No. 08-103

In The Supreme Court of the United States

REED ELSEVIER INC., et al.,

Petitioners,

v.

IRVIN MUCHNICK, et al.,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

RESPONSE TO PETITION FOR WRIT OF CERTIORARI

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ADDITIONAL QUESTION PRESENTED

Whether 28 U.S.C. § 1367(a) provides supplemental jurisdiction for claims of infringement of unregistered copyrights when the district court has original jurisdiction of an infringement action for a registered copyright and the claims for unregistered copyrights are so related to the action that they form part of the same case or controversy.

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STATUTORY PROVISION INVOLVED

28 U.S.C. § 1367(a):

> (a) Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. Such supplemental jurisdiction shall include claims that involve the joinder or intervention of additional parties.

STATEMENT OF THE CASE

The scope of the settlement is enormous. It includes every published English language work, regardless of where published, that has been on a database since 1997 without the copyright owner's permission. Pet. App. 55a-56a. It is not limited to "freelance" contributors to magazines and newspapers, nor to the United States. The class size is unknown. There are over 26,000 publications covered by the settlement.[1] Many are not periodicals. Thirty-five

[1] There is a list on the settlement website. It is the list "original" http://cert.gardencitygroup.com/edb/fs/publications.

encyclopedias are included. The list includes many foreign publications: e.g., Aberdeen Evening Express, Scotland; African Eye News Service, Nelspruit South Africa; Agence France Presse English Wire; Asahi Evening News; China Daily (English language); Daily Champion (Nigeria); Helsingin Sanomat; Moscow Times; Napi Gazdasag, Hungary; Saigon Times Daily; and Southern News (Queensland, Australia).

Two named plaintiffs (Hayman & Lacey) are British citizens and no registration for their works is alleged. (A107, 148, 167)[2] Registration is only required for "U.S. works." 17 U.S.C. § 101, 411(a). Published works are U.S. works if first published in the U.S. or published simultaneously in the U.S. and most treaty countries. Otherwise they are generally not U.S. works. § 101. The decision below ("decision") does not prevent a class action for non-U.S. works. Pet. App. 12a n. 1.

A primary focus of the objections is lack of adequate representation for unregistered works. Whether or not registration is required, all unregistered works are in Category C and subject to the "C-reduction." Pet. App. 9a, 45a n. 5. While the objections address "insufficient payments,"[3] the more fundamental issue is that the C-reduction could lead to those claims being released, but receiving no compensation. The settlement specifies a unitary

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[2] References to Axxx are the Joint Appendix on appeal.

[3] Petition 8.

class without subclasses. Judge Walker's dissent noted this as a serious problem. *Id.*

ARGUMENT

I. Objectors Support Certiorari for Question One

Objectors support the petition on question one. If certiorari is granted, objectors will argue this power is granted under Fed. R. Civ. P. 23 and is not an exercise of jurisdiction because the district court does not "adjudicate" those claims. *Steel Co. v. Citizens for Better Environment*, 523 U.S. 83, 89 (1998) (subject-matter jurisdiction is the power to adjudicate the case); *General Inv. Co. v. N.Y. Central R.R.*, 271 U.S. 228, 230 (1926) (jurisdiction means power to consider the merits of a suit and render a binding decision thereon).

II. Objectors Oppose Certiorari on Question Two

There is no legal issue in question two. The decision addresses jurisdiction and only that issue is appropriate for review. Nothing in *Tasini* guides publishers and authors to expect they could resolve the issue of continued use of infringed works by a world-wide class action settlement. *New York Times Co. v. Tasini*, 533 U.S. 483, 505-506 (2001). To the contrary, the *Tasini* opinion suggests different models

of addressing the problem, drawn from both domestic and foreign experience. *Id.*

Certiorari for question two might implicate one of the objections. That objection concerns the settlement's grant of licenses to all defendants (including subsidiaries and licensees), in perpetuity, with full right to sublicense, for all class member copyrights, whether in registered or unregistered works, including the copyrights of class members who receive no notice of the settlement and/or file no claim, so long as they do not opt out of the action.[4] (See, Brief For Objectors-Appellants, pp. 45-52.) Below and in the petition the parties euphemistically refer to the license as a release of "future claims." On other occasions, including an amendment to the settlement agreement, they call it a license. (A1102)

III. An Additional or Clarified Question Should Be Presented

Question one describes the power to approve a settlement that releases claims outside the federal courts' subject matter jurisdiction. Counsel for defendants has advised that they intend question one to also present, as a subsumed or fairly included issue, the question of supplemental jurisdiction under 28 U.S.C. § 1367(a). Objectors urge that certiorari also

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[4] Class members filing a claim had a right to disallow that license in the claims process. Objectors showed that this is not an adequate remedy.

be granted on a third question addressing § 1367(a) supplemental jurisdiction, to insure that it is clearly presented.

This is the proposed question:

> 3. Whether 28 U.S.C. § 1367(a) provides supplemental jurisdiction for claims of infringement of unregistered copyrights when the district court has original jurisdiction of an infringement action for a registered copyright and the claims for unregistered copyrights are so related to the action that they form part of the same case or controversy.

Petitioners' argument confirms their intention to present this question. It briefly argues that § 1367(a) provides for supplemental jurisdiction of claims for unregistered works. Petition 25-26. However, question one implies that there exists no possible basis for jurisdiction over the unregistered claims except the power of district courts to approve settlements releasing claims outside their subject matter jurisdiction.

IV. The Decision Seriously Misreads § 1367(a)

A. Section 1367(a) Is Not Limited to State-Law Claims

The decision holds that § 1367(a) is limited to supplemental jurisdiction for "state-law claims." Pet. App. 25a-26a. The holding in *Exxon Mobil Corp. v. Allapattah Services, Inc.*, 545 U.S. 546 (2005) with regard to state-law claims in diversity cases is stated.

Id. The next sentence says, with emphasis, the Court has never applied § 1367(a) to federal claims. The discussion concludes with citation to an earlier statement of the Circuit that § 1367(a) provides supplemental jurisdiction for "certain state-law claims." *Id.* (quoting *Handberry v. Thompson,* 446 F.3d 335, 345 (2d Cir. 2006)). This is certainly incorrect in light of the statute's plain language, and the *Exxon* decision. This holding has already been followed in a district court. *In re SCOR Holding (Switzerland) AG Litigation*, 537 F. Supp. 2d 556, 569 n. 19 (S.D.N.Y. 2008).

Nothing in the text of § 1367(a) excludes federal claims. To the contrary, the statute states that it applies "in any civil action of which the district courts have original jurisdiction." § 1367(a). In *Exxon* the Court described that § 1367 would apply to the hypothetical revival of an earlier amount-in-controversy requirement for federal question jurisdiction. *Exxon,* 545 U.S. at 562. This is a strong indication that § 1367(a) supports assuming supplemental jurisdiction over federal claims in the same case or controversy that do not come within the court's original jurisdiction.

B. The Decision Misreads "Expressly Provided Otherwise"

The decision holds that § 411(a) is a statute that "expressly provide[s] otherwise" to a grant of supplemental jurisdiction for claims on unregistered copyrights. Pet. App. 26a-27a. The decision notes that

§ 411(a) does not mention § 1367(a) but reiterates an earlier holding of the Circuit that a "statute need not expressly refer to *§ 1367(a)* to curtail its reach." Pet. App. 27a (citing *Handberry*, 436 F.3d at 62). The decision does not address what "expressly" requires in this circumstance.

The petition accurately describes that this cannot be reconciled with *Breuer v. Jim's Concrete of Brevard, Inc.*, 538 U.S. 691, 694 (2003). Petition, 25-26. The Court of Appeals for the District of Columbia relied on *Breuer* when it considered the "expressly provided" exception of § 1367(a). *Lindsay v. Government Employees Ins. Co.*, 448 F.3d 416 (D.C. Cir. 2006).[5] It held that 29 U.S.C. § 216(b) did not amount to an express prohibition of supplemental jurisdiction, observing that it not only did not expressly prohibit supplemental jurisdiction, it did not mention supplemental jurisdiction at all. 448 F.3d at 421-422. *Lindsay* also took note of the observation in *Breuer* that examples of Congress expressly prohibiting removal underscores the need to take the "expressly" requirement seriously. *Id.* (citing *Breuer*, at 696); *see also*, *Lowery v. Alabama Power*, 483 F.3d 1184, 1206 n. 51 (11th Cir. 2007).

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[5] This reliance is particularly justified by the observation in *Exxon* that portions of § 1367(a) and § 1441(a) have a "striking similarity." *Exxon* at 563.

C. Finding § 411(a) Forecloses Supplemental Jurisdiction Is Inconsistent with *Exxon* and *College of Surgeons*

Exxon strongly suggests that the "expressly provided otherwise" language does not reference § 411(a). There are compelling similarities between *Exxon* and the case at hand. There are two parts to diversity jurisdiction under 28 U.S.C. § 1332. The first is diversity of state citizenship (§ 1332(a)(1)-(4)), and the second, a limitation on the first, is an amount-in-controversy requirement. § 1332(a). There are two parts to jurisdiction for infringement actions. The first is a general grant for copyright related matters. 28 U.S.C. § 1338. The second, a limitation on the first, requires registration of the work(s) upon which the plaintiffs are suing before the institution of the infringement action. § 411(a).

Exxon never considers the possibility that the amount-in-controversy requirement of § 1332 is a statute that "expressly provide[s] otherwise" to the supplemental jurisdiction granted by § 1367(a). While not an explicit holding, it is strong support for the argument that § 411(a) does not "expressly provide otherwise" to prevent supplemental jurisdiction. Two years earlier, in *Breuer*, the Court read almost identical language in § 1441(a) as requiring a clear expression of intent to foreclose removal. *Breuer* at 494. No such clear expression is found in § 411(a).

Exxon built on a solid foundational analysis of § 1367(a) in *City of Chicago v. International College of*

Surgeons, 522 U.S. 156 (1997). While the supplemental jurisdiction issue will not arise as frequently concerning federal claims as it does for state-law claims, the principles of those cases suggest that § 1367(a) is properly read to allow supplemental jurisdiction here.

D. There Are Good Reasons to Review This Question

This question fits several of the considerations of Sup. Ct. Rule 10. The decision reads a limitation to state-law cases into a broad congressional grant of jurisdiction without any analysis or support for that reading, and its view is already being followed in the district courts. The decision on § 1367(a)'s "expressly provided otherwise" conflicts with decisions by two other circuits. The treatment of "expressly provided otherwise" is contrary to the Court's analysis of an almost identical provision in *Breuer* and inconsistent with *Exxon* and *College of Surgeons*.

V. Objectors Are Concerned With Inadequate Representation for the Class Before the Court.

Objectors argue on appeal that the class representatives are not adequate representatives of the settlement class for several reasons.[6] The most

[6] While three author's organizations are plaintiffs below, and respondents on appeal, they are not class representatives for the settlement. They do not have any claims for damages,

(Continued on following page)

dramatic is the "C-reduction." Pet. App. 9a, 45a n. 5. Objectors are deeply troubled that the issue of supplemental jurisdiction was not clearly raised by the petition, was not raised in a petition by the plaintiffs, and was not addressed at all in the plaintiffs' response. Supplemental jurisdiction is of enormous importance. Contrasted to the other possible grounds of jurisdiction, it is the one ground that does not rely on the defendants' willingness to offer compensation. It would place owners of unregistered U.S. works on an equal footing with the owners of non-U.S. works. Plaintiffs have a fiduciary duty to the class, both as defined in the settlement and as alleged in the Complaint, to press this issue.

The Court has twice noted that it is appropriate for a court of appeal to reach dispositive Rule 23 issues before complex jurisdictional questions. *Amchem Prods. Inc. v. Windsor,* 521 U.S. 591, 612 (1997); *Ortiz v. Fibreboard Corp.*, 527 U.S. 815, 831 (1999). Objectors failed to raise this point when the panel requested letter briefs on jurisdiction, but they raised it in their petition for rehearing. They asked the panel to vacate the decision and reach the Rule 23 issues first. (Objectors-Appellants' Petition For Rehearing 1-2). Judge Walker's comment demonstrates that inadequate representation presents a serious issue. While the Court did not mention it in *Amchem*

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and only alleged to represent their members to seek an injunction.

or *Ortiz*, one salutary reason for that approach is that you do not have the possibility of an inadequate representative continuing to conduct the representation of the class on the jurisdiction questions.

An adequate representative is at the foundation of the Rule 23 power of district courts to approve settlements that release claims for which the court does not itself have jurisdiction. This was recognized in an early articulation of the Rule 23 power over claims outside the court's jurisdiction.

> We recognize, however, that in fulfilling the court's responsibility to scrutinize the fairness of a class action as required by Fed.R.Civ.P. 23(e), special care must be taken to ensure that the release of a claim not asserted within a class action or not shared alike by all class members does not represent an "advantage to the class . . . by the uncompensated sacrifice of claims of members, whether few or many."

TBK Partners, Ltd. v. Western Union Corp., 675 F.2d 456, 461 (2d Cir. 1982) (quoting *National Super Spuds, Inc. v. New York Mercantile Exchange,* 660 F.2d 9, 19 (2d Cir. 1981). The objectors do not represent the class, nor do they have the resources to do so. However, they believe that they are acting in the interests of the class. They raise this point for the Court's consideration in deciding whether to accept the objectors' proposed restatement of the questions presented.

CONCLUSION

Objectors urge the Court to grant the petition for question one, deny the petition on question two, and grant certiorari for proposed question three.

Respectfully submitted,

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