



D'Pergo Custom Guitars, Inc. v. Sweetwater Sound, Inc.

2020 | Cited 0 times | D. New Hampshire | January 6, 2020

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW HAMPSHIRE

v. Civil No. 17-cv-747-LM Opinion No. 2020 DNH 001 Sweetwater Sound, Inc.

O R D E R

of copyright and trademark infringement and violations of the New Hampshire Consumer Protection Act alleges that trademarked custom guitar necks and headstock to promote and sell Sweetwater products on website. Sweetwater moves Dr. Michael Einhorn and Jeffrey Sedlik. to exclude one of ul Reed Smith. The opposing party objects to each motion.

BACKGROUND

created a photograph showcasing a number of unique guitar necks and

headstock , which published to its website. Photograph on its website from 2003 2006, after which it took down the Photograph and replaced it with professional photography. Sweetwater is a retailer that sells musical instruments, including guitars, through its website. In 2004, Sweetwater copied the Photograph More specifically, Sweetwater used the Photograph in its , in the

1 The end of the Buying Guide features a number of guitars from various manufacturers for purchase

Photograph and Sweetwater immediately removed the Photograph

headstock design depicted in the Photograph.

asserts five claims: (1) copyright infringement in violation of the Copyright Act (Count I); (2) unfair competition in violation

1 The exact circumstances under which Sweetwater copied and published the Photograph are unclear from the record. Sweetwater represents that it has been unable to determine who posted the Photograph in the Buying Guide in 2004.

of the CPA (Count II); (3) deceptive business practices in violation of the CPA (Count III); (4) false designation of origin and unfair competition in violation of the Lanham Act (Count IV); and (5)



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trademark infringement in violation of the Lanham Act (Count V).

DISCUSSION Sweetwater moves to exclude the opinions of both of

the opinion of liability expert, Paul Reed Smith.

admission of expert testimony in federal court litigation Crowe v. Marchand, 506 F.3d 13, 17 (1st Cir. 2007). Under that rule, an expert witness may offer opinion testimony

knowledge will help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based on sufficient facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case. Fed. R. Evid. 702. As the structure of this rule suggests, before the factfinder in a case can consider expert testimony

relevant foundational requirements. See Daubert v. Merrell Dow Pharm. Inc., 509 U.S. 579, 597 (1993). The party who is the proponent of the expert opinion bears the burden of showing that it is admissible. United States v. Tetiukhine, 725 F.3d 1, 6 (1st Cir. 2013).

I. Motion to Exclude Dr. Einhorn In support of its claim for damages for its copyright and Dr. Michael Einhorn, an economist, to offer an expert opinion. Sweetwater challenges Dr. Einhorn's categories of claims and argues that his opinion should be excluded in its entirety.

A. Damages for Copyright Infringement Under the Copyright Act, a plaintiff who establishes the elements of a copyright infringement claim may recover damages, including any profits of the infringer that are attributable to the infringement. 17 U.S.C. § 504 In establishing the copyright owner is required to present

is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work. Id. Dr. Einhorn opines that Sweetwater totaled \$6,632,249 in gross revenues reasonably related to its use of the Photograph. According to Dr. Einhorn, that figure represents the revenues Sweetwater derived from its sale of electric guitars during the relevant time period from customers who purchased electric guitars after viewing the Buying Guide, which contained the Photograph. As explained further infra, Dr. Einhorn rendered his opinion based on data from the relevant time period that Sweetwater provided in its revenue from its sale of electric guitars, the number of

purchase electric guitars, and the total number of customers who viewed the Buying Guide. Sweetwater argues that the court should exclude Dr. First, Sweetwater takes aim Second, Sweetwater contends that the probative value of his opinion is substantially outweighed



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by the prejudicial impact and should be excluded under Federal Rule of Evidence 403.

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1. Methodology Sweetwater raises three challenges to Dr. methodology: (1) he offers no rationale for the formula he uses to deter the infringement; (2) he fails to consider several other factors

revenues from the sale of electric guitars; and (3) his opinion is based on the faulty premise that the entire Buying Guide is infringing simply because it contained the Photograph.

a. Lack of rationale In his report and during his deposition, Dr. Einhorn explained how he arrived at the \$6,632,249 gross revenue figure. In his expert report, Dr. Einhorn includes the following chart:

2 In his report, Dr. Einhorn also offers various estimates s based on a range of profit margins. Although Sweetwater mentions Dr. methodology, it is unclear whether Sweetwater intended to Bec its objection, and for the sake of clarity, the court addresses the issue in this order.

Doc. no. 115-2 at 11. As he explained in both his report and his deposition, Dr. Einhorn arrived at the infringing sales total in Column 5 by sales each year Sweetwater used the Photograph (Column 2). Dr. Einhorn then determined the number of customers who visited , and the number of those customers who also visited the Buying Guide which contained the Photograph (Column 4). Dr. Einhorn then determined the percentage of total customers who reached the shop page who also viewed the Buying Guide and applied that per total guitar sales to reach the infringing sales figure in Column 5. Dr. Einhorn further testified at his deposition why he took this approach.

Sweetwater employ any methodology or rationale in reaching his opinion. That is not the case. Although Sweetwater may contend that methodology, it may explore any such deficiencies during cross-examination. See, e.g., Gray v. Perry, No. 215CV05642CASJCX, 2019 WL 2992007, at *19 (C.D. Cal. July 5, 2019) opinion on damages for copyright infringement claim because any purported flaws in his methodology or the evidence he relied upon in reaching his opinion are matters for cross-examination and argument

b. Other factors unrelated to infringement Sweetwater next contends that the court must exclude Dr. his methodology omits consideration of

gross revenues from the sale of electric guitars. For example, Sweetwater notes that Dr. Einhorn did not consider: (1) whether visitors to the Buying Guide actually saw the Photograph; (2) the size or placement of the Photograph within the Buying Guide; (3) images of guitars on the Buying Guide which would have asing decisions; (4) the fact that

relationship between Buying Guide visitors and decisions to purchase a guitar. Sweetwater



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questioned Dr. Einhorn at his deposition about each of these factors. Although Sweetwater is dissatisfied with

his opinion. To the extent Sweetwater believes that Dr. Einhorn improperly failed to account for certain factors in reaching his opinion, it is free to explore that line of questioning during cross-examination. See, e.g., Gray, 2019 WL 2992007, at *19 (Einhorn's failure to consider costs when calculating profits goes to the weight of his testimony and can be addressed on cross-examination.).

c. Commingling In his expert report, Dr. Einhorn stated that his opinion is based on the premise that the inclusion of the Photograph in the Buying Guide rendered the entire Buying Guide infringing. Specifically, Dr. Einhorn states in his report: matter, I am advised that the commingling of infringing and non-infringing elements render the entire page to be an infringing work. Doc. no. 115-2 calculation does not seek to parse out the impact of the Photograph itself on

es, but rather considers the impact of the entire Buying Guide. Sweetwater takes issue with that theory of damages and must be excluded as a result. ging

separation of the profits so as to assure to the injured party Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 567 (1985) (quoting Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 406 (1940)). Thus, to separate profits gained as a result of its use of the Photograph from those which were not. If Sweetwater carries its burden at trial, it may be that See, e.g., Oracle Am., Inc. v. Google Inc., No. C 10-03561 WHA, 2016 WL 2342365, at *7 (N.D. Cal. May 3, 2016)

that defendant could offer evidence showing that apportionment of profits was appropriate); Dwyer Instruments, Inc. v. Sensicon, Inc., 873 F. Supp. 2d 1015, 1042 (N.D. Ind. 2012) (holding that plaintiff was entitled to proceed with a commingling theory because [a]lthough an apportionment of

profits will most likely be necessary if infringement is found

attributable to factors other than the infringement), the burden for such apportionment will be on the Defendants upon the Plaintiff's satisfactory proof of gross revenues. At this stage, however, exclusion of the theory is warranted on the ground that he relied on the commingling theory.

opinion. See Daubert, 509 U.S. at 596 (cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but).

2. Danger of unfair prejudice The court may exclude relevant evidence if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence.

probative value and that any value is substantially outweighed by the danger of prejudice in that the



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jury will believe it is -considered calculation of damages, when, in fact, it is mere ipse dixit 115-1 at 12. For the reasons discussed supra opinion has probative value. Sweetwater does not explain how it would suffer unfair prejudice by the admission of his opinion.

gross revenues.

3. Profits In his report, Dr. Einhorn also offers various estimates of . Dr. Einhorn provided these estimated amounts because Sweetwater purportedly failed to produce any cost information which would have allowed

concedes in its objection,

expenses and the elements of profit attributable to factors other than its use of the Photograph

opinion as to profits is not relevant and he may not present that opinion to the jury at trial.

B. Damages for Trademark Infringement

the Lanham Act for trademark infringement straightforward theory of damages would be that the infringement had diverted specific sales away from Fishman Transducers, Inc. v. Paul, 684 F.3d 187, 194 (1st Cir. 2012). of damages in support of its Lanham Act claims. Specifically, it submits the affidavits of two customers Kamran Khan and Jesse Lee Guan Yu who state that they a period of time because they saw the Photograph which negatively . The total lost sales from Khan and Yu are \$128,050. In his expert report, Dr. Einhorn discusses both affidavits and the amounts contained therein. He then concludes matter of law, plaintiff is entitled to recovery of actual damages related to profits lost from missed sales. Profits are the difference between revenues and related costs. I am advised

115-2 at 13.

the opinio affidavits and offers no analysis.

trademark infringement damages should be admissible, it fails to explain what opinion Dr. Einhorn offers as to those damages.

affidavits and then states that Dr. Einhorn is unable to opine . There is no independent analysis or opinion as to trademark infringement damages contained in Dr. Thus, Dr.

determi Fed. R. Evid. 702(a). exclude Dr. Einhorn claims is granted.

II. Motion to Exclude In addition to infringing profits, a plaintiff who proves a copyright



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infringement is entitled to actual damages under the

Copyright Act. 17 U.S.C. § 504. A

Bruce v. Weekly World News, Inc., 310 F.3d 25, 28 (1st Cir. 2002)

3 Real View, LLC v. 20-20 Techs., Inc., 811 F. Supp. 2d 553, 556 (D. Mass. 2011); see also 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright, §§ 14.02[A]-[B] (1999). In support of its claim for actual damages under the

obtained for use of the Photograph. Sweetwater moves to exclude, arguing that it is unreliable because it is based on a legally improper measure of damages in three ways: (1) Sedlik used a subjective, rather than an objective, standard; (2) his use of multipliers to determine damages was punitive, which cannot be included in an actual damages calculation; and (3) he used inapposite comparators to calculate his license fee.

3 Actual damages may also include injury to the market value of the copyrighted work. See World Wide Video, LLC v. Pagola, No. CV 08-10391-RWZ, 2009 WL 10693580, at *1 (D. Mass. Oct. 8, 2009). offered such damages here.

A. Subjective Perspective

determin defined as the reasonable license fee on which a willing buyer and a willing seller would have agreed for the use taken by the World Wide Video, 2009 WL 10693580, at *1 (internal citations and quotation marks omitted). Thus, there must be

evidence showing merely the subjective valuations of the parties. Real View, 811 F. Supp. 2d at 557.

what a hypothetical willing buyer and willing seller would have agreed the Photograph. Sweetwater argues

Sweetwater would have been Photograph, which is an improper measure of damages. Sweetwater cites four instances of Sedlik using a subjective, rather than an objective, standard.

1. s during his deposition Sweetwater points to two statements Sedlik made during his deposition that purportedly show that he used a subjective standard. The first is that Sedlik testified that in

that are ac 116-3 at 3. The second is that Sedlik testified: -- would the identity of the parties, if known at the time of the transaction, make a difference in the license transaction? Id. at 4.

the court to exclude his testimony. Sedlik reiterated several times in his expert report and during his



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deposition testimony that he was using the standard of a hypothetical willing buyer

merely to give context to his analysis. See doc. no. 116-2 at 23; doc. no. 121-1 at 9. Sweetwater has not shown that such considerations are improper. See, e.g., *World Wide Video*, 2009 WL 10693580, at *1 (noting that a determination of fair market value must consider copyrighted work). To the extent calculation went beyond that limit, which is not readily

apparent from his deposition testimony or report, it may explore that topic on cross-examination.

2. Rights managed license Sedlik explained in his expert report that to calculate the hypothetical license fee, he first needed to determine the appropriate licensing model. He stated that clients acquire rights to images under various licensing models, each of which he listed and described in his report. Sedlik opted for a licensing not on file size, but upon the scope of usage desired by the 116-2 at 13. Sweetwater contends that Sedlik rights managed model shows that he used a subjective standard in determining a hypothetical license fee. Specifically, Sweetwater asserts that Sedlik used a rights managed model purely because Sweetwater took the Photograph from a ther than

objective standard, Sedlik should have considered only what a hypothetical willing buyer would have been willing to pay, which would have been a less expensive license than a rights managed model.

At his deposition, Sedlik explained that he used a rights managed model for several reasons, including that Sweetwater took the Photograph from an individual photographer (rather than a stock industry photograph) and that individual photographers often offer only rights managed licenses. See doc. no. 121-1 at 4, 21-22. has its own expert, Ellen Boughn, who issued a rebuttal report

appropriate in this case. See doc. no. 125-14. Sweetwater may -examine Sedlik as to his use of a rights managed model, but it has not shown a e appropriate licensing model. See *Under a Foot Plant, Co. v. Exterior Design, Inc.*, No. CV BPG-15-871, 2017 WL 3593014 (D. Md. Aug. 21, 2017) managed model in calculating a hypothetical license fee).

3. Scarcity multiplier

which was the approximate market value of licenses for the Photograph. Sedlik determined that the base fee did not contemplate the scarcity of the Photograph

photographs are offered fo 116-2 at 26.

fair market value of generic, common photographs to the value of a relatively scarce photog Id.

rather than determining what a hypothetical willing buyer would have done. Specifically, Sweetwater contends that, according to Sedlik, the Photograph:



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is only scarce in the sense that he assumes Sweetwater needed exactly that image and not a substitute because Sweetwater is removed from this equation, the alleged scarcity of the image evaporates because Mr. Sedlik identifies no other party who ever licensed this image for anything. Doc. no. 116-1 at 9.

opinion. As with many

suggest that Sedlik should not have considered anything about the actual facts of this case, even if merely to give context to his opinion. Sweetwater does not cite any case that supports that contention.

As Sedlik testified during his deposition, he considered the fact that Sweetwater used the Photograph, rather than obtaining a photograph from a stock photo agency, as evidence to show that the Photograph was scarce. Doc. no. 121-1 at 20. Sedlik also stated Id. at 17. Although inclusion, the court opinion on this basis.

4. Competitive use multiplier Sedlik also used a multiplier for competitive use to

by a direct competitor seeking to purchase licenses to make 116-2 at 27. Sweetwater contends the computation with a competitive use multiplier shows a subjective approach because Sedlik considered the status of Sweetwater as competitors.

background of this case does not show that he used a subjective standard so as to require the court to exclude his opinion. Sedlik testified at his deposition

that his calculation would be the same for any competitor. Doc. no. 121-1 at 13. Whether a competitive use multiplier is appropriate in this case is a question that may be explored at the multiplier does not show that he employed a subjective standard. See *Under a Foot Plant*, 2017 WL 3593014, at *5 (improperly employed a competitive use multiplier).

improperly applied a subjective, rather than an objective, standard. Sweetwater may cross-examine Sedlik as to any perceived deficiencies in his opinion and present its rebuttal expert. 4

B. Punitive Multipliers Sweetwater also is improperly punitive. It cites cases that have rejected the use of multipliers in Copyright Act cases, see doc. no. 116-1 at 13 (citing cases), and a case in which Sedlik himself purportedly testified that the use of multipliers is punitive,

4 As with its motion to exclude Dr. Einhorn, Sweetwater under Rule 403 because admission of the opinion would be unduly prejudicial and would be misleading to the jury. The court finds that argument unpersuasive.



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see *id.* (citing *Straus v. DVC Worldwide, Inc.*, 484 F. Supp. 2d 620, 648 49 (S.D. Tex. 2007)). The use of multipliers as a punitive measure in determining actual damages is impermissible under the Copyright Act. According to Sedlik, however, he did not use punitive multipliers in this case, but instead used multipliers to properly account for fair market value. This is not the first time Sedlik has distinguished between the use of multipliers as a punitive measure as opposed to using them to account for fair market value. Indeed, in *Leonard v. Stemtech Int'l Inc.* damages

opinion, which included multipliers. 834 F.3d 376, 393 (3d Cir. 2016). The Third Circuit acknowledged that certain district courts have rejected the use of multipliers as a component of actual damages under the Copyright Act. *Id.* The court added:

We agree with the reasoning of these district courts that, under the Copyright Act, an actual damages award may not include such a punitive component. We also agree with *Leonard* that this case does not involve the use of a multiplier to penalize unauthorized use. Rather, the record demonstrates that the multiplier here was used to calculate fair market value. *Id.* that the multipliers here reflected a premium that, according to Sedlik,

the market would find acceptable given the scarcity and exclusivity of the images as compared to the images for which he had secured rates for comparative purposes. 5

Other courts have

cases. See *Brittney Gobble Photography, LLC v. Wenn Ltd.*, No. 3:16-CV-306-HSM-DCP, 2019 WL 2446997, at *8 (E.D. Tenn. Feb. 19, 2019), report and recommendation adopted sub nom. *Brittney Gobble Photography, LLC v. USA Entm't News, Inc.*, No. 3:16-CV-306, 2019 WL 1125644 (E.D. Tenn. Mar. 12, 2019); *Under a Foot Plant*, 2017 WL 3593014, at *4 5. Here, Sedlik stated in his expert report that the use of multipliers was not punitive in this case, but rather necessary to calculate fair market value. See doc. no. 116-2 at 26-27. As with its other challenges, Sweetwater may cross-examine Sedlik on his use of multipliers, and rely on its own damages expert to rebut his testimony. But Sweetwater has not shown that

C. Inapposite Comparators

5 *Straus*, noting *Id.*

116-1 at 15. Specifically, Sweetwater contends that use of a rights managed license is improper because such licenses are typically the province of professional photographers, whereas the Photograph was taken by an amateur.

managed license in his expert opinion was considered and rejected by the District of Maryland in *Under a Foot Plant*, 2017 WL 3593014. The court there particular licensing model on an amateur



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photographer, and Sedlik supported his choice and application of a rights managed model with testimony that meets the threshold of reliability required Id. at *11. That was because Sedlik managed model works, and why, in his opinion, it was the most appropriate license type given

and the integr Id. The court added that it

of law, or that no reasonable jury could accept Professor Id. Like the District of Maryland, this court sees no reason to As discussed supra, Sweetwater has an expert who disagrees with

different licensing model is appropriate. Sweetwater is free to chall - examination .

D. Summary

Such challenges may be addressed during cross-examination and do not require exclusion of any part of .

III. Motion to Exclude Paul Reed Smith Sweetwater offers Paul Reed Smith, the Managing General Partner of Paul Reed Smith Guitars Limited Partnership, as an . several opinions, including that (1) the Photograph ive effect whatsoever on

has had no impact on the musical instrument industry Photograph

indus Doc. no. 131-2 at 3-4. s, arguing that Smith is not an expert with respect to the opinions he offers, his opinions are not relevant, his opinions are mere speculation and unsupported conclusions, and his opinions do not help the trier of fact to understand the evidence or to determine a fact in issue. Sweetwater disputes each argument. of the opinions Smith offers in his expert disclosure are not relevant to the issues in this case. For example, the effect of the use of the Photograph utation, as looking , industry generally the case. Thus, even if Smith were qualified to offer such opinions at trial, he is not permitted to do so because those opinions are not relevant.

for damages. For example, whether the use of a photograph such

claim. Indeed, informing his opinion, Dr. Einhorn relies on his interpretation of the testimony of Rule 30(b)(6) witness, David Stewart, concerning the impact of photographs to help sell guitars. In addition, the fees typically paid for photographs in connection with selling musical instruments are directly relevant to license fee. Smith states in his expert disclosure that, as the managing general partner of a large manufacturer of electric guitars whose company advertises guitars in various music publications and on its website, he has personal experience regarding the use of photographs in selling musical instruments and the typical fees associated with those photographs. See doc. no. 131-2 at 4. Thus, in light , a



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knowledge will help the trier of fact to understand the evidence Fed. R. Evid. 702. Such testimony, however, must be limited to personal knowledge about these issues. Smith states that he has been interviewed and quoted hundreds of times, that he is under constant requests to do interviews and clinics, and that his -famous guitar players. Smith, however, has not authored any publications or been

qualified as an expert in the past. Although Smith appears to be a highly respected person in his industry, Sweetwater has not shown that he is qualified under Federal Rule of Evidence 702 to offer his opinions about the general practice in the guitar industry to the extent it is not based on his personal knowledge. 6 For these reasons, Smith may testify about his experience regarding the use of photographs to sell electric guitars, the impact of those photographs on sales, and the typical fee and photographs. He may not offer an opinion as to the partie

design,

CONCLUSION

the opinion and testimony of Dr. Michael Einhorn (doc. no. 115)

damages but is otherwise denied and its motion to exclude the opinion and testimony of Jeffrey Sedlik (doc. no. 116) is

6 most successful luthier turned guitar manufacturer in the 136-1 experience as a maker of stringed instruments has any bearing on his qualifications to offer the opinions in his expert report.

of Paul Reed Smith (doc. no. 131) is granted in part and denied in part as provided in this order.

SO ORDERED.

_____ Landya McCafferty United States District Judge January 6, 2020 cc:
Counsel of Record

