No. 17-1459

IN THE
Supreme Court of the United States

WORLD PROGRAMMING LIMITED,
Petitioner,

v.

SAS INSTITUTE, INC.,
Respondent.

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

REPLY FOR PETITIONER

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REPLY FOR PETITIONER

In *Hilton* v. *Guyot*, 159 U.S. 113 (1895), this Court applied rigorous *federal* comity principles to determine whether to give effect to a foreign judgment—even though the claims there rested on *state* law. *Hilton*'s robust standard protects important federal interests; avoids conflict with foreign powers; and encourages respect abroad for the judgments of this Nation's courts. Nowhere did the decision below suggest that the U.K. High Court's judgment could be rejected under *Hilton*. Instead, the Fourth Circuit applied lesser *state-law* principles. As a result, it upheld a treble-damages award against a *U.K.* company, for *U.K.* conduct, despite a *U.K.* court judgment finding the conduct protected by *U.K.* (and E.U.) law. Where such intrusions into foreign sove-

reignty and foreign relations are at issue, federal principles must control.

Rather than seriously dispute the issue's importance, SAS Institute tries to erase a circuit conflict and manufacture vehicle defects. Those efforts cannot be sustained. SAS Institute's arguments on the second question presented fare no better.

I. Review Is Warranted To Resolve Whether Federal Comity Principles Govern The Respect Owed Foreign Judgments

A. The Question Is Critically Important

1. SAS Institute barely addresses (at 22-23) the issue's serious foreign-affairs ramifications. It nowhere disputes that refusing to respect foreign judgments threatens reciprocal disregard for U.S. judgments. Pet. 20-21. It ignores the affront to foreign powers from rejecting their judgments under state-law principles. *Id.* at 25-26; Scholars & Practitioners Br. 5-7. And it overlooks that, by allowing state law to govern comity, the decision below undermines federal control over foreign affairs, invites inconsistency, and threatens disregard for traditional norms of national sovereignty. Pet. 21-22, 24-26; Scholars & Practitioners Br. 7-10. Those impacts alone are sufficient grounds for review.

This case exemplifies the risks. Respondent chose to sue in the U.K. and lost. When it brought another action arising from the same facts in North Carolina, the Fourth Circuit invoked state public policy to refuse respect for the prior U.K. judgment. Now, the U.K. courts are considering whether to refuse recognition to the Fourth Circuit's judgment because it disregards the

prior U.K. judgment and U.K. public policy.[1] If respondent brings enforcement actions in other countries, those countries' courts will be forced to decide between dueling U.S. and U.K. judgments. That clash between judicial systems highlights the need for intervention. See Scholars & Practitioners Br. 10-12.

Recognizing the weighty international-law principles at issue, *Hilton* imposed a demanding standard. Pet. 4-5. Although *Hilton* was a diversity case, SAS Institute deems it "widely settled" by lower courts that *Hilton* was overruled by *Erie Railroad Co.* v. *Tompkins*, 304 U.S. 64 (1938), in the diversity context. Br. in Opp. 15. That underscores the need for review. This Court has never limited *Hilton* to federal-question cases, much less overruled *Hilton* in the very context (diversity) in which it arose. This Court alone has the prerogative of declaring its precedents overruled. *Agostini* v. *Felton*, 521 U.S. 203, 237 (1997).[2]

Nor is the issue "better left to Congress and the Executive." Br. in Opp. 23-27. This Court decided *Hilton*; *Hilton*'s vitality and scope are for this Court to decide. Any federal "separation-of-powers question" supports "grant[ing] certiorari." *Bank Markazi* v. *Peterson*, 136 S. Ct. 1310, 1322 (2016). Even scholars calling for federal statutory reform recognize that "the constitutional and judicial-management concerns" involved "present a pressing question of federal common law." Scholars &

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[1] Blewett Decl. Ex. C ¶¶21-25, No. 10 Civ. 25 (E.D.N.C. Feb. 28, 2018), Dkt. 747-3.

[2] SAS Institute suggests (at 15) that *Aetna Life Insurance Co.* v. *Tremblay*, 223 U.S. 185 (1912), implicitly overruled *Hilton*. But *Aetna* merely ruled that the Full-Faith-and-Credit Clause and statute do not extend to foreign judgments. *Id.* at 190.

Practitioners Br. 11. State control over comity issues undermines the federal government's ability to credibly negotiate treaties on this topic. See *ibid.* And the danger of "runaway" courts that respondent invokes (at 26) is precisely what the status quo permits: Leaving comity to state law means leaving critical foreign-relations issues, with national and international implications, to state courts.

2. The decision below also clashes with federal interests embodied in the Berne Convention and the Nation's commitment to reciprocity in copyright matters. Pet. 23-24, 26-27. Giving SAS Institute national treatment under Berne, the U.K. courts evenhandedly applied the U.K. (and E.U.) rule that testing software functionality is protected fair use and that click-wrap contracts prohibiting such testing are void. Pet. App. 11a. The Fourth Circuit rejected that result even though U.S. law protects similar copyright values. Pet. 17-18. Indeed, at least one U.S. court of appeals holds that federal copyright law—like U.K. law—preempts state-law contractual prohibitions on observing or testing software functionality. *Id.* at 17, 26-27. Rejecting U.K. law as contrary to *state* public policy, the Fourth Circuit undermined the U.S. commitment to national treatment under Berne, despite *federal* respect for similar copyright principles. *Id.* at 23-24, 26-27.

SAS Institute thus misses the mark in arguing (at 27-31) that neither Berne nor preemption principles govern here. Federal intellectual-property policies should "make[] no geographical distinctions." *Impression Prods., Inc.* v. *Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1535-1536 (2017) ("authorized sale[s] outside the United States * * * exhaust[] all rights under the Patent Act"); *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 568 U.S. 519, 539

(2013) (first-sale doctrine applies to foreign sales); see also *WesternGeco LLC* v. *ION Geophysical Corp.*, No. 16-1011, slip op. at 1 (U.S. June 22, 2018) (foreign profits). The Fourth Circuit's rejection of the U.K. High Court's copyright judgment in favor of domestic relitigation contravenes those principles.

B. The Decision Below Entrenches a Circuit Split

The D.C. Circuit has applied federal comity principles in diversity cases. *Tahan* v. *Hodgson*, 662 F.2d 862 (D.C. Cir. 1981). By contrast, at least four circuits—including the court below—apply state law. Pet. 15 & n.4.

SAS Institute asserts (at 17) that *Tahan*'s application of federal law was dictum. But *Tahan*'s holding—that the Israeli judgment at issue should be enforced—rested on *Hilton*'s federal standard. 662 F.2d at 864-868. *Tahan* applied federal law's narrow "public policy" exception to comity: Under *Hilton*, it ruled, courts may reject foreign judgments on policy grounds only if they are "'repugnant to fundamental notions of what is decent and just.'" *Id.* at 864. Under that standard, *Tahan* held, "American public policy will not be violated by enforcement of the Israeli judgment." *Id.* at 866. It then applied that standard to find that federal law would not require reciprocity. *Id.* at 868. Despite recognizing that some courts had invoked *Erie* to apply state comity principles, it concluded that, "notwithstanding *Erie*," the issue "seems to be national rather than state." *Id.* at 868 & n.17. That was hardly dictum: If state law controlled, *Tahan* would not have applied *Hilton*'s federal standard.

The later D.C. Circuit decisions SAS Institute cites (at 18-20) are not to the contrary. In two, the panel did not decide whether state or federal law controls, as the parties did not argue the issue. *Soc'y of Lloyd's* v. *Siemon-Netto*, 457 F.3d 94, 99 (D.C. Cir. 2006) ("only"

asserted defense was state law); *Matusevitch* v. *Telnikoff*, No. 97-7138, 1998 WL 388800, at *1 (D.C. Cir. May 5, 1998) ("both parties agreed" state standards applied). The third decision, *Commissions Import Export S.A.* v. *Republic of the Congo*, 757 F.3d 321, 323 (D.C. Cir. 2014), see Br. in Opp. 19-20, dealt with statutes of limitations; it did not consider comity. Regardless, those decisions (one unpublished) cannot "overrule" the earlier decision in *Tahan*. See *LaShawn A.* v. *Barry*, 87 F.3d 1389, 1395 (D.C. Cir. 1996) (en banc). Under D.C. Circuit precedent, *Tahan*—being first in time—controls. See *Sierra Club* v. *Jackson*, 648 F.3d 848, 854 (D.C. Cir. 2011).

The courts are in conflict apart from *Tahan*. See *Evans Cabinet Corp.* v. *Kitchen Int'l, Inc.*, 593 F.3d 135, 141 (1st Cir. 2010). Notwithstanding SAS Institute's effort to reconcile them (at 20-21), Third Circuit decisions point in multiple directions. Pet. 19-20. The courts following SAS Institute's view, moreover, openly question the propriety of applying state law, expressing support for federal comity principles. *Id.* at 18.

If the Court entertains any doubt about the issue's importance or the propriety of review, it should invite the Solicitor General to provide the views of the United States.

C. The Issue Is Properly Presented

SAS Institute spends most of its brief (at 21-31) inventing vehicle issues. That effort fails. The Fourth Circuit refused to accord the U.K. judgment preclusive effect for one reason alone: It disagreed with that judgment on policy grounds. Pet. App. 9a-11a. And it applied a state-law comity standard, not *Hilton*'s demanding test. *Ibid.*

1. For the breach-of-contract and tort claims on which SAS Institute prevailed below, the Fourth Circuit deemed U.K. courts inadequate because, under U.K. law—which privileges software testing—SAS Institute could not have prevailed. Pet. App. 10a. It thus ruled "that the U.K. was not, in fact, an adequate forum" for those claims because U.K. law offended public policy (including law favoring contract enforcement). *Ibid.* Nowhere did the Fourth Circuit hold that U.K. courts would not assert jurisdiction over infringement of U.S. copyrights, breaches of U.S. contracts, or tortious foreign sales; they clearly would. *Lucasfilm Ltd.* v. *Ainsworth*, [2011] UKSC 39.

SAS Institute's attempt to reframe the decision below as resting on "standard principles of res judicata," Br. in Opp. 13, defies the opinion's text and logic. If the court had *agreed* with the substance of U.K. law, it could not have deemed the U.K. courts "inadequate." There is no claim that U.K. courts are unfair or their jurisdiction insufficient. The U.K. courts were deemed "inadequate" because of the contrary content of U.K. and E.U. law. Pet. App. 10a-11a. SAS Institute explicitly urged the Fourth Circuit to reject the U.K. judgment on those policy grounds. SAS Inst. C.A. Br. 12-14.

2. If the Fourth Circuit had merely applied the standard "identity" test for claim preclusion, as SAS Institute insists (at 13-14), *WPL* would have prevailed. Whether suits are "identical" for preclusion purposes "does not turn on whether the claims asserted are identical. Rather, it turns on whether the suits and the claims asserted therein '*arise out of the same transaction or series of transactions or the same core of operative facts*.'" *Pueschel* v. *United States*, 369 F.3d 345, 355 (4th Cir. 2004) (emphasis added) (cited in Pet App. 8a); see

United States v. *Tohono O'Odham Nation*, 563 U.S. 307, 316 (2011) ("'same transaction'"). The U.S. and U.K. cases clearly arose from the same transactions: WPL's purchase, observation, and study of software in the U.K. despite purported licensing restrictions. That SAS Institute sought to add new U.S.-law claims makes no difference. "Having been defeated on the merits in one action," a plaintiff cannot seek "the same or approximately the same relief" simply by "adducing a different substantive law premise" in the later suit. Restatement (Second) of Judgments § 25 cmt. d (1982).

SAS Institute sued in the U.K. and lost. Under preclusion principles, it was bound by that result, despite asserting new legal theories. Only by invoking North Carolina's lenient public-policy exception to comity did the Fourth Circuit give SAS Institute a second bite at the apple. Because the Fourth Circuit "decided the substantive issue"—applying state principles to refuse respect for a U.K. judgment—that issue is ripe for this Court's review. *Stevens* v. *Dep't of Treasury*, 500 U.S. 1, 8 (1991).

3. SAS Institute fares little better in asserting (at 12-13) that the decision below relied on both North Carolina and federal public policies. The Fourth Circuit stated that "*North Carolina* public policy and E.U. public policy are in clear conflict." Pet. App. 11a (emphasis added). As proof, it urged that "[t]he E.U. Directive that was dispositive of the contract claims in the U.K. litigation" has "no equivalent *in North Carolina*." *Ibid.* (emphasis added). And its justification for disregarding the U.K. judgment—that preclusion would "bar[] a North Carolina company from vindicating its rights under North Carolina law," *ibid.*—could pass muster only under *North Carolina* public-policy doctrine.

More important, the question presented is whether state or federal law provides the standard *for comity*. Under *Hilton*'s federal standard, the Fourth Circuit would have asked whether the U.K. judgment was "'repugnant to fundamental notions of what is decent and just.'" *De Csepel* v. *Republic of Hungary*, 714 F.3d 591, 606 (D.C. Cir. 2013) (citing *Tahan*, 662 F.2d at 864). Differences between U.S. and U.K. law over observing computer software hardly meet *that* standard. The Fourth Circuit rejected a prior foreign judgment under more lenient *state-law* comity standards because a contrary result might "undermine United States and North Carolina policies in favor of the policies of" the U.K. Pet. App. 9a. A clearer departure from *Hilton*'s demanding standard is hard to imagine.

Applying *Hilton* could produce only one outcome. The sole potential federal policy identified by the Fourth Circuit was a more "protective" approach to "intellectual property." Pet. App. 11a. But that is hardly a "fundamental notion[] of what is decent and just." *Tahan*, 662 F.2d at 864. Federal law reflects the same expression/function dichotomy protected by the U.K. (and E.U.) rule. Pet. 17-18. One federal court of appeals has adopted that rule as a matter of *federal* law, holding contracts like SAS Institute's preempted by federal fair-use principles. *Id.* at 17, 26-27. Any argument that an identical *U.K.* rule offends everything "decent and just" is implausible.

4. Finally, SAS Institute argues (at 21-22) that WPL waived claim preclusion in district court. But the Fourth Circuit addressed the merits. Pet. App. 8a. Accordingly, this Court can as well. Review is proper for issues "'pressed *or passed upon* below.'" *Verizon Commc'ns Inc.* v. *F.C.C.*, 535 U.S. 467, 530 (2002) (emphasis added).

Besides, no waiver occurred. In district court, WPL squarely argued that SAS Institute was "*precluded* from relitigating * * * *the claims* already adjudicated in the UK Proceedings" because the U.K. and U.S. actions were "identical in many respects in terms of the claims sued upon, documents exchanged, witnesses relied upon, and arguments made." C.A. J.A. 9225, 9228 (emphasis added). Respondent's meritless waiver argument is at most an issue for the court of appeals on remand following this Court's decision.[3]

II. THE MOOTNESS RULING WARRANTS REVIEW

This Court has made clear that the "legal availability" of a remedy is a merits question that is "not pertinent to the mootness inquiry." *Chafin* v. *Chafin*, 568 U.S. 165, 174 (2013); see Pet. 28-31. Yet the decision below vacated the copyright judgment as moot because an injunction was unavailable. Pet. App. 30a-31a. That defiance of this Court's precedents warrants review. Pet. 27-33.

A. SAS Institute argues (at 34) that a ruling on the copyright claim would be "'advisory.'" Not so: The decision below held that SAS Institute could "not receive the injunction it seeks." Pet. App. 30a-31a. That is not "advisory." A holding that "the relief [SAS Institute] seeks is not warranted" does "not make the case[ ] moot." *Decker* v. *Nw. Envtl. Def. Ctr.*, 568 U.S. 597, 610 (2013). The Fourth Circuit's decision conflicts with *Chafin* and numerous lower-court decisions. Pet. 28-32.

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[3] Respondent quibbles (at 9 n.1) about when WPL knew its conduct was protected by U.K. and E.U. law. But the E.U. directive protecting study of software functionality predated the alleged infringement. C.A. J.A. 8701.

SAS Institute asserts, without explanation, that the parties in *Chafin* "retained a concrete interest in resolving a disputed issue." Br. in Opp. 35 n.8. But *Chafin* is indistinguishable. The Court found the case not moot even if the remedy the petitioner sought—a re-return order—was unavailable. 568 U.S. at 174. Here, the Fourth Circuit found the remedy SAS Institute sought—injunctive relief—was unavailable. Pet. App. 30a. *Chafin* controls: The "legal availability" of an injunction is "not pertinent to the mootness inquiry." 568 U.S. at 174.

That WPL did not counterclaim for declaratory judgment, Br. in Opp. 32, is immaterial. The Fourth Circuit's mootness ruling deprived WPL of a judgment of non-infringement. Pet. App. 30a-31a. WPL thus has standing to seek review. See *Republic of Philippines* v. *Pimentel*, 553 U.S. 851, 862 (2008) ("A party that seeks to have a judgment vacated * * * on procedural grounds does not lose standing simply because the party does not petition for certiorari on the substance of the order.").[4]

B. SAS Institute ignores the issue's importance. Pet. 32-33. For example, SAS Institute overlooks the striking impact on finality—especially here: Under the Fourth Circuit's ruling, SAS Institute may be able to litigate copyright claims not once, not twice, but three times, despite losing in the U.K. *and* the U.S. before.

SAS Institute argues the issue is unimportant because the copyright ruling might lack issue-preclusive effect.

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[4] *Cardinal Chemical Co.* v. *Morton International, Inc.*, 508 U.S. 83 (1993), is irrelevant. The Fourth Circuit was not confronted with "'[a]n unnecessary ruling on an affirmative defense.'" Br. in Opp. 33. It concluded that an injunction was not legally available. Pet. 30-31. Under *Chafin*, that is a ruling on the merits.

Br. in Opp. 36. That remains to be seen. And whatever the judgment's *issue*-preclusive effect, it would have *claim*-preclusive effect. If the Fourth Circuit had affirmed on alternate grounds, the judgment would forever preclude SAS Institute from suing WPL on those claims again. See *Lytle* v. *Household Mfg., Inc.*, 494 U.S. 545, 552 (1990). A "suit for injunctive relief precludes a second suit on the same cause of action for damages or duplicating injunctive relief." 18 C. Wright *et al.*, *Federal Practice & Procedure* § 4410 (3d ed. 2018) (footnote omitted).[5]

Mootness doctrine does not entitle parties to relitigate again and again after losing on the merits. Yet the Fourth Circuit allowed precisely that—repeatedly. Pet. 32. Review is warranted.

CONCLUSION

The petition for a writ of certiorari should be granted.

[5] SAS Institute suggests (at 36 n.9) it could sue over post-trial conduct. Not so: Because SAS Institute sought a prospective injunction here, its claims encompassed—and are preclusive as to—future infringement. *Lytle*, 494 U.S. at 552; 18 C. Wright *et al.*, *supra*, § 4410.

Respectfully submitted.

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