No. 11-1371

IN THE
Supreme Court of the United States

THE CALIFORNIA TABLE GRAPE COMMISSION,

Petitioner,

v.

DELANO FARMS COMPANY, *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

The federal respondents do not dispute that the courts of appeals are split on whether the "agency action" and "final agency action" requirements of the Administrative Procedure Act limit the waiver of sovereign immunity in 5 U.S.C. § 702. The federal respondents likewise do not contend that the Federal Circuit's decision holding that the United States waived its sovereign immunity is correct. Indeed, the federal respondents argued below that § 702's waiver was inapplicable to this case, and their opposition expressly states (at 11) that they "could potentially seek this Court's review of the sovereign-immunity issue at a later date."

This case presents the unusual circumstance in which a court of appeals incorrectly found a waiver of sovereign immunity, the holding contributes to a circuit split on a fundamental question of administrative law, and the United States reserves the right to continue asserting its sovereign immunity, but the federal respondents nonetheless urge this Court to deny review.[1] None of the federal respondents' arguments, however, offers a sound basis for denying review in the face of the clear need for guidance on the question presented.

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[1] Respondents Delano Farms Co., Four Star Fruit, Inc., and Gerawan Farming, Inc. (collectively "Plaintiffs") have waived their response.

ARGUMENT

I. THE FEDERAL RESPONDENTS DO NOT DISPUTE THAT THE COURTS OF APPEALS ARE SPLIT AND THAT THE FEDERAL CIRCUIT'S DECISION IS INCORRECT

The federal respondents do not dispute that the courts of appeals are split on whether the APA's waiver of sovereign immunity applies to claims that do not challenge "agency action" or "final agency action" within the meaning of the APA. As discussed (Pet. 12-13), the Second and Sixth Circuits have held that § 702's waiver applies only when there has been "agency action" as defined by the APA. The Fourth, Fifth, Sixth, and Ninth Circuits have similarly held that § 702's waiver of sovereign immunity is subject to 5 U.S.C. § 704, which provides that only "[a]gency action made reviewable by statute and final agency action for which there is no other adequate remedy in a court are subject to judicial review." Pet. 13-15.

The D.C. Circuit, Eighth Circuit, and Federal Circuit have reached the opposite conclusion and held that § 702's waiver does not require agency action or final agency action. *See* Pet. 16; Pet. App. 10a (APA's waiver of sovereign immunity "is not limited to 'agency action' or 'final agency action,' as those terms are defined in the APA"). The Third Circuit, relying in part on the decision below, has also recently joined this side of the circuit split. *Treasurer of New Jersey* v. *Department of Treasury*, 684 F.3d 382, 396-400 (3d Cir. 2012).[2]

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[2] Compounding the confusion, the Ninth Circuit has acknowledged an intracircuit split on whether the "final agency action" requirement limits § 702's waiver. Pet. 14 n.2. This internal split remains unresolved following *Veterans for Common Sense* v.

Further, the Federal Circuit decision was incorrect. Congress did not craft § 702's waiver of sovereign immunity as a standalone provision but rather deliberately placed it in the APA following a sentence that twice refers to "agency action." Read in context, the phrase "an *agency* or an officer or employee thereof *acted or failed to act*" in § 702's waiver of sovereign immunity is properly understood to refer to "*agency action*." Section 704 further refines this limit on the APA's waiver by stating that "[a]gency action made reviewable by statute and final agency action for which there is no other adequate remedy in a court are subject to judicial review." The Federal Circuit improperly discounted these textual and structural limits on the APA's waiver based on a misreading of the legislative history and despite this Court's clear holding that "[l]egislative history cannot supply a waiver that is not clearly evident from the language of the statute." *See FAA* v. *Cooper*, 132 S. Ct. 1441, 1444 (2012).

The federal respondents do not contend that the Federal Circuit's decision was correct, and their decision to oppose the petition for a writ of certiorari should not be misconstrued as an endorsement of the Federal Circuit's opinion or a waiver of the United States' sovereign immunity. The United States and its agencies have maintained in this case and others that § 702's waiver of sovereign immunity is limited to claims that challenge "agency action" or "final agency action." *See* Pet. 25 (citing examples); Fed. Resp. C.A.

Shinseki, 678 F.3d 1013 (9th Cir. 2012) (en banc). The Federal Circuit's decision in this case likewise conflicts with that court's own prior decisions on the scope of the APA's waiver of sovereign immunity. *See* Pet. 17-19.

Br. 31 ("§ 702's waiver does not apply … because none of these USDA activities appellants challenge constitutes agency action or final agency action"); Dkt. 69, at 5 n.2, *Delano Farms Co.* v. *California Table Grape Comm'n*, No. 07-cv-1610 (E.D. Cal. June 1, 2009) ("[P]laintiffs cannot rely on § 702's waiver because the USDA activities they challenge do not constitute 'agency action' or 'final' agency action as defined in the APA."). The federal respondents have not abandoned these positions. In fact, they reserve the right (at 11) to "seek this Court's review of the sovereign-immunity issue at a later date."

The Federal Circuit contributed to a circuit split while incorrectly deciding a fundamental question of administrative law. Its decision is therefore a prime candidate for review by this Court under all the traditional criteria.

II. THE FEDERAL RESPONDENTS' ARGUMENTS FOR DENYING REVIEW LACK MERIT

A. Petitioner Is An Appropriate Party To Seek Review Of The Federal Circuit's Decision

The federal respondents assert (at 6-8) that because they have not filed their own petition at this time, this Court should not entertain the petition filed by the California Table Grape Commission, the state entity that exclusively licenses the three federally-owned patents in this suit. But this argument fails to recognize that the sovereign immunity issue in this case arises under Federal Rule of Civil Procedure 19. In that context, parties are permitted and, in fact, encouraged to raise arguments relating to others who cannot be joined but in whose absence the case should not proceed. This Court has entertained—and the federal government itself has made—such arguments in the past.

Under Rule 19(a)(1)(A), a person must be joined to a suit, if feasible, if the court cannot accord complete relief in the person's absence or the person claims an interest in the subject matter of the action and disposing of the suit in the person's absence would impair that interest or leave an existing party subject to the risk of inconsistent obligations or multiple liability. If such a person cannot be joined, Rule 19(b) establishes criteria for determining whether the suit can proceed in the person's absence.

The issue of sovereign immunity arose in this case as part of a Rule 19 inquiry into whether the United States could be joined as a defendant to the suit challenging the validity of its patents. The Federal Circuit and the district court both held that because the United States Department of Agriculture owns the patents at issue in this suit and has not transferred all substantial rights to those patents, the United States must be joined to any suit challenging its patents. Pet. App. 5a-8a, 48a-60a. The district court further held that the suit could not proceed in the United States' absence. *Id.* 68a-74a, 163a-174a. This left only the question of whether plaintiffs had identified a valid waiver of sovereign immunity that would permit the United States to be joined. That issue was initially litigated without the United States because plaintiffs named only the Commission as a defendant. *Id.* 44a. But even after plaintiffs named the federal respondents in an amended complaint and the United States directly asserted sovereign immunity, the central issue in the case remained whether the United States was properly joined and whether the suit against the Commission could proceed under Rule 19. *Id.* 122a-158a, 163a-174a.

Against this backdrop, the argument (at 6-7) that the Commission is "not an appropriate party to seek

review" because "[a] party ordinarily must assert its own rights" is incorrect. The very purpose of Rule 19 is to permit parties to avoid wasteful or inappropriate litigation by arguing that another person who should be joined cannot be joined. Indeed, this Court already established in *Republic of Philippines* v. *Pimentel*, 553 U.S. 851 (2008), that a party seeking dismissal under Rule 19 may petition this Court on issues relating to another entity's sovereign immunity.

In *Pimentel*, the Philippines and one of its governmental commissions were dismissed from the case based on their assertion of sovereign immunity. 553 U.S. at 861. The district court denied the Rule 19 motion filed by two of the remaining parties, and the Ninth Circuit affirmed. When the case reached this Court, the Court reserved judgment on whether the sovereign parties that had been dismissed in the district court were entitled to seek review of the Ninth Circuit's decision. *Id.* Notably, however, the Court held that the non-sovereign parties that had sought dismissal under Rule 19 had standing to challenge the court of appeals' decision and thus were appropriate parties to argue that the court of appeals had given inadequate weight to the sovereign immunity of the Philippines. *Id.* at 861-862.[3]

The Court noted that "any party may move to dismiss an action under Rule 19(b). A court with proper

[3] The federal respondents hint but stop short of arguing (at 7) that the Commission might lack Article III standing to challenge the Federal Circuit's decision on sovereign immunity. But that argument is foreclosed by *Pimentel*, which recognized that the non-sovereign parties in that case had standing because they were asserting their own interests under Rule 19. *See* 553 U.S. at 862.

jurisdiction may also consider *sua sponte* the absence of a required person and dismiss for failure to join." 553 U.S. at 861; *see also Minnesota* v. *Northern Sec. Co.*, 184 U.S. 199, 235 (1902) (practice of dismissing suit for failure to join an indispensible party "may be enforced by the court, *sua sponte*, though not raised by the pleadings or suggested by the counsel"). This was consistent with the United States' argument that "even if the Republic could not raise the Rule 19(b) issue on appeal," the non-sovereign parties "were entitled to do so, *as well as to bring the issue before this Court.*" U.S. Amicus Br. 18, No. 06-1204 (Jan. 24, 2008) (emphasis added).

As *Pimentel* indicates, there is nothing unusual or inappropriate about a party raising the issue of another entity's sovereign immunity under Rule 19. *See also, e.g.*, *Dawavendewa* v. *Salt River Project Agric. Improvement & Power Dist.*, 276 F.3d 1150 (9th Cir. 2002). The United States is no stranger to the practice. For example, in *Kescoli* v. *Babbitt*, 101 F.3d 1304 (9th Cir. 1996), *Quileute Indian Tribe* v. *Babbitt*, 18 F.3d 1456 (9th Cir. 1994), and *Confederated Tribes of Chehalis Indian Reservation* v. *Lujan*, 928 F.2d 1496, 1499 (9th Cir. 1991), the Secretary of the Interior argued that suits against him could not proceed in the absence of Indian tribes that had not waived sovereign immunity. One of the cases even required the court to address "a question of first impression" on the waiver of tribal immunity. *Quileute Indian Tribe*, 18 F.3d at 1459.

This Court should not deny a cert-worthy petition merely because the federal respondents have not chosen to seek review at this time.

B. This Case Presents A Recurring Question Of National Importance That Has Divided The Courts of Appeals

The federal respondents' attempt to downplay the importance of this case also fails. The federal respondents artificially seek to narrow the question presented (at 6) by attempting to limit it to situations "where a private party in like circumstances would be subject to suit for declaratory relief." But this distinction is unwarranted and finds no support in the Federal Circuit's decision.

The Federal Circuit did not carve out a special rule solely for cases that could have proceeded if brought against a private defendant. Rather, the court addressed the same fundamental questions regarding the scope of § 702's waiver that have divided the courts of appeals. Most, if not all, of the cases that the Federal Circuit cited involved suits that could not have been brought against a private defendant, and the Federal Circuit drew no distinction between the rule being applied in those cases and the rule that the Federal Circuit adopted and applied here. *See* Pet. App. 13a-15a & n.4. This case thus squarely implicates the circuit split on the scope of § 702's waiver.

Indeed, the Third Circuit has already relied on the Federal Circuit's decision to find a waiver of sovereign immunity in an entirely different context. *Treasurer of New Jersey* involved an attempt by several states to raise revenue by extending their escheat laws to approximately $1.6 billion in matured but unredeemed savings bonds issued by the United States. 684 F.3d at 386-387, 389-390. When the states filed suit to compel the United States to pay them the proceeds of the bonds, the Third Circuit held that the United States'

sovereign immunity was waived under § 702. The court noted that "section 702 is not a model of clarity," *id.* at 399, but it stressed that several courts of appeals had held that "the waiver of sovereign immunity in section 702 extends to all nonmonetary claims against federal agencies and their officers, regardless of whether or not the cases seek review of 'agency action' or 'final agency action,'" *id.* at 397. The Third Circuit equated the Federal Circuit's decision in this case with the other court of appeals decisions on the point and cited this case for the proposition that "section 702 applie[s] broadly to waive sovereign immunity for all claims not seeking money damages." *Id.* at 399.[4]

The Third Circuit's decision refutes the federal respondents' argument that this case presents only a narrow question of limited significance. As the Third Circuit clearly understood, the Federal Circuit answered the same questions regarding § 702's scope as other courts of appeals. This case thus provides a proper vehicle for this Court to address those important questions.

In any event, even if limited to only suits involving federally-owned patents—a narrower subset of cases than even the federal respondents' propose—the Federal Circuit's decision would still warrant review. The federal government received an average of 862 patents per year between 1998 and 2011, for a total of 12,074 patents in that period alone. *See* PTO, *U.S. (Federal) Government Patenting* (2012), *available at* http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_gov.pdf. The

[4] Although the Third Circuit found a waiver of sovereign immunity, it ultimately ruled for the United States on the merits. *See* 684 F.3d at 406-413.

question whether the United States has waived sovereign immunity for declaratory judgment actions to invalidate those patents has important implications for the patent system and the way that the government's licensees structure their affairs.

To be sure, the question presented does not appear to have been litigated in a patent case before 2007. But now that *MedImmune, Inc.* v. *Genentech, Inc.*, 549 U.S. 118 (2007), has removed an independent impediment to licensee suits like this one, the number of declaratory judgment suits involving federally-owned patents will likely increase. *See, e.g.*, *SourceOne Global Partners, LLC* v. *KGK Synergize, Inc.*, 2009 WL 1346250, at *3 (N.D. Ill. May 13, 2009) ("KGK argues that this Court lacks subject matter jurisdiction over SourceOne's claims … because the Government is immune from suit, and KGK may not be sued for a declaratory judgment of invalidity … in the absence of the patent's co-owner[.]").[5] The parallel issue of state sovereign immunity has also been litigated, with the Federal Circuit concluding that the suits cannot proceed. *See, e.g.*, *A123 Sys., Inc.* v. *Hydro-Quebec*, 626 F.3d 1213, 1219-1220, 1222 (Fed. Cir. 2010).

To the extent the issue of federal sovereign immunity is not raised in more patent suits, it will not be because the issue has diminished in importance but because the Federal Circuit has nationwide jurisdiction and thus litigating the issues in the lower courts will now be futile. That is a reason to grant, not deny, review in this case.

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[5] *SourceOne* settled after the suit was allowed to proceed without the United States.

C. Review Of The Important Question Presented By This Case Should Not Be Delayed

Review of the important questions presented by this case should not be delayed until the conclusion of district court proceedings on the merits. The purpose Rule 19 is to determine whether an "action should *proceed*." Fed. R. Civ. P. 19(b) (emphasis added). Waiting until a decision on the merits before making that determination undermines the purpose of the rule.

The federal respondents have not argued that further proceedings on the merits would affect the proper resolution of the question presented. The scope of § 702's waiver is a pure issue of law that will not be clarified by further development on the merits. Nor is there overlap between the merits and the threshold jurisdictional question that would counsel in favor of resolving the two together. The federal respondents simply argue (at 10) that this particular case might go away if the Commission and the United States prevail on the merits. While that is certainly true, it does not mean that the *issue* will go away. The Federal Circuit's decision in this case now governs all patent cases and will continue to do so regardless of what happens on the merits of this case. In addition, the division in the courts of appeals on the scope of the APA's waiver of sovereign immunity has created confusion on a fundamental question of administrative law, and the split has only deepened since this petition was filed. Only this Court can resolve the matter and bring clarity to this important area of the law. Delaying this Court's consideration of the question would serve no purpose.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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AUGUST 2012