

No. 17-1043

IN THE
In the Supreme Court of the United States

WORLDWIDE OILFIELD MACHINE, INC.,
Petitioner,

v.

AMERIFORGE GROUP, INC. D/B/A AFGLOBAL
CORPORATION,
Respondent.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

REPLY BRIEF

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REPLY BRIEF

Respondent's arguments regarding waiver and forfeiture ignore the jurisdictional nature of the *Oil States* decision and are otherwise premature and without merit. Respondent's brief highlights why Worldwide's petition to hold should be granted pending the *Oil States* decision. Application of the *Oil States* decision to this case is consistent with this Court's precedent and retroactive application would serve the interests of justice.

Respondent first contends that the Court's waiver and forfeiture rules require denial of the Petition. Respondent argues that because Worldwide did not raise a constitutional challenge on appeal at the Federal Circuit or before the Board, Worldwide waived its right to assert such challenges here. Respondent's Brief at 3. The cases Respondent cites in support of its contention, however, do not address challenges to the very mechanism giving rise to the appeal, and do not state that such issues can be waived or must be raised below. The constitutional challenge presented in *Oil States*, and in this case, addresses the fundamental issue of whether *inter partes* review proceedings before the Patent Trial and Appeal Board, and appeals from the same, are themselves proper under the United States Constitution. Such fundamental constitutional rights cannot be waived. Thus, nothing in Respondent's opposition prevents the Court from deciding the issue at hand.

Respondent's Brief in Opposition states, incorrectly and without explanation, that the question presented is "non-jurisdictional." Brief in Opposition at 3–5. "Jurisdiction is the power to hear and determine the subject matter in controversy between parties to a suit—to adjudicate or exercise any judicial power over them." *State of Rhode Island v. Com. of Massachusetts*, 37 U.S. 657 (1838). The fundamental issue which this Court will address in *Oil States* is whether the Board has the constitutional authority to adjudicate the validity of issued patents or is the constitutional authority to do so reserved to Article III courts. Respondent simply assumes that the Court's decision will be "non-jurisdictional" and none of the authorities cited by Respondent addresses waiver or forfeiture of subject matter jurisdiction.

Respondent's arguments attempt to sidestep the established rule that a litigant may raise a challenge to subject matter jurisdiction at any time in the same civil action, "***even initially at the highest appellate instance.***" *Kontrick v. Ryan*, 540 U.S. 443 (2004) (emphasis added).

Respondent argues that Worldwide could, and did, waive its constitutional guarantees. Brief in Opposition at 4–5. Waiver is the intentional relinquishment or abandonment of a known right. *U.S. v. Olano*, 507 U.S. 725, 733 (1993). The authority cited by Respondent illustrates how a party might intentionally waive a constitutional right and why Worldwide did not do so. In *Commodity Futures Trading Comm'n v. Schor*, the

claims were “*willingly submitted*” by the parties for initial agency adjudication” and the party advancing the constitutional challenge “*expressly demanded*” that the adversary advance claims in the agency action rather than proceed in a district court. 478 U.S. 833, 849, 857 (1986) (emphasis added). Respondent’s Brief in Opposition cites *Wellness Intern. Network, Ltd. V. Sharif*, 135 S. Ct. 1932, 1947–49 (2015), for the proposition that “parties may *consent* to Article I court determination of issues constitutionally reserved to Article III court.” Brief in Opposition at 4 (emphasis added).

Of course, Worldwide did not willingly submit or consent and it certainly did not expressly demand *inter partes* review. Pursuant to the statutory enactment, Worldwide, as patent owner, is *barred* from seeking *inter partes* review. 35 U.S.C. § 311(a) (App. 76a.) Worldwide did not intentionally relinquish or abandon its right to an Article III tribunal. Worldwide filed its infringement action in the district court. Respondent counterclaimed in the district court for declaration of invalidity. When Respondent petitioned the Board to institute *inter partes* review, Worldwide robustly opposed institution by its preliminary response. Worldwide also opposed Respondent’s motion to stay the district court proceeding where the case was pending. The order of the district court is unreported, but available at 2015 WL 12780757. Worldwide fought removal from the district court at every opportunity; Respondent’s suggestion that Worldwide “willingly submitted” to a validity challenge before the Board should be rejected. Worldwide was dragged into the

IPR proceeding against its will and over its opposition.

Notwithstanding the above, as this Court recently reiterated, a “jurisdictional defect is not subject to waiver or forfeiture and may be raised at any time in the court of first instance and on direct appeal.” *Hamer v. Neighborhood Housing Servs. of Chicago*, No. 16–658, 583 U.S. ___, slip op. at 2-3 (2017). Even where a litigant fails to raise defects in subject matter jurisdiction, the Court should do so *sua sponte*. *Mansfield, C. & L. M. R. Co. v. Swan*, 111 U. S. 379, 382 (1884).

Even assuming *arguendo* that the issues are “non-jurisdictional,” Worldwide’s arguments are not forfeited. In the Federal Circuit (where Respondent’s forfeiture arguments are more appropriately raised) failing to raise an argument during a time when it is “foreclosed by controlling precedent” does not qualify as forfeiture. *In re Vivendi, S.A. Sec. Litig.*, 838 F.3d 223, 264–65 (2d Cir. 2016). Here, the Federal Circuit’s controlling precedent in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015) foreclosed the Article III constitutional challenge to *inter partes* review. Even if failing to raise an argument did constitute forfeiture, the lower courts would likely apply a conventional and uncontroversial exception—where a pure issue of law may be reached without need for factual development. *United States v. Jarvis*, 499 F.3d 1196, 1201–02 (10th Cir. 2007). In fact, this Court permits lower courts to resolve an issue for the first time on appeal

where, as here, “the proper resolution is beyond any doubt or where injustice might otherwise result.” *Id.* (quoting *Singleton v. Wulff*, 428 U.S. 106, 121 (1976)).

Respondent’s second contention goes to the merits of *Oil States* and Respondent relies on the briefing of the respondents and their supporting amici. Brief in Opposition at 8. This reliance merely emphasizes why the Court should grant Worldwide’s petition to hold pending a merits decision in *Oil States*. Even the Government and third-party respondents have urged the Court to hold petitions pending the determination in *Oil States* in similar cases. See *Celgard, LLC v. Joseph Matal, Interim Director, United States Patent and Trademark Office*, No. 16–1526, Respondent Brief at 5, (August 21, 2017); see also *Depomed, Inc. v. Joseph Matal, Interim Director, United States Patent and Trademark Office*, Respondent Brief at 1, No. 17–114 (September 20, 2017); see also *IPR Licensing, Inc. v. ZTE Corp., et al.*, Respondents’ Brief at 1, No. 17–159 (September 2, 2017).

Respondent’s third contention is that *Oil States* should not be applied retroactively. This Court has established that when it applies a rule of federal law, that rule “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.” *Harper v. Virginia Department of Taxation*, 509 U.S. 86, 97 (1993). Under the *Harper* standard, this case remains open and on direct review, and the effect of

Oil States should be applied to this case.

Furthermore, Respondent's argument that retroactive application would visit "substantial injustice" on Respondent for reliance on the IPR proceeding rings hollow. If this Court holds in *Oil States* that *inter partes* review is unconstitutional, a far greater injustice would be visited upon Worldwide and the numerous other similarly-situated patentees whose patent rights were stripped away in an unconstitutional process. The arguments of Respondent ring especially hollow because the parties were litigating in the district court for a year before Respondent rejected the constitutional guarantees of Article III and forced Worldwide into the IPR proceeding against its will and over its opposition. If Respondent was so attracted to the Board's high rate of claim invalidations that it was willing to ignore the undeveloped constitutional jurisprudence, that risk should not be born by victimized patentees.

CONCLUSION

Worldwide respectfully requests that the Court hold its petition pending the resolution in *Oil States*. Worldwide further requests that the Court grant the petition, vacate the judgment below, and remand to the Federal Circuit with an instruction consistent with the Court's decision in *Oil States*.

Respectfully submitted,

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