

ORIGINAL

OFFICIAL TRANSCRIPT PROCEEDINGS BEFORE

SUPREME COURT OF THE UNITED STATES

DKT/CASE NO. 81-1661
TITLE GENERAL MOTORS CORPORATION,
v. Petitioner
DEVEX CORPORATION ET AL.
PLACE Washington, D. C.
DATE December 7, 1982
PAGES 1 thru 43



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1 IN THE SUPREME COURT OF THE UNITED STATES
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3 GENERAL MOTORS CORPORATION, :
4 Petitioner :
5 v. : No. 81-1661
6 DEVEX CORPORATION ET AL. :
7 - - - - -x
8 Washington, D.C.
9 Tuesday, December 7, 1982
10 The above-entitled matter came on for oral
11 argument before the Supreme Court of the United States
12 at 1:59 o'clock p.m.
13 APPEARANCES:
14 GEORGE E. FROST, ESQ., Wilmington, Delaware; on behalf
15 of the Petitioner.
16 SIDNEY BENDER, ESQ., Garden City, New York; on behalf
17 of the Respondents.
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1 P R O C E E D I N G S

2 CHIEF JUSTICE BURGER: We will hear arguments
3 next in General Motors against Devex Corporation.

4 Mr. Frost, you may proceed when you are ready.

5 ORAL ARGUMENT OF GEORGE E. FROST, ESQ.,

6 ON BEHALF OF THE PETITIONER

7 MR. FROST: Mr. Chief Justice, and may it
8 please the Court, this is a patent infringement case.
9 The patent is to a process of making bumpers and other
10 products by cold forming. The issue is whether the
11 court below properly awarded prejudgment interest.

12 The case was filed in the Northern District of
13 Illinois in --

14 QUESTION: There isn't much left of the patent
15 issue, is there?

16 MR. FROST: No, there isn't, Your Honor. The
17 patent expired more than a decade ago. The case was
18 filed in 1956 in the Northern District of Illinois.
19 Twenty-four years later, and after a number of
20 conflicting decisions on both validity and the patent
21 scope, the District Court of Delaware entered judgment
22 on the accounting. It assessed prejudgment interests of
23 about \$11 million against General Motors. Interest was
24 charged at the commercial bond rates from the dates the
25 infringement was held to have occurred.

1 The specific question presented on certiorari
2 here is whether the applicable statute, 35 USC 284,
3 requires the award of prejudgment interest on
4 unliquidated damages based on reasonable royalties,
5 where there is a finding that the defendant acted in
6 good faith and not recklessly.

7 QUESTION: Is the question whether it requires
8 it or whether it permits it, or are they the same thing?

9 MR. FROST: No. If the Court please, the
10 first question here is whether it requires it. We think
11 the court of appeals held that interest was mandatory.
12 Then we go on to the question of whether the Duplate
13 versus Triplex case is still the law, and finally, to
14 the influence of the Georgia Pacific case, which I will
15 mention in a few moments.

16 The statute provides that in patent cases, the
17 Court shall award damages adequate to compensate for
18 infringement, but no event less than a reasonable
19 royalty, together with interest and costs as fixed by
20 the court. It is the direct successor to the 1946
21 Patent Act. The Act provided for interest in similar
22 language -- the 1946 Act provided for interest in
23 similar language, and it was the first reference to
24 interest in the patent statutes.

25 The key factor in this case is that the

1 initial form of the 1946 Act explicitly required the
2 award of prejudgment interest. As proposed, the court
3 would be required to award damages which shall be due
4 compensation for infringement, but not less than a
5 reasonable royalty, together with interest from the time
6 the infringement occurred.

7 It was in that form that the statute actually
8 passed the House of Representatives, but in the Senate,
9 this language was rejected. The Senate struck the
10 reference to interest from the time the infringement
11 occurred. In its place, the Senate substituted the
12 expression, "interest as may be fixed by the court," and
13 it was in this amended form that the Act was passed by
14 both Houses of Congress and signed by the President.

15 QUESTION: Was that the only change that --

16 MR. FROST: There are other changes unrelated
17 to this particular item, dealing with attorney fees and
18 things of that kind. Yes, there are a few other
19 changes.

20 QUESTION: Was that sentence otherwise
21 changed?

22 MR. FROST: Only in connection with the format
23 of the attorneys' fees, yes, but it was not -- it didn't
24 have anything to do with the prejudgment interest part
25 of the language. I have got it here. I could run

1 through it quickly, but it --

2 QUESTION: No, you take your own course.

3 QUESTION: Tell me, Mr. Frost, before 1946,
4 were costs allowed as a matter of course?

5 MR. FROST: Yes, they were, Your Honor. In
6 accordance with the general way that they are in all
7 cases.

8 QUESTION: After the '46 amendment, what? Are
9 they allowed?

10 MR. FROST: Same. Same.

11 QUESTION: Are they allowed as a matter of
12 course?

13 MR. FROST: Yes.

14 QUESTION: Notwithstanding it says "interest
15 and costs as fixed by the court."

16 MR. FROST: Yes.

17 QUESTION: And that is allowed as a matter of
18 course.

19 MR. FROST: Yes, they are allowed as a matter
20 of course, and I might say, Your Honor --

21 QUESTION: I just wonder why interest is in
22 the same category.

23 MR. FROST: Because there is a settled rule
24 before the Act on both costs and interests, and they are
25 together because as to that phase of the Act, it

1 preserved the existing law.

2 QUESTION: What was the law as to interest?

3 MR. FROST: The law as to interest was this
4 Court's Duplate versus Triplex case, which required
5 exceptional circumstances, meaning bad faith conduct of
6 the defendant. Coming over to attorneys' fees, the
7 provision on attorneys' fees was a new provision in the
8 Act, and the way the Act is set up, it is very clear
9 that that is expressly stated to be discretionary,
10 unlike the case of interests and costs which in each
11 instance there was a settled rule, and the construction
12 of the Act indicates that it was the intent of Congress
13 that that rule be followed.

14 Now, coming to the 1952 Patent Code, it did
15 codify the patent law, and Section 254 of the Code
16 replaced the law on recoveries previously covered by the
17 1946 Act. The language closely follows the 1946 Act.
18 The revisor notes on the Code point out that the Code
19 only made some changes in language at that point, and
20 plaintiffs here concede that Section 284 was not
21 intended to change the applicable provisions of the 1946
22 Act.

23 The error of the court below commenced with
24 its misapplication of the dictum of the ruling of this
25 Court in Aro versus Convertible Top, 377 US. In that

1 case, four Justices of this Court examined the basis for
2 recoveries for patent infringement under 35 USC 284.
3 The issue of concern was whether the profits of the
4 infringer or damages to the patentee are the measure of
5 recovery.

6 In explaining the effect of the 1946 Act, they
7 quoted the House report on the bill that became the 1946
8 Act. At the time the House report was made, the bill
9 included the later rejected interest language. The
10 portion of the report quoted in the opinion included
11 this then existing language on interest. The inclusion
12 of this language did not relate to any issue being
13 considered by this Court. There is no issue in the case
14 on prejudgment interest.

15 The courts of appeal for the Sixth, Second,
16 and Seventh Circuits have specifically held that the
17 quotation in the Aro case is not controlling, and that
18 the statute does not compel prejudgment interest. The
19 court below stands alone in holding that the Aro
20 quotation controls and in relying upon it to compel
21 interest in a reasonable royalty case, notwithstanding
22 the history of the statute.

23 To be sure, the Court added to its reference
24 to Aro by seeking to justify the award of prejudgment
25 interest because the defendant had the use of the

1 royalty money in the time between the dates that
2 infringement was held to take place and the time of
3 judgment. But this is true in every case. There is
4 always a span of time between the date of an
5 infringement and the date of a judgment awarding
6 damages.

7 If interest is allowable in this case, for
8 this reason, it is allowable in every case. In short,
9 this reason only adds to the basic error of misapplying
10 the dictum in the Aro case instead of looking to the Act
11 as passed.

12 The judgment should be reversed, because the
13 decision below is based on a mandatory interest
14 requirement that Congress rejected and is clearly
15 contrary to the statute.

16 Now, the history of the 1946 Act also answers
17 other questions in this case. Devex contends that the
18 term "compensation" as used in 35 USC 284 requires
19 prejudgment interest. But the 1946 Act as it was passed
20 by the House and reached the Senate provided for due
21 compensation, not less than a reasonably royalty, using
22 that very term, and the statute or post statute at that
23 time also used explicitly required interest from the
24 time infringement occurred. After the Senate
25 amendments, the reference to due compensation not less

1 than a reasonable royalty remained in the statute, and
2 the words "interest as may be fixed by the court" were
3 substituted for "interest from the time the infringement
4 occurred."

5 Now, whether we take the time before the
6 amendment or after, the term "due compensation"
7 obviously was not used in a sense of requiring
8 interest. Otherwise, why the explicit reference to
9 interest from the time the infringement occurred before
10 the amendment, and why the reference to the interest as
11 may be fixed by the court after the amendment?

12 At no point in the history was due
13 compensation treated as if it required interest, and the
14 same is true of damages adequate to compensate as the
15 term is used in 35 USC 284.

16 Now, the history in the text of the 1946
17 Patent Act also compels the conclusion that the Act
18 codified the pre-existing decisions on prejudgment
19 interest in patent cases. Prior to the 1946 Act, this
20 Court had rendered a number of decisions on prejudgment
21 interest in patent cases. The key decision was Duplate
22 versus Triplex, decided in 1936. There, as here, there
23 was a reasonable royalty which was the basis upon which
24 the damages were awarded. This Court, reversing the
25 Court below, held that interest on a judgment for

1 unliquidated reasonable royalty damages begins on the
2 date of liquidation of damages unless exceptional
3 circumstances are found to be present.

4 Now, there is no indication that the Congress
5 intended to change this existing law on prejudgment
6 interest.

7 QUESTION: What if the House version had
8 passed?

9 MR. FROST: Had the House version passed,
10 there would be no question that Duplate versus Triplex
11 would be changed.

12 QUESTION: And didn't the Senate report
13 supporting the bill specifically approve the House
14 version?

15 MR. FROST: I don't think it did, Your Honor,
16 at all. It did -- What it did do --

17 QUESTION: It adopted the House report, didn't
18 it?

19 MR. FROST: Well, they rather carelessly
20 quoted it, yes, sir, but I think when you take the whole
21 record --

22 (General laughter.)

23 QUESTION: How careless can you get?

24 MR. FROST: Well, this careless, if Your Honor
25 please. If you look at the front part of that report,

1 it is very, very clear the changes that were made right
2 in that very portion of the statute, and to have -- to
3 take the House --

4 QUESTION: I know, but it was the same -- that
5 same report didn't agree with the House version on the
6 attorneys' fees statement, and so they redrafted it. It
7 is all right.

8 MR. FROST: Yes.

9 QUESTION: But they certainly didn't change
10 their report with respect to interest.

11 MR. FROST: They simply quoted the totality of
12 the House report, and we think that taken in context,
13 Your Honor, that that does not indicate intent
14 otherwise.

15 QUESTION: Taken in context, I would think
16 you --

17 MR. FROST: Now, I might add one thing.

18 QUESTION: How can you just ignore it?

19 MR. FROST: I am not asking that the Court
20 ignore it, but I do think there is a time to take the
21 context --

22 QUESTION: You say there is no evidence that
23 they intended to change the Duplate law. It seems to me
24 both the House and the Senate report clearly indicate
25 some evidence of an attempt to change the law.

1 MR. FROST: Well, let me go on just a second
2 if I may, Your Honor. The bill came up on the Senate
3 floor, and this is in the appendix to our brief, and
4 Senator Pepper, who was chairman of the Senate
5 committee, was asked to explain the bill, and it is very
6 clear in that. He explained what the changes were.
7 One, two, three. Not saying one word of interest. Then
8 he is asked, has the Senator explained all the changes
9 made by the bill, meaning, of course, the bill as
10 amended, and he said, yes.
11 Now, it seems to me that is very clear. And
12 it is --
13 QUESTION: Well, Mr. Frost --
14 MR. FROST: Yes?
15 QUESTION: -- Aro sort of accepted what the
16 House report said, did it not?
17 MR. FROST: I think that --
18 QUESTION: Was that inadvertent, too?
19 MR. FROST: I think it was. Yes, Your Honor.
20 QUESTION: It was?
21 MR. FROST: The -- What happened was this.
22 QUESTION: If it is in line, I made a
23 mistake.
24 MR. FROST: No, not at all. What actually
25 happens is this, Your Honor. In the Aro case, you are

1 concerned with whether the bill, the 1946 Act changed
2 the rule on recoveries in patent infringement cases,
3 the difference being between damages and -- both damages
4 and profits of the infringer. And in addressing that,
5 Your Honor did just exactly what seems to me the logical
6 thing to do is go to the House report, and on that point
7 the House report was entirely accurate and meaningful,
8 and all that happened --

9 QUESTION: No different from the later Senate
10 report?

11 MR. FROST: In that respect. In that respect,
12 no.

13 QUESTION: And the actual language was,
14 "together with interest from the time infringement
15 occurred rather than profits and damages." Then Aro
16 went on to say, "There can be no doubt that the
17 amendment succeeded in effectuating this purpose." This
18 is way back in 1953, and I confess my memory of what we
19 were thinking about then doesn't help me.

20 MR. FROST: Well, I think if Your Honor will
21 check it, you will see that for the purpose it was
22 quoted, that is, the question of damages versus profits
23 to the infringer, and that was the only question in the
24 case, the only reason it was quoted, the quotation was
25 perfectly correct.

1 QUESTION: Let's assume --

2 QUESTION: He could have added -- excuse me,
3 Mr. Chief Justice. Go ahead. He could have -- Justice
4 Brennan could -- the majority could have added that the
5 -- quoted from the House report and said, agreed to by
6 the Senate.

7 MR. FROST: Agreed to on the --

8 QUESTION: Or repeated in the Senate report.

9 MR. FROST: Well, I think repeated in the
10 Senate report is --

11 QUESTION: Well, it adopted the House --

12 MR. FROST: -- getting us back to that --

13 QUESTION: It adopted the House report.

14 MR. FROST: The Senate report in its first
15 paragraphs states very specifically the changes in the
16 Act, and what you have reference to, Your Honor, is a
17 quotation of the House report in its totality, which is
18 unselective, and it seems to us it has to be taken in
19 the context of the change that was actually made.

20 Mr. Chief Justice, do you have a question?

21 QUESTION: Yes. Assume that we have some
22 ambiguity here. Assume that for purposes of my
23 question. Is not this kind of a claim one which is
24 equitable in nature, an equity suit for an accounting?
25 Is that not in general the nature of the claim?

1 MR. FROST: Yes, Your Honor.

2 QUESTION: Well, then, what are the equities?
3 Equities rule out interest?

4 MR. FROST: I think they do, Your Honor, and
5 let me explain.

6 QUESTION: Why? Why?

7 MR. FROST: In the first place, General
8 Motors' conduct was in good faith, not reckless. Then
9 it seems to me that we should turn to the question of
10 the conduct of Devex here, and particularly the conduct
11 of Devex insofar as it relates to the delays that took
12 place in this case. Obviously, we are dealing with a
13 case here that was a protracted case. And it seems to
14 me that the key point here is, how did the conduct of
15 Devex pertain to that factor? And in two respect, we
16 think it very clearly was contrary to allowing
17 prejudgment interest.

18 And the two respects are, first, the venue
19 question. The case was filed in the Northern District
20 of Illinois, and there was an early hearing on venue.
21 Devex was fully aware of the facts, and it then
22 sidestepped venue, went through a trial on validity, and
23 then almost ten years later moved to shift the case to
24 Delaware, which motion was successful, was done, but
25 certainly delayed the case.

1 The second thing that occurred here was the
2 patent claim itself. The patent claim was broad and
3 sweeping and invalid as literally construed. This is
4 exactly what Judge Robson held in around 1960, and the
5 court of appeals agreed with that finally, but it did
6 give the claim a narrow and restricted construction. It
7 rewrote the claim. The effect of that rewriting of the
8 claim was to make it impossible to know exactly what the
9 claim did cover, with one exception.

10 In their briefs, the plaintiffs wrote -- this
11 is in the court of appeals -- "If defendants want to
12 avoid infringement, all they need to do is leave out the
13 Borax." That is the literal language that was in their
14 brief.

15 Now, the delays that occurred in this case had
16 in great measure dealt with the -- resolving the
17 questions of what was left of the patent, what it did
18 cover, and the -- one of those issues had to do with
19 leaving out the Borax. What happens if it is something
20 other than Borax? And the court of appeals had
21 validated the patent because of special chemical
22 coaction between the Borax and the other ingredients, so
23 that when the court of appeals decision was made,
24 notwithstanding the broad language of the claim, it just
25 made inevitable the decisions that later followed having

1 to do with the scope of the patent.

2 So, we think that in this case, starting out
3 with the conduct of General Motors, it has been found to
4 be in good faith and not reckless, and there is no such
5 finding for the plaintiffs, and when you measure what
6 the plaintiffs did, it had the effect of extending the
7 case far longer than had to be.

8 Now, bear in mind that the language of that
9 patent claim was chosen by the plaintiffs, not by GM,
10 and that the issue here is not whether they might in the
11 end win on various issues, but rather, was it the
12 consequence of something they did that prolonged the
13 duration of this case, and we think clearly it was.

14 Now, I just want to add that with respect to
15 the Duplate rule of this Court, there is plenty of good
16 reasons in favor of the rule as announced by this
17 Court. Now, the Court did -- the Congress did in the
18 Act of course inject itself into the patent -- into the
19 patent law, and to that extent it's replaced the Duplate
20 case as such, but we brought it out in their brief.
21 There are a number of reasons why the Duplate rule is a
22 very good one, the first one being, it puts the heat on
23 the defendant -- plaintiff to keep things moving. It
24 makes the defendant follow reasonable, good faith
25 conduct. It fits with the public interest in patent

1 cases. And finally, the distinction between liquidated
2 and unliquidated damages is specifically important in
3 patent cases. In this case, it was 1980, and we have a
4 master and a district court that could not agree on
5 either what the patent covered or what the reasonable
6 royalty was.

7 Unless there is some question, I would like to
8 reserve time for rebuttal. Yes, sir.

9 QUESTION: Very well.

10 QUESTION: Could I -- Suppose the statute as
11 passed read as the -- was the House version. Suppose
12 that. Wouldn't it still be possible under that statute
13 to deny interest from the date of the violation, if the
14 equities were sufficiently strong?

15 MR. FROST: I have difficulty with that right
16 off.

17 QUESTION: Do you? So no discretion
18 whatsoever in -- interest?

19 MR. FROST: That's -- Yes, Your Honor. That's
20 as I read it. There are areas in this where the equity
21 comes in. The junction, for example. And things of
22 that kind.

23 QUESTION: But it's damages, isn't it? Isn't
24 it compensation?

25 MR. FROST: Well, it's damages, and the

1 statute specifically --

2 QUESTION: It is damages, but it is supposed
3 to be measured by how much you are hurt.

4 MR. FROST: Well, the statute says not less
5 than a reasonable royalty. That is the floor the
6 statute puts under the damages.

7 QUESTION: Yes. Then it says, together with
8 interest and --

9 MR. FROST: The other such interest as the
10 court may allow, yes.

11 QUESTION: But it is still supposed to be
12 compensation and damages, isn't it? It's the injury.
13 It's not profits.

14 MR. FROST: It's not profits. That's for
15 sure.

16 QUESTION: Well, it seems to me if you were
17 able to prove, for example, that the plaintiff in this
18 suit, or that your opposition -- it was the plaintiff in
19 this suit --

20 MR. FROST: Right.

21 QUESTION: -- had unconscionably delayed the
22 suit, can anybody claim that during that period that you
23 had injured them, that your client had injured them?

24 MR. FROST: That question did not arise, Your
25 Honor.

1 QUESTION: I know it didn't arise. I am just
2 questioning whether there is room for that sort of a
3 claim.

4 MR. FROST: Frankly, I hadn't thought about it
5 that way.

6 QUESTION: Okay. Thanks a lot.

7 MR. FROST: That is the only answer I can give
8 you. I am sorry.

9 QUESTION: Thank you very much.

10 CHIEF JUSTICE BURGER: Mr. Bender.

11 ORAL ARGUMENT OF SIDNEY BENDER, ESQ.,

12 ON BEHALF OF THE RESPONDENTS

13 MR. BENDER: Mr. Chief Justice, and may it
14 please the Court, plaintiff's position is that the
15 judgment below should be affirmed on two separate
16 grounds, as was found by the courts below. The first
17 ground is that Section 284 requires the payment of
18 interest from the date infringement occurred, and
19 secondly, the award of interest is permissible and
20 within the sound discretion of the trial court, and that
21 here that discretion was properly exercised, and the
22 affirmance by the court of appeals demonstrates that.

23 QUESTION: Do you think there is room for your
24 second ground under the -- Suppose we agreed with you
25 that the statute should be read as though it had the

1 House words in it.

2 MR. BENDER: Well, Your Honor, I believe under
3 those circumstances the case ends there.

4 QUESTION: Oh, you do? Oh, you do?

5 MR. BENDER: Yes. I believe that under those
6 circumstances it is mandatory that interest should run
7 from the time infringement occurred, and it is my
8 position here, Your Honor, that the statute should be
9 read that way in light of the evidence of the
10 legislative history, and in light of the Aro decision.

11 QUESTION: Did the court below agree with
12 you?

13 MR. BENDER: The court below did say that,
14 Your Honor.

15 QUESTION: Saying that they adopted your
16 first --

17 MR. BENDER: Position.

18 QUESTION: -- submission rather than your --

19 MR. BENDER: They adopted both positions, Your
20 Honor.

21 QUESTION: Yes.

22 MR. BENDER: They adopted -- They adopted the
23 -- the court of appeals, at Page 336 of the record, if
24 Your Honor please, specifically quoted from the Aro
25 decision.

1 QUESTION: Right.

2 MR. BENDER: And in addition, they held that
3 they were affirming also the exercise of discretion by
4 the trial court, and I would like to go back to the
5 plain meaning of the statute, if I may, and the starting
6 point in every case, as this Court has held in Ernst and
7 Ernst v. Hockfelder, is the language of the statute
8 itself, and indeed, the ascertainment of Congressional
9 intent must rest primarily on the language of the
10 statute.

11 Now, this statute says, "The court shall award
12 adequate compensation, but not less than a reasonable
13 royalty together with interest and costs as fixed by the
14 court." We submit that the term "shall award a
15 reasonable royalty together with interest" is mandatory,
16 at least that prejudgment interest should be awarded.
17 The part "as may be fixed by the court" we submit goes
18 to the interest rate as being discretionary with the
19 court, and that discretion was exercised by the trial
20 court here, and there has been no appeal and no contest
21 on the interest rate that was awarded below.

22 QUESTION: When did he fix that?

23 MR. BENDER: That was fixed by the special
24 master pursuant to the parties stipulating as to what
25 the interest rates would be --

1 QUESTION: In what year?

2 MR. BENDER: Pardon me?

3 QUESTION: In what year?

4 MR. BENDER: In every year, Your Honor,
5 because --

6 QUESTION: When did he make that order?

7 MR. BENDER: The order was -- it was a
8 stipulation that was signed by the parties in November
9 of 1978, and the special master awarded the interest in
10 February of 1980 on his recommendation, and the district
11 court entered judgment in October of 1980.

12 QUESTION: Mr. Bender, may I ask, if you
13 looked at the statute just literally for the moment, and
14 left out the "but" clause, the "but in no event" clause,
15 just had it, damages -- leave out the reasonable royalty
16 floor, just said "damages adequate to compensate for the
17 infringement together with interest and costs," would it
18 be perfectly clear to you that the interest would be
19 prejudgment interest?

20 MR. BENDER: Oh, yes, Your Honor. I think
21 there is no question but that what they are talking
22 about there is prejudgment interest, and there is
23 another statute on post-judgment interest, and that
24 post-judgment interest is affixed according to state
25 law, and no one has challenged that particular concept,

1 Your Honor. That is really not in issue.

2 So that plaintiff's submission is that
3 "together with interest" at least means that the
4 prejudgment interest as such is mandatory. Now,
5 considering the fact that the statute as passed is
6 silent as to the time frame and as to when the interest
7 should begin to run, then under those circumstances the
8 intended scope of the interest provision is revealed
9 explicitly in the legislative history.

10 The Senate committee expressly adopted the
11 House committee report, which stated, "a reasonable
12 royalty together with interest from the time
13 infringement occurred." In addition, the House
14 committee's rationale was also stated, namely, in
15 referring to proceedings before masters that are often
16 protracted for decades, and in many cases result in a
17 complete failure of justice.

18 Thus, the statute history reflects the intent
19 of Congress to make interest mandatory from the time
20 infringement occurred. This interpretation is not a
21 departure from the language of the statute, but is
22 consistent with it.

23 The House committee report with respect to the
24 1946 amendment stated, "The object of the bill is to
25 make the basis of recovery in patent infringement suits

1 general damages, that is, any damages that complainant
2 can prove not less than a reasonable royalty together
3 with interest from the time infringement occurred."

4 So, as the bill left the House, three things
5 were mandatory in that bill: interest, costs, and
6 attorneys' fees. When the bill -- and at that
7 particular time, I think it would be helpful if I read
8 the proposed House bill. It provided "royalty therefore
9 together with his costs and reasonable attorneys' fees
10 to be fixed by the court and interest from the time
11 infringement occurred," and that was the shape of the
12 bill as it left the House.

13 The Senate itself adopted the mandatory
14 provisions of the House bill on interest and costs, but
15 amended it to make attorneys' fees discretionary. As
16 the bill was amended by the Senate, the bill read
17 "royalty therefore together with such costs and interest
18 as may be fixed by the court. The court may in its
19 discretion award reasonable attorneys' fees to the
20 prevailing party upon the entry of judgment on any
21 patent case." End of quote.

22 Therefore, it was clear that when the Senate
23 wanted to say "in its discretion" with respect to
24 attorneys' fees, it so stated. It didn't say anything
25 to change the basic mandatory concept about interest and

1 costs. And it did delete --

2 QUESTION: Well, suppose that the only
3 language that had appeared in either bill, either the
4 Senate or the House, was the language that is now in the
5 statute.

6 MR. BENDER: "Together with interest and costs
7 as may be fixed by the court."

8 QUESTION: "As fixed by the court."

9 MR. BENDER: Yes, Your Honor.

10 QUESTION: What would be the ordinary reading
11 of that?

12 MR. BENDER: The ordinary reading of that,
13 Your Honor, would be that interest and costs were
14 mandatory except that costs are discretionary as to
15 amount, and interest is discretionary as to rate.

16 QUESTION: Well, why would you say that "as
17 fixed by the court" wouldn't apply to interest?

18 MR. BENDER: It does apply to interest.

19 QUESTION: But only -- but you say only as to
20 rate.

21 MR. BENDER: Because if Your Honor please, I
22 believe if the -- if the Congress intended to make
23 interest and costs discretionary, just as it did with
24 attorneys' fees, they would have worded it this way.
25 "The court may in its discretion award interest, costs,

1 and attorneys' fees to the prevailing party."

2 QUESTION: Or it could have said, "Interest as
3 fixed by the court, and cost as fixed by the court," but
4 instead it just said "interest and costs as fixed by the
5 court."

6 MR. BENDER: But, Your Honor, I believe that
7 does take it out of context, because the preamble to
8 that is, "The court shall award a reasonable royalty."
9 "The court shall award a reasonable royalty together
10 with interest," and under those circumstances, I believe
11 that the "together with interest" and "a reasonable
12 royalty" mean that the court must fix a reasonable
13 royalty together with interest, and "as fixed by the
14 court" does not mean that the interest itself is fully
15 discretionary.

16 And I think the legislative history
17 demonstrates that, if Your Honor please, because Senator
18 Pepper in reporting the House bill to the Senate, he
19 said, it is a House bill, and he says, it has the
20 unanimous support of the Senate Committee on Patents.
21 In fact, the bill as adopted by the Senate, contrary to
22 what Mr. Frost said, was very specific about that.

23 It says, "The House Committee on Patents held
24 hearings and made the following report, which is adopted
25 as the report of the Senate Committee on Patents," and

1 then it set forth what the House committee report was,
2 and that said, "together with interest from the time
3 infringement occurred," and I submit that the Senate did
4 not intend to change the part "together with interest
5 from the time infringement occurred."

6 It is true that "from the time infringement
7 occurred" was deleted, but the legislative intent, when
8 seen in context and the fact that Senator Pepper only
9 referred to the change on attorneys' fees being made
10 discretionary, demonstrates that the Senate did not
11 intend to change the purport of the interest provision.

12 QUESTION: Or at least that is what Senator
13 Pepper thought.

14 MR. BENDER: And that is what Senator Pepper
15 thought.

16 QUESTION: At least. That doesn't bind --

17 MR. BENDER: Yes, Your Honor, and when the
18 bill --

19 QUESTION: That doesn't bind the whole body.

20 MR. PENDER: Well, Your Honor, that's
21 correct. He was managing the bill. And when the bill
22 came back to the House after it had been amended by the
23 Senate, Representative Lanham, who had managed the bill,
24 reported that the -- reported that the Senate amendment
25 does not interfere with the purport of the bill. "There

1 is a provision with reference to attorneys' fees and how
2 they shall be paid." End of quote.

3 And that was the report as the bill had come
4 back to the House of Representatives and as amended by
5 the Senate, the bill was again passed by the House.

6 In 1964, this Court, in deciding the Aro case,
7 adopted the mandatory interest language that was
8 contained in the House committee report. Referring to
9 the 1946 amendment, this Court quoted from the House
10 report adopted by the Senate, and this Court made note
11 of the fact that the Senate report -- it referred to the
12 Senate report as well. That was one of the references
13 to the quotation, was to the Senate report in the Aro
14 case, and there, this Court said, "The object of the
15 bill is to make the basis of recovery," skipping, "not
16 less than reasonable royalty together with interest from
17 the time infringement occurred."

18 And the Devex case was not the only case that
19 referred to the Aro report. In 1964, the Marvel case in
20 the Fourth Circuit adopted and followed the language
21 specifically of the Aro court -- of the Aro decision by
22 this Court, and then Devex followed that decision as
23 well, and there have been many district court decisions
24 that have likewise followed the Aro decision on the
25 question of prejudgment interest.

1 In fact, GM in its reply brief at Page 2
2 concedes that the House committee language, "interest
3 from the time infringement occurred," is "mandatory
4 interest language." And that is Page 2 of General
5 Motors' reply. The effect of the '46 amendment is
6 correctly stated in 35 UCS, Appendix 2, Section 70, in
7 which, in reference to the '45 amendment, it says, "A
8 reasonable royalty together with interest from the time
9 infringement occurred."

10 Now, this appeared before the 1952
11 codification in the present Section 284. So Congress
12 knew how this 1946 amendment was being reported in the
13 text.

14 QUESTION: Mr. Bender --

15 MR. BENDER: It was being reported as interest
16 from the time infringement occurred.

17 QUESTION: That language you quote on Page 17
18 of your brief, do you know who wrote that? Was that one
19 of Mr. Federico's commentaries?

20 MR. BENDER: I do not, Your Honor. I am very
21 sorry.

22 That under the circumstances, Congress was
23 aware of the fact that it was being reported that
24 interest from the time infringement occurred was the
25 construction, at least in terms of the legislative note

1 with respect to 35 USC Section 70. Despite that,
2 Congress re-enacted Section 284, and in its present
3 form, which is "together with interest as fixed by the
4 court."

5 This Court, in applying another patent
6 statute, 28 USC Section 1498, under which the United
7 States pays compensation for patent use, adopted the
8 view that interest runs from the date of infringement,
9 despite the fact that there is no reference in the
10 statute to interest. They adopted that view because the
11 statute reads "entire compensation," and this Court has
12 said that in order to make entire compensation under the
13 circumstances, it is necessary to give interest from the
14 time infringement occurred, and in order to do complete
15 justice, as between the plaintiff and the United States
16 government.

17 Now, we submit the statute here provides for
18 adequate compensation, and it also expressly refers to
19 "together with interest." And under those
20 circumstances, interest should be allowed from the time
21 infringement occurred.

22 Arguendo, even if interest is mandatory and
23 the time frame is discretionary, we submit that under
24 those circumstances, there was no abuse of discretion in
25 allowing interest from the time infringement occurred

1 here in this case, and the court of appeals affirmed
2 saying there was no abuse of discretion by the district
3 court.

4 In 1952, Congress specifically provided for
5 the award of attorneys' fees only in exceptional cases,
6 thus demonstrating its intent not to require exceptional
7 circumstances before there is an award of interest.
8 Clearly, Congress was dealing with the term "exceptional
9 circumstances," and it put it in the statute when it
10 wanted to require it with respect to attorneys' fees in
11 1952.

12 QUESTION: Of course, you could argue just as
13 well that Congress was dealing with attorneys' fees in
14 1952, and decided to require them only in exceptional
15 circumstances. It depends on which word and phrase you
16 catalogue the thing under.

17 MR. BENDER: Well, if Your Honor please, what
18 Congress had done with respect to attorneys' fees was
19 change it from discretionary, as it existed in 1946, in
20 1952 to require exceptional circumstances of an
21 exceptional case, in order to enable a prevailing party
22 to get attorneys' fees. Now, the defendant's argument
23 is that the Duplate rule which was pre-1946 was still in
24 place in 1946.

25 Now, under those circumstances, we submit that

1 if Congress intended exceptional circumstances to apply
2 also to interest, it would have so stated. Instead, it
3 left the 1946 Act intact, which provided "together with
4 interest." Pre-1946, Section 70 was completely silent
5 on interest.

6 QUESTION: In 1952, was a general revision?

7 MR. BENDER: A codification.

8 QUESTION: A codification.

9 MR. BENDER: And Section 284, which was
10 codified in 1952, provided "together with interest" and
11 dropped out the term "may be" and said "as fixed by the
12 court," and "costs as fixed by the court."

13 Arguendo, a second view of Section 284 is that
14 expressed by the Second Circuit in the Georgia Pacific
15 case, in which it was held that the change in the
16 statute in 1946 was intended to grant the trial court
17 its traditional discretionary power in equity. Even if
18 this Court adopts the view of the Second Circuit and
19 says that Section 284 is a discretionary award of
20 interest in its entirety, we submit that there was no
21 abuse of discretion by the trial court which was
22 affirmed by the Third Circuit.

23 Indeed, the court in Georgia Pacific rejected
24 the argument and the notion that by the 1946 amendment,
25 Congress intended no change whatsoever in the existing

1 law respecting interest, which is the defendant's
2 position here, thus demonstrating that that issue was
3 considered by the Second Circuit and rejected.

4 In addition to that, there are some other
5 equitable grounds which support the exercise of
6 discretion by the courts below. Number One, GM's entire
7 defense below was founded on the concept that the
8 selection of the inorganic chemicals was to save --
9 costs by General Motors, and therefore the entire
10 reasonable royalty here should be in the area of between
11 \$100,000 and \$200,000.

12 The special master said, "that this" -- The
13 special master held, "that this was contrived." And
14 that finding of fact by the special master was affirmed
15 by the district court, was adopted by the district court
16 and affirmed by the court of appeals. The court of
17 appeals affirmed the district court's finding that in
18 addition to the bumper infringement here, that there was
19 infringement on non-bumper parts of 1,300,000,000 parts
20 that had been made by the Hendricks process, and that
21 there was good infringement proved on those one billion
22 parts.

23 Despite that, and despite the requirement of a
24 reasonable royalty, the courts held below that
25 plaintiffs had not established an adequate basis for

1 determining a reasonable royalty on non-bumper parts,
2 despite the fact that plaintiff showed from defendant's
3 own records that there were savings in excess of \$60
4 million on those non-bumper parts.

5 We submit that this is an additional ground
6 for holding that prejudgment interest is proper in this
7 particular situation. In addition, let us show by the
8 mere recital of the facts themselves in this case. GM
9 was given notice in 1955 of its infringement. The
10 lawsuit was commenced in November of 1956. Almost all
11 of GM's bumper infringement thereafter took place after
12 the commencement of this litigation, from 1956 through
13 to March, 1969, when the patent expired. And then, in
14 July of 1963, the Seventh Circuit held that this patent
15 was valid, and this Court denied certiorari in January
16 of '64.

17 In November of 1964, 16 years before a
18 decision was entered in the district court, General
19 Motors was offered a license by the plaintiffs at
20 three-quarters of 1 percent of their sales prices. GM
21 refused that offer of a license. After 16 years of
22 litigation, the district court awarded that very same
23 royalty rate of three-quarters of 1 percent as the
24 reasonable royalty here. Therefore, 16 years of
25 litigation could have been avoided had General Motors

1 accepted in 1964 --

2 QUESTION: Well, of course, that --

3 MR. BENDER: -- the offer that was ultimately
4 awarded of three-quarters of 1 percent.

5 QUESTION: I suppose that is often true, but
6 isn't it true that you did offer a lower rate, your
7 rates to your others was lower, wasn't it?

8 MR. BENDER: No, that was an industry-wide
9 offer at that time, Justice --

10 QUESTION: Didn't you settle with other people
11 at a lower rate?

12 MR. BENDER: We settled with other people in
13 litigations --

14 QUESTION: At lower rates.

15 MR. BENDER: -- and -- at lower rates, yes.

16 QUESTION: Before this offer was made?

17 MR. BENDER: No. We didn't make any
18 settlements before this offer was made.

19 QUESTION: I see.

20 MR. BENDER: There was an industry defense
21 against this patent, Your Honor. The chemical
22 companies, the suppliers had all joined together with
23 General Motors in making certain that they were going to
24 defend this case to the hilt, and nobody took a license
25 from the plaintiffs, and that in effect, that open

1 infringement by the entire industry even beat down that
2 offer that we made of three-quarters of 1 percent.

3 It is this simple history of this litigation
4 which demonstrates why this guilty tort feisor did not
5 take a license, because it was hoping that ultimately it
6 was going to, even if it had to pay a reasonable royalty
7 ultimately, it was going to garner in the interest that
8 it had retained from that reasonable royalty for,
9 indeed, over a 25-year period, GM would have made \$11
10 million of interest on the reasonable royalty if it were
11 permitted to keep that interest.

12 Under those circumstances, the courts below
13 found that it would be against public policy not to
14 award the interest, because it would defeat the amicable
15 licensing of patents and it would tend to prolong the
16 litigation. Indeed, we have had that right here, that
17 this litigation has been prolonged because of GM's hope
18 that it will not have to pay the prejudgment interest.

19 In addition, there is a very -- another very
20 important factor here that supports the judgment below,
21 and that is inflation. When this lawsuit was begun, in
22 1956, the inflation factor was 80. In 1967, that
23 inflation factor was 100. In July of this year, when
24 General Motors paid the \$8.8 million, that inflation
25 factor was 291. 8.

1 Under those circumstances, when you adjust
2 that \$8.8 million by the inflation factor, the
3 plaintiffs have been paid in real dollars \$3 million.

4 QUESTION: How, again, were your damages
5 computed? Was that .75 percent of something?

6 MR. BENDER: .75 of 1 percent of the sales
7 value of the bumpers, which was \$1,175,000,000.

8 QUESTION: And some of those bumpers were
9 presumably sold in 1963 and at \$100, and if you had
10 gotten your judgment in 1963, you would have gotten 100
11 1963 dollars.

12 MR. BENDER: That's correct.

13 QUESTION: But as it is, you are getting 100
14 1982 dollars.

15 MR. BENDER: That is correct, Your Honor.

16 We submit that is a further ground for
17 supporting the exercise of discretion below. We must
18 not overlook the fundamental fact that this is a
19 26-year-old patent case. The patent system itself must
20 provide an economic incentive to invent, innovate, and
21 come up with new ideas. Indeed, our patent system
22 cannot survive where infringers such as General Motors
23 adopt a policy of economic interorems which is designed
24 to financially exhaust the plaintiffs.

25 After 26 years of litigation, it would be a

1 grave miscarriage of justice to take away prejudgment
2 interest and thus leave plaintiffs without adequate
3 compensation.

4 I want to address myself to the fact that
5 General Motors has stated something about delay by the
6 plaintiffs. The district court made a specific finding
7 in connection with GM's contention to have the costs of
8 the special master taxed equally between the plaintiffs
9 and General Motors. The district court denied that.
10 And it did say with respect to cost that it did have
11 discretion involving unnecessary delay, but they said in
12 this case Devex has done no more than fully litigate its
13 claims achieving a large judgment in its favor.

14 The court thus sees no reason for following GM
15 -- for relieving GM, whose infringement necessitated
16 this case from the normal responsibilities of a
17 wrongdoer.

18 I thank you.

19 CHIEF JUSTICE BURGER: Do you have anything
20 further, Mr. Frost?

21 ORAL ARGUMENT OF GEORGE E. FROST, ESQ.,
22 ON BEHALF OF THE PETITIONER - REBUTTAL

23 MR. FROST: Yes, I do have a few things, Your
24 Honor.

25 First off, on the last point, the reference

1 was to the costs and the costs involved in the
2 accounting itself. And that finding had nothing to do
3 with earlier proceedings in the case.

4 On the .75 percent royalty, the master
5 specifically found that the royalty rate was too high.
6 He went into the subject of the conditions at the time
7 of that offer, and he specifically so held. Houdi, the
8 defendant in the Northern District of Illinois whose
9 case was separated, went to soap only immediately after
10 the 1973 -- '63 Seventh Circuit decision.

11 General Motors discontinued using Borax in its
12 processes, and the only thing left after that time was
13 the so-called TKPP lubricants, which did not use Borax
14 and were within the category of lubricants where General
15 Motors really did leave out the Borax. We were using
16 the TKPP lubricants in our bumper operations beginning
17 around 1963, and by the time -- oh, by '65 it was 100
18 percent.

19 Now, there is another point with respect to
20 this Marvel case that has been mentioned, and it brings
21 out this. There is a difference between reasonable
22 royalties and established royalties, and the decisions
23 prior to the 1946 Act made it very clear that where you
24 have a situation where the patent is generally licensed
25 at generally uniform rates, so much so that there is an

1 established royalty, that in that case the patentee
2 cannot recover any greater sum than the established
3 royalties, but in that case the damages are in effect
4 liquidated, and therefore prejudged interest should be
5 allowed.

6 That is what happened in the Marvel case, and
7 the reference to the change in the statute in that case
8 and the Aro quotation was on an entirely different
9 factual setting for just that reason.

10 Reference has been made to the US Code, and as
11 I recall it was the 1946 edition. In any event, that is
12 not an official compilation of the law at all. If you
13 look at the front part, it very clearly states it was
14 prepared by West Publishing Company and several other
15 contractors, and the committee very carefully states
16 that it is only prima facie law.

17 Now, lastly, I do want to point out that there
18 has been no reason at all for the Senate to have changed
19 the text of the bill that became the 1946 Act if it was
20 satisfied with mandatory interest. There is no other
21 possible explanation than what the Senate did was to
22 recognize that requirement of interest from the time of
23 infringement as being not what it wanted.

24 Unless there is further question, I will
25 conclude.

1 CHIEF JUSTICE BURGER: Thank you, gentlemen.
2 The case is submitted.
3 (Whereupon, at 2:50 o'clock p.m., the case in
4 the above-entitled matter was submitted.)

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CERTIFICATION

Alderson Reporting Company, Inc., hereby certifies that the attached pages represent an accurate transcription of electronic sound recording of the oral argument before the Supreme Court of the United States in the Matter of:

GENERAL MOTORS CORPORATION, Petitioner v. DEVEX CORPORATION ET AL

81-1661
and that these attached pages constitute the original
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