

No. 16-15726

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

Cambridge University Press,
Oxford University Press, Inc.,
and Sage Publications, Inc.,

Plaintiffs-Appellants,

v.

Mark P. Becker, in his official capacity as
Georgia State University President, et al.,

Defendants-Appellees.

On Appeal from the United States District Court
for the Northern District of Georgia
D.C. No. 1:08-cv-1425 (Evans, J.)

**BRIEF OF APPELLANTS CAMBRIDGE UNIVERSITY PRESS,
OXFORD UNIVERSITY PRESS, INC., AND SAGE PUBLICATIONS, INC.**

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Cambridge University Press, et al. v. Mark P. Becker, et al.

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Pursuant to Federal Rule of Appellate Procedure 26.1, Appellants state that no publicly held corporation owns 10% or more of the stock of any of the Appellants.

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STATEMENT REGARDING ORAL ARGUMENT

Appellants respectfully request oral argument for this appeal. This case involves an issue of enormous consequence for Appellants and other educational publishers and for colleges and universities across the country: To what extent does the copyright fair use doctrine allow a university to copy and distribute to students excerpts of copyrighted books via online course reading systems without permission from or payment to the copyright holders?

Oral argument will assist the Court in clarifying, *inter alia*, the appropriate application of the fair use doctrine to unauthorized digital copying for a nonprofit educational purpose that, because it is substantial, nontransformative, and pervasive, supplants Appellants' established licensing market. Argument also will assist the Court in properly ascertaining the prevailing party in a multi-claim copyright infringement action in which injunctive relief was awarded and in recognizing that the district court abused its discretion in awarding attorneys' fees based in part on apparent antipathy for how the action was funded – despite finding that plaintiffs prosecuted objectively reasonable claims directed to an issue of national significance concerning the scope of fair use in higher education.

**STATEMENT OF SUBJECT MATTER AND APPELLATE
JURISDICTION**

This Court has jurisdiction pursuant to 28 U.S.C. § 1291 over this direct appeal from a final order on the merits and a final judgment of the District Court of the Northern District of Georgia. Jurisdiction was proper in the district court pursuant to 28 U.S.C. § 1338(a).

STATEMENT OF THE ISSUES

1. Did the district court repudiate this Court's remand instructions in holding that the fair use doctrine allows instructors at Georgia State University (GSU) to copy and distribute substantial, nontransformative excerpts of Appellants' books to students via online course reading systems without a license, thereby supplanting Appellants' established licensing market for such excerpts?

2. Did the district court abuse its discretion by striking evidence proffered by Appellants on remand showing that, contrary to the district court's post-trial finding, seventeen of the works at issue – like all the others – were available for digital licensing in 2009?

3. Did the district court err in finding Appellees to be the prevailing party even though it found that Appellants were entitled to injunctive relief, and, even if it properly so found, did the court abuse its discretion in holding that Appellees were entitled to attorneys' fees even though it found that Appellants' claims were objectively reasonable, raised an unsettled question concerning the scope of fair use in the higher education setting, and were pursued in good faith?

PRELIMINARY STATEMENT

Our nation's copyright laws are an integral part of our society. Rooted in the Constitution, they are designed to enrich our lives by “spur[ring] the creation and publication of new expression.” *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003). Nowhere is this function more meaningfully fulfilled than in our colleges and universities, which are charged with preparing students for their adult lives and careers by inculcating in them the intellectual requisites of fully functioning members of society. Copyrighted works – covering the humanities, the social and natural sciences, the law, medicine, and other professions – help fuel that education, providing educators with an evolving, sophisticated body of learning and insight from which they teach and providing students with stimulating readings that will open their minds, hone their critical thinking faculties, and prepare them to be productive citizens.

The symbiotic relationship between the academy, on the one hand, and publishers and authors of the copyrighted works that sustain it, on the other, has been ruptured by the University System of Georgia, whose policies as implemented at GSU have undermined the crucial role that copyright law plays in furthering the mission of institutions of higher education by weakening the financial incentives of academic publishers to create and disseminate works on which GSU and other schools across the country depend. The precedent GSU has

set, largely endorsed for a second time by the district court, invites other academic institutions to follow its lead, with potentially severe detrimental consequences for the academic publishing industry, for authors of educational works, and, in the end, for higher education.

To be sure, GSU has not ceased using the broadest array of copyrighted works to teach its students. It has, however, transitioned from disseminating print copies of Appellants' works (for which GSU pays licensing fees) to disseminating digital copies of those works (which it takes for free). GSU has done so on the flawed premise that the ease of virtually costless digital copying and distribution of course readings to entire classes of students by GSU administrators, and saving students the (modest) cost of acquiring such materials, justifies the appropriation of Appellants' scholarly works. Applying this erroneous interpretation of the law, GSU has, for over a decade, regularly copied and disseminated substantial portions of thousands of copyrighted works without paying the publishers or authors a penny for the privilege. The University System of Georgia policy that allows such wholesale takings to occur contemplates virtually unfettered access to leading works of scholarship to satisfy its institutions' pedagogical needs while denying the authors and publishers of those materials any remuneration for their use. The fallacy of this policy is its failure to recognize that without an economic incentive to create and disseminate the course reading materials on which colleges and

universities depend, academic publishers will curtail, if not cease, their publishing activities.

Regrettably, the district court has now twice endorsed this flawed application of copyright law, unwavering in its insistence that GSU's educational purpose should dominate the fair use analysis of GSU's unlicensed copying and that the market-substituting effect of GSU's non-transformative copying deserves effectively no weight. This approach misapprehends governing copyright law and, more specifically, ignores this Court's instruction in *Cambridge Univ. Press v. Patton*, 769 F.3d 1232 (11th Cir. 2014) ("*GSU I*"), that the district court, on remand, give appropriate weight to the "severe" threat of market substitution arising from GSU's nontransformative copying. The district court gave short shrift to market substitution in not just reinstating each of its post-trial fair use findings but in adding a *new* finding of fair use as to a taking that GSU conceded – and the district court previously found – was not fair use.

The district court was able to reach this anomalous result by creating an analytical framework that, while different in form from that which it employed in its vacated first opinion, was identical in substance. It continued to ascribe dispositive significance to GSU's educational purpose by making it decisive not only under factor one but also under factor three, where the court found that the professors' pedagogical objectives justified the purportedly "narrowly tailored"

unauthorized copying of one or more entire chapters of Appellants' work. In addition, the court erected virtually insuperable barriers to Appellants' ability to establish cognizable market harm under factor four.

By so persistently skewing the fair use analysis in Appellees' favor, the district court flipped established copyright norms on their head. Rather than recognizing fair use as a limited exception to Appellants' exclusive reproduction and distribution rights, the court perpetuated the misconception that established copyright licensing rights can be largely ignored by a nonprofit educational institution so long as its ultimate purpose in doing so is pedagogical, even where there is no question that the copying is nontransformative.

The district court's remand ruling represents, to Appellants' knowledge, the most expansive reliance on fair use by any U.S. court to excuse indisputably nontransformative copying. The lack of foundation for the ruling is exposed by the fact that GSU has never invoked fair use when the same copyrighted works were distributed for the same purpose in paper format. As Judge Vinson stated in his special concurrence in *GSU I*: "The 'use' of a copyright protected work that had previously required the payment of a permissions fee does not all of a sudden become 'fair use' just because the work is distributed via a hyperlink instead of a printing press." 769 F.3d at 1287 (Vinson, J., concurring). Indeed, that GSU's transition from licensed paper coursepacks to unlicensed digital course readings

was admittedly undertaken in significant part to avoid paying standard permissions fees destroys its fair use defense.

By anchoring this sweeping “right” of appropriation in the online environment, the district court exacerbated the profoundly negative implications of its ruling. Technological advances are fueling rapidly changing consumer consumption patterns when it comes to accessing information. Ever-increasing volumes of copyrighted material – both within and outside of academia – are being accessed by means of digital copies in lieu of hardcopy purchases. As colleges and universities across the country move toward making course readings available to students online and through other electronic formats, academic publishers are meeting this demand by making their works available for sale, licensing, rental, and other means of access in a variety of digital forms. In the face of these market trends, as testified to in detail by Appellants’ witnesses, the district court instead adopted a static view of the relevant market and how it operates. That view assumed that the commercial viability of academic publishers is measured solely in terms of print book sales and that the derivative market for licensed access to Appellants’ works – the growing importance of which is demonstrated by GSU’s migration from print coursepacks to their digital equivalent – is of only slight economic consequence.

In essentially dismissing the present and potential significance of the derivative market in which Appellants license use of their works, and in ignoring market trends in the consumption of copyrighted information, the district court misapprehended the essence of fair use analysis: to make a discerning assessment of potential market harm to the copyright owner by assessing “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market” for the copyrighted work. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994). Only by (i) focusing inappropriately on the harm caused by a single professor’s unlicensed use of each individual work and on historical permissions income for that work as of 2009 and (ii) ignoring the broader implications for Appellants’ licensing market as a whole could the district court have twice reached the conclusion that Appellants’ businesses are not threatened by systematic course- and campus-wide appropriations of substantial, chapter-length digital excerpts from their works.

In addition to again bending the law untenably in Appellees’ favor, the district court also once more punished Appellants for bringing this suit by declaring – initially without briefing or explanation – that Appellees were the prevailing party and entitled to reasonable attorneys’ fees and costs. (Appellees are seeking more than \$3 million.) The court reached its “prevailing party” conclusion notwithstanding that, even under its erroneous view of the law, it found

that Appellees had infringed certain of Appellants' copyrights and entered an injunction in Appellants' favor. Deeming Appellees to be the prevailing party in these circumstances was reversible legal error. The court further erred by awarding Appellees attorneys' fees despite (i) finding that Appellants' claims were objectively reasonable and brought in good faith and (ii) the Supreme Court's recent ruling in *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979 (2016), which emphasized that objective unreasonableness must be given substantial weight in evaluating cost-shifting. Instead of following *Kirtsaeng*, the district court grounded its fee determination principally on its apparent distaste for the fact that this important test lawsuit, of great consequence for authors and publishers nationwide, has been funded by an industry trade association as well as a not-for-profit clearinghouse for copyright licensing which the court itself had found to be performing a wholly legitimate and important role in that capacity. This was a clear abuse of discretion.

The district court's remand ruling must be reversed, along with the award of attorneys' fees and costs to Appellees, and this Court should direct the district court to enter judgment in Appellants' favor.

STATEMENT OF THE CASE

I. COURSE OF PROCEEDINGS BELOW

Cambridge University Press (“Cambridge”), Oxford University Press, Inc. (“Oxford”), and SAGE Publications, Inc. (“SAGE”) (collectively, “Appellants”), leading academic publishers, brought this copyright infringement action in April 2008 against a number of GSU officials in their official capacities, asserting claims for direct, contributory, and vicarious infringement and seeking declaratory and injunctive relief against an ongoing pattern and practice of unauthorized copying and electronic distribution of substantial excerpts of their copyrighted academic books in connection with online course reading systems operated by GSU. Dkt#1. As the record shows, portions of thousands of copyrighted works were being distributed digitally to GSU students each semester without permission through GSU’s so-called ERes and uLearn computer systems. *See, e.g.*, Dkt##150-55 (Pl. Ex. 54-59); Dkt##145-46 (Pl. Ex. 21-22); Dkt#149 (Pl. Ex. 48-49); Dkt#160-7 (ERes Reports); Dkt#141 ¶¶ 67-77, 96. Appellants alleged that the infringements specified in the Complaint were merely “representative samples” of a “pervasive, flagrant, and ongoing” pattern of infringement of Appellants’ works. *See* Dkt#1 ¶¶ 1-3, 24, 26, 27.

On February 17, 2009, during discovery, the University System of Georgia announced a new copyright policy in an effort to moot the litigation (the “2009

Policy”). The new policy gave GSU instructors responsibility for determining whether contemplated digital course readings would qualify as fair use and thus not require permission from or payment to the copyright owners. The tool designed for making these determinations was a “Fair Use Checklist” that faculty were required to complete, JX4, and which the trial ultimately showed was designed to – and did – uniformly produce “findings” of fair use.

Appellants sought to try the case based on a small, representative sample of claimed infringements and evidence of the aggregated (i.e., digital coursepack-creating) nature of the unlicensed copying. However, at GSU’s behest the district court ordered that the case be tried on work-by-work basis.¹ In furtherance of that determination, the court ordered Appellants to submit a list of all infringements of their works alleged to have occurred during the three academic terms immediately following implementation of the 2009 Policy (the three-week 2009 Maymester, 2009 Summer, and 2009 Fall terms). Dkt##226, 227.²

¹ Appellants proposed that the testimony of a small number of professors as to their use of Appellants’ works be deemed representative of current practice at GSU in order to streamline the case. *See* Dkt#268-1 at 2. When Appellees rejected this proposal, *see* Dkt#268-1 at 4, Appellants requested a pre-trial conference to address the competing views as to the appropriate structure of the trial, *see* Dkt# 268, but the district court denied the request. *See* Dkt#269.

² The district court repeatedly manifested an unwillingness to take account of the extent of the alleged infringing conduct by excluding evidentiary proffers by Appellants designed to establish, *inter alia*, the persistence and scope of GSU’s unlicensed takings prior to and after 2009 as well as the combining of unauthorized

Following a three-week bench trial, the district court issued a 350-page decision in which it evaluated Appellees' fair use defense with respect to 74 claimed infringements of 64 works. Dkt#423. The court rejected 26 claims without addressing fair use, focusing instead on purported technical deficiencies relating to matters such as copyright ownership and registration as well as on what it arbitrarily found to be de minimis use of certain works. Of the remaining 48 claims, the court concluded that five were not fair use because too much had been copied. It held that the remaining 43 takings were fair use because the copying had occurred in a nonprofit educational setting and, in its view, met one or more of the following criteria:

- as to 32 takings, the copying constituted less than 10% of a book with fewer than 10 chapters;
- as to three takings, the copying constituted one chapter or less from a book with ten or more chapters;
- as to two takings, the permissions revenues earned from other users of the works to that point were, in the court's view, too small to establish substantial market harm from GSU's unlicensed use; and
- as to 17 takings, there was no evidence that digital licenses for the work were available in 2009.

excerpts from numerous works to create digital coursepacks. *See, e.g.*, Dkt#401, Tr.3/79-80; Dkt#402, Tr.4/106-109; Dkt#403, Tr.5/121-123; Dkt#405, Tr.7/88-89, 118-119; Dkt#406, Tr.8/17-18, 154-155; Dkt#407, Tr.9/17-18; Dkt#394, Tr.11/10.

The court found that the five infringements it identified were “caused” by the failure of the 2009 Policy to (i) limit copying to “decidedly small excerpts” (as defined by the court); (ii) prohibit the use of multiple chapters from the same book; or (iii) “provide sufficient guidance in determining the ‘actual or potential effect on the market or the value of the copyrighted work.’” Dkt#423 at 337-39 (quoting 17 U.S.C. § 107).

On August 10, 2012, the court entered an injunction that, without further detail and without establishing any verification or compliance procedures, simply required Appellees to maintain copyright policies for GSU not inconsistent with the court’s May 11 and August 10, 2012 orders. Dkt#441 at 11. The court also held that Appellees were the “prevailing party” for purposes of section 505 of the Copyright Act and were entitled to reasonable attorneys’ fees and costs. *Id.* at 12-13. The court subsequently awarded Appellees \$2,861,348.71 in attorneys’ fees and \$85,746.39 in costs. Dkt#462 at 12.

Plaintiffs timely appealed, and on October 17, 2014, a panel of this Court reversed the judgment, vacated the award of attorneys’ fees and injunctive and declaratory relief, and remanded the case. In so ruling, this Court found numerous errors in the district court’s fair use analysis. While the panel majority declined to frame the overarching inquiry as involving the replacement of licensed paper coursepacks by unlicensed digital ones and thus as implicating the doctrine of

media neutrality, it found multiple errors in the lower court's application of the fair use doctrine to the individual works at issue.

As an initial matter, this Court held that the district court erred in giving each of the four statutory fair use factors equal weight and reducing fair use to a mathematical formula. *GSU I*, 769 F.3d at 1260. As for the factors, this Court held that factor one favored fair use for each work because of the nonprofit educational nature and character of the copying, but it emphasized that “the threat of market substitution [was] significant,” *id.* at 1267, and it cautioned, accordingly, that “care must be taken not to allow too much educational use, lest we undermine the goals of copyright.” *Id.* at 1264.

With respect to factor two, this Court rejected the district court's holding that the purported “informational” nature of Appellants' books necessarily favored fair use and instead held that “[w]here the excerpts of Plaintiffs' works contained evaluative, analytical, or subjectively descriptive material that surpasses the bare facts necessary to communicate information, or derives from the author's experiences or opinions,” the second factor should be neutral or, where such material predominates, should weigh against fair use. *Id.* at 1270.

With respect to factor three, this Court rejected the ten percent/one chapter quantitative rule created by the district court and held that the district court should have analyzed each taking from the standpoint of whether it “was excessive in light

of the educational purpose of the use and the threat of market substitution.” *Id.* at 1275.

As for factor four, this Court held that where the district court found that a digital license was available for a work in 2009, it “properly took into account that widespread use of similar unlicensed excerpts could cause substantial harm to the potential market” and “generally held that the fourth factor weighed against a finding of fair use.” *Id.* at 1278. However, “because Defendants’ copying was nontransformative and the threat of market substitution was therefore serious,” this Court held that the district court erred by “not affording the fourth factor additional weight in its overall fair use calculus.” *Id.* at 1281. This Court instructed that factor four must “loom[] large in the overall fair use analysis” to account for the “severe” threat of market substitution. *Id.* at 1275 & n.31.

In so ruling, this Court recognized that fundamental principles of copyright law dictate protecting Appellants from the usurpation of any part of an established market for their works – thus preserving the financial incentive to publish scholarly works on which GSU’s educational mission depends. This Court understood that the need to protect against nontransformative, unlicensed substitution – even by an academic user – must infuse the evaluation of three of the four fair use factors. This Court thus rejected the district court’s subordination of market harm to the nonprofit educational purpose of the use – an error that had placed copyright

protection and fair use, which are properly viewed as complementary means of fostering creativity, in conflict with one another.

Finally, because it was based on flawed fair use analysis, this Court vacated the district court's determination that Appellees were the prevailing party and its award of attorneys' fees and costs to Appellees.

In a special concurrence, Judge Vinson opined that the district court's error was even more basic, with the court having missed the "big picture" as to the nature and magnitude of GSU's unlicensed takings. *Id.* at 1285. Judge Vinson noted that the migration from paper to digital coursepacks at GSU was done largely to save money, *id.* at 1286, and that GSU did "not even come close" to showing "why this aggregated use in electronic form is fair use – when the exact same use in paper form is not." *Id.*

When the case returned to the district court, in February 2015, Appellants filed a motion to reopen the record to adduce additional evidence – which acquired legal significance only with the district court's post-trial ruling and the subsequent appellate decision – as to the availability of digital licenses in 2009 for the seventeen works as to which the district court had found no proof of such availability. Dkt#489. The district court denied the motion and subsequently struck from the record a declaration by Debra Mariniello of Copyright Clearance Center (CCC) (Dkt#499-1) proffered by Appellants to demonstrate that each of the

seventeen works was, in fact, available for licensing through CCC in 2009. *See* Dkt#510 at 18.

In its March 31, 2016 remand ruling (Dkt#510), after purporting to take heed of this Court’s guidance, the district court assigned the following “approximate respective weights” to each of the fair use factors: 25% to factor one; 5% to factor two; 30% to factor three; and 40% to factor four. *Id.* at 14. The court proceeded to apply these rigid mathematical weightings, from which it did not deviate, to its subjective assessment of each of the takings. Notwithstanding having been reversed for failing to take adequate account of the “severe” threat of market substitution, the district court concluded not merely that every taking previously found to have been fair use remained so, but also that an *additional* taking, which it previously had held was infringement, was now fair use. In other words, the district court’s response to this Court’s reversal of its prior ruling was to interpret fair use even more expansively.

The district court arrived at this outcome by adhering to its erroneous elevation of nonprofit educational purpose over market substitution in the fair use balance, only in a less transparent manner. Specifically, while nominally ascribing the most weight to factor four (40%), the court devised a formula that nevertheless continued to give dispositive weight to the nonprofit educational purpose of the copying under both factor one (given 25% weight) *and* factor three (given 30%

weight). The simple math of the lower court's allocations, which awarded Appellees the entire numerical weighting assigned to factors one and three (55%) for 37 of the 48 takings, ensured findings of fair use as to those claims based on the nonprofit educational purpose without regard to the outcome of factor four.

As to the relatively few takings the district court found to be excessive under factor three, the court *still* managed to find fair use by imposing a market harm test constructed so as to assure in almost every case a finding that any market harm under factor four was not sufficiently substantial to weigh against fair use. It was not enough, the court held, for Appellants to establish the displacement of licensed copies by unlicensed ones; according to the court, Appellees still could prevail under factor four by showing that the potential loss of permissions fees *would not cause the publisher to pull the work from the market* – a showing no other court, to Appellants' knowledge, has ever allowed as justification for market substitution. The district court aided Appellees in making this novel demonstration by concluding, contrary to the record evidence, that the loss of permissions fees (whether substantial or miniscule) would not cause the publisher to withdraw a given work from the market because, the court found, book sales are more important than permissions fees, and the cost of offering digital licenses is virtually zero.

Applying its nominally revised fair use formula, the court held that four of the 48 alleged infringements, involving three works, were not fair use.³ The court found that one taking – two full chapters comprising the heart of the classic work *The Power Elite* (Oxford) – was fair use even though GSU had *conceded* it was not, and the district court *previously had held* it was not.

The court also held in its remand ruling – without briefing or explanation – that Appellees were the prevailing party and were entitled to reasonable attorneys’ fees and costs. Dkt#510 at 212. Appellants moved for reconsideration of the fee award in light of *Kirtsaeng*, but the district court denied the motion even though it expressly found that Appellants’ claims were reasonable. Dkt#531 at 7. The court deferred determining the amount of the fee award as well as ruling on Appellees’ pending motion for production of Appellants’ billing records. *Id.* at 8. The court also entered an injunction that, like its prior injunction, simply required Appellees to maintain copyright policies for GSU not inconsistent with the Court’s order. Dkt#531 at 6.

³ The summary at the end of the court’s remand opinion listed seven infringements of four different works (*see* Dkt#510 at 211), but in the body of the court’s opinion, it found three of them to be fair use. The court subsequently issued an order correcting this error and clarifying its finding of four infringements of three different works. Dkt#514 at 2.

II. STATEMENT OF FACTS

A. Digital Distribution of Course Reading Material at GSU

1. GSU's Recognition of Copyright Requirements in Creating and Disseminating Paper Coursepacks

For more than twenty years, required reading for university students nationwide has included paper (i.e., “hardcopy”) “coursepacks” – stipulated here to be “excerpts of copyrighted works – typically photocopied from various books and/or journals – which are compiled by a professor into a custom anthology of course readings that students can purchase.” Dkt#276 SF50.⁴ Coursepacks expose students to a variety of works without requiring the student to purchase the entire book or journal from which the excerpts are drawn.

Two key decisions from the 1990s, *Princeton University Press v. Michigan Document Services, Inc.*, 99 F.3d 1381 (6th Cir. 1996) (en banc), and *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991), established that the nontransformative, verbatim copying involved in the preparation of coursepacks, with the resulting prospect of significant market harm to the works' authors and publishers, does *not* constitute fair use. Appellees stipulated that GSU has for years abided by these requirements for paper coursepacks, seeking permission from copyright holders and paying the requisite fees when printing and

⁴ The Stipulated Facts were docketed under seal at #276; a public version was docketed at #278-3; citations to the Stipulated Facts are abbreviated “Dkt#276 SF_.”

selling paper coursepacks. Dkt#276 SF51-52; Dkt#349 (introducing Palmour deposition testimony, Dkt#167, at 16:14-17:7, 24:17-25:6, 30:17-31:14, 34:6-15, 147:16-148:2). GSU has never asserted that this longstanding practice at GSU impaired its educational mission or operations or caused its students economic hardship. Dkt#397, Tr.14/54.

2. GSU's Creation of Digital Coursepacks

In recent years, GSU professors have largely abandoned paper coursepacks in favor of supplying students with the same course reading materials in digital form. Notwithstanding the functionally identical use of the same copyrighted content, GSU concluded that permission fees were no longer required when it migrated its course readings from paper to digital format. GSU has thus facilitated and encouraged, through university computer systems and websites, rampant unauthorized digital distribution of copyrighted material, *which – it is stipulated – has deprived the affected publishers of significant permissions revenue. See, e.g.,* Dkt#276 SF53-59, 72-81; DX111 (ERes/uLearn stipulations); Dkt#402, Tr.4/94-96, 104-106; Dkt#349 (introducing Dkt#167 at 16:14-17:7, 128:16-129:25, 134:17-135:7, 139:1-9).

GSU's on-campus systems for the electronic distribution of course reading material are known as "ERes" and "uLearn." ERes (short for "E-Reserves") is an Internet website hosted on GSU computer servers that is devoted solely to

distributing digital copies of course reading material to GSU students, typically in portable document format (pdf). Dkt#276 SF43, 53-57; DX111 ¶¶ 1-2, 21.

Students are given access to the ERes webpages specific to their courses, where they can find the reading assignments for the course listed by title. Dkt#276 SF54; DX111 ¶ 3; Dkt#402, Tr.4/112-113. Each title is accessible by hyperlink; when clicked, the student receives a copy of the excerpt that can be viewed, printed, downloaded and/or saved to the student's computer, and retained indefinitely. Dkt#276 SF55-57; DX111 ¶ 21; Dkt#402, Tr.4/113-117; Dkt#394, Tr.11/144.

uLearn, a "course management system" hosted on servers maintained by the University System of Georgia Board of Regents, likewise offers course-specific webpages through which students can obtain copies of reading material. Dkt#276 SF72-73, 79-80; DX111 ¶¶ 28-32. The only salient difference between the two systems is that professors can upload digital copies of reading material directly to their uLearn pages rather than relying on library personnel. Dkt#276 SF74-76; Dkt#403, Tr.5/16-20, 29; Dkt#405, Tr.7/117-118; Dkt#395, Tr.12/129-130.

The copyrighted material made available on ERes and uLearn is equivalent to that previously made available in paper coursepacks, as numerous GSU instructors testified. *See* Dkt#381 (introducing Greenberg deposition testimony, Dkt#324 at 51); Dkt#394, Tr.11/108; Dkt#405, Tr.7/115-116, 91; Dkt#355 (introducing Dixon deposition testimony, Dkt#318 at 67:10-13). The functional

equivalence of ERes and paper coursepacks was underscored by one professor who advised her students that “many of the prose and fiction items you will need for the course are on library e-reserve for you to print out immediately, forming a course packet for yourself.” PX534 at 1. GSU encouraged faculty members to distribute course materials by means of digital rather than paper coursepacks *specifically to avoid paying the copyright royalties associated with print coursepacks*. Dkt#349 (introducing Dkt#167 at 128:16-129:25, 134:10-135:7, 144:13-145:5); PX675. There is no evidence of any permissions having been paid for any of the excerpts copied and posted on ERes at GSU. Dkt#349 (introducing Dkt#167 at 4, 153:5-154:4); Dkt#402, Tr.4/111-112; Dkt#395, Tr.12/114-115.

3. GSU’s 2009 Copyright Policy

When this lawsuit was brought, the official position of the University System of Georgia on copyright law as applied to its member institutions was embodied in a 1997 “Regents’ Guide to Understanding Copyright & Educational Fair Use,” DX145; Dkt#276 SF86. That policy provided, in part, that the use of up to 20 percent of copyrighted books in digital course readings did not require the otherwise customary permissions payments. *See* Dkt#403, Tr.5/88-89; Dkt#406, Tr.8/118.

In response to this lawsuit, a specially constituted University System of Georgia Select Committee on Copyright abandoned the then-existing policy in

favor of the 2009 Policy. JX4; Dkt#395, Tr.12/130-131. The 2009 Policy delegated to faculty members sole responsibility for evaluating whether readings to be posted on ERes or uLearn were fair uses. Dkt#276 SF90. The mechanism for faculty to make this determination was a so-called “Fair Use Checklist,” which purported to guide them through the four statutory fair use factors. JX4 at 7-8.

The trial revealed that GSU’s Fair Use Checklist was useless as a compliance tool. GSU’s configuration of the checklist, with duplicative “weighs in favor” criteria that applied to every work because of the nonprofit educational purpose of the use, made it effectively impossible *not* to find any desired use to be fair, as demonstrated by the fact that every one of the 73 checklists in evidence found the proposed reading to be fair use.⁵ Notably, GSU did not budget a penny for licenses or permission fees for the posting of copyrighted readings on ERes, uLearn, or any other online course reading system. Dkt#276 SF59; Dkt#395, Tr.12/114-115.

4. GSU’s Massive, Unlicensed Digital Copying and Distribution Continued

Unsurprisingly, unauthorized copying of copyrighted material remained rampant at GSU under the 2009 Policy. GSU professors routinely distributed

⁵ The Fair Use Checklists are found at PX558, 563-67, 570-603, 606, 608, 613, 629, 639, 643, 647-52, 654-62, 938; DX346-48, 386, 428-29, 464, 473, 474, 480, 481. Their contents were summarized by Appellants at Dkt#409-3 and 409-4.

copies of ten to twenty and sometimes thirty or more separate digital reading excerpts for a course, which in some cases comprised the entirety of the course readings. For example, when Professor Lasner taught PERS2001 (Comparative Culture) in the Fall 2009 semester, he did not require students to purchase a textbook or any other reading material; instead, he used ERes to distribute copies of 37 different excerpts to students – all without permission. PX537 at 1, 4-6; JX3; Dkt#409-2 at B25-26. Professor Orr, in MUS8840 (Baroque Music), likewise distributed over 30 excerpts to students during the Fall 2009 semester, requiring no purchase of reading material. PX524 at 2-4; JX3; Dkt#409-2 at B23.

The excerpts that make up these unlicensed digital anthologies have been substantial. By way of example, Professor Kaufmann provided the students in her three-week 2009 Maymester course EPRS8500 with, among other works, 103 pages from separately authored works in the third edition of the *SAGE Handbook of Qualitative Research* and 78 pages of separately authored works from the second edition. JX5 at A-3; JX1; PX516 at 1, 7-9; Dkt#409-2 at B2. When she taught EPRS8500 again in the Fall 2009 semester, she provided students with 151 pages from the third edition of the *SAGE Handbook* and 36 from the second edition (along with excerpts from six other SAGE and Oxford works). JX5 at C-9; JX3; PX518 at 1, 7-10; Dkt#409-2 at B-13. Professor Kim provided the students in her Fall 2009 course AL8550 with 31 digital excerpts from 16 different books,

including multi-chapter excerpts, ranging between 5 and 80 pages, from 11 Cambridge and Oxford works. JX5 at C-2-C-7; PX 519 at 2-3, 7-8; JX3; Dkt#423 at 232, 240.

Each of these takings passed muster under the faculty self-assessments called for by the Checklist.

B. Appellants' and Other Academic Publishers' Vital Role in Higher Education

Appellants are among the world's leading academic publishers. Cambridge is the not-for-profit publishing house of the University of Cambridge, which has published scholarly works for the past 425 years, including through the New York headquarters of its Americas branch. Dkt#276 SF1-2. Oxford is a not-for-profit publisher with offices in New York and North Carolina and is associated with Oxford University Press in Oxford, England. Oxford is the oldest and largest continuously operating university press in the world. Dkt#276 SF3. At the time of trial, Cambridge and Oxford each published around 1,000 new books per year, including academic books, textbooks, and scholarly monographs. Each also published a variety of reference works and over 200 academic and research journals. Dkt#276 SF2, 4. SAGE is a privately-owned Delaware corporation headquartered in Thousand Oaks, California. Dkt#276 SF5; Dkt#400, Tr.2/59. At the time of trial, it published more than 560 journals and some 500 books and textbooks each year. Dkt#276 SF6; Dkt#400, Tr.2/58.

The 64 books formally at issue in this case – spanning disciplines from American history to literary theory to political science to art to music to psychology – reflect the essential role that academic publishers such as Appellants play in higher education. Cambridge’s then-Director of Digital Publishing, Mr. Smith, explained that the books Cambridge publishes “are essential for the continuance of lines of research . . . in different fields,” Dkt#399, Tr.1/56-57, and that Cambridge undertakes to ensure that every work it publishes makes “an important contribution to learning and scholarship.” *Id.* at 58, 61.

Oxford’s President, Mr. Pfund, testified that the publisher seeks out and publishes “books that will in some way shed a different interpretive light on how we see the world.” Dkt#401, Tr.3/43-44. Oxford looks “first and foremost for quality” as well as for “originality of research” in the books it publishes – and will pass on publishing even commercially attractive works if they do not “add to the discipline in which they appear” and fit with the mission of the University and of the Press. *Id.* at 32. SAGE’s then-Director of Licensing, Ms. Richman, testified similarly as to SAGE’s seminal role in the creation and development of the field of qualitative research in the social sciences – a role confirmed by the popularity of the *SAGE Handbook of Qualitative Research* nationally and among GSU professors. Dkt#400, Tr.2/61. All three senior publishing executives testified as to the intensive development and peer-review process to which their houses subject

each of their works. Dkt#399, Tr.1/58-63; Dkt#400, Tr.2/62-68; Dkt#401, Tr.3/59-60; *see also* Dkt#276 SF7-11.

More generally, the works published by Appellants and other academic publishers play a crucial role in providing the core readings that fuel learning at the college and university level and also in accrediting faculty as leading scholars in their fields. Dkt#276 SF7-8; Dkt#399, Tr.1/54-59; Dkt#400, Tr.2/58-68; Dkt#401, Tr.3/55-58; Dkt#403, Tr.5/38-39; Dkt#407, Tr.9/14. The centrality of these works of scholarship to the academy is made manifest by the ERes and uLearn course reading lists, which designate as required reading countless works of Appellants and other academic publishers.

C. The Established Markets for Sales, Licensing, and Permissions of Appellants' Works

The stipulated record establishes that colleges and universities constitute the largest market for the sale and licensing of Appellants' works, Dkt#276 SF12, 91-99; that Appellants invest tens of millions of dollars each year developing and marketing their publications, *id.* at SF11; and that they rely on income from sales *and licensing* of their books and journals in the higher education market to enable them to continue to publish high-quality scholarly works. Dkt#276 SF10-12, 91, 95-96.

Already as of the time of trial in May 2011, and increasingly so since, digital forms of exploitation have constituted an important component of Appellants'

businesses. Dkt#276 SF13; Dkt#399, Tr.1/66-67; Dkt#401, Tr.3/48-55; Dkt#400, Tr.2/73-74. Appellants have made significant and ongoing investments in developing and offering content in electronic formats to meet the evolving needs of their core, academic market. Oxford, for example, publishes a variety of digital products, including an electronic online database of its research monographs (Oxford Scholarship Online), other electronic academic research products (e.g., Biblical Studies Online), and e-books. Dkt#401, Tr.3/48-54. As Oxford's President testified: "[I]f people want our content we try to figure out a way to get it to them in a way that works for everyone." *Id.* at 68. Cambridge likewise then offered eight electronic platforms (e.g., Cambridge Histories Online) providing subscription access to digital versions of Cambridge books, including some at issue in this case. Dkt#399, Tr.1/67.

As an alternative to purchasing an entire book or journal subscription, Appellants also offer users one-time, excerpt-specific licenses known as "permissions" to photocopy or digitally reproduce portions of their works, a market that includes use in paper coursepacks and through online systems such as ERes and uLearn. Dkt#276 SF14, 16, 95. It was stipulated – and the district court found – that permissions to use portions of Appellants' works, including those at

issue in this case, can be readily obtained directly from Appellants⁶ or, as is more common, through CCC at modest cost. Dkt#276 SF17; Dkt#423 at 24.

CCC, a not-for-profit corporation that acts as a centralized clearinghouse for the granting of reproduction rights for books, journals, newspapers, and other works (Dkt#276 SF18), has the nonexclusive right to issue licenses and grant permissions on behalf of tens of thousands of authors and publishers, including Appellants, commercial and non-profit publishers, university presses, and all significant academic publishers. Dkt#276 SF19; Dkt#402, Tr.4/12. Tens of millions of works are covered by the various licenses offered by CCC. Dkt#402, Tr.4/7, 11, 13-14.

CCC offers two types of transactional (pay-per-use) licenses to academic users: the Academic Permissions Service (APS) and the Electronic Course Content Service (ECCS) (Dkt#276 SF20), which cover millions of U.S. and foreign works, including many of Appellants' works. Dkt#276 SF22, 26; Dkt#402, Tr.4/25. At the time of the trial, approximately 1,000 colleges and universities were using these services to license course reading materials, including GSU for hardcopy coursepacks. Dkt#402, Tr.4/36; Dkt#276 SF24. Permissions typically are processed instantaneously through CCC's website. Dkt#276 SF28-30; Dkt#402,

⁶ SAGE, for example, offers custom compilations that allow professors to select and combine excerpts from various SAGE works into a printed volume that students can purchase like any other textbook. Dkt#400, Tr.2/74.

Tr.4/22, 25. The charge for permissions for Appellant's works ranged from \$0.11 per page to \$0.15 per page. Dkt#399, Tr.1/70; Dkt#400, Tr.2/80; Dkt#401, Tr.3/73-74; JX5.

CCC also offers software that allows educational and other institutions to provide CCC licensing directly from the institution's website. Dkt#402, Tr.4/47-49. GSU personnel thus could obtain permission from CCC to provide reading material to students without having to exit ERes to visit CCC's website, but GSU chose not to use this software. *Id.*; Dkt#423 at 35-36; Dkt#349 (introducing Dkt#167 at 111:25-112:7).

CCC also offers an annual subscription license for academic institutions known as the Academic Annual Copyright License (AACL), which permits an academic institution to pay a single annual fee to make unlimited print and digital copies – including for use in hardcopy and digital coursepacks – without the need to secure separate work-by-work permissions. Dkt#276 SF35-36. The AACL repertory contained over 1.3 million works, including those of Oxford and SAGE, at the time of the trial. Dkt#276 SF37; Dkt#423 at 28-29. (While not covered by the AACL as of the trial, Cambridge's works have been available for licensing on a per-use basis from CCC for many years. Dkt#276 SF16-17, 31, 33-34; Dkt#399, Tr.1/70.)

It was stipulated that these permissions systems, including for distributing digital excerpts via systems such as ERes and uLearn, represent a significant revenue stream for Appellants and often permit them to continue to publish books that otherwise might not have been financially viable. Dkt#276 SF15, 95-97. Cambridge's Americas branch earned permissions revenue of \$1.21 million in 2009 (\$935,450 coming from CCC). Dkt#276 SF33, 98. Oxford received \$1.65 million in licensing revenue (including permissions) from CCC for fiscal year 2009. Dkt#276 SF33; Dkt#401, Tr.3/80. SAGE received \$2.14 million in licensing revenue (including permissions) from CCC in fiscal year 2009. Dkt#276 SF33; *see also* Dkt#276 SF31, 38 (detailing CCC payments), 98; Dkt#423 at 31-32.

Every time GSU provides students with unlicensed book excerpts, Appellants and their authors are deprived of either revenue from sales of the book or of permissions fees for the excerpt used. Dkt#399, Tr.1/51, 74-75; Dkt#400, Tr.2/57-58, 83-84; Dkt#401, Tr.3/78-79.⁷ Anticipating the current explosion of digital markets, Appellants testified at trial as to the adverse consequences for academic publishing if GSU's practices were mimicked at the many schools across the country that increasingly use digital distribution platforms for course readings.

⁷ JX5 summarized, for each infringement, the sales price of the book from which the excerpt was drawn and the per-student license fee that would have been charged had GSU obtained permission from CCC. Dkt#400, Tr.2/80-85.

See Dkt#423 at 42. That testimony established that in such circumstances, Appellants' sales and permissions income would erode significantly, potentially endangering Appellants' long-term viability. Dkt#399, Tr.1/55-56, 71-75; Dkt#401, Tr.3/28-29, 75-76; Dkt#400, Tr.2/58, 82.

As Mr. Smith testified, if Cambridge's annual permissions revenue were to dry up (putting aside lost sales), it would do serious damage to Cambridge's business and likely cause the company to publish fewer books. Dkt#399, Tr.1/71-73. Ms. Richman explained that declines in revenue would cause SAGE to publish fewer books and could even lead to layoffs, Dkt#400, Tr.2/82, while Mr. Pfund testified that that if GSU's practices were to become prevalent, Oxford "would have to curtail [its] operations," likely starting with cutbacks in the humanities, literary studies, and classics – fields that are not as well financed by universities as the sciences, Dkt#401, Tr.3/71-73, 76 – and that it could "have a really damaging [e]ffect on our ability to continue to operate." *Id.* at 75.

At the same time, there is no evidence that payment of permission fees would impose economic hardship on GSU or its students. At an estimated annual cost of about \$3.75 per student at the time of the trial, GSU could secure a license covering hardcopy and digital duplication of excerpts from more than 1.3 million copyrighted works, including those at issue for two of the three Appellants. Dkt#276 SF35-37; Dkt#402, Tr.4/42-45. \$3.75 a year is a tiny fraction of total

student assessment fees at GSU, which ran around \$800 *per semester*, and pales in comparison to other per-semester fees included in that amount, such as a \$35 library fee, an \$85 technology fee, and a \$90 fee to support GSU's football program. Dkt#358 (introducing Becker deposition testimony, Dkt#316 at 10:14-18; 58:12-59:2); Dkt#395, Tr.12/117-119 (Seamans). Defendants conceded at trial that they could include an annual permission fee in the student assessment, Dkt#358 (introducing Dkt#316 at 64:13-65:24); Dkt#395, Tr.12/117-119, and other convenient and inexpensive mechanisms exist for per-use licensing of works for use on ERes or uLearn. Dkt#276 SF14, 17, 20-28, 37, 39. Appellees made no showing of student hardship if the modest permissions fees at issue were incurred.

SUMMARY OF ARGUMENT

1. The district court failed in significant respects to follow this Court's remand instructions. Specifically, as a result of its repeated failure to accord sufficient weight to the clear threat of market substitution, the district court again found that GSU's unlicensed, nontransformative copying of substantial portions of Appellants' works for use as online course readings was fair use.

2. Despite this Court's clear holding that the district court erred in reducing fair use to a mathematical formula, the district court again assigned fixed (albeit differing) "all or nothing" numerical weights to each of the statutory factors and made its fair use determinations by simply tallying the weights "for" and "against"

fair use. The more serious problem, however, is the fact that the court designed its formula such that factors one and three (25% and 30%, respectively) – the only two factors informed by the nonprofit educational purpose of GSU’s copying – outweighed factor four (40%) as well as the combination of factors two and four (45%). Thus, by awarding the entire value of both factors one and three to Appellees for more than two-thirds of the claims, the court gave dispositive weight to the nonprofit educational purpose of these takings and none to what this Court stressed was the “severe” threat of market substitution. In doing so, the court effectively implemented an unlawful fair use presumption in favor of nonprofit educational use – a presumption that Congress as well as the Supreme Court, in construing section 107, have squarely rejected.

3. Even with respect to the few takings the district court found to be excessive under factor three, the court still managed to produce findings of fair use by imposing an analysis of factor four that virtually foreclosed a showing of cognizable market harm. Specifically, the court held that *notwithstanding a demonstrable risk of market substitution*, factor four favored fair use *where GSU could show that the potential loss of permission fees would not cause the publisher to pull that work from the market*. There is no precedent for this apparent misreading of dictum in this Court’s majority opinion; indeed, it conflicts with the

principle that the supplanting of *any part* of the market for a copyrighted work, without more, constitutes substantial market harm.

The court further erred by misapplying this erroneous standard. It simply asserted, contrary to stipulated facts and trial testimony, that lost permissions fees would have no impact on the publishers' incentives because the prospect of book sales and the virtually nil cost of offering digital licenses would keep publishers from pulling those works from the market *even if they were entirely deprived of digital licensing revenue*. This holding that even direct displacement of an established derivative licensing market is not sufficient to tip factor four against fair use is a fundamental misconception of the law of fair use, with potential adverse consequences for copyright owners both within and outside of the educational setting.

4. Appellants' ability to win factor four was even further curtailed as to works the district court previously had found were not available for digital licensing in 2009. Without offering a credible explanation, the court struck from the remand record evidence proffered by Appellants that would have established that digital licenses were, in fact, available for each of these works. As a result, the court rendered a second fair use determination as to these works based on plainly erroneous facts. This was a clear abuse of discretion.

5. A proper fair use analysis, consistent with this Court's ruling, would have accorded dispositive weight to the direct market substitution caused by Appellees' nontransformative copying and resulted in entry of judgment for Appellants on each of their claims. Such a ruling would have removed any arguable grounds for an award of attorneys' fees and costs to Appellees. Even under the district court's remand ruling, however, the court erred as a matter of law in holding that Appellees were the prevailing party, and it abused its discretion in further finding that they were entitled to an award of attorneys' fees and costs. These rulings should be reversed even if this Court otherwise affirms the remand determination. The fact that Appellants won a finding of several infringements and a permanent injunction following a reversal by this Court constitutes a change in the parties' legal relationship in favor of Appellants, who therefore are properly considered the prevailing party despite having won fewer of the specific infringement claims the district court steered Appellants into litigating. In any event, the objective reasonableness of Appellants' claims, the recognition that those claims implicate an unsettled area of copyright law, and the absence of litigation misconduct by Appellants all require reversal of the fee award even if Appellees are found to be the prevailing party.

6. Because the copying at issue in this case so clearly is not fair use, and because the district court's disregard of this Court's guidance was so pronounced,

Appellants urge the Court to enter judgment in their favor and to remand the case to the district court for the limited purpose of entering an appropriate injunction.

ARGUMENT

I. THE DISTRICT COURT’S FORMULA FOR BALANCING THE FAIR USE FACTORS VIOLATED THIS COURT’S REMAND ORDER

Section 107 of the Copyright Act instructs courts to evaluate fair use on a case-by-case basis by considering the following non-exhaustive list of factors:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. Assessing fair use does not entail simply tallying the statutory factors “won” by each side to determine who prevails. Rather, it is an “equitable rule of reason,” *Peter Letterese & Assocs. v. World Inst. of Scientology Enters.*, 533 F.3d 1287, 1308 (11th Cir. 2008), under which the statutory factors as applied to the facts of the case are to be examined and weighed “in light of the purposes of copyright.” *Id.* (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 (1994)); *see also SunTrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1268 (11th Cir. 2001). Copyright is a means of “spur[ring] the creation and publication

of new expression,” *Eldred*, 537 U.S. at 219, and this Court has rejected reliance on a “four factor tally” on the ground that such “‘rigid application of the copyright statute’ might ‘stifle the very creativity which that law is designed to foster.’” *Letterese*, 533 F.3d at 1308 n.22 (quoting *Campbell*, 510 U.S. at 577).

On the first appeal, this Court held that the district court erred in giving each statutory factor equal weight, i.e., by taking a simplistic “add up the factors” approach. *GSU I*, 769 F.3d at 1260. In doing so, this Court did *not* suggest that a *different* “arithmetic approach” would be appropriate. To the contrary, the Court explained that the factors “do not mechanistically resolve fair use issues,” *id.* (quoting *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 588 (1985)), and it also repeatedly emphasized the relative importance of factor four in this case.

Accordingly, although this Court held that the nonprofit educational purpose and character of GSU’s copying tipped factor one in Appellees’ favor, it cautioned that while allowing “some leeway” for educational fair use was appropriate, “care must be taken not to allow too much educational use, lest we undermine the goals of copyright by enervating the incentive for authors to create the works upon which students and teachers depend.” *Id.* at 1264. This Court also noted that Congress had rejected “hard evidentiary presumption[s]” as to types of uses that may be fair, *id.* at 1261, and instead intended that unlicensed nonprofit educational uses be

deemed fair only “under certain circumstances.” *Id.* at 1267. This Court pointed out, moreover, that factor one “is concerned with uses that supplant demand for the original” – a concern that is “closely related” to the factor-four concern with the effect on the potential market for or value of the work. *Id.*⁸

This Court thus made clear that the extent to which factor one weighs in favor of fair use must be limited by the threat of market substitution, which “supplant[s] demand for the original” and “undermine[s] the goals of copyright.” *Id.* at 1267. Similarly with respect to factor three, this Court explained that whether the taking was excessive must be evaluated not only in light of the educational purpose but also the threat of market substitution. *See id.* at 1275.

Disregarding these instructions on remand, the district court again applied a mathematical formula (although it now purported to follow this Court’s guidance by assigning different weights to each factor) that plainly undermined this Court’s holding that factor four was to receive “great” weight and to “loom[] large” in the overall fair use balance. *See id.* at 1275 & n.31; *see also id.* at 1283. Specifically, the district court ensured that the combination of factor one (to which it assigned a

⁸ Appellants believe the centrality of transformativeness to the factor one inquiry, *see Campbell*, 510 U.S. at 579, should have tipped that factor against fair use for every work.

weight of 25%)⁹ and factor three (to which it assigned a weight of 30%) – the two factors informed by the nonprofit educational purpose of the copying – would outweigh not just factor four (to which it assigned a weight of 40%) but also the combination of factors four and two (45%). This (literally) calculated choice of numerical weights – none of them consistent with, let alone dictated by, this Court’s ruling or any other precedent – produced findings of fair use *even where the court found market harm under factor four that weighed against fair use. See* Dkt#510 at 78, 204-05. Indeed, the court made clear its resistance to granting dispositive significance to factor four by stating that while factor four would be given “additional weight,” factor three was “critical” because it was “at the vortex of the holistic evaluation required by the Court of Appeals’ Opinion.” *Id.* at 13-14.¹⁰

⁹ The district court duly noted that on remand factor one would favor fair use in all cases but not “strongly,” as it did in the court’s post-trial ruling. Dkt#510 at 11. But the court then ignored its own directive by giving factor one a weighting of 25% in favor of fair use for every claim – *the same weight as in its first ruling* – and awarding Appellees the full 25% for every taking.

¹⁰ In applying factor two, the district court engaged in lengthy stylistic/literary descriptions of each copied text for the stated purpose of discerning the extent to which it contained “evaluative, analytical, or subjectively descriptive” material as opposed to being purely factual, even though the court’s formula mathematically consigned factor two to total irrelevance. The court’s superficial analysis, which focused on subjective trivialities such as the author’s “tone,” failed to recognize that these leading academic texts are all evaluative and analytical in nature. The court concluded that factor two was neutral as to all but two of Appellants’ works (*Ancient Egyptian Materials*, see Dkt#510 at 131, and *International Health*

By employing a formula that continued to ascribe outcome-determinative significance in most cases to the nonprofit educational purpose and character of the use – which tipped factor one in favor of fair use for every taking and factor three in favor of fair use for all but eleven takings – the district court subverted this Court’s remand instructions by nullifying factor four and the slightly greater numerical value the court purported to assign to that factor. Under the court’s mathematical formula, where factor three favored fair use, neither factor four nor factor two had any effect on the outcome.

As noted, the district court found as to more than two-thirds of the takings (37) that factor three favored fair use, and it awarded the entire 30% weighting to GSU for those claims on the stated basis that the copying was narrowly tailored to the professor’s pedagogical purpose. That same 30% weight was applied in Appellees’ favor whether the taking was ten or thirty pages, a full chapter in a monograph or a complete separately authored essay in an edited volume,¹¹ and irrespective of what the record demonstrated as to the availability of a digital license (either through CCC or directly from the publisher) for the work. The court

Organizations, see id. at 145) as to which the court held that it favored Appellees based on what the court found to be their straightforwardly factual content.

¹¹ Appellants argued that an essay in an edited volume of separately authored chapters should be deemed a complete work for purposes of factor three rather than a percentage of the entire volume. The district court found the argument was not timely raised, and this Court affirmed. *GSU I*, 769 F.3d at 1273.

thus *purported* to consider, but ultimately gave no weight to, market substitution under factor three despite this Court’s clear instruction to do so.

By means of its rigid, formulaic approach, the district court effectively reinstated its earlier presumption in favor of nonprofit educational use – one rebutted under factor three only where the amount taken was truly egregious and/or the heart of the work¹² – despite what this Court noted was Congress’s express disavowal of “categories of presumptively fair use,” *Letterese*, 533 F.3d at 1309 (quoting *Campbell*, 510 U.S. at 584), and the Supreme Court’s recognition that the “mere fact that a use is educational and not for profit does not insulate it from a finding of infringement.” *Campbell*, 510 U.S. at 584.¹³

¹² Even as to a taking the district court found to be both excessive and the heart of the work (two chapters from *The Power Elite*), the court nevertheless found the copying to be fair use based on its finding of insufficient market harm. *See* Dkt#510 at 198-201.

¹³ Allowing factor three (in conjunction with factor one) to trump factor four conflicts with the recognition by this and other courts that “[i]n the context of nontransformative uses, at least, and except insofar as they touch on the fourth factor, the other statutory factors seem considerably less important.” *Princeton Univ. Press*, 99 F.3d at 1388; *see also* *GSU I*, 769 F.3d at 1267 (noting that factor one “is concerned with uses that supplant demand for the original,” which is “closely related” to the factor four concern with the effect on the potential market for the work). By requiring that the threat of market substitution be factored into the analysis of factors one and three as well as factor four, this Court plainly understood that because nontransformative uses – even for pedagogical purposes – threaten to intrude on the copyright owner’s market, even relatively small takings percentage-wise (factor three) of fact-based works (factor two) are unlikely to be fair use because of the overriding importance of preventing market substitution.

Had the court faithfully implemented this Court’s guidance, it would have held that the substantial market harm resulting from GSU’s substitutional verbatim copying tipped not only factor four but the overall fair use balance decisively against fair use (with market substitution properly informing the weighting of factors one and three). The lower court instead paid lip service to, but failed to implement, this Court’s holding that factor four must “loom[] large” in the overall fair use analysis. *GSU I*, 769 F.3d at 1275.¹⁴

Only by disregarding the fair use analysis prescribed by this Court and continuing to accord dispositive significance to the nonprofit educational nature and purpose of the copying was the lower court able to reach virtually the same fair

¹⁴ The district court’s elevation of pedagogical purpose over market harm is illustrated by its “findings” as to two works that the cost of supplying excerpts to an entire class justified leniency for extensive copying under factor three. Based on its own subjective standards, the court “found” (i) that copying 29 pages (12.5%) of *African American Single Mothers* favored fair use because the price to make digital copies for 59 students “would have been excessive” even though the amount used “border[ed] on being excessive,” Dkt#510 at 115-16, and (ii) that copying 33 pages (10.78%) of *The Politics of Public Housing* was “not insubstantial,” but the price to make digital excerpts available to 114 students “would have been excessive,” which led the court to “look more favorably” on the quantity used. *Id.* at 76. GSU’s pedagogical purpose and assumed fiscal constraints thus trumped Appellants’ right to a market price for use of their works. This protectionist view of fair use has no basis in the law, and it is inconsistent with what the record showed to be the modest student fee assessment that would have covered the cost of a blanket license to supply students with a huge repertory of digital course readings, *see* Dkt#276 SF35-37; Dkt#402, Tr.4/42-45, as well as with the modest per-page permission fees for use of Appellants’ works, *see* Dkt#399, Tr.1/70; Dkt#400, Tr.2/80; Dkt#401, Tr.3/73-74; JX5.

use conclusions as it had previously (with yet an additional finding of fair use).

This disregard for/untenable application of the governing law cannot stand.

II. THE DISTRICT COURT'S ANALYSIS OF MARKET HARM WAS CONTRARY TO LAW

Even in the few instances where it found the takings of Appellants' works to be excessive under factor three (thus making factor four relevant), the district court ensured findings of fair use by making it virtually impossible for Appellants to prevail under factor four. Even where it found that a digital license for a work was available in 2009 and that widespread "unpaid" use of the digital excerpts would cause substantial market harm, the district court held that Appellees *still* could win factor four if they could show that the unauthorized copying "did not 'cause substantial economic harm such that allowing it would frustrate the purposes of copyright by materially impairing [the publisher's] incentive to publish the work.'" Dkt#510 at 77 (quoting *GSU I*, 769 F.3d at 1276). That is, the court conceived of harm to the publishers' incentives not as a *presumed consequence* of market substitution (which, as we show below, it is) but rather as a fact that must be proved for each work. The court then misapplied this legally erroneous test by disregarding stipulated facts and trial testimony in favor of the *ipse dixit* that Appellants' historical permission fees were tiny relative to income from book sales, their loss would not impair the publishers' incentives to continue publishing and selling these works.

The court held, in other words, that usurping an established derivative market is still “fair use” if the copyright owner can absorb the damage from the infringement and continue to market the work. This recasting of the law is without precedent and promises untoward consequences for copyright law.

A. Supplanting an Existing Derivative Market Constitutes Substantial Market Harm as a Matter of Law

Factor four requires the court to consider not just the actions of the defendant but also “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market” for the copyrighted work. *Campbell*, 510 U.S. at 590; *see also Harper & Row*, 471 U.S. at 568 (“[T]o negate fair use” one need only show that, if the challenged use ‘should become widespread, it would adversely affect the potential market for the copyrighted work’”) (quoting *Sony Corp. of America v. Universal City Studios, Inc.*, 417, 451 (1984)); *Letterese*, 533 F.3d at 1317-18 (“The unrestricted and widespread dissemination of the Sales Course – a use that is not transformative of the book and may be regarded as appropriating ‘the heart’ of its expression – . . . may well usurp the potential market for *Big League Sales* and derivative works.”).

The district court found (both post-trial and on remand) that if GSU’s “unpaid” use of digital excerpts from Appellants’ works were to become widespread “it could cause substantial harm to the potential market for or the value

of the copyrighted work.” *See, e.g.*, Dkt#510 at 58, 61-62. This Court agreed that factor four weighed against fair use where a digital license was available or there was a “potential, future” licensing market for the work. *See GSU I*, 769 F.3d at 1279-80. These conclusions, taken together, should have been the end of the factor four inquiry. Instead, purporting to rely on dictum in this Court’s ruling, the district court held that even where a digital license was available in 2009, an examination of Appellants’ revenues was required to assess whether *in fact* the publisher’s incentive to continue to market *that particular work* (or to have created it in the first place) was demonstrably impaired. In doing so, the court misconstrued this Court’s opinion and gave a green light to copying that, if practiced in a widespread manner, will usurp Appellants’ core, higher education market.

As this Court noted, factor four is concerned with use that “supplants *any part of the normal market for a copyrighted work.*” *GSU I*, 769 F.3d at 1275 (quoting *Harper & Row*, 471 U.S. at 568 (emphasis added)). This inquiry must take account “not only of harm to the original, but also of harm to the market for derivative works.” *Harper & Row*, 471 U.S. at 568 (holding unauthorized publication of 350-word excerpt from unpublished memoir was not fair use); *see also TCA Television Corp. v. McCollum*, No. 16-134-cv, 2016 WL 5899174, at *13 (2d Cir. Oct. 11, 2016) (“A court considering fair use properly identifies and

weighs relevant harm to the derivative market for a copyrighted work, which market includes uses that creators of original works might ‘license others to develop’”) (citation omitted); Pierre N. Leval, *Campbell v. Acuff-Rose: Justice Souter’s Rescue of Fair Use*, 13 *Cardozo Arts & Ent. L.J.* 19, 22 (1994) (“The fourth factor looks at the harm which the secondary work may do to the copyright market of the original by offering itself as a substitute (for either the original or its derivatives).”).

It follows straightforwardly that the supplanting of Appellants’ established digital licensing market by GSU’s nontransformative copying weighs heavily against fair use and that factor four favors Appellants decisively. This Court has made clear, after all, that the “adverse effect with which fair use is primarily concerned” is market substitution. *Letterese*, 533 F.3d at 1315; *see also Campbell*, 510 U.S. at 591 (noting that an exact duplicate of an original that serves as a market replacement for it makes it “likely that cognizable market harm to the original will occur”); *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 110 (2d Cir. 1998) (stating that factor four “is concerned with secondary uses that, by offering a substitute for the original, usurp a market that properly belongs to the copyright-holder”); *see also* Pierre N. Leval, *Campbell As Fair Use Blueprint?*, 90 *Wash. L. Rev.* 597, 602 (2015) (stating that an “essential” question emerging from *Campbell* is: “Does the secondary work compete significantly with the original, by

offering itself as a significant substitute in markets that the copyright law reserves to the original author?”).

Market substitution weighs heavily against fair use because interference with the copyright owner’s exercise of any of its exclusive rights under section 106 of the Copyright Act, 17 U.S.C. § 106, is the *antithesis* of fair use. Copyright protection advances the ultimate purpose of copyright law – to “promote the Progress of Science and useful Arts,” U.S. Const. art. 1, § 8, cl. 8 – by supplying “the economic incentive to create and disseminate ideas.” *Harper & Row*, 471 U.S. at 558. A use that interferes with the advancement of these socially beneficial, constitutionally grounded objectives is not fair use, and market substitution – the appropriation of a revenue stream properly reserved to the copyright owner – is the very definition of such interference.

The relevant question in a fair use case involving a licensing market is not, as the district court posited, whether the revenue that market generates for a particular work is critical to the copyright owner continuing to publish that work, but *whether that market is one the copyright owner is entitled to exploit*. Such markets include all those that the copyright owner “would in general develop or license others to develop.” *Campbell*, 510 U.S. at 592; *see also Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 930 (2d Cir. 1994) (factor four concerns the likely impact on “traditional, reasonable, or likely to be developed” markets). In

this case, this Court found the market for digital excerpts to be “well-established.” *See GSU I*, 769 F.3d at 1240. Accordingly, under *Campbell* GSU’s usurpation of that market by failing to obtain permission to copy Appellants’ works *necessarily caused substantial market harm*. *See* William F. Patry, 4 *Patry on Copyright* §10:151 (2016) (“The market for derivative works is an economically important part of the copyright owner’s market and therefore an important part of the incentive that drives the copyright system.”).

The incompatibility of market substitution with fair use is why *transformative* works – those that do *not* pose a substantial threat of market substitution – “lie at the heart of the fair use doctrine[.],” *Campbell*, 510 U.S. at 579, and why the constitutional objective of promoting the progress of science and the useful arts is “generally furthered by the creation of transformative works.” *Id.* The same is *not* true of nontransformative copying that serves the same purpose as the original. *See Letterese*, 533 F.3d at 1311 (“[A] work that is not transformative . . . is less likely to be entitled to the defense of fair use because of the greater likelihood that it will ‘supplant’ the market for the copyrighted work. . . .”) (citation omitted). GSU’s copying does not advance the constitutional objectives

of copyright because, as this Court correctly held, it is not transformative (which Appellees did not contest on appeal). *See GSU I*, 769 F.3d at 1262-63.¹⁵

The centrality of market substitution to factor four is illustrated by *Authors Guild v. Google, Inc.*, 804 F.3d 202 (2d Cir. 2015), in which the Second Circuit (per Judge Leval) held that an online database providing free snippets of books digitally copied in their entirety by Google was fair use because the snippet function did not “give searchers access to effectively competing substitutes [for the books]” or “threaten the rights holders with any significant harm to the value of their copyrights or diminish their harvest of copyright revenue.” *Id.* at 224. There was, in the court’s view, no market substitution. Had Google’s product been an effectively competing substitute, however, the court made clear that it would have “tilt[ed] the weighty fourth factor in favor of the rights holder.” *Id.* To illustrate the point, the court made an unmistakable reference to this case:

Authors who write for educational purposes, and publishers who invest substantial funds to publish educational materials, would lose the ability to earn revenues if users were permitted to copy the materials freely merely because such copying was in the service of a nonprofit educational mission. The publication of educational materials would be substantially curtailed if

¹⁵ This Court found the fact that GSU’s copying “promotes the dissemination of knowledge” to be “not particularly helpful in ‘separating the fair use sheep from the infringing goats’” because “all unpaid copying could be said to promote the spread of knowledge.” *GSU I*, 769 F.3d at 1282 (quoting *Campbell*, 510 U.S. at 586).

such publications could be freely copied for nonprofit educational purposes.

Id. at 219 n.20. In *Pacific. & Southern Co. v. Duncan*, 744 F.2d 1490 (11th Cir. 1984), this Court explained in similar terms the market harm caused by an unauthorized TV news clipping service:

TV News Clips uses the broadcasts for a purpose that WXIA might use for its own benefit. The fact that WXIA does not actively market copies of the news programs does not matter, for Section 107 looks to the “potential market” in analyzing the effects of an alleged infringement. . . . TV News Clips sells a significant number of copies that WXIA could itself sell if it so desired; therefore, TV News Clips competes with WXIA in a potential market and thereby injures the television station.

Id. at 1496-97. In another fair use case involving infringement of a potential derivative market, the Second Circuit noted that it “would . . . not serve the ends of the Copyright Act – i.e., to advance the arts – if artists were denied their monopoly over derivative versions of their creative works merely because they made the artistic decision not to saturate those markets with variations of their original.” *Castle Rock Entm’t, Inc. v. Carol Publ’g Group, Inc.*, 150 F.3d 132, 146 (2d Cir. 1998).

If supplanting a derivative market that the copyright owner is not yet exploiting causes substantial market harm, the same necessarily is true where the defendant supplants a derivative market the copyright owner *is already exploiting*,

as in this case. *See, e.g., Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 342 F.3d 191, 202-03 (3d Cir. 2003) (holding that factor four weighed against fair use where Disney had entered into agreements to commercially exploit trailers for its films and where by streaming the trailers in a nontransformative manner without authorization, the defendant's use, if continued on a widespread basis, "would substitute for [Disney's] derivative works" and deprive Disney of licensing opportunities); *On Davis v. Gap, Inc.*, 246 F.3d 152, 176 (2d Cir. 2001) ("Davis suffered market harm through his loss of the royalty revenue to which he was reasonably entitled under the circumstances, as well as through the diminution of his opportunity to license to others"); *Texaco*, 60 F.3d at 930 ("since there currently exists a viable market for licensing these rights for individual journal articles, it is appropriate that potential licensing revenues for photocopying be considered in a fair use analysis").

B. Cognizable Market Harm Need Not Be Quantified

Establishing cognizable market harm does not require specific proof of actual financial harm – let alone financial harm that would cause the plaintiff to pull the work from the market.

Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the

evidence that *some meaningful likelihood of future harm exists*.

Sony, 464 U.S. at 451(emphasis added); *see also SunTrust Bank*, 268 F.3d at 1275 (discussing market harm in context of market for licensed derivatives of *Gone With the Wind*). The Sixth Circuit in *Princeton University Press* focused correctly on the *predictable consequences* of the market substitution involved in the creation and dissemination of unlicensed university coursepacks:

If copyshops across the nation were to start doing what the defendants have been doing here, this revenue stream would shrivel and the potential value of the copyrighted works of scholarship published by the plaintiffs would be diminished accordingly.

99 F.3d at 1387. The court concluded – as a matter of simple logic – that the loss of the publishers’ permissions revenue stream would “only have a deleterious effect upon the incentive to publish academic writings.” *Id.* at 1391; *see also Authors Guild*, 804 F.3d at 219 n.20 (“The publication of educational materials would be substantially curtailed if such publications could be freely copied for nonprofit educational purposes.”).

The district court’s examination of historical permissions income for each of Appellants’ works has no parallel in any of the foregoing (or any other) cases. Courts treat the supplanting of a market (whether primary or derivative) and the consequent diminution in the potential value of the plaintiff’s work, without more, as substantial market harm; they do *not* attempt to quantify the potential lost

revenue, much less assess its importance relative to total expected revenues for the work. *See, e.g., Video Pipeline*, 342 F.3d at 202 (stating that market harm analysis would focus on the market for derivative trailers rather than that for the original full-length films). That is, the copyright owner’s licensing rights are not contingent upon proving dependence on the potential revenues lost to the challenged use, especially not on a work-by-work basis. Instead, as noted, substantial market harm is presumed to be inflicted by a use that, as in this case, “supplants . . . part of the normal market” for the copyrighted work. *GSU I*, 769 F.3d at 1275 (quoting *Harper & Row*, 471 U.S. at 568) (emphasis added); *Video Pipeline*, 342 F.3d at 202.

Indeed, citing this Court’s ruling in this case, the State of Georgia – represented by Appellees’ lead counsel here – made this very point recently in a case in this district, arguing in *Code Revision Commission v. Public.Resource.Org. Inc.*, No. 1:15-CV-02594-MHC (N.D. Ga.), as follows:

PR’s non-transformative, verbatim, mirror-image copying and subsequent distribution of the OCGA Works on the internet causes the copies to be direct substitutes for sales of the OCGA. If such copying and dissemination were performed by everyone, it “would cause substantial economic harm such that allowing it would frustrate the purposes of copyright by materially impairing [Commission’s] incentive to publish the work.”

Plaintiff's Memorandum of Law in Support of Its Motion for Partial Summary Judgment (Dkt#30-1), *Code Revision Commission v. Public.Resource.Org. Inc.*, No. 1:15-CV-02594-MHC (N.D. Ga. filed May 17, 2016), at 24-25 (quoting *GSU I*, 769 F.3d at 1276).

To ensure that the defendant's use (if widespread) would have a "meaningful or significant effect" upon the potential market for or value of the copyrighted work, *Authors Guild*, 804 F.3d at 224, courts *do* require that the derivative market implicated by the defendant's use not be purely hypothetical; it must instead be "traditional, reasonable, or likely to be developed." *Texaco*, 60 F.3d at 930. In *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007), the district court found cognizable market harm from Google's use of thumbnail reproductions of the plaintiff's photographs in its search engine because it superseded the plaintiff's right to sell reduced-sized images for downloading onto cell phones. On appeal, however, the Ninth Circuit held that because there was no evidence that any Google users had in fact downloaded thumbnail images for cell phone use, the market remained hypothetical, and factor four therefore favored neither party. *Id.* at 1168. Here, by contrast, this Court found that the digital licensing market for Appellants' works is "well-established," *GSU I*, 769 F.3d at 1240, and a "workable market through which universities like GSU may purchase licenses to use excerpts of Plaintiffs' works." *Id.* at 1276; *see also TCA Television*, 2016 WL 5899174,

*13 (finding factor four favored plaintiffs where they alleged the existence of “a traditional – and active – derivative market for licensing” the work at issue). This case thus raises no concern with circularity, which can arise where the defendant’s use is claimed to usurp a *potential* market for the plaintiff’s work that is not “likely to be developed.” *Texaco*, 60 F.3d at 930; *see also GSU I*, 769 F.3d at 1276-78 (discussing the “vice” of circularity).

C. The District Court’s Market Harm Test Is Inconsistent With This Court’s Prior Ruling in This Case

In this Court’s prior ruling in this case, the majority posited that the economic harm to the publisher caused by the defendant’s unlicensed copying must materially impair its incentive to publish the work, *GSU I*, 769 F.3d at 1276, and that the court must determine how much of the value of the work users can capture “before the value of the remaining market is so diminished that it no longer makes economic sense for the author – or subsequent holder of the copyright – to propagate the work in the first place.” *Id.* at 1258. This generalized conceptualization of the economic theory of copyright law cannot properly be read to contravene the right of a copyright owner that has established “some meaningful likelihood of future harm” to the market for an already published work to prevent the defendant from usurping that market. *Sony*, 464 U.S. at 451. This Court certainly did not instruct the district court to conduct a work-by-work assessment of historical revenue streams *after the likelihood of substantial harm from market*

substitution had already been established – indeed, been stipulated to. This Court’s concern was with whether a digital license was available or might in the future be available – i.e., with whether the copying, if not enjoined, *would cause market substitution.* Where a license was available, this Court held that it was reasonable for the district court to conclude that the unlicensed copying would cause “substantial harm” if it were to become widespread, even if the lost license fees were “relatively small.” *GSU I*, 769 F.3d at 1280. *This Court did not require any further analysis of market harm.*

The conclusion that the district court’s engrafting of an unprecedented “impairment of incentives” inquiry onto the foregoing factor four analysis is contrary to law is compelled by the fact that it depends upon *ex post* appraisal – in litigation – of financial data that no *prospective* user of a copyrighted work would have. It offers no *ex ante* guidance as to whether the harm caused by unlicensed use is likely to weigh against fair use. It is, in short, completely unworkable as part of a fair use standard.

Having formulated this erroneous market harm test, the district court then misapplied it. Rather than actually requiring Appellees to prove no harm to the publishers’ incentives, as the court posited it was their burden to do, the court simply declared as to a number of works that *even if digital permissions fees were to disappear entirely*, it would not cause the publisher to pull the work from the

market because of the continued prospect of book sales. *See* Dkt#510 at 173-74 (“[P]ermissions earnings are very small when compared with revenue from sales of the book. Even if Oxford received no permissions income from this book it is unlikely that it would discontinue book sales.”); *see also id.* at 182 (“It is unlikely that Sage would have discontinued book sales of *Contemporary Cases in U.S. Foreign Policy*, even if its permissions income from the work had been reduced to zero.”); *id.* at 200 (“The overwhelming majority of the copyrighted work’s value lies in the actual book, rather than in permissions sales It is likely that Sage will not discontinue offering excerpts of the book or the book itself for the foreseeable future.”). The court cited no record support for these conclusions, and there is none.

With respect to Oxford’s *The Slave Community*, the court found “a potential market of some substance for digital permissions sales going forward from 2009,” but the court nevertheless posited, again without evidentiary support, that “the potential permissions market was not so great that its absence likely would have affected Oxford’s decision to propagate the work in the first place.” *Id.* at 113.

These remarkable “findings” that lost permissions fees – however large or small – are not significant enough to impair the publisher’s incentives to publish or to continue to market are contrary to the stipulated facts and to the trial testimony from each of the publishers, *see supra* pp. 31-32, and thus are clearly erroneous.

See e.g., 19 Moore’s Federal Practice - Civil § 206.03[7] (“A factual finding [is] clearly erroneous if there is . . . no basis in the record to support the finding . . .”).

The district court further declared – also without record support – that because the marginal cost of offering digital licenses is almost zero, the publishers will continue to offer them *even if GSU and other schools are not required to pay for such licenses*. *See, e.g.*, Dkt#510 at 46 (“Sage will likely continue making the work available via the digital permissions market, because the marginal cost to Sage to do so is nil or virtually nil.”); *id.* at 195 (“it is unlikely that Cambridge would withdraw excerpts of the work from the permissions market so long as there is any possible demand for them”). In other words, based solely on the court’s conception of publishing economics, Appellants can be conscripted into providing GSU with an implied royalty-free license because the court assumes they are not likely to lose much money by doing so.

The only circumstances in which the court found that GSU had *not* met their purported burden of proving no impairment of the publisher’s incentives was (1) where the book was no longer available for sale, such that permissions represented *the only revenue stream* for the work, *see* Dkt#510 at 210, and (2) where Appellees conceded or failed to properly argue factor four. *See id.* at 38, 51, 68, 78. The narrowness of these exceptions underscores the breathtakingly broad berth the district court created for purported fair uses of Appellants’ copyrighted works.

By intertwining an erroneous legal standard for market harm with speculative factual conclusions concerning the harm incurred on a work-by-work basis, the district court eviscerated Appellants' exclusive right to control an important, longstanding derivative licensing market. Citing the relatively low level of permissions income for most of the works in suit, the court deprived Appellants (and by extension every other academic publisher) of the right to collect such revenues in the future.

The district court's misguided conception of market harm portends a fair-use death spiral not merely for educational publishers, but for all manner of content providers who face rapidly shifting consumer demand in the digital age. Ever-increasing volumes of copyrighted material – within and outside of academia – are being accessed in the form of licensed digital copies in lieu of hardcopy purchases. A static view of markets and how they operate such as that taken by the district court (from a 2009 vantage point, no less) threatens the ability of Appellants and countless other copyright owners to adapt their businesses to meet evolving market demand for information delivery. No revision to established copyright law is needed to accommodate this evolution; the established factor four market harm test already encompasses impairment of “traditional, reasonable, or *likely to be developed* markets.” *Texaco*, 60 F.3d at 930 (emphasis added). This latitude is foreclosed by the district court's erroneous approach to factor four.

III. THE DISTRICT COURT ABUSED ITS DISCRETION BY EXCLUDING EVIDENCE OF DIGITAL LICENSE AVAILABILITY

In its post-trial ruling, the district court held that to establish market harm under factor four, Appellants had to prove that “reasonably efficient, reasonably priced, convenient” digital licenses were available in 2009 for excerpts of each of the works at issue, Dkt#423 at 75-76 – a standard of which Appellants had not been apprised either prior to or during the trial.¹⁶ The court found as to nine Oxford works and eight Cambridge works that this showing had not been made, and it concluded on this basis that Appellants could not show market harm as to those works. *See* Dkt#423 at 77-79. This Court found no clear error in the district court’s fact-finding on this issue, but it announced a modified legal standard that invited evidence of a “potential, future” digital licensing market in addition to a current one as a basis for establishing market harm. *GSU I*, 769 F.3d at 1280. Once the case had been remanded, Appellants sought to supplement the record with, *inter alia*, evidence demonstrating that digital licenses were, in fact, available (not just potential) during 2009 for each of the seventeen works in question. The district court denied the motion to reopen the record, but it ordered briefing on the implications of this Court’s ruling for the remand proceeding. *See* Dkt#494, 495.

¹⁶ Appellants believe this Court erred in conditioning market harm on the present or potential availability of a license for the precise format (digital) used by Appellees. *See GSU I*, 769 F.3d at 1277-78.

With their remand brief, Appellants filed a declaration by Debra Mariniello of CCC directed solely to clarifying/supplementing the record as to digital license availability. In that declaration, Ms. Mariniello explained that CCC staff had “reviewed [CCC’s] rights and works database” to see whether, for each of the seventeen works, “the rightsholder ha[d] authorized CCC to offer permissions through ECCS and, if so, whether a digital license . . . was available in 2009.” Dkt#499-1 at 2-3. She further stated that as a result of this exercise, CCC had determined that each of the works in question “was available for digital licensing through ECCS in 2009.” *Id.* at 3-5. In their remand brief, Appellants cited the declaration as support for their argument that factor four weighed against fair use for each of the seventeen works (as well as for all the others).

The district court granted Appellees’ motion to strike the declaration and those portions of Appellants’ brief that relied on it, as it was offered “years after the close of the trial and entry of the judgment and after review by the Court of Appeals.” *See* Dkt#510 at 18. Accordingly, the court again found as to each of the seventeen works that there was no digital license available in 2009, a conclusion that resulted in awarding factor four to Appellees.

The district court’s exclusion of the Mariniello declaration does not withstand scrutiny. First, the Mariniello declaration was offered to fill a purported evidentiary gap that existed through no fault of Appellants. No court had ever

required the plaintiff to prove that a “reasonably efficient, reasonably priced, convenient” license was available for the precise format at issue to establish cognizable market harm. *See* Dkt#423 at 76. The district court failed to put Appellants on notice of this newly invented standard, and Appellants therefore did not introduce at trial evidence specifically directed to proving that digital licenses were available for each work in 2009 – as they easily could have. The remand presented an opportunity for Appellants to demonstrate unequivocally that such licenses were available.

Second, the passage of time since the trial has no bearing on the appropriateness of correcting erroneous fact findings of dispositive significance under factor four (as interpreted by this Court) concerning the availability of digital licenses in 2009. As noted, the proffered evidence is the results of a database search by CCC; it is not the product of the fading memory of a human witness.

Third, the fact that this Court has already reviewed the case weighs *in favor* of admitting the evidence. In vacating the district court’s judgment and remanding the case, this Court modified the license-availability standard to include evidence of a *potential* digital license market and, relatedly, directed the district court to give greater weight to the threat of market substitution. *See GSU I*, 769 F.3d at 1281. This Court thus *required* the district court to revisit factor four and potentially to take into account a broader range of evidence relating to digital licensing. The

district court's suggestion that accepting new evidence is somehow foreclosed by this Court's prior review is thus incorrect.

Fourth, the district court's concern that GSU would lack the opportunity to probe the Mariniello evidence, *see* Dkt#510 at 18, could have been addressed by allowing Appellees to depose Ms. Mariniello.

Fifth, this Court's holding that market substitution was entitled to greater weight on remand heightened the importance of the factual showing Appellants were attempting to make with the Mariniello declaration.

Finally, the district court's characterization of the declaration as "opinion[]" and "conclusory," Dkt#510 at 18, is inaccurate. The statement that CCC queried its database and determined that each of the seventeen works was available for digital licensing in 2009 is not an opinion, and it does not purport to offer a legal conclusion.

For all these reasons, the district court abused its discretion in striking the Mariniello declaration.

IV. THE DISTRICT COURT ERRED IN AWARDING APPELLEES ATTORNEYS' FEES AND COSTS

If this Court again reverses the district court's fair use determinations, it also should again vacate the court's award of attorneys' fees and costs to Appellees, as they unquestionably then would not be the prevailing party. In any case, even if

the remand ruling is otherwise affirmed, in whole or in part, the fee award must be reversed.¹⁷

Section 505 of the Copyright Act provides that the court “in its discretion *may* . . . award a reasonable attorney’s fee to the prevailing party as part of the

¹⁷ In its July 27, 2016 order, the district court stated that while an award of attorneys’ fees was appropriate, it would determine the amount “at a later date,” and it also deferred ruling on Appellees’ motion for production of Appellants’ billing records. Dkt#531 at 8. The judgment, accordingly, stated that defendants were “entitled to costs and attorneys’ fees” but did not set the amount of the award. Dkt#532. On November 8, the court scheduled a December 12 hearing on Appellees’ billing records motion. Although the district court has not yet issued a final order as to attorneys’ fees, we urge this Court to exercise its discretion to entertain in this appeal the issue of whether a fee award in *any* amount is appropriate. The reasoning of the Court in *Andrews v. Employees’ Ret. Plan of First Alabama Bancshares, Inc.*, 938 F.2d 1245, 1247-48 (11th Cir. 1991), is equally applicable here:

We have held that an order holding a party liable for attorney’s fees, absent determination of the amount of such fees, is not final and appealable. However, we also note that this court has jurisdiction to review a non-appealable aspect of a district court order when that order is otherwise properly before the court. Because we hold that the district court abused its discretion in granting plaintiff attorney’s fees and costs, we see no practical purpose in delaying resolution of the attorney’s fee issue until an amount determination can be made. In so concluding, we follow the lead of the sixth and seventh circuits in recognizing an exception to the non-appealability rule “when the order awarding fees in an amount not yet to be determined can be consolidated on appeal with a final order.”

costs.” 17 U.S.C. § 505 (emphasis added). The factors courts are to consider include “frivolousness, motivation, objective unreasonableness . . . and the need in particular circumstances to advance considerations of compensation and deterrence.” *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 535 n.19 (1994). Whether a party is a “prevailing party” eligible for an award of attorneys’ fees is a legal issue that is reviewed de novo, *Dionne v. Floormasters Enters., Inc.*, 667 F.3d 1199, 1203 (11th Cir. 2012), while the decision to award attorneys’ fees and costs is reviewed for abuse of discretion. *MiTek Holdings, Inc. v. Arce Eng’g Co.*, 198 F.3d 840, 842 (11th Cir. 1999).

A. Appellees Were Not the Prevailing Party

A “prevailing party” is one in whose favor a judgment is rendered that creates a “material alteration” in the legal relationship of the parties. *Buckhannon Bd. & Care Home v. West Va. Dep’t of Health & Human Res.*, 532 U.S. 598, 603-04 (2001); *Smalbein v. City of Daytona Beach*, 353 F.3d 901, 907 (11th Cir. 2003). A “material alteration” exists where a party “has been awarded by the court *at least some relief* on the merits of his claim.” *Smalbein*, 353 F.3d at 905 (emphasis added; internal quotations and citation omitted); *Kernal Record Oy v. Mosley*, No. 09-21597-CIV, 2013 WL 3762452, at *2 (S.D. Fla. July 16, 2013).

Following its post-trial ruling, despite having rejected Appellees’ sovereign immunity defense and having found, based on several adjudicated infringements,

that GSU's copyright policy was unlawful in certain respects and that Appellants were entitled to injunctive relief, the district court held that Appellees were the "prevailing party" because they "prevailed on all but five of the 99 copyright claims which were at issue" when the trial began. Dkt#441 at 11-12. The court further found that Appellees were entitled to reasonable attorneys' fees and costs because Appellants' "failure to narrow their individual infringement claims significantly increased the cost of defending the suit." *Id.* at 14. This Court vacated these rulings on the ground that they were based on "erroneous fair use analysis." *GSU I*, 769 F.3d at 1283-84.

On remand, despite again having found that an injunction was warranted, the district court again found Appellees to be the prevailing party. *See* Dkt#510 at 212; Dkt#531 at 6 (entering injunction). That finding was wrong as a matter of law.

Under *Smalbein*, Appellants were the prevailing party because they were awarded "at least some" relief on their claims: findings of infringement and a permanent injunction. *See* 353 F.3d at 905. The scorecard of individual claims on which the district court relied is not an appropriate measure of which party prevailed for purposes of section 505. The "prevailing party" determination does not turn on the parties' *relative* success but, rather, on whether the plaintiff was awarded "some relief." *Smalbein*, 353 F.3d at 905, 907. Here, the work-specific

claims were merely a vehicle to test the legality of GSU's copyright policy, and the test resulted in two rulings by the district court that the policy should be enjoined. This represented a "material alteration of the legal relationship of the parties." *Id.* at 907.

In *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106 (1st Cir. 1993), the defendant, a video rental store operator, argued that the plaintiff, the exclusive licensee of television program videotapes, was not the prevailing party because, in addition to voluntarily dismissing five non-copyright claims, it conceded it was not entitled to statutory damages for twelve episodes of the "Jade Fox" program because the copyrights had not been timely registered, and it failed to prove infringement of the tapes of the "Hunters Prey" program. However, the plaintiff succeeded on its claims as to four episodes of "Jade Fox" and won \$2,500 in statutory damages, and the defendant was permanently enjoined from further acts of infringement. The court held that although the plaintiff "downscaled its case as the litigation proceeded," its victory as to the four "Jade Fox" episodes constituted success on "a significant issue in the litigation." *Id.* at 1114. Moreover, the injunction represented "a clear change in the legal relationship between the parties enuring to Gamma's benefit." *Id.* The court rejected the defendant's argument that the plaintiff was not the prevailing party because of its "poor winning percentage," *id.*, noting that it had "firmly rejected a 'mathematical approach' to

the ‘prevailing party’ determination.” *Id.* (citation omitted). The court explained that a party’s degree of success goes to the reasonableness of awarding fees, not to whether an award is *allowable*. *Id.* The same analysis pertains here.

At a minimum, because Appellants won (i) reversal of the district court’s post-trial ruling (which, in any event, held GSU’s copyright policy to be unlawful), (ii) vacatur of the fee award, and (iii) favorable modification of the governing law, Appellees certainly were not the prevailing party in the pre-remand portion of the litigation. *See Charles W. Ross Builder, Inc. v. Olsen Fine Home Bldg., LLC*, No. 4:10cv129, 2014 WL 1117909, at *3 (E.D. Va. Mar. 19, 2014) (citing fact that court of appeals held that plaintiff’s claims “deserved to be decided under a different legal test” as support for denying fee award on copyright infringement claims).

B. Awarding Attorneys’ Fees and Costs Was an Abuse of Discretion

Even if the district court did not err in finding Appellees to be the prevailing party, the Supreme Court’s most recent ruling on attorneys’ fees in copyright cases requires reversal of the district court’s decision to award fees and costs to Appellees.

In *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, the Supreme Court held that courts must give “substantial weight to the objective reasonableness of

the losing party's position." *Id.* at 1988.¹⁸ The district court's fee award cannot be squared with *Kirtsaeng*. In denying Appellants' motion for reconsideration in light of *Kirtsaeng*, the district court reaffirmed its initially unexplained decision to award fees to Appellees despite finding that Appellants' litigation position was "reasonable" because Appellants have "a legitimate economic interest in curtailing unpaid use of their copyrighted materials and this area of the law is unsettled." Dkt#531 at 7. To award attorneys' fees in this case under *Kirtsaeng* was a clear abuse of discretion.

Under *Kirtsaeng*, the court's findings that Appellants' claims were reasonable and that Appellants' claims implicated an unsettled area of copyright law should have essentially foreclosed a fee award. *See Fogerty*, 510 U.S. at 527 ("it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible"). Failing even to acknowledge this, the district court instead insinuated that it was somehow improper for the Association of American Publishers, Inc. (AAP) and CCC to fund the litigation and/or that these presumptive "deep pockets" could afford to absorb substantial fee-shifting. *See* Dkt#531 at 7. This "rationale," betraying an apparent hostility to industry funding

¹⁸ The Supreme Court allowed that a court can order fee-shifting based on a party's litigation misconduct, such as "overaggressive assertions of copyright claims," even if the party's claims or defenses were reasonable. *See* 136 S. Ct. at 1988-89. Nothing of the kind occurred here.

of important intellectual property litigation, is both unfounded and unresponsive to *Kirtsaeng*'s requirement that objective reasonableness be given substantial weight. It is also contrary to this Court's precedent. In *MiTek*, this Court held that the district court had "erred in considering only the financial means of MiTek and of Arce in determining that MiTek should be liable for Arce's attorney's fees." 198 F.3d at 842. The district court's similar reasoning here must be rejected.

The district court further found that it was "just for CCC and AAP to pay [Appellees'] litigation expenses because only 4 of 99 claims were successful." Dkt#531 at 7. This is also unpersuasive. Where the non-prevailing party's litigating position is reasonable, fee-shifting is inappropriate absent other, countervailing factors, notably litigation misconduct, that are not present here. *See Kirtsaeng*, 136 S. Ct. at 1988-89. In any event, as explained above, the win-loss tally on the work-specific infringement claims presents a misleading picture of Appellants' degree of success.

The district court criticized Appellants for dropping certain claims before trial and for not prevailing on other claims on technical grounds, including by failing to make a prima facie case of copyright ownership and (purportedly) not presenting evidence of digital license availability in 2009. The record belies these criticisms, which, in any event, hardly amount to litigation misconduct. First, as noted earlier, the needlessly redundant work-by-work structure of the trial was

imposed on Appellants by the district court; Appellants had sought to try a small number of representative claims to adjudicate the legality of GSU's copyright policy more efficiently. *See* Dkt#268. The diminishing number of claims asserted was a response to evolving evidentiary requirements set by the district court and the fortuitous state of Appellants' record-keeping as to works copied at GSU during 2009 that differed from those Appellants sued upon in 2008.

Second, as *Gamma Audio, supra*, indicates, it is not unusual for a party to drop or modify claims prior to trial, and in the circumstances presented here it was particularly understandable – indeed responsible – for Appellants to do so. The district court directed Appellants to prove “ongoing and continuous” infringements by GSU, *see* Dkt#235 at 30, but it limited the universe of evidence they could use to make that showing to claimed infringements during three terms in 2009 (after the filing of the amended complaint), *id.*, and it gave Appellants only ten days to identify all such infringements. *See* Dkt#226. Appellants' good-faith effort to comply with these orders and to winnow out all but the strongest claims is nothing remotely akin to the type of conduct the Supreme Court suggested might warrant attorneys' fees notwithstanding an objectively reasonable litigating position. *See Kirtsaeng*, 136 S. Ct. at 1988-89.

This Court stated in *MiTek* that in determining whether to award attorneys' fees, the district court “should consider not whether the losing party can afford to

pay the fees but whether imposition of fees will further the goals of the Copyright Act.” 198 F.3d at 843. Had the district court here undertaken this assessment, it would have concluded that the goals of copyright law are not served by imposing a fee award on Appellants for seeking to protect the “legitimate economic interest” implicated by the widespread unauthorized copying and distribution of substantial portions of their scholarly books in their core market.

CONCLUSION

The district court’s rulings as to (i) the fair use parameters for online course reading systems at GSU; (ii) the appropriateness of supplementing the record on remand with new evidence concerning digital license availability for works at issue; and (ii) Appellees’ entitlement to attorneys’ fees and costs must be reversed. On this record, and given the clear absence of a valid fair use defense as to any of the specific infringement claims, it is appropriate for this Court to enter judgment in Appellants’ favor as to each of the claimed infringements and to remand the case for the limited purpose of entering declaratory and injunctive relief requiring GSU to revise its copyright compliance policies in a manner consistent with this Court’s opinion.

Dated: November 18, 2016

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CERTIFICATE OF COMPLIANCE

I hereby certify that this brief complies with the type-volume limitations of FED. R. APP. P. 32(a)(7)(B) because this brief contains 17,757 words, excluding the parts of the brief exempted by FED. R. APP. P. 32(a)(7)(B)(iii), as counted by Microsoft® Word 2010, the word processing software used to prepare this brief.

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Dated: November 18, 2016

CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on this 18th day of November, 2016, I have electronically filed the foregoing **BRIEF OF APPELLANTS CAMBRIDGE UNIVERSITY PRESS, OXFORD UNIVERSITY PRESS, INC., AND SAGE PUBLICATIONS, INC.** with the Clerk of the Court using the CM/ECF system, which will automatically send e-mail notification of such filing to the following attorneys of record:

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