

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  
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IN THE SUPREME COURT OF THE UNITED STATES

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GENERAL MOTORS CORPORATION, :  
Petitioner :

v. : No. 81-1661

DEVEX CORPORATION ET AL. :

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Washington, D.C.  
Tuesday, December 7, 1982

The above-entitled matter came on for oral  
argument before the Supreme Court of the United States  
at 1:59 o'clock p.m.

APPEARANCES:

GEORGE E. FROST, ESQ., Wilmington, Delaware; on behalf  
of the Petitioner.

SIDNEY BENDER, ESQ., Garden City, New York; on behalf  
of the Respondents.

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P R O C E E D I N G S

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

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

ORAL ARGUMENT OF GEORGE E. FROST, ESQ.,

ON BEHALF OF THE PETITIONER

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

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

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

MR. FROST: No, there isn't, Your Honor. The patent expired more than a decade ago. The case was filed in 1956 in the Northern District of Illinois. Twenty-four years later, and after a number of conflicting decisions on both validity and the patent scope, the District Court of Delaware entered judgment on the accounting. It assessed prejudgment interests of about \$11 million against General Motors. Interest was charged at the commercial bond rates from the dates the 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 reasonable 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 transcript of the proceedings for the records of the court.

BY *Pine Howard*  
(REPORTER)

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