

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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JILL STUART (ASIA) LLC, et al., :
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Plaintiffs, :
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-v- :
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SANEI INTERNATIONAL CO., LTD., :
:
Defendant. :
:
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12 Civ. 3699 (KBF)

MEMORANDUM
DECISION & ORDER

KATHERINE B. FORREST, District Judge:

This dispute between fashion designer plaintiffs Jill Stuart (Asia) LLC (“JS Asia”) and the Stuart-Curtis Trust and their Asian partner, defendant Sanei International Co. Ltd. (“Sanei”), began as a much broader litigation, encompassing claims for, inter alia, trademark infringement and dilution, unfair competition, copyright infringement, and breach of contract. (See Compl., ECF No. 1.) In its Memorandum and Order of November 5, 2012, the Court dismissed all but the breach of contract claim – and limited that claim to defendant’s wrongful use of a single Jill Stuart design, the “Palm Tree Print 1” (“Palm Print”). (ECF No. 49.) Defendant has since conceded that it breached the contract by its unauthorized use of the Palm Print on Sanei’s website, in a promotional booklet, and on an iPhone cover it sold in Asia. (See Revised Order on Liability, ECF No. 65.)

Defendant has moved for summary judgment on the single remaining issue – the damages relating to its use of the Palm Print. For the reasons set forth below, defendant’s motion is granted.

I. FACTUAL BACKGROUND

The Court will recite only the facts relevant to the remaining issue – the damages incurred by defendant’s use of the Palm Print. The facts below are undisputed unless otherwise noted.

Plaintiff JS Asia is responsible for the management, supervision, and control of the businesses of fashion designer Jill Stuart in Asia. (Pls.’ Local R. 56.1 Stmt. (Pls.’ 56.1) ¶ 1, ECF No. 79.) Plaintiff Ronald Curtis appears here in his capacity as Trustee for the Stuart-Curtis Family Trust, the entity that holds much of the Jill Stuart companies’ intellectual property. (Id.)

JS Asia has a longstanding contractual relationship with defendant Sanei, a Japanese designer and seller of apparel and accessories. (Id. ¶ 2.) Pursuant to various contracts, Sanei has sold Jill Stuart branded products in parts of Asia since 1997. (Id. ¶ 3.)

In two of the parties’ contracts – the 2007 “Third Japanese Amendment” and “Second Chinese Amendment” – Sanei received the right to use certain Jill Stuart trademarks, but agreed that “Sanei shall not sell or copy any products copied for the designs of the Trust or any Affiliate of JS Asia without the prior written consent of the Trust or such Affiliate of JS Asia.” (Id. ¶ 7.)

Sanei has conceded that it violated this provision in at least three instances – by copying the Palm Print or selling products featuring the print – without paying license fees or royalties. (Id. ¶¶ 64, 66, 67, 68.)

First, in the spring of 2012, Sanei commemorated the 15th anniversary of the launch of the Jill Stuart brand in Asia. (Id. ¶ 17.) As part of this celebration, Sanei designed a promotional item called a “Mook”, which included a Jill Stuart tote-style handbag, a Jill Stuart clutch purse, and a promotional booklet. (Id. ¶ 22.) The booklet component of the Mook included several reproductions (the parties dispute the precise number) of the Palm Print. (Id. ¶ 24; Def.’s 56.1 ¶ 24.) According to Teizo Komiyama, a Sanei executive, Sanei did not produce the Mook, but rather received a flat fee of ¥771,300 (less than \$8,000) from a third party that produced a total of 75,000 copies over two printings; Sanei appends the contract with the third-party vendor to the Komiyama Declaration. (Def.’s 56.1 ¶¶ 27-29; see also Komiyama Decl. Ex. D.) Based upon an inventory record, Komiyama avers that Sanei purchased 515 Mooks from the third party and then resold them in its retail stores for ¥1,714 each (less than \$20), at a profit of less than \$2,000. (Def.’s. 56.1 ¶¶ 31-32.) Komiyama testified that Sanei sold no additional Mooks after Spring 2012.¹ (Id. ¶ 32.)

¹ Plaintiffs dispute Komiyama’s testimony because – they say – he admitted at his deposition that Sanei does not maintain sales records, and defendant therefore cannot be certain of the number of Mooks it sold or that it ceased selling the Mooks after Spring 2012. (Pl.’s 56.1 ¶ 34.) However, plaintiffs submit no affirmative evidence to establish that Sanei sold more Mooks than disclosed by Komiyama, nor that any Mooks were sold after the Spring 2012 collection. In addition, it appears that Sanei provided sales data subsequent to Komiyama’s deposition – that data is attached to his declaration in support of the instant motion. (See Komiyama Decl. Exs. D, E.)

In addition to the use of the Palm Print in the Mook, Sanei admits that it used the print on at least one (plaintiffs claim two) retail website. (Pls.' 56.1 ¶ 35; Def.'s 56.1 ¶ 35.) Komiyama declares that the Palm Print appeared on the website for approximately six months, from January 20, 2012, to July 31, 2012; plaintiffs question this estimate since defendant failed to produce historical snapshots of the website during discovery but they cite no affirmative evidence that the design appeared on the website in excess of six months. (Def.'s 56.1 ¶ 37-38; Pl.'s 56.1 ¶¶ 37-38.)

Finally, defendant concedes that it copied and used the Palm Print on a limited edition iPhone cover. Komiyama states that Sanei ordered 450 of the iPhone covers but received only 400 in inventory.² (Def.'s 56.1 ¶ 45.) He claims that Sanei sold only 214 iPhone covers, with a total profit of ¥535,000 (approximately \$5,500). (Id. ¶¶ 46-49.) Komiyama declared that no covers were sold after the Spring 2012 season. (Id. ¶ 50.)

Defendant conceded liability for breach of the "Third Japanese Amendment" and "Second Chinese Amendment" by its unauthorized use of the Palm Print.

Plaintiffs seek ¥47.5 million (nearly \$500,000) in damages, constituting lost royalties from the use of the Palm Print in Sanei websites (¥20 million), the Mook (¥15 million), and the iPhone covers (¥12.5); this constitutes their entire damage claim. (Pls.' 56.1 ¶¶ 52, 53.)

² Plaintiffs question whether the missing 50 iPhone covers were actually sold. (Pl.'s 56.1 ¶ 46.) Based upon the Court's analysis below, this dispute is immaterial.

In addition to the unauthorized uses of the Palm Print, plaintiffs at various times authorized Sanei to use items containing the print – in merchandise for Sanei to sell, as samples of purchased products, and in a promotional video to be played in Sanei stores. (See Def.'s 56.1 ¶¶ 14-16.)

II. STANDARD OF REVIEW

Summary judgment is warranted if the pleadings, admissible discovery materials and declarations setting forth statements that would themselves be admissible at trial (that is, not objectionable, such as hearsay, etc.), demonstrate that there is no genuine issue of fact necessitating trial. Fed. R. Civ. P. 56(c); see also Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247 (1986); Celotex Corp. v. Catrett, 477 U.S. 317, 322-323 (1986). A genuine issue of fact exists when “the evidence is such that a reasonable jury could return a verdict for the nonmoving party.” Fincher v. Depository Trust & Clearing Corp., 604 F.3d 712, 720 (2d Cir. 2010)(citing Roe v. City of Waterbury, 542 F.3d 31, 35 (2d Cir. 2008)). Where it is clear that no rational trier of fact could find in favor of the non-moving party, summary judgment is warranted. Gallo v. Prudential Residential Servs., Ltd., 22 F.3d 1219, 1223 (2d Cir. 1994).

Once a moving party has put forward facts showing that the non-movant's claims cannot be sustained, the opposing party must come forward with specific facts showing a genuine issue of material fact requiring trial. Wright v. Goord, 554 F.3d 255, 266 (2d Cir. 2009). Self-serving affidavits, sitting alone, are insufficient to

create a triable issue of fact and defeat a motion for summary judgment. BellSouth Telecommunc'ns Inc. v. W.R. Grace & Co.-Conn., 77 F.3d 603, 615 (2d Cir. 1996).

In addition, parties may not defeat summary judgment on the basis of conclusory allegations or assertions; they must offer some hard evidence in support of such factual assertions. See Hicks v. Baines, 593 F.3d 159, 166 (2d Cir, 2010); Brink v. Union Carbide Corp., 210 F.3d 354 (2d Cir. 2000) ("Rule 56 provides that any affidavits submitted in opposition to a properly supported motion for summary judgment 'shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein.'")

Accordingly, the evidence proffered by the party opposing summary judgment must be of a type that would be admissible at trial. Id. ("Thus, 'hearsay testimony . . . that would not be admissible if testified to at . . . trial may not properly be set forth in [a Rule 56] affidavit.'")(citing Fed. R. Civ. P. 56(e); H. Sand & Co. v. Airtemp Corp., 934 F.2d 450, 454-55 (2d Cir.1991); Burlington Coat Factory Warehouse Corp. v. Esprit De Corp., 769 F.2d 919, 924 (2d Cir.1985) (a party "cannot rely on inadmissible hearsay in opposing a motion for summary judgment . . . absent a showing that admissible evidence will be available at trial.")).

Ultimately, a party must show that there is more than some metaphysical doubt as to the material facts. See Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp., 475 U.S. 574, 586 (1986).

III. DISCUSSION

Plaintiffs point to evidence of past transactions with nonparties and various copyright-related theories to suggest that there exists a triable damages issue. Defendant's core argument on summary judgment is that plaintiffs cannot rely on copyright theories in a breach of contract case and, further, that plaintiffs have failed to raise a triable issue that the breaches resulted in non-speculative damages. The Court agrees.

a. New York Law Regarding Contractual Damages

The goal of damages for a breach of contract under New York law is to place the non-breaching party in the position it would have found itself had the contract been performed. See Wallace Steel, Inc. v. Ingersoll-Rand Co., 739 F.2d 112, 115 (2d Cir. 1984). That principle is limited by the rule that "the injury – whether it be losses suffered or gains prevented – was foreseeable, and that the amount of damages claimed be measurable with a reasonable degree of certainty and, of course, adequately proven." Freund v. Washington Square Press, Inc., 34 N.Y.2d 379, 382 (N.Y. 1974).

"Causation is an essential element of damages in a breach of contract action; and, as in tort, a plaintiff must prove that a defendant's breach directly and proximately caused his or her damages." National Market Share v. Sterling National Bank, 392 F.3d 520, 525 (2d Cir. 2004)(emphasis in original). Damages that are "so remote as not to be directly traceable to the breach, or . . . the result of

other intervening causes . . . cannot be allowed.” Id. at 526; see also Diesel Props S.r.l. v. Greystone Business Credit II LLC, 631 F.3d 42, 53 (2d Cir. 2011).

Special or consequential damages – such as lost profits – are recoverable only “for those risks foreseen or which should have been foreseen at the time the contract was made”. Bi-Economy Market, Inc. v. Harleystown Insurance Co. of New York, et al., 10 N.Y.3d 187, 192-93 (N.Y. 2008). “[P]roof of consequential damages cannot be speculative or conjectural.” Id. Rather, lost or future profits “must be proven with reasonable certainty and ‘be capable of measurement based upon known reliable factors without undue speculation.’” Id. (quoting Ashland Mgt. v. Janien, 82 N.Y.2d 395, 403 (N.Y. 1993)). Hypothetical damages “based upon the supposed loss of an opportunity” to sell the product are not compensable. See Baker v. Drake, 53 N.Y. 211, 221-22 (N.Y. 1873).

b. Analysis

Plaintiffs here rely on two theories of consequential damages: first, that the Palm Print is unique and that its unauthorized use degrades the Jill Stuart brand. Second, they argue that they should receive a “reasonable royalty” representing the lost sales for the use of the print. Plaintiffs fail to raise a triable issue on either theory.

First, they fail to raise a triable issue that the Palm Print is unique, or that the Jill Stuart brand was in fact harmed by its unauthorized use. Perhaps the most relevant evidence comes in the form of a statement of Ronald Curtis – the Trustee of plaintiff Stuart-Curtis Trust and Jill Stuart’s C.E.O. – who acknowledged at his

deposition that a Palm Print used by designer Diane Von Furstenberg since the 1980s (more than 20 years prior to plaintiffs copyright registration for the print) “looks like the [Jill Stuart] Palm Print.” (Dep. of Ronald Curtis (“Curtis Dep.”) at 49:23-50:16.) While Curtis went on to testify that “[t]here’s a substantive difference between all of these prints”, he did not explain any precise factors that make the Palm Print unique. (Id. at 54:9-10, 55:8-9, 55:12-17, 55:22.) At trial, plaintiffs bear the burden of proof by a preponderance of the evidence that the Jill Stuart print is unique; defendant is entitled to summary judgment as to uniqueness where plaintiffs submit no affirmative evidence to support their theory beyond a self-serving affidavit. See Celotex, 477 U.S. at 322 (summary judgment is mandated “against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial”).

Perhaps more important, plaintiffs fail to raise a triable issue that harm to the Jill Stuart brand resulted from the use of the Palm Print or the Jill Stuart name.³ In fact, plaintiffs had authorized Sanei to use the Palm Print on a number of other occasions – as merchandise for Sanei to sell, as samples of purchased products, and in a video to be played in Sanei stores. In contemplation of these authorized uses, no reasonable jury could find that plaintiffs harm to its brand or reputation was “reasonably certain” as regards the unauthorized uses. See, e.g.,

³ While plaintiffs argue that harm resulted from the unauthorized printing of the Jill Stuart name on the three breaching products, they present no evidence that use of the name was unauthorized. In fact, in earlier proceedings in this case, plaintiffs admitted that defendant had express authorization to use the Jill Stuart name in connection with handbags and iPhone covers.

Gucci America, Inc. v. Guess?, Inc., et al., 868 F. Supp. 2d. 207, 254 (S.D.N.Y. 2012)(following bench trial, denying trademark damages as speculative where no evidence introduced as to lost sales or harm to brand).

Plaintiffs' second consequential damages argument – the “reasonable royalty” theory – sounds in copyright and is thus inapposite. It is true that, in calculating copyright damages, the Second Circuit has held that the fair market value is a proper measure, which can be estimated on a hypothetical basis. See On Davis v. The Gap, Inc., 246 F.3d 152, 171-72 (2d Cir. 2001); see also Oracle America, Inc. v. Google, Inc., 847 F. Supp. 2d 1178, 1181-82 (N.D. Cal. 2012).

But here, the cause of action is not for copyright infringement, but rather for breach of contract. Plaintiffs point to no legal authority for their theory of “contractual copyright infringement”; rather, plaintiffs appear to attempt an end-run around the Court's November 5, 2012, Order dismissing their copyright claims. The only breach of contract case they cite involved the breach of an express royalty provision – and no such provision exists here or in the parties' other agreements. Cf. Tivo, Inc. v. Goldwasser, No. 12 Civ. 7142 (LLS), 2013 WL 586856 (S.D.N.Y. Feb. 14, 2013)(containing express royalty provision). The reasonable royalty theory of damages cannot apply. See, e.g., Jim Beam Brands Co. v. Tequila Cuervo La Rojeña S.A. de C.V., No. 600122/2008 (Sup. Ct. N.Y. Co. July 12, 2011)(granting motion to preclude expert testimony on royalties since plaintiff provided no “precedent to support an award for reasonable royalty damages in a breach of contract case”.)

Even if such a theory were applicable, however, plaintiffs do not raise a triable issue that the damages were foreseeable, rather than speculative. “Use of a royalty theory of recovery is generally limited to situations where the parties have had a . . . licensing relationship that facilitates computation of the reasonable royalty.” See Juicy Couture, Inc. et al., v. L’Oreal USA, Inc., et al., No. 04 Civ. 7203 (DLC), 2006 U.S. Dist. LEXIS 30219, at *8-*10 (S.D.N.Y. May 19, 2006)(applying rule in trademark infringement cases to copyright infringement claim)(citing A&H Sportswear, Inc. v. Victoria’s Secret Stores, Inc., 166 F.3d 197, 208-09 (3d Cir. 1999)). Where “courts have awarded a royalty for past . . . infringement . . . damages were measured by the license the parties had or contemplated.” Id.

Here, plaintiffs submit no evidence that the parties contemplated or negotiated a license.⁴ (See Pl.’s 56.1 ¶ 66.) Nor do they raise a triable issue based upon the existence of similar licenses. Rather, plaintiffs point only to an agreement they negotiated with Kose Corporation and Fujitsu (the “Fujitsu Agreement”) to

⁴ In fact, plaintiffs admit they have never licensed the Palm Print or any fabric design to anyone. According to Curtis, this non-licensing is a matter of policy and not coincidence. (Curtis Dep. at 38:24-39:15 (“We don’t license collection print designs . . . Maybe in a few years we would. But in the current season we wouldn’t especially for those types of uses.”)) Defendant argues that the fact that plaintiffs would have denied any Sanei request to license the print leaves no triable issue as to the reasonable royalty; if plaintiffs simply would not have negotiated a royalty, any royalty damages are inherently speculative. However, given the Court’s finding that a reasonable royalty theory cannot apply, the Court will not and need not decide whether defendant is correct as regards plaintiffs’ refusal to license. The Court merely notes that, while some authority suggests that “admitted unwillingness to enter into [a] hypothetical royalty agreement” demonstrates the agreement’s “speculative nature”, see Gucci Am., Inc., 868 F. Supp. 2d. at 237, other case law in the patent and copyright areas suggests that a refusal to enter into a hypothetical royalty agreement demonstrates that a license has an especially high value. See Powell v. Home Depot U.S.A., Inc., 663 F.3d 1221, 1240 (Fed. Cir. 2011)(citing Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F.Supp. 1116, 1120 (S.D.N.Y.1970))(pursuant to 35 U.S.C. § 284, a reasonable royalty for a patent license is greater where there exist “any established policies . . . by the licensor to maintain its patent monopoly by not licensing others to use the invention”).

place the Jill Stuart name on promotional cell phones. That agreement involved a one-time fee to Jill Stuart of ¥6,000,000 (approximately \$60,000) for the use of its name on the phone (rather than a fabric print design), which was distributed in Japan only. As plaintiffs themselves acknowledge, the contours of Sanei's use of the Palm Print here are distinguishable: Sanei did not use the print on a cell phone, but rather on a cell phone accessory. Likewise, the Fujitsu Agreement sheds no light on the damages related to the use of the print on a website and in a promotional "Mook". Finally, the scope of distribution throughout Sanei's Asian territory may or may not have been broader than the Japan-only distribution of the Fujitsu phones. Thus, the Fujitsu Agreement does not concretize the royalty amounts for the uses of the Palm Print. Id., at *10-*11.

Plaintiffs thus submit no evidence to raise a triable issue of damages. Neither the Court nor a finder of fact at trial may speculate as to the fair market value of hypothetical license fees for the Palm Print. Where, as here, "the damages which would have compensated plaintiff[s] for anticipated royalties were not proved with the required certainty, . . . nominal damages alone are recoverable." Freund, 34 N.Y.2d at 383-84 (N.Y. 1974). The Court will award such nominal damages and nothing more.

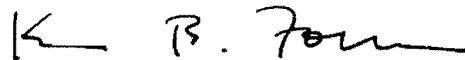
CONCLUSION

For the reasons set forth above, defendant's motion for summary judgment is GRANTED. Plaintiffs are awarded nominal damages of \$1.00 (one dollar).

The Clerk of Court is directed to close the motion at ECF No. 71, to enter judgment for plaintiffs in the amount of \$1.00 (one dollar), and to terminate this case.

SO ORDERED:

Dated: New York, New York
June 17, 2013

A handwritten signature in black ink, appearing to read "K. B. Forrest", is written over a horizontal line.

KATHERINE B. FORREST
United States District Judge