precisely the Jules Jordan brand name, that Gasper had developed into an award-winning premium film franchise, which enticed customers to buy the knock-off DVDs.

The reasoning relied on in *Brown* for denying preemption for music packaging has been applied to films as well. *Michaels v. Internet Entm't Group*, held that a celebrity couple's publicity claim against defendants for using their name and likeness to sell a video of the couple having sex was not preempted. 5 F. Supp. 2d 823, 827 (C.D. Cal. 1998); *see also Seifer v. PHE, Inc.*, 196 F. Supp. 2d 622, 627-28 (S.D. Ohio 2002) (creator of sex educational tapes can pursue publicity claim against adult entertainment distributor which used her name and likeness in catalogs and advertisements, because she is protecting "her right to control the use of her name and likeness, not to control her performance [in the videos]").¹

Indeed, numerous courts have concluded that preemption does not apply to misuse of a plaintiff's name, persona or likeness because those elements *cannot* be copyrighted:

- In *Toney v. L'Oreal USA, Inc.*, defendant used Toney's photograph without her permission. 406 F.3d 905, 907 (7th Cir. 2005). The circuit court ruled there was no copyright preemption, explaining that "Toney's identity is not fixed in a tangible medium of expression. There is no 'work of authorship' at issue in Toney's right of publicity claim. A person's likeness--her persona--is not authored and it is not fixed.

The fact that an image of the person might be fixed in a copyrightable photograph does not change this. . . . Identity, as we have described it, is an amorphous concept that is not protected by copyright law; thus, the state law protecting it is not preempted." *Id.* at 910.

¹ The legislative history of the Act's preemption provision reaffirms that publicity claims "remain unaffected" if they involve "an invasion of personal rights" different in kind from copyright infringement. H.R. Rep. No. 94-1476, at 132 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5748.

- In *KNB Enterprises v. Matthews*, the entirety of the unauthorized misappropriation was the copying of the photographs of non-celebrity, unnamed erotic models from one website onto another. 78 Cal. App. 4th 362, 365-66, 92 Cal. Rptr. 2d 713, 716 (Ct. App. 2000). Even so, the court held the models' publicity claims were not preempted because the human likeness is not copyrightable, even if captured in a copyrighted photograph. *Id.* at 364, 92 Cal. Rptr. 2d at 715, 722-23.
- In *Downing v. Abercrombie & Fitch*, defendants used the names and photographs of plaintiffs in their catalog. 265 F.3d 994, 999-1000 (9th Cir. 2001). This Court found no preemption because "a person's name or likeness is not a work of authorship within the meaning" of the Act. *Id.* at 1004; *see also Bonner v. Fuji Photo Film*, No. C 06-04374 CRB, slip op. at 2 (N.D. Cal. Nov. 13, 2006), available at 2006 WL 3327894 (defendant's unauthorized use of a photograph of plaintiff on a package for disposable cameras not preempted because plaintiff "is not advancing a claim for the misappropriation of the photograph itself, but rather for the misappropriation of her likeness, as it has been captured in the photograph").

E. Kaytel Erroneously Relies On Cases Where The Alleged Misappropriation Consisted Solely Of Copying A Copyrighted Work.

Kaytel relies primarily on two cases for its preemption argument: *Laws*, 448 F.3d at 1134 and *Fleet v. CBS, Inc.*, 50 Cal. App. 4th 1911, 58 Cal. Rptr. 2d 645 (Ct. App. 1996). (AOB 19-24.) Neither case applies.

In *Laws*, a song's copyright owner licensed the defendants to use a 10-second sample from a song performed by Laws. 448 F.3d at 1136. Laws claimed misappropriation on the basis of the use of her voice. *Id.* The court held preemption applied "when the entirety of the allegedly misappropriated vocal performance is contained within a copyrighted medium"—namely the sound recording not owned by Laws. *Id.* at 1141. *Laws* distinguished

Downing and *Toney* because in those cases plaintiff's name or likeness was at stake. *Id.* at 1141-42.

Gaspar's claim, on the other hand, is not limited to the use of his Jules Jordan voice or image in his films. Instead, his claim also encompasses the use of his Jules Jordan name, identity and persona in the films, in the film titles and on the DVD covers. So, the "entirety" of his protected rights are *not* contained within the copyrighted movie.

In *Fleet*, an actor, who was in a pay dispute with the producers of a film in which he appeared, sued the company that released the film for violation of his right of publicity. 50 Cal. App. 4th at 1913-14, 58 Cal. Rptr. 2d at 646-47. The court held his publicity claim was preempted because "the only alleged exploitation" was the distribution of the plaintiff's dramatic performance as captured in this copyrighted film. *Id.* at 1913, 1919-20, 58 Cal. Rptr. 2d at 646, 650-51.

By contrast, Gaspar's dispute is not with the authorized distributors of the films he appeared in, but rather with unauthorized counterfeiters. Moreover, Gaspar sued not just because his dramatic performance was copied, but because Kaytel profited handsomely by piggybacking on the Jules Jordan name, identity and persona.

Other courts have noted the narrowness of the *Fleet* holding. In *KNB Enterprises*, the court explained that *Fleet* stands for the limited proposition that "performers in a copyrighted film may not use their statutory right of publicity to prevent the *exclusive* copyright holder from distributing the film." 78 Cal. App. 4th at 372, 92 Cal. Rptr. 2d at 721 (original emphasis); *see also Wendt v. Host Int'l*, 125 F.3d 806, 810 (9th Cir. 1997) (*Fleet* holds that preemption applies "when the *only* claimed exploitation occurred through the distribution of the actor's performance in a copyrighted movie").²

² Kaytel's citation of *Atrium Group de Ediciones Y Publicaciones v. Abrams, Inc.*, 565 F. Supp. 2d 505, 508 (S.D.N.Y. 2008) (AOB 23 n.2) lends no

support to its cause, because there plaintiff's *only* alleged wrongful conduct was the unauthorized release of the English version of defendant's copyright-protected book and because plaintiff did *not* pursue a publicity claim. *Id.* at 507. Likewise, *Blue Nile, Inc. v. Ice.com, Inc.*, 478 F. Supp. 2d 1240 (W.D. Wash. 2007), cited by Kaytel (AOB 25-26), did not involve a publicity claim. *Id.* at 1242.

As *Toney* explained, “what is protected by the right of publicity is the very identity or persona of the plaintiff as a human being.” 406 F.3d at 908. That is precisely what Kaytel misappropriated—the Jules Jordan persona, name and identity. That is why consumers purchased the DVDs and, of course, why Kaytel included the name on its counterfeit copies.

* * * * *

Copyright law does not preempt Gasper’s publicity claim. The district court was right and Gasper’s judgment should stand.

III. THE EVIDENCE SUPPORTS THE JURY’S DAMAGE AWARDS.

A. Standard Of Review.

On appeal, Kaytel argues that no evidence supports the jury’s damages award. (AOB 28-29.)

To challenge the sufficiency of the evidence on appeal, an appellant must have made two motions in the trial court: (1) a pre-verdict motion under Federal Rules Civil Procedure, Rule 50(a) and (2) a post-verdict JMOL motion or, alternatively, a new trial motion under Rule 50(b). *Nitco Holding Corp. v. Boujikian*, 491 F.3d 1086, 1089 (9th Cir. 2007). Kaytel made no pre-verdict motion below. (ER 20.)³

Accordingly, this Court reviews the damages award for plain error. *Janes v. Wal-Mart Stores Inc.*, 279 F.3d 883, 888 (9th Cir. 2002). Under that standard, the Court’s “inquiry is limited to whether there was *any* evidence to support the jury’s verdict, irrespective of its sufficiency, or whether plain error was committed which . . . would result in a “manifest

³ Kaytel waited until after the post-trial motion deadline had run and only then raised the issue in its opposition to the plaintiffs’ motion for proposed judgment. (ER 20; SER 70-72.) The district court expressly found that Kaytel had waived its damages challenge by failing to raise it at the close of evidence. (ER 20.) Kaytel fails to address, much less even mention, this adverse finding in its opening brief.

miscarriage of justice.”” *Benigni v. City of Hemet*, 879 F.2d 473, 476 (9th Cir. 1988) (internal citations omitted, emphasis added). Reversal is only appropriate if there is no evidence to support the verdict. *Id.*

B. The Evidence Supports The Damages Awarded For Violation Of Gasper’s Right Of Publicity.

1. The jury instructions on right of publicity damages.

The district court instructed the jury that if it found Kaytel had violated Gasper’s right of publicity, it had to determine the sum that would “reasonably compensate Mr. Gasper for the harm caused by each liable defendant.” (SER 87.) The court explained that Gasper had to prove the amount of damages that would reasonably compensate him but not the exact amount. The court also instructed the jury not to speculate in awarding damages. (*Id.*)

The court further instructed the jury that (a) Gasper claimed actual damages resulting from harm to his reputation, (b) Gasper could recover Kaytel’s profits from the use of his name and photographic image, so long as those profits were not also part of the actual damages award, (c) Gasper had the burden of proving Kaytel’s gross revenue, Kaytel had the burden of proving its expenses, and the jury must compute Kaytel’s profits by subtracting its expenses from its gross revenue, and finally, (d) the jury could award punitive damages if Kaytel engaged in malicious, oppressive, despicable or fraudulent conduct. (SER 88.)

2. The jury’s damage award is supported by the evidence.

After hearing the evidence and the court’s instructions, the jury awarded the following amounts to Gasper for Kaytel’s violations of his right of publicity:

Kaytel Distribution: (1) \$33,300 in actual damages; (2) \$75,000 in disgorged profits; (3) \$375,000 in punitive damages.

Leisure Time: (1) \$33,300 in actual damages; (2) \$50,000 in disgorged profits; (3) \$375,000 in punitive damages.

Elmaleh: (1) \$33,300 in actual damages; (2) \$125,000 in disgorged profits; (3) \$1,750,000 in punitive damages.

a. Actual damages.

The evidence supports the jury's actual damages award. Gasper testified as to the success of his Jules Jordan brand. Gasper's Jules Jordan films were the top seller at JSI, grossing \$10 million in revenues between 2001 and 2005 (SER 185), his films are collector's items with a long shelf life, and he has garnered industry awards for "[b]est DVD, best performances, best production company, and numerous other scene-by-scene performances" (SER 191). Gasper also testified that he purchased pirated movies in five states and three foreign countries—evidence of the widespread dissemination of the counterfeited films. (SER 177-78.)

Gasper testified about the harm he suffered as a result of the counterfeit sales. Forty percent of the Jules Jordan films were counterfeited. (SER 185.) The counterfeit merchandise directly competed with the authentic products, so every sale of a counterfeit DVD was a sale Gasper did not make. (SER 188-89.) The wholesale price for an authentic Jules Jordan film was between \$15-18, while the counterfeits sold for \$5. (SER 152.) Gasper was entitled to receive 65% of the gross sale price of Jules Jordan films, but he received no profits on sales of the 13 counterfeited films. (SER 135:15-17, 190.) He testified that although it was "impossible" to know the exact number of counterfeit DVDs that were replicated, he knows there were at least 1200 per title. (SER 139, 150.)

Moreover, the counterfeit DVDs were inferior in quality. (SER 179-81.) The poor quality hurt his customer relations and, ultimately, his bottom line: Customers returned defective counterfeit DVDs at an abnormally high rate (SER 175-76), and JJV usually issued credit for the returns (SER 188). Stagliano testified that there was a "substantial drop" in the reorder numbers of the counterfeit DVDs. (SER 277.) This drop could have been the result of dissatisfied customers, sales diverted to Kaytel, or both. In any event, the sale of inferior DVDs

masquerading as Jules Jordan products naturally damaged the Jules Jordan brand with regard to sales of all other Jules Jordan products as well.

b. Kaytel's profits.

The evidence also supports the award of disgorged profits. Kaytel Distribution set up Jacky's as a conduit to sell counterfeit goods to distributors. (SER 164, 193.) Elmaleh's employees helped run Jacky's. (SER 114.) Elmaleh was the sole shareholder of Kaytel Distribution and Leisure Time (SER 142), and the two companies shared employees and invoiced their counterfeit DVD sales through Jacky's (SER 145-46, 164).

Jacky's received dozens of checks from various distributors and paid corresponding sums to Kaytel Distribution. Kaytel Distribution's revenue from these checks alone is \$399,056.22. (ER 384-408, 906.)⁴ Around the same time that these checks were coming into Kaytel, there was a "substantial drop" in the reorders of the counterfeited DVD titles. (SER 277.)

After Gasper presented evidence of Kaytel's revenues, Kaytel had the burden of producing evidence of its expenses but it produced none. That is probably because there is essentially no cost to produce the content—the sale of a pirated DVD is almost pure profit.

Given Kaytel Distribution's nearly \$400,000 in revenues and its failure to prove any of its expenses, the involvement of all three defendants in the counterfeit operations, and the close relationship between them, the jury's award of \$250,000 of disgorged profits was clearly supported by the evidence.

All this evidence of actual damages and lost profits is much more than just the "any" evidence that is needed to support this judgment.

⁴ Jacky's paid Kaytel Distribution \$546,455.80. (*Id.*) This sum includes \$147,399.58 in VAT rebates that Jacky's received from the Canadian government. Kaytel Distribution's revenues from the distributors' checks do not include the VAT rebates. (AOB 31.)

c. Punitive damages.

Kaytel does not challenge the punitive damages award on appeal. (AOB 28-32.) It has therefore waived any right to challenge that portion of the award. See *Indep. Towers of Wash. v. State of Wash.*, 350 F.3d 925, 929 (9th Cir. 2003).

IV. THE DISTRICT COURT PROPERLY HELD ALL THREE DEFENDANTS JOINTLY AND SEVERALLY LIABLE FOR PLAINTIFFS' DAMAGES.

Kaytel's argument as to the damages against multiple defendants makes no sense. It argues that "[t]he court's award of multiple damages against three separate defendants acting together is contrary to law and must be overturned." (AOB 38.) But, in fact, the district court imposed a single award for which it held all the defendants jointly and severally liable. (ER 19, 21-23.) Not only has Kaytel mischaracterized the court's actions, it has also failed to identify any error in the award.

A. Standard Of Review.

Kaytel's challenge is reviewed for plain error because it failed to make a Rule 50 motion challenging the sufficiency of the evidence for damages against separate defendants at the close of evidence. *Janes v. Wal-Mart Stores Inc.*, 279 F.3d at 883, 888 (9th Cir. 2002). Reversal is proper only for a "manifest miscarriage of justice" or if "there is an absolute lack of evidence supporting the verdict." *Benigni v. City of Hemet*, 879 F.2d 473, 476 (9th Cir. 1988).

To the extent Kaytel challenges the special interrogatories that allowed the jury to apportion damages, the court reviews the special verdict form for an abuse of discretion. *Smith v. Jackson*, 84 F.3d 1213, 1220 (9th Cir. 1996).

B. Kaytel Has Waived Any Argument That The Jury Should Not Have Apportioned Damages Among The Three Defendants.

Kaytel appears to argue that the jury should not have apportioned damages among the three defendants because they acted in concert as joint tortfeasors. (AOB 40.) However, the

jury apportioned damages because the special verdict form required them to do so. (ER 63-65.)

Since Kaytel never objected specifically or generally to the apportionment questions on the special verdict form, it has waived this argument. *Ayuyu v. Tagabuel*, 284 F.3d 1023, 1026 (9th Cir. 2002) (failure to object to jury verdict form before the jury renders its verdict and is discharged waives claims of error inherent in form itself).

C. In Any Event, The Jury's Apportionment Of Damages Was Supported By The Evidence.

Kaytel Distribution set up Jacky's as a conduit to sell counterfeit goods to distributors. (ER 1275; SER 164, 193.) Kaytel Distribution created copies of the 13 films although it had no license to do so. (ER 1350.) It received revenues of \$399,056.22 from Jacky's, which coincided with Jacky's receipt of an equivalent sum from various distributors. (ER 906.) Around the same time, JJV experienced a substantial drop in the reorders of the counterfeit titles. (SER 277.)

Kaytel Distribution and Leisure Time, who shared employees, invoiced the counterfeit DVD sales through Jacky's. (ER 1275; SER 145-46, 164.) Kaytel Distribution used Elmaleh's cellular phone to sell the counterfeit DVDs. (ER 1355.) Elmaleh was the sole shareholder of Kaytel Distribution and Leisure Time (SER 142), and Elmaleh's employees helped run Jacky's (SER 114).

In sum, the evidence showed that each of the defendants was involved to different degrees in the counterfeit operation. Given that the evidence was different for each defendant, the jury's apportionment of total damages in varied amounts against the separate defendants was proper.

D. The District Court Properly Aggregated Damages And Imposed Joint And Several Liability Against The Defendants.

The district court imposed joint and several liability for a single award because Kaytel asked it to do so. (ER 21; *see* AOB 41-42.) Joint and several liability was proper in this tort

action against multiple tortfeasors, *Ashland v. Ling-Temco-Vought, Inc.*, 711 F.2d 1431, 1439 (9th Cir. 1983), and Kaytel appears to agree that it is proper here. (AOB 38-42.) In essence, Kaytel devotes four pages of its brief to advocating a position that the district court already took. (*Id.*)

Kaytel argues that plaintiffs are not entitled to “double recovery from multiple defendants for the same injury.” (AOB 40.) That’s not what happened here. The jury apportioned damages based on the culpability of each separate defendant. Although each defendant violated Gasper’s right of publicity, each invasion was not “the same injury.” Thus, there is no support for Kaytel’s argument that the jury awarded “double recovery.”

Kaytel also argues that the court erred in aggregating the jury’s awards against the separate defendants. (ER 21.) But this too was correct. The law clearly states that “when the jury by special verdict has awarded damages against two or more tortfeasors . . . [and] when the jury’s intent to apportion damages among separate defendants can be discerned, or when the parties did not timely raise the issue and there is no obvious plain error, it is appropriate to affirm the award of apportioned damages as to each tortfeasor.” *Jackson v. City of St. Louis*, 220 F.3d 894, 898 (8th Cir. 2000).

All of these circumstances attended the verdict here. First, the special verdict asked the jury to apportion damages as to each individual defendant for violation of Gasper’s right of publicity. (ER 63-65; *supra*, p. 26.) Second, the jury complied and awarded different profits and different punitive damages amounts against each separate defendant. (*Id.*) This variance between the awards against the separate defendants shows the jury’s intent to apportion damages. Third, Kaytel did not timely raise this issue, nor is there plain error. (*Supra*, p. 26.)

Finally, the only support Kaytel musters for its argument are cases awarding statutory damages under the Copyright Act. *Branch v. Ogilvy & Mather, Inc.*, 772 F. Supp. 1359, 1363-64 (S.D.N.Y. 1991); *Fitzgerald Publ’g Co. v. Baylor Publ’g Co.*, 807 F.2d 1110, 1116 (2d Cir. 1986); *Robles Aponte v. Seventh Day Adventist Church Interamerican Div.*, 443 F. Supp. 2d

228 (D. P.R. 2006) (all cited at AOB 38-42). These cases hold that where multiple tortfeasors contribute to a single copyright infringement, plaintiff's recovery is limited to one statutory damages award, regardless of how many tortfeasors participated. *Id.*⁵ These cases don't address actual damage awards or the aggregation of them in a publicity context.

For all these reasons, the court correctly aggregated the jury's damage awards and, as Kaytel insisted, imposed joint and several liability.

V. THE DISTRICT COURT PROPERLY DEEMED ADMITTED JSI'S REQUESTS FOR ADMISSIONS, PROPERLY DENIED KAYTEL DISTRIBUTION'S MOTION TO WITHDRAW ITS ADMISSIONS, AND PROPERLY INSTRUCTED THE JURY REGARDING THE LIMITED SCOPE OF THE DEEMED ADMISSIONS.

Kaytel Distribution raises several challenges to deemed admissions that have nothing to do with this appeal. These admissions were obtained by JSI for use in that action only and that case has settled.

On May 17, 2006, JSI served requests for admissions ("RFAs") on Kaytel Distribution. (ER 1870.) On June 9, 2006, JSI obtained Kaytel Distribution's default for its failure to answer JSI's First Amended Complaint. (ER 287, 2609.) Kaytel Distribution failed to respond to the RFAs before the default was entered and so they were deemed admitted under Federal Rules of Civil Procedure, Rule 36(a). (AOB 11-13.)

On October 16, 2006, the district court granted Kaytel Distribution's motion to set aside its default. (ER 253, 1844.) Kaytel Distribution then moved for leave to withdraw its deemed admissions, which the magistrate judge denied. (ER 247-49.)

⁵ Kaytel also states that "the Ninth Circuit addressed this issue in *Columbia Pictures Television v. Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284, 294 (9th Cir. 1997)," but relies on a quotation that appears nowhere in *Columbia Pictures*. (AOB 41.)

On appeal, Kaytel Distribution argues that the court erred when it held that Kaytel Distribution was deemed to have admitted the RFAs (AOB 52), erred in denying Kaytel Distribution leave to withdraw the deemed admissions (AOB 42), and erred in advising the jury that Kaytel Distribution had expressly admitted the RFAs (AOB 44). Each of these arguments has no merit.

A. Standard Of Review.

This Court reviews the district court's interpretation of the Federal Rules of Civil Procedure de novo, *United States v. Clifford Matley Family Trust*, 354 F.3d 1154, 1159 n.4 (9th Cir. 2004), the denial of a motion to withdraw an admission for an abuse of discretion, *Hadley v. United States*, 45 F.3d 1345, 1348 (9th Cir. 1995), and the formulation of civil jury instructions for an abuse of discretion, *Pavon v. Swift Transp. Co.*, 192 F.3d 902, 907 (9th Cir. 1999).

This Court must affirm unless Kaytel Distribution shows that the alleged errors affected its substantial rights. *Obrey v. Johnson*, 400 F.3d 691, 699 (9th Cir. 2005).

B. The Alleged Errors Were Not Prejudicial Because Kaytel Distribution's Separate Admissions To The RFAs Propounded By JJV And Gasper Would Have Been Sufficient For The Jury To Find Liability.

None of the alleged errors could have prejudiced Kaytel Distribution because it admitted 99 equally damning admissions that it doesn't challenge on appeal: It admitted it formed Jacky's One Stop (ER 1275), created copies of 13 films although it had no license to do so (ER 1350), used Elmaleh's cellular phone to sell counterfeit DVDs (ER 1355), and invoiced sales of its counterfeit DVDs through Jacky's (ER 1275). These were admissions to RFAs propounded by JJV and Gasper. Responses to the RFAs were due while Kaytel Distribution was not in default and yet it never responded to them and it never filed a motion to withdraw these deemed admissions. These admissions alone were sufficient for the jury to find liability. Thus, any error associated with the admissions in the JSI action was not prejudicial.

Moreover, the court expressly instructed the jury that the deemed admissions served by JJV and Gasper were the only ones that the jury could use in the underlying JJV action.

Although the court instructed the jury that the JSI admissions were only binding in the JSI action, Kaytel Distribution argues that “all consolidated parties were affected by the admissions which dominated the case.” (AOB 44.) In effect, Kaytel Distribution presumes that the jury disobeyed the court’s instructions and used them in the JJV action as well. But the presumption is just the opposite: The jury is presumed to have followed the court’s instructions. *United States v. Perlaza*, 439 F.3d 1149, 1184 (9th Cir. 2006) (Brunetti, J., dissenting).

C. The Court Correctly Found That Kaytel Distribution Was Deemed To Have Admitted RFAs Served Upon It *Before* It Was In Default.

Because Kaytel Distribution failed to answer JSI’s RFAs, the requests were deemed admitted. Fed. R. Civ. P. 36(a)(3). Nevertheless, Kaytel Distribution argues that the district court erred in deeming the requests admitted because it was in default when the admissions were due and, at that time, it could not respond or be treated as a party for the purposes of discovery. (AOB 52.)

The court, however, recognized that although Kaytel Distribution was in default when the requests were due, it was not in default when JSI *served* RFAs. (ER 122.) Kaytel Distribution argues that “the distinction made by the trial court as to when the requests for admission were *served* is an artificial one.” (AOB 52, emphasis added.) But this distinction follows from the statute:

A matter is admitted unless, within 30 days after being *served*, the party to whom the request is directed serves on the requesting party a written answer or objection

....

Fed. R. Civ. P. 36(a)(3) (emphasis added). Kaytel Distribution did not serve a written answer or objection, and its subsequent default did not exempt it from Rule 36. Fed. R. Civ. P. 36(b) (“A matter admitted under this rule is conclusively established *unless the court, on motion, permits*

the admission to be withdrawn or amended") (emphasis added). Kaytel Distribution cites no authority to the contrary.

Instead, it cites authority for the proposition that a party already in default cannot be served with discovery. (AOB 53-54, citing *Blazek v. Capital Recovery Assocs., Inc.*, 222 F.R.D. 360, 361 (E.D. Wis. 2004) (RFAs may only be directed to parties); *In re Liu*, 282 B.R. 904, 910 (Bankr. C.D. Cal. 2002) ("a defendant who has not answered or otherwise defended the complaint is not considered a 'party' for Rule 36 purposes and therefore may not be served with requests for admission by the plaintiff"); and *LG Elecs., Inc. v. Advance Creative Computer Corp.*, 212 F. Supp. 2d 1171, 1172-73 (N.D. Cal. 2002) (court declined to award damages on default judgment where sole evidentiary basis was unanswered RFAs served months after the court had entered the parties' default).)

It also cites a host of Federal Rules for the propositions that a party in default cannot "defend the merits of the case, [] ceases to be a party allowed to respond to party discovery" and "must be treated as a non-party for discovery purposes." (AOB 53, citing Fed. R. Civ. P. 26, 33, 34, 36, 37, 55(a).) But as established earlier, JSI served its requests upon Kaytel Distribution *before* it entered into default. JSI's service was proper. Thus, these cases and rules have no force here.

In any event, the circumstances that brought about the deemed admissions have no bearing on whether the district court has discretion to permit subsequent withdrawal of the deemed admissions. *See* Fed. R. Civ. P. 36(b).

D. The Court Did Not Abuse Its Discretion In Denying Kaytel Distribution’s Motion To Withdraw Its Admissions Because JSI Would Have Been Unduly Prejudiced At A Point Too Late To Conduct Necessary Discovery.

A court has discretion to permit withdrawal of admissions only if two requirements are satisfied: “(1) presentation of the merits of the action must be subserved, and (2) the party who obtained the admission must not be prejudiced by the withdrawal.” *Hadley*, 45 F.3d at 1348 (citing Fed. R. Civ. P. 36(b)). A court has no discretion to permit withdrawal of admissions if the requirements are not met. *Conlon v. United States*, 474 F.3d 616, 621-22 (9th Cir. 2007).

The district court correctly applied the test set forth in Federal Rules of Civil Procedure, Rule 36 and explained in *Hadley*. Regarding the first requirement, the court observed that “it does not appear that upholding the admissions would eliminate any presentation of the merits of the case,” but devoted the bulk of its analysis to the second prong and analyzed the potential prejudice to JSI. (ER 248.)

JSI submitted a declaration that it had relied on Kaytel Distribution’s admissions in not pursuing additional discovery, not deposing additional third parties and not obtaining additional information from previously deposed defendants and third parties. (ER 248, 1823-24.) It explained that absent Kaytel Distribution’s admissions, it would have attempted to (1) obtain records of the defendants’ phone calls and bank accounts, (2) take depositions of numerous additional Canadian and out-of-state, third party witnesses, including principals of Kaytel Distribution customers, suppliers and employees, and (3) retain a handwriting expert to testify as to the identities of signatories on various documents. (ER 1823-24.) JSI represented that it could not now undertake additional discovery before the discovery cut-off date. (ER 1824.) According to the magistrate judge, Kaytel Distribution only responded with “conclusory arguments and [did] not address the foregoing requirements in any depth.” (ER 248.)

The magistrate judge denied Kaytel Distribution’s motion. (ER 249.) The judge found that JSI had met its burden of showing substantial prejudice based on JSI’s arguments, and on

the fact that less than a week remained before the discovery cut-off and the district court had already refused to extend the discovery cut-off, leaving JSI unable to conduct any further discovery. (ER 248, 1824.)

Contrary to Kaytel Distribution's assertion, *Hadley* does not support its position. In *Hadley*, the nonmoving party argued that it would be prejudiced because it had relied on the deemed admissions of liability during its deposition of Hadley. 45 F.3d at 1349. The Ninth Circuit disagreed. It reasoned that if Hadley had denied liability at trial, the nonmoving party could have cross-examined him with an affidavit that corroborated the deemed admissions. *Id.* It therefore held that the inconvenience caused by withdrawal of the admissions did not rise to the level of prejudice that justified denial of the motion to withdraw. *Id.* Unlike the nonmoving party in *Hadley*, JSI had no document corroborating all the deemed admissions. Thus, JSI would have suffered more than the mere "inconvenience" suffered by the nonmoving party in *Hadley*.

Likewise, *Conlon* does not compel a different result. Kaytel Distribution cites *Conlon* for the proposition that an asserted lack of discovery without more cannot constitute prejudice sufficient to preclude withdrawal of the deemed admissions and asserts that the district court could have simply reopened the discovery period, thus removing any discovery prejudice. (AOB 51.) However, the prejudice that JSI would have suffered was not "an asserted lack of discovery without more." When Kaytel Distribution sought leave to withdraw its admissions, less than a week remained before the discovery cut-off and the district court had already refused to extend the discovery cut-off. (ER 248.) Given this ruling, JSI absolutely would have been prejudiced by withdrawal of the admissions.

Because JSI showed that it would suffer substantial prejudice if Kaytel Distribution's motion were granted, the test under Federal Rules of Civil Procedure, Rule 36(b), was not satisfied and so the district court had no discretion to grant leave to withdraw the admissions.

E. The Court's Instruction Properly Stated The Legal Significance Of Kaytel Distribution's Admissions.

When JSI's counsel first read Kaytel Distribution's admissions to the jury, the district court advised the jury that they were express admissions rather than deemed admissions. (ER 1477.) Kaytel Distribution argues that the court erred in giving this instruction and "refused to clarify its prior misstatement leaving the jury with the clear impression that Kaytel had actually responded and acknowledged the facts as true." (AOB 44-45, 47.) Not so. When instructing the jury just before closing arguments, the court stated:

Certain facts have been introduced to you which have been characterized as having been conclusively admitted by Kaytel Distribution, Inc. You must treat these facts as admitted by Kaytel Distribution and only by Kaytel Distribution.

(ER 997.) This latter formulation did *not* state that Kaytel Distribution's admissions were express. And Kaytel's counsel stated that it had "no problem" with this instruction. (SER 80.)

The failure to timely respond to RFAs results in automatic admission. Fed. R. Civ. P. 36; *FTC v. Medicor LLC*, 217 F. Supp. 2d 1048, 1053 (C.D. Cal. 2002). Matters admitted under the rule are "conclusively established," regardless of whether they are deemed admissions or express admissions. Fed. R. Civ. P. 36(b); *United States v. Kasuboski*, 834 F.2d 1345, 1349 (7th Cir. 1987). Thus, Kaytel Distribution's deemed admissions were just as binding as if it had actually responded and expressly admitted them.

Therefore, the court's initial instruction that the admissions were express rather than deemed makes no difference because the two are equal in the eyes of the law. The instructions properly stated the legal significance of Kaytel Distribution's admissions. As a result, there was no error in the district court's formulation of the instruction or in any other of its rulings on deemed admissions.

VI. THE DISTRICT COURT PROPERLY EMPLOYED A SPECIAL JURY VERDICT THAT HAD BEEN SUBSTANTIALLY AGREED TO BY ALL PARTIES.

A. Standard Of Review.

This Court reviews the use of a special verdict, as well as its content and layout, for an abuse of discretion, *United States v. 20832 Big Rock Drive*, 51 F.3d 1402, 1408 (9th Cir. 1995), and challenges to a district court's denial of a request to submit a special verdict question for harmless error, *Bogle v. McClure*, 332 F.3d 1347, 1357 (11th Cir. 2003).

B. Kaytel Mischaracterizes The Circumstances That Preceded Submission Of The Special Verdict To The Jury.

Kaytel states that “[n]owhere in the statement of issues to be addressed was the issue of vicarious liability discussed. The only issues which the parties agreed to present to the court were the issues of direct or contributory infringement.” (AOB 56.) Not so. The Amended Pre-Trial Conference Order lists the elements for contributory copyright infringement, which include the elements for vicarious liability. (ER 319.) Furthermore, the order indicates that the plaintiffs intended to present evidence of vicarious liability and intended to establish an agency or alter ego relationship between Kaytel Distribution, Leisure Time and Elmaleh. (ER 324.)

Kaytel also erroneously asserts that “[d]espite seemingly rejecting outright the employment of a special verdict, on August 8, 2007, the court determined that a special verdict would be used after all and ordered the submission of a form the following day.” (AOB 59.) It supports this assertion with some of the court's statements at the pre-trial conference, “203 interrogatories for the jury. . . . Yeah, that's almost per se denial. We'll come back to that. We are not going to put the jury through the ordeal of answering 203 pages of questions.” (AOB 59, quoting ER 162.) But the court's comments later in that same hearing instructed the parties “to continue to work on [the special interrogatories].” (ER 181.) Given the court's final instruction to the parties, Kaytel cannot seriously argue that it thought the court would “reject[] outright” the use of a special verdict.

Finally, Kaytel complains that the special verdict was 31 pages and contained approximately 170 separate questions. (AOB 55.) There were actually 43 numbered questions and many of those queried the jury as to each of the more than 40 films that were at issue. (ER 35-65.) The verdict's length was primarily attributable to the sheer number of films Kaytel counterfeited.

C. Kaytel Waived Its Objections To The Jury Interrogatories It Now Challenges On Appeal.

Kaytel generally attacks the interrogatories as "confusing and misleading" and specifically attacks selected interrogatories. (AOB 55-58, 60-61.)

Kaytel angrily argues that the district court "misrepresent[s] the record in its entirety" when it ruled that Kaytel did not object to the verdict form. (AOB 60.) Kaytel then cites *Monroe v. City of Phoenix, Ariz.*, for the proposition that "[a]n objection may be a pointless formality when (1) throughout the trial the party argued the disputed matter with the court, (2) it is clear from the record that the court knew the party's grounds for disagreement with the instruction, and (3) the party offered an alternative instruction." 248 F.3d 851, 858 (9th Cir. 2001).

Kaytel did not object to the special verdict form and has not met any of the three requirements that would trigger an exception to the objection requirement:

1. Kaytel did not argue the disputed matter *throughout the trial*. Rather, Kaytel submitted its general objections to the use of a special verdict form *prior to trial*. During the trial, it made only one challenge to the form: It sought to add interrogatories as to copyright ownership and as to whether JSI was an exclusive licensee. (ER 85-88, 860-62, 871-73, 882-84; SER 76-77.) It later abandoned this challenge and agreed that the court could determine the ownership issue on the basis of its motions. (ER 86 ["Well, if indeed that issue is

a legal issue for the Court to determine, *then I have no problem with this*, and we will simply have that issue addressed by the motions”], emphasis added.)⁶

2. Kaytel made no clear objections to specific interrogatories, other than the ones that it later abandoned. Based on Kaytel’s pre-trial objections, the district court would only have known that Kaytel generally objected to the use of a special verdict form. (SER 297-393.)

3. Kaytel never offered any alternative instructions for the interrogatories it now alleges were “confusing and misleading.” It offered no alternative interrogatories that it didn’t later abandon. (ER 69-70.)

Because the objections Kaytel asserts on appeal do not fall within the *Monroe* exception that would have made them “pointless formalities” at trial, it has thus waived its right to challenge them. *Ayuyu v. Tagabuel*, 284 F.3d 1023, 1026 (9th Cir. 2002) (failure to object to jury verdict form before the jury renders its verdict and is discharged waives claims of error inherent in form itself).

D. The Court Did Not Abuse Its Discretion In Excluding The Standing Issue From The Special Verdict Form.

Kaytel also complains that the court improperly rejected its proposed interrogatories on the issue of the plaintiffs’ standing because they were “untimely, repetitive and confusing.”

⁶ In any event, there is no prejudice here because the jury’s findings indicate what their answer would have been had they been asked to determine by separate interrogatories whether the plaintiffs owned the copyrights. *Bogle*, 332 F.3d at 1357-58 (“[F]ailure to give requested jury interrogatories may not be error, or if error may be harmless, where the jury verdict itself . . . indicate[s] without doubt what the answers to the refused interrogatories would have been”). The jury found that plaintiffs owned the copyrights, that defendants copied original elements of the copyrighted works (SER 82), and that each defendant was “directly, vicariously or contributorily liable for infringement of copyrights *owned* or exclusively licensed by plaintiffs.” (ER 35, 43, 51, emphasis added.) Thus, the instructions coupled with the interrogatories make clear that the jury found that plaintiffs owned the copyrights.

(AOB 59-60.) The court's reasons were correct. And there was an even more fundamental reason to reject the interrogatories: Standing was a legal issue for the court to decide. (*See* Cross-Appeal § I.)

In short, there was no error in the special verdict form, much less an error preserved for appeal, must less an error that would warrant reversal.

VII. THE DISTRICT COURT PROPERLY ADMITTED THE DEPOSITION TESTIMONY OF UNAVAILABLE WITNESSES.

A. Standard Of Review.

This Court reviews the trial court's decision to admit deposition testimony for an abuse of discretion. *Nationwide Life Ins. Co. v. Richards*, 541 F.3d 903, 909 (9th Cir. 2008). It reviews the district court's interpretation of the Federal Rules of Civil Procedure de novo. *United States v. Clifford Matley Family Trust*, 354 F.3d 1154, 1159 n.4 (9th Cir. 2004).

B. There Is No Prejudice Because Kaytel Cross-Examined The Witnesses During Their Depositions.

Kaytel asserts that it was prejudiced by the admission of Ouzzan and Elkeslassy's deposition testimony in lieu of live testimony because it had no opportunity to cross examine these witnesses at trial. (AOB 65.) This argument has no merit.

When JJV deposed these witnesses, Kaytel cross-examined them and included the cross-examination in its counter designation of deposition testimony. (ER 1572, 1578-97.) The designated portions of the videotaped cross-examination were played at trial (ER 96, 101-03), and so the jury heard their testimony and witnessed their demeanor under Kaytel's cross-examination. In short, Kaytel suffered no prejudice because it couldn't cross-examine Ouzzan and Elkeslassy at trial.⁷

⁷ Kaytel had ample warning that these witnesses might not appear at trial

- C. Ouzzan And Elkeslassy Were Unavailable Within The Meaning Of F.R.C.P. Rule 32(a)(4)(B).

because as early as May 9, 2007, JJV's counsel notified Kaytel's counsel that the Canadian witnesses would likely not appear at trial. (SER 282-94; *see also* ER 178 (at June 26, 2007 pre-trial conference, JSI's counsel states that "[s]ome of these witnesses will be testifying by deposition."))

The court admitted the deposition testimony of Elkeslassy and Ouzzan pursuant to Rule 32(a). (ER 101-03.)⁸ This rule permits a party to use a witness’s deposition for any purpose in a court proceeding if “the witness is more than 100 miles from the place of hearing or trial or is outside the United States, unless it appears that the witness’s absence was procured by the party offering the deposition.” Fed. R. Civ. P. 32(a)(4)(B).

Both Elkeslassy and Ouzzan reside in Canada—outside the United States and more than 100 miles away from the trial site. (ER 106-07.) Nothing indicates that the plaintiffs procured their absence at trial. Thus, their deposition testimony plainly falls within the ambit of Rule 32(a)(4)(B) and the court did not abuse its discretion to admit it.

Nevertheless, Kaytel contends that the court erred because the plaintiffs did not exercise diligence to secure Elkeslassy’s and Ouzzan’s attendance at trial. (AOB 63-64.) That is wrong. First, forbidding the party offering the deposition from procuring the deponent’s absence is a “far cry from requiring the litigant to procure the deponent’s presence.” *Ueland v. United States*, 291 F.3d 993, 996 (7th Cir. 2002).

Second, contrary to Kaytel’s argument, the admission of a deposition under Rule 32(a)(4)(B) is not limited by Rule 32(a)(4)(D). (AOB 64.) Rule 32(a)(4) permits the party to offer deposition testimony if the court finds that any *one* of five unavailability circumstances is present. *Ueland*, 291 F.3d at 996. Therefore, because the plaintiffs here met the requirements of subsection (B), they did not need to satisfy subsection (D) too.

Third, Rule 32(a)(4)(B) is an independent exception to the hearsay rule. *Nationwide Life Ins. Co.*, 541 F.3d at 914-15. It is independent of the unavailability requirements under the Federal Rules of Evidence. *Id.* Consequently, because the plaintiffs satisfied the requirements of Rule 32(a)(4)(B), they did not need to establish a hearsay exception too.

⁸ The court admitted the testimony under Fed. R. Civ. P. 32(a)(3) (redesignated with substantially the same language as Rule 32(a)(4) eff. Dec. 1, 2007).

Finally, Kaytel contends that both witnesses entered into agreements with the plaintiffs whereby they agreed to testify at trial, that the plaintiffs did not enforce these agreements, and that the plaintiffs settled claims against such witnesses. Kaytel argues that the district court should have found that these circumstances “gave rise to an appearance that their absence was procured.” (AOB 65.) Kaytel cites *Garcia-Martinez v. City and County of Denver*, 392 F.3d 1187, 1191-92 (10th Cir. 2004) and *Wilson v. Phila. Det. Ctr.*, 986 F. Supp. 282, 291 n.13 (E.D. Pa. 1997), for support. But in those cases, a party sought to admit his *own* deposition testimony after procuring his *own* absence, *Garcia-Martinez*, 392 F.3d at 1191-92, or “voluntarily made himself unavailable,” *Wilson*, 986 F. Supp. at 291. Because the plaintiffs here were not attempting to offer their own deposition testimony after procuring their own absence, neither *Garcia-Martinez* nor *Wilson* applies.⁹

VIII. THE DISTRICT COURT PROPERLY AWARDED FEES AND COSTS TO GASPER AS A PREVAILING PARTY ON HIS RIGHT OF PUBLICITY CLAIM.

A. Standard Of Review.

This Court reviews the district court’s fee award for an abuse of discretion. *Kona Enters., Inc. v. Estate of Bishop*, 229 F.3d 877, 883 (9th Cir. 2000).

⁹ If anything, Kaytel is to blame for Elkeslassy’s failure to attend trial. In a letter explaining why Elkeslassy would not comply with the defendants’ trial subpoena, his counsel stated that “Elkeslassy is unable to travel to the United States for trial due to several factors, including his job, his family and his fear for his personal safety considering ‘statements’ that have been made by Mr. Elmaleh which have been interpreted as threats.” (SER 295.)

B. The Court Awarded Fees And Costs Only To Gasper.

After prevailing on his right of publicity claim, Gasper filed a motion for attorney fees. (ER 496.) The court awarded fees and costs of \$596,405.25. (ER 7.) Kaytel argues that the court erred in awarding fees and costs to *JJV* because it was not a prevailing party. (AOB 66-67.) Because the district court granted JMOL on *JJV*'s copyright claims, *JJV* was no longer a prevailing party and did not seek fees or costs and was awarded none. In short, the alleged "error" never occurred.

C. The Court Properly Awarded Fees To Canadian Counsel For Assisting The Plaintiffs In Seizing Evidence From Kaytel's Canadian Premises For Use In This Action.

The court's fee award to Gasper included fees incurred by Canadian counsel, Mr. Karayannides of Heenan Blaikie LLP. (ER 7.) Kaytel argues conclusorily that the court improperly awarded those fees because "the award of attorneys' fees for services by Canadian counsel in a case filed in Canada simply cannot be related to Gasper's claim for violation of his right of publicity under California law." (AOB 67.) Kaytel cites no authority for this proposition. (*Id.*)

Before serving Kaytel with the complaint, the plaintiffs sought a temporary restraining order and an order authorizing a search and seizure of Kaytel's premises in Canada. (SER 400-03.) The court granted both orders. (SER 394-99.) The temporary restraining order enjoined Kaytel from infringing the plaintiffs' copyrights, misappropriating Gasper's right of publicity, and destroying or concealing evidence of the infringement. (SER 394-96.) The seizure order permitted the plaintiffs to search Kaytel's U.S. business locations and seize counterfeiting evidence. (SER 398.)

Because these orders only applied in the United States, the plaintiffs retained Canadian counsel to effectuate them in Canada as well. (ER 531.) Canadian counsel obtained a search and seizure order in the Canadian courts and continued to collaborate with the plaintiffs' counsel

throughout the case, including moving the Canadian court to allow use of the seized Canadian evidence at trial in California since defendants had failed to produce the evidence in discovery in the California action. (ER 517-18, 531.) Thus, the services they rendered were patently related to the California action.

CONCLUSION RE: APPELLEES' BRIEF

This Court should affirm Gasper's publicity judgment. His right of publicity claim is not preempted by the Copyright Act, and Kaytel's other attacks on the judgment have no merit.

**ISSUES PRESENTED AND SUMMARY OF ARGUMENT RE: CROSS-APPELLANTS'
OPENING BRIEF**

- **Did the district court err in granting JMOL and wiping out JJV and Gasper's copyright verdict for lack of standing, despite the fact that Gasper registered copyrights in the films and assigned four of those to JJV, and that both parties were plaintiffs here? (Cross-Appeal Argument, § I.)**

Yes. There can only be two possible owners of the copyrights to the Jules Jordan films: Gasper and/or JJV. Both of them were plaintiffs in this action. In fact, Gasper registered copyrights to all of the films and assigned four of those copyrights to JJV. Nonetheless, the court overturned the jury's copyright verdict and granted JMOL to Kaytel on the ground that Gasper lacked standing as the copyright owner because the films were works for hire. That was wrong, particularly since all the evidence must be viewed in the plaintiffs' favor and the jury necessarily determined the films were not works for hire.

Gasper was not employed or paid by JJV for his creative work in writing, directing, producing and shooting the films, and thus cannot be seen as an employee for work-for-hire purposes. Indeed, applying work-for-hire principles to strip Gasper of this copyright judgment makes no sense in this context, because Gasper was the dominant employee and 100% owner of JJV—this is not a dispute between a company and its employee over who owns the copyright, rather a dispute between two rightful copyright owners and proven counterfeiters.

Moreover, even if the film copyrights should have been registered by JJV, under this Court's precedents that registration error should not result in dismissal of the claim or erasure of the judgment. Finally, regardless of how one comes out on the work-for-hire issue, both Gasper and JJV had standing to sue as beneficial copyright owners and thus the JMOL was improper.

- **Did the district court abuse its discretion in denying *all* attorneys' fees incurred by non-lead counsel who represented Gasper? (Cross-Appeal Argument, § II.)**

Yes. The district court erred in striking from Gasper's attorney fees' award all fees billed by non-lead counsel on the ground that their reasonable rate was not established. The court had before it more than sufficient evidence to determine those lawyers' reasonable hourly rates, and, in any event, setting that rate at \$0 was a manifest abuse of discretion. Gasper is entitled to recover those fees he incurred.

ARGUMENT RE: CROSS-APPELLANTS' OPENING BRIEF

I. GASPER'S COPYRIGHTS IN THE FILMS AND HIS ASSIGNMENT OF FOUR OF THOSE COPYRIGHTS TO JJV WERE VALID AND PROVIDED STANDING TO BOTH PLAINTIFFS.

The jury awarded JJV and JJV's owner and dominant employee, Gasper, statutory damages for copyright infringement: \$390,000 against Kaytel Distribution, \$390,000 against Leisure Time, and \$1.82 million against Elmaleh. (ER 41-42, 49-50, 57-58.) Nevertheless, the court granted Kaytel's JMOL motion on the copyright claim. (ER 29-32.) The court relied on the argument—raised by Kaytel for the first time in its post-trial motion—that the films created by Gasper were works for hire and thus the copyright should have been registered by JJV. (*Id.*; SER 106-07.)

But the court went a step further. On that basis alone, it threw out the jury's entire copyright judgment against Kaytel. Even on its face, that decision doesn't make sense. Gasper and JJV were the only two entities or people that could possibly own the copyright to these films. Both were plaintiffs in this suit. It is inequitable and illogical, then, to throw out a copyright infringement judgment in their favor against proven counterfeiters. It is also legally erroneous.

A. Standard Of Review.

The district court could set aside the jury’s verdict and grant JMOL “only if, under the governing law, there can be but one reasonable conclusion as to the verdict” and “only if ‘there is no legally sufficient basis for a reasonable jury to find for that party on that issue.’” *Winarto v. Toshiba Am. Elecs. Components, Inc.*, 274 F.3d 1276, 1283 (9th Cir. 2001) (internal citation omitted). On review of the JMOL, this Court must view the evidence in the light most favorable to JJV/Gasper and cannot make credibility determinations or weigh the evidence, but instead “‘must accept the jury’s credibility findings consistent with the verdict.’” *Id.* (internal citation omitted). Although the ultimate determination of whether the films were works for hire is reviewed de novo, the factual finding below cannot be disturbed unless clearly erroneous. *Aymes v. Bonelli*, 980 F.2d 857, 860-61 (2d Cir. 1992).

B. Kaytel Had The Burden To Show That JJV/Gasper’s Copyrights Were Invalid
And, In Resolving That Issue, The Evidence Favors JJV/Gasper.

“[T]he registration of a copyright certificate constitutes prima facie evidence of the validity of a copyright in a judicial proceeding.” *Lamps Plus, Inc. v. Seattle Lighting Fixture Co.*, 345 F.3d 1140, 1144 (9th Cir. 2003) (internal citations omitted). Since Gasper registered copyrights for these 13 films, the burden shifted to Kaytel to prove the invalidity of the copyrights. *Id.*

The jury here had to have found that the films were not works for hire. Kaytel’s counsel cross examined Gasper about whether the films were works for hire. (SER 123-24, 130.) In closing argument Kaytel’s counsel argued to the jury that the films were works for hire and that precluded both plaintiffs from pursuing this copyright claim. (SER 75:9-24.) The district court specifically instructed the jury that Gasper and JJV had to prove they owned the film copyrights, that JJV’s claims only related to four specific films, and described who a copyright owner or author could be, and what the standards are for works for hire. (SER 82:9-11, 83:22-23, 84:24, 85:20-22, 86:11-25.) Ultimately, the jury determined in its special verdict that each of the defendants was “directly, vicariously or contributorily liable for infringement of *copyrights*

owned or exclusively licensed” by JJV and Gasper. (ER 35, 43, 51, emphasis added.) In making this determination, the jury necessarily found that Gasper and JJV owned the film copyrights and that they were *not* works for hire.

Notwithstanding this finding, Kaytel argued that since Gasper created the films while working for JJV, the films were works for hire and the copyrights were thus owned by JJV. *See* 17 U.S.C. § 201(b). Kaytel further contended that JJV also had no standing to sue because the copyrights were registered in Gasper’s name.

Both of Kaytel’s arguments crumble under careful scrutiny, especially when the evidence is viewed in JJV/Gasper’s favor, as this Court must, and when seen in light of the jury’s verdict which was not clearly erroneous.

C. The Films Were Not Works For Hire.

The Copyright Act defines a “work made for hire” as “a work prepared by an employee within the scope of his or her employment.” 17 U.S.C. § 101. Thus, Kaytel had to show *both* that Gasper was an “employee” of JJV and that he created these films within the “scope” of his employment.

1. Gasper was not JJV’s “employee” for purposes of works for hire.

In distinguishing an “employee” from an independent contractor for purposes of a work for hire, courts look to federal “principles of general common law of agency.” *Comty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 751, 109 S. Ct. 2166, 104 L.Ed. 2d 811 (1989).

a. The agency factors.

In making that determination, courts consider a number of factors:

[W]e consider [a] the hiring party’s right to control the manner and means by which the product is accomplished. Among the other factors relevant to this inquiry are [b] the skill required; [c] the source of the instrumentalities and tools; [d] the location of the work; [e] the duration of the relationship between the parties; [f] whether the hiring party has the right to assign additional projects to

the hired party; [g] the extent of the hired party's discretion over when and how long to work; [h] the method of payment; [I] the hired party's role in hiring and paying assistants; [j] whether the work is part of the regular business of the hiring party; [k] whether the hiring party is in business; [l] the provision of employee benefits; and [m] the tax treatment of the hired party.

Id. at 751-52, 109 S. Ct. at 2178-79. None of these factors is alone determinative. *Id.* at 752, 109 S. Ct. at 2179.

- b. The agency factors, on balance, show Gasper was an independent contractor for his creative work on the films.

Applying those factors here compels the conclusion that the films were not works for hire, particularly when the evidence is viewed in favor of JJV/Gasper and when seen in light of the jury's verdict. JJV had no right to control the manner and means by which the films were made; Gasper had complete creative control over his films. (SER 122:4-5, 125-28, 169.) Gasper decided his upcoming projects, the shooting schedule, and where and how to shoot the films. (SER 128-129, 140.) Indeed, Gasper's creative work as director, writer, and cameraman required special skill, for which he received numerous awards. (SER 174:3, 190-91).

Although Gasper performed work for JJV, the company he owned, for many years and received a monthly salary with tax deductions, his salary only compensated him for administrative work and performance in the films. (SER 124-26, 128-29.) His creative work as director, writer, and cameraman was not compensated in his salary. (SER 124-26.) In fact, Gasper's creative work on the Jules Jordan film franchise long predates the existence of the JJV company. (SER 119, 138, 170, 191.)

Aymes v. Bonelli is on point. In that case, plaintiff worked for defendant company for several years doing computer programming and was given assignments and some direction about his projects. 980 F.2d at 859, 863. On the other hand, plaintiff was not treated as an employee for tax purposes, did not receive employee benefits and his work required a special skill that he

alone possessed. *Id.* at 862. The court explained which five factors were most important for determining whether plaintiff was an employee or an independent contractor: right to control, skill required, employee benefits, tax treatment, right to assign projects. *Id.* at 861. Looking at these factors, the court concluded on balance that plaintiff should be considered an independent contractor. *Id.* at 862-64.

If we apply the *Aymes* analysis to Gasper, at a minimum, the right to control, special skill, and right to assign work factors indisputably militate toward a finding that he was an independent contractor, and thus the films were not works for hire.

- c. Creative work, rather than administrative work, favors independent contractor status.

The nature of the work Gasper performed here—filmmaking—undercuts calling his films works for hire. Indeed, courts have found creators to be independent contractors under quite similar situations. *M & A Assocs., Inc. v. VCX, Inc.*, concerned an adult movie, “Debbie Does Dallas.” 657 F. Supp. 454 (E.D. Mich. 1987). David Buckley wrote, directed and produced the movie, under the auspices of a company owned solely by him, but there was only an oral understanding between him and the company as to who owned the copyright and a copyright was never registered. *Id.* at 457. The court held that Buckley was not an employee, and thus he owned the copyright, because he, not the company, “was the motivating force in producing the film. He exercised complete control of the corporation, which served as his mere alter ego. There simply was no supervision of his work other than his own.” *Id.* at 459.

Similarly, Gasper was not supervised by JJV; he was the sole “creative force” behind the creative work in devising and producing these films and had an oral agreement with JJV that he would own the copyrights. (SER 122:4-5, 141:7-12.)

Another case involving an employee’s independent creative work is *Respect, Inc. v. Comm. on the Status of Women*, 815 F. Supp. 1112 (N.D. Ill. 1993). The individual plaintiff had developed written materials and used them to teach a sexual abstinence program in schools.

Id. at 1115. Plaintiff joined forces with defendant to obtain a federal grant, which defendant used to expand the program in schools. *Id.* Defendant used the money, in part, to pay plaintiff for work associated with the education program, including making revisions suggested by defendant, but eventually the relationship soured and they feuded over who owned the copyrights to the materials. *Id.* at 1116, 1118. In ruling that the materials were not works for hire, the court emphasized that even though plaintiff was treated as an employee for tax purposes, “[w]ell before [defendant] came onto the scene, [plaintiff] was an experienced teacher who was at the forefront of abstinence education” and that it “was [plaintiff] and not [defendant] who was responsible for the books’ content and flavor.” *Id.* at 1118.

Likewise, Gasper was an acclaimed director well before JJV came onto the scene and Gasper was solely responsible for the creative content of the films. (SER 122:4-5, 125-28, 191.)

The fact that material is largely the product of the “employee’s” individual, creative self-expression has also factored heavily in Ninth Court decisions on works for hire. In *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, this Court held that under the 1909 Copyright Act Yogananda, a spiritual teacher, was an independent contractor for purposes of his lectures and writings, despite the fact that he assigned all his possessions to the church and that the church gave him free housing and a monthly stipend, because the church did not supervise or control his work and since the works were motivated by his own “desire for self-expression or religious instruction of the public.” 206 F.3d 1322, 1325-27 (9th Cir. 2000).

By contrast, in *Twentieth Century Fox Film Corp. v. Entm’t Distrib.*, this Court distinguished *Self-Realization* and held that General Eisenhower’s published memoirs were a work for hire, because Eisenhower was “a reluctant author who historically had refused to engage in the creative process” and only began “to write voraciously after being persuaded by a publisher.” 429 F.3d 869, 879 (9th Cir. 2005).

Gasper is a Yogananda, not a General Eisenhower. His “desire for self-expression” as a filmmaker is longstanding and predates the existence of JJV. JJV did not have to persuade him

to create these films. He began his career as a video store clerk, “saved up money to buy photography equipment and video equipment” and then started shooting films. (SER 191.)

Courts have also recognized that, in making work-for-hire determinations, there should be a distinction between administrative and creative work, especially in non-traditional employment situations. Thus, in *Weinstein v. Univ. of Ill.*, the court reversed a finding that an academic article was a work for hire, because even if professors are motivated to publish articles to obtain tenure at the university, their primary motivations are creative and scholastic. 811 F.2d 1091, 1093-94 (7th Cir. 1987). “When Saul Bellow, a professor at the University of Chicago, writes a novel, he may keep the royalties.” *Id.* In the academic context, the court explained, a work for hire may make sense “when applied to administrative duties” and documents or works created as part of those duties. *Id.* Likewise, if as part of his administrative duties for JJV, Gasper created some written protocols or other copyrighted material, those would be considered works for hire. But here what’s at issue is Gasper’s creative, not administrative, work.

2. Gasper’s creative work on the films was not within the scope of his employment with JJV.

As to the second prong of the work-for-hire test—“scope of employment”— courts once again look to federal common law agency principles. *Reid*, 490 U.S. at 739-40, 109 S. Ct. at 2172-73; *Avtec Sys., Inc. v. Peiffer*, 21 F.3d 568, 571 (4th Cir. 1994). More specifically, Kaytel had to show that *all* of the following conditions apply to Gasper’s conduct:

- (a) It was the kind of work he was employed to perform;
- (b) It occurred substantially within authorized time and space limits;
- (c) It was actuated, at least in part, by a purpose to serve the master.

Id. (citing Restatement (Second) of Agency § 228 (1958)).

- a. The scope of employment factors favor Gasper here.

Gaspar was only employed by JJV to be a performer in the films and to do administrative work as JJV's president. (SER 124-26, 128-29, 140.) He was not employed to use his creative skills in writing, producing and directing the films. (*Id.*) Although Gaspar did much of his work during his authorized work hours with JJV, his primary motivation for the creative work on the films was not a desire to serve JJV but rather to further his own creative impulses and ambitions. (*See* SER 191.) Under such circumstances, Gaspar's creative filmmaking cannot be seen as falling within the scope of his employment by JJV.

For example, in *City of Newark v. Beasley*, a police officer and his police department employer fought over who owned the copyrights to written materials the officer had created for an education program aimed to deter juvenile car theft, and designed for use by many different cities. 883 F. Supp. 3, 4-6, 9 (D.N.J. 1995).

In ruling that this was not the kind of work for which the officer was employed, the court emphasized that the department exercised essentially no control over his creation of the materials and that he did not rely on knowledge gained through his employment in preparing the materials. *Id.* at 8.

Likewise, Gaspar developed his creative chops long before JJV existed and the company exercised no control over his creative decisions. (SER 122:4-5, 125-28, 190-91.) His creative motivations were fueled by his own creative ambitions. (*See* SER 191.) They were not aimed at solely furthering JJV's interests.

- b. As sole owner and dominant employee of JJV, Gaspar's creative work on JJV films was not a work for hire.

Blindly applying traditional work-for-hire principles in non-traditional employment situations—like the one here—would lead to absurd results. The courts have recognized this and counseled flexibility in applying those principles. In *Williams v. Weisser*, the court held that a professor, rather than a university, owns the copyright to written versions of lecture notes, because lectures are not works for hire. 273 Cal. App. 2d 726, 734-35, 78 Cal. Rptr. 542,

546-47 (Ct. App. 1969). Although the professor was clearly a full-time employee of the university, the court expressed concern about applying the work-for-hire principles in this context: “[A] rule of law developed in one context should not be blindly applied in another where it violates the intention of the parties and creates undesirable consequences.” *Id.* at 735, 78 Cal. Rptr. at 547.

Similarly, Gasper’s employment status with JJV must be understood in light of the fact that Gasper was the dominant employee/owner of JJV. (SER 165-66.) He was not a film director hired by an outside company to create films on a one-time basis. Instead, Gasper is the creative force behind the Jules Jordan franchise of films (which predates JJV). (SER 122:4-5.) He established JJV as a company simply to handle the administrative, marketing and distribution aspect of his products. (SER 165-66.)

Professor Nimmer has posited that “dominant employees” might be viewed differently in a work-for-hire analysis: “What if the human being who creates a work is nominally employed by a corporation, but the latter in fact serves as a vessel for the former?” 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.03[B][1][a][v] (2008). Nimmer doesn’t answer the question, but the court in *M & A Associates*, did. It held that since the dominant employee there “exercised complete control of the corporation” and “was the motivating force in producing the film,” he should be considered the copyright owner even if he was nominally employed by the corporation while making his film. *M & A Assocs.*, 657 F. Supp. at 459.

Moreover, in the closely-related trademark arena, the answer is the same. When “individual ownership of a corporation was so complete that the two legal entities ‘equitably constituted a single entity,’” the individual should own and be able to register a trademark that he created while an employee of his corporation because “sufficient control by the individual with use by the corporation inuring to the individual’s benefit would be found.” *In re Hand*, 231 U.S.P.Q. 487, 488 (T.T.A.B. 1986).

Since Gasper owns 100% of JJV and since he had complete creative control over the films both before and after JJV was incorporated, it is nonsensical to view his intellectual property as a JJV work for hire.

D. Gasper's Assignment Of Copyrights In Four Films To JJV Was Valid.

Gasper executed a written assignment of his copyrights in four of the subject films to JJV. (SER 168.) Assuming that Gasper owned the original copyrights because they were not works for hire, JJV acquired copyright standing through that assignment. The Act requires that any assignment of copyright ownership must be in writing. 17 U.S.C. § 204(a). Since Gasper's assignment was in writing, it was effective and gave JJV standing to pursue Kaytel for copyright infringement for these four films.

E. Even If The Films Were Works For Hire, Any Error In The Registration Was Inadvertent And Would Not Render The Copyright Invalid.

On the other hand, even if the films were works for hire, that still did not render the copyrights invalid and thus did not justify the district court's grant of a JMOL. Inadvertent registration application errors, including those as to authorship, do not invalidate a copyright, but merely necessitate that the copyright owner cure the error. In granting JMOL, the district court never gave JJV/Gasper that opportunity. That was improper, particularly since a jury had already found that Kaytel had infringed copyrights that could only be owned by either Gasper or JJV.

1. The standard for erroneous registration applications is very forgiving.

“In this circuit . . . we have held that ‘inadvertent mistakes on registration certificates do not invalidate a copyright and thus do not bar infringement actions, unless . . . the claimant intended to defraud the Copyright Office by making the misstatement.’” *Lamps Plus, Inc.*, 345 F.3d at 1145; accord *Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 591 (7th Cir. 2003) (“the ‘case law is overwhelming that inadvertent mistakes’” do not bar infringement actions) (internal citations omitted). “A party seeking to establish a fraud on the Copyright Office, and thereby rebut the presumption of copyright validity, bears a heavy burden.” *Lennon v. Seaman*, 84 F. Supp. 2d 522, 525 (S.D.N.Y. 2000).

Kaytel never argued and presented no evidence that Gasper was trying to defraud the Copyright Office. (SER 90-110.) Such a claim would be preposterous, indeed, since JJV, the only party that could potentially be harmed by an erroneous registration, is solely owned and dominated by Gasper.

2. Forgiveness covers authorship errors.

This principle of liberal forgiveness covers authorship errors similar to the purported error here:

- In *Thomas Wilson & Co. v. Irving J. Dorfman Co.*, the court termed the erroneous registration of the copyright in the name of a corporation’s president rather than the corporation as “minor,” which would not have affected any action taken by the Copyright Office. 433 F.2d 409, 412 (2d Cir. 1970).
- In *Morelli v. Tiffany & Co.*, the court ruled that a jewelry designer’s registration of copyrights in his name, rather than his solely-owned company’s name was erroneous, but that it did not block his infringement claim, because the error was inadvertent and immaterial. 186 F. Supp. 2d 563, 565-66 (E.D. Pa. 2002).
- Finally, in *Testa v. Janssen*, assignees of rights to a song errantly registered a copyright in their names; that error did not block the claim because no prejudice

accrued to defendants and the error did not affect the underlying validity of plaintiffs' copyright. 492 F. Supp. 198, 201 (W.D. Pa. 1980).

If there were a registration error here, it was inadvertent and immaterial. Kaytel did not argue and cannot show that it was prejudiced by the registration. (SER 90-110.) Would it not have counterfeited these DVDs if JJV had registered the copyright? Would its asserted defenses to the copyright infringement claim, which were rejected by the jury, have been any different? Without any prejudice affecting Kaytel, it makes no sense to declare the copyright invalid and block the plaintiffs' suit here.

At worst, then, the copyrights are owned by JJV and (as a plaintiff here) it had the claim as legal owner, not Gasper.

F. Gasper And JJV Also Have Standing As Beneficial Copyright Owners Because Of Their Royalty Interests.

Regardless of how one resolves the work-for-hire issue, Gasper and JJV also have standing to pursue Kaytel's copyright violations as beneficial copyright owners. Under § 501 of the Act, a beneficial owner of a copyright has standing to sue. 17 U.S.C. § 501(b). A contingent right to royalties based on sales of the works is a recognized form of beneficial ownership under section 501. *Cortner v. Israel*, 732 F.2d 267, 270-71 (2d Cir. 1984) (acknowledged composers for hire still have standing because they retained royalty interest in TV score); accord *Kamakazi Music Corp. v. Robbins Music Corp.*, 534 F. Supp. 69, 74 (S.D.N.Y. 1982) ("Manilow is the beneficial owner of the copyright under Section 501(b) since he transferred legal title to the copyrights in exchange for a percent of the royalties based on sales or license fees.").

Jules Jordan movies were manufactured and distributed by JSI under an oral distribution license agreement between JSI and Gasper. (SER 170-71, 267.) Under the deal, Gasper/JJV would receive 65% of the gross sales of any Jules Jordan title. (SER 271.) JSI did, in fact,

send royalty checks to both Gasper and JJV. (SER 132-36.) Under § 501, this royalty interest gave JJV and Gasper standing as beneficial owners.

Silvers v. Sony Pictures Entm't, Inc., 402 F.3d 881 (9th Cir. 2005 en banc), relied on by Kaytel below (AOB 14, 49; SER 105-06), does not control. *Silvers* is different because there the employee received only a “bare assignment of an accrued cause of action,” not an ownership interest in the copyright itself. *Id.* at 890. Here, Gasper/JJV never transferred an ownership interest in the film copyrights to JSI and they received a contingent royalty interest in the copyrighted work itself, rather than some bare assignment of a right to sue defendants.

* * * * *

The district court erroneously granted JMOL on Gasper’s and JJV’s copyright infringement claims. This Court should reverse and reinstate the plaintiffs’ copyright judgment.

II. THE DISTRICT COURT ERRED IN DENYING ALL ATTORNEYS’ FEES INCURRED BY NON-LEAD COUNSEL WHO REPRESENTED GASPER.

A. **Standard Of Review.**

This Court reviews the district court’s fee award for an abuse of discretion. *Ferland v. Conrad Credit Corp.*, 244 F.3d 1145, 1148 (9th Cir. 2001).

B. The Court Denied Recovery Of All Fees For Non-Lead Counsel Solely On The Ground That Gasper Failed To Show The Reasonableness Of Their Hourly Rates.

Gasper filed a motion for attorneys’ fees seeking \$902,712.13 as the prevailing party on his right of publicity claim. (ER 2, 496.) The court awarded Gasper attorneys’ fees in a reduced amount of \$596,405.25. (ER 1, 7.)

The court used the lodestar method to arrive at the reduced award, multiplying the reasonable hourly rate of counsel by the reasonable number of hours worked. *Morales v. City of San Rafael*, 96 F.3d 359, 363 (9th Cir. 1996). The court determined that \$285 was a reasonable hourly rate for Gasper’s lead counsel: Macias, Gorham, Karayannides and Feldman. (ER 7.)

Although the court awarded fees to the lead counsel, it refused to award any fees incurred by other attorneys or staff who worked on the matter. (ER 4.) The fees for the majority of the non-lead counsel range from \$200-\$300. (ER 522, 528; SER 62.)¹⁰

The court ruled that Gasper had not shown that non-lead counsel's hourly rates were reasonable because he had not submitted "declarations from these individuals stating their respective levels of experience and normal hourly rates, [and] no third-party attorney declarations stating that the requested rates are reasonable" (ER 4.) But Gasper *had* submitted such evidence to the court. Thus, the court abused its discretion in finding that Gasper had not met his burden and denying him *all* fees incurred by non-lead counsel and staff.

C. Gasper Submitted Declarations Of Counsel That The Rates Were Reasonable.

The court overlooked the evidence before it. First, Gasper submitted declarations of experienced counsel affirming that the hourly rates for non-lead counsel were reasonable:

- Gorham, a 14-year lawyer, litigation partner since 2000, and head of his firm's litigation department, declared his three associates and paralegals' hourly rates were "reasonable and well below the market rates in this judicial district for litigation attorneys and paralegals with their experience and skill levels." (ER 522-23.)
- Similarly, Feldman, a 33-year lawyer with considerable business litigation and entertainment law experience, echoed this statement for his two associates. (ER 528.)

¹⁰ Heenan Blaikie rates are in Canadian dollars, and when they billed plaintiffs, the exchange rate from Canadian to US dollars ranged from 1 to .84 in November 2005 to 1 to .90 in May 2006. (SER 12.) Thus, in US currency, their hourly rates are roughly 10-15% lower than their bills indicate. (Historical exchange rates are available at <http://www.x-rates.com/cgi-bin/hlookup.cgi>.)

- Likewise, Karayannides, a 20-year lawyer, former head of the Toronto litigation group and current member of the firm’s National Management Committee, opined that his colleagues’ hourly rates were “in keeping with those charged by comparable firms.” (ER 531.)

Thus, Gasper submitted sworn declarations from experienced litigators that the rates of their firms’ non-lead counsel and staff were reasonable. Their declarations are “satisfactory evidence of the prevailing market rate,” *United Steelworkers of Am. v. Phelps Dodge Corp.*, 896 F.2d 403, 407 (9th Cir. 1990), and are presumptively credible, *Horsford v. Bd. of Trs. of Cal. State Univ.*, 132 Cal. App. 4th 359, 396 & n.10, 33 Cal. Rptr. 3d 644, 673 (Ct. App. 2005).

D. The Court Also Overlooked The Third-Party Declaration That The Rates Were Reasonable.

In his reply papers, Gasper submitted a third-party declaration from Joseph R. Taylor, a 20-year intellectual property lawyer with extensive experience on copyright infringement and publicity claims. (SER 7.) Taylor opined that \$285 per hour was reasonable and below the market rate for Los Angeles trial counsel handling this type of litigation. (*Id.*)

Taylor’s opinion did not state that the \$285 rate was only reasonable for lead counsel or partners, but rather that it was reasonable and below the market rate in Los Angeles, period. Since most of the non-lead counsel billed at rates significantly below this, the court should have found that Taylor’s declaration was credible evidence as to those individuals’ reasonable hourly rates.

E. The Court Had Other Evidence That Was Sufficient To Satisfy Gasper’s Burden.

Finally, the court had other evidence that provided ample grounds for determining the reasonableness of the fees incurred, including such factors as the “the amount involved and the results obtained,” “the experience, reputation, and ability of the attorneys,” and counsel’s agreed-upon billing rate. *Kerr v. Screen Extras Guild*, 526 F.2d 67, 70 (9th Cir. 1975); *Tire Kingdom, Inc. v. Morgan Tire & Auto, Inc.*, 253 F.3d 1332, 1337 (11th Cir. 2001).

If the court had considered these factors' relevance to the hourly billing rate of counsel, it could only have found that the fees were reasonable. Indeed, the court found that the relief obtained by Gasper was "significant" (ER 2), evidence of counsel's competence from which the court could have determined a reasonable billing rate, *Yahoo!, Inc. v. Net Games, Inc.*, 329 F. Supp. 2d 1179, 1183 (N.D. Cal. 2004) ("Reasonably competent counsel bill at a reasonably hourly rate based on the local legal community as a whole").

Hence, in stating that it "lack[ed] evidence to make a determination as to the reasonable hourly rates for these individuals," the court took an impermissibly narrow view of the evidence. (ER 4.) The court was familiar with the large sums of money involved, the quality of the briefing and the spectacular results achieved by Gasper's counsel. Thus, in addition to the evidence submitted by Gasper, the court's own knowledge of the case provided an ample basis from which to determine the reasonableness of the fees incurred.

Awarding \$0 in fees for all the work done by non-lead counsel and staff was a manifest abuse of discretion. This Court should reverse that deduction and award Gasper the fees he sought for the non-lead counsel.¹¹

CONCLUSION RE: CROSS-APPELLANTS' OPENING BRIEF

This Court should reverse the district court's grant of JMOL to Kaytel with directions to reinstate Gasper and JJV's almost \$2.85 million copyright judgment. This Court should also

¹¹ The district court also reduced Macias, Gorham and Karayannides's fees by 4% because they block-billed their entries. (ER 6.) Gasper does not challenge this reduction on appeal. Accordingly, this court should reduce the \$88,982.50 in fees billed by Gorham's associates and staff by 4%, for an award of \$85,423.20, and reduce the \$107,471.9 in fees billed by Karayannides's associates and staff by 4%, for an award of \$103,173. (See SER 9-12, 62-68.) In contrast, the court did not reduce Mr. Feldman's fees because he did not block-bill (ER 7); his associates did not block-bill either (SER 13-61). Therefore, the full amount of their fees, \$49,467, should be awarded as well. (See SER 9-12.)

reverse the trial court's deduction of \$238,063.20 from Gasper's fee award and also award the plaintiffs their attorneys' fees incurred on appeal.

Dated: January 20, 2009

Respectfully submitted,

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By _____ s/ _____

Jens B. Koepke
Attorneys for Plaintiffs, Appellees and Cross-Appellants JULES
JORDAN VIDEO, INC. and ASHLEY GASPER

STATEMENT OF RELATED CASES

JJV and Gasper know of no case pending in this Court which is “related” to this case within the meaning of Circuit Rule 28-2.6.

CERTIFICATE OF COMPLIANCE

Pursuant to Fed.R.App. 32(a)(7)(C) and Circuit Rule 32-1

for Case Nos. 08-55075 and 08-55126

I certify that pursuant to Fed. R. App. P. 32 (a)(7)(C) and Ninth Circuit Rule 32-1, the attached **APPELLEES' PRINCIPAL AND RESPONSE BRIEF** is proportionately spaced, has a typeface of 14 points or more and contains 16,176 words.

Dated: April 1, 2012

s/
Jens B. Koepke

CERTIFICATE OF SERVICE
When All Case Participants are Registered for the
Appellate CM/ECF System

I hereby certify that on April 1, 2012, I electronically filed the foregoing **APPELLEES'**
PRINCIPAL AND RESPONSE BRIEF with the Clerk of the Court for the United States Court
of Appeals for the Ninth Circuit by using the appellate CM/ECF system.

I certify that all participants in the case are registered CM/ECF users and that service will
be accomplished by the appellate CM/ECF system.

s/

Jens B. Koepke