No. 05-1135

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 applied settled law in sustaining the government's invocation of the state secrets privilege, and remanding for further proceedings.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-25a) is reported at 423 F.3d 1260. The opinion of the district court (Pet. App. 26a-34a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on September 7, 2005. A petition for rehearing was denied on December 6, 2005 (Pet. App. 67a-68a). The petition for a writ of certiorari was filed on March 6, 2006. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Petitioner brought this suit against Lucent Technologies, Inc., and AT&T Company, alleging patent in-

fringement and related state law claims for misappropriation of trade secrets and breach of contract. The government intervened to assert the state secrets privilege, seeking to prohibit petitioner from conducting any discovery of information relating to the manufacture or use of petitioner's patented device by or on behalf of the United States. Pet. App. 4a.

To support the assertion of privilege, the government submitted public and classified declarations of the Secretary of the Navy and, later, the Acting Secretary of the Navy. The public declarations explained that any discovery into defendants' alleged use of petitioner's patented 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 with information concerning ongoing programs and operations. Pet. App. 4a-5a; C.A. App. 504, 1303. The details of the threat to national security were provided in "TOP SECRET" declarations submitted for the district court's *in camera* review. *Id.* at 503.

After reviewing the classified declarations, the district court issued the protective order sought by the government, barring petitioner from seeking any information about the use or manufacture of petitioner's patented device by or for the government. Pet. App. 6a. The district court allowed discovery, however, into whether defendants had used the patented device for any non-governmental purpose. *Id.* at 56a. Ultimately, the district court held that the evidence showed that all of defendants' work on the allegedly infringing coupler was done for the United States and that therefore the court lacked jurisdiction over the patent infringement claim under 28 U.S.C. 1498(a). That provision makes a

suit against the United States the exclusive remedy when a patented device is manufactured or used by the United States. *Ibid.*

The court of appeals affirmed that ruling, although it held that Section 1498(a) supplies an affirmative defense rather than a basis for denial of jurisdiction. The court then remanded the case to the district court to determine whether to exercise supplemental jurisdiction over petitioner's remaining state law claims for misappropriation of trade secrets and breach of contract. Pet. App. 6a-8a, 35a-53a; *Crater Corp.* v. *Lucent Technologies, Inc.*, 255 F.3d 1361 (Fed. Cir. 2001).

2. On remand, the district court exercised supplemental jurisdiction over the state law claims. Pet. App. 26a-34a. In response to petitioner's subsequent discovery requests to both Lucent and the United States, the government reviewed roughly 26,000 pages of potentially responsive materials to determine whether the privileged information could be removed and a partial production thus made. *Id.* at 26a-29a. The government ultimately opposed the discovery and submitted the public and classified declarations of the Acting Secretary of the Navy in support of its privilege claim. C.A. App. 1298-1304.

The Acting Secretary confirmed that the threat to national security identified in the earlier declarations remained "equally relevant," C.A. App. 1300, and concluded that relevant information could not be redacted or otherwise sanitized in a manner that would avoid damaging national security. *Id.* at 1301. To the contrary, he concluded that disclosing "even limited portions of the information would reasonably be expected to cause serious or exceptionally grave damage to the na-

tional security because the mosaic of information would reveal privileged information." *Id.* at 1301-1302.

The district court conducted an *in camera* review of the roughly 26,000 pages of documents responsive to petitioner's discovery requests. The court held that petitioner's claims could not be tried without implicating matters at the core of the state secrets privilege, and dismissed the case. Pet. App. 9a-10a, 30a-33a.

3. The court of appeals remanded for further proceedings. Pet. App. 1a-25a. A divided panel rejected petitioner's contention that the state secrets privilege was not properly invoked because the Secretary and Acting Secretary of the Navy did not review the documents asserted to be privileged. The court explained that it was sufficient that the Secretary and Acting Secretary "were informed of the nature and scope of the documents sought in discovery, and that each then made the ultimate policy determination, based on his personal knowledge, that disclosure of the material sought would jeopardize a legitimate state secret and pose a threat to national security." *Id*. at 12a.

The court reversed the order dismissing the complaint, however, finding the record inadequately developed to allow the court to determine whether the assertion of privilege required dismissal of petitioner's complaint. Pet. App. 14a-19a. The court observed that although petitioner alleged misappropriation of trade secrets, it had never identified the trade secrets that were at issue. *Id*. at 15a-16a. Likewise, although petitioner alleged a breach of contract, the existence of a contract was in dispute. *Id*. at 17a. The court explained that, under those circumstances, it might not be necessary to reach the issue of the impact of the state secrets privilege if "there are no alleged trade secrets and there was

no contract." *Ibid.* Alternatively, the court concluded, "if there are trade secrets and/or there was a contract, an understanding of the precise nature of the trade secrets and the terms of the contract is essential to the analysis of whether [petitioner's] misappropriation of trade secrets and breach of contract claims may proceed in the face of the assertion of the privilege." *Ibid.* The court accordingly remanded for further development of the record. *Id.* at 18a-19a.

Judge Newman filed an opinion concurring in part and dissenting in part. Pet. App. 21a-25a. Judge Newman concurred in the remand for further proceedings but observed that the protective order sustained by the court might prove an insurmountable obstacle to petitioner's ability to proceed with its claims on remand. *Id.* at 21a-23a. She would have remanded for an adjudication on the merits of petitioner's claims in an *in camera* proceeding. *Id.* at 25a.

ARGUMENT

The interlocutory decision of the court of appeals is correct and does not conflict with any decision of this Court or any other court of appeals. Further review is therefore not warranted.

1. The state secrets privilege permits the United States to prevent the unauthorized disclosure in litigation of information that may adversely affect national security interests. *United States* v. *Reynolds*, 345 U.S. 1, 7-8 (1953). To invoke the state secrets privilege, "[t]here must be a formal claim of privilege, lodged by the head of the department which has control over the matter, after actual personal consideration by that officer." *Ibid.* (footnote omitted).

Petitioner argues (Pet. 14-19) that the court of appeals' decision conflicts with *Reynolds* because the head of the Navy did not personally review any documents responsive to petitioner's discovery requests. That claim lacks merit. The privilege was invoked by the Secretary and Acting Secretary of the Navy, who were informed of the nature and scope of the documents sought in discovery, and who made the ultimate policy determination, based on personal knowledge, that disclosure of the material sought would jeopardize a legitimate state secret and would pose a threat to national security. The Acting Secretary further determined that relevant information could not be redacted or otherwise sanitized in a manner that would avoid damaging national security.

As the panel explained, that process readily satisfied the *Reynolds* requirement that the head of the agency give "actual personal consideration" to the matter. The Secretary and Acting Secretary were not required to review each of the 26,000 pages of documents responsive to petitioner's discovery in order to assert privilege over a *category* of information, *i.e.*, any information relating to the manufacture or use of petitioner's patented device for the United States. It is well-established that an agency head may assert the privilege over a particular subject matter, as was done here. See, *e.g.*, *Kasza* v. *Browner*, 133 F.3d 1159, 1169 (9th Cir.) ("In a case such as this, the Secretary, once she has properly invoked the claim of privilege and adequately identified categories of privileged information, cannot reasonably be expected personally to explain why each item of information arguably responsive to a discovery request affects the national interest."), cert. denied, 525 U.S. 967 (1998); *Bareford* v. *General Dynamics Corp.*, 973 F.2d 1138, 1141-1142 (5th Cir. 1992) (where the government does not

target documents but objects to a claim that would require disclosure of sensitive information, the agency head need only review the "type of evidence" necessary to support the claim), cert. denied, 507 U.S. 1029 (1993); accord *Northrop Corp.* v. *McDonnell Douglas Corp.*, 751 F.2d 395, 400 (D.C. Cir. 1984) (the Secretary of Defense properly had "reviewed a representative sample of the documents as well as affidavits of staff members who had received all of the documents"). The head of the Navy thus was not required to review any, much less all, of the 26,000 documents potentially responsive to petitioner's discovery requests to determine whether the materials fell within the scope of the privileged subject matter.*

2. Contrary to petitioner's assertions (Pet. 19-24), there is no conflict in the circuits or with a decision of a state supreme court. Indeed, petitioner cites no case in which the head of an agency asserted the state secrets privilege over a particular subject matter (*e.g.,* any information relating to the use of a device by or for the government). In *United States* v. *O'Neill*, 619 F.2d 222 (3d Cir. 1980), the court rejected a city's claim of "executive" privilege that "was invoked orally, although there was ample opportunity to prepare a written formal claim

* Petitioner relies (Pet. 16) on a footnote in *Reynolds* stating that the official asserting the privilege should "have seen and considered the contents of the documents." 345 U.S. at 8 n.20 (quoting *Duncan* v. *Cammell, Laird & Co.*, [1942] App. Cas. 624, 638 (appeal taken from C.A.)). *Reynolds* involved the claim that particular documents were privileged, and the Court did not suggest, much less hold, that an agency head must review particular documents before forming the conclusion that a particular subject matter implicates a military secret. Moreover, the text of the Court's opinion in *Reynolds* makes clear that the privilege is properly invoked after the agency head gives personal consideration to "the matter." *Id.* at 8.

of privilege," and that "was not invoked by the department head, but by the attorney for the City," wholly unsupported by affidavits. *Id.* at 225. The court in *Black* v. *United States*, 62 F.3d 1115, 1119 (8th Cir. 1995), cert. denied, 517 U.S. 1154 (1996), merely stated that the head of the agency must conduct a "personal perusal of the matter" without specifying that the official must review documents to determine if they fall within the scope of a privileged matter. Similarly, in *Kerr* v. *United States District Court*, 511 F.2d 192 (9th Cir. 1975), aff'd, 426 U.S. 394 (1976), "[n]either the [heads of the relevant agencies] nor any official of these agencies asserted, in person or writing, any privilege in the district court." *Id.* at 198. Finally, *Douglas* v. *Windham Superior Court*, 597 A.2d 774 (Vt. 1991), is wholly inapposite, as it involved a state official's invocation of the "investigatory files privilege." *Id.* at 776-783.

3. Petitioner also contends (Pet. 24-26) that its patented device is not a secret and has been the subject of various presentations. That contention misses the point. The government has not asserted, and the courts below did not hold, that petitioner's device *itself* is a state secret. Rather, the state secrets at issue pertain to the manufacture or use, if any, of the patented device by or for the government. The court of appeals, which reviewed both the public and the classified declarations submitted in this case, held that "the government claims a legitimate state secret." Pet. App. 12a. Petitioner offers no basis for this Court to disregard the judgment of the Executive Branch that disclosure of the requested information could reasonably be expected to cause "extremely grave damage to national security," C.A. App. 504, as well as the conclusion of the two lower courts that upheld the government's claim of privilege only

after careful consideration of the government's submission.

4. Petitioner also argues (Pet. 27-28) that the court of appeals' remand order violates its right to a jury trial. That contention lacks merit. The court of appeals merely held that before the district court determines whether petitioner can proceed on its state law claims in light of the state secrets privilege, petitioner must identify the trade secrets and contract provision that are allegedly at issue in its lawsuit. Pet. App. 14a-19a. The court observed that although petitioner alleged misappropriation of trade secrets, it had never identified the trade secrets that were at issue. *Id.* at 16a. Likewise, although petitioner alleged a breach of contract, Lucent claimed no knowledge of any contract with petitioner. *Id.* at 17a. The panel explained that, under those circumstances, it might not be necessary to reach the question of whether petitioner's claims could proceed in light of the state secrets privilege. *Id.* at 17a-18a. There is no reason for this Court to review that interlocutory decision.

For similar reasons, it would also be premature to consider petitioner's assertion (Pet. 29) that petitioner will be "hindered" in identifying its alleged trade secret because of the district court's protective order relating to use of the coupler for or by the government. In any event, to the extent petitioner is unable to establish the existence of a trade secret or contract without implicating a state secret, dismissal of the complaint would be the proper remedy. See Pet. App. 31a-33a.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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