

In the
Supreme Court of the United States

MICHAEL YAMASHITA AND MICHAEL YAMASHITA, INC.,
Petitioners,

v.

SCHOLASTIC INC.,
Respondent.

On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Second Circuit

REPLY BRIEF OF PETITIONERS

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of this Court's Rules, petitioner Michael Yamashita, Inc. states that it has no parent company, and no publicly held corporation owns 10% or more of its stock. Petitioner Michael Yamashita, an individual, is not subject to the corporate disclosure requirements of S.Ct. Rule 29.6.

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REPLY BRIEF OF PETITIONERS

Yamashita’s petition for a writ of certiorari asks the Court to review the Second Circuit’s adoption of a four-part pleading standard for copyright infringement claims which (1) grafts additional elements onto the two-prong standard established in *Feist*, and (2) expressly creates a split with the Seventh and Third Circuits on this issue. Scholastic’s opposition, if anything, supports Yamashita’s petition. In the final sentence of its brief, Scholastic argues that “the rule as articulated by the Second, Fifth and Ninth Circuits¹ and applied in this case, would be the correct one.”² Scholastic thus implicitly concedes that the circuits apply different pleading standards.³

¹ Scholastic neglects to cite the Ninth Circuit case it alleges adopted the four-part *Kelly* standard.

² Opposition, p. 17. *See also* Opposition, p. 15 (“[i]n any case, the Second Circuit’s rule is the better choice.”).

³ Opposition, p. 17.

ARGUMENT

I. SCHOLASTIC MISSTATES BOTH THE RECORD BELOW AND THE BASIS FOR YAMASHITA’S PETITION.

As a preliminary matter, Scholastic’s opposition relies on a series of misstatements of the record and mischaracterizations of Yamashita’s pleadings and arguments, including the following:

- At the outset of its opposition, Scholastic states, “Yamashita brought an action for breach of copyright alleging that it had licensed to Scholastic the right to use certain photographs and that Scholastic might have exceeded the permitted scope of those licenses . . . ”⁴

This is incorrect. The words “breach” and “might” do not appear anywhere in Yamashita’s complaint. Rather, the complaint explicitly alleges Scholastic “infringed Yamashita’s copyrights in the Photographs in various ways, including:

- a. printing more copies of the Photographs than authorized;
- b. distributing publications containing the Photographs outside the authorized distribution area;
- c. publishing the Photographs in electronic, ancillary, or derivative publications without permission;
- d. publishing the Photographs in international editions and foreign publications without permission; and/or

⁴ Opposition, p. 1 (emphasis added).

- e. publishing the Photographs beyond the specified time limits.” App.29a.

- Scholastic claims “Yamashita provided no factual basis for his purported belief that this infringement occurred,” and that, “[h]e did not identify the way in which any of the licenses had allegedly been exceeded or when such alleged infringement had taken place.”⁵

But license is an affirmative defense, which plaintiffs need not anticipate and plead around.⁶ And, as noted above, the complaint does, in fact, identify the ways in which Scholastic allegedly infringed Yamashita’s copyrights. App.32a, ¶ 13. It also alleges, “[u]pon information and belief, after obtaining access to the Photographs, Scholastic used the Photographs without any license or permission in additional publications.” *Id.* ¶ 14. Finally, the complaint alleges that Scholastic knew it was not obtaining adequate licenses, (*Id.* ¶ 12) and that as a result of its business practices, it had been sued for copyright infringement in at least eight other cases. *Id.* ¶ 16.

⁵ Opposition p. 4.

⁶ See also *Baisden v. I’m Ready Prods., Inc.*, 693 F.3d 491, 499 (5th Cir. 2012) (“to prove copyright infringement a party must show that ‘(1) he owns a valid copyright and (2) the defendant copied constituent elements of the plaintiff’s work that are original.’ The second element is met where a plaintiff proves ‘(1) factual copying and (2) substantial similarity.’ But regardless of whether a plaintiff can meet these elements, ‘the existence of a license authorizing the use of copyrighted material is an affirmative defense to an allegation of infringement.’ . . . Throughout, the burden remains on the defendant to prove the existence of a license.”) (citations omitted); *Photographic Illustrators Corp. v. Orgill, Inc.*, No. 19-1452, 2020 WL 1226489, at *7 (1st Cir. Mar. 13, 2020) (“A license (implied or otherwise) is an affirmative defense to copyright infringement.”).

- Scholastic states, “Yamashita did not identify the purported limits to any license or describe how or when Scholastic may have exceeded such limits.” Here again, Scholastic, not Yamashita, has the burden of alleging and proving a license. But Scholastic is also wrong on the facts. As it concedes in the very next paragraph of its Opposition, Yamashita identified the titles of three infringing books.⁷ His First Amended Complaint also added licensing information for an exemplar publication.⁸

- Scholastic also claims—without any support—that “Yamashita did not contest the District Court’s finding that the initial Complaint was a fishing expedition.”⁹ Not true. While Yamashita did not seek reconsideration of Judge Forrest’s use of that language in her decision, Yamashita expressly raised this issue on appeal.¹⁰

- Scholastic also mischaracterizes the basis for Yamashita’s petition, contending, “Yamashita asserts that the Second Circuit failed to follow *Feist* and hold that in order to plead a claim for copyright infringement, all a plaintiff needs to do is to allege, without anything more, that he: (i) owns some copyrighted material; and (ii) that the defendant may possibly have used such material in some unspecified way during

⁷ Opposition, p. 5.

⁸ Opposition, p. 8.

⁹ Opposition, p. 7.

¹⁰ See Brief for Plaintiffs-Appellants, Case 17-1957, Document 26, 08/28/2017, 2111938, pages 64-66 of 125.

some unspecified period of time without the copyright holder's permission."¹¹

Nowhere in Yamashita's petition does he claim that *Feist* only requires complaints to allege ownership of "some" copyrighted material, or that "the defendant may possibly" have used the material "without the copyright holder's permission." Rather, Yamashita contends the Second Circuit erred in ruling a copyright holder must plead the four elements set forth in *Kelly* instead of the two elements stated in *Feist*, which requires that copyright plaintiffs allege, "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original."¹²

- Scholastic claims, "Yamashita seeks to use the courts to conduct an audit of Scholastic's uses of his photographs . . ." ¹³ This is also not true. Yamashita's prayer for relief does not ask for an audit of Scholastic's books. Rather, Yamashita seeks to move past the pleading stage to conduct discovery, as authorized under the Federal Rules.

Scholastic's Opposition raises two additional legal arguments not addressed in Yamashita's petition.

¹¹ Opposition pp. 1-2.

¹² See Petition, Question Presented, page (i), quoting *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S. Ct. 1282, 1296, 113 L. Ed. 2d 358 (1991).

¹³ Opposition p. 1. See also Opposition, p. 5 ("Yamashita sought to use this litigation as a means of auditing Scholastic's use of photographs, some of which were licensed nearly twenty years ago.").

II. *IN RE MCGRAW-HILL* IS CONSISTENT WITH *WHELAN*, WHICH SET FORTH THE PLEADING STANDARD IN THE THIRD CIRCUIT.

First, Scholastic argues that the “decision in *In re McGraw-Hill* . . . is contrary to prior, binding Third Circuit precedent affirming dismissal of a copyright infringement claim where the plaintiff had not demonstrated that defendant exceeded the scope of the license Plaintiff granted,” citing *Carlin v. Bezos*, 649 F. App’x 181, 182 (3d Cir. 2016), cert. denied, 137 S. Ct. 168, 196 L. Ed. 2d 141 (2016), reh’g denied, 137 S. Ct. 543, 196 L. Ed. 2d 438 (2016)) and *MacLean Assocs., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 779 (3d Cir. 1991). Scholastic is wrong.

The first case, *Carlin v. Bezos*, is both factually and procedurally distinguishable.¹⁴ More to the point, it relied on *Dun & Bradstreet Software Servs., Inc. v. Grace Consulting’s* incorrect statement of the pleading standard.¹⁵ The Third Circuit explained:

¹⁴ In *Carlin v. Bezos*, the plaintiff alleged the defendant failed to pay royalties for sale of his books. 649 F. App’x at 182. The Third Circuit affirmed a grant of summary judgment (not dismissal of a complaint), because Carlin failed to provide evidence that any actual sales occurred. *Id.*

¹⁵ See *Carlin v. Bezos*, 649 F. App’x at 182, quoting *Dun & Bradstreet Software Servs., Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 206 (3d Cir. 2002).

Dun & Bradstreet’s inclusion of “unauthorized” as part of the second element appears to be an error. The precedent *Dun & Bradstreet* cites as support of the listed elements, *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1231 (3d Cir. 1986), and *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 831 (10th Cir. 1993), do not include the term “unauthorized” in their listing of the second element. Nor has the Supreme Court held that unauthorized copying is the second element of a copyright claim. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991) . . . We can only conclude that use of the word “unauthorized” was erroneous. Because *Whelan* predated *Dun & Bradstreet*, its explication of the elements controls.¹⁶

Thus, the *In re McGraw* panel—Chief Judge Smith, Judge Hardiman, and Judge Roth—did not attempt to overturn binding precedent. Rather, it explained that *Whelan*, rather than *Dun & Bradstreet*, controls.

Scholastic’s reliance on *MacLean* is even more confounding. In that case, the Third Circuit reversed the district court’s entry of a directed verdict in favor of the defendant after the plaintiff rested its case in chief.¹⁷ The case did not involve, or even address, the pleading standard for a copyright infringement claim.

¹⁶ *In re McGraw-Hill Glob. Educ. Holdings LLC*, 909 F.3d 48, 67 (3d Cir. 2018) (emphasis added).

¹⁷ *MacLean Assocs., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 772 (3d Cir. 1991) (the district court’s decision

Moreover, the language quoted by Scholastic is taken completely out of context. The *MacLean* Court did not find that, “a copyright owner who grants a license to use his copyrighted material typically can maintain a claim of copyright infringement only by showing that the “licensee’s use goes beyond the scope of the nonexclusive license.” Opposition p. 14. Rather, in the context of rejecting the district court’s finding of implied license, it noted, “[s]ince a non-exclusive license does not transfer ownership of the copyright from the licensor to the licensee, the licensor can still bring suit for copyright infringement if the licensee’s use goes beyond the scope of the nonexclusive license.”¹⁸

was based on three alternative grounds, none of which are relevant here: (1) it held that the computer system at issue was a work for hire, so that the defendant was the copyright owner; (2) it found that the defendant had an implied license for the use; and (3) it found that the plaintiff’s claims were barred under the doctrine of laches. *Id.* The Third Circuit rejected all three bases, and reversed and remanded for further proceedings. *Id.*

¹⁸ 952 F.2d at 779.

III. THE STATUTE OF LIMITATIONS IS NOT AT ISSUE.

Finally, Scholastic makes an irrelevant argument about invoice dates and interjects a discussion of the statute of limitations, which was neither an issue in the proceedings below nor addressed in Yamashita's petition.¹⁹ It is therefore superfluous and should be disregarded.²⁰

Respectfully submitted,

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¹⁹ Indeed, Scholastic acknowledges that this issue is “not before the Court in this case.” *See* Opposition, p. 16, fn. 1.

²⁰ Rule 14.1(a) (“The statement of any question presented is deemed to comprise every subsidiary question fairly included therein. Only the questions set out in the petition, or fairly included therein, will be considered by the Court.”).