No. 11-1371

In the Supreme Court of the United States

CALIFORNIA TABLE GRAPE COMMISSION, PETITIONER

v.

DELANO FARMS COMPANY, ET AL.

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

BRIEF FOR THE FEDERAL RESPONDENTS IN OPPOSITION

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QUESTION PRESENTED

Whether the Administrative Procedure Act, 5 U.S.C. 702, waives the sovereign immunity of the United States for an action seeking a declaratory judgment that patents owned by a federal agency and exclusively licensed to a third party are invalid or unenforceable.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-26a) is reported at 655 F.3d 1337. The opinion of the district court dismissing the original complaint in part (Pet. App. 27a-101a) is reported at 623 F. Supp. 2d 1144. The opinion of the district court dismissing the first amended complaint in part (Pet. App. 103a-177a) is unreported, but is available at 2009 WL 3586056. The opinion of the district court dismissing the second amended complaint (Pet. App. 179a-241a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on August 24, 2011. A petition for rehearing was denied on December 14, 2011 (Pet. App. 243a-244a). On March 5,

2012, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including April 12, 2012. On March 30, 2012, the Chief Justice further extended the time for filing to and including May 11, 2012, and the petition was filed on that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. This case involves patents issued by the Patent and Trademark Office (PTO) that belong to another federal agency. The United States Department of Agriculture (USDA) owns three patents for grapevines that produce varieties of table grapes. Pet. App. 1a-2a. The USDA licensed certain rights in those three patents to petitioner, a California agency charged with promoting that State's table-grape industry. *Id.* at 2a. Petitioner then sub-licensed the patents to three nurseries, which serve as the exclusive distributors of the patented plants. *Ibid.* Growers who purchase the vines from the nurseries must pay a royalty and agree not to propagate the vines beyond their permitted use. *Ibid.*

The private respondents in this case (plaintiffs) are grape growers who purchased the patented plants and subsequently filed suit against petitioner and the federal respondents, challenging the patents on various grounds. Pet. App. 2a-3a. The only claims at issue before this Court are two declaratory-judgment claims, which originally named only petitioner as a defendant, but which plaintiffs subsequently revised to add the USDA as well. Pet. 6-9. First, plaintiffs claim that all three patents are invalid because a USDA employee displayed and distributed the grapevines more than one year before the patent applications were filed. Pet. App.

3a; see 35 U.S.C. 102(a). Second, plaintiffs claim that one of the patents is unenforceable due to alleged inequitable conduct in the prosecution of the patent application. Pet. App. 3a-4a.

After issuing a series of opinions addressing different iterations of plaintiffs' complaint, the district court dismissed the declaratory-judgment claims (as well as all of plaintiffs' other claims) with prejudice. Pet. App. 27a-241a. The district court concluded that dismissal of the declaratory-judgment claims was warranted under Federal Rule of Civil Procedure 19(b) because the USDA was a required party that could not be joined in the suit. *Id.* at 4a-5a; see Fed. R. Civ. P. 19(b) ("If a person who is required to be joined if feasible cannot be joined, the court must determine whether, in equity and good conscience, the action should proceed among the existing parties or should be dismissed."). The court reasoned that the USDA was a required party because it owned the patents and retained at least some rights in those patents under its licensing program. Pet. App. 48a-60a; see Fed. R. Civ. P. 19(a)(1)(B)(i) (defining "[r]equired [p]arty" to include, *inter alia*, a person whose absence from the action will "as a practical matter impair or impede the person's ability to protect [its] interest" in the subject of the suit). The court further held that the USDA could not be joined in the suit because the United States had not waived its sovereign immunity with respect to patent-related claims like plaintiffs'. Pet. App. 60a-68a, 148a-152a, 176a.

The district court rejected plaintiffs' argument that the sovereign-immunity waiver contained in Section 10 of the Administrative Procedure Act (APA), 5 U.S.C. 702, applied to their claims. Pet. App. 64a-68a, 148a-152a. That provision states as follows:

> A person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof. An action in a court of the United States seeking relief other than money damages and stating a claim that an agency or an officer or employee thereof acted or failed to act in an official legal capacity or under color of legal authority shall not be dismissed nor relief therein be denied on the ground that it is against the United States or that the United States is an indispensable party.

5 U.S.C. 702.

The district court concluded that the sovereign-immunity waiver in the second sentence of Section 702 applies only to a suit challenging "final agency action" as that term is used in the APA's general judicial-review provision, 5 U.S.C. 704, and therefore does not encompass a suit seeking a declaration that USDA patents are invalid or unenforceable. Pet. App. 148a-152a. The court explained that "[t]he USDA's acts of pursuing patent protection for the Patented Varieties * * * do not constitute 'final' agency action. Until the USPTO grants a patent, the application for the patent and its prosecution do not determine any rights or obligations from which legal consequences will flow." *Id.* at 151a. The court also held that the APA's sovereign-immunity waiver does not apply to the extent that other statutes preclude judicial review, see 5 U.S.C. 701(a)(1), and that the Patent Act, 35 U.S.C. 1 *et seq.*, and the Quiet Title Act, 28 U.S.C. 2409a-2410, impliedly preclude an action against the United States seeking a declaration that the government's patent is invalid or unenforceable. Pet. App. 130a-137a & n.4.

4. The court of appeals reversed in relevant part. Pet. App. 1a-22a. It agreed with the district court that, because the USDA is the owner of the patents in suit and has transferred to petitioner less than all the rights it possesses under the patents, the USDA is a required party within the meaning of Rule 19. *Id.* at 6a-8a. The court of appeals concluded, however, that the sovereign-immunity waiver in 5 U.S.C. 702 permitted the USDA to be joined as a defendant with respect to plaintiffs' declaratory-judgment claims. Pet. App. 8a-20a.

In the court of appeals' view, "section 702 of the APA waives sovereign immunity for non-monetary claims against federal agencies" and "is not limited to 'agency action' or 'final agency action,' as those terms are defined in the APA." Pet. App. 10a. The court read the second sentence of Section 702 as a "broad waiver" that is not qualified by either the surrounding language of that section or by other provisions of the APA. *Id.* at 10a-11a. To support that reading, the court relied on both the legislative history of the 1976 amendments to the APA (which added that sentence) and decisions of other courts of appeals. *Id.* at 11a-20a.

The court of appeals acknowledged that, even under its reading of Section 702, the APA's sovereign-immunity waiver would apply only to claims alleging that an agency (or one of its officers) had "acted or failed to act." Pet. App. 22a n.6 (quoting 5 U.S.C. 702). The court reasoned, however, that the USDA's "act of obtaining ownership of the patents" satisfied that prerequisite. *Ibid.*

The court of appeals additionally concluded that neither 28 U.S.C. 2409a and 2410 (which permit suits against the United States challenging its title to real property or its lien on real or personal property) nor 28

U.S.C. 1498 (which permits damages actions against the United States for patent infringement) impliedly precluded plaintiffs' suit. Pet. App. 20a-22a. While recognizing that the limited sovereign-immunity waivers in those statutes did not encompass plaintiffs' current suit, the court held that Section 702 provides the requisite waiver of sovereign immunity here. *Ibid.*

4. Petitioner, but not the federal respondents, sought rehearing en banc, which the court of appeals denied. Pet. App. 243a-244a.

ARGUMENT

Petitioner does not dispute in this Court that, if the relevant patents were held by a private party rather than by a federal agency, the plaintiffs in this case would be entitled to sue for a declaratory judgment that the patents are invalid or unenforceable, and the patent holder could be joined as a necessary party. The case therefore presents the narrow question whether Section 702 waives the federal government's sovereign immunity in situations where the plaintiff cannot identify any "final agency action" within the meaning of Section 704, but where a private party in like circumstances would be subject to suit for declaratory relief. That issue does not arise with sufficient frequency to warrant this Court's review. This case would be an unsuitable vehicle to consider the question, moreover, both because petitioner seeks to assert the rights of the federal government rather than any immunity of its own, and because the case is in an interlocutory posture.

1. As a threshold matter, petitioner is not an appropriate party to seek review of the court of appeals' sovereign-immunity holding in the absence of a petition for certiorari from the federal government itself. The

sovereign immunity that petitioner asserts in this Court is not its own, but instead belongs to the United States. A party ordinarily must assert its own rights and "cannot rest his claim to relief on the legal rights or interests of third parties." *Secretary of State* v. *Joseph H. Munson Co.*, 467 U.S. 947, 955 (1984) (quoting *Warth* v. *Seldin*, 422 U.S. 490, 499 (1975)). That restriction "arises from the understanding that the third-party rightholder may not, in fact, wish to assert the claim in question, as well as from the belief that 'third parties themselves usually will be the best proponents of their rights.'" *Miller* v. *Albright*, 523 U.S. 420, 446 (1998) (O'Connor, J., concurring in the judgment) (quoting *Singleton* v. *Wulff*, 428 U.S. 106, 113-114 (1976)).

The same limitations on the assertion of third parties' legal rights may also apply to a party who seeks appellate review of an adverse decision. Cf., *e.g.*, *Arizonans for Official English* v. *Arizona*, 520 U.S. 43, 64 (1997) ("The standing Article III requires must be met by persons seeking appellate review, just as it must be met by persons appearing in courts of first instance."). The federal respondents have not sought review of the court of appeals' decision holding that plaintiffs' suit may go forward. That fact counsels against granting certiorari in this case, in which a non-federal party invokes the federal government's sovereign immunity in order to avoid a suit to which petitioner itself is not immune.

It is also significant that, although petitioner is a governmental entity of the State of California (see Pet. 6), it does not contend that its own sovereign immunity bars this suit from going forward. Presumably that is because the state law that created petitioner contains a broad sue-and-be-sued clause that encompasses the

present action. See Cal. Food & Agric. Code Ann. § 65551 (West 1997). In light of the California legislature's waiver of the sovereign immunity that petitioner would otherwise possess, this Court should not entertain petitioner's effort to avoid the suit against it by invoking the immunity of the federal government.

2. The government is not aware of any other case in which a non-federal party has invoked the federal government's sovereign immunity as a ground for dismissing a patent suit brought against the non-federal party. The scope of the sovereign-immunity waiver in 5 U.S.C. 702 is irrelevant in most suits against federal agencies. Plaintiffs typically seek declaratory or injunctive relief against federal agencies either under a specialized statutory cause of action that contains its own waiver of sovereign immunity, see, *e.g.*, 28 U.S.C. 2409a (Quiet Title Act), or under the APA's own more general judicial-review provision, 5 U.S.C. 704, which authorizes review of "[a]gency action made reviewable by statute or final agency action for which there is no other adequate remedy in a court." Where review is available either under a specialized statute or under Section 704, the court will have no need to consider the scope of the waiver that Section 702 provides.

In order to constitute "final agency action" within the meaning of Section 704, a challenged action must "mark the consummation of the agency's decisionmaking process" and "must be one by which rights or obligations have been determined, or from which legal consequences will flow." *Bennett* v. *Spear*, 520 U.S. 154, 177-178 (1997) (internal quotation marks and citation omitted). The district court held that Section 704 is inapplicable here because the filing and prosecution of the relevant patent applications had no operative legal consequences

until the PTO issued the patents. See Pet. App. 151a. The court of appeals did not question the district court's conclusion that Section 704 is inapplicable to this case. It held, however, that for purposes of Section 702, "USDA's act of obtaining ownership of the patents makes it subject to the declaratory judgment action seeking to invalidate the patents or hold them unenforceable." *Id.* at 22a n.6.

Quite apart from the issue of sovereign immunity, plaintiffs' right to pursue this suit was contingent on their satisfaction of the requirements that generally apply to declaratory-judgment suits asserting that a patent is invalid or unenforceable. See, *e.g.*, *MedImmune, Inc.* v. *Genentech, Inc.*, 549 U.S. 118 (2007); Pet. App. 22a n.6, 122a-123a. In determining that the USDA is a necessary party to this suit under Rule 19(a), the courts below likewise applied the same principles that would govern the Rule 19(a) inquiry if a private patent holder had transferred fewer than all its substantial rights under the patent. See *id.* at 5a-8a, 48-60a. The narrow question presented in this case is whether Section 702 waives the federal government's immunity from suits based on agency conduct that is not "final agency action" within the meaning of Section 704, but that would provide a basis for suit if undertaken by a private party in like circumstances. Petitioner identifies no reason to conclude, and the government does not believe, that this issue will arise with any significant frequency.

Apart from this one, we are aware of only one case in the past 30 years (which was resolved without reported decision) in which a plaintiff has sued an agency of the federal government for a declaration that a patent owned by the agency was invalid. Petitioner suggests (Pet. 29-30) that the decision below is likely to precipi-

tate an outpouring of similar suits. One reason such suits have been rare, however, is that federal agencies often license to third parties all substantial rights (including enforcement rights) in the patents held by the agencies. If that practice is followed and a potential infringer sues the licensee for a declaratory judgment that the patent is invalid, the validity issue can be litigated without joining the federal government as a party. See Pet. App. 6a ("If the patentee has transferred all substantial rights in the patent to an exclusive licensee, * * * the licensee is treated as the assignee," and the assignor "need not be joined in any action brought on the patent"). The sovereign-immunity question presented here, which arose only because the USDA had transferred less than all of its substantial rights under the patents, see *id.* at 6a-8a, therefore lacks sufficient practical importance to warrant this Court's review.

3. The interlocutory posture of the case further counsels against review by this Court at this time. See, *e.g.*, *Brotherhood of Locomotive Firemen* v. *Bangor & Aroostook R.R.*, 389 U.S. 327, 328 (1967) (per curiam); see also *Virginia Military Inst.* v. *United States*, 508 U.S. 946, 946 (1993) (Scalia, J., respecting the denial of a writ of certiorari) ("We generally await final judgment in the lower courts before exercising our certiorari jurisdiction."); Eugene Gressman et al., *Supreme Court Practice* § 4.18, at 280-281 & n.63 (9th ed. 2007). The case has been remanded for further proceedings. Pet. App. 26a; see, *e.g.*, No. 1:07-cv-01610, 2012 WL 1899196 (E.D. Cal. May 23, 2012) (conducting further proceedings following court of appeals' decision). If petitioner prevails in those proceedings, the sovereign-immunity issue will be moot. If it does not, petitioner (or the fed-

eral government) could potentially seek this Court's review of the sovereign-immunity issue at a later date.

Although interlocutory review is sometimes appropriate in sovereign-immunity cases, it is not warranted here. The federal respondents in this case, from whose immunity petitioner seeks to benefit, have not asked the Court to intercede now to bring this litigation to a close. The Federal Circuit's decision will affect only the limited and specialized class of cases over which that court has jurisdiction. For reasons discussed above, the question presented here does not arise in that court with any significant frequency. If the issue arises more often in the future, this Court will have other opportunities to consider it.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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AUGUST 2012