No. 10-1070

IN THE
Supreme Court of the United States

EISAI CO., LTD. AND EISAI MEDICAL RESEARCH, INC.,
Petitioners,

v.

TEVA PHARMACEUTICALS USA, INC., through its GATE PHARMACEUTICALS Division,
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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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page(s)

CASES

STATUTES

OTHER AUTHORITIES

REPLY BRIEF

Respondent Teva Pharmaceuticals USA, Inc. ("Teva") makes no effort to defend the vacatur ruling of the United States Court of Appeals for the Federal Circuit. Teva concedes that the case had become moot by happenstance prior to the Federal Circuit's decision on the petition for rehearing, and prior to its entry of the mandate on a judgment finding subject matter jurisdiction and remanding the moot case to the district court for substantive proceedings on the merits. Opp. 5-6. Teva does not dispute the showing of petitioners Eisai Co., Ltd. and Eisai Medical Research, Inc. (together, "Eisai") that the ruling below is flatly contrary to a long line of this Court's precedents holding that courts should vacate judgments in a pending case that becomes moot by happenstance. Pet. 4, 20-22. Nor does Teva dispute that it is the routine practice of this Court to vacate judgments that become moot by happenstance while (as here) still on direct review. Pet. 22-24.

Instead, Teva stakes its entire opposition on Eisai's purported lack of Article III standing at this stage of the litigation to seek vacatur. Opp. 6-10. Teva's argument is foreclosed by this Court's jurisdictional analysis in both *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 513 U.S. 18 (1994), and *Arizonans for Official English v. Arizona*, 520 U.S. 43 (1997), among other cases. Teva barely adverts to the former (Opp. 10), and disregards the latter, despite Eisai's reliance upon both precedents in the petition. *See* Pet. 20-22, 29-30, 33.

In *U.S. Bancorp*, the respondent made the same standing objection that Teva raises here, and this

Court unanimously rejected it. This Court noted that 28 U.S.C. § 2106 "supplies the power of vacatur," providing that "'[t]he Supreme Court or any other court of appellate jurisdiction may affirm, modify, vacate, set aside or reverse any judgment, decree, or order of a court lawfully brought before it for review.'" 513 U.S. at 21 (quoting 28 U.S.C. § 2106). The Court further clarified:

> Of course, no statute could authorize a federal court to decide *the merits* of a legal question not posed in an Article III case or controversy. *For that purpose*, a case must exist at all the stages of appellate review. But reason and authority refute the quite different notion that a federal appellate court may not take any action with regard to a piece of litigation once it has been determined that the requirements of Article III no longer are (or indeed never were) met.

Id. (emphasis added) (citation omitted). If Article III requirements applied even to requests for ancillary procedural relief from a judgment, this Court remarked, a court of appeals would be disabled from vacating a district court judgment for lack of jurisdiction, from ordering costs, or even from entering an order of dismissal. *Id.*

> Article III does not prescribe such paralysis. "If a judgment has become moot [while awaiting review], this Court may not consider its merits, but may make such disposition of the whole case as justice may require." *Walling v.*

> *James V. Reuter, Inc.*, 321 U.S. 671, 677 (1944). As with other matters of judicial administration and practice reasonably ancillary to the primary, dispute-deciding function of the federal courts, Congress may authorize us to enter orders necessary and appropriate to the final disposition of a suit that is before us for review.

U.S. Bancorp, 513 U.S. at 21-22 (alteration in original) (citation and internal quotation marks omitted).

Teva suggests (without citation of authority) that the ancillary power of vacatur authorized by section 2106 and addressed in *U.S. Bancorp* only comes into play "if a case becomes moot *after it has been accepted for review*." Opp. 10. According to Teva, "[o]nce the Court has granted review, Article III does not prevent the Court from directing an orderly and equitable final disposition." *Id.* Teva's argument is irreconcilable with the statute and contradicted by numerous precedents of this Court.

First, nothing in section 2106 limits this Court's vacatur power only to those cases in which it has actually granted a petition for certiorari. The statutory text of section 2106 forbids Teva's reading; it expressly provides that this Court has the power to vacate "*any* judgment, decree, or order of a court *lawfully brought before it for review*," not just those few cases in which this Court has granted review. 28 U.S.C. § 2106 (emphasis added). Moreover, it would be odd to interpose a rule specific to this Court when the statute applies also to "any other court of appellate jurisdiction." *Id.*

Second, the Court in *U.S. Bancorp* rejected Teva's novel claim that this Court has the power to vacate judgments only if the case became moot after certiorari is granted. The Court declared that the ancillary power of an appellate court to vacate or otherwise dispose of a lower court judgment or order in the interests of justice under section 2106 may be exercised if "the requirements of Article III no longer are (*or indeed never were*) met." 513 U.S. at 21 (emphasis added). And this Court reiterated that "'[t]he established practice of the Court in dealing with a civil case from a court in the federal system which has become moot *while on its way here or pending our decision on the merits* is to reverse or vacate the judgment below and remand with a direction to dismiss.'" *Id.* at 22 (quoting *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39 (1950)) (emphasis added) (alteration in original); *see also* Pet. 24 n.4 (identifying decisions of this Court vacating court of appeals judgment prior to any decision to grant the petition for certiorari). Teva's proposed timing rule thus has no basis in law. Indeed, this Court has vacated appellate judgments as moot when the mooting event occurred after trial, *see, e.g.*, *Cnty. of L.A. v. Davis*, 440 U.S. 625, 634 (1979), while the case was pending at the court of appeals, *see, e.g.*, *Iron Arrow Honor Soc'y v. Heckler*, 464 U.S. 67, 69-70, 72-73 (1983) (per curiam), and after appellate judgment but before this Court granted review, *Brownlow v. Schwartz*, 261 U.S. 216, 217-18 (1923).

Third, Teva's insistence that this Court must determine Article III standing before vacating a judgment directly contravenes this Court's holding in *Arizonans for Official English*, which tellingly Teva never addresses. In that case, this Court declined to

decide the petitioners' Article III standing, despite its "grave doubts whether [petitioners] have standing under Article III to pursue appellate review." 520 U.S. at 66. The reason was that the case (as here) had become moot "pending appellate adjudication." *Id.* at 71; *see also id.* at 67-68 & n.23. Accordingly, exercising its ancillary authority recognized in *U.S. Bancorp*, this Court vacated the Ninth Circuit's judgment, with direction to order the district court to dismiss the action. *Id.* at 80. This Court stated:

> When the lower federal court lacks jurisdiction, we have jurisdiction on appeal, not of the merits but merely for the purpose of correcting the error of the lower court in entertaining the suit. …
>
> In short, we have authority to "make such disposition of the whole case as justice may require." *U.S. Bancorp Mortgage Co.*, 513 U.S., at 21 (citation and internal quotation marks omitted). Because the Ninth Circuit refused to stop the adjudication when [the mooting event] came to its attention, we set aside the unwarranted en banc Court of Appeals judgment.

Id. at 73 (brackets, citations, and internal quotation marks omitted). Similarly, in *Burke v. Barnes*, 479 U.S. 361 (1987), the standing of petitioners was contested, but (as here) the case had become moot shortly after the court of appeals had rendered judgment. *Id.* at 363. On review, this Court vacated the judgment of the court of appeals, citing *Munsingwear*, without resolving the question of petitioners' standing. *Id.* at 365. The Article III

standing requirements for resolving a case on the merits do not limit this Court's ancillary power to vacate a lower court judgment entered in a case that had become moot.[1]

The same result should obtain here. This case became moot by happenstance while a rehearing petition was pending at the court of appeals (as Teva concedes, Opp. 5-6). The Federal Circuit did not vacate either its judgment or the district court's judgment for mootness, as it was dutybound to do. *Great W. Sugar Co. v. Nelson*, 442 U.S. 92, 93 (1979) (per curiam). Instead, even though the case had become moot, the court of appeals went on to issue a mandate on its judgment that reversed the district court and specifically found subject matter jurisdiction, remanding the moot case to the district court to entertain Teva's patent-infringement declaratory judgment claims on the merits. Pet. 4, 19-20. Because it is uncontroverted that the case became moot by happenstance while pending in the court of appeals, the Federal Circuit's action was in error and the proper remedy under this court's ancillary supervisory powers is vacatur.

Teva's standing analysis is not only irrelevant but also wrong. There is no question that the Federal Circuit's judgment on jurisdiction is preclusive. *Am. Sur. Co. v. Baldwin*, 287 U.S. 156, 166 (1932) ("The

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[1] Indeed, Teva's position — that a party must establish standing even after mootness has occurred — makes no sense. Mootness by definition means that the Article III controversy for which a plaintiff (or appellant) once had standing to seek relief no longer exists. *Arizonans for Official English*, 520 U.S. at 68 n.22.

principles of *res judicata* apply to questions of jurisdiction as well as to other issues."); *Baldwin v. Iowa State Traveling Men's Ass'n*, 283 U.S. 522, 524-26 (1931). Teva speculates that *if* estoppel in future litigation is sought only on "'unmixed questions of law'" in cases involving substantially unrelated facts, then an exception to issue preclusion recognized in *United States v. Moser*, 266 U.S. 236 (1924), may apply. Opp. 8 (quoting *Moser*, 266 U.S. at 242). But the Federal Circuit below did not decide only unmixed questions of law, and this Court has recognized that the *Moser* exception is notoriously uncertain in application. *See United States v. Stauffer Chem. Co.*, 464 U.S. 165, 170 (1984) (characterizing the *Moser* exception as "'difficult to delineate'") (quoting *Montana v. United States*, 440 U.S. 147, 163 (1979)). Eisai is an innovator drug company, and Teva is the largest generic manufacturer in the United States and an aggressive filer of patent challenges to branded pioneer drugs. *See* 2010 SEC Form 20-F, Annual Report of Teva Pharmaceuticals Industries Ltd. 19-20 (Feb. 15, 2011), *available at* http://www.tevapharm.com/pdf/20F.pdf (noting that as of February 2011, Teva has 206 generic product FDA registrations awaiting approval, including 134 "Paragraph IV" certifications challenging patents on branded drug products). It is foreseeable that Eisai will be embroiled in the future in substantially similar Hatch-Waxman Act jurisdictional disputes with Teva (and other generic manufacturers) regarding covenants-not-to-sue and/or disclaimed patents. Regardless, in its vacatur jurisprudence, this Court never undertakes speculative resolution of disputes as to which issues may be precluded by the judgment in subsequent

litigation, precisely because the Court's power to vacate lower court judgments for mootness is independent of its Article III jurisdiction to resolve disputes on the merits. *U.S. Bancorp*, 513 U.S. at 21-22; *Arizonans for Official English*, 520 U.S. at 71-73.

This Court's power of vacatur is also an incident of its supervisory appellate jurisdiction, and may be invoked to correct the issuance of "unwarranted" appellate judgments. *Arizonans for Official English*, 520 U.S. at 73; *Gully v. Interstate Natural Gas Co.*, 292 U.S. 16, 18 (1934). The Court may invoke that "supervisory appellate power" to dispose of cases justly even "where for any reason the Court may not properly proceed with a case brought to it on appeal, or where for any reason it is without power to proceed with the appeal." *Walling v. James V. Reuter, Inc.*, 321 U.S. 671, 676 (1944). Here, the Federal Circuit, presumably to maintain the precedential force of an opinion that dramatically expanded its own patent subject matter jurisdiction in purported reliance on *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), overstepped its bounds by rendering judgment on that opinion and issuing a mandate in a case all agree had become moot, when it should have vacated that judgment. A court of appeals "is not empowered to decide moot questions or abstract propositions, or to declare, for the government of future cases, principles or rules of law which cannot affect the result as to the thing in issue in the case before it." *United States v. Hamburg-Amerikanische Packetfahrt-Actien Gesellschaft*, 239 U.S. 466, 475-76 (1916) (internal quotation marks omitted); *see also Amalgamated Ass'n of St., Elec. Ry. & Motor Coach Emp. of Am., Div. 998 v. Wisconsin Emp't Relations Bd.*, 340 U.S. 416, 418 (1951). Article III does not

disable this Court "correcting the error of the lower court in entertaining the suit." *Arizonans for Official English*, 520 U.S. at 73 (internal quotation marks and citation omitted).

In summary, Eisai asks no more than that this Court, as per long established practice, vacate a judgment of the court of appeals that had become moot by happenstance. *See U.S. Bancorp*, 513 U.S. at 22; *Bd. of Pub. Util. Comm'rs v. Compania General de Tabacos de Filipinas*, 249 U.S. 425, 426-27 (1919); *United States v. Anchor Coal Co.*, 279 U.S. 812, 812 (1929) (when a case is moot, "[o]ur action must … dispose of the cause, not merely of the appellate proceedings which brought it here"). Teva has advanced no colorable reason why that traditional relief should be denied.

CONCLUSION

The petition for a writ of certiorari should be granted, and the judgment of the court of appeals vacated for mootness.

Respectfully submitted,

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