No. 01-932

In the Supreme Court of the United States

CRATER CORPORATION, PETITIONER

v.

LUCENT TECHNOLOGIES, INC., ET AL.

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

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTION PRESENTED

Whether the court of appeals correctly declined to rule on the applicability of the state secrets privilege, where the privileged information did not pertain to the ground on which summary judgment was entered.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-20a) is reported at 255 F.3d 1361. The opinion of the district court (Pet. App. 22a-29a) is unreported.

JURISDICTION

The court of appeals entered its judgment on June 6, 2001. A petition for rehearing was denied on September 17, 2001 (Pet. App. 90a-91a). The petition for a writ of certiorari was filed on December 14, 2001. This Court's jurisdiction is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Section 1498(a), 28 U.S.C., provides in relevant part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.
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> * * * * *
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> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

28 U.S.C. 1498(a) (1994 & Supp. V 1999).

2. Petitioner filed suit in federal district court against respondents Lucent Technologies and American Telephone and Telegraph Company (the corporate respondents). Petitioner alleged that the corporate respondents had infringed petitioner's patent for a split-valve, underwater coupling device. Pet. App. 2a. The corporate respondents moved to dismiss on the ground that the coupling device was exclusively "used * * * by or for the United States," 28 U.S.C. 1498(a) (1994 & Supp. V 1999), and thus that they were not

liable for any patent infringement as a matter of law. Pet. App. 3a.

The United States intervened to assert the military and state secrets privilege with respect to discovery into any use of the coupling device by or for the United States. Pet. App. 6a. In support of the government's invocation of the privilege, then-Secretary of the Navy, Richard J. Danzig, submitted a declaration in which he explained that discovery into the corporate respondents' alleged use of the coupling device for or on behalf of the United States government could be expected to cause "extremely grave damage to national security" by providing adversaries of the United States government with information concerning ongoing programs and operations. *Id.* at 118a-119a. In further support of the privilege, the government submitted for the court's *in camera* review TOP SECRET materials and a TOP SECRET declaration from Secretary Danzig describing those programs and operations. *Id.* at 18a, 119a.[1]

After reviewing Secretary Danzig's classified declaration *in camera*, the district court immediately granted the United States' motion for a protective order against discovery of matters covered by the state secrets privilege. See Pet. App. 18a. Specifically, the district court prohibited petitioner from conducting any discovery into information related to the manufacture or use of petitioner's coupling device, or any other coupling device, by or on behalf of the United States. *Ibid.* At the same time, the district court authorized discovery into whether the corporate respondents had used petitioner's coupling device for any non-

[1] As Secretary Danzig explained, the TOP SECRET designation reflects "the most serious degree of damage [to national security] that existing security criteria recognize." Pet. App. 118a.

governmental commercial purposes. *Id.* at 24a. The district court afforded petitioner nearly a year in which to conduct discovery into non-privileged matters and further allowed petitioner to postpone filing a response to the corporate respondents' motion to dismiss until the conclusion of that discovery. *Id.* at 7a.

3. Petitioner filed a motion seeking recusal of the district court judge on the ground that, in the course of ruling on the applicability of the state secrets privilege, the judge had engaged in *ex parte* communications with government counsel. Petitioner also sought discovery of the content of communications between the court and government counsel. See Pet. App. 60a. The court denied the motion, *id.* at 61a-63a, explaining that the *in camera* review and attendant communications with government counsel "were necessitated by the Court's desire to ensure that the state secrets privilege should apply to the Government's information so that [petitioner] would not be deprived of its rights to proceed with this lawsuit," *id.* at 61a. The court further explained that "the presence of the Government's attorney [during the *in camera* review] was necessary to ensure the safety of the information in question and to communicate with the Court regarding the information." *Id.* at 62a.

At the conclusion of discovery, the district court granted the corporate respondents' motion to dismiss for lack of subject matter jurisdiction. Pet. App. 22a-28a. The court found that petitioner had failed to present evidence that the corporate respondents had used the coupling device either for any individual or entity other than the United States government or without the authorization or consent of the government. *Id.* at 26a. The court accordingly ruled that, under 28 U.S.C. 1498 (1994 & Supp. V 1999), the Court of

Federal Claims had exclusive jurisdiction over petitioner's patent action.

4. The court of appeals affirmed. Pet. App. 2a-20a. As an initial matter, the court of appeals disagreed with the district court's jurisdictional ruling. *Id.* at 4a-5a. The court ruled that, in cases where the United States is not a party, Section 1498(a) creates an affirmative defense for the alleged infringer; it does not restrict the district court's jurisdiction over the patent claim. *Id.* at 5a (citing *Sperry Gyroscope Co.* v. *Arma Eng'g Co.*, 271 U.S. 232 (1926)).

The court of appeals affirmed on the alternative ground that petitioner had failed to identify a genuine issue of material fact with respect to the corporate respondents' affirmative defense that they used the coupling device exclusively for the United States and with the government's authorization and consent. Pet. App. 12a. The court explained that, after a year of discovery, approximately 25 requests for production and interrogatories, and numerous depositions, *id.* at 11a, "[a]ll of the evidence that was produced during discovery indicated that [the corporate respondents'] work on the allegedly infringing coupler was done for the government," *id.* at 12a. The court further noted that the United States had corroborated the corporate respondents' affirmative defense and, in particular, had confirmed "the existence of a classified development contract covering work on the coupler for the government," had identified "the specific dates the contract covered," and had provided redacted copies of the classified contract, which showed that the government authorized work under the contract. *Id.* at 13a.

In light of its summary judgment ruling, the court of appeals expressly found that "the issue of the [state secrets] privilege is irrelevant to the question that is

before us on appeal." Pet. App. 18a. In particular, the court explained that the assertion of the privilege "had no bearing on [petitioner's] ability to discover evidence that would have created a genuine issue of material fact as to whether [the corporate respondents] engaged in commercial activity regarding the coupler." *Id.* at 19a. Accordingly, "any evidence that was protected by the privilege was not relevant to [petitioner's] opposition to [the corporate respondents'] motion." *Ibid.*

Finally, the court of appeals "carefully considered" petitioner's claim that the district court engaged in improper *ex parte* communications with government counsel, and found "no impropriety in the court's communications with government counsel." Pet. App. 19a n.4.[2]

ARGUMENT

1. Petitioner seeks review (Pet. 13-21) of the lower courts' application of the state secrets privilege. The state secrets privilege, however, was entirely irrelevant to the court of appeals' disposition of this case. The court of appeals ruled that summary judgment was warranted because, after a year of discovery, petitioner had produced no evidence creating a genuine issue of material fact concerning the corporate respondents' alleged non-governmental, *commercial* use of the coupling device. The state secrets privilege, by contrast, pertained exclusively to the corporate respondents' use of the coupling device for and on behalf of the United States government. See Pet. App. 18a-19a. The state secrets privilege accordingly was "irrelevant" to the

[2] The court of appeals also ruled that the district court could retain jurisdiction over petitioner's state law claims for breach of contract and misappropriation of trade secrets, and therefore remanded the case. Pet. App. 16a-17a.

court of appeals' disposition of the case (*id.* at 18a), and the court of appeals pointedly did not address the matter (*ibid.*), as petitioner acknowledges (Pet. 13). Further review by this Court of an issue that neither was addressed by the court of appeals nor bears any relevance to the court's disposition of the case—especially an issue as sensitive as application of the state secrets privilege—is not warranted.

2. Petitioner also contends (Pet. 21-25) that this Court should review whether the district court's *in camera* review of extremely sensitive, TOP SECRET materials, and attendant discussions with government counsel in facilitating that review, violated the Due Process Clause of the Fifth Amendment or otherwise obliged the court to recuse itself from further proceedings. Those arguments are without merit. This Court "has long held the view that *in camera* review is a highly appropriate and useful means of dealing with claims of governmental privilege." *Kerr* v. *United States Dist. Court*, 426 U.S. 394, 405-406 (1976); see *United States* v. *Nixon*, 418 U.S. 683, 706 (1974); *United States* v. *Reynolds*, 345 U.S. 1, 10 (1953); see also *CIA* v. *Sims*, 471 U.S. 159, 189 n.5 (1985) (Marshall, J., concurring).

In addition, the presence of government counsel at such an *in camera* review is necessary both to protect the security of the information—the information involved in this case is too sensitive to release from firm Executive Branch control (see Pet. App. 79a)—and to provide any classified clarifications or explanations needed by the court. See *id.* at 62a ("[T]he presence of the Government's attorney was necessary to ensure the safety of the information in question and to communicate with the Court regarding the information."); see also *United States* v. *Klimavicius-Viloria*, 144 F.3d

1249, 1261 (9th Cir. 1998) ("In a case involving classified documents * * *, *ex parte*, *in camera* hearings in which government counsel participates to the exclusion of [counsel for private parties] are part of the process that the district court may use."), cert. denied, 528 U.S. 842 (1999); *United States* v. *Yunis*, 867 F.2d 617, 620 (D.C. Cir. 1989) (holding *ex parte*, *in camera* proceedings, in which the government explained what specific damage to national defense would result if information were disclosed); *Halkin* v. *Helms*, 598 F.2d 1, 6-7 (D.C. Cir. 1978) (court entertains *ex parte*, *in camera* testimony from national security official).

In any event, the entirely unexceptional manner in which the district court conducted its *in camera* proceedings in this particular case presents the type of narrow, fact-bound, and highly discretionary matter that is ill-suited for this Court's certiorari review. Moreover, such review would be particularly unwarranted here because the subject of the *in camera* proceedings—the district court's application of the state secrets privilege—ultimately became entirely irrelevant to the court of appeals' disposition of the case.

3. Finally, petitioner argues (Pet. 25-29) that the court of appeals erred in granting summary judgment on defendants' affirmative defense under 28 U.S.C. 1498(a) (1994 & Supp. V 1999). Because the United States intervened in this action solely for the purpose of invoking the state secrets privilege, we take no position on that question and, instead, refer the Court to pages 4-5 of the corporate respondents' brief in opposition.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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