No. 17-1243

IN THE

Supreme Court of the United States

SPECIALTY FERTILIZER PRODUCTS, LLC,

Petitioner,

v.

SHELL OIL COMPANY,

Respondent.

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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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

REPLY BRIEF FOR THE PETITIONER 1

REASONS FOR GRANTING THE PETITION 2

I. The Government Demurs from Any Attempt to Apply the Requisite *Mathews* Three-Part Test 2

II. The Government's Token Citation to *Abbott* is Unavailing 4

III. The Government's Contention that This Petition has Little Prospective Significance Ignores *Ex Parte* Reexaminations and Glosses Over the Rule 36 Question 10

IV. Petitioner is No Longer Pursuing the Article III and Seventh Amendment Question 12

CONCLUSION 13

TABLE OF AUTHORITIES

Page

CASES

Abbott Labs. v. Cordis Corp.
710 F.3d 1318 (Fed. Cir. 2013).....5, 6

Allison v. Heckler
711 F.2d 145 (10th Cir. 1983).....7

Bus. Commc'ns, Inc. v. U.S. Dep't of Educ.
739 F.3d 374 (8th Cir. 2013).....8

Coffin v. Sullivan
895 F.2d 1206 (8th Cir. 1990).....7

Cooper v. Salazar
196 F.3d 809 (7th Cir. 1999).....8, 9

Cuellar v. Tex. Emp't Comm'n
825 F.2d 930 (5th Cir. 1987).....8, 9

Demenech v. Sec'y of the Dep't of Health & Human Servs.
913 F.2d 882 (11th Cir. 1990).....7

Edward J. DeBartolo Corp. v. Fla. Gulf Coast Bldg. & Constr. Trades Council
485 U.S. 568 (1988)..... 5-6

Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank
527 U.S. 627 (1999).....2

Goldberg v. Kelly
397 U.S. 254 (1970).....1

Greene v. McElroy
360 U.S. 474 (1959).....1

Lidy v. Sullivan
911 F.2d 1075 (5th Cir. 1990).....7

Lonzollo v. Weinberger
534 F.2d 712 (7th Cir. 1976).....7

Mathews v. Eldridge
424 U.S. 319 (1976)..... passim

Nevels v. Hanlon
656 F.2d 372 (8th Cir. 1981).....8

Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC
138 S. Ct. 1365 (2018).....2, 12

SAS Inst. Inc. v. Iancu
138 S. Ct. 1348 (2018).....11

Solis v. Schweiker
719 F.2d 301 (9th Cir. 1983).....7

Townley v. Heckler
748 F.2d 109 (2d Cir. 1984) 7

CONSTITUTIONAL PROVISIONS, STATUTES, AND RULES

28 U.S.C. § 1295 7

35 U.S.C. § 144 11

37 C.F.R. § 1.902 *et seq.* 10

Fed. Cir. R. 36 ..... 4, 11

U.S. Const. amend. V ..... passim

U.S. Const. amend. VII 12

U.S. Const. art. III 12

OTHER AUTHORITIES

Manual of Patent Examining Procedure (MPEP) § 2258.I.E (8th Ed. Rev. 9, Aug. 2017) 10

United States Patent & Trademark Office, *Ex Parte* Reexamination Filing Data – September 30, 2017 10

REPLY BRIEF FOR THE PETITIONER

Before an agency may deprive a party of its property rights, the Due Process Clause requires that the agency undertake an analysis that appropriately balances (1) the private interest affected, (2) the risk of erroneous deprivation through the procedures used and probable value of additional procedural safeguards, and (3) and the government's interest. *Mathews v. Eldridge*, 424 U.S. 319, 334–35 (1976). And this Court has held that "[i]n almost every setting where important decisions turn on questions of fact, due process *requires an opportunity to confront and cross-examine adverse witnesses*." *Goldberg v. Kelly*, 397 U.S. 254, 269 (1970) (emphasis added); *see also Greene v. McElroy*, 360 U.S. 474, 496–97 (1959) ("This Court has been zealous to protect these [confrontation and cross-examination] rights from erosion. It has spoken not only in criminal cases, but also in all types of cases where administrative and regulatory actions were under scrutiny." (citations omitted)).

Although reexaminations indisputably involve important decisions (i.e., the validity of valuable patent rights), indisputably turn on questions of fact (e.g., the content of the prior art and the competing experts' view thereof), and indisputably foreclose a patent owner from confronting and cross-examining the hostile expert witnesses arrayed against it, the Government defends the PTO's procedures by arguing that all that due process requires is that the patent owner receive notice and an opportunity to be heard. But to support this argument the Government cites only a single, inapposite case without engaging in or even acknowledging the *Mathews* three-part test. The Government's Opposition therefore suffers the same

frailties as the Board's decisions and the Federal Circuit's summary affirmance and does nothing to undermine Petitioner's well-supported reasons for granting the Petition.

Indeed, as demonstrated in Petitioner's principal brief and herein, the reexamination of the '459 patent was unconstitutional both in its inception and course, and the only appropriate remedy is therefore a dismissal of the reexamination in its entirety.

REASONS FOR GRANTING THE PETITION

I. The Government Demurs from Any Attempt to Apply the Requisite *Mathews* Three-Part Test

The Government, wisely, does not attempt to argue that patents are not subject to the Due Process Clause. The Court recently confirmed as much, explaining that its decision in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018) "should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause." 138 S. Ct. at 1379; *see also Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999) ("Patents, however, have long been considered a species of property. As such, they are surely included within the 'property' of which no person may be deprived by a State without due process of law." (citations omitted)).

Instead, the Government argues that the procedures available to the parties during reexaminations satisfy the requirements of the Due Process Clause. *See* Gov't Opp'n 5–7. Remarkably, the

Government does not point out any error in the Petitioner's *Mathews* analysis, offer a competing *Mathews* analysis, or even allude to the *Mathews* three-part test. *See id.* at 5–6. Instead, and not unlike Board below, the Government merely pays lip service to *Mathews*, citing it only for the general proposition that due process requires at a minimum "that a person in jeopardy of a serious loss be given notice of the case against him and opportunity to meet it." *See id.* at 5 (quoting *Mathews*, 424 U.S. at 348).

But a determination regarding what procedures are due is a question that *must* be answered by balancing the various interests at stake with the procedural safeguards to be employed; and due consideration of the underlying facts is an essential element of this analysis:

> Due process is flexible and calls for such procedural protections as *the particular situation demands*. Accordingly, resolution of the issue whether the administrative procedures provided here are constitutionally sufficient *requires analysis of the governmental and private interests that are affected*. More precisely, our prior decisions indicate that identification of the specific dictates of due process generally *requires consideration of three distinct factors*: First, the private interest that will be affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural

> safeguards; and finally, the Government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail.

Mathews, 424 U.S. at 334–35 (emphasis added) (brackets, citations, and internal quotation marks omitted). And, as shown in the Petition, when those factors are properly weighed, due process requires an opportunity to confront and cross-examine adverse witnesses during reexamination of an issued patent. *See* Pet. 23–25. This requires, at a minimum, that a party be granted an opportunity to depose those who submit testimonial declarations during a reexamination. *See id.* at 24-25.

The Government's Opposition is thus deficient for the same reasons as the Board's decision: it fails to appreciate that the Due Process Clause requires a fact-specific balancing of the competing interests and particular procedures at stake. By instead reducing the due process question to a simplistic one of whether the Petitioner received notice and an opportunity to be heard, the Government falls short of *Mathews*' requirements. And because the Board similarly erred—and the Federal Circuit blessed this simplistic approach with its Rule 36 affirmance—the Petition should be granted for this reason alone.

II. The Government's Token Citation to *Abbott* is Unavailing

Petitioner unequivocally asserted that this Court "has never sanctioned the total denial of confrontation

and cross-examination of biased and hostile witnesses in adversarial, fact-finding proceedings involving substantial rights, where the testimony was relied upon in the revocation of such rights." Pet. 16. The Government does not dispute this assertion. Instead, the Government points to a single case in support of its contention that the Due Process Clause only requires notice and an opportunity to be heard in reexaminations: *Abbott Laboratories v. Cordis Corp.*, 710 F.3d 1318 (Fed. Cir. 2013). *See* Govt' Opp'n 6.

For the reasons discussed at length in the Petition, *Abbott* is inapposite. First and foremost, *Abbott* was not concerned with any confrontation and cross-examination issues. Indeed, the *Abbott* court expressly noted that subpoenas obtained by the patent owner for the deposition of its adversaries' expert witnesses were not at issue. *See* Pet. 20–22; *see also Abbott*, 710 F.3d at 1321 n.3. In any event, *Abbott* itself suffers the same deficiency as the Government's brief in that it did not faithfully apply *Mathews* when determining what procedures were due in that case. *Abbott* acknowledged that "determining what additional procedures [beyond notice and opportunity to be heard] are guaranteed by due process requires balancing the various interests at stake." 710 F.3d at 1328. But then *Abbott* summarily concluded that compulsory production of testimony—the sole question at issue there—was not necessary in the reexamination context without performing a *Mathews*-type balancing test. *See id.* ("We do not believe that, under the facts of this case, excluding compulsory production of testimony in inter partes reexamination proceedings raises a 'serious constitutional problem[].' (alteration in original) (quoting *Edward J. DeBartolo Corp. v. Fla. Gulf Coast*

Bldg. & Constr. Trades Council, 485 U.S. 568, 575 (1988))).

As with the Board's reliance on *Abbott* to bar Petitioner's due process argument and the Federal Circuit's summary affirmance of that decision, the Government seeks to use *Abbott* to forevermore foreclose confrontation and cross-examination in reexaminations at the PTO. This latest attempt at patent exceptionalism cannot be squared with the Due Process Clause and this Court's precedents. *See also* Pet. 31–34. These cherished rights are a fundamental component of our due process jurisprudence and cannot be annulled through the imagined exceptionality of PTO proceedings.

On the other hand, Petitioner did perform the *Mathews*-type balancing test in its briefing below and in its Petition, showing that such an analysis compels that patent owners be afforded a meaningful opportunity to confront and cross-examine hostile witnesses arrayed against them in reexamination proceedings. Pet. 23–25. Petitioner then cited a host of analogous caselaw both from this Court and from various Courts of Appeals, demonstrating that under similar facts, courts have consistently concluded that the Due Process Clause requires confrontation and cross-examination. *Id.* at 25–31.

Nonetheless, the Government contends that these cases have no bearing. Gov't Opp'n 7. Remarkably, the Government wholly fails to address the relevant precedent of this Court, and then addresses only a subset of the numerous Courts of Appeals cases Petitioner cited in its Petition. Notably, the Government does not even attempt to distinguish

certain cases Petitioner cited as evidencing the regional circuits' consistent rulings requiring confrontation and cross-examination in similar contexts, including *Demenech v. Secretary of the Department of Health & Human Services*, 913 F.2d 882 (11th Cir. 1990), *Lonzollo v. Weinberger*, 534 F.2d 712 (7th Cir. 1976), *Allison v. Heckler*, 711 F.2d 145 (10th Cir. 1983), *Townley v. Heckler*, 748 F.2d 109 (2d Cir. 1984), *Lidy v. Sullivan*, 911 F.2d 1075 (5th Cir. 1990), *Solis v. Schweiker*, 719 F.2d 301 (9th Cir. 1983), and *Coffin v. Sullivan*, 895 F.2d 1206 (8th Cir. 1990). *See* Pet. 30–31. Each of these cases—which are conspicuously absent from the Government's brief—independently evidence that the Federal Circuit stands alone by blessing an agency's complete deprivation of confrontation and cross-examination when substantial rights are at stake.

For the remaining cases, the Government insists that none "recognize a right to confront or cross-examine expert declarants in proceedings analogous to inter partes reexamination, or otherwise indicate that inter partes reexamination proceedings do not comport with principles of procedural due process." Gov't Opp'n 9.

Of course, because the Federal Circuit has exclusive jurisdiction over appeals from reexaminations, *see* 28 U.S.C. § 1295(a), it necessarily follows that none of the regional circuits "indicate[d] that inter partes reexamination proceedings do not comport with principles of procedural due process," *see* Gov't Opp'n 9. But what those cases *do* illustrate is the universal understanding that confrontation and cross-examination are indispensable components of due process when important rights are being stripped

by an administrative agency. *See Nevels v. Hanlon*, 656 F.2d 372, 374, 376 (8th Cir. 1981) (explaining, in an appeal from a determination of the Labor of Commission overturning the Nebraska Joint Merit System Council's finding, that, "It is fundamental to a full and fair review required by the due process clause that a litigant have an opportunity to be confronted with all adverse evidence, and to have the right to cross-examine available witnesses."); *Bus. Commc'ns, Inc. v. U.S. Dep't of Educ.*, 739 F.3d 374, 377. 380–81 (8th Cir. 2013) (explaining, in an appeal from a decision of the Department of Education's Office of the Inspector General, that, "Where, as here, many of the [agency's] reasons for its decision depend on the credibility of individual witness testimony, cross-examination must be available to minimize the risk of erroneous deprivation."); *Cuellar v. Tex. Emp't Comm'n*, 825 F.2d 930, 931–32, 938 (5th Cir. 1987) (explaining, in an appeal from a district court dismissing a complaint challenging the procedures used by the Texas Employment Commission, that, "The critical question, therefore, is whether the plaintiff is afforded a *viable* opportunity to confront *the witnesses* against him—not just to anticipate or to respond to the substance of their testimony—or has been denied the opportunity to cross-examine such witnesses."); *Cooper v. Salazar*, 196 F.3d 809, 811–12, 815 (7th Cir. 1999) (explaining, in an appeal from a district court decision in a case challenging the procedures used by the Illinois Department of Human Rights, that, "[C]onfrontation and cross-examination are important procedural safeguards, especially where factual determinations are made.").

The Government further attempts to distinguish some of the cases by contending that they dealt with

credibility determinations not at play here. *See, e.g.*, Gov't Opp'n 7 ("The court of appeals in *Business Communications* found a right of confrontation in a particular administrative proceeding only because of the centrality of credibility judgments to the question that the agency proceeding resolved."); *id.* at 8 (*Cooper* "emphasized that the Due Process Clause is particularly likely to require [confrontation and cross-examination] in contexts where agencies make factual determinations that rest on credibility judgments."); *id.* at 9 ("Similarly, the court of appeals in *Cuellar* . . . suggested that there might be a confrontation right with respect to a fact witness in a dispute over unemployment benefits, either because of the relevance of 'credibility concerns' to the dispute, because the claimant had received inadequate notice of the adverse affiant's testimony,' or for other reasons." (quoting *Cuellar*, 825 F.2d at 939)).

But credibility determinations are paramount in reexaminations generally, because the validity of the challenged patent often turns on which party's expert is believed. Consider the instant reexamination: In every instance where the PTO accepted and relied on the Hutter I Declaration to interpret the prior art, the PTO determined the '459 patent to be invalid as obvious. *See* Pet. 8–14, 24–25. And in every instance where the Hutter I declaration was discounted, the PTO upheld the '459 patent as inventive over the prior art. *See id.* Manifestly, the testimony of Shell's experts was *the* determining factor animating the PTO's decisions, and Petitioner had a constitutional right to confront and cross-examine the experts as to the basis of their opinions.

III. The Government's Contention that This Petition has Little Prospective Significance Ignores *Ex Parte* Reexaminations and Glosses Over the Rule 36 Question

Perhaps in an effort to downplay the due process violation, the Government insists that the Court need not grant the Petition because "[t]he question presented is one of limited prospective importance" as "only a handful of inter partes reexaminations remain pending before the USPTO." Gov't Opp'n 9–10.

Although true that *inter partes* reexaminations have been replaced with a new procedure (*inter partes* review), reexaminations and consequent due process violations are alive and well. *Ex parte* reexaminations remain an option to review issued patents and are frequently invoked at the PTO. *See* Pet. 6; United States Patent & Trademark Office, *Ex Parte* Reexamination Filing Data – September 30, 2017, available at https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf (documenting that during the years 2011–2016, 2,639 *ex parte* reexamination requests were filed at the PTO). Moreover, as with *inter partes* reexaminations, in *ex parte* reexaminations third parties may file testimonial affidavits or declarations purportedly explaining the content of the prior art, yet the patent owners are not permitted to confront and cross-examine those adverse witnesses. *See* Manual of Patent Examining Procedure (MPEP) § 2258.I.E (8th Ed. Rev. 9, Aug. 2017); 37 C.F.R. §§ 1.902–906. A decision in this case will not only affect the instant appeal and the many *inter partes* reexaminations still

pending, but also the hundreds of *ex parte* reexaminations filed each year.

Still more, the Government's attempt to downplay the significance of this appeal ignores that the Petitioner has also challenged the Federal Circuit's rampant use of its Rule 36 to issue judgments without opinion in violation of 35 U.S.C. § 144 and the common law duty that appellate courts render explanatory opinions. *See* § 144 (providing that in appeals from the PTO, the Federal Circuit "*shall* issue to the Director its mandate *and opinion*" (emphasis added)). Any decision on the Rule 36 question will affect every appeal from the PTO, whether it arises from an *inter partes* reexamination or otherwise.

The Government attempts to avoid the significance of § 144 by ignoring the plain language of the statute, insisting that § 144 only "requires that any mandate and opinion be sent to the agency and made part of the agency record," but that "it does not direct the court to generate an opinion in every case." Gov't Opp'n 10. That is, the Government essentially urges the Court to read § 144 as stating that the Federal Circuit "shall issue to the Director its mandate and opinion[, if any]." *See id.*

But § 144 unambiguously directs that the Federal Circuit "*shall issue . . . its . . . opinion*." § 144 (emphasis added). Although the Government insists its contrary interpretation of § 144 is the correct one in light "longstanding principles concerning courts' control over their operations," Gov't Opp'n 10, "policy considerations cannot create an ambiguity when the words on the page are clear," *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018). Thus, the Government's

arguments downplaying the prospective significance of this appeal lack merit.

Here, the Federal Circuit's refusal to opine about Petitioner's due process claim is particularly troublesome, because the issue was one of first impression to the Federal Circuit and of important interest to patent owners subjected to reexaminations.

IV. Petitioner is No Longer Pursuing the Article III and Seventh Amendment Question

Petitioner originally presented a question regarding the constitutionality of *inter partes* reexaminations under Article III and the Seventh Amendment of the Constitution. Pet. 39–40. After the instant Petition was filed, however, this Court issued its opinion in *Oil States*, where it held that *inter partes* review does not violate Article III or the Seventh Amendment. In light of *Oil States*, Petitioner has elected to no longer pursue the Article III and the Seventh Amendment question in the instant Petition. The *Oil States* decision, however—which was careful to note that the petitioner there did not "raise[] a due process challenge" and that the "decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause"—only confirms the cogency of Petitioner's due process argument. *See Oil States*, 138 S. Ct. at 1379.

CONCLUSION

For the foregoing reasons and the reasons in Petitioner's Petition, the Petition for a Writ of Certiorari should be granted, with a direction to the Federal Circuit to dismiss the reexamination proceeding.

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