No. 19-1181

IN THE
Supreme Court of the United States

THE ESTATE OF THOMAS STEINBECK, GAIL STEINBECK, AND THE PALLADIN GROUP, INC.,
Petitioners,

v.

WAVERLY SCOTT KAFFAGA, AS EXECUTOR OF THE ESTATE OF ELAINE ANDERSON STEINBECK,
Respondent.

REPLY BRIEF OF PETITIONERS

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REPLY OF PETITIONERS

This case presents the Court with the opportunity to reconcile collateral estoppel principles in the context of competing legal views on copyright termination rights. As the late Justice Ginsburg observed when writing for a unanimous Court just last year in a copyright case, "the statutory scheme has not worked as Congress likely envisioned." *Fourth Estate Public Corp v. Wall-Street.com, LLC*, 139 S. Ct. 881, 892 (S. Ct. 2019). So too here, where the termination rights—under federal copyright law—of statutory heirs to John Steinbeck's copyrights have been supplanted by a decision rooted in state contract law.

Worse yet in the present case, Petitioners have been precluded from actually litigating a viable defense—whether or not the 1983 Agreement is an agreement to the contrary, and thus unenforceable, pursuant to 17 U.S.C. § 304(c)(5). While Respondent offers various arguments in its Brief in Opposition, Respondent does not identify a single court that decided the key issue. Without that, issue preclusion, or collateral estoppel, cannot apply. More forcefully, without a decision on that issue, preclusion cannot be applied to Gail Steinbeck, as she was never a party to any prior litigation among the parties here.

Finally, and at a minimum, the Court should grant, vacate, and remand this case so that the Ninth Circuit can properly apply issue preclusion in light of this Court's decision in *Lucky Brand Dungarees, Inc.* v. *Marcel Fashions Group, Inc.*, 140 S. Ct. 1589 (2019). That case, decided last Term, raised a similar issue about the correct understanding of federal preclusion principles in the context of successive intellectual

property litigation between the same parties. The court of appeals should be afforded the opportunity to reconsider its decision in light of this Court's clarification and application of preclusion principles in the oft-thorny area of intellectual property rights—particularly in copyright law, where a single copyrighted work creates a bundle of individual property rights, which are then subject to further statutory limitations, including the right to termination.

I. Respondent Does Not Dispute That No Court Has Decided the Key Issue: Whether The 1983 Agreement Is "An Agreement To Contrary" Under 17 U.S.C. § 304(c)(5)

Respondent argues for various reasons that issue preclusion applies, notwithstanding the unusual circumstances of the present case. None of those arguments supports denying the petition. More importantly, not once does Respondent identify a single court that decided the issue critical to Petitioner's defense to the breach of contract and tort claims. Simply put, no court has decided whether the 1983 Agreement is an "agreement to the contrary" under 17 U.S.C. § 304(c)(5).

Without a decision on that particular issue, there can be no prelusion. *See, e.g.*, *Oyeniran* v. *Holder*, 672 F.3d 800, 806 (9th Cir. 2012) (citing *Montana* v. *United States*, 440 U.S. 147, 153–54 (1979)). Further, except in limited circumstances, a plaintiff cannot use non-mutual collateral estoppel as a legal strategy to

preclude a defendant from asserting a defense. *See Parklane Hosiery Co.* v. *Shore*, 439 U.S. 322, 326 n.5 (1979).

II. Gail Steinbeck Was Not A Party to the Prior Litigation and Should Not Be Subject to Issue Preclusion

One very straightforward reason for granting the petition is that Gail Steinbeck—one of the Petitioners here—was not a party in the prior litigation. Therefore, under settled principles of issue preclusion, Gail Steinbeck should not be precluded from raising the copyright termination rights issue that was so critical to her defense to the breach of contract and tort claims.

Here, there is no dispute that Gail Steinbeck—one of the Petitioners—was not a party to any of the earlier litigations. She was not a defendant in the New York action. She was not a party in the parallel litigation in the Ninth Circuit. This case presents the first time Gail Steinbeck was a named party to the disputes over John Steinbeck's copyrights and the later-vesting termination rights. The Ninth Circuit never explained how or why Gail Steinbeck should be precluded, even though she was not a party to earlier litigation.

III. At A Minimum, The Court Should Grant, Vacate, and Remand in View *Lucky Brand Dungarees, Inc.* v. *Marcel Fashion Group, Inc.*

Alternatively, the Court should grant, vacate, and remand this case so that the Ninth Circuit can properly apply issue preclusion in light of this Court's decision in *Lucky Brand*. That case raised a similar issue about the correct understanding of federal preclusion principles in the context of successive intellectual property litigation between the same parties. This Court routinely grants a petition and then vacates and remands the case so that the appeals court can reconsider its decision in view of intervening precedent. The same outcome is warranted, particularly given the similarity in circumstances.

First, as this Court recognized in *Lucky Brand*, "[i]f the second lawsuit involves a new claim or cause of action, the parties may raise assertions or defenses that were omitted from the first lawsuit even though they were equally relevant to the first cause of action." 140 S. Ct. at 1595 (quoting 18 C. Wright, A. Miller, & E. Cooper, *Federal Practice and Procedure* § 4402 (3d ed. 2016)); *see also Davis* v. *Brown*, 94 U.S. 423, 428 (1877) (holding that where two lawsuits involved different claims, preclusion operates "only upon the matter actually at issue and determined in the original action"), *cited by Lucky Brand*, 140 S. Ct. at 1595.

This directive is particularly applicable here, where the present case involves breach of contract and

business tort claims—none of which were raised in any prior litigation between the parties. Moreover, this directive has all the more force when one of the defendants sought to be precluded—Gail Steinbeck—was never involved in any of the prior litigation and thus did not have the opportunity to raise these issues earlier.

Further, the Ninth Circuit failed to recognize that the prior cases involved different termination rights that had not yet vested, even during the prior New York litigation. The Ninth Circuit's reasoning—whether it is the court's 2019 decision or its 2017 decision—fails to abide by this Court's conclusion emphasized in *Lucky Brand*:

> Put simply, the two suits here were grounded on different conduct, involving different marks, occurring at different times. They thus did not share a "common nucleus of operative facts." Restatement (Second) § 24, Comment b, at 199.

Lucky Brand, 140 S. Ct. at 1595.

Moreover, the Ninth Circuit's rationale is inconsistent with this Court's explanation in *Lucky Brand*:

> Claim preclusion generally "does not bar claims that are predicated on events that postdate the filing of the

> initial complaint." *Whole Woman's Health* v. *Hellerstedt*, 579 U.S. ___, ___, 136 S. Ct. 2292, 2305 (2016) (internal quotation marks omitted); *Lawlor* v. *National Screen Service Corp.*, 349 U.S. 322, 327–328 (1955) (holding that two suits were not "based on the same cause of action," because "[t]he conduct presently complained of was all subsequent to" the prior judgment and it "cannot be given the effect of extinguishing claims which did not even then exist and which could not possibly have been sued upon in the previous case").

Lucky Brand, 140 S. Ct. at 1596.

Here, there is no concern that a ruling in favor of Petitioners will impair or destroy rights or interests established in the earlier litigation. Rather, all that will be achieved is a ruling that Petitioners are not liable for the breach of contract and business tort claims, assuming that a court—any court—will make a ruling on whether the 1983 Agreement is an agreement to the contrary under 17 U.S.C. § 304(c)(5).

In any event, the Ninth Circuit lacked the guidance of this Court's decision in *Lucky Brand*. For these reasons, if the Court does not grant outright the petition, the Court should grant, vacate, and remand so that the Ninth Circuit can reconsider the outcome

so it is consistent with the Court's decision in *Lucky Brand*.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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