No. 17-768

In The
Supreme Court of the United States

HITACHI METALS, LTD., PETITIONER

v.

ALLIANCE OF RARE-EARTH
PERMANENT MAGNET INDUSTRY

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

REPLY BRIEF FOR PETITIONER

MEHRAN ARJOMAND
MORRISON & FOERSTER LLP
707 Wilshire Blvd.
Los Angeles, California 90017

BRIAN R. MATSUI
MARC A. HEARRON
Counsel of Record
SETH W. LLOYD
MORRISON & FOERSTER LLP
2000 Pennsylvania Ave., N.W.
Washington, D.C. 20006
(202) 778-1663
MHearron@mofo.com

Counsel for Petitioner

FEBRUARY 14, 2018

COCKLE LEGAL BRIEFS (800) 225-6964
WWW.COCKLELEGALBRIEFS.COM

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page

CASES

ARGUMENT

A. It Is Undisputed That This Case Presents The Same Question As The Question Presented In *Oil States*

As Hitachi Metals explained in its petition, this case presents the same question that this Court is already considering in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, No. 16-712. Respondent does not contest that proposition in any way. Indeed, respondent confirms that the Patent Trial and Appeal Board ("Board") granted *inter partes* review of certain claims of Hitachi Metals' patents and then ordered those claims canceled. Opp. 1. Whether the Board may take that very action—i.e., extinguish patent claims in *inter partes* review—is precisely the question that this Court is considering in *Oil States*.

Thus, if respondent's preservation and retroactivity arguments are misplaced (they are, as discussed below), it is undisputed that this Court's forthcoming decision in *Oil States* will control whether the petition should be granted, the Federal Circuit's decision vacated, and the case remanded.

B. Petitioner's Argument Is Preserved

Respondent's primary argument is that Hitachi Metals supposedly waived any challenge to *inter partes* review by not raising the issue until its petition for rehearing in the Federal Circuit. Opp. 3-7. But as Hitachi Metals explained (Pet. 9)—and respondent nowhere disputes—a challenge to the constitutionality of *inter partes* review was foreclosed by the Federal

Circuit's decision in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1292 (Fed. Cir. 2015) ("Governing Supreme Court and Federal Circuit authority require rejection of MCM's argument that inter partes review violates Article III."); *id.* at 1293 ("Because patent rights are public rights, and their validity susceptible to review by an administrative agency, the Seventh Amendment poses no barrier to agency adjudication without a jury.").

Respondent cites decisions for the general proposition that arguments not raised in an opening brief in a court of appeals are waived in that court. Opp. 3. Of course, that is the general rule, "which all the federal courts of appeals employ." *Joseph v. United States*, 135 S. Ct. 705, 706-07 (2014) (Kagan, J., respecting denial of certiorari). But as the petition explained, the courts of appeals also universally recognize an exception permitting appellants to raise an intervening change in law "as a matter of course when this Court issues a decision that upsets precedent relevant to a pending case and thereby provides an appellant with a new theory or claim." *Ibid*. (collecting decisions and explaining that this is the rule in "[e]very circuit, save the Eleventh"); *see United States v. Durham*, 795 F.3d 1329, 1330-31 (11th Cir. 2015) (en banc) (subsequently adopting the same rule to align Eleventh Circuit law with that of all other circuits).

As Justice Kagan explained, "[t]here is good reason for this [ ]unanimity" among the courts of appeals. *Joseph*, 135 S. Ct. at 706. "When a new claim is based on an intervening Supreme Court decision * * * the

failure to raise the claim in an opening brief reflects not a lack of diligence, but merely a want of clairvoyance." *Ibid.* Insisting that foreclosed arguments be raised in opening briefs would "force[] every appellant to raise 'claims that are squarely foreclosed by circuit and [even] Supreme Court precedent on the off chance that [a new] decision will make them suddenly viable.'" *Ibid.* (alterations in *Joseph*; citation omitted). That would be "an odd result for a procedural rule designed in part to promote judicial economy." *Ibid.*

Respondent notes that Justice Kagan's statement respecting the denial of certiorari in *Joseph* is not binding. Opp. 5. But that completely misses the point: the courts of appeals have adopted their own procedural rules allowing new arguments to be raised when there is an intervening change of law. Respondent cites no authority suggesting that the Federal Circuit would depart from that universally applied rule.

Lacking any support for its waiver argument, respondent resorts to citing a habeas decision that addresses the procedural-default rule. Opp. 5-6 (quoting *Bousley v. United States*, 523 U.S. 614 (1998)). But the habeas context—which involves collateral challenges to final judgments—is completely different. In that context, the procedural-default rule precludes habeas petitioners from raising claims in collateral challenges that they did not raise on direct review of their criminal convictions. *See Bousley*, 523 U.S. at 621-22. The rule promotes finality of judgments and ensures that habeas is not used as a substitute for direct appeal. *See id.* at 621. Even in that context, a new claim may be raised

for the first time in a collateral challenge if an exception to the procedural-default rule applies. *Id.* at 621-22.

Here, unlike habeas, there is no collateral challenge to a final judgment. This case is a direct review of the Board's decision. In the context of direct review, the courts of appeals allow litigants to raise an intervening change in law. *Joseph*, 135 S. Ct. at 706 (Kagan, J., respecting denial of certiorari).

Finally, contrary to respondent's suggestion, Hitachi Metals is not asking this Court to "address the question [of the constitutionality of *inter partes* review] in the first instance." Opp. 4. This Court has already agreed to address that question in *Oil States*. Hitachi Metals simply asks that this Court hold this petition and apply its decision in *Oil States* to this case.

C. The Rule Announced In *Oil States* Will Apply Retroactively

Respondent's last objection is that "[e]ven if this Court holds in *Oil States* that *inter partes* review is unconstitutional, such a decision should not apply retroactively." Opp. 7. Respondent relies on the three-pronged test for retroactivity from *Chevron Oil Co. v. Huson*, 404 U.S. 97, 106-07 (1971). Indeed, respondent spends several pages of its opposition analyzing and applying the *Chevron Oil* factors to this case. Opp. 7-10.

But this Court has abrogated the *Chevron Oil* test and held that its decisions must apply retroactively to pending cases. *Harper v. Virginia Dep't of Taxation*, 509 U.S. 86, 97 (1993). In *Harper*, the Court announced

"When this Court applies a new rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given full retroactive effect in all cases still open on direct review and as to all events, regardless of whether such events predate or postdate our announcement of the rule." *Ibid.* That holding superseded the *Chevron Oil* retroactivity analysis. *Id.* at 96; *see also Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749, 752-59 (1995).

Accordingly, this Court's decision in *Oil States* will apply retroactively to this case.

CONCLUSION

For the reasons stated in the petition, the petition should be held pending this Court's disposition of *Oil States*. Should the Court hold in *Oil States* that extinguishing patent claims in *inter partes* review violates the Constitution, the petition should be granted, the judgment vacated, and the case remanded for further proceedings.

Respectfully submitted,

MEHRAN ARJOMAND
MORRISON & FOERSTER LLP
707 Wilshire Blvd.
Los Angeles, California 90017

BRIAN R. MATSUI
MARC A. HEARRON
Counsel of Record
SETH W. LLOYD
MORRISON & FOERSTER LLP
2000 Pennsylvania Ave., N.W.
Washington, D.C. 20006
(202) 778-1663
MHearron@mofo.com

Counsel for Petitioner

FEBRUARY 14, 2018