18-2716

18-2719 (Con)

United States Court of Appeals
FOR THE SECOND CIRCUIT

CENGAGE LEARNING INC., MCGRAW-HILL GLOBAL EDUCATION HOLDINGS, LLC, PEARSON EDUCATION, INC.,

Plaintiff-Appellees,

v.

BOOK DOG BOOKS, LLC, DBA TEXTBOOKS RUS, DBA TEXTBOOKRUSH, APEX MEDIA, LLC, ROBERT WILLIAM MANAGEMENT, LLC,

Defendant-Appellants,

1401 WEST GOODALE, LLC, 999 KINNEAR, LLC, ACADEMICO CENTROAMERICANO. S.A., ANAID HOLDINGS, LLC, APEX COMMERCE, INC., APEX COMMERCE, LLC, BOOK DOG BOOKS, LLC (FL),

(*For Continuation of Caption See Inside Cover*)

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

APPELLANTS' OPENING BRIEF AND SPECIAL APPENDIX

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Non-Party-Appellants.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1, Appellants certify as follows:

Appellants 1401 West Goodale, LLC, 999 Kinnear, LLC, Anaid Holdings, LLC, Bookeagle.com, LLC, Mandolin Imports, LLC, Oliveford Limited, GEKR Holdings, LLC, K12 Book Services, Inc. (f/k/a/ K12 Book Source, Inc.), SPL Management, LLC, and SRockPaper Imports, Inc. certify that they are privately held companies. They have no parent corporations, and no publicly held corporation owns 10% or more of each entity's stock.

Appellant RW Europe, Inc. certifies that it is wholly owned by GEKR Holdings, LLC, which is privately held as described above.

Appellant Robert William Holdings, LLC certifies that it has as owners Appellants GEKR Holdings, LLC, SPL Management LLC, and RW Europe, Inc., which are owned as described above.

Appellant Book Dog Books LLC (OH) certifies that it is owned by Appellants GEKR Holdings, LLC and Robert William Holdings LLC, which are owned as described above.

Appellants Cal Text Books, Inc., Robert William Intermediate Holdings, LLC, and Robert William Intermediate Holdings Doppelganger, LLC, certify that they are wholly owned by Appellant Robert William Holdings, LLC, which is owned as described above.

Appellant Academico CentroAmericano, S.A. certifies that it is owned by Appellants RW Europe, Inc. and Robert William Holdings, LLC, which are owned as described above.

Appellant Robert William Management, LLC certifies that it is owned by Appellants Robert William Intermediate Holdings Doppelganger, LLC and Robert William Intermediate Holdings LLC, which are owned as described above.

Appellants Apex Commerce, Inc. and Bookstores.com LLC certify that they are owned by Appellant Book Dog Books LLC (OH), which is owned as described above.

Appellants Apex Media LLC, Book Dog Books, LLC (FL), Books for Coco, LLC, and Apex Commerce, LLC have been dissolved.

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INTRODUCTION

Plaintiffs are four large publishers whose products—new textbooks—compete with the used books of secondary booksellers like Defendants. This case involves a problem that plagues every bookseller on the secondary market: As Plaintiffs concede, it is simply "impossible for textbook distributors" to prevent counterfeit books from making their way into the bookseller's inventory. A551:22-A552:2. Distributing counterfeits, however, is a strict liability offense. Infringement suits thus enable publishers to demolish any successful secondary bookseller—*if* the publishers can achieve a devastatingly large verdict. That, in turn, depends on how far they can stretch their proof.

Here, the district court permitted it to stretch far beyond the permissible line. Plaintiffs successfully stacked inference upon innuendo to paint Defendants as bad actors who simply *must* have distributed additional counterfeits. The predictable consequence was a runaway $34 million verdict—an award *over three times larger* than Defendants' total annual profits, based on *less than one quarter of one percent* of their total distributions over the relevant period.

The court's fundamental error was allowing Plaintiffs to prove their case through speculation and conjecture, then sustaining a verdict based on circumstantial evidence too attenuated to support liability. Indeed, the magistrate judge recognized the paucity of evidence at summary judgment, recommending dismissal of most of

Plaintiffs' case.

The district court rejected that recommendation. It then compounded its error by forcing Defendants to fight Plaintiffs' circumstantial evidence one-handed. The court allowed Plaintiffs to repeatedly tell the jury that Defendants had been "caught, sued, and settled" for counterfeit distribution based on a 2008 settlement. Yet the district court forbade Defendants from telling the jury that *it settled the publishers' earlier counterfeiting claims for a mere $7,000*—a nuisance value settlement if ever one existed. Defendants were thus barred from countering a centerpiece of Plaintiffs' case for liability and exorbitant damages.

The resulting award bears no relation to Plaintiffs' lost revenues, Defendants' profits, or the numerous anti-counterfeiting measures that Defendants diligently instituted in the past several years. The award is unfounded and unconstitutional. It is entirely disproportionate to the conduct's reprehensibility and eclipses many times any reasonable assessment of actual harm. Yet to Defendants, even a relatively modest tempering will mean the difference between survival and insolvency.

At bottom, liability and exorbitant damages resulted from the district court failing to properly police the boundaries of proof. Such tenuous evidentiary strains cannot justify bankrupting Defendants. The verdict should not stand.

JURISDICTIONAL STATEMENT

The district court had subject matter jurisdiction under 28 U.S.C. § 1331 over Plaintiffs' claims under the Copyright Act and the Lanham Act, and it had supplemental jurisdiction under 28 U.S.C. § 1367 over Plaintiffs' breach-of-contract claim. After a jury trial, the court entered final judgment, disposing of all claims, on August 17, 2018. A192-A202. Defendants timely appealed September 13, 2018. A204-A211. This Court has jurisdiction under 28 U.S.C. § 1291.

ISSUES PRESENTED

1. Whether the Court should award Defendants judgment as a matter of law or order a new trial regarding copyright and trademark infringement of 105 titles based on insufficient evidence.

2. Whether the Court should award Defendants judgment as a matter of law or order a new trial regarding willfulness based on insufficient evidence.

3. Whether the Court should order a new trial based on any or all of the district court's rulings that:

a. Excluded the amount of the 2008 settlement between Plaintiffs and Defendants.

b. Admitted the cease-and-desist letters sent by Plaintiffs' counsel in mid-2017.

c. Admitted certain portions of Plaintiffs' "roadmap" (PX-13 (A212-482) that did not provide an accurate summary of admissible evidence.

4. Whether the Court should order remittitur of the statutory-damages award or order a new trial on damages; or alternatively, whether the Court should vacate the award for violating Defendants' due-process rights.

5. Whether the Copyright Act preempts Plaintiffs' breach-of-contract claim.

STATEMENT OF THE CASE

I. Local Rule 28.1 Statement

This case involves claims for copyright and trademark infringement and a related claim for breach of contract based on an agreement to refrain from committing or assisting copyright and trademark infringement. After a jury trial, the district court (Judge Pauley) denied Defendants-Appellants' motions for judgment as a matter of law, new trial, and remittitur, and entered final judgment for Plaintiffs-Appellees for $34,200,000.00 in statutory damages, plus $4,137,081.70 in attorneys' fees and $694,096.29 in costs. The district court's opinion is reported at 327 F. Supp. 3d 606.

II. Factual Background

A. The Parties

Plaintiffs are four large publishing companies. Together they took in over $10 billion in 2016.[1] Defendants are secondary booksellers and their owner Phillip Smyres. Defendants' average annual revenue from 2008-2012 was approximately $52 million. A649:23-25.

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[1] *See* Pearson PLC 2018 20-F, at 6 (available at https://www.sec.gov/Archives/edgar/data/938323/000119312518106891/d525147d20f.htm); McGraw-Hill Education, Inc. 2017 10-K, at 76 (available at https://investors.mheducation.com/financial-information/annual-reports/default.aspx); John Wiley & Sons, Inc. 2017 10-K, at 65 (available at https://www.wiley.com/en-us/investors); Cengage Learning Holdings II, Inc. 2017 10-K, at 37 (available at https://www.cengage.com/investor/).

Smyres started selling textbooks in 1992, A656:1-2, and opened his first bookstore in September 1994, A657:10-11. His revenue from that first season of textbooks in fall 1994 was $15,000. A658:1-3.

Smyres' business gradually became a major player in the secondary textbook market. As of 2017, Defendants were selling and renting roughly 2.5 million books per year. A732:19-24. Defendants sell to individual buyers like students as well as large distributors like Follett and Chegg.

B. The Publishers' Hostility Toward Secondary Booksellers

Between January 2006 and July 2016, the prices for college textbooks exploded, increasing at over four times the rate of inflation.[2] Affordable alternatives are few. One option is to buy a textbook printed overseas, as those textbooks often sell at cheaper prices. *E.g.*, Trial Tr. 1193:9-11; 1321:1-4. Those imports, however, hurt publishers' profits, so they long sought to eliminate that practice by arguing it infringed their copyrights. *Cf. Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519, 557-558 (2013). In *Kirtsaeng*, the Supreme Court disagreed, holding that the "first sale" doctrine applies to works lawfully made abroad. *Id.* at 525.

[2] *See* https://www.bls.gov/opub/ted/2016/college-tuition-and-fees-increase-63-percent-since-january-2006.htm; http://www.aei.org/publication/chart-of-the-day-the-astronomical-rise-in-college-textbook-prices-vs-consumer-prices-and-recreational-books/.

Students also may obtain relief from exorbitant textbook prices by buying used copies. But Plaintiffs dislike this option, too—the sale of used books hurts their revenues. A547:8-A548:12. The publishers, however, have no colorable argument that selling used books is illegal. So they sue for counterfeiting, hoping to drive secondary booksellers out of business.

Counterfeiting in the textbook industry arose in the early-mid 2000s. A759:19-21. High-quality digital printing caused "a measured upswing in counterfeits," A741:5-10, and Plaintiffs admit that some look so authentic it can be "impossible for textbook distributors" to catch, A551:22-A552:2; *see* A585:13-A586:6 (admitting that even authentic copies of the same title can look different in several ways). Plaintiffs have nonetheless filed numerous actions over the years against booksellers, accusing them of distributing counterfeits. For instance, Cengage sued Follett despite considering Follett "a legitimate book seller." A803:16-A804:14.

C. Previous Lawsuit, Settlement, And Pre-Trial Procedural History

Like other major used-book sellers, Defendants found themselves in the publishers' cross-hairs in 2007, when Plaintiffs first sued Defendants. Plaintiffs alleged Defendants had (1) imported legitimate textbooks printed abroad; and (2) distributed counterfeit copies of textbooks in violation of the copyright and trademark laws. That lawsuit settled in 2008 for $150,000. A488-489. The settlement allocated $143,000 to the importation claims and $7,000 to the counterfeit distribution claims. A488-489. It disclaimed any "admission of liability or fault." A488.

In the settlement, Plaintiffs and Defendants each undertook various obligations. Defendants agreed not to import textbooks or to distribute or assist in the distribution of counterfeits; and agreed to allow Plaintiffs to inspect their warehouses and to disclose the sources of any previously obtained counterfeits and sources who had supplied over 200 works, regardless of authenticity. A490-492. Plaintiffs agreed to assist Defendants' anti-counterfeiting efforts by identifying suppliers of counterfeits (unless notification would "interfere with" an investigation) and to revise the agreement should the Supreme Court rule that textbook importation was legal (as it did in *Kirtsaeng*). A492-494. Plaintiffs never notified Defendants of any sources of counterfeit works, inspected Defendants' warehouses, or modified the agreement (despite *Kirtsaeng*). Trial Tr. 383:6-385:3.

In 2013, Plaintiffs sued Defendants again—the first of two actions that were consolidated for trial and form the basis for this appeal. *John Wiley & Sons, Inc. v. Book Dog Books, LLC*, No. 13 Civ. 0816 (WHP) (GWG) (S.D.N.Y.) ("*BDB I*"). Plaintiffs alleged Defendants had distributed counterfeit copies of 140 different college textbooks, and asserted claims for copyright infringement, trademark infringement, and breach of the settlement. *BDB I* Dkt. 263.

Post-discovery, Defendants moved for summary judgment, arguing that Plaintiffs had failed to identify evidence they had distributed counterfeit copies of many of the titles identified in *BDB I*. *BDB I* Dkt. 207. The magistrate judge agreed and recommended summary judgment for 117 of the 140 works. The magistrate held that no reasonable jury could conclude that Plaintiffs had proven distribution. 2015 WL 5724915 (S.D.N.Y. Sept. 30, 2015). The fundamental flaw in Plaintiffs' case was that they could not link Defendants to the distribution of any counterfeit copy. The "failure to show a distribution of a 'particular' counterfeit book is fatal to plaintiffs' claims. The copyright statute does not contemplate a claim that a defendant at some point engaged in copyright infringement as to some work." *Id.*, at *14.

On review, the district court declined to adopt the recommendation. 2016 WL 11468565 (S.D.N.Y. Mar. 29, 2016). It held that Plaintiffs' general circumstantial evidence like "purchases from suppliers accused of dealing in counterfeit textbooks" and "failure to keep accurate records" would allow a reasonable jury to infer liability. *Id.*, at *5. The court permitted trial on all of the titles in *BDB I*.

Six months later, Plaintiffs filed an additional action against other companies owned by Smyres—the second of two actions consolidated for trial and underlying this appeal. *Cengage Learning, Inc. v. Book Dog Books, LLC*, No. 16 Civ. 7123

(WHP) (GWG) (S.D.N.Y.) ("*BDB II*"). This suit accused Defendants of distributing 21 additional counterfeit titles.

Over Defendants' objection, *BDB I* and *BDB II* were consolidated for trial.

D. Trial Evidence And Additional Procedural History

For most of the 161 titles at issue, Plaintiffs lacked any direct evidence of copyright infringement. They instead asked the jury to infer liability from circumstantial evidence: Defendants' sources of books, what Plaintiffs called Defendants' lax inspection processes, and the existence of counterfeit books either in Defendants' inventory or the inventories of third parties with whom Defendants did business, like other booksellers who bought from Defendants. The trial focused on those issues.

1. Defendants sourced books from multiple outlets: Plaintiffs themselves, distributors that even Plaintiffs called legitimate (*e.g.*, Chegg and Follett), individual sellers (*e.g.*, students and others selling their texts to Defendants through Defendants' websites or an Amazon.com portal), and wholesalers. Plaintiffs painted three sources as most problematic: a wholesaler from Thailand called Best Books World ("BBW"), a domestic wholesaler called the Blackerbys (two brothers who also did business under other names), and Amazon buybacks (because many books bought from Amazon never physically passed through Defendants' warehouse).

Defendants' recordkeeping did not always make clear which source supplied, or which customer purchased, certain books. *E.g.*, A707:5-7 (Smyres email explaining that he could not provide additional invoices for one supplier because Smyres "often operate[s] using lists generated by pen and paper").

Best Books World. Defendants began buying from BBW in 2006 and placed several orders over the years. In mid-late 2008, Defendants determined that one of BBW's shipments contained counterfeits; they sought to return the entire shipment upon refund. A588:21-589:20.[3] In September 2008, Defendants disclosed to Plaintiffs that BBW had supplied "most if not all" the counterfeits. A558:16-20.

Over a year later, Defendants resumed buying from BBW. Smyres explained that he thought textbook counterfeiting had "cleared out" because Defendants "hadn't heard anything about the counterfeits from the publisher[s]." A672:10-19. To be cautious, Defendants still inspected "all" BBW books "every time they came in." A675:21-24. Smyres also received an email from his contact there "guarantee[ing]" that BBW books do "[n]o[t] violate any law [or] rule." A483.[4]

In April 2011, Defendants stopped buying from BBW out of an abundance of caution, as they had heard that counterfeits generally "had come back into the market and we had to be even more careful." A678:12-A679:4. Indeed, when Defendants

[3] Defendants returned fewer books than were purchased. A593:19-A594:13.
[4] Smyres never met his contact in person, despite many attempts.

detected counterfeits from a different supplier, rather than sitting on their hands, they re-doubled efforts to inspect BBW books, too. A607:12-18; A677:3-7.

The Blackerbys. Defendants began buying from the Blackerbys in 2008. A597:2-6. Although Smyres knew they sourced books from overseas, he thought their books were legitimate because Follett annually purchased roughly *$100 million* of books from them. A680:4-7, 20-24.[5]

In February 2011, after one of Defendants' customers returned some books he suspected as counterfeit, Defendants discovered the Blackerbys had supplied Defendants some counterfeits. A601:14-21. Defendants notified the Blackerbys, who promised in the future they would compare incoming books to "a valid publisher copy" to ensure authenticity. A507; *see* A685:8-21. Satisfied the Blackerbys took the issue seriously, Defendants ordered more books. Unbeknownst to Defendants, the Blackerbys had lied about comparing books to a publisher copy—they never instituted that program. A750:20-25. In mid-2011, Defendants diligently inspected a shipment from the Blackerbys and found counterfeits. A610:21-A611:12. Defendants stopped buying from the Blackerbys by the beginning of 2012 (*i.e.*, before this litigation began). A688:6-12.[6]

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[5] Before buying, Smyres did not check whether the Blackerbys had been sued for distributing counterfeits. A598:4-6.

[6] During 2011, the bookseller Follett accused Defendants of selling Follett counterfeits and closed Defendants' accounts. A768:4-6. In May 2011, MBS Textbook Source, another bookseller, suspected that Defendants might be supplying

Other sellers. Defendants also buy many books from other sellers, including through their own online portals and via Amazon.com. Defendants never see some books bought and sold through Amazon because the physical copy only passes through a warehouse owned (or affiliated with) Amazon. A723:3-8. Defendants rely on Amazon to ensure that sellers are legitimate. A646:2-4. For their own websites, Defendants rely mainly on the process that banks and PayPal have for authenticating people. *E.g.*, A643:9-12.

2. At trial, Plaintiffs highlighted that Defendants had destroyed some counterfeit books in 2011 and 2012. Although Smyres testified he had the books destroyed so they would not "accidentally get sold," A691:7-14, Plaintiffs argued that Smyres was trying to destroy evidence. Plaintiffs seized on testimony of Defendants' employee that "fear of lawsuit" prompted the destruction, A813:20-21, even though this same employee took a picture as proof the books had been destroyed rather than distributed, A617:8-15; A692:9-11.[7] Defendants could not supply records regarding which books were destroyed and didn't notify Plaintiffs. A613:11-12; A619:13-18.[8]

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counterfeits, but never stopped doing business with Defendants and ultimately determined that Defendants were not selling counterfeits. A778:19-A779:6.

[7] Were Defendants truly attempting something nefarious like eliminating evidence, maintaining proof of their illicit act would be a bizarre tactic.

[8] This destruction led the court to instruct the jury that it "may consider defendants' document destruction practices and their failure to retain records regarding those

3. The trial also covered Defendants' processes for inspecting books for authenticity. These procedures have improved over time, as Defendants learned better ways to identify counterfeits. Although Plaintiffs were quick to sue Defendants as far back as 2007, they did little to help Defendants prevent the issue from recurring—they never told Defendants "anything about how to identify a counterfeit book." A662:19-21.

In fact, Smyres didn't even know that counterfeit textbooks existed until late 2007 through a contact at Follett. A661:4-10. Around the same time, another distributor, MBS, told Defendants some tips to catch counterfeits. A662:22-25. Lacking better advice from Plaintiffs, Defendants used those tips to instruct, albeit informally, employees who checked books in. A625:20-A626:12; *see also, e.g.*, A783:1-10, A786:7-18. By and large, however, Defendants' employees had to teach themselves how to spot counterfeits, as they had no prior experience in this area. Generally they did not have exemplars to compare incoming books. *E.g.*, A710:15-A711:2. As noted, however, Defendants did inspect inventory more closely in response to certain stimuli. A607:12-18 (customer returning books as counterfeit); A590:2-4 (sending suspect books to Cengage).

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books in determining whether defendants infringed plaintiffs' trademarks and copyrights for the titles in *Book Dog Books I*." A837:12-15.

In 2013, Defendants formalized systematic anti-counterfeit training and inspection processes. They initiated such training for all employees "who handled books in any way." *E.g.*, A734:13-20, A789:22-24, A780:7-15. Employees undergo training twice per year, and the training document is regularly updated to incorporate new lessons in detecting counterfeits. A735:5-7; A800:19-23. Defendants also strengthened their internal processes, recently compiling a log of suppliers who provided potential counterfeits and maintaining a master list of titles that have been counterfeited so that new copies of those titles receive special attention. A726:17-18, A729:1-7.

Notably, in 2016, Plaintiffs audited the inventory of a major book distributor called Chegg. *See* A564:20-23. Plaintiffs examined 4400 books Defendants sold to Chegg and determined that only 50 were suspect (at least one of which was authentic). A747:8-23. That number is so low that *Plaintiffs' own "best practices" guidelines* would excuse Chegg from even inspecting future shipments from Defendants. A744:9-23.[9]

4. Plaintiffs introduced actual counterfeit copies of certain titles at issue, which Plaintiffs had found in various places. *See* A138-140. Defendants had quarantined some; that is, Defendants themselves caught these copies and prevented

[9] Defendants haven't adopted all of Plaintiffs' "best practices" guidelines (created in 2016), although, as noted, they have taken substantial steps toward fighting counterfeits.

them from being sold. Plaintiffs nonetheless convinced the jury that Defendants had also distributed other copies of those same titles, although Plaintiffs did not produce any such copies or evidence showing Defendants even purchased other counterfeits of those titles.

Plaintiffs found counterfeits of other titles in the inventories of Defendants' customers. A few of these had Defendants' stickers in them, but for others, Plaintiffs produced no evidence that the counterfeit copy came from Defendants. These customers purchased copies of the same titles from other sources too, and each customer testified it did not know whether Defendants supplied the counterfeits. *Infra* at 26-27.

Finally, for some titles, Plaintiffs found counterfeit copies in both Defendants' quarantine and another location, like the inventory of one of Defendants' customers.

Plaintiffs supported their claims with a summary exhibit Plaintiffs called the "roadmap" (PX-13 (A212-482)). *See* Fed. R. Evid. 1006. For each accused title, the roadmap purported to summarize documents showing (a) where Plaintiffs obtained the counterfeit copy of the title (if any), (b) the suppliers from which Defendants had purchased any copies, and (c) the customers to whom Defendants had sold any copies.

5. Some evidence was introduced due to prejudicial evidentiary rulings.

First, the court permitted the introduction of the settlement of the 2007 lawsuit as evidence of prior wrongdoing that showed, in Plaintiffs' first (and last) words to the jury, that Defendants had been "caught, sued, and settled." A528:12-13 (opening statement); A820:22-23 (summation). But the court prohibited Defendants from introducing the $150,000 settlement amount or explaining that the amount of the settlement attributable to counterfeit distributions was a paltry $7,000. A536:1-5. The jury thus saw the settlement document with only the amount of the settlement redacted, feeding the impression that Defendants had been "caught, sued, and settled" for something significant rather than resolving disputed claims for nuisance value.

Second, the court permitted Plaintiffs to introduce hearsay cease-and-desist letters that their counsel sent to Defendants after the filing of *BDB II* as evidence of continuing infringement. *See* A652:4-A653:4; A629:23-A637:17.

Third, some entries in the roadmap did not accurately characterize admissible evidence, in violation of Fed. R. Evid. 1006.

6. The jury returned a verdict for Plaintiffs on all counts. A116-131. It awarded the maximum $2 million for each of the ten trademark claims for a total of $20 million in statutory damages, and $100,000 for each copyright claim for a total of $14.2 million in statutory damages. It also found Defendants liable for breaching the settlement agreement, but awarded no damages for the breach.

The district court denied Defendants' motions for renewed judgment as a matter of law, remittitur, a new trial, and a stay of enforcement of judgment. The court also awarded Plaintiffs attorneys' fees and costs, bringing the total judgment to $39,031,177.99, and entered a permanent injunction. Final judgment was entered concurrently.

STANDARD OF REVIEW

This Court reviews de novo the denial of a Rule 50 motion. *Harris v. O'Hare*, 770 F.3d 224, 231 (2d Cir. 2014). The Court must "consider the evidence in the light most favorable to the party against whom the motion was made and . . . give that party the benefit of all reasonable inferences." *Ibid.* (ellipsis in original).

The Court reviews for abuse of discretion the denial of a motion for new trial. *Nimely v. City of N.Y.*, 414 F.3d 381, 392 (2d Cir. 2005). A new trial is appropriate where "the jury has reached a seriously erroneous result or [its] verdict is a miscarriage of justice." *Ibid.* (alteration in original). "A district court abuses its discretion when '(1) its decision rests on an error of law (such as the application of the wrong legal principle) or a clearly erroneous factual finding, or (2) its decision—though not necessarily the product of a legal error or a clearly erroneous factual finding—cannot be located within the range of permissible decisions.'" *Manley v. AmBase Corp.*, 337 F.3d 237, 245 (2d Cir. 2003) (citation omitted). The district court's discretion is "significant" but not "limitless." *Ali v. Kipp*, 891 F.3d 59, 64 (2d Cir. 2018).

The Court "appl[ies] a deferential standard in reviewing an award of statutory damages." *L.A. Printex Indus., Inc. v. Does 1-10*, 543 F. App'x 110, 111 (2d Cir. 2013). But the Court reviews de novo Defendants' constitutional challenge to damages. *Cooper Indus., Inc. v. Leatherman Tool Grp., Inc.*, 532 U.S. 424, 431 (2001).

SUMMARY OF ARGUMENT

1. Insufficient evidence supported liability on Plaintiffs' infringement claims regarding 105 titles at issue. No evidence tied Defendants to the distribution of any particular counterfeit copy of those works. For instance, for 41 titles, the only counterfeits in the record were *quarantined* by Defendants, and Defendants did not buy any of those titles from a source that had previously supplied counterfeits. As the magistrate recognized, although circumstantial evidence may sometimes suffice, infringement liability cannot rest on the fact that at some time the defendant distributed a counterfeit of some *other* works.

2. Insufficient evidence supported the jury's willfulness finding. That finding simply cannot be squared with Defendants' numerous actions demonstrating that they were not turning a blind eye toward counterfeits. Defendants instituted anti-counterfeiting processes and training (even if those methods could have been more

robust), did indeed detect counterfeits, worked with other entities to combat counterfeiting, and received assurances from suppliers. Willfulness cannot rest on simple mistakes—even negligence—but those are all Plaintiffs offered.

3. Independently, prejudicial rulings require a new trial. Most notably, the district court precluded Defendants from introducing the 2008 settlement amount. Plaintiffs seized on the redacted settlement agreement to let the jury's imagination run wild about how Defendants had been "caught, sued, and settled" previously. Compounding that error, the court incorrectly admitted hearsay cease-and-desist letters from 2017 regarding titles not at issue. Plaintiffs used those letters to argue that a decade after the settlement, Defendants still were distributing counterfeits. The prejudice is plain.

4. The $34.2 million award is grossly excessive under the usual framework for reviewing statutory damages, and it is also unconstitutional. It vastly exceeds Plaintiffs' harm or Defendants' profits and assets. It impermissibly punishes and deters to the point of obliteration, and fails to account for the fact that Defendants *already substantially improved* their anti-counterfeiting processes. A far more modest award—at a more reasonable multiplier of actual damages—would easily achieve the goals of punishment and deterrence without ruining Defendants.

ARGUMENT

I. FOR 105 OF THE 161 TITLES AT ISSUE, THE VERDICT RESTS ON PURE SPECULATION

The jury found infringement for every title, and the court denied Defendants' post-trial motion by holding that the jury could have inferred that Defendants distributed the titles for which Plaintiffs lacked direct evidence. But for 105 works, the evidence permits no such inference; the jury could have found distribution only on pure speculation. The court permitted the trial to become an indictment of Defendants and their business practices writ large, without any *proof* that Defendants actually distributed counterfeits of these titles.

These works fall into three categories: (A) titles Defendants did not purchase from a source with a history of providing counterfeits, and for which counterfeits were found *only* in Defendants' quarantine; (B) titles for which counterfeit copies were found *only* in a third party's inventory and where that third party could not link the copy to Defendants; and (C) titles for which counterfeit copies of a single title were found in multiple places, like in Defendants' quarantine and in one of Defendants' customers' inventory.

For these titles, the problem is not that Plaintiffs' evidence was circumstantial; the problem (as the magistrate judge recognized) is that the evidence is *non-existent*. Judgment as a matter of law or a new trial is warranted.[10]

A. There Was Insufficient Evidence Of Infringement For 41 Titles With Counterfeit Copies Defendants Quarantined.

For Titles 71-77, 79-86, 89, 91-97, 99-105, 107-116, and 118, the only evidence of counterfeits was copies found quarantined by Defendants themselves. *See* A212-482. But there is no evidence Defendants distributed or imported counterfeits of these works.

1. *Distribution.* These books were not sourced from what the district court called "known counterfeiters" like BBW or the Blackerbys. So there is no reason to think that just because Defendants had one counterfeit copy of these titles, they also had others. There is accordingly no permissible inference that Defendants *distributed* counterfeits of these titles, rather than *purchased* counterfeits and *prevented* them from being resold.

Title 72 is illustrative. Defendants quarantined two counterfeit copies. They purchased 31 copies from Cengage, 73 from reputable distributors (*e.g.*, Ingram),

[10] Should the Court reverse regarding any of these titles or the willfulness finding, the Court should also order reconsideration of the attorneys' fees award.

and 32 from individual suppliers. A323. There is no basis to infer that those sources provided counterfeits Defendants failed to catch.[11]

Rather than examine any of those titles specifically, the district court incorrectly relied on a general assessment of Defendants' practices. The court wrote that "Defendants purchased more of those works than were held in quarantine" and "inadequately checked books before selling them." A138. According to the court, that meant it was reasonable to "infer[] that other copies of that title had slipped through the cracks and been sold." A139.

That is an unjustified inferential leap. These were not bulk purchases by sources who had previously supplied counterfeits. *See* A323. Therefore, the presence of one counterfeit that Defendants identified and quarantined does not support the court's conclusion. The jury may draw reasonable inferences, but it may not engage in "sheer surmise and conjecture." *Harris v. Niagara Mohawk Power Corp.*, 252 F.3d 592, 597 (2d Cir. 2001). Indeed, the court's reasoning is exactly backward, because Defendants made themselves worse off by quarantining these counterfeits. Without them, there would be no evidence whatsoever of counterfeits for these titles.

[11] Indeed, these purchases (aside from two copies from Cengage, which are obviously not counterfeit) were made *after* Defendants instituted formal anti-counterfeit training in April 2013. A323. That timing further undercuts the jury's speculation.

The court's reasoning also proves too much. According to its logic, the jury could have found Defendants liable for *any* book Defendants bought or sold if Defendants ever in their 25-year history procured a counterfeit copy of that work. Plaintiffs bore the burden to show that Defendants distributed a counterfeit copy of a particular title. Poor recordkeeping and inspection processes alone cannot carry that burden, and that Defendants caught one (or a few) counterfeits doesn't make it any more likely that others slipped past. It is pure surmise and conjecture to conclude that Defendants *distributed* counterfeits of these titles.

2. *Importation.* Nor could the jury permissibly have found that Defendants imported counterfeit copies of these titles. There was simply no evidence of importation. The only overseas bulk seller was BBW, but BBW did not supply these titles. The court also cited a PIERS report showing textbooks imported by a Smyres company, but Plaintiffs did not link that report to any of these 41 titles. Indeed, Plaintiffs' roadmap says precisely nothing on importation.

The Court should accordingly grant judgment as a matter of law in Defendants' favor or alternatively order a new trial regarding each of these 41 titles.

B. There Was Insufficient Evidence To Find Infringement Of The 33 Titles For Which Counterfeit Copies Were Found In A Third Party's Inventory.

The jury's findings regarding the following 33 titles also could be based on nothing more than conjecture and surmise: Titles 22-23, 25, 27, 30-31, 33, 35-36, 41, 49, 52-54, 57, 60-62, 69, 121-123, 125-131, 133-134, 138, and 139.

Plaintiffs' only evidence that counterfeit copies of these titles were distributed came from inventories of *other* booksellers. Plaintiffs sought to prove Defendants' distribution of these titles in two ways: arguing that Defendants purchased copies of the relevant title from "known counterfeiters" like BBW, Tichenor, and the Blackerbys; and arguing that a counterfeit copy of the relevant title was found in the inventory of one of Defendants' downstream customers. *See* A139.

As an initial matter, the court let the verdict stand for titles about which Defendants did not prove even this much. For Titles 131 and 139, the roadmap said the counterfeits came from Tichenor. A431, A439. But Plaintiffs' witness in charge of the roadmap admitted there is no evidence supporting that statement. A580:6-21. There is accordingly *no evidence* even purportedly linking Defendants to the only proof of a counterfeit copy of these titles anywhere. Similarly, the only counterfeit copy of Title 30 came from MBS's inventory, yet there is no evidence that Plaintiffs sold *any* copies of Title 30 to MBS. *See* A261; *compare, e.g.*, A273 (memorializing

MBS's reported purchase of copies of Title 38). There is thus no connection whatsoever between Defendants and the only counterfeit copy of Title 30. Evidence for these three titles is unquestionably deficient.

As to the remaining titles in this group, neither of Plaintiffs' two arguments supports an inference that a counterfeit copy actually came from Defendants. First, there was no evidence that the majority (or any significant specific proportion) of books sold by BBW, Tichenor, and the Blackerbys were counterfeit; without such evidence, the jury could only speculate that Defendants had purchased any counterfeit copies from them. Second, no evidence linked the customer's counterfeit copy to one sold by Defendants; Plaintiffs' witnesses admitted that the copy as likely came from another supplier.

As the magistrate judge explained in recommending summary judgment for Defendants, Plaintiffs had "no evidence that a majority, let alone all, of BBW and the Blackerbys' business involved the sale of counterfeits." 2015 WL 5724915, at *16. So too for Tichenor. *Id.*, at *17. Plaintiffs never inspected BBW's inventory or warehouse. Trial Tr. 537:7-15. As to the Blackerbys, Plaintiffs inspected their inventory, but testified only that it was "infested with counterfeits." A561:6. Plaintiffs did not introduce more precise evidence, and the generalizations they relied on fail to tie Defendants to any particular counterfeit copies purchased from the Blackerbys. Similarly, Plaintiffs admitted they have not determined the percentage of counterfeits Tichenor sells. A577:20-23.

To be sure, Defendants themselves also detected some counterfeits from these suppliers, but the past or occasional shipment of counterfeits does not permit a reasonable inference that *all* other shipments are counterfeit. As the magistrate judge again correctly reasoned, the fact that a supplier "has had a history of dealing in some counterfeit books on some occasions is not a strong enough basis for an inference that the copies of a particular work sold to defendants were themselves counterfeit." 2015 WL 5724915, at *17.[12]

Plaintiffs' evidence regarding Defendants' customers failed likewise. Although Plaintiffs found counterfeit copies in these customers' inventories and these customers purchased some of those titles from Defendants, these customers could not say whether Defendants had supplied the counterfeit because the customers also had *other* suppliers for the same title. The magistrate aptly concluded: "there is no evidence that the customers have records on a work-by-work basis that would allow them to identify where each book they surrendered [to Plaintiffs] came from." 2015 WL 5724915, at *15.

[12] For the same reason, the evidence was insufficient to support the verdict on Titles 34 and 66. A267, A312. Although those were found in Defendants' quarantine, not a third party's inventory, there is no basis to assume that every copy of these titles was counterfeit.

On the contrary, MBS's inventory control manager explained that MBS "intermingled" Defendants' sales "with inventory provided by other sellers." A774:9-12; *see* A774:13-16 ("real tough" to identify the supplier). MBS thus could not "determine definitively one way or the other" whether Defendants provided the counterfeits. A775:4-9.[13]

Similarly, TBC "common[ly]" "receive[s] many copies of the same title from different sources," and is unable to "distinguish which books come from which source." Trial Tr. 1907:7-23. While Defendants were "*among* the most prevalent" suppliers of a title for which TBC had counterfeit copies (A763:15-16 (emphasis added)), TBC could not say that any counterfeit came from Defendants (A762:12-17)—as opposed to another "prevalent" supplier.

Follett is no different. In a 2011 analysis, Follett could confirm that Defendants supplied only one counterfeit. A766:21-24. Although the Follett witness also professed "certainty that some of the counterfeit books" were from Defendants (A769:3-6), he failed to ground that statement in evidence or tie it to any particular book on Plaintiffs' roadmap. "The fact that Follett is 'certain' or has 'no doubt' as to the source of the books cannot substitute for evidence that would allow a

[13] In May 2011 MBS's president called Smyres "dirty" because he was "[p]ossibly" selling counterfeits. A780:7-10. But in July 2012 MBS was still doing business with Defendants because MBS determined that "Smyres wasn't selling" counterfeits. A778:17-A779:6.

reasonable jury to conclude by a preponderance of the evidence that defendants actually sold an identified counterfeit work to Follett." 2015 WL 5724915, at *15.

In sum, Plaintiffs offered evidence that counterfeit textbooks were being bought by and sold to *someone*, but they offered nothing more than conjecture that *Defendants* bought or sold any counterfeit copies of these 33 titles. Without evidence tying Defendants to a particular counterfeit copy (like Defendants' sticker on a counterfeit), Defendants deserve judgment as a matter of law or at least a new trial.[14]

C. The Evidence Does Not Support Infringement For 29 Titles Of Which Counterfeit Copies Were Found In Multiple Locations.

For Titles 10, 16, 17, 20, 22, 24, 26, 28, 32, 36-38, 40, 42-44, 46-47, 58-59, 63, 67-68, 78, 87, 90, 98, 124, and 137, Plaintiffs found counterfeit copies in two or more of the locations described above, *e.g.*, Defendants' quarantine and inventories of Follett, MBS, TBC, the Blackerbys, or Tichenor. The preceding analyses in Parts I.A and I.B also warrant reversal on these titles. The magistrate judge succinctly explained why:

> [O]nly speculation would allow a jury to connect a counterfeit work in a third party's possession to an actual sale by defendants. While the existence of a counterfeit copy of a work in defendants' possession makes the inference that

[14] The verdict also cannot rest on importation. The evidence established only that Defendants sourced some of these titles from BBW. As explained, it is pure speculation whether any given book from BBW was counterfeit. And, again, BBW is the only bulk supplier that sent books from overseas. For the titles purchased from other suppliers, there is certainly no evidence of importation. *See* A267, 269, 300, 421-423, 425-431, 433-434, 438-439.

> a sale by defendants took place stronger, these circumstances, even in combination with the other evidence in this case, still do not allow for a reasonable inference that there was an actual the sale of a specific counterfeit work by defendants for the reasons already stated.

2015 WL 5724915, at *18. Plaintiffs' purported inference of distribution or importation is even weaker for Titles 78, 87, 90, and 98, because there is no evidence Defendants purchased any copies from so-called "known counterfeiters." *See* A333, A350, A357, A369.

The district court thus should be reversed regarding all these titles.

II. THE EVIDENCE WAS INSUFFICIENT TO SUPPORT THE JURY'S FINDING OF WILLFULNESS

For willful infringement, Plaintiffs had to prove that Defendants "'had knowledge that [their] conduct represented infringement or . . . recklessly disregarded the possibility.'" *Bryant v. Media Right Prods., Inc.*, 603 F.3d 135, 143 (2d Cir. 2010) (citation omitted) (ellipsis in original). The evidence shows that Defendants' conduct was not willful as a matter of law; alternatively, the Court should order a new trial on willfulness.

1. Defendants detected counterfeits multiple times. Their interactions with the Blackerbys are telling. After a customer notified Defendants about counterfeits, Defendants successfully traced them to the Blackerbys (A604:12-14) and received an assurance that the Blackerbys would compare incoming books to a publisher exemplar going forward (A685:11-21). And Defendants did not blithely resell

subsequent shipments; they inspected and found counterfeits. A611:8-14; A612:8-12. A willful infringer would not have traced the counterfeits, urged their supplier to take action, and checked future shipments despite receiving that supplier's requested assurance.

What's more, the return of those counterfeits prompted Defendants to examine other books, too. A607:12-18. That proactive response is likewise entirely inconsistent with willfulness.

Similarly, in August 2008, Defendants reviewed incoming books from BBW, noticed that some were questionable, and sent copies to Cengage. A668:23-A669:2. A reckless defendant would have simply resold these books.

It is also undeniable that Defendants had an anti-counterfeiting inspection process before 2013. To be sure, a more rigorous inspection process may have been possible (Defendants later implemented one in 2013 once they gained greater knowledge about counterfeit detection), but a less-than-excellent procedure cannot constitute willfulness. And Plaintiffs explained why even robust inspection might fail—some books at issue "are high-quality counterfeits." A741:8-17; *see* A585:13-A586:6.

2. The district court's contrary analysis does not square with the evidence, even taking all inferences in Plaintiffs' favor.

First, the court wrote that Defendants purchased from the same suppliers who previously delivered counterfeits. A147. But Plaintiffs admit that even legitimate sellers sometimes sell counterfeits, the occasional sale of which is effectively "impossible" to prevent. A551:22-A552:2. Defendants trusted their inspection process and received other assurances from BBW and the Blackerbys, including that BBW's books do "[n]o[t] violate any law [or] rule" (A483) and the Blackerbys' promise to compare publisher exemplars (A507). And Defendants stopped doing business with both BBW and the Blackerbys well before Plaintiffs filed this action. A678:12-14; A688:4-7.

True enough, Defendants' judgment about these suppliers proved wrong, and their inspection process required more rigor. But that at most is negligence. *Cf. McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133 (1988) ("The word 'willful' is widely used in the law, and, although it has not by any means been given a perfectly consistent interpretation, it is generally understood to refer to conduct that is not merely negligent."). These mistakes cannot sustain the willfulness verdict.

Second, the court faulted Defendants for belatedly "implementing formal anti-counterfeiting procedures." A147. But it is undisputed that Defendants had earlier anti-counterfeiting procedures, including written documents. That is how Defendants repeatedly *detected* counterfeits. Therefore, again, Defendants could have done better, but "best practices" is not the standard for enhanced statutory damages.

Third, the court noted that "Defendants failed to ascertain where their suppliers sourced their books." A147. But as a matter of industry practice, suppliers do not reveal their sources. A682:13-20 (Smyres explaining that revealing supplier's source would allow the purchaser to go directly to that source); A753:18-19 (Mark Blackerby: "If they did [ask me the supplier's name], I would not have revealed it to them."). Defendants received assurances on which they mistakenly thought they could rely. *See supra* at 30-31. A mistaken belief does not constitute willfulness, and perfect practices are not required. Notably, *Follett bought $100 million of books from the Blackerbys* (A680:4-7), and even Plaintiffs describe Follett as reputable (A714:13-14). Taking actions consistent with those of a reputable dealer is directly at odds with willfulness.

Fourth, the court cited Defendants' destruction of counterfeits. A147. That action was arguably relevant to other issues but it has no bearing on whether Defendants willfully *distributed* counterfeits. Far from it, destroying books made distribution impossible. Defendants acknowledge that a better solution may have been sending those books to the publishers, but an act *preventing* distribution—however misguided and problematic for other reasons—cannot evince disregard for the possibility of distribution.

Finally, "the jury learned that Defendants violated the Settlement Agreement by failing to disclose the true sources of their textbooks." A147. This, too, is irrelevant to willfulness under the copyright and trademark laws. Defendants' punishment for violating the contract is liability for breach of contract. But failing to tell Plaintiffs the true sources of textbooks does not reveal Defendants' state of mind regarding the distinct act of distributing counterfeits.[15]

Those last two of the district court's critiques are emblematic of the overall defect in the court's opinion—Plaintiffs convinced the jury and the district court that Defendants are generally bad actors. With all respect to the court, that is no basis to find Defendants liable for distributing specific titles at all, let alone for doing so willfully. Enhanced statutory damages require evidence of knowledge or reckless disregard of the specific infringing conduct; the inquiry does not merely ask whether Defendants committed problematic acts.

While Defendants' actions were not perfect, perfection is not the standard for avoiding enhanced statutory damages. But given the substantial evidence of conduct Defendants undertook to avoid selling counterfeits, the district court effectively required perfection—or near so—and accordingly it abused its discretion in denying Defendants' challenges to the willfulness finding.

[15] Moreover, the court didn't instruct the jury that failing to disclose sources could constitute breach of the settlement. *See* A829:2-14.

III. PREJUDICIAL EVIDENTIARY RULINGS INDEPENDENTLY WARRANT A NEW TRIAL

The evidence presented at trial was insufficient to support the jury's verdict. Alternatively, the Court should grant a new trial due to three erroneous evidentiary rulings that affected the case's outcome. "An error is harmless only if 'the evidence was unimportant in relation to everything else the jury considered' and we 'can conclude with fair assurance that the evidence did not substantially influence the jury.'" *Abascal v. Fleckenstein*, 820 F.3d 561, 567 (2d Cir. 2016). The Court considers several factors in assessing whether an error is harmless: "(1) whether the evidence bore on the most important issues in the case; (2) whether the evidence was simply cumulative or corroborative; (3) whether the evidence was used in summation; and (4) whether the appellee's case was particularly strong." *Ibid.* Under that framework, each of the district court's challenged rulings warrants a new trial.

A. Precluding The Amount Of The 2008 Settlement Was Prejudicial Error.

The court permitted the introduction of the 2008 settlement between Plaintiffs and Defendants, but it forbade Defendants from telling the jury that the total settlement was only for $150,000, and the parties allocated just $7,000 to settle Plaintiffs' claims regarding counterfeit distribution. *See* A533:7-9 ("I'm under no circumstance permitting the amount of the settlement to come in."); A535:2-A536:5; A516:3-4. This was obvious error, and it was critical to the outcome of the case.

The court excluded the settlement amount because it "could have unreasonably anchored the jury's determination of damages." A150. The court did not explain why that would be so. This lawsuit is based on different titles, and Plaintiffs were free to (a) distinguish the titles in the 2007 lawsuit and (b) persuade the jury about the appropriate measure of damages here.

The extent of the error and harm resulting from the exclusion becomes clear from examining the settlement's importance to the case, in light of the harmless-error factors. The settlement bore heavily on the key issues of liability, willfulness, and the amount of the award. *See* A149 (explaining that the settlement itself was "relevant in determining willfulness"). The willfulness finding allowed the jury to award *tens of millions of dollars* more in statutory damages.

To understand how important the settlement was to Plaintiffs' case—and thus how prejudicial the amount exclusion was to Defendants—this Court need look no further than Plaintiffs' own statements. Their counsel unsurprisingly featured the settlement in the very first line of their summation (and the second and third lines of counsel's opening statement). He said: "Almost three weeks ago, I stood up in front of you and I said . . . that this is a case about a bookseller swarming with counterfeits; a bookseller who had been *caught, sued, and settled*; a bookseller who had ignored the settlement and ignored the law." A820:19-24 (emphasis added); *compare* A528:11-14 ("This is a case about a bookseller who was caught, sued, and settled.

And this is a case about a bookseller who ignored the settlement and ignored the law.”).

As Defendants told the court in arguing to admit the amount, Plaintiffs’ opening statement “went directly for the most prejudicial application of [the settlement], that because [Defendants] were sued before, they must have been guilty.” A531:23-25. Allowing Plaintiffs to make those comments on the settlement while forbidding Defendants to mention the amount prevented Defendants from using their strongest defense against what Plaintiffs obviously thought was their strongest weapon.

Had Defendants been permitted to inform the jury that just $7,000 was attributable to distributing counterfeits, however, Defendants also could have argued that the settlement was a nuisance settlement and that Defendants had not repeatedly, knowingly distributed counterfeits. Instead, based on the absence of the amount and Plaintiffs’ counsel’s emphasis, it looked like Defendants had been bad actors as far back as 2007. And, in turn, regarding damages, Defendants could not compare the $7,000 settlement to the tens of millions of damages Plaintiffs sought.

Part of Smyres’ testimony highlights the harm from precluding evidence of the settlement’s amount. He explained that when he had not heard anything about additional counterfeit problems after executing the settlement, he concluded that “this counterfeit situation really was just a one-off . . . issue in the industry. This happened and that's it." A665:2-6. That understanding sounds credible if the earlier lawsuit encompassed so little as to produce only a $7,000 settlement. But leaving the jury to imagine that, in Plaintiffs' counsel's words, Defendants had been "swarming" with counterfeits and "ignoring" the law since 2007, it seems a lame excuse to brush aside earlier counterfeit issues as a "one-off."

B. The Court's Admission Of Five Cease-And-Desist Letters Was Prejudicial Error.

Independently harmful but also compounding the harm from excluding the settlement amount, the district court also abused its discretion in admitting cease-and-desist letters sent by Plaintiffs to Defendants during the pendency of the litigation accusing Defendants of having infringed works *not at issue*.

The court's explanations of its ruling are at war with each other. At trial, the court told the jury to consider these letters "for [the] very limited purpose" of "showing that the defendants were on notice that the plaintiff publishers here believed that there were other counterfeits." A652:15-16, A653:1-3. But in its final opinion, the court wrote that the letters were admitted "to show bad faith and willful infringement." A152. Yet Plaintiffs' "*belie[f]*" about continued infringement cannot show bad faith or willfulness; continued infringement would be relevant only if these letters were admitted to show that continued infringement was *actually occurring*. That is exactly how Plaintiffs used them. In summation, Plaintiffs' counsel argued:

"We are still in litigation and we are still getting counterfeits, and you see we are still sending cease and desist letters to them." A823:3-5.

Moreover, the letters cannot be relevant to willfulness regarding *past* infringement. The point of admitting cease-and-desist letters is to show notice, *i.e.*, that Defendants were aware of certain conduct yet had not changed. But cease-and-desist letters in 2017 have nothing to do with Defendants' state of mind regarding the past actions Plaintiffs sued on.

Accordingly, the admission of these letters influenced the outcome on at least two issues. First, it affected willfulness. The letters—despite being mere allegations of counsel—allowed Plaintiffs to tell the jury that Defendants were still infringing in 2017. The existence of additional infringement in 2017 after past instances of infringement could suggest that Defendants had always disregarded Plaintiffs' rights. That effect is particularly harmful combined with the court's preclusion of the settlement amount. Combining those two errors allowed Plaintiffs to tell the jury that Defendants had flagrantly infringed for an entire decade.

Second, these letters affected the statutory-damages calculation. As discussed below, statutory damages are awarded in part to promote deterrence. Defendants had a strong argument that, especially as of 2013, they had significantly improved their anti-counterfeiting practices. Allowing Plaintiffs to show infringement in 2017 simply via letters from Plaintiffs' counsel supports the conclusion that greater deterrence is needed to further curb Defendants' behavior.

C. It Was Prejudicial Error To Admit Portions Of The Roadmap.

The roadmap was the linchpin of Plaintiffs' case. It was admitted under Rule 1006 for summaries of evidence "to prove the content of voluminous writings, recordings, or photographs that cannot be conveniently examined in court." Fed. R. Evid. 1006. As Judge Pauley correctly recognized in another case, summary documents must be based on admissible evidence (even if the underlying evidence is not actually *admitted*) and, critically, must be "'accurate and nonprejudicial.'" *UPS Store, Inc. v. Hagan*, No. 14cv1210, 2017 WL 3309721, at *5 (S.D.N.Y. Aug. 2, 2017) (citation omitted). "[G]reat care must be taken to ensure that the proposed summary contains no annotation or suggestion, even inferential, that may be considered argumentative.'" *Ibid.* (citation omitted); *see, e.g.*, *United States v. Bray*, 139 F.3d 1104, 1110 (6th Cir. 1998).

Regarding four titles, Plaintiffs' roadmap contained inaccuracies that significantly mischaracterized the admissible evidence on which the roadmap was purportedly based. It was therefore inadmissible with respect to those titles.[16]

[16] The district court wrote that "'[t]he inaccuracy of a summary under Rule 1006 . . . goes to the weight, rather than the admissibility, of the evidence.'" A155 (citation omitted) (ellipsis in original). Not so. At most, "*relatively small deficiencies* in the accuracy of the summary go to weight, not admissibility." 31 Charles Alan Wright et al., *Federal Practice & Procedure* § 8044 (1st ed. 2018) (emphasis added). As

First, the roadmap sought to link Defendants to counterfeit sales of Titles 131 and 139 by claiming (a) Defendants purchased copies of these titles from Tichenor and (b) Plaintiffs found counterfeit copies of these titles in Tichenor's inventory. A431, A439. But Plaintiffs' witness in charge of laying the foundation for the roadmap could not cite any evidence that the counterfeit copies actually came from Tichenor. A580:6-21 ("Q: Are there documents that show that the book in this courtroom even came from Tichenor? A: I don't know."). The roadmap is therefore at worst incorrect and at best untethered to any admissible evidence. The court thus erred in admitting the parts of the roadmap covering Titles 131 and 139.

That error plainly affected the outcome of Plaintiffs' claims regarding those titles. Without the roadmap, there was simply no evidence that Defendants had anything to do with counterfeit copies of them.

Second, similarly, the roadmap sought to link Defendants to counterfeit sales of Title 30 by noting that Plaintiffs found counterfeit copies in MBS's inventory. A261. But the roadmap cites nothing for its suggestion that MBS sold any of these to Defendants or bought any from Defendants. The roadmap's "summary" of Title 30 evidence is therefore not based on admissible evidence and is egregiously

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noted below, the inaccuracies are far from "relatively small"—they provide the only even tenuous link between Defendants and the counterfeit copies of the relevant titles. Regardless, given the undeniable flaws identified below, the roadmap deserved *no* weight regarding these titles.

misleading—it definitively declares that Defendants are connected through MBS to the counterfeit copies of Title 30, but there is no admissible evidence showing any such purchase or sale between Defendants and MBS.

That error again obviously influenced the jury. Without the roadmap, the jury's finding regarding Title 30 rested on nothing.

Third, the portion of the roadmap addressing Title 141 also was erroneously admitted. The roadmap asserts Plaintiffs found a counterfeit copy in MBS's inventory, and "MBS records identify Defendants' affiliate, UBX Book Exchange, as source of alleged counterfeit, sold to MBS." A441. The roadmap presents as a fact the statement regarding MBS identifying Defendants as the counterfeit's source. But that statement is argument based on a strained inference explained by Plaintiffs' witness in charge of the roadmap. He testified that inside the counterfeit copy was a paper that looked like an invoice with "UBX" printed on it. But he had no idea other than pure speculation where that paper came from or how it got into the book. A571:13-A574:12. That type of argument-disguised-as fact is flatly impermissible under Rule 1006. *UPS Store*, 2017 WL 3309721, at *5; *Bray*, 139 F.3d at 1110. Again, therefore, the roadmap lacks any factual basis for tying Defendants to the only counterfeit copy of Title 30. Its admission was error that provided the only possible basis for the jury's finding on that title.

IV. THE AWARD OF STATUTORY DAMAGES WAS EXCESSIVE

Regardless of the liability findings, the $34.2 million award of statutory damages cannot stand. It vastly eclipses Plaintiffs' loss or Defendants' gain. It exceeds multiples of Defendants' profits from *all* books, authentic or counterfeit, sold over multiple years—even though the number of accused books represents a tiny fraction of Defendants' total inventory. Indeed, the award so egregiously outweighs Defendants' assets that it will crush Defendants as a viable business. No concern for deterrence and punishment can justify such a draconian result, particularly where the evidence unequivocally establishes that since 2013 Defendants have taken substantial steps toward improving their anti-counterfeiting processes.

Accordingly, under the usual review of damages awards, the Court should order remittitur or a new trial on damages; alternatively, the Court should vacate the award as violating the Constitution's due-process guarantee.[17]

A. The Excessive Award Warrants Remittitur Or A New Trial.

Several factors inform the propriety of an award of statutory damages:

> (1) the infringer's state of mind; (2) the expenses saved, and profits earned, by the infringer; (3) the revenue lost by the copyright holder; (4) the deterrent

[17] Should the Court agree with Defendants regarding their willfulness challenge, the damages award would also fall, as it would exceed the permissible statutory range. And should the Court affirm liability solely on importation grounds, it should likewise vacate and remand for a new trial on damages because eliminating the distribution grounds would affect the statutory-damages factors.

> effect on the infringer and third parties; (5) the infringer's cooperation in providing evidence concerning the value of the infringing material; and (6) the conduct and attitude of the parties.

Psihoyos v. John Wiley & Sons, Inc., 748 F.3d 120, 127 (2d Cir. 2014). The district court abused its discretion in applying these factors.[18]

First, the evidence of Defendants' profits affirmatively *undermines* the award. The only evidence on this front was testimony that Defendants' overall per-book profit ranged from \$2.11/book to \$2.84/book. A796:21-A797:2. Even if each of the 53,217 books on the roadmap were counterfeit—which would include over 5000 books sold to Defendants *by Plaintiffs themselves* and thus obviously not counterfeit—that would mean Defendants earned just over \$151,000 on these counterfeits. Compare that to the \$34.2 million award, and the injustice is plain. To view this another way, the award would equate to over \$640/book, *i.e.*, over 225 times the highest per-book profit figure in evidence.[19]

The district court wrote that Defendants' practices "led Defendants to earn \$53,800,000 in profit in a four-year period." A161. That is flatly incorrect. Plaintiffs' expert testified that \$53.8 million was Defendants' total profits over this period, but

[18] The fifth factor is irrelevant here.

[19] Alternative calculations yield similarly staggering results. Plaintiffs' financial expert did not offer per-book profit numbers but did argue that Defendants earned \$53.8 million from 2012-2016, which amounts to roughly \$10.76 million annually. Compare that to the two million books Defendants purchase annually, and profits per book equal \$5.38/book. Even using that number, Defendants' entire profit would be \$286,300, a figure still eclipsed by the \$34.2 million judgment.

not a shred of evidence (or even argument) attributed all those profits to distributing counterfeits rather than legitimate sales. In effect, the court wrongly concluded that every book Defendants sold was counterfeit.

Defendants' total profit does, however, provide another useful comparison that further undercuts the award. The $151,000 inferred profit from all 53,217 books represents 0.28% of the $53.8 million total profit figure. It is excessive to demolish Defendants based on misconduct that represented a drop in the bucket of their overall business.[20]

Second, Plaintiffs did not offer evidence of lost revenue. While such evidence is unnecessary to obtain *some* statutory damages, such a huge award as $34.2 million cannot rest on silence.

Third, contrary to the district court's opinion, the need for deterrence cannot justify the award. A161-162. That is because the evidence showed that Defendants had already modified their anti-counterfeit practices. In 2013, Defendants instituted formal anti-counterfeit training for all employees "who handled books in any way." *E.g.*, A734:13-20, A789:22-24, A790:7-15. Employees undergo training twice per year, and the training document is regularly updated to incorporate new lessons in detecting counterfeits. A735:5-7; A800:19-23. Defendants have also strengthened

[20] In *Psihoyos*, unlike here, the defendant had "earned substantial profits." 748 F.3d at 127.

their internal processes, recently compiling a log of suppliers who have sent in potential counterfeits and maintaining a master list of titles that have been counterfeited so that new copies of those titles receive special attention. A726:17-18, A729:1-7. What's more, Defendants stopped buying from BBW and the Blackerbys well before this litigation even began. A678:12-14, A688:4-7.

Defendants also engaged in external efforts to fight counterfeiting. First and foremost, Defendants sought specifically to work with Plaintiffs themselves. A694:23-A695:25. Smyres asked them to share lists of counterfeit books, but did not receive help. A696:1-12. He invited Cengage to view Defendants' operation, but Cengage refused. A699:19-A700:12. He even offered to *pay* Plaintiffs to place an employee in Defendants' warehouse, but an arrangement could not be reached. A700:18-25. And Defendants worked with multiple non-Plaintiff publishers on anti-counterfeiting issues. A701:1-17. Similarly, Defendants offered anti-counterfeiting training to Amazon and its third-party processor, A640:13-23, A720:4-7, and offered anti-counterfeiting tips to another bookseller, A807:7-15. If Amazon did not trust Defendants, it is hard to see why such a sophisticated company would accept their training.

And Defendants' endeavors have caused improvements. In 2016 Plaintiffs audited Defendants' sold books found in the inventory of a major book distributor called Chegg. *See* A564:20-23. Plaintiffs examined 4400 books and determined that only 50 were suspect (at least one of which was actually authentic). A747:8-23. Yet Plaintiffs have found acceptable a similar ratio of suspect-to-authentic books (thereby recognizing the impossibility of stopping all counterfeits). According to the publishers' "best practices" guidelines for textbook distributors, if a distributor has a textbook source that has supplied under 1% counterfeit books, *the distributor need not even bother inspecting new shipments from that source*. A744:9-23. Additionally, as of 2016, Chegg continued to buy from Defendants (A816:24-A817:15), and as far back as July 2012 MBS determined that Defendants were not selling counterfeits (A778:12-A779:6). And, again, even Plaintiffs concede that it is simply impossible to achieve a 0% counterfeit-distribution rate.

Put simply, exorbitant damages are unwarranted to modify the behavior of defendants who have already changed their behavior. And even if deterrence could support some enhancement beyond actual damages, the verdict here goes too far to rest on this basis. Courts regularly find deterrence goals satisfied based on far smaller multipliers of actual damages. *See, e.g.*, *Malletier v. Artex Creative Int'l Corp.*, 687 F. Supp. 2d 347, 358 (S.D.N.Y. 2010) ("slightly more than treble the gross sales"); *Peer Int'l Corp. v. Luna Records, Inc.*, 887 F. Supp. 560, 569 (S.D.N.Y. 1995) (Sotomayor, J.) (plaintiffs may not reap "a windfall recovery"); *Fallaci v. New Gazette Literary Corp.*, 568 F. Supp. 1172, 1174 (S.D.N.Y. 1983) (double the unpaid licensing fee); *Broad. Music, Inc. v. R Bar of Manhattan, Inc.*, 919 F. Supp. 656, 660 (S.D.N.Y. 1996).

Moreover, the Court should be especially wary of permitting a business-destroying award in a situation in which all booksellers might find themselves. That is because booksellers might refrain from selling used books rather than risk financially devastating litigation. As the Supreme Court explained in another context, imposing great burdens on booksellers effectively imposes burdens on "the public's access to reading matter," and "[t]he bookseller's self-censorship" becomes "a censorship affecting the whole public." *Smith v. California*, 361 U.S. 147, 153-154 (1959). That potential chilling of speech counsels against awards, like this one, that deter to the point of ruination.

Fourth, as to Defendants' state of mind and the parties' conduct and attitudes, Defendants have explained that evidence of willfulness was insufficient and that they continue to improve their practices. It is also worth noting that Plaintiffs did little to help Defendants (despite agreeing to do so in the settlement)—they never told Defendants about counterfeit suppliers or offered any anti-counterfeit training during the relevant time period. *E.g.*, A793:3-5. In hindsight, Defendants could have taken other actions before 2013, but it is indefensible to say they sat idly by and distributed counterfeits willy-nilly.[21]

In sum, the statutory-damages factors cannot support the immense award of statutory damages. The award should thus be remitted or a new trial should be ordered.

B. The $34.2 Million Award Is Unconstitutional.

Alternatively, the damages award should be vacated as a violation of due process. The familiar punitive-damages framework applies equally to statutory damages and topples the jury's award here. Even under the framework the district court applied, however, the award is infirm.

1. The *BMW v. Gore* Guideposts Restrict Statutory Damages, At Least Where The Award Explicitly Rests On Punishment And Deterrence.

a. The government may authorize financial penalties to punish wrongdoers and deter further misconduct. *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 568 (1996); *St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63, 66 (1919). It is well-established, however, that the Constitution's due-process guarantee "imposes

[21] Again, Defendants respectfully disagree with the conclusion that by destroying counterfeit books, they intended to destroy evidence, rather than ensure that those books could not be accidentally resold. While the finding about destroying evidence is a factor in Plaintiffs' favor on the statutory-damages inquiry, that in isolation cannot insulate an award so high, particularly where Defendants retained a photograph to prove they had destroyed, rather than distributed, counterfeits.

substantive limits" on that authority. *Cooper Indus.*, 532 U.S. at 433. "To the extent an award is grossly excessive, it furthers no legitimate purpose and constitutes an arbitrary deprivation of property." *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 417 (2003); *see also Williams*, 251 U.S. at 67 (penalty may not "be wholly disproportioned to the offense").

The Supreme Court has established three guideposts for evaluating whether the penalty is "grossly disproportional to the gravity of" the offense: first, "the degree of the defendant's reprehensibility or culpability"; second, "the relationship between the penalty and the harm to the victim caused by the defendant's actions"; and third, "the sanctions imposed in other cases for comparable misconduct." *Cooper Indus.*, 532 U.S. at 434-435. These are merely "general criteria," for "the relevant constitutional line is 'inherently imprecise.'" *Id.* at 434-435.

The district court incorrectly held that the *Gore* guideposts do not restrain statutory damages, and instead mechanically applied the Supreme Court's 100-year old decision in *Williams.* A162-163 (agreeing with *Sony BMG Music Entm't v. Tenenbaum*, 719 F.3d 67, 70-71 (1st Cir. 2013), and *Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d 899, 907 (8th Cir. 2012)). *Williams* held that penalties violate due process "where the penalty prescribed is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." 251 U.S. at 66-67.

Although *Williams* also stated that the penalty need not be "confined or proportioned to [the plaintiff's] loss or damages," *id.* at 66, that does not mean the plaintiff's "loss or damages" are irrelevant. Rather, it means only that the inquiry does not reduce to "'a simple mathematical formula.'" *Cooper Indus.*, 532 U.S. at 435 (citation omitted). Since *Williams* was decided, the Supreme Court has more finely articulated the constitutional standard. The *Gore* guideposts thus give content to *Williams*'s admonition that the due-process guarantee forecloses awards "so severe and oppressive as to be wholly disproportioned to the offense." 251 U.S. at 67.

The *Gore* line of cases makes clear that their framework governs statutory damages imposed as penalties to punish and deter. For instance, *Gore* cited *Williams* as an example of "the most important indicium of the reasonableness" of an award, namely, "the degree of reprehensibility of the defendant's conduct." 517 U.S. at 575; *see also TXO Prod. Corp. v. Alliance Res. Corp.*, 509 U.S. 443, 454 (1993) (plurality op.) (describing *Williams* as "impos[ing] substantive limits 'beyond which penalties may not go'"); *id.* at 478-479 (O'Connor, J., dissenting) (*Williams* recognized that "proportionality is implicit in the notion of due process"). More broadly, *Cooper Industries* dictates that the *Gore* analysis covers *all* "deprivations of property." 532 U.S. at 434. A statutory-damages penalty deprives a defendant of property just as surely as does a punitive-damages penalty.

Indeed, contrary to the district court's understanding, there is no logical reason to hermetically separate statutory damages from punitive damages under the due-process rubric, at least where, as here, the statutory-damages award indisputably sought to accomplish the same purposes as punitive damages, namely, punishment and deterrence. Although statutory damages contain a compensatory component, effecting "punishment" and "deterrence" through a statutory penalty is materially indistinguishable from effecting the same via punitive damages.

This Court has recognized as much: "The purpose of punitive damages—to punish and prevent malicious conduct—is generally achieved under the Copyright Act through the provisions of 17 U.S.C. § 504(c)(2), which allow increases to an award of statutory damages in cases of willful infringement." *On Davis v. The Gap, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001). Any doubt on this score is erased by the district court's instructions and Plaintiffs' closing argument to the jury. The court instructed the jury to consider the deterrent effect on defendants and third parties (A831:8-9, A834:1-2), and Plaintiffs urged the jury to "punish[]" Defendants to show them their "behavior is not acceptable" (A826:14-17). Moreover, the jury could increase the penalty by $70,000 for each copyright infringement and fully $1.8 *million* for each trademark infringement only due to its willfulness finding. *See* 17 U.S.C. § 504(c); 15 U.S.C. § 1117(c). Yet the defendant's state of mind in no way increases the extent of private (or public) injury.

Further, the administration of statutory damages implicates the same "imprecise manner in which punitive damages systems are administered." *Campbell*, 538 U.S. at 417. With punitive damages, "[j]ury instructions typically leave the jury with wide discretion in choosing amounts, and the presentation of evidence of a defendant's net worth creates the potential that juries will use their verdicts to express biases against big businesses." *Ibid.*; *see Honda Motor Co., Ltd. v. Oberg*, 512 U.S. 415, 433 (1994) (lamenting "the possibility that a jury will not follow those instructions and may return a lawless, biased, or arbitrary verdict"). Just so with statutory damages.

At bottom, allowing the label "statutory damages" to carry the day, when the award here was substantively identical to punitive damages, would impermissibly elevate form over substance.

b. Three circuits—two of which reversed considered district-court opinions—have held otherwise, but those circuits employed cursory analysis that this Court should not follow. *See Tenenbaum*, 719 F.3d at 70-71; *Thomas-Rasset*, 692 F.3d at 907-908. The First and Eighth Circuits both relied on the same three reasons to justify shunning the *Gore* guideposts. None of the three is persuasive.[22]

[22] The third relevant decision, *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587-588 (6th Cir. 2007), is almost wholly devoid of reasoning. The court noted that *Gore* addressed punitive damages while *Williams* addressed statutory damages, but did not consider all the reasons that *Gore* supplants—or at least informs—*Williams*'s standard.

First, these decisions claim the punitive-damages analysis is irrelevant because due process rests on "fair notice," whereas the statute authorizing statutory damages provides the defendant notice. *Tenenbaum*, 719 F.3d at 70; *Thomas-Rasset*, 692 F.3d at 907. This is wrong on two levels.

One, due process also "imposes *substantive* limits" on excessive awards. *Cooper Indus.*, 532 U.S. at 433 (emphasis added); *see Campbell*, 538 U.S. at 416 (noting "substantive constitutional limitations"); *Honda Motor*, 512 U.S. at 420. "To the extent an award is grossly excessive, it furthers no legitimate purpose and constitutes an arbitrary deprivation of property." *Campbell*, 538 U.S. at 417. Notice, however clear, cannot immunize a "grossly excessive" award. *Cf., e.g.*, *Honda Motor*, 512 U.S. at 422 ("excessive" damages are "in themselves an evidence of passion or partiality in the jury'").

Two, multiple States limit punitive damages by statute. *Cooper Indus.*, 532 U.S. at 433. Those statutory limits provide what *Tenenbaum* and *Thomas-Rasset* would call fair notice, yet the *Gore* framework equally constrains awards in those States. *Id.* at 433-434. No meaningful difference distinguishes the "notice" provided by statutorily-enumerated damages from the "notice" provided by a statutory punitive-damages cap. And it would be illogical for a statutory specification to explode due-process constraints. Take 15 U.S.C. § 1117(c)—if infringement is willful, the possible award ranges from a thousand dollars to two *million* dollars. That huge disparity in potential penalties hardly provides meaningful notice.

Second, those decisions argue that the second *Gore* guidepost—a comparison between the award and actual harm—"makes no sense" because the statutes excuse the plaintiff from providing any evidence of actual harm. *Thomas-Rasset*, 692 F.3d at 907-908; *see Tenenbaum*, 719 F.3d at 70-71. This is a red herring.

For one thing, it is well-settled that the amount of actual damages informs the proper amount of statutory damages. *See supra* at 42-44 & n.20. In any event, only a sliver of the award here can possibly substitute for actual harm. It is beyond dispute that the bulk of the jury's award was to punish and deter, which makes it no different than an award of punitive damages. *See On Davis*, 246 F.3d at 172.

In any event, Congress cannot override a *constitutional* prohibition—due process does not countenance an award vastly disproportionate to actual harm. So a plaintiff might obtain statutory damages as a proxy for compensatory damages, but that does not mean the Constitution permits the plaintiff to obtain an additional windfall without showing *some* harm. *Cf. Honda Motor*, 512 U.S. at 429 ("evidence of culpability warranting some punishment is not a substitute for evidence providing at least a rational basis for the particular deprivation of property imposed by the State to deter future wrongdoing"). Notably, Plaintiffs didn't even "attempt[] to quantify specifically what that impact [of counterfeiting] is." A544:6-7 (McGraw-Hill witness). Yet McGraw-Hill, for instance, was awarded $2,000,000 for the distribution of a single title out of the nearly *one hundred thousand* titles it has sold over the past decade—without providing *any* evidence of concrete harm it suffered from that comparatively tiny distribution. A542:8-12.

Third, the First and Eighth Circuits also find the third guidepost—comparing the award to authorized civil and criminal penalties—inapplicable "because statutory damages *are* the civil penalties authorized." *Thomas-Rasset*, 692 F.3d at 908; *see Tenenbaum*, 719 F.3d at 71. True enough, this guidepost is less useful in some instances of statutory damages (though it still provides some information through criminal penalties). But that is why the guideposts are mere "general criteria," "inherently imprecise." *Cooper Indus.*, 532 U.S. at 434-435. The relative unimportance of one guideline does not warrant jettisoning the entire package.

In all events, these other circuits have no answer for the language in the Supreme Court's opinions making clear that "punishments" (*Campbell*, 538 U.S. at 416), whatever their form, violate due process, and that these "deprivations of property" are considered using "the same general criteria," *Cooper Indus.*, 532 U.S. at 434-435. A statutory-damages penalty awarded expressly to punish and deter the defendant carries all the same hallmarks of punitive damages, and it should be evaluated the same way. Under that framework, as explained below, the jury's award here is unconstitutional.

2. The Award Here Violates Those Guideposts.

This award was "grossly disproportional to the gravity of" Defendants' offense. *Cooper Indus.*, 532 U.S. at 434.

a. "'[T]he most important indicium of the reasonableness of a punitive damages award is the degree of reprehensibility of the defendant's conduct.'" *Campbell*, 538 U.S. at 419 (quoting *Gore*, 517 U.S. at 575) (alteration in original). In evaluating reprehensibility, courts consider multiple factors: "the harm caused was physical as opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident." *Ibid.* Even if "one of these factors weighing in favor of a plaintiff" is present, that does not necessarily "suffic[e] to sustain" the award. *Ibid.*

While Defendants do not minimize the importance of protecting copyrights and trademarks, these factors countermand the massive award here. Three of the factors are not even arguably present—the harm was not physical, it had nothing to do with health or safety, and Plaintiffs are not financially vulnerable. Additionally, though the jury found Defendants' conduct willful, there is no finding of "intentional malice, trickery, or deceit," nor could there be.

Plaintiffs are left only with repeated instances of copyright infringement. But Plaintiffs admit that completely preventing counterfeit distribution is infeasible. One witness testified that some counterfeits look so authentic that "sometimes it's impossible for textbook distributors" to catch them. A551:22-A552:2; *see* A585:13-A586:6. And McGraw's senior director of anti-piracy could not conceive any method that "would eliminate the possibility of" distributing counterfeits. Trial Tr. 1288:22-1289:12. Accordingly, Plaintiffs concede that "a legitimate book seller" might "occasionally sell counterfeit[s]." A804:11-14.

What's more, Defendants did implement some anti-counterfeiting measures (even if the jury thought that Defendants should have done more, earlier). *Supra* at 44-45. They instituted formal, robust anti-counterfeit training and inspection processes, and they sought to work with other entities regarding counterfeits. Those tactics have already yielded results, as the Chegg audit demonstrates. *Supra* at 45-46. These efforts are hardly the actions of a wanton, egregious offender intent on skirting intellectual-property rights.

Therefore, the totality of the evidence, accepting all the jury's findings, leaves one conclusion: Defendants could have done better, but the huge award here far exceeds any amount necessary to satisfy the goals of the trademark and copyright statutes. "[A] more modest punishment * * * could have satisfied [Congress's] legitimate objectives, and the [district] court[] should have gone no further." *Campbell*, 538 U.S. at 419-420.

b. The second guidepost confirms that the jury's award goes too far, for the award is many multiples of the actual harm Plaintiffs suffered. *See Campbell*, 538 U.S. at 418, 424-425. The jury awarded $2 million for each trademark violation and $100,000 for each copyright violation, regardless of any differences in titles distributed.

Particularly for the trademark claims, each $2 million award dwarfs any harm. In the first place, Plaintiffs introduced no evidence of concrete harm. Instead, they offered vague generalizations about the importance of a publisher's brand and asserted that counterfeits cause damage. *E.g.*, A545:14-18 ("[C]ounterfeits have no quality control so I don't know what's in that book so, clearly, it has an impact."); A1738:21-23 ("[T]rademark is something that consumers or people respond to. They look at a trademark and they will say, that's a great product, I know it.").

Those sweeping generalities cannot support $2 million per title. Indeed, the titles at issue constitute a tiny fraction of Plaintiffs' works. For example, McGraw-Hill publishes 200-300 new titles each year and has sold nearly 100,000 titles over the past 10 years. A539:21-23, A542:8-12. Yet it received $2 million for the trademark violation relating to a single title. *See* A119 (Title 152). Similarly, Cengage "accomplishes" 20,000 titles annually (A717:16-18) and was awarded $2 million to cover just eight of them and another $2 million for two others. A119. And Pearson publishes 3,000 titles every year (A555:6-8), yet demands $10 million for just five trademark violations attributed to six titles.

The particular numbers of distributed copies confirm the absence of any reasonable relationship between harm and the award. For instance, Defendants purchased and sold 42 copies of Pearson's Title 92 (A360); even if every single one were counterfeit, that would amount to an award of over $47,600/copy. Put simply, no evidence supports anything but an astronomical multiplier for actual harm to Defendants' trademarks.

Likewise, there is inadequate evidence of copyright harm to support the $100,000-per-title award. Though the roadmap contains prices for some new titles, it does not follow that the sale of a counterfeit deprives Plaintiffs of a sale of their new book. That is because it is more likely that the displaced sale was another distributor's lower-priced copy. As Plaintiffs admit, used books compete with Plaintiffs' products, and Plaintiffs thus disdain used books. *E.g.*, A548:6-12. But consumers who buy from Defendants seek used-book prices; there is no evidence that a buyer would purchase a new copy from Plaintiffs instead of finding a cheaper copy elsewhere, and, indeed, logic dictates just the opposite.

c. The award looks even more egregious when compared to Defendants' profits and "financial situation." *Patterson v. Balsamico*, 440 F.3d 104, 121 (2d Cir.

2006). Even could the *Gore* guideposts sustain the award, the "inquiry does not end" there. *Ibid.* This Court does not uphold "awards that 'result in the financial ruin of the defendant' or 'constitute a disproportionately large percentage of the defendant's net worth.'" *Patterson*, 440 F.3d at 122 (quoting *Vasbinder v. Scott*, 976 F.2d 118, 121 (2d Cir. 1992)). In *Patterson*, the Court halved a $20,000 award in light of the defendant's finances showing $46,000 in wages and $92,500 in assets. *Id.* at 122-123. And *Vasbinder* found unlawful one award that exceeded 50% of the defendants' net worth and another that exceeded 40% of another defendant's liquid assets. 976 F.2d at 121.

The $34.2 million judgment here represents over 60% of Defendants' *total* profits from 2012 to 2016. A771:16-18. And even the district court acknowledged "that the award dwarfs [Defendants'] assets." A189. A significantly lower award would still "provide a sufficient punishment and deter future conduct of this sort." *Patterson*, 440 F.3d at 122. It is unnecessary to ruin Defendants to achieve punishment and deterrence. "Elementary notions of fairness" dictate that the award is unconstitutional and cannot stand. *Gore*, 517 U.S. at 574.

3. Even If The *Gore* Guideposts Do Not Apply, The Award Violates Due Process.

Even were the district court correct to apply only *Williams* to the exclusion of the Supreme Court's later decisions, the award would still be unconstitutional. For the same reasons as already discussed, $34.2 million is "so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." *Williams*, 251 U.S. at 67. That amount is entirely disproportionate to Defendants' offense, and there is no legitimate purpose in essentially driving Defendants out of business. *See, e.g.*, *United States v. Dish Network LLC*, 256 F. Supp. 3d 810, 951-952 (C.D. Ill. 2017) (finding unconstitutional under *Williams* an award that "would represent more than 25 percent of [defendant's] capital value and more than five years' net after tax profits" and thus "might put [defendant] out of business").[23]

V. THE COPYRIGHT ACT PREEMPTS PLAINTIFFS' BREACH-OF-CONTRACT CLAIM

Independent of its other errors, the district court incorrectly allowed Plaintiffs to assert breach of contract based on the settlement. Because Plaintiffs' contract claim amounts to breach of a promise not to violate the Copyright Act, that claim is preempted.[24]

"Section 301 of the Copyright Act expressly preempts a state law claim . . . if (i) the work at issue 'comes within the subject matter of copyright' and (ii) the right being asserted is 'equivalent to any of the exclusive rights within the general scope

[23] The award here even pales in comparison to those in *Tenenbaum* and *Thomas-Rasset*, which awarded $22,500 per work and $9,250 per work, respectively. 719 F.3d at 71; 692 F.3d at 907.

[24] Even absent preemption, contract liability cannot rest on any titles successfully challenged in Part I *supra*.

of copyright.'" *Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 429 (2d Cir. 2012). *Forest Park* held that claims "includ[ing] a promise to pay" for use of the plaintiff's work survive because "the Copyright Act does not provide an express right for the copyright owner to receive payment for the use of a work," *id.* at 431-32, but declined to "address whether preemption is precluded whenever there is a contract claim." *Id.* at 432. The Court distinguished a case where the contract "simply require[d] USA Network to honor Forest Park's exclusive rights under the Copyright Act." *Id.* at 432-33. And it recognized Professor Nimmer's "suggest[ion] that a contract that 'does not purport to give the plaintiff any protection beyond that provided by . . . copyright law itself' would be preempted." *Id.* at 432 (quoting 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 19D.03[C][2] (2011)) (ellipsis in original). That is precisely what the settlement does. *See* A829:2-7 (jury charge discussing contract provisions).

The district court nonetheless found no preemption. It thought the settlement included a "promise to pay" because it "specifically provided for damages in the event of a breach," including attorneys' fees. A142-143. But there is

> no authority for the novel proposition that a "qualitative difference" between the state law claim and the copyright claim may be supplied by a difference in damages claimed for the same basic wrong. In fact, if there were such an exception to the rule of preemption, the exception would quickly swallow the rule.

Am. Movie Classics Co. v. Turner Entm't Co., 922 F. Supp. 926, 932 n.5 (S.D.N.Y. 1996).

What matters is whether the *rights*—not the *remedies*—are equivalent. That is the case here: Defendants promised only to refrain from what copyright law already prohibits; they did not promise to pay for license rights or grant Plaintiffs any broader entitlement. The contract claim is accordingly preempted. Although the jury awarded no damages on this claim, it supplied one basis for awarding attorneys' fees. A173-174. Thus, this Court should at minimum remand to reconsider fees.

CONCLUSION

The Court should vacate the district court's judgment and remand.

Dated: December 20, 2018

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I hereby certify that pursuant to Local Rule 32.1(a)(4)(A), this brief contains 13,809 words, excluding the parts of the document exempted by Federal Rule of Appellate Procedure 32(f), and complies with the format, typeface, and type-style requirements of Federal Rules of Appellate Procedure 32(a)(5)-(6).

Dated: December 20, 2018

/s/ Peter K. Stris
Peter K. Stris

CERTIFICATE OF SERVICE

I hereby certify that on December 20, 2018, I electronically filed the above document, along with the Defendants-Appellants' Appendix, with the Clerk of the Court of the United States Court of Appeals for the Second 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.

Dated: December 20, 2018

/s/ Peter K. Stris
Peter K. Stris

SPECIAL APPENDIX

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY & SONS, INC, *et al.*

Plaintiffs,

\- against -

BOOK DOG BOOKS, LLC,

Defendants.

13cv816

CENGAGE LEARNING, INC, *et al.*,

Plaintiffs,

\- against -

BOOK DOG BOOKS, LLC, *et al.*

Defendants.

16cv7123

WILLIAM H. PAULEY III, District Judge:

VERDICT FORM

WILLIAM H. PAULEY III, United States District Judge:

According to the principles of law as charged by this Court and the facts as you find them, please answer the following questions:

I. Trademark Infringement

Question 1. Plaintiffs are pursuing trademark infringement claims for 10 trademarks. Those trademarks are listed in TABLE 1. Which trademarks, if any, have Plaintiffs established by a preponderance of the evidence that Defendants infringed?

Check only one box ☑ ALL ☐ SOME ☐ NONE

If you answered "ALL" to Question 1, go to Question 2.

If you answered "NONE" to Question 1, go directly to Section II.

If you answered "SOME" to Question 1, please mark in the "LIABILITY" column of TABLE 1, the trademarks that you find Defendants infringed. Then proceed to Question 2.

Question 2. If you answered "ALL" or "SOME," to *Question 1*, you must decide whether Defendants' infringement was willful or not willful. Which trademarks, if any, have Plaintiffs established by a preponderance of the evidence that Defendants' infringement was willful?

Check only one box ☑ ALL ☐ SOME ☐ NONE

If you answered "ALL" to Question 2, go to Question 3.

If you answered "NONE" to Question 2, go to Question 3.

If you answered "SOME" to Question 2, please identify the trademarks that you find Defendants willfully infringed by checking the box in the "WILLFUL" column of TABLE 1. Please identify the trademarks that you find Defendants did not willfully infringe by checking the box in the "NOT WILLFUL" column of TABLE 1. Then proceed to Question 3.

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Question 3. If you answered "ALL" or "SOME" to *Question 1*, you must determine an amount of statutory damages to award Plaintiffs for each trademark that you found Defendants infringed. If you choose to award the same amount of statutory damages for each trademark infringed, please fill in the amount you award Plaintiffs for each trademark infringed on the line below. If you choose to award different amounts of damages for different trademarks, please identity the amount you award Plaintiffs for each trademark that you found Defendants infringed in the "DAMAGES AWARD" column of TABLE 1.

The amount of statutory damages that you must award Plaintiffs for each trademark infringed is as follows:

If Not Willful	*You **must** award damages between $1,000 and $200,000 per trademark infringed*
If Willful	*You **must** award damages between $1,000 and $2,000,000 per trademark infringed*

What amount of statutory damages ***per trademark infringed*** do you award Plaintiffs?

Amount: $ 2,000,000.00 **per** trademark*

**Do not fill in if you choose to award different amounts of damages in TABLE 1*

Please proceed to Section II.

Verdict Form - Table 1

If Not Willful	*You **must** award damages between $1,000 and $200,000*
If Willful	*You **must** award damages between $1,000 and $2,000,000*

							WILLFULNESS		
	Trademark	Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFUL	NOT WILLFUL	DAMAGES AWARD
1	Cengage Learning	18	BDB 1	Business Ethics: Ethical Decision Making and Cases	Cengage		✓		2,000,000
		19	BDB 1	Business Ethics: Ethical Decision Making and Cases	Cengage				
		22	BDB 1	Communication Between Cultures	Cengage				
		41	BDB 1	Intercultural Communication: A Reader	Cengage				
		62	BDB 1	Sociology: The Essentials	Cengage				
		63	BDB 1	Statistics for Evidence Based Practice and Evaluation	Cengage				
		102	BDB 1	Microeconomics: Private and Public Choice	Cengage				
		105	BDB 1	Organizational Communication: Approaches and Processes	Cengage				
2	Brooks Cole	17	BDB 1	Becoming a Helper	Cengage		✓		2,000,000
		44	BDB 1	Issues and Ethics in Helping Professions	Cengage				
3	McGraw-Hill	152	BDB 2	Workbook/Laboratory Manual to Accompany Puntos de Partida	McGraw-Hill		✓		2,000,000
4	Pearson	55	BDB 1	Political Science	Pearson		✓		2,000,000
		67	BDB 1	Teaching and Learning with Technology	Pearson				
5	Allyn & Bacon	92	BDB 1	Intercultural Competence	Pearson		✓		2,000,000
6	Benjamin Cummings	101	BDB 1	Microbiology	Pearson		✓		2,000,000
7	Merrill	128	BDB 1	Human Resources Administration in Education	Pearson		✓		2,000,000
8	Prentice Hall	114	BDB 1	Supply Chain Management	Pearson		✓		2,000,000
9	Wiley	65	BDB 1	Strategic Market Management	Wiley		✓		2,000,000
10	JW	131	BDB 1	Organic Chemistry as a Second Language	Wiley		✓		2,000,000

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II. Copyright Infringement

Question 4. Plaintiffs are pursuing copyright infringement claims for 142 titles. Those 142 titles are listed in TABLE 2. Which copyrights, if any, have Plaintiffs established by a preponderance of the evidence that Defendants infringed?

Check only one box ☑ ALL ☐ SOME ☐ NONE

If you answered "ALL" to Question 4, go to Question 5.

If you answered "NONE" to Question 4, go directly to Section III.

If you answered "SOME" to Question 4, please mark the copyrights that you find Defendants infringed in the "LIABILITY" column of TABLE 2. Then proceed to Question 5.

Question 5. If you answered "ALL" or "SOME," to *Question 4*, you must determine whether Defendants' infringement was willful, innocent, or neither willful nor innocent. Please mark below whether you find Defendants' copyright infringement was "ALL WILLFUL," "ALL INNOCENT," "ALL NEITHER WILLFUL NOR INNOCENT," or "SOME MIX OF THE ABOVE."

Check only one box

☑ ALL WILLFUL

☐ ALL INNOCENT

☐ ALL NEITHER WILLFUL NOR INNOCENT

☐ SOME MIX OF THE ABOVE

If you answered "ALL WILLFUL," go to Question 6.

If you answered "ALL INNOCENT," go to Question 6.

If you answered "ALL NEITHER WILLFUL NOR INNOCENT," go to Question 6.

If you answered "SOME MIX OF THE ABOVE," please mark the willfulness determination you make for each copyright that you found Defendants infringed in the columns marked "WILLFUL," "INNOCENT," and "NEITHER WILLFUL NOR INNOCENT" in TABLE 2. Then proceed to Question 6.

Question 6. If you answered "ALL" or "SOME" to *Question 4*, you must determine an amount of statutory damages to award Plaintiffs for each copyright that you found Defendants infringed. If you choose to award the same amount of statutory damages per copyright infringed, please fill in the number you award Plaintiffs for each copyright infringed on the line below. If you choose to award different amounts of damages for different copyrights, please identify the amount you award Plaintiffs for each copyright that you found Defendants infringed in the "DAMAGES AWARD" column of TABLE 2.

The amount of statutory damages that you must award Plaintiffs for each copyright infringed is as follows:

If Willful	*You **must** award damages between $750 and $150,000 per title infringed*
If Innocent	*You **must** award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You **must** award damages between $750 and $30,000 per title infringed*

What amount of statutory damages ***per copyright infringed*** do you award Plaintiffs?

Amount: $ 100,000.$^{\underline{00}}$ per copyright*

**Do not fill in if you choose to award different amounts of damages in TABLE 2.*

Please proceed to Section III.

Verdict Form - Table 2

If Willful	*You must award damages between $750 and $150,000 per title infringed*
If Innocent	*You must award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You must award damages between $750 and $30,000 per title infringed*

Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFULNESS: WILLFUL	WILLFULNESS: INNOCENT	WILLFULNESS: NEITHER WILLFUL NOR INNOCENT	DAMAGES AWARD
1	BDB 1	Classroom Management for Middle School and High School Teachers	Pearson		✓			$ 100,000
2	BDB 1	Educational Administration: Concepts and Practices	Cengage		✓			$ 100,000
3	BDB 1	Human Communication: The Basic Course, 12th Edition	Pearson		✓			$ 100,000
4	BDB 1	International Economics: Theory and Policy	Pearson		✓			$ 100,000
5	BDB 1	Population: An Introduction to Concepts and Issues	Cengage		✓			$ 100,000
6	BDB 1	Research Methods for the Behavioral Sciences	Cengage		✓			$ 100,000
7	BDB 1	Basics of Social Research, The	Cengage		✓			$ 100,000
8	BDB 1	Communicating for Results	Cengage		✓			$ 100,000
9	BDB 1	Environment: The Science Behind the Stories	Pearson		✓			$ 100,000
10	BDB 1	Introduction to Teaching	Pearson		✓			$ 100,000
11	BDB 1	An Introduction to the Profession of Social Work	Cengage		✓			$ 100,000
12	BDB 1	Media Effects Research	Cengage		✓			$ 100,000
13	BDB 1	Social Work. An Empowering Profession	Pearson		✓			$ 100,000

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Verdict Form - Table 2

If Willful	*You must award damages between $750 and $150,000 per title infringed*
If Innocent	*You must award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You must award damages between $750 and $30,000 per title infringed*

Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFULNESS			DAMAGES AWARD
					WILLFUL	INNOCENT	NEITHER WILLFUL NOR INNOCENT	
14	BDB 1	Sociology: A Down to Earth Approach, Core Concepts	Pearson		✓			$ 100,000
15	BDB 1	Understanding Human Development	Pearson		✓			$ 100,000
16	BDB 1	Assessment In Special and Inclusive Education	Cengage		✓			$ 100,000
20	BDB 1	Child, Family, School, Community: Socialization and Support	Cengage		✓			$ 100,000
21	BDB 1	Communicating in Small Groups	Pearson		✓			$ 100,000
23	BDB 1	Communication in Small Groups: Theory, Process, and Skills	Cengage		✓			$ 100,000
24	BDB 1	Communication: Making Connections	Pearson		✓			$ 100,000
25	BDB 1	Communication: Principles for a Lifetime	Pearson		✓			$ 100,000
26	BDB 1	Comparative Politics in Transition	Cengage		✓			$ 100,000
27	BDB 1	Cross-Cultural Language and Academic	Pearson		✓			$ 100,000
28	BDB 1	Cross-Cultural Psychology	Pearson		✓			$ 100,000
29	BDB 1	Doing Psychology Experiments	Cengage		✓			$ 100,000
30	BDB 1	Educational Psychology	Pearson		✓			$ 100,000
31	BDB 1	Educational Psychology	Pearson		✓			$ 100,000
32	BDB 1	Essential Research Methods for Social Work	Cengage		✓			$ 100,000
33	BDB 1	Essentials of Statistics, The	Cengage		✓			$ 100,000

Verdict Form - Table 2

If Willful	*You **must** award damages between $750 and $150,000 per title infringed*
If Innocent	*You **must** award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You **must** award damages between $750 and $30,000 per title infringed*

					WILLFULNESS			
Roadmap Title #	**Case**	**TITLE**	**PUBLISHER**	**LIABILITY**	**WILLFUL**	**INNOCENT**	**NEITHER WILLFUL NOR INNOCENT**	**DAMAGES AWARD**
34	BDB 1	Essentials of Strategic Management	Pearson		✓			$ 100,000
35	BDB 1	Family Business	Cengage		✓			$ 100,000
36	BDB 1	Gendered Lives	Cengage		✓			$ 100,000
37	BDB 1	Global Politics	Cengage		✓			$ 100,000
38	BDB 1	Groups: Process and Practice	Cengage		✓			$ 100,000
39	BDB 1	I Never Knew I Had A Choice	Cengage		✓			$ 100,000
40	BDB 1	In Conflict and Order	Pearson		✓			$ 100,000
42	BDB 1	Interpersonal Communication Book, The	Pearson		✓			$ 100,000
43	BDB 1	An Invitation to Social Research	Cengage		✓			$ 100,000
45	BDB 1	Management of Electronic Media	Cengage		✓			$ 100,000
46	BDB 1	Marketing Strategy	Cengage		✓			$ 100,000
47	BDB 1	Mass Media Research	Cengage		✓			$ 100,000
48	BDB 1	Mechanics of Materials	Wiley		✓			$ 100,000
49	BDB 1	Media Ethics	Pearson		✓			$ 100,000
50	BDB 1	Meetings, Expositions, Events, and Conventions	Pearson		✓			$ 100,000
51	BDB 1	Modern Radio Production	Cengage		✓			$ 100,000
52	BDB 1	Nonverbal Communication in Human Interaction	Cengage		✓			$ 100,000

Verdict Form - Table 2

If Willful	*You must award damages between $750 and $150,000 per title infringed*
If Innocent	*You must award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You must award damages between $750 and $30,000 per title infringed*

					WILLFULNESS			
Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFUL	INNOCENT	NEITHER WILLFUL NOR INNOCENT	DAMAGES AWARD
54	BDB 1	Politics in States and Communities	Pearson		✓			$ 100,000
55	BDB 1	Promoting Community Change: Making it Happen in the Real World	Cengage		✓			$ 100,000
56	BDB 1	Public Relations Writing	Cengage		✓			$ 100,000
57	BDB 1	Research Methods in Social Work	Cengage		✓			$ 100,000
58	BDB 1	Research Methods for the Behavioral Sciences	Cengage		✓			$ 100,000
59	BDB 1	Social Problems	Pearson		✓			$ 100,000
60	BDB 1	Social Science	Pearson		✓			$ 100,000
61	BDB 1	Sociology Now: Essentials	Pearson		✓			$ 100,000
64	BDB 1	Strategic Market Management	Wiley		✓			$ 100,000
66	BDB 1	Strategy and the Business Landscape	Pearson		✓			$ 100,000
68	BDB 1	Theory, Practice, and Trends in Human Services	Cengage		✓			$ 100,000
69	BDB 1	Understanding Psychology	Pearson		✓			$ 100,000
70	BDB 1	Writing and Reporting News	Cengage		✓			$ 100,000
71	BDB 1	Advertising Campaign Strategy	Cengage		✓			$ 100,000
72	BDB 1	Applying Career Development Theory to Counseling	Cengage		✓			$ 100,000
73	BDB 1	Basics of Research Methods for Criminal Justice and Criminology	Cengage		✓			$ 100,000

Verdict Form - Table 2

If Willful	*You must award damages between $750 and $150,000 per title infringed*
If Innocent	*You must award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You must award damages between $750 and $30,000 per title infringed*

Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFULNESS: WILLFUL	WILLFULNESS: INNOCENT	WILLFULNESS: NEITHER WILLFUL NOR INNOCENT	DAMAGES AWARD
74	BDB 1	Becoming Qualitative Researchers	Pearson		✓			$100,000
75	BDB 1	Business Ethics	Cengage		✓			$100,000
76	BDB 1	Case Studies in School Counseling	Pearson		✓			$100,000
77	BDB 1	Color of Justice, The	Cengage		✓			$100,000
78	BDB 1	Contemporary Issues in Curriculum	Pearson		✓			$100,000
79	BDB 1	A Course in Phonetics	Cengage		✓			$100,000
80	BDB 1	Crisis Intervention Strategies	Cengage		✓			$100,000
81	BDB 1	Cultural Anthropology	Pearson		✓			$100,000
82	BDB 1	Entrepreneurial Finance	Cengage		✓			$100,000
83	BDB 1	Essentials of Systems Analysis and Design	Pearson		✓			$100,000
84	BDB 1	Evaluating Social Work Services and Programs	Pearson		✓			$100,000
85	BDB 1	Exploring Research	Pearson		✓			$100,000
86	BDB 1	Family in Transition	Pearson		✓			$100,000
87	BDB 1	Foundations of Addictions Counseling	Pearson		✓			$100,000
88	BDB 1	Framework for Marketing Management	Pearson		✓			$100,000
89	BDB 1	Fundamentals of Organizational Communication	Pearson		✓			$100,000
90	BDB 1	Great Traditions in Ethics	Cengage		✓			$100,000
91	BDB 1	Industrial Safety and Health Management	Pearson		✓			$100,000

Verdict Form - Table 2

If Willful	*You must award damages between $750 and $150,000 per title infringed*
If Innocent	*You must award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You must award damages between $750 and $30,000 per title infringed*

					WILLFULNESS			
Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFUL	INNOCENT	NEITHER WILLFUL NOR INNOCENT	DAMAGES AWARD
93	BDB 1	Intercultural Competence	Pearson		✓			$100,000
94	BDB 1	Introduction to Behavioral Research Methods	Pearson		✓			$100,000
95	BDB 1	Introduction to Electrodynamics	Pearson		✓			$100,000
96	BDB 1	Introduction to Quantum Mechanics	Pearson		✓			$100,000
97	BDB 1	Language Arts: Patterns of Practice	Pearson		✓			$100,000
98	BDB 1	Leadership Experience, The	Cengage		✓			$100,000
99	BDB 1	Literacy's Beginnings	Pearson		✓			$100,000
100	BDB 1	Literature: Introduction to Reading	Pearson		✓			$100,000
103	BDB 1	Morality In Practice	Cengage		✓			$100,000
104	BDB 1	Multicultural Counseling and Psychotherapy	Pearson		✓			$100,000
106	BDB 1	Organizational Communication	Pearson		✓			$100,000
107	BDB 1	Organizations: Structures, Processes, and Outcomes	Pearson		✓			$100,000
108	BDB 1	Power and Society	Cengage		✓			$100,000
109	BDB 1	Practical Research Planning and Design	Pearson		✓			$100,000
110	BDB 1	Principles of Microeconomics	Cengage		✓			$100,000
111	BDB 1	Race, Class, and Gender: An Anthology	Cengage		✓			$100,000
112	BDB 1	Social Organization of Work, The	Cengage		✓			$100,000
113	BDB 1	Social Welfare	Pearson		✓			$100,000

Verdict Form - Table 2

If Willful	*You **must** award damages between $750 and $150,000 per title infringed*
If Innocent	*You **must** award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You **must** award damages between $750 and $30,000 per title infringed*

					WILLFULNESS			
Roadmap Title #	**Case**	**TITLE**	**PUBLISHER**	**LIABILITY**	**WILLFUL**	**INNOCENT**	**NEITHER WILLFUL NOR INNOCENT**	**DAMAGES AWARD**
115	BDB 1	Supply Chain Management	Pearson		✓			$ 100,000
116	BDB 1	Teaching In Middle and Secondary Schools	Pearson		✓			$ 100,000
117	BDB 1	Theories of Personality	Cengage		✓			$ 100,000
118	BDB 1	Theory and Practice of Counseling and Psychotherapy	Cengage		✓			$ 100,000
119	BDB 1	Understanding Management	Cengage		✓			$ 100,000
120	BDB 1	Biopsychology	Pearson		✓			$ 100,000
121	BDB 1	Calculus	Cengage		✓			$ 100,000
122	BDB 1	Chemistry	Cengage		✓			$ 100,000
123	BDB 1	Economics: Private and Public Choice	Cengage		✓			$ 100,000
124	BDB 1	Financial Accounting	Pearson		✓			$ 100,000
125	BDB 1	Foundations for Clinical Mental Health	Pearson		✓			$ 100,000
126	BDB 1	Foundations of Finance	Pearson		✓			$ 100,000
127	BDB 1	Fundamentals of Clinical Supervision	Pearson		✓			$ 100,000
129	BDB 1	Internship, Practicum, and Field Placement Handbook	Pearson		✓			$ 100,000
130	BDB 1	Microeconomics: Private and Public Choice	Cengage		✓			$ 100,000
132	BDB 1	Organizational Communication: Approaches and	Cengage		✓			$ 100,000
133	BDB 1	Precalculus	Cengage		✓			$ 100,000

Verdict Form - Table 2

If Willful	*You must award damages between $750 and $150,000 per title infringed*
If Innocent	*You must award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You must award damages between $750 and $30,000 per title infringed*

Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFULNESS: WILLFUL	WILLFULNESS: INNOCENT	WILLFULNESS: NEITHER WILLFUL NOR INNOCENT	DAMAGES AWARD
134	BDB 1	Principles of Economics	Cengage		✓			$ 150,000
135	BDB 1	Principles of Macroeconomics	Cengage		✓			$ 100,000
136	BDB 1	School Law and the Public Schools	Pearson		✓			$ 100,000
137	BDB 1	Social Studies for the Preschool/Primary Child	Pearson		✓			$ 100,000
138	BDB 1	Strategic Management: A Competitive	Pearson		✓			$ 100,000
139	BDB 1	Substance Abuse: Information for School	Pearson		✓			$ 100,000
140	BDB 1	Supervision and Instructional Leadership	Pearson		✓			$ 100,000
141	BDB 2	Communication Research: Strategies and Sources	Cengage		✓			$ 100,000
142	BDB 2	Intercultural Communication	Cengage		✓			$ 100,000
143	BDB 2	Interpersonal Communication	Cengage		✓			$ 100,000
144	BDB 2	Interviewing for Solutions	Cengage		✓			$ 100,000
145	BDB 2	Macroeconomics: Private and Public Choice	Cengage		✓			$ 100,000
146	BDB 2	Management of Information Security	Cengage		✓			$ 100,000
147	BDB 2	Principles of Instrumental Analysis	Cengage		✓			$ 100,000
148	BDB 2	Critical Thinking	McGraw-Hill		✓			$ 100,000
149	BDB 2	Fundamental Financial Accounting Concepts	McGraw-Hill		✓			$ 100,000
150	BDB 2	Interpersonal Conflict	McGraw-Hill		✓			$ 100,000

Verdict Form - Table 2

If Willful	*You must award damages between $750 and $150,000 per title infringed*
If Innocent	*You must award damages between $200 and $30,000 per title infringed*
If Neither Willful Nor Innocent	*You must award damages between $750 and $30,000 per title infringed*

Roadmap Title #	Case	TITLE	PUBLISHER	LIABILITY	WILLFULNESS			DAMAGES AWARD
					WILLFUL	INNOCENT	NEITHER WILLFUL NOR INNOCENT	
151	BDB 2	Macroeconomics: Principles, Problems & Policies	McGraw-Hill		✓			$ 100,000
153	BDB 2	Abnormal Psychology	Pearson		✓			$ 100,000
154	BDB 2	Biological Science	Pearson		✓			$ 100,000
155	BDB 2	Business Statistics	Pearson		✓			$ 100,000
156	BDB 2	Campbell Biology	Pearson		✓			$ 100,000
157	BDB 2	Enterprise Systems for Management	Pearson		✓			$ 100,000
158	BDB 2	Essentials of Organizational Behavior	Pearson		✓			$ 100,000
159	BDB 2	Society: The Basics	Pearson		✓			$ 100,000
160	BDB 2	Statistics for Managers	Pearson		✓			$ 100,000
161	BDB 2	The Social Work Experience	Pearson		✓			$ 100,000

III. Breach of Contract

Question 7. Have Plaintiffs established by a preponderance of the evidence that Defendants are liable for a breach of the 2008 Settlement Agreement?

Check only one box ☑ YES ☐ NO

Please have the foreperson sign and date the verdict sheet, and advise the Court by note that you have reached a verdict.

Dated: April 5, 2018

Signed:

FOREPERSON

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY & SONS, INC., *et al.*,

Plaintiffs,

- against -

BOOK DOG BOOKS, LLC, *et al.*,

Defendants.

13cv816

CENGAGE LEARNING, INC., *et al.*,

Plaintiffs,

- against -

BOOK DOG BOOKS, LLC, *et al.*,

Defendants.

16cv7123

OPINION & ORDER

WILLIAM H. PAULEY III, Senior United States District Judge:

On April 5, 2018, a nine-person jury found Defendants liable on Plaintiffs' trademark infringement, copyright infringement, and breach of contract claims and awarded Plaintiffs $34.2 million in statutory damages. In the wake of that verdict, the parties filed a plethora of motions. Defendants move for: (1) renewed judgment as a matter of law, (2) a new trial, (3) remittitur, and (4) a stay of enforcement of any judgment pending appeal. Plaintiffs move for: (1) entry of a partial final judgment, (2) prejudgment interest, (3) a permanent injunction, (4) disposition of infringing materials, and (5) attorneys' fees and costs. For the reasons that follow, Defendants' motions are denied. Plaintiffs' motion for partial final judgment is denied as moot. Plaintiffs' motion for prejudgment interest is denied. Plaintiffs' motions for a permanent injunction, disposition of infringing materials, and attorneys' fees and costs are granted in part and denied in part.

BACKGROUND

The April 2018 verdict was the dénouement of a decade of litigation between the parties. Plaintiffs are a consortium of textbook publishers: John Wiley & Sons, Cengage Learning, Pearson Education, and McGraw–Hill Global Education. Defendants are used book sellers owned and operated by Philip Smyres. (See Trial Tr. 765:3–767:14.)

In 2007, Plaintiffs sued Defendants for copyright infringement and trademark infringement. (See Second Amended Complaint, No. 13-cv-816 ("BDB I"), ECF No. 263 ("BDB I SAC"), ¶ 3.) The parties settled that action with an agreement that Defendants would cease importing and selling counterfeit books. (See PX127 ("Settlement Agreement").) In 2011, Plaintiffs discovered that Defendants were selling counterfeit books once again. (BDB I SAC, ¶ 4.) This time, settlement negotiations failed, and Defendants filed a preemptive federal action against Plaintiffs in the Southern District of Ohio seeking a declaration that Defendants were not violating Plaintiffs' rights under the Copyright Act. See Book Dog Books, LLC v. Cengage Learning, Inc., No. 12-cv-1165 (S.D. Ohio) (the "Ohio Action"). Plaintiffs responded by filing the first action in this proceeding ("Book Dog Books I"), asserting trademark infringement, copyright infringement, breach of the Settlement Agreement, and related claims. In 2013, the

Ohio Action was transferred to this Court, and the parties stipulated to dismiss it. (See Order, No. 13-cv-6413, ECF No. 89.) In 2016, Plaintiffs filed Book Dog Books II, which identified additional works that Plaintiffs claimed Defendants infringed during the pendency of Book Dog Books I. (See Plaintiffs' Second Amended Complaint, No. 16-cv-7123 ("BDB II"), ECF No. 30.) This Court consolidated both cases for trial. (See Scheduling Order, BDB II, ECF No. 28.)

Scorched-earth litigation ensued, including numerous discovery motions, followed by appeals of determinations made by the Magistrate Judge, and multiple motions for summary judgment (followed by motions for reconsideration). As the trial date loomed, the parties filed nearly twenty motions in limine and five Daubert motions. The docket sheet for each case approaches 500 entries. And on the eve of trial, Plaintiffs discovered that Defendants had concealed certain business entities and profit distributions, prompting further litigation over sanctions and adverse inference instructions.

Trial began on March 19, 2018 and spanned three weeks. The parties presented hundreds of textbooks to the jury. Plaintiffs argued that this was "a case about a bookseller swarming in counterfeits . . . who was caught, sued, and settled, [but] ignored the settlement and ignored the law." (Trial Tr. 40:11:14.) They averred that Defendants "knowingly purchased counterfeits from known counterfeit suppliers," "failed to maintain the kinds of records that would allow anybody to track . . . what they did," and "destroy[ed] evidence when they thought that it might be useful." (Trial Tr. 40:16–24.) Plaintiffs offered evidence that Smyres knew or should have known that he was importing and selling counterfeits, but continued to do so with reckless abandon. (See, e.g., Trial Tr. 891:23–892:2.) Plaintiffs' financial expert testified that from 2012 to 2016, Defendants earned more than $53 million in profits and generated $783 million in revenue, and that from 2008 to 2016 Smyres personally received over $47 million. (Trial Tr. 1948:16–1950:19, 1975:23–1976:2.)

Defendants countered that their companies used robust procedures and training to detect counterfeit books, but, like all booksellers, were unable to stop counterfeits from slipping through the cracks. (See, e.g., Trial Tr. 3021:8–3022:25.) Defendants also argued that Plaintiffs failed to prove that some or all counterfeits at issue originated from the Defendants.

At the end of Plaintiffs' case-in-chief, Defendants moved for judgment as a matter of law. (Trial Tr. 2079:2–2084:5.) This Court reserved decision. (Trial Tr. 2088:18.) During its charge, this Court gave adverse inference instructions concerning the scope of Defendants' business and profits, and their failure to maintain records. (Trial Tr. 3123:6–3124:3.) The jury found that Defendants' infringement was willful and chose to award Plaintiffs the maximum statutory damages of $2 million for each of their 10 trademark claims, as well as $100,000 for each of their 142 copyright claims. The jury also determined that Defendants breached the Settlement Agreement.

DISCUSSION

I. Judgment as a Matter of Law

A. Legal Standard

Under Federal Rule of Civil Procedure 50, within 28 days of a verdict, a party "may file a renewed motion for judgment as a matter of law and may include an alternative or joint request for a new trial under Rule 59." Fed. R. Civ. P. 50(b). The movant must demonstrate that "the evidence, drawing all inferences in favor of the non-moving party and giving deference to all credibility determinations of the jury, is insufficient to permit a reasonable juror to find in [the opposing party's] favor." Lavin-McEleney v. Marist Coll., 239 F.3d 476, 479 (2d Cir. 2001). There must be "such a complete absence of evidence supporting the verdict that the jury's findings could only have been the result of sheer surmise and conjecture . . . or pure guesswork." Provost v. City of Newburgh, 262 F.3d 146, 156 (2d Cir. 2001) (citations and quotation marks omitted). The movant's burden is "particularly heavy." Cash v. Cty. of Erie, 654 F.3d 324, 333 (2d Cir. 2011) (citation omitted). The court may not "assess the weight of conflicting evidence, pass on the credibility of the witnesses, or substitute its judgment for that of the jury." Black v. Finantra Capital, Inc., 418 F.3d 203, 208 (2d Cir. 2005) (citation omitted).

B. Distribution

Defendants contend that Plaintiffs failed to show evidence of distribution for 116 works, meaning Plaintiffs did not establish that Defendants sold at least one counterfeit copy of those works. This contention undergirded an earlier summary judgment motion. (See Mot. for Partial Summ. J. by Defs., BDB I, ECF No. 266; Report & Recommendation, BDB I, ECF No. 308.) This Court declined to adopt that portion of a Report and Recommendation that had concluded that Plaintiffs failed to show distribution for certain works. See John Wiley & Sons, Inc. v. Book Dog Books, LLC, 2016 WL 11468565, at *1, *4–5 (S.D.N.Y. Mar. 29, 2016). Noting that copyright infringement can be proven by circumstantial evidence, this Court held that "a reasonable jury could find that Book Dog's purchases from suppliers accused of dealing in counterfeit textbooks, failure to keep accurate records, and destruction of potentially infringing textbooks—combined with the counterfeit exemplars uncovered by the Publishers—support the inference that Book Dog sold the counterfeit textbooks." John Wiley & Sons, 2016

WL 11468565, at *5.

Defendants now resurrect that argument, contending that no reasonable jury could find sufficient evidence of distribution for 116 works. But "direct proof of actual dissemination is not required under the Copyright Act." Capitol Records, Inc. v. Thomas, 579 F. Supp. 2d 1210, 1225 (D. Minn. 2008) (emphasis omitted). Indeed, in a case where there was no "direct proof" that the defendant had infringed, the Second Circuit determined that there was "a significant amount of circumstantial evidence that support[ed] the district court's . . . finding of liability," including defendant's (1) failure to keep adequate records, (2) failure "to adequately check the authenticity of the goods it purchased," (3) failure "to adequately inquire" about the authenticity and sources of the goods purchased, and (4) return of merchandise after being sued. Fendi Adele, S.R.L. v. Ashley Reed Trading, Inc., 507 F. App'x 26 (2d Cir. 2013) (summary order).

Aside from direct evidence of distribution, the circumstantial evidence against Defendants was legion and harmonizes with the indicia of liability described in Fendi. Defendants admitted they sold at least some of the works. (Trial Tr. 3044:3–22.) The jury saw "counterfeit exemplars," or counterfeit works returned to Plaintiffs from Defendants' customers or found in Defendants' warehouses. (See Trial Tr. 315:11–13.) Plaintiffs presented emails in which Smyres and his staff recognized that they might have been buying counterfeits and had counterfeits in their inventory. (Trial Tr. 334:10–17, 2371:8–17.) Defendants continued to purchase from sources that they knew sold counterfeits. (Trial Tr. 823:17–824:23, 827:23–828:1.) And they acknowledged that their procedures for checking counterfeits were ineffective. (Trial Tr. 935:12–20, 1205:20–25, 1391:5–1395:12.) The jury also heard that other textbook distributors believed Defendants had sold them counterfeits and were "risky suppliers." (Trial Tr. 1913:2–16, 1932:3–12, 1943:21–1944:4, 2051:1–3.)

Further, the jury learned that Defendants kept inadequate records. (Trial Tr. 315:17–24, 2229:3–10.) Photographs of Defendants bulldozing counterfeit books for "fear of a lawsuit" were received in evidence. (Trial Tr. 917:23–924:2.) And this Court instructed the jury that they could "consider defendants' document destruction practices and their failure to retain records regarding those books in determining whether defendants infringed plaintiffs' trademarks and copyrights." (Trial Tr. 3123:12–15.) Topping everything off, the jury was permitted to "infer that the evidence that defendants failed to provide would have been unfavorable to defendants." (Trial Tr. 3123:24–3124:1.)

Defendants acknowledge that infringement can be established through circumstantial evidence. (See June 26, 2018 Hr'g Tr., BDB II, ECF No. 485 ("Hr'g Tr.") 11:24). But they contend that Plaintiffs did not present a sufficient quantum. In making this argument, Defendants separate the 116 works they challenge into four categories: (1) works found in Defendants' quarantine, (2) works for which Plaintiffs had no counterfeit exemplar, (3) works found in other book distributors' inventories, and (4) works for which Plaintiffs had evidence from multiple sources. Defendants' overly cramped analysis does not give proper weight to the evidence.

First, Defendants contend that the works found only in their quarantine cannot support an inference that Defendants also sold those works. But Plaintiffs' Roadmap summarized that Defendants purchased more of those works than were held in quarantine. And the jury heard that Defendants inadequately checked books before selling them. Therefore, a reasonable jury could have inferred that other copies of that title had slipped through the cracks and been sold. Combined with the circumstantial evidence described above, the jury could have determined that it was more likely than not that a counterfeit copy in Defendants' inventory meant that Defendants also sold a copy of that work.

Second, Defendants challenge the five works for which Plaintiffs did not present a counterfeit copy. However, the jury heard that Defendants had purchased copies of those works from Best Books World, a known counterfeiter, returned some of them after determining that they were counterfeit, keeping the rest, and that none were found in Defendants' inventory. This could support an inference that Defendants sold the copies they did not return. Indeed, when Smyres sent some copies back to Best Books World, he wrote "I cannot trust that any of the[] [books] are authentic." (PX18; Trial Tr. 831:23–832:2.) Although Smyres doubted that any of these copies were authentic, Defendants only shipped some back. The jury could have logically concluded that Defendants sold the rest.

Third, some of the works that Plaintiffs offered were found in the inventories of other book distributors. Defendants argue that those works could have come from other sources. But deposition testimony revealed that those distributors considered Defendants to be one of the most prevalent suppliers of counterfeit books and had ceased doing business with Defendants based on their history of infringement. (See Trial Tr. 1913:2–16, 1932:3–12, 1943:21–1944:4, 2051:1–3.) And Plaintiffs' Roadmap summarized that Defendants sourced these works from known counterfeiters like Best Books World, the Blackerbys, and Morena.

Last, Defendants challenge works for which a copy was found both in Defendants' quarantine and a distributor's inventory. But the evidence is even stronger for this category. As Plaintiffs aptly characterized it, the jury was presented with "counterfeit copies swarming around Defendants—in their possession, their upstream supplier's possession, and their downstream customers' possession." (Mem. of Law in Opp. to Defs.' Post-Trial Mots., BDB II, ECF No. 443, at 9.)

Considering the high burden on a motion for judgment as a matter of law, Defendants fail to demonstrate that the verdict amounts to "sheer surmise and conjecture." See Rosas v. Balter Sales Co., 2018 WL 3199253, at *3 (S.D.N.Y. June 29, 2018) (citation omitted). The jury was permitted to make inferences based on the totality of the evidence. Their inferences were within reason and established by a preponderance of the evidence. See United States v. Dibrizzi, 393 F.2d 642, 644–45 (2d Cir. 1968) ("[I]nferences may arise from a combination of acts, even though each act standing by itself may seem to be unimportant.").

C. Ownership

Defendants assert that Plaintiffs failed to demonstrate ownership for thirteen titles,[1] meaning that Plaintiffs failed to establish statutory standing to sue for those works. See Kwan v. Schlein, 634 F.3d 224, 229 (2d Cir. 2011) (a plaintiff suing for copyright infringement must establish "ownership of a valid copyright") (citation omitted); Davis v. Blige, 505 F.3d 90, 100 (2d Cir. 2007) ("[A]n exclusive licensee may sue others for infringement. . . .").

Six of Defendants' challenges are easily turned aside. First, no copyright registration was necessary for Work 18 because Plaintiffs only pursued a trademark claim with respect to that title. (See PX1, at 3.) Second, Plaintiffs submitted copyright registrations for Works 66, 134, and 143, each listing a Plaintiff as the copyright claimant. (See PX5, at 185 &

[1] Works 18, 29, 34, 55, 66, 71, 81, 84, 86, 134, 135, 143, and 147. (See PX13, at 1–3.)

188–90; PX4, at 6; PX3, at 130–31.) Finally, Plaintiffs offered evidence of ownership for Works 34 and 86 by submitting copyright registrations for prior editions of those titles. (See PX5, at 44, 56.) Later textbook editions are derivatives of the original edition. See 17 U.S.C. § 101. Thus, copyright registrations for the earlier editions constitute sufficient evidence of ownership. "[S]o long as a copyright owner has registered the underlying work . . . she need not independently register the derivative work to sue based on its unauthorized preparation or reproduction." Pearson Educ., Inc. v. Frances, 2012 WL 1788148, at *2 (S.D.N.Y. May 16, 2012).

With respect to the seven remaining Works (29, 55, 71, 81, 84, 135, and 147), five of those titles are owned by Cengage and two by Pearson. In each instance, while the copyright registrations submitted in evidence identified someone other than Cengage or Pearson as the copyright holder, trial testimony established that the person or entity listed was either the textbook's author or a publishing company acquired by Cengage or Pearson. Plaintiffs maintained that Cengage or Pearson were granted exclusive licenses for these works.

Although Plaintiffs did not submit documentation, Cengage representative Jessica Stitt testified that Cengage owns or holds the exclusive license for every Cengage title. (Trial Tr. 1323:11–16, 1327:19–1328:3.) Pearson representative Richard Essig did the same for the Pearson titles. (Trial Tr. 1619:22–1620:2.) Stitt and Essig explained that when an author is listed as the copyright holder, the author signs "a written agreement that [the publishing company] has the exclusive rights to market and distribute that particular title." (Trial Tr. 1620:24–1621:5, 1324:16–19.) Similarly, Stitt and Essig explained that when Pearson and Cengage acquire publishing companies, they acquire that company's copyrights as a matter of corporate practice. (Trial Tr. 1325:17–1326:18, 1621:8–17.)

Defendants never challenged this testimony, nor did they ask any questions regarding Plaintiffs' ownership of these works. No contradictory evidence of ownership presented. The jury was entirely justified in concluding that Plaintiffs established ownership for all works.

D. Preemption

Defendants assert that Plaintiffs' breach of contract claim was preempted by the Copyright Act. "Section 301 of the Copyright Act expressly preempts a state law claim only if (i) the work at issue 'come[s] within the subject matter of copyright' and (ii) the right being asserted is 'equivalent to any of the exclusive rights within the general scope of copyright.'" Forest Park Pictures v. Univ. Tel. Network, Inc., 683 F.3d 424, 429 (2d Cir. 2012) (citing 17 U.S.C. § 301(b)). Most "contract clams involving the subject matter of copyright do not contest rights that are equivalent of rights under the Copyright Act, and thus are not preempted." Forest Park Pictures, 683 F.3d at 431. "A contract claim may escape preemption if it seeks to vindicate rights, such as a promise to pay, that are qualitatively different from those included in the Copyright Act." We Shall Overcome Found. v. Richmond Org., Inc. (TRO INC.), 221 F. Supp. 3d 396, 412 (S.D.N.Y. 2016); see also Forest Park Pictures, 683 F.3d at 431.

Here, the rights provided by the Settlement Agreement are qualitatively different from rights under the Copyright Act. The Settlement Agreement consists of mutual promises and forbearances to resolve a prior lawsuit between the parties. (Settlement Agreement ¶ 1.) It specifically provided for damages in the event of a breach, which included a "liab[ility] to pay the reasonable costs and attorney's fees incurred by the non-breaching party." (Settlement Agreement ¶ 17(a).) "A claim for breach of a contract including a promise to pay is qualitatively different from a suit to vindicate a right included in the Copyright Act and is not subject to preemption." Forest Park Pictures, 683 F.3d at 433. Additionally, the Settlement Agreement barred Defendants from assisting other infringers, regardless of whether Defendants knew they were aiding and abetting infringement. (Settlement Agreement ¶ 5.) That clause confers a broader right than the Copyright Act. Accordingly, Plaintiffs' breach of contract claim is distinct from their rights under the Copyright Act and is not preempted.

E. Importation

Defendants contend that Plaintiffs failed to introduce evidence of importation of counterfeit books. They argue that PX1423, a PIERS report compiling bills of lading for cargo vessels entering United States ports, and showing textbooks imported by SRockPaper Imports, was the only evidence of importation. Defendants contend the PIERS report only showed imports of textbooks from Thailand but did not indicate that those books were counterfeit. Finally, they contend that SRockPaper Imports's data cannot be linked to Defendants because that entity was not named in the lawsuits.

However, while not a defendant in these actions, SRockPaper Imports is owned by Smyres and within the constellation of companies he controls. (See Trial Tr. 1172:12–1173:8.) And Defendants' effort to discredit the PIERS report ignores other evidence in the record. For instance, Smyres conceded that his companies paid "Best Books World shipping costs to ship . . . books from Thailand to the United States." (Trial Tr. 791:6–13.) And the jury heard from Plaintiffs' representative that Defendants had been importing hundreds of thousands of textbooks from Thailand, the undisputed source of many counterfeits, "for years and right up through 2017." (Trial Tr. 1643:23–1644:1.) One of Defendants' employees testified to receiving shipments of 50,000 books from foreign sources per year. (Trial Tr. 2309:18–2310:24; see also PX154.) And Smyres stationed Defendants' employees in Thailand in order to purchase books. (Trial Tr. 854:1–9.) The jury reasonably concluded that counterfeit textbooks were commingled with the hundreds of thousands of textbooks, many from counterfeit sources, that Defendants purchased and imported each year.

But even if the jury found the evidence of importation insufficient, the verdict would not need to be set aside. The verdict form did not require the jury to specify which right they determined Defendants had infringed under the Copyright Act and the Settlement Agreement. This Court instructed the jury that "[t]he right to distribute a copyright is violated by someone other than the copyright holder importing, selling, renting, or otherwise transferring ownership of an unauthorized copy." (Trial Tr. 3111:11–14.) Similarly, the Settlement Agreement required Defendants to "cease all sales and importation into the United States of any pirated editions of the publishers textbooks, and to not assist any other individual or entity to sell or import pirated editions . . . into the United States." (Trial Tr. 3111:11–14, 3115:3–7 (citation omitted).) Accordingly, the overwhelming evidence of Defendants' sales and/or rentals of counterfeit books was sufficient to sustain the jury's liability determinations.

F. Duplicate Damages

Defendants allege that Plaintiffs were awarded double recovery under the Lanham and Copyright Acts. Defendants rely on other courts that rejected attempts by the same Plaintiffs to seek both trademark and copyright damages based on the same act of infringement. See Cengage Learning, Inc. v. Globonline SDN, 2018 WL 1989574, at *2–3 (S.D.N.Y. Apr. 25, 2018) ("[T]he recent trend among Courts is to preclude double recovery in cases involving the sale of pirated, copyrighted material."); Cengage Learning, Inc. v. Shi, 2017 WL 1063463, at *3 (S.D.N.Y. Mar. 31, 2017) (same). But see Innovation Ventures, LLC v. Ultimate One Distrib. Corp., 176 F. Supp. 3d 137, 175 (E.D.N.Y. 2016) (holding "that the injuries suffered by plaintiffs for trademark and copyright infringement are distinct . . . neither of which precludes recovery under both statutes").

Defendants' argument is misplaced. Although other courts have concluded that Plaintiffs impermissibly sought both trademark and copyright damages for the same work, Plaintiffs did not do so here. Rather, Plaintiffs sought trademark damages for one set of works and copyright damages for another non-overlapping set. The jury was instructed to consider Plaintiffs' trademark and copyright claims separately and to "only make one award of statutory damages for [each] title." (Trial Tr. 3122:19–20.) The verdict sheet differentiated between the works for which Plaintiffs sought trademark damages and the works for which Plaintiffs sought copyright damages. During a charge conference, Defendants conceded that Plaintiffs were not seeking duplicate recovery, stating "they are not asking for it. . . . They have not requested it, therefore the jury may not award it. . . . [I]t's perfectly clear that they are not requesting it." (Trial Tr. 2468:24–2469:19.)

Acknowledging that Plaintiffs avoided the double recovery conundrum, Defendants also raise a novel argument that even if Plaintiffs cabined their claims to trademark damages for some works and copyright damages for others, this nevertheless results in a double recovery. Specifically, they assert that because the Lanham Act provides for damages "per type of goods . . . sold," 15 U.S.C. § 1117(c), statutory trademark damages provides an award to Plaintiffs for each and every work bearing that mark, including those works for which Plaintiffs sought only copyright damages. But no court has embraced such a theory.

Defendants offer no authority forcing a plaintiff to choose between a trademark claim and a copyright claim when the claims are brought for separate works and no single work is the predicate for both trademark and copyright claims. This Court repeatedly instructed the jury to consider Plaintiffs' trademark and copyright claims separately. And Defendants offer nothing to suggest that the jury disregarded those instructions. Indeed, Defendants suggested a verdict sheet structuring Plaintiffs' trademark and copyright claims in the manner that they now challenge. (See Defendants' Proposed Verdict Form, BDB II, ECF No. 379-3 (delineating the works for which Plaintiffs sought trademark damages and copyright damages).) That verdict sheet, similar to the one this Court adopted, made clear that Plaintiffs' were seeking trademark damages on 19 works and that those works were to be considered separately from the 142 works that were the subject of Plaintiffs' copyright claims. (Verdict at 4.)

G. Willfulness

Defendants contend that no reasonable jury could find willfulness. They stress that they never knowingly distributed counterfeits and that they had procedures in place to protect against the sale of counterfeits. "To prove 'willfulness' under the Copyright Act, the plaintiff must show (1) that the defendant was actually aware of the infringing activity, or (2) that the defendant's actions were the result of 'reckless disregard' or 'willful blindness' to, the copyright holder's rights." Island Software & Computer Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 263 (2d Cir. 2005); see also Bryant v. Media Right Prods., Inc., 603 F.3d 135, 143 (2d Cir. 2010) (holding that willfulness can be shown by a defendant's "recklessly disregarding the possibility" of infringement) (citation and quotation marks omitted). The same standard is used for trademark infringement. See Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 109 (2d Cir. 2010).

Plaintiffs presented ample evidence that Defendants recklessly disregarded or were willfully blind to infringement. Mere days after entering into the Settlement Agreement, Smyres agreed to purchase books from Best Books World, a known counterfeiter. (See Trial Tr. 823:17–824:23, 827:23–828:1.) Moreover, after learning that another textbook supplier sold counterfeits to Defendants, Smyres increased his purchases from that source. (Trial Tr. 891:23–892:3, PX181.) Despite settling copyright infringement claims in 2007, Defendants thereafter delayed implementing formal anti-counterfeiting procedures for years. (Trial Tr. 935:12–20, 1205:20–25.) And even after implementing basic procedures, Defendants failed to ascertain where their suppliers sourced their books. (Trial Tr. 2391:10–16.)

Additionally, the jury learned that Defendants violated the Settlement Agreement by failing to disclose the true sources of their textbooks. (Trial Tr. 1861:4–19.) By 2011, Defendants were aware that they continued to source from counterfeit suppliers and that they had counterfeit books within their inventory. (Trial Tr. 927:24–934:12.) And the jury saw graphic evidence of Defendants' destruction of counterfeit books—the bulldozing of counterfeit textbooks at a municipal landfill—because they feared a lawsuit. (Trial Tr. 2920:19–22.)

In short, the evidence of Defendants' reckless disregard of potential infringement was overwhelming. See Fendi Adele, S.R.L., 507 F. App'x at 31 (district court's finding of willfulness was appropriate given that defendants were "clearly on notice that [they] might be infringing trademarks" but "failed to adequately inquire about the authenticity and original sources of the goods they purchased"); State of New York v. United Parcel Serv., Inc., 253 F. Supp. 3d 583, 666 (S.D.N.Y. 2018) ("[T]he law deems a person to have 'knowledge' when he or she has a strong suspicion that a fact exists, but intentionally avoids confirmation.").

II. New Trial Motion

A. Legal Standard

Federal Rule of Civil Procedure 59 permits the district court to grant a new trial. Unlike a motion under Rule 50, "a trial judge is free to weigh the evidence himself, and need not view it in the light most favorable to the verdict winner." Manley v. AmBase Corp., 337 F.3d 237, 244–45 (2d Cir. 2003) (citation omitted). However, "jury verdicts should be disturbed with great infrequency," ING Glob. v. United Parcel Serv. Oasis Supply Corp., 757 F.3d 92, 99 (2d Cir. 2014) (citation omitted), and the movant is "held to a heavy burden," Toliver v. N.Y.C. Dep't of Corr., 202 F. Supp. 3d 328, 340 (S.D.N.Y. 2016) (citation and quotation marks omitted).

A new trial on the basis of evidentiary error should not be granted unless "the introduction of inadmissible evidence was a clear abuse of discretion and was . . . clearly prejudicial to the outcome of the trial [such that] the verdict is a miscarriage of justice." Luciano v. Olsten Corp., 110 F.3d 210, 217 (2d Cir. 1997). An evidentiary ruling is a clear abuse of discretion where it is based on "an erroneous view of the law or on a clearly erroneous assessment of the evidence, or [where the court] rendered a decision that cannot be located within the range of permissible decisions." Vill. of Freeport v. Barrella, 814 F.3d 594, 611 (2d Cir. 2016) (citation omitted). The error must not have been harmless. Leo v. Long Island R.R. Co., 307 F.R.D. 314, 321 (S.D.N.Y. 2015).

B. Arguments Raised under Motion for Judgment as a Matter of Law

In a single sentence, Defendants seek a new trial on the same grounds that they sought judgment as a matter of law. Such an argument deserves nothing more from this Court than this single sentence rejecting the motion for the same reasons that the motion for judgment as a matter of law was denied.

C. Admission of 2008 Settlement Agreement

Defendants contend that admission of the Settlement Agreement violated Federal Rule of Evidence 408, led the jury to presume Defendants' liability, and produced the large damages award. Defendants posit that this Court compounded the error by excluding the amount of the settlement. Rule 408 prohibits the introduction of evidence of "furnishing, promising or offering—or accepting, promising to accept, or offering to accept—a valuable consideration in compromising or attempting to compromise [a] claim" in order to "prove or disprove the validity or amount of a disputed claim or to impeach by a prior inconsistent statement or a contradiction." Fed. R. Evid. 408(a). However, Rule 408 permits the introduction of such evidence for other purposes. Fed. R. Evid. 408(b).

The Settlement Agreement formed the basis of Plaintiffs' breach of contract claim. It would have been impossible for Plaintiffs to provide context for their claim without referencing that agreement. It was also admissible on Plaintiffs' trademark and copyright claims—a defendant's history of infringement is relevant in determining willfulness. See Gucci Am., Inc. v. Guess?, Inc., 858 F. Supp. 2d 250, 253 (S.D.N.Y. 2012) ("[C]ourts frequently consider prior judicial resolution of trademark disputes when discussing the alleged infringer's intent or bad faith."); Stevens v. Aeonian Press, Inc., 2002 WL 31387224, at *3 (S.D.N.Y. Oct. 23, 2002) (after bench trial, court determined damages based on Defendants' "habit of reprinting works without permission from the copyright owners").

Therefore, evidence of the Settlement Agreement was not offered for an improper purpose. Cf. Starter Corp. v. Converse, Inc., 170 F.3d 286, 293 (2d Cir. 1999) (affirming use of settlement negotiations to prove estoppel). Plaintiffs were entitled to offer the Settlement Agreement as evidence of the breach of contract claim and to show that Defendants were on notice of possible infringement. Further, because the amount of the settlement could have unreasonably anchored the jury's determination of damages, preclusion of that figure was appropriate. (Trial Tr. 14:3–7, 65:6–9.)

Finally, after losing their motion in limine to exclude the Settlement Agreement, Defendants were the party that offered it in evidence. (See Trial Tr. 190:23–191:4.) "'A party introducing evidence cannot complain on appeal that the evidence was erroneously admitted,' even when that party loses a motion in limine and then preemptively introduces the evidence to draw the 'sting.'" In re Fosamax Prods. Liab. Litig., 509 F. App'x 69, 74 (2d Cir. 2013) (summary order) (citing Ohler v. United States, 529 U.S. 753, 755 (2000) (alteration omitted).

D. Admission of Cease-and-Desist Letters

Defendants contend that the cease-and-desist letters regarding additional infringements that Plaintiffs discovered during the pendency of this litigation were improperly received in evidence. Their argument glosses over how those cease-and-desist letters came into evidence.

At the motion in limine stage, this Court held that evidence of continuing infringement would be "confusing and unnecessary" given "the staggering number of works the jury will [already] have to wade through." (Memorandum & Order, BDB II, ECF No. 270, at 6.) Thus, before the jury was empaneled, the cease-and-desist letters were precluded. However,

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prior to jury selection, Plaintiffs alerted this Court that Defendants planned to contrast the number of works at issue in this lawsuit (161) with the total number of works Defendants sold over a nine year period (1,081,000). This Court warned Defendants' counsel that such a comparison would misleadingly suggest that Defendants did not sell any other counterfeit textbooks, and cautioned that such an argument would "open the door to the plaintiff examining defendant and offering evidence on the fact that the defendant is continuing to sell counterfeit books." (Trial Tr. 26:17–20.) Nevertheless, Defendants' counsel failed to heed the Court's warning and during opening statement contrasted the 161 works at issue with the "more than one million titles that defendants sold between 2008 and 2017." (See Trial Tr. 86:9–15.)

After opening statements, Plaintiffs moved for reconsideration of this Court's in limine ruling precluding cease-and-desist letters. In a ruling that could have hardly come as a surprise, this Court concluded that Defendants "opened the door" to Plaintiffs "offer[ing] evidence that [they] continue[] to find counterfeits in defendants' inventory." (Trial Tr. 146:6–18.) Accordingly, this Court determined "the plaintiffs are [now] entitled to rebut and counter the argument that the defendants are getting better every day at what they are doing in detecting counterfeits and stopping counterfeits." (Trial Tr. 149:18–21.)

On cross examination, Plaintiffs confronted Smyres with the cease-and-desist letters. (Trial Tr. 1026:10–1031:6.) In an effort to avoid confusion and prejudice, this Court issued a preemptive limiting instruction to the jury prior to any offer of the letters in evidence. Specifically, this Court instructed the jury that the letters were "only offered for the purpose of showing that the defendants were on notice that the plaintiff publishers here believed that there were other counterfeits. These counterfeits are not involved in the titles that are at issue in these consolidated cases." (Trial Tr. 1025:25–1026:4.)

Cease-and-desist letters are not hearsay when offered to show bad faith and willful infringement. See Gucci Am., 858 F. Supp. 2d at 254 n.21. Here, Plaintiffs never provided any evidence that the cease-and-desist letters referred to works definitively determined to be counterfeit. Rather, they were offered only to show that Defendants were on notice that Plaintiffs continued to collect potential evidence of infringement. This undercut Defendants' argument that the jury should contrast the 161 works at issue with the 1,081,000 titles that Defendants sold, as well as their argument that Defendants now take all reasonable efforts to protect against the sale of counterfeit books.

Further, because Plaintiffs never attempted to initiate compromise negotiations through the cease-and-desist letters, Rule 408 is inapplicable. See Atronic Int'l, GmbH v. SAI Semispecialists of Am., Inc., 2006 WL 2654827, at *7 n.4 (E.D.N.Y. Sept. 15, 2006) ("Where a letter provides solely demands and lacks any suggestion of compromise, such a document would not be excludable by Rule 408."). Defendants' reliance on Vacation Rental Partners, LLC v. VacayStay Connect, LLC, is distinguishable because those cease-and-desist letters stated that the plaintiff "was interested in resolution 'without litigation' . . . which could be read as an invitation to settle." See 2017 WL 1150806, at *8 (N.D. Ill. Mar. 28, 2017). Finally, Rule 404(b) does not preclude Plaintiffs' letters because "evidence of [other] bad actions may be admissible to show 'motive, opportunity, intent, preparation, plan, knowledge, identity, absence of mistake, or lack of accident.' On this basis . . . [c]ourts . . . consider the alleged infringer's receipt of and response to cease-and-desist letters . . . ." Gucci Am., 858 F. Supp. 2d at 253 (citing Fed. R. Evid. 404(b) and collecting cases).

E. Exclusion of Chegg and MBS Data

Like so many other issues in this case, Defendants reiterate all of their arguments regarding their attempts to introduce spreadsheets created by Chegg and MBS (two other textbook distributors). Defendants sought to use those spreadsheets to show that other textbook distributors occasionally sell counterfeit books. At the motion in limine stage, this Court held that this evidence was relevant on the question of "whether Defendants took sufficient precautions to detect counterfeits." (Memorandum & Order, BDB II, ECF No. 285.) Despite that ruling in their favor, Defendants failed to lay a proper foundation for the admission of those spreadsheets, and then had no witness who could testify about their meaning and significance.

To lay a foundation, Defendants first resorted to Federal Rule of Evidence 1006. On March 5, 2018, this Court determined that Defendants' proposed Rule 1006 summaries of the Chegg and MBS spreadsheets were deficient. (Memorandum & Order, BDB II, ECF No. 370 ("Rule 1006 Op.").) The Chegg summary misleadingly listed percentages of counterfeits found in various textbook distributors' inventory without revealing that different inspection criteria had been used for each distributor. (Rule 1006 Op., at *2–3.) As for the MBS summary, this Court found that it was impermissibly based on defense counsel's own interpretation of the underlying spreadsheet. (Rule 1006 Op., at *5–7.) Accordingly, this Court ruled that a witness from MBS would be needed to interpret the spreadsheet if Defendants sought to use it at trial.

Defendants' attempts to secure the appearance of an MBS representative at trial took many avenues, including an aborted order to show cause, a telephonic conference with MBS, and various letter motions, creating a diversionary sideshow. Ultimately, this Court permitted Defendants to introduce the spreadsheets as Chegg and MBS business records. (See

DX341, DX371.) However, Defendants called no witness to explain them. This was a problem of Defendants' own making because they previously obtained permission to depose an MBS representative, but then elected not to proceed with the deposition. Instead, they bargained with MBS's counsel for a Rule 902(11) certification that this Court ultimately determined was improper. Then, at trial, Defendants sought to use their financial expert as a human calculator to run various computations on the spreadsheet. (Trial Tr. 2570:5–2577:25.) This Court struck that testimony because the witness had no affiliation with MBS or knowledge of the textbook distribution business. (Trial Tr. 2577:8–13.)

Near the end of trial, Defendants offered excerpts of a deposition of a Chegg representative concerning the Chegg spreadsheet. (See Trial Tr. 2675:10–14.) While this Court permitted counsel to read that testimony to the jury, it warned Defendants not to "make any percentage argument to the jury" based on the spreadsheets. (Trial Tr. 2675:11–13.) This Court relied on the Second Circuit's holding "that in the absence of explanatory testimony by a witness [a] jury would be unable to understand [a] document[] without representations by counsel or speculation, either of which would be improper." United States v. Gupta, 747 F.3d 111, 138 (2d Cir. 2014). Once again, Defendants' counsel ignored this Court's ruling and did precisely what they were told they could not do. (Trial Tr. 3021:17–3022:20.) Accordingly, this Court gave a curative instruction to the jury to disregard that fragment of Defendants' closing that referred to percentages from the spreadsheets. (See Trial Tr. 3096:8–10.) In any event, the jury heard testimony and argument from Defendants that their infringement was modest and that other textbook distributors also sold counterfeit works. (See Trial Tr. 231:22–232:1, 370:5–13, 1438:15–24, 3019:14–19, 3021:8–11.)

F. Plaintiffs' Roadmap

In another argument reminiscent of Groundhog Day, Defendants challenge Plaintiffs' Roadmap. Plaintiffs' Roadmap (PX13) was a 272-page Rule 1006 summary exhibit condensing Plaintiffs' evidence of infringement for the 161 works at issue. For months prior to trial, Defendants challenged every aspect of the Roadmap. Finally, this Court ordered Defendants to specify each objection that they intended to interpose to its admissibility. On January 30, 2018, in response to that order, Defendants catalogued a staggering 772 objections. After a laborious review, this Court overruled nearly all of them. (Memorandum & Order, BDB II, ECF No. 371.)

Defendants now reassert the same objections and arguments. First, they contend that the Roadmap was created by Plaintiffs' attorneys. But "[s]ummary evidence can be properly introduced through the testimony of a witness who supervised its preparation." (Memorandum & Order, BDB II, ECF No. 285, at *7 (citing UPS Store, Inc. v. Hagan, 2017 WL 3309721, at *5 (S.D.N.Y. Aug. 2, 2017).) Plaintiffs' witness John Garry testified that he oversaw the creation of Plaintiffs' Roadmap. (Trial Tr. 309:16–310:14.) This is sufficient. See United States v. Fahnbulleh, 752 F.3d 470, 479 (D.C. Cir. 2014) (allowing witness to introduce summary where he "supervised others who prepared" it).

Second, Defendants argue that the Roadmap did not accurately summarize the underlying evidence. Defendants cherry-pick a mistake that they now say they discovered in preparing their post-trial motions. But a single error does not render an entire document inadmissible. "The inaccuracy of a summary under Rule 1006 . . . goes to the weight, rather than the admissibility, of the evidence." BD *ex rel.* Doe v. DeBuono, 193 F.R.D. 117, 130 (S.D.N.Y.

2000). More fundamentally, it is too late to raise an argument that Defendants failed to assert at trial or in the 772 objections lodged before trial.

At trial, Defendants highlighted other errors in the Roadmap. (See, e.g., Trial Tr. 459:15–18.) The jury was free to consider those errors in determining how much weight, if any, to give to the Roadmap. Defense counsel argued vigorously to the jury that the Roadmap was inaccurate and unworthy of belief. (Trial Tr. 3039:12–3040:10.) In its charge, this Court instructed the jury that it "heard the parties challenge the accuracy of" Plaintiffs' Roadmap and "must decide how much weight, if any, [to] give to [it]." (Trial Tr. 3107:6–17.)

Finally, Defendants argue that the Roadmap's underlying evidence was inadmissible because Plaintiffs' witness Richard Essig did not recall a single spreadsheet referenced in the Roadmap. (See Trial Tr. 1708:14–18.) However, on redirect, Essig was shown the cover email for that spreadsheet which refreshed his recollection and enabled him to recall what the spreadsheet described. (See Trial Tr. 1711:18–1712:3.)

G. Verdict Sheet and Charge

Defendants challenge the verdict sheet and certain elements of this Court's charge. Originally, the parties offered this Court radically different proposals for the verdict sheet. (See Joint Letter, BDB II, ECF No. 379, Exs. 2 & 3.) Plaintiffs requested a 4-page verdict sheet that required the jury to state whether Defendants had infringed any of Plaintiffs' trademarks and/or copyrights, and if so, how many. Defendants asked for a 24-page verdict sheet listing every work at issue and requiring the jury to separately check off each trademark and copyright claim and specify the amount of damages awarded for each claim. After extensive discussions with counsel, this Court prepared a 6-page verdict sheet that afforded three options:

(1) a determination that Defendants were liable for <u>all</u> of Plaintiffs' claims, (2) a determination that Defendants were liable for <u>none</u> of Plaintiffs' claims, or (3) a determination that Defendants were liable for <u>some</u> of Plaintiffs' claims. If the jury determined that Defendants infringed some of Plaintiffs' claims, they were instructed to specify which works Defendants infringed on an accompanying 10-page spreadsheet. In a parallel vein, the verdict sheet afforded the option to choose the same amount of damages for each work infringed or to differentiate the damages awarded for each work. (<u>See</u> Verdict.)

Defendants contend that the verdict sheet encouraged the jury to make globalized determinations rather than individualized assessments. But this Court instructed the jury to make individual determinations on a work-by-work basis. (Trial Tr. 3108:14–15, 3110:19–20.) All indications are that the jury followed this instruction. In fact, even though the jury found that Defendants infringed all of Plaintiffs' trademarks and copyrights, they nevertheless completed the accompanying spreadsheets, checking off every single work that they determined had been willfully infringed and assigning a dollar amount of damages.

The verdict sheet was a reasonable compromise between the parties' competing proposals and, with this Court's instructions, reasonably assured that the jury applied the law to the facts. Defendants also challenge this Court's determination that the jury need not perform an arithmetic calculation to tally the statutory damages awarded. Defendants' proposal did nothing more than invite computational errors. <u>See</u> <u>TeeVee Toons, Inc. v. MP3.Com, Inc.</u>, 148 F. Supp. 2d 276, 279 (S.D.N.Y. 2001) (ordering new trial based on jury's errors in calculating verdict).

Defendants challenge this Court's rejection of their request to charge the jury that statutory damages must be proven by a preponderance of the evidence. Such an instruction is

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wrong as a matter of law. The purpose of statutory damages is to allow a plaintiff to seek damages where it is unable to prove actual damages. Requiring a plaintiff to prove statutory damages is at odds with the "wide judicial discretion" and "necessary flexibility to do justice" that statutory damages are meant to provide. See F.W. Woolworth Co. v. Contemporary Arts, Inc., 344 U.S. 228, 232 (1952); see also L.A. News Serv. v. Reuters Television Int'l, Ltd., 149 F.3d 987, 996 (9th Cir. 1998) ("Because awards of statutory damages serve both compensatory and punitive purposes, a plaintiff may recover statutory damages whether or not there is adequate evidence of the actual damages suffered by plaintiff or the profits repeated by defendant . . . .") (citation and quotation marks omitted).

On the breach of contract claim, Defendants contend that this Court should have instructed the jury on all elements required for such a claim, including the requirement that the parties had a valid contract. But the existence of a valid and enforceable contract was already the law of the case. See John Wiley & Sons, Inc. v. Book Dog Books, LLC, 2016 WL 1216583 (S.D.N.Y. Mar. 25, 2016). At trial, Plaintiffs needed only to prove that Defendants' breached the Settlement Agreement. To instruct the jury regarding validity would have raised the specter of a jury decision inconsistent with this Court's prior holding.

Finally, Defendants challenge the adverse inference instructions. As explained in this Court's April 2016 Memorandum and Order, a permissive adverse inference regarding Defendants' destruction of evidence was appropriate. (See Memorandum & Order, BDB I, ECF No. 353, at *6–7.) And after reviewing Plaintiffs' motions for sanctions, this Court explained its decision regarding the adverse inference instruction on Defendants' discovery misconduct. (Trial Tr. 2811:1–2814:19.) Just days before trial, through an anonymous source, Plaintiffs learned of entities and profit distribution agreements that Defendants concealed throughout discovery. (Trial Tr. 2812:2–13, 2814:9–14.) This Court tempered Plaintiffs' proposed mandatory adverse inference instruction with a permissive instruction that the jury may make an adverse inference based on discovery misconduct.

III. Remittitur

Defendants move for remittitur, contending that the jury award was untethered to Defendants' profits and Plaintiffs' losses and was inconsistent with the evidence presented at trial. See Kirsch v. Fleet St., Ltd., 148 F.3d 149, 165 (2d Cir. 1998). Defendants blend an argument for conditional remittitur with a constitutional due process argument.

Turning first to conditional remittitur, a "district court has authority to enter a conditional order of remittitur, compelling a plaintiff to choose between reduction of an excessive verdict and a new trial, in at least two distinct kinds of cases: (1) where the court can identify an error that caused the jury to include in the verdict a quantifiable amount that should be stricken, and (2) more generally where the award is intrinsically excessive, in the sense of being greater than the amount a reasonable jury could have awarded." Kirsch, 148 F.3d at 165 (citation, quotation marks, and alterations omitted). "The court is not free to set aside the verdict merely because the judge might have awarded a different amount of damages . . . ." 11 Fed. Prac. & Proc. Civ. § 2807; see Psihoyos v. John Wiley & Sons, Inc., 2012 WL 5506121, at *1 (S.D.N.Y. Nov. 7, 2012), aff'd 748 F.3d 120 (2d Cir. 2014) (noting that remittitur should be done cautiously as it "encroach[es] on the role of the jury").

Defendants do not contend that the jury made any particular error in quantifying the verdict, but that the award is greater than what a reasonable jury should have awarded.

Relying primarily on cases granting default judgments, Defendants cite decisions awarding lower amounts of statutory damages. Those cases are not persuasive. First, many courts have imposed maximum statutory damages. See, e.g., Nike Inc. v. Top Brand Co., 2006 WL 2946472, at *2 (S.D.N.Y. Feb. 27, 2006) (recommending the maximum amount of statutory damages based on "the size of the defendants' infringing operations, . . . the willfulness of their conduct, and their behavior in th[e] litigation"), report and recommendation adopted by 2006 WL 2884437 (S.D.N.Y. Oct. 6, 2006); Phillip Morris USA Inc. v. Marlboro Express, 2005 WL 2076921, at *6 (E.D.N.Y. Aug. 26, 2005) (finding "maximum statutory damages [was] warranted").

More fundamentally, awards calculated on a motion for default judgment are different in kind than factual determinations by a jury. While "[i]t is true that courts setting statutory damages after bench trials or defaults have often awarded less than the jury did in this case . . . the question is not what this [c]ourt would award were it deciding the question itself; the question is whether the jury's award is so excessive that the [c]ourt should intrude on [the jury's] prerogative to set damages." Agence Fr. Presse v. Morel, 2014 WL 3963124, at *15 (S.D.N.Y. Aug. 13, 2014).

Defendants' argument that the jury's award is disproportionate to their profits or Plaintiffs' losses is unpersuasive because "statutory damages are not meant to be merely compensatory or restitutionary [but] also to discourage wrongful conduct." Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 113 (2d Cir. 2001) (citation and quotation marks omitted). In Psihoyos, Judge Oetken discussed the reasons why such an argument lacks merit. Those factors easily apply to this case:

> Several of the [statutory damages] factors may well explain the magnitude . . . of the jury's award. . . . [E]vidence in the record

> supports a finding that Defendant's conduct was willful. Plaintiff also demonstrated that Defendant garnered substantial profits from its textbook sales. The jury also may have seen itself as deterring 'others besides the defendant' as well as 'discouraging the defendant' itself. Indeed, given both the evidence presented to the jury that Defendant continued to distribute copies of infringing textbooks even after discovering that infringement had occurred, as well as the evidence indicating that Defendant is a repeat infringer, the jury's determination as to the amount of statutory damages for willful infringement was not erroneous.

Psihoyos, 2012 WL 5506121, at *3. On appeal, the Second Circuit agreed, rejecting the same argument Defendants raise here, and holding that the jury, in its discretion, may have chosen a larger award to reflect willfulness, defendant's substantial profits, and the need to deter "a repeat infringer." Psihoyos, 748 F.3d at 127.

Statutory damages serve multi-faceted purposes, including compensating the owner, penalizing the infringer, and deterring future infringement. (Trial Tr. 3116:23–25, 3119:13–16.) This Court explained that the jury may consider Defendants' state of mind, the profits they earned and expenses they saved in infringing, the revenue Plaintiffs' lost, deterrence, Defendants' cooperation, the conduct and attitude of the parties, and "Defendants' total profits and the effect the award may have on other sellers in the marketplace." (Trial Tr. 3117:4–15, 3119:23–3120:8.)

The evidence of willfulness was overwhelming. See Section I.G. "The jury could have felt Defendants infringement . . . was not just willful but reflected a gross disregard for the rights of copyright holders." See Agence Fr. Presse, 2014 WL 3963124, at *15 (citation and quotation marks omitted). The jury heard from Plaintiffs' expert that those practices led Defendants to earn $53,800,000 in profit in a four-year period. (Trial Tr. 1948:16–18.) Considering Defendants' lengthy history of infringement, the jury could have determined that only a large award would effectively promote deterrence, especially given the evidence that Defendants continued to infringe even days before trial. The jury could have concluded that the award was necessary for general deterrence after learning how prevalent counterfeits are in the textbook market. It also could have focused on the "conduct and attitude of the parties" and compared it with this Court's instructions indicating that Defendants destroyed evidence and failed to comply with discovery orders. "Applying these factors is necessarily a subjective and fact-intensive exercise." Beastie Boys v. Monster Energy Co., 66 F. Supp. 3d 424, 464 (S.D.N.Y. 2014) (declining to reduce award where multiple factors supported substantial damages).

Defendants fail to show why this Court should interfere with the jury's reasonable exercise of its discretion. This Court's role is not to "average the high and low awards [but to] focus instead on whether the verdict lies within the reasonable range." Zeno v. Pine Plains Cent. Sch. Dist., 702 F.3d 655, 671 (2d Cir. 2012) (citation, quotation marks, and alteration omitted).

Defendants also contend that the award violates due process. Statutory damages may violate due process where "the penalty prescribed is so severe and oppressive as to be wholly disproportionate to the offense and obviously unreasonable." St. Louis, I.M. & S. Ry. Co. v. Williams, 251 U.S. 63, 67–68 (1919). Because Congress specifically determined the appropriate statutory range for damages in trademark and copyright actions, a court's review of such a reward "is extraordinarily deferential." Zomba Enters., Inc. v. Panorama Records, Inc., 491 F.3d 574, 587 (6th Cir. 2007); see Eldred v. Ashcroft, 537 U.S. 186, 212 (2003) ("[I]t is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives."). "[I]n the specific context of statutory damages under the Copyright Act [and

Lanham Act], Congress has placed an upper bound on the damages that a jury can award, which mitigates the risk of a truly untethered award." Agence Fr. Presse, 2014 WL 3963124, at *15.

The jury's award was within the range appropriate for willful infringement. In creating that range, one of Congress's goals was "to discourage wrongful conduct." F.W. Woolworth, 344 U.S. at 233. Although the award was large, it reflects an amalgam of ten separate trademark infringement claims and 142 separate copyright infringement claims. The jury determined that the upper limit of statutory damages was appropriate for Plaintiffs' trademark claims, but exercised its discretion in awarding $100,000 out of a possible $150,000 on Plaintiffs' copyright claims. Under these circumstances, an award of this magnitude was foreseeable and is not "so severe and oppressive as to be . . . obviously unreasonable." Williams, 251 U.S. at 67–68.

Defendants also contend that the award violates the factors set out in BMW of North America Inc. v. Gore. See 517 U.S. 559, 570 (1996). Although not yet considered by the Second Circuit, other circuits agree that the Gore factors are inapplicable to statutory damages awards. See Sony BMG Music Entm't. v. Tenenbaum, 719 F.3d 67, 70–71 (1st Cir. 2013) ("Williams applies to awards of statutory damages . . . while Gore applies to awards of punitive damages . . . ."); Capitol Records, Inc. v. Thomas-Rasset, 692 F.3d 899, 907 (8th Cir. 2012) (holding that the application of the Gore factors to statutory damages would be "nonsensical"); Zomba Enters., 491 F.3d 588; accord Arista Records LLC v. Usenet.com, Inc., 2010 WL 3629587, at *4 (S.D.N.Y. Sept. 16, 2010).

IV. Partial Final Judgment

Plaintiffs move for partial final judgment under Federal Rule of Civil Procedure

54(b). Because this Opinion & Order resolves all outstanding motions, no further issues need to be addressed. Accordingly, this motion is denied as moot.

V. Prejudgment Interest

Plaintiffs move for prejudgment interest. In trademark cases, awarding prejudgment interest "is within the discretion of the trial court and is normally reserved for 'exceptional' cases." Merck Eprova AG v. Gnosis S.p.A., 760 F.3d 247, 263–64 (2d Cir. 2014) (citation omitted). For copyright, the question is unresolved in this Circuit, see Psihoyos v. John Wiley & Sons, Inc., 2013 WL 1285153, at *5 n.5 (S.D.N.Y. Mar. 29, 2013), but district courts hold that prejudgment interest may be awarded to "achieve the goal of restoring a party to the condition it enjoyed before the injury occurred," Barclays Capital Inc. v. Theflyonthewall.com, 700 F. Supp. 2d 310, 329 (S.D.N.Y. 2010) (citation omitted), rev'd in part on other grounds 650 F.3d 876 (2d Cir. 2011).

Plaintiffs contend that prejudgment interest is warranted based on the scope of Defendants' counterfeiting, their willfulness, and their failure to comply with court orders. Defendants counter that the verdict already covers Plaintiffs' losses and that this litigation was prolonged by both sides.

This Court declines to award prejudgment interest. Although the jury found that Defendants willfully infringed, "[t]he sizable damages already levied against [Defendants], without the addition of pre-judgment interest, are sufficient to fully compensate Plaintiffs for their injuries." Capitol Records, Inc. v. MP3tunes, LLC, 2015 WL 13684546, at *4 (S.D.N.Y. Apr. 3, 2015); see also In Design v. K-Mart Apparel Corp., 13 F.3d 559, 569 (2d Cir. 1994), overruled on other grounds by Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994) (upholding district court's denial of prejudgment interest "in light of [plaintiff's] sizable damage award and the lack of . . . initiative . . . to shorten this litigation"); Coty Inc. v. Excell Brands, LLC, 277 F. Supp. 3d 425, 469–70 (S.D.N.Y. 2017) (declining to award prejudgment interest in trademark case).

VI. Permanent Injunction

A. Legal Standard

The Copyright Act and Lanham Act provide for permanent injunctions. See 17 U.S.C. § 502(a); 15 U.S.C. § 1116. Such relief is not automatic. See Silverstein v. Penguin Putnam, Inc., 368 F.3d 77, 84 (2d Cir. 2004) (injunctive relief "is an extraordinary remedy" and "not compelled"). A plaintiff must demonstrate: (1) irreparable injury in the absence of an injunction, (2) the inadequacy of monetary damages alone, (3) that "the balance of hardships tips in [its] favor," and (4) that a permanent injunction would not disserve the public interest. U.S. Polo Ass'n, Inc. v. PRL USA Holdings, Inc., 800 F. Supp. 2d 515, 539 (S.D.N.Y. 2011) (citing Salinger v. Colting, 607 F.3d 68, 80 (2d Cir. 2010)). "[C]ourts must not simply presume irreparable harm. . . . Rather, plaintiffs must show that, on the facts of their case, the failure to issue an injunction would actually cause irreparable harm." Salinger, 607 F.3d at 82.

"Permanent injunctions are generally granted where liability has been established and there is a threat of continuing infringement." Complex Sys., Inc. v. ABN AMRO Bank N.V., 2014 WL 1883474, at *11 (S.D.N.Y. May 9, 2014) (citation and alterations omitted). "In many instances, injunctive relief may be the best or only way to preserve the exclusivity of a copyright." Silverstein, 368 F.3d at 84. A district court must ensure that a permanent injunction is "narrowly tailored to fit specific legal violations" and does not "impose unnecessary burdens on lawful activity." Starter Corp., 170 F.3d at 299 (citation omitted).

B. Need for an Injunction

Plaintiffs have established the need for a permanent injunction. Evidence presented at trial and in post-trial motions reveals that Defendants continue to sell counterfeits. (See Trial Tr. 1026:9–1031:6; Decl. of Jeffrey M. Gould, BDB II, ECF No. 420 ("Gould Decl.") ¶ 3.) The jury's willful infringement determination and Defendants' continuing infringement post-verdict demonstrate that Plaintiffs are likely to suffer injury in the absence of an injunction and that money damages alone are insufficient. See Warner Bros. Entm't Inc. v. RDR Books, 575 F. Supp. 2d 513, 553 (S.D.N.Y. 2008). Defendants have been on notice of their infringement for years but continue to sell counterfeits. This "hardly suggests that [they] will refrain from infringing Plaintiffs' copyright[s] in the future." See Hounddog Prods., LLC v. Empire Film Grp., Inc., 826 F. Supp. 2d 619, 634 (S.D.N.Y. 2011), report and recommendation adopted.

The balance of hardships tips in Plaintiffs' favor each time Defendants sell an infringing work. "The only possible harm to Defendant[s] is the loss of the chance to sell an infringing book, but the law does not protect this type of hardship." Warner Bros., 575 F. Supp. 2d at 553; see WPIX, Inc. v. ivi, Inc., 691 F.3d 275, 287 (2d Cir. 2012) ("[A]n infringer of copyright cannot complain about the loss of ability to offer its infringing product." (citation omitted)). And a permanent injunction would not disserve the public interest as it would prevent the proliferation of counterfeit works.

In opposition, Defendants argue that they take all reasonable steps to protect against infringement. But those platitudes are contradicted by Defendants' history and current conduct. Defendants do not grapple with the fact that they have been caught selling counterfeits

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even after allegedly improving their practices. The jury found Defendants' conduct willful—emails showed that Defendants realized they might be selling counterfeits but willfully blinded themselves to that possibility. "Courts are free to assume that past conduct is highly suggestive of the likelihood of future violations." United States v. Carson, 52 F.3d 1173, 1184 (2d Cir. 1995) (citation and quotation marks omitted). Accordingly, Defendants must be enjoined.

Defendants also contend that an injunction prohibiting them from selling or renting counterfeit books would be inappropriate because like other large textbook distributors, they occasionally sell a counterfeit copy despite their best efforts. Instead, Defendants propose an injunction requiring that they "take all reasonable steps" to prevent infringement. But the history of these Defendants over more than a decade demonstrate that such a vague and aspirational undertaking would be tantamount to no injunction at all. It would not protect Plaintiffs' rights and would spawn additional litigation over compliance with an amorphous standard. The time has come for an absolute bar. Trademark and copyright law prohibits all infringement and does not just oblige businesses to "take reasonable steps." Finally, enjoining infringement by Defendants would only be improper if "compliance [was] beyond the realm of possibility, not just difficult to achieve." Nat'l Basketball Ass'n v. Design Mgmt. Consultants, Inc., 289 F. Supp. 2d 373, 377 (S.D.N.Y. 2003) (citation omitted). Defendants fail to establish that compliance is impossible. It may be burdensome, but the best way to prevent future infringement is to enjoin future infringement.

C. Scope of Injunction

Defendants argue that it would be improper to enjoin those Smyres' entities which are not Defendants in this litigation. Under Federal Rule of Civil Procedure 65, an injunction

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may bind those who receive actual notice, the parties, the parties' officers, agents, servants, employees, and attorneys, and "other persons who are in active concert or participation with" any of the above. Fed. R. Civ. P. 65(d)(2). "A permanent injunction, through the automatic operation of Rule 65(d)(2), may bind a non-party who is in active concert or participation with the parties." Ecopetrol S.A. v. Offshore Expl. & Prod. LLC, 172 F. Supp. 3d 691, 699 (S.D.N.Y. 2016). "Courts in this Circuit have found 'active concert' between non-parties and already-enjoined parties in cases where an enjoined party is substantially intertwined with a non-party, including the shared occupation of office space, payment of employee expenses between the non-party and enjoined party, considerable control by the enjoined party over the non-party's operations, and other substantial interconnections . . . ." In re Sledziejowski, 533 B.R. 408, 424 (Bankr. S.D.N.Y. 2015); see also N.Y. by Vacco v. Operation Rescue Nat'l, 80 F.3d 64, 70 (2d Cir. 1996); Vuitton et Fils S.A. v. Carousel Handbags, 592 F.2d 126, 130 (2d Cir. 1979).

The trial evidence demonstrates that Smyres owns and/or controls all twenty-five entities that Plaintiffs seek to enjoin, and that each plays some role in his textbook distribution enterprise. (Trial Tr. 769:21–771:5, PX 1135.) Although Smyres does not own Matasa Agila Holdings ("Matasa"), the evidence shows that Matasa conducts back-end operations for Defendants' rental business, works out of Defendants' warehouse, has no employees of its own, and is managed by Defendants on a day-to-day basis. (Trial Tr. 782:9–785:25.) Therefore, enjoining all twenty-five entities is warranted and would provide the clarification necessary to ensure compliance and enforcement.

Defendants also dispute that provision in the proposed injunction preventing them from making assignments or transfers or forming new entities or associations outside of the ordinary course of business with the purpose or effect of circumventing their payment obligations. Defendants argue that enjoining transfers "with the effect of" reducing their ability to pay is vague and threatens to block legitimate transactions. This objection is unpersuasive. The proposed language of the injunction makes clear that this provision applies only to transfers outside of the ordinary course of business. Reasonable businesspeople understand what is and what is not in the ordinary course of business.

On the other hand, certain elements of Plaintiffs' proposed relief push the envelope too far. This Court may not "restrain the defendants from engaging in legal conduct, or from engaging in illegal conduct that was not fairly the subject of the litigation." City of New York v. Mickalis Pawn Shop, LLC, 645 F.3d 114, 145 (2d Cir. 2011). Plaintiffs request that going forward, Defendants be required to send Plaintiffs suspected counterfeit books they receive and notify Plaintiffs of the source of those books, the source's contact information, and Defendants' purchase price. When pressed at oral argument whether Defendants' return of counterfeits to suppliers would constitute an illegal distribution under the Copyright Act, Plaintiffs acknowledged that it was an unresolved question. (Hr'g Tr. 54:3–9.) While Plaintiffs contend that this provision would help interdict the sale of counterfeits, it has the effect of enlisting Defendants in Plaintiffs' efforts to determine if other entities are selling counterfeit textbooks. Because Plaintiffs have not shown how this provision would restrain Defendants' illegal conduct, nor provided authorities for such relief, this Court declines to include such a provision in the permanent injunction. However, Defendants will be required to purge all counterfeits currently in their inventory, which is standard relief under the Copyright Act and Lanham Act.

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Plaintiffs also ask that Defendants be required to provide a sworn declaration of compliance with this Court's injunction within 90–120 days from its issuance, and annually for ten years thereafter. Defendants object to providing compliance reports for ten years. Courts commonly require a certificate of compliance with an injunction. See Triangl Grp. Ltd. v. Jiangmen City Xinhui Dist. Lingzhi Garment Co. Ltd., 2017 WL 2831025, at *4 (S.D.N.Y. June 22, 2017). Defendants will be required to provide such a report within 120 days and annually thereafter for five years.

Finally, Plaintiffs ask that Defendants be required to provide notice of this Permanent Injunction to all entities that it conducts business with, including Amazon, Barnes & Noble, and eBay. But the authorities cited for such a provision concern false advertising and ordered a corrective advertising campaign as a remedy. That is distinguishable from this case, and this Court declines to include such a provision.

VII. Disposition

Plaintiffs move for an order requiring Defendants to surrender to Plaintiffs all suspected counterfeits of Plaintiffs' works currently in their possession, custody, or control. Plaintiffs agree to return any works determined not to be counterfeit. If Plaintiffs determine that a work is counterfeit, they seek to impose on Defendants the requirement to notify Plaintiffs of the source of the work and its purchase price.

Under the Copyright Act, "[a]s part of a final judgment or decree, the court may order the destruction or other reasonable disposition of all copies . . . found to have been made or used in violation of the copyright owner's exclusive rights." 17 U.S.C. § 503(b). Under the Lanham Act, where a trademark violation has been established, a court may order infringing

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material be "delivered up and destroyed." 15 U.S.C. § 1118; see Jab Distrib., LLC v. Home Linen Collections, 2016 WL 1255729, at *4 (E.D.N.Y. Mar. 30, 2016) (collecting cases). In opposition, Defendants agree to destroy infringing materials and provide a certificate of destruction, but ask that they not be required to deliver those materials to Plaintiffs, as they allege it would be more costly and may lead to further litigation.

Requiring forfeiture is "discretionary relief" but "particularly appropriate where a court seeks to prevent future infringements." BMG Music v. Pena, 2007 WL 2089367, at *6 (E.D.N.Y. July 19, 2007); see also Rogers v. Koons, 960 F.2d 301, 313 (2d Cir. 1992) (holding that requiring a defendant to turn over infringing works "is an equitable remedy issued under the broad powers vested in a trial judge").

Given Defendants' long history of infringement, their breach of the Settlement Agreement, and their distribution of counterfeit works during trial and post-verdict, a disposition of infringing materials is the safest option to ensure Plaintiffs' rights are protected. See Hounddog Prods., 826 F. Supp. 2d at 624–25 (requiring defendants turn over infringing materials based on their "continuing exploitation . . . rais[ing] a significant risk of future copyright infringement"). Defendants asserted at trial how difficult it often is to determine which books are counterfeits. Accordingly, Defendants will be required to send all suspect counterfeits currently in their inventory to Plaintiffs at Defendants' sole cost and expense. However, Defendants will not be required to reveal where they purchased the works or the price they paid as Plaintiffs offer no authority for this relief.

VIII. Attorneys' Fees and Costs

Plaintiffs move for an award of attorneys' fees and costs under a trident of authorities: (i) the fee-shifting provision of the Settlement Agreement, (ii) 17 U.S.C. § 505 for copyright infringement, and (iii) 15 U.S.C. § 1117(a) for trademark infringement. Plaintiffs seek approximately $5,910,000 in fees and $852,000 in costs. (See Declaration of Matthew J. Oppenheim, BDB II, ECF No. 438 ("Oppenheim Decl."), ¶¶ 20, 38.) Defendants contend that an award of attorneys' fees is inappropriate and alternatively argue that Plaintiffs' fees and costs are excessive.

A. Legal Standard

"In determining the amount of a fee award, district courts are to calculate the 'presumptively reasonable fee.'" Capitol Records, Inc. v. MP3tunes, LLC, 2015 WL 7271565, at *1 (S.D.N.Y. Nov. 12, 2015) (citing Simmons v. N.Y.C. Transit Auth., 575 F.3d 170, 172 (2d Cir. 2009)). "A variety of factors informs the court's determination of whether a requested amount of attorneys' fees is reasonable or unreasonable, including the difficulty of the questions involved; the skill required to handle the problem; the time and labor required; the lawyer's experience, ability and reputation; the customary fees charged by the Bar for similar services; and the amount involved." F.H. Krear & Co. v. Nineteen Named Trustees, 810 F.2d 1250, 1263 (2d Cir. 1987) (citation and quotation marks omitted). Courts aim to discern the "so-called 'lodestar' figure, which is arrived at by multiplying the number of hours reasonably expended on the litigation by a reasonably hourly rate." Kirsch, 148 F.3d at 172 (citation, quotation marks, and alteration omitted).

Absent unusual circumstances, the submission of billing records is a "'prerequisite' for the award of fees." Scott v. City of New York, 626 F.3d 130, 133 (2d Cir. 2010) (citation omitted). The movant bears the burden of justifying the reasonableness of

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requested fees. See Chambless v. Masters, Mates & Pilots Pension Plan, 885 F.2d 1053, 1059 (2d Cir. 1989). "As a concession to the mortality of judges, the law does not require a line-item review." Campbell v. Mark Hotel Sponsor, LLC, 2012 WL 4360011, at *2 (S.D.N.Y. Sept. 13, 2002); see also Lunday v. City of Albany, 42 F.3d 131, 134 (2d Cir. 1994) (courts need not "set forth item-by-item findings concerning what may be countless objections to individual billing items"). Instead, a court may "use a percentage deduction as a practical means of trimming fat from a fee application." McDonald *ex rel.* Prendergast v. Pension Plan of the NYSA-ILA Pension Tr. Fund, 450 F.3d 91, 96 (2d Cir. 2006) (citation and quotation marks omitted).

B. Fees Based on Breach of the Settlement Agreement

Plaintiffs anchor one branch of their fee request to Defendants' breach of the Settlement Agreement. In March 2016, this Court adopted a Magistrate Judge's finding that Paragraph 17(a) of the Settlement Agreement unambiguously provided that in the event of a breach, the breaching party would be liable to pay damages in the form of attorney's fees and costs incurred by the non-breaching party. See John Wiley & Sons, 2016 WL 1216583, at *2–3. In adopting that finding, this Court determined that Defendants breached the forum selection clause in the Settlement Agreement by filing suit against Plaintiffs in Ohio. John Wiley & Sons, 2016 WL 1216583, at *3. At trial, the jury determined that Defendants breached the Settlement Agreement's provision prohibiting the sale or importation of counterfeit books. (See PX127 ¶ 5; Verdict, at 16.)

"As a general matter of New York law . . . when a contract provides that in the event of litigation the losing party will pay the attorneys' fees of the prevailing party, the court will order the losing party to pay whatever amounts have been expended by the prevailing party, so long as those amounts are not unreasonable." F.H. Krear, 810 F.2d at 1250. "Because a fee-shifting clause can produce perverse incentives for a litigant . . . courts must scrutinize fee requests to ascertain whether they are reasonable." Diamond D Enters. USA, Inc. v. Steinsvaag, 979 F.2d 14, 19 (2d Cir. 1992).

Defendants contend that Plaintiffs' fee request based on breach of the Settlement Agreement is improper because their request is not for the amount of fees that Plaintiffs actually paid, but is instead based on a lodestar calculated by the total number of hours logged and Plaintiffs' counsel's regular hourly rates. Plaintiffs' counsel acknowledges that this lodestar calculation does not reflect what Plaintiffs are obligated to pay. Instead, Plaintiffs will pay their attorneys based on an undisclosed discounted rate coupled with a success fee arrangement. (Oppenheim Decl. ¶ 19.) Defendants rely on the Second Circuit's holding that a "court will order the losing party to pay whatever amounts have been expended by the prevailing party, so long as those amounts are not unreasonable." F.H. Krear, 810 F.2d at 1263 (emphasis added). Because Plaintiffs' counsel does not disclose what Plaintiffs have paid, Defendants contend that the fee application is inadequate.

Defendants misread F.H. Krear and the other decisions they rely on. Those authorities simply require that a plaintiff not "demand from [the opposing party] greater expenses than [it] has itself incurred." Mid-Hudson Catskill Rural Migrant Ministry, Inc. v. Fine Host Corp., 418 F.3d 168, 179 (2d Cir. 2005). Those decisions do not require that the lodestar hourly rates harmonize with the hourly rates the client is actually paying. In other words, a lodestar calculation is only impermissible where it exceeds the amount the client is obligated to pay. For example, in Parker Hannifin Corp. v. North Sound Properties, the district judge took issue with the fee application because it requested a lodestar amount nearly twice what the client was obligated to pay. 2013 WL 3527761, at *2–3 (S.D.N.Y. 2013) ("[A] fee award must be capped . . . at whatever amount the plaintiff will owe counsel under their retainer agreement.").

That Plaintiffs' counsel's hourly billings do not match the fees that Plaintiffs actually pay does not invalidate the fee application. As Plaintiffs' counsel's declaration makes clear, the discounted rate that Plaintiffs are responsible for paying together with the percentage fee of the verdict, will exceed the amount of the lodestar. (Oppenheim Decl. ¶ 19.)

C. Fees Based on Copyright and Trademark Violations

Plaintiffs contend that fees are also warranted under the Copyright and Lanham Acts. Under the Copyright Act, "the court may . . . award a reasonable attorney's fees to the prevailing party as part of the costs." 17 U.S.C. § 505. "Fee awards are not 'automatic' or granted 'as a matter of course,' but rather are committed to the discretion of the court." Barcroft Media, Ltd. v. Coed Media Grp., LLC, 2018 WL 357298, at *1 (S.D.N.Y. Jan. 10, 2018) (citing Fogerty, 510 U.S. at 533).

In 2016, the Supreme Court clarified the standard for awarding attorneys' fees in copyright cases. See Kirtsaeng v. John Wiley & Sons, Inc., 136 S. Ct. 1979 (2016). In Kirtsaeng, the Supreme Court stressed that courts must give "substantial weight" to the "objective reasonableness" of a party's litigating position. Kirtsaeng, 136 S. Ct. at 1988. However, objective reasonableness is not "controlling"—a district court may also "take into account a range of considerations beyond the reasonableness of litigating positions," such as "frivolousness, motivation, . . . and the need in particular circumstances to advance considerations of compensation and deterrence." Kirtsaeng, 136 S. Ct. at 1959, 1988 (citing

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Fogerty, 510 U.S. at 534 n.19). Accordingly, "in any given case a court may award fees even though the losing party offered reasonable arguments. . . . For example, a court may order fee-shifting because of a party's litigation misconduct, whatever the reasonableness of his claims or defenses. . . .Or a court may do so to deter repeated instances of copyright infringement . . . ." Kirtsaeng, 136 S. Ct. at 1988–89. A court "retains discretion, in light of [all] factors, to make an award even where the losing party advances a reasonable claim or defense." Kirtsaeng, 136 S. Ct. at 1983.

Here, fee-shifting is appropriate under the Copyright Act. Defendants took unreasonable positions throughout this litigation. "[T]he courts of this circuit have generally concluded that only those claims that are clearly without merit or otherwise patently devoid of legal or factual basis ought to be deemed objectively unreasonable." Silberstein v. Fox Entm't Grp., Inc., 536 F. Supp. 2d 440, 444 (S.D.N.Y. 2008) (citation omitted). Defendants provoked this lawsuit by filing the Ohio Action despite the clear language in the Settlement Agreement that all further litigation would be handled "in the federal or state courts located in the state of New York." (PX127 ¶ 19.)

In Book Dog Books II, Defendants pled 52 affirmative defenses, many of which were previously stricken in Book Dog Books I. Then, in their proposed jury instructions, Defendants requested separate instructions on six affirmative defenses: statute of limitations/laches, innocent infringement, excessive statutory damages, lack of standing, preemption, and bankruptcy discharge. (See Joint and Independent Proposed Jury Instructions, BDB II, ECF No. 379-1.) However, none of those affirmative defenses were proper. Defendants presented no evidence that Plaintiffs learned of their claims more than three years before filing

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Book Dog Books II. Standing was an element of Plaintiffs' case-in-chief, and innocent infringement was an element of damages. Further, "excessive statutory damages," "preemption," and "preclusion" are all matters of law for the court, not the jury. This Court denied all six requests to charge affirmative defenses. This was another frolic that Defendants foisted on the Court and Plaintiffs.

In closing argument, Defendants' counsel acknowledged that Defendants sold at least some of the works at issue. Fourteen titles bore Defendants' stickers, leading counsel to concede "it is more likely than not . . . that we distributed these books." (Trial Tr. 3044:18–20.) Defendants reiterated this concession at argument on the post-trial motions. (See Hr'g Tr. 68:24–69:2 ("There are a number of works in this case they bought directly from the defendants. There are a number of books in this case that bear our stickers. There are books for which they have evidence."). But at trial, Defendants attempted to advance the untenable position that Plaintiffs could not prove these particular works were actually counterfeit. They argued that Plaintiffs' representatives—employees whose duties are to identify counterfeit works—could not differentiate between legitimate and illegitimate copies of their own textbooks. (See Trial Tr. 3046:1–8.) The failure to remove claims that could not be disputed from the jury's consideration was emblematic of the "give no quarter" approach taken by Defendants. See We Shall Overcome Found. v. The Richmond Org., Inc., 2018 WL 3629597, at *5 (S.D.N.Y. July 31, 2018) (awarding fees based on "objectively unreasonable" litigating positions); Beastie Boys v. Monster Energy Co., 112 F. Supp. 3d 31, 42 (S.D.N.Y. 2015) (finding defendant's refusal to admit clear copyright infringement objectively unreasonable).

Further, Defendants' litigation conduct merits an award of attorneys' fees under the Copyright Act. See Matthew Bender & Co. v. West Publ'g. Co., 240 F.3d 116, 124–25 (2d Cir. 2001) (a court may award fees if "a party's conduct is unreasonable") (emphasis original). While there were many abuses, the paradigm of Defendants' scorched-earth approach was their willful concealment of business entities and profit distribution agreements, which required this Court to issue an adverse inference instruction. Even then, this Court afforded Defendants the opportunity to avoid such an instruction by reopening discovery so that Defendants could come clean on their financial machinations. (See Scheduling Order, ECF No. 272.) But they doubled down on their obstructive tactics. During trial, this Court explained why an adverse inference instruction was necessary. (Trial Tr. 2810:20–2814:19.) Through an anonymous source, Plaintiffs learned weeks before trial that Defendants had violated the Court's Orders to reveal "any entity" through which they conduct their businesses, to "produce their financials 'in as accessible and clear a form as possible,'" and to reveal "'all distributions or other payments . . . by any of the defendants to any other individual and/or entities that received distributions or payment from profits.'" (Trial Tr. 2811:9–25 (citation omitted).) Defendants did not disclose the existence of Matasa, the rental arm for Book Dog Books, or certain equity participation agreements.

Aside from Defendants' discovery evasions, this Court has described Defendants' incomprehensible decision to plead 52 affirmative defenses in Book Dog Books II knowing that many had been stricken in Book Dog Books I. This profligate pleading led to rebriefing at the motion in limine stage. Finally, this Opinion & Order has detailed Defendants' obsessive relitigation of the Chegg and MBS spreadsheets. (See Section II.E.)

Defendants argue that their litigating positions were reasonable and stress that the

Magistrate Judge accepted their argument that Plaintiffs could not establish distribution for certain works. The fact that Defendants raised a few reasonable arguments in an ocean of unreasonable ones does not excuse their conduct. See Univ. Instruments Corp. v. Micro Sys. Eng'g, Inc., 2018 WL 748871, at *2 (N.D.N.Y. Feb. 7, 2018) (granting attorneys' fees where party "litigated this case in an unreasonable manner that exacerbated the issues to be resolved and the expenses incurred by all parties"); Megna v. Biocomp Labs. Inc., 225 F. Supp. 3d 222, 225 (S.D.N.Y. 2016). In briefing, Defendants do not address their conduct and how that factor should be assessed in determining fees.

While Defendants cite Barcroft Media, that court declined to award fees because the defendant "did not waste the [c]ourt's resources," "readily abandoned an argument that the [c]ourt found unpersuasive," "did not exhibit bad faith," and upon receiving a cease-and-desist letter "promptly took down all potentially infringing content . . . and implemented mechanisms for preventing future infringement." Barcroft Media, 2018 WL 357298, at *2, *3. The behavior described there is diametrically opposite to the antics Defendants engaged in here.

Awarding fees is also appropriate based on the jury's finding of willful infringement for all works at issue. See Kepner-Tregoe, Inc. v. Vroom, 186 F.3d 283, 289 (2d Cir. 1999) (finding fees warranted "based on the court's finding of willfulness"). And fees are warranted because Defendants are repeat infringers who were caught selling counterfeits over the last decade and up to the present time. See Kirtsaeng, 136 S. Ct. at 1989 ("[A] court may [award fees] to deter repeated instances of copyright infringement. . . ."); Beastie Boys, 112 F. Supp. 3d at 45 (finding fees appropriate for deterrence)

The Lanham Act permits an award of attorneys' fees "in exceptional cases." 15

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U.S.C. § 1117(a). "As the Supreme Court has explained with regard to the identically worded fee-shifting provision of the patent laws, 'an 'exceptional' case is simply one that stands out from others with respect to substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.'" Lightbox Ventures, LLC v. 3rd Home Ltd., 2018 WL 1779346, at *16 (S.D.N.Y. Apr. 13, 2018) (citing Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749, 1756 (2014)). "As in the comparable context of the Copyright Act, '[t]here is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised . . . ." Octane Fitness, 134 S. Ct. at 1756–57 (citing Fogerty, 510 U.S. at 534.)

For the reasons previously described, this case is also exceptional under the Lanham Act. See Romeo & Juliet Laser Hair Removal, Inc. v. Assara I LLC, 2016 WL 1328936, at *3 (S.D.N.Y. Apr. 5, 2016) (finding trademark case exceptional based on "bad faith litigation tactics"); Cognex Corp. v. Microscan Sys., Inc., 2014 WL 2989975, at *4 (S.D.N.Y. June 30, 2014) (holding patent case exceptional based on weak defenses, "objectively high likelihood" that defendants' infringed plaintiffs' patent, and defendants' "unreasonable litigation tactics that have wasted the [c]ourt's time and have required plaintiffs to expend significant resources").

D. Plaintiffs' Rates and Hours Billed

"A reasonable hourly rate is a rate in line with prevailing rates in the community for similar services by lawyers of reasonably comparable skill, expertise, and reputation." McDonald *ex rel* Prendergast, 450 F.3d at 96 (citation and alterations omitted). "The court may determine the reasonable hourly rates by relying both on its own knowledge of comparable rates charged by lawyers in the district and on evidence proffered by the parties." Congregation Rabbinical Coll. of Tartikov, Inc. v. Vill. of Pomona, 188 F Supp. 3d 333, 338 (S.D.N.Y. 2016) (citation and quotation marks omitted). Plaintiffs' counsel's hourly rates range from $375–$540 for partners, $325–$465 for senior counsel, $175–$430 for associates, and $100–$245 for paralegals. (See Oppenheim Decl., ¶ 21 & Ex. 7.)[2] Ohio counsel billed between $290–$400 per hour, and those rates have been reduced by 40% in Plaintiffs' counsel's fee application. (See Oppenheim Decl. ¶ 30.)

Without any reasoned explanation, Defendants ask that Plaintiffs' counsel's rates be reduced across the board by 50%. But counsel's rates are in line with rates other courts have accepted. See Capitol Records, 2015 WL 7271565, at *4 (in complex copyright litigation, holding that rates between $517–$562 for partners and $315–$397 for associates were reasonable); Beastie Boys, 112 F. Supp. 3d at 55–57 (approving hourly rates of $675 for partners, $325–$505 for associates, and $200 for support staff). While a $245 hourly rate for paralegals is higher than the limit customarily approved in this Circuit, see, e.g., Vaigasi v. Solow Mgmt. Corp., 2017 WL 3868990, at *4 (S.D.N.Y. Sept. 5, 2017), the aggregate dollar amount at issue is de minimis.

Given the overall reasonableness of the requested hourly rates, this Court turns to whether the number of hours expended by counsel was reasonable. Counsel excluded certain time from its fee request, including: (1) fees incurred in settlement discussions, (2) fees related to administrative tasks and weekly update calls, (3) matters that were dismissed early on or related to defending claims in the Ohio action, (4) fees incurred in pre-lawsuit investigations, and (5)

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[2] Counsel's rates vary as widely as they do because this litigation spanned more than five years. (Oppenheim Decl., ¶ 21.)

work performed by attorneys who were not directly on the case. (Oppenheim Decl. ¶ 29.) Plaintiffs' counsel represents that it excluded "at least $347,039.11" from their fee application. (Oppenheim Decl. ¶ 31.) This is not inconsequential, but further reductions are warranted.

In determining reasonable hours, a "court looks to its own familiarity with the case and its experience . . . generally as well as to the evidentiary submissions and arguments of the parties." Clarke v. Frank, 960 F.2d 1146, 1153 (2d Cir. 1992) (citation and quotation marks omitted). "The touchstone inquiry is what a reasonable, paying client would be willing to pay." Filo Promotions, Inc. v. Bathtub Gins, Inc., 311 F. Supp. 3d 645, 650 (S.D.N.Y. 2018) (citation and quotation marks omitted).

First, hundreds of Plaintiffs' contemporaneous time entries are redacted. (See Declaration of Robert Glunt, BDB II, ECF No. 446 ("Glunt Decl.") Exs. 2–3, 9–10.) Some redacted entries prevent any meaningful review by this Court, such as June 12, 2017's entry for "Analyze [REDACTED]," or July 26, 2017's entry of "Strategize re [REDACTED]." (See Glunt Decl., Ex. 3, at 12–13.) These entries deprive "the [c]ourt [of] an adequate basis for reviewing the reasonableness of [the] claimed hours." Osterweil v. Bartlett, 92 F. Supp. 3d 14, 31 (N.D.N.Y. 2015); see also Capitol Records, 2015 WL 7271565, at *3 (reducing fees based on vague billing entries).

Second, hundreds of hours reflect internal meetings and conferences. (Glunt Decl., Ex. 8.) Courts often discount or strike such hours from a fee application, especially when they seem excessive. See Anthony v. Franklin First Fin., Ltd., 844 F Supp. 2d 504, 509 (S.D.N.Y. 2012) (reducing fees based in part on internal meetings).

Many of Plaintiffs' counsel's entries display block-billing. "As a general rule, block billing is disfavored. It impedes the client's ability to understand the precise time allocable to the tasks for which it is being billed on an hourly basis." Beastie Boys, 112 F. Supp. 3d at 53. Although Plaintiffs' often parsed out time spent on each task within an entry, block-billing impeded this Court's ability to survey 141 pages containing nearly 7,000 time entries.

Plaintiffs seek full reimbursement for approximately two hundred hours of travel time. (Glunt Decl. Ex. 13.) The custom in this Circuit is to reduce billing rates for travel by 50%. See Spencer v. City of New York, 2013 WL 6008240, at *7 (S.D.N.Y. Nov. 13, 2013); Adusumelli v. Steiner, 2013 WL 1285260, at *5 (S.D.N.Y. Mar. 28, 2013).

Finally, more time was devoted to some legal tasks than appears reasonable to this Court. As Defendants point out, when Plaintiffs' time entries are distilled, counsel, who are highly experienced in copyright infringement and trademark infringement actions, expended 272 hours preparing jury instructions. In another vein, this Court cannot fathom how attorneys could spend 467 hours preparing deposition designations when there were nowhere near that number of hours of deposition in the case. (See Glunt Decl. Exs. 4 & 5.) This excessive expenditure of time does not square with counsel's expertise. In response, Plaintiffs contend that the totals identified by Defendants are misleading because their block-billings include tasks other than creating jury instructions and deposition designations. But that underscores the problem—because Plaintiffs combine tasks, no one can easily quantify how long Plaintiffs spent on particular tasks. "Trial courts need not, and indeed should not, become green-eyeshade accountants." Ernest Gene Therapeutic, LLC v. Sloan-Kettering Inst. for Cancer Research, 286 F. Supp. 3d 585, 588 (S.D.N.Y. 2018) (citing Fox v. Vice, 563 U.S. 826, 838 (2011)), report and recommendation adopted by 2018 WL 3094913 (S.D.N.Y. June 21, 2018).

In determining the appropriate amount of fees, this Court balances the concerns described above with its appreciation that this litigation was complex and hard-fought. See Arbor Hill Concerned Citizens Neighborhood Ass'n v. Cty. of Albany, 522 F.3d 182, 184 (2d Cir. 2008) (holding that in awarding fees a district court may consider the "complexity and difficult of the case"). "It is common practice in this Circuit to reduce a fee award by an across-the-board percentage where a precise hour-for-hour reduction would be unwieldly or potentially inaccurate." Beastie Boys, 112 F. Supp. 3d at 57 (citation omitted).

Courts often "cut the fee award by 30% across the board due to deficiencies found in counsel's billing records." See, e.g., De La Paz v. Rubin & Rothman, LLC, 2013 WL 6184425, at *4 (S.D.N.Y. Nov. 25, 2013). This Court exercises its informed discretion to reduce the total attorneys' fees sought by 30%.[3] See Hines v. City of Albany, 613 F. App'x 52, 55 (2d Cir. 2015) (summary order) (upholding a reduction of fees by 30% where block-billing "frustrated meaningful review of the reasonableness of the hours claimed"); Beastie Boys, 112 F. Supp. 3d at 57 ("Fee reductions around 30% are . . . common in this District to reflect considerations of whether work performed was necessary, leanly staffed, or properly billed."). This yields total attorney fees of $4,137,081.70. While this award is substantial, it reflects work performed over five years in three lawsuits on behalf of four of the world's major publishers bringing 161 separate claims.

E. Costs

Plaintiffs' counsel seeks $852,493.43 in costs. (See Oppenheim Decl. ¶ 38.)

[3] Defendants' assertion that Plaintiffs' counsel's hours should be subject to an across-the-board 90% reduction is absurd. Given Defendants' litigation conduct, they should have a clear and informed view of why their adversaries were required to spend so much time and resources litigating this matter.

These include transcripts, service and filing fees, e-discovery, experts, and travel. (See Oppenheim Decl. Ex. 9.) Defendants challenge (1) the $225,000 accounting expert witness fee, (2) travel expenses totaling $132,621.84, (3) Lexis costs of $12,857.20, and other minuscule expenses too trivial for consideration. In total, Defendants seek to cap Plaintiffs' costs at $400,000.

"Courts generally award costs to prevailing parties in cases [involving] claims brought under the Lanham Act." Farberware Licensing Co., LLC v. Meyer Mktg. Co., 2009 WL 5173787, at *3 (S.D.N.Y. Dec. 30, 2009). "Unlike the more limited costs recoverable under 28 U.S.C. § 1920, costs recoverable under section 505 of the Copyright Act include any 'reasonable out-of-pocket expenses incurred by attorneys and ordinarily charged to their clients.'" TufAmerica Inc. v. Diamond, 2016 WL 1029553, at *7 (S.D.N.Y. Mar. 9, 2016) (citing U.S. Football League v. Nat'l Football League, 887 F.2d 408, 416 (2d Cir. 1989)); see also Capitol Records, 2015 WL 7271565, at *6.[4]

Defendants' challenge to the $225,000 accounting expert fee has some merit. Plaintiffs did not submit any contemporaneous time records for their accounting expert. Undoubtedly, significant professional time was needed to cut through the Gordian knot of Defendants' tangled financial relationships. And Defendants' concealment of certain financial transactions assuredly complicated Plaintiffs' expert's analysis. But Defendants paid their

[4] There is substantial disagreement among courts regarding whether costs under the Copyright Act are limited to the categories delineated in 28 U.S.C. § 1920. See Clarity Software, LLC v. Fin. Independence Grp., LLC, 2016 WL 3083383, at *6–7 (W.D. Pa. May 31, 2016) (summarizing the conflicting case law). For purposes of this Opinion & Order, this Court utilizes its prior determination that the Copyright Act permits broader shifting of costs than the categories listed in § 1920. This holding is in line with "the interests of the Copyright Act [including] raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure that the boundaries of copyright law are demarcated as clearly as possible in order to maximize the public exposure to valuable works." Capitol Records, Inc., 2015 WL 7271565, at *4 (citation, quotation marks, and alteration omitted); see Kirtsaeng, 136 S. Ct. at 1986 ("[F]ee awards under § 505 should encourage the types of lawsuits that promote the purposes of the Copyright Act.").

accounting expert only a fraction of $225,000. (See Glunt Decl., Ex. 21.) Accordingly, the accounting expert fee is reduced to $125,000.

The travel costs incurred in prosecuting this case reflect the fact that Defendants are located in Ohio, witnesses were located in various cities across the United States, Plaintiffs' counsel are located in Washington, D.C., and the action was litigated and tried in New York. To the extent that Plaintiffs' counsel travelled to New York for conferences and trial, that expense is offset by the fact that counsel charged lower market rates than most major New York law firms.

Defendants also challenge an award of costs for Lexis fees. "[T]he cost of the computer service used in the research is no more reimbursable than the cost of the West's Keynote Digests and the volumes of the Federal Report and the Federal Supplement that lawyers used to use (and many still use) to find authority and research issues of law." BD v. DeBuono, 177 F. Supp. 2d 201, 209 (S.D.N.Y. 2001). Accordingly, this Court declines to award $12,857.20 in Lexis fees.

While Defendants do not challenge certain other trial costs, including $112,850.13 for a trial support company and $81,807 for hotel accommodations during trial, this Court finds them to be excessive. The trial lasted only three weeks. This Court reduces these specific costs by 30%. This Court has reviewed the remainder of Plaintiffs' costs and finds them reasonable. Adjusting Plaintiffs' costs based on this Court's analysis, Plaintiffs' counsel are awarded $694,096.29 in costs.

IX. Stay of Enforcement

Perhaps anticipating that their post-trial motions would be unsuccessful, Defendants also move for a stay of enforcement of any judgment pending appeal without the need to post a supersedeas bond. In the alternative, Defendants ask that they be permitted to post a security interest in commercial property as a substitute for a bond. Although there is some question whether Defendants' motion is timely as no final judgment has been issued and no appeal taken, the matter has been briefed and there is no need to delay adjudication.

Under Federal Rule of Civil Procedure 62(d), "[i]f an appeal is taken, the appellant may obtain a stay by supersedeas bond." Fed. R. Civ. P. 62(d); see 11 Fed. Prac. & Proc. Civ. § 2905 (3d ed. 2018) ("The stay issues as a matter of right in cases within Rule 62(d), and is effective when the supersedeas is approved by the court."). "The bond serves three purposes: (1) it ensures the judgment debtor may obtain a refund if he or she is meritorious on appeal . . .; (2) it mitigates any risk that the judgment debtor may not be able to fulfill the judgment after appeal; and (3) it guarantees that the appellee can recover damages caused by any delay incident to the appeal, such as interest and costs." SDF9 Cobk LLC v. AF & AR LLC, 2015 WL 3440259, at *1 (E.D.N.Y. May 27, 2015).

A Court may waive a supersedeas bond "if the appellant provides an acceptable alternative means of securing the judgment." In re Nassau Cty. Strip Search Cases, 783 F.3d 414, 417 (2d Cir. 2015) (citation and quotation marks omitted). In Nassau County Strip Search Cases, the Second Circuit adopted a non-exclusive five-factor test for determining whether to waive a supersedeas bond:

> (1) the complexity of the collection process; (2) the amount of time required to obtain a judgment after it is affirmed on appeal; (3) the degree of confidence that the district court has in the availability of funds to pay the judgment; (4) whether the defendant's ability to pay the judgment is so plain that the cost of a bond would be a waste of money; and (5) whether the defendant is in such a precarious financial situation that the requirement to post a bond would place other creditors of the defendant in an insecure position.

783 F.3d at 417–18 (citing Dillon v. Chicago, 866 F.2d 902, 904–05 (7th Cir. 1988)). These factors are meant to "ensure recovery for a party who ultimately prevails on appeal, and to protect the judgment debtor from risk of losing their money if the decision is reversed." Nassau Cty. Strip Search Cases, 783 F.3d at 418.

Defendants ask this Court to apply a four-factor test often used in conjunction with stays of injunctions. Those factors include likelihood of success on appeal, injury to the movant, injury to the non-moving party, and the public interest. See Mohammed v. Reno, 309 F.3d 95, 100 (2d Cir. 2002). Although some courts in this Circuit have applied these factors to cases involving monetary damages, in Nassau County Strip Search Cases the Second Circuit rejected that practice, holding that the five-factor test "more directly address[es] the primary purpose of Rule 62(d)." Nassau Cty. Strip Search Cases, 783 F.3d at 418.

This Court agrees with those courts holding the traditional four factors "appl[y] only when the judgment sought to be stayed is for injunctive or equitable relief." Moore v. Navillus Tile, Inc., 2017 WL 4326537, at *4 (S.D.N.Y. Sept. 28, 2017); see also Butler v. Ross, 2017 WL 6210843, at *2 (S.D.N.Y. Dec. 7, 2017) ("[A] motion for a stay of money judgment is assessed under the announced test for Rule 62(d), which is separate and apart from the test used when assessing a Rule 62(c) motion.")

The Nassau County Strip Search Cases factors weigh decisively against granting Defendants a stay without posting a supersedeas bond. Those factors "contemplate waiving the requirement of a supersedeas bond because a court is satisfied that the debtor would be able to pay the judgment with ease." Butler, 2017 WL 6210843, at *3; see Rivera v. Home Depot USA Inc., 2018 WL 3105069, at *3 (S.D.N.Y. June 25, 2018) (waiving bond because Home Depot had "extremely deep pockets" and would be able to pay any judgment). Here, Defendants ground their stay request on their inability to pay the judgment. They provide documentation showing that the award dwarfs their assets. But "the bond requirement will not be waived solely on the basis that it will pose a severe financial hardship on the appellant." 11 Fed. Prac. & Proc. Civ. § 2905; Butler, 2017 WL 6210843, at *3 (denying waiver of bond where defendant "ple[d] a case of impecuniosity"). In fact, a concession of inability to pay is often "determinative" in this inquiry. Moore, 2017 WL 4326537, at *2.

Therefore, the fact that the need to post a bond may impair a business is irrelevant. "The bond requirement is not designed to protect the judgment debtor's ability to continue in business. . . . ." Leevson v. Aqualife USA Inc., 2017 WL 6541766, at *2 (E.D.N.Y. Dec. 8, 2017) (citation and alteration omitted), report and recommendation adopted by 2017 WL 6550683 (E.D.N.Y. Dec. 21, 2017); accord Allied Erecting & Dismantling Co. v. U.S. Steel Corp., 2016 WL 1106854, at *17 (N.D. Ohio Mar. 21, 2016) (debtor's bankruptcy "is precisely the injury against which a supersedeas bond is designed to protect"). Here, a bond is necessary to safeguard Plaintiffs' recovery. See Howard Town Ctr. Developer, LLC v. Howard Univ., 288 F. Supp. 3d 11, 15 (D.D.C. 2017) (requiring full bond partly due to court's "great concern" with debtor's "inability or unwillingness to satisfy the judgment"). Additionally, it appears that Defendants' net worth consists largely of illiquid assets, likely complicating any collection effort.

Defendants cite Texaco Inc. v. Pennzoil Co., where the Second Circuit held that "denial of a stay of execution unless a supersedeas bond in the full amount of the judgment is posted can in some circumstances be irrational, unnecessary, and self-defeating [and] reduce . . .

appeal to a meaningless ritual." Texaco, 784 F.2d 1133, 1154 (2d Cir. 1986), rev'd 481 U.S. 1 (1987). However, the Supreme Court's reversal of Texaco undermines "[a]ny 'precedential value'" of that case and "does not justify overlooking [the more recent holding in] Nassau County [Strip Search Cases]." Moore, 2017 WL 4326537, at *5.

Defendants' proposal to substitute Defendants' interest in two warehouses in place of a $39,031,177.99 bond is inadequate. The value of those warehouses is a trivial fraction of the obligation imposed by the judgment. See Leevson, 2017 WL 6541766, at *4 (rejecting equity in a building equal to amount of the judgment). Where courts have permitted interest in real property in place of a bond, the property was worth substantially more than the judgment, meaning it provided clear assurance of payment. See Brooktree Corp. v. Advanced Micro Devices, Inc., 757 F. Supp. 1101, 1105 (S.D. Cal. 1990) (permitting posting of property worth twice the amount of judgment).

The fifth factor addresses whether requiring Defendants to post bond could damage other creditors. But this factor requires the debtor to show that their inability to pay other creditors would stem from the bond itself, not merely from the judgment. See Moore, 2017 WL 4326537, at *2. It "does not envisage waiving the bond requirement because a debtor simply cannot pay." Butler, 2017 WL 6210843, at *3. And even if the fifth factor favors a stay without bond, it does not outweigh the other factors. See Butler, 2017 WL 6210843, at *3; Moore, 2017 WL 4326537, at *3 (considering the fifth factor "a weak reed on which to premise an argument that bond requirement should be waived").

Because the Nassau County Strip Search Cases factors decisively weigh against a stay of enforcement without the posting of a bond and Defendants fail to offer a sufficient alternative, this Court declines to waive the requirement for a bond in the event that Defendants appeal.

CONCLUSION

For the foregoing reasons, Defendants' motions for renewed judgment as a matter of law, remittitur, a new trial, and a stay of enforcement of judgment are denied. Plaintiffs' motion for partial final judgment is denied as moot. Plaintiffs' motion for prejudgment interest is denied. Plaintiffs' motions for a permanent injunction, a disposition of infringing materials, and attorneys' fees and costs are granted in part and denied in part. Plaintiffs' counsel are awarded $4,137,081.70 in attorneys' fees and $694,096.29 in costs. This Court will issue a final judgment in the aggregate amount of $39,031,177.99 concurrent with this Opinion & Order. The Clerk of Court is directed to terminate all pending motions and to mark these cases as closed.

Dated: August 17, 2018
New York, New York

SO ORDERED:

WILLIAM H. PAULEY III
U.S.D.J.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY & SONS, INC., *et al.*, Plaintiffs, - against - BOOK DOG BOOKS, LLC, *et al.*, Defendants.	13cv816
CENGAGE LEARNING, INC., *et al.*, Plaintiffs, - against - BOOK DOG BOOKS, LLC, *et al.*, Defendants.	16cv7123

FINAL JUDGMENT AND PERMANENT INJUNCTION

WILLIAM H. PAULEY III, Senior United States District Judge:

In conjunction with this Court's August 17, 2018 Opinion & Order, this Court hereby orders the following final judgment and permanent injunction:

1) Pursuant to and in accordance with 15 U.S.C. § 1117(c) and 17 U.S.C. §504(c), as a result of the April 5, 2018 jury verdict finding Defendants liable for willful trademark infringement and willful copyright infringement, Defendants are ordered to pay

Plaintiffs thirty-four million two-hundred thousand dollars ($34,200,000), allocated as follows: (a) in case No. 13-cv-816, Defendants Book Dog Books, LLC and Philip Smyres shall pay Plaintiffs in that action $18,000,000 for trademark infringement and $12,200,000 for copyright infringement; and (b) in case No. 16-cv-7123, Defendants Book Dog Books, LLC, Apex Media, LLC, and Robert William Management, LLC shall pay Plaintiffs in that action $2,000,000 for trademark infringement and $2,000,000 for copyright infringement.

2) Pursuant to and in accordance with 15 U.S.C. § 1117(a), 17 U.S.C. § 505, and Paragraph 17(a) of the 2008 Settlement Agreement, Plaintiffs' counsel is awarded $4,137,081.70 in attorneys' fees and $694,096.29 in costs.

3) For clarity, the total aggregate judgment awarded to Plaintiffs is $39,031,177.99.

4) Pursuant to and in accordance with 15 U.S.C. §§ 1116, 1118, 17 U.S.C. § 502, 503, and this Court's inherent equitable authority, this Court permanently enjoins Defendants and their successors, assigns, subsidiaries, affiliates, officers, directors, employees, principals, agents, attorneys, and those that are in active concert and participation with them, including but not limited to the following entities:

1. 1401 West Goodale, LLC
2. 999 Kinnear, LLC
3. Academico CentroAmericano, S.A.
4. Anaid Holdings, LLC
5. Apex Commerce, Inc.
6. Apex Commerce, LLC
7. Apex Media, LLC
8. Book Dog Books, LLC (FL)
9. Book Dog Books, LLC (OH)
10. Bookeagle.com, LLC
11. Books for Coco, LLC
12. Bookstores.com, LLC
13. Cal Text Books, Inc.
14. GEKR Holdings, LLC
15. K12 Book Services, Inc. (f/k/a/ K12 Book Source, Inc.)
16. Mandolin Imports, LLC
17. Oliveford Limited
18. Robert William Holdings, LLC
19. Robert William Intermediate Holdings Doppelganger, LLC
20. Robert William Intermediate Holdings, LLC
21. Robert William Management, LLC
22. RW Europe, Inc.
23. SPL Management, LLC
24. SRockPaper Imports, Inc.
25. Matasa Agila Holdings, LLC

(collectively, the "Enjoined Parties.")

5) The Enjoined Parties shall:

a) Not infringe any copyrights or trademarks for which any Plaintiff is the owner or exclusive licensee, including, without limitation, making, renting, selling, offering to rent or sell, importing into the United States, distributing, or marketing counterfeits of textbooks published by Plaintiffs, or inducing, assisting or causing others to do any of the same.

b) Within thirty (30) days of issuance of this Permanent Injunction, surrender to Plaintiffs all textbooks currently within Defendants' possession, custody, or control that Defendants suspect are or may be counterfeits of textbooks published by Plaintiffs. The surrender shall include a completed copy of the attached Exhibit A. For any of the surrendered books that Plaintiffs determine not to be counterfeit, Plaintiffs shall return them to Defendants.

c) Not effect any assignments or transfers outside the ordinary course of business, nor form new entities or associations, nor utilize any other device or contrivance for the purpose of or with the effect of circumventing or otherwise avoiding any prohibitions set forth in this order or their payment obligations under the jury verdict, this Final Judgment and Permanent Injunction, or any associated judgment.

d) Within one-hundred and twenty (120) days from the issuance of this Final Judgment and Permanent Injunction, and on an annual basis for the next five (5) years thereafter, provide Plaintiffs a sworn declaration certifying their compliance with this Final Judgment and Permanent Injunction.

6) This Final Judgment and Permanent Injunction shall inure to the benefit of Plaintiffs and any successors, assigns, and acquiring companies. This Final Judgment and Permanent Injunction shall be binding upon Defendants and any successors, assigns, and acquiring companies.

7) This Final Judgment and Permanent Injunction shall be deemed to have been served upon the Defendants at the time of its execution by this Court.

8) This Final Judgment and Permanent Injunction pertains only to Plaintiffs' claims in Case Nos. 13-cv-816 and 16-cv-7123. Nothing herein extends to, limits, or waives any of Plaintiffs' other rights, claims, or remedies, including, without limitation, any events, actions, occurrences, infringements, or violations occurring after the issuance of this Final Judgment and Permanent Injunction.

9) This Court retains jurisdiction for the purpose of issuing further orders necessary or proper for the construction, implementation, or modification of this Final Judgment and Permanent Injunction, the enforcement thereof, and the punishment

of any violations thereof.

SO ORDERED:

Dated: August 17, 2018
New York, New York

WILLIAM H. PAULEY III
U.S.D.J.

EXHIBIT A

TITLE	AUTHOR	ISBN 13	RECEIPT DATE	TOTAL QUANTITY RECEIVED	QUANTITY ENCLOSED FOR REVIEW

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- -X

JOHN WILEY & SONS, INC., *et al.*, : 13cv816

Plaintiffs,

- against -

BOOK DOG BOOKS, LLC, *et al.*,

Defendants.

- -X

- -X

CENGAGE LEARNING, INC., *et al.*, : 16cv7123

Plaintiffs,

- against -

BOOK DOG BOOKS, LLC, *et al.*,

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- -X

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b) Within thirty (30) days of issuance of this Permanent Injunction, surrender to Plaintiffs all textbooks currently within Defendants' possession, custody, or control that Defendants suspect are or may be counterfeits of textbooks published by Plaintiffs. The surrender shall include a completed copy of the attached Exhibit A. For any of the surrendered books that Plaintiffs determine not to be counterfeit, Plaintiffs shall return them to Defendants.

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Dated: August 17, 2018
New York, New York

WILLIAM H. PAULEY III
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