ORIGINAL

OFFICIAL TRANSCRIPT

PROCEEDINGS BEFORE

# THE SUPREME COURT

# OF THE

# UNITED STATES

CAPTION: CARDINAL CHEMICAL COMPANY ETC., ET AL.

Petitioner v. MORTON INTERNATIONAL, INC.

CASE NO: 92-114

PLACE: Washington, D.C.

DATE: Wednesday, March 3, 1993

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IN THE SUPREME COURT OF THE UNITED STATES

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CARDINAL CHEMICAL COMPANY :

ETC., ET AL. :

Petitioner :

v. : No. 92-114

MORTON INTERNATIONAL, INC. :

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Washington, D.C.

Wednesday, March 3,1993

The above-entitled matter came on for oral argument before the Supreme Court of the United States at 1:00 p.m.

APPEARANCES:

CHARLES F. SCHILL, ESQ., Washington, D.C.; on behalf of the Petitioners.

GORDON R. COONS, ESQ., Chicago, Illinois; on behalf of the Respondent.



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P R O C E E D I N G S

(1:00 p.m.)

CHIEF JUSTICE REHNQUIST: We'll hear argument now in 92-114, Cardinal Chemical Company v. Morton International. Mr. Schill.

ORAL ARGUMENT OF CHARLES F. SCHILL

ON BEHALF OF THE PETITIONERS

MR. SCHILL: Mr. Chief Justice, and may it please the Court:

The practice of the Federal Circuit at issue here has resulted in resurrecting patents which have been twice found invalid by district courts. This practice is out of step with the precedent of this Court and commercial reality.

I want to make three points to you in my argument today. First, the Federal Circuit has jurisdiction to decide --

QUESTION: Mr. Schill, in addressing us, I hope you will tell us how, if at all, your position differs from that expressed by Mr. Coons.

MR. SCHILL: I certainly plan to, Your Honor.

QUESTION: And tell us whether you think we have any controversy here at all.

MR. SCHILL: I certainly shall. May I proceed with my three points, Your Honor?



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QUESTION: Sure.

MR. SCHILL: Okay.

The Federal Circuit had jurisdiction to decide the patent and validity issue, and this issue is not moot. The Federal Circuit's practice ignores the strong public interest in resolving the invalidity issue, and finally, that the Federal Circuit should always reach the issue of validity when presented on appeal in a declaratory judgment counterclaim unless that issue becomes moot through happenstance during the appeal, or if a decision on another issue in the case completely resolves the controversy between the parties, and with respect to your question, Justice O'Connor, we believe that there is a case of controversy that has proceeded since the beginning in this case, there is a difference between the case brought by Morton on the infringement issue.

That is, Morton is accusing of infringement. That is decided by a very special set of facts, and Cardinal had separate, independent basis on which to assert its claim that the patent was invalid. If the patent is, indeed, invalid, then not only does Morton's claim fail against us, it fails against all parties, and not only against the particular products that were at issue in this case, but all the products that Cardinal may wish to make in the future.



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Since this issue, or these parties --

QUESTION: I thought, though, that we granted certiorari on the question whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed. Now, that's the question as framed, right?

MR. SCHILL: Yes, Your Honor.

QUESTION: As to that question, is there any difference between you and Mr. Coons' position?

MR. SCHILL: I believe that the way I would put the issue, or resolve that issue, is that the court has erred because it has not resolved the controversy between the parties in this case.

There may be some factual situations in which it need not reach the issue of validity. For example, one case might be where the issue of unenforceability was also there, and the court decided that the patent was unenforceable, for example, either against the particular party or parties or the world.

QUESTION: Well, you take the position that the policy adopted and now followed by CAFC is in error, that it shouldn't follow that policy --

MR. SCHILL: That's correct.

QUESTION: And that seems to be the same

position taken by your opponent.

MR. SCHILL: I agree that that is the same position, ultimately, that they take. We differ only in how we would express it.

QUESTION: And so how is there a controversy, then?

MR. SCHILL: How is there -- I'm not sure there is a controversy on the point of what the Federal Circuit should do on which -- on which you granted cert. I'm not sure that there is a conflict between us --

QUESTION: You do argue --

MR. SCHILL: We --

QUESTION: That different consequences should follow, though. You're arguing that there's a difference between a counterclaim and a declaratory judgment, the respondent's saying that the rules should be the same in either case, or am I incorrect?

MR. SCHILL: No, you are correct, Your Honor. I believe that this Court's precedent in the Altvater and Electrical Fittings case is still good law, and that would require that there be a difference made between cases which are only filed with a bill and answer as opposed to a counterclaim that, by the very nature of a situation such as was present in Electrical Fittings, there was only an accusation, a claim of infringement and no

counterclaim.

QUESTION: And the respondents differ with you on that point.

MR. SCHILL: Yes. They would reach the issue on all points. They would say that the Federal Circuit should reach validity on all points.

QUESTION: Well, there's still an underlying dispute, of course, as to the validity vel non and infringement vel non of the patent, isn't there?

MR. SCHILL: Yes, there is indeed, Your Honor.

QUESTION: Do you take the position that there is any difference with respect to jurisdictional mootness, depending on whether the issue is raised by counterclaim or affirmative defense?

MR. SCHILL: I'm not sure I understand your question, Justice Souter.

QUESTION: Well, you've argued very persuasively that there is no jurisdictional mootness when the issue of validity is raised by means of a counterclaim. When the issue is simply raised by means of affirmative defense, does that make any difference jurisdictionally as opposed to prudentially?

MR. SCHILL: Yes, I believe that it does, because a -- there is no right to have a decision on a defense.

QUESTION: Well, there may be no right to have it, but the court still has jurisdiction to render it, doesn't it?

MR. SCHILL: The court does still have jurisdiction to render it if it wishes to reach that issue.

QUESTION: So the difference is prudential, rather than jurisdictional.

MR. SCHILL: That's correct, Your Honor.

QUESTION: Okay.

MR. SCHILL: In this case, the court -- the Federal Circuit -- vacated the declaratory judgment of invalidity that Cardinal won at the lower court.

The only reason that it provided was its reference to the case Vieau v. Japax, and in reviewing that case, the only rationale provided by the court was that, since there was no indication in that case that the dispute extended beyond the accused devices found not infringing, the court properly exercises its discretion to dismiss the cross-appeal as moot.

QUESTION: If that would work, what's wrong with that? Why isn't that a good reason?

MR. SCHILL: We find that that would -- that is -- the court is either -- is incorrect in its formulation, I believe, because either the issue is moot

and it has no discretion to reach it -- that is, it's jurisdictionally moot under Article 3 -- or it's exercising its discretion and has taken into account certain factors in order to decide whether it should reach the issue.

Here, since the court adopted this practice in 1987, it has merely cited to the Vieau v. Japax case and has gone no further. It has not reviewed the underlying facts in the case to determine whether there was indeed a basis for the continued controversy.

QUESTION: Well, to say that it has discretion is not to say that it cannot exercise its discretion on a generic basis, and to draw up entire categories of cases in which it will simply decide that it should not go any further, and I think this Court has said one large category is when the issue makes no difference to the judgment below, and it's a complex patent case.

We don't want to have to spend the time figuring out the answer to the patent question when it makes no difference to the judgment below. Why isn't that perfectly reasonable?

MR. SCHILL: Well, if it made no difference to the judgment below, perhaps that would be proper, Your Honor, but I do believe it does make a difference to the decision below, especially in this case.



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This case was based on a separate counterclaim by Cardinal for invalidity of the patent. There was good cause for Cardinal to bring that action. There's no question that the district court felt that there was proper case or controversy jurisdiction on that issue. He rendered a judgment. No facts change. All of a sudden you're trying to oust the declaratory judgment winner of its decision without any rationale.

QUESTION: I agree you have a much stronger case with respect to the counterclaim, declaratory judgment action, but just talk for a minute about the no counterclaim, just --

MR. SCHILL: Affirmative defense.

QUESTION: Just an affirmative defense.

MR. SCHILL: Yes. If there's an affirmative defense, the affirmative defense relies upon the claim. Once the claim itself is gone, then there is really no basis for the defendant to prevail on its counter -- or, on its affirmative defense.

QUESTION: So it really makes no difference to the decision below whether the appellate court goes on to review the invalidity determination or not, and why should it expend its energy on that question?

I mean, of course you can say, well, it'll make difference to parties in future cases. Of course it will,

but courts don't usually do things for that reason, unless it affects the parties in front of them.

MR. SCHILL: Right. We do not take the position that the Court has to. I would still take the position that the Court may reach that issue.

QUESTION: I'm sure it may. I think -- let's --

MR. SCHILL: Yes.

QUESTION: I concede it may, but why should it?

I think you further take the position it should, don't you --

MR. SCHILL: Well --

QUESTION: Or you don't care?

MR. SCHILL: Not on the issue, Your Honor, where it's raised as an affirmative defense. I would say that we're not in that category. I think my opposition is in that category.

QUESTION: If it decided the validity issue, it would save itself a lot of work in the future, wouldn't it?

MR. SCHILL: Do you mean no matter how it was raised, Your Honor?

QUESTION: Yes. No matter -- no. No matter which way you decided the validity issue.

MR. SCHILL: Yes. Well, that's something I

think that's within the discretion of the Court to decide whether it should reach that issue, based on the facts and circumstances of the case, and it may well say --

QUESTION: But I just ask, wouldn't it save itself some work in the future?

MR. SCHILL: It may well save itself some work in the future. It certainly would have in this case, if it had been decided all the way in the first case, in the Argus case.

QUESTION: Well, shouldn't it turn, then, simply on whether it has reasonable -- reason to believe that there are going to be a series of similar cases, and then if so, then it would make sense prudentially to exercise its jurisdiction and go ahead and decide it.

MR. SCHILL: I certainly agree, Your Honor, and in this case, that was the case. It was known at the time even of the Argus appeal that there were other cases pending, that two other cases were pending on this, and that basically we're back in the situation of what happened under the Triplett case where a patentee could go on asserting its patent against a series of unrelated defendants even it had been declared invalid because there was no estoppel.

After Blonder-Tongue, when this Court created -- changed the rule and allowed the future defendants to

assert res judicata against the patent owner, then you would take -- you allowed future defendants to defend based on the previous invalidity of the patent by the patent owner, but in effect, because the Federal Circuit does not reach the issue of validity, it returns the patent that has been found invalid to the patent owner, he can go out and reassert it again, and the patent defendant is in a worse position because he can't even use the first judgment of invalidity against the patent --

QUESTION: Because it's been vacated.

MR. SCHILL: Because it's been vacated, and the only way he can really get a judgment is if he's first found to be infringing, and then presumably the court would reach the issue of validity.

So in this case, since we find that there was a case of controversy, no question about that. The important point we think next that the Court should consider is the Court's policies that were announced in the Sinclair case and the Blonder-Tongue case.

In Sinclair, this Court said that of the two issues the validity issue is the more important. The decision on invalidity tends to discourage future suits, saves judicial resources, parties' resources, leaves the field of invention open to others knowing that they will not be threatened with this patent.

QUESTION: If we agree with you and your colleague that the -- if we agree with you there should have been a decision, what do we say, abuse of discretion, or what?

MR. SCHILL: To the Federal Circuit, Your Honor?

QUESTION: Yes. What do we say their error is, other than, you should have decided it?

MR. SCHILL: I think really perhaps going back they seem to be depending upon this Court's judgment in the Altvater case, and I think what has taken the court off-track is the statement in that case that says that because there were additional claims and devices at issue there was proper jurisdiction.

I think that is minimal. That's an exemplary -- either an exemplary issue, or should be limited to the position of -- there was in extent at that point, which was licensee estoppel.

QUESTION: What do you mean by an exemplary issue?

MR. SCHILL: Well, for -- I think that the jurisdiction of the Court is as broad as whatever fits under the Declaratory Judgment Act, and so long as there is a case of controversy under that act, then there is a right to have a determination made, and by exemplary, I meant a case, or additional claims or devices is one

example of when there is still a controversy between the parties.

QUESTION: An e.g.

MR. SCHILL: Yes.

QUESTION: Do you think the court of appeals in the original case felt bound to come out that way under our cases?

MR. SCHILL: That's the only learning I can get from their view in the Vieau v. Japax case.

QUESTION: So do you think they've -- if we thought they misconstrued those cases, do you think if we disabused them of their error that they would then decide the validity issue, or would they say, why should we fool with it?

MR. SCHILL: I believe, Your Honor, that the instruction from this Court that the Altvater case should not be limited to the case of that was licensee estoppel, really, that was in extent at that point in time, and clarification that the jurisdiction, so long as there is adequate jurisdiction under the Declaratory Judgment Act, that issue should be decided so long as it is necessary to resolve the conflict between the parties.

For example, I think that if the case arrived at the Federal Circuit and the patent had just expired, the Court found noninfringement, there's probably no reason

for it to go on and reach the validity issue.

The same would happen -- if the Court had decided an unenforceability issue at least as to that party, or perhaps as to the world on that patent, it no longer need reach the validity issue for other -- for any other reason, so that those would be situations where the Court should exercise its discretion and not decide, and there may even be instances that I haven't thought of yet where the noninfringement would be an adequate resolution of all the issues in the case, but the Court should be left with the scope to determine what those situations are.

QUESTION: What was the vote in the Federal Circuit?

MR. SCHILL: It was -- well, Judge Lourie wrote a concurring opinion saying that he would have reached the invalidity issue in this case and found the patent invalid. The other two judges wrote separately and would have found -- did not reach that issue. They just cited Vieau v. Japax.

QUESTION: Was there some suggestion of en banc?

MR. SCHILL: We had requested an en banc ruling, and three of the judges would have allowed the en banc hearing, including Chief Judge Nies.

QUESTION: And did that include the dissenting

judge in the --

MR. SCHILL: Yes, it did. It was Judge Lourie, Judge Nies, and Judge Rich, I believe, Your Honor.

QUESTION: But this issue has never really been addressed by the Federal Circuit en banc.

MR. SCHILL: It has not, Your Honor.

QUESTION: They just have a long series of panel decisions that -- so this is the law of the circuit, and they looked at their --

MR. SCHILL: That's correct. They have -- beginning in 1987, this was -- this policy was adopted and continued since then. In each case, they only appear to cite the Vieau v. Japax case and not give any further explanation of their reasons for making a decision in that --

QUESTION: Well, maybe we should go no further than simply to say that it is an abuse of discretion to exercise no discretion, and leave it to them to work out criteria, rather than trying to set them here in this case.

MR. SCHILL: I think -- I guess I'm not sure how to respond to that, Your Honor. I think certainly that would --

QUESTION: You don't like the suggestion, I take it.



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(Laughter.)

MR. SCHILL: Since I appear before the Court, I'd like to -- I do believe that this Court's teachings in the precedent we've cited in Sinclair and Blonder-Tongue should play an important role in coming to the decisions of whether to reach invalidity in each case.

I think it's of paramount public interest, especially -- in this case, I find, you know, a situation that I found difficult to deal with all through the case. It's hard to tell your client that you have to go back to trial on a patent that's already been found invalid merely because that issue was not reached by the Federal Circuit and given finality.

And to have the patent twice declared invalid on the exact same basis to me convinces me that there was no error, that this is a tremendous waste of resources for a very small company, and is something that will continue to happen, we believe, or could at least happen, something that is worth spending some judicial time to correct.

QUESTION: Mr. Schill, it seems to me the formula that you're suggesting we adopt, or the rule, has enough imponderables and exceptions in it that it's not going to be too much guidance for the Federal Circuit. We're just going to end up saying, you should have decided the validity of the patent in this particular case.

MR. SCHILL: In the first instance, Your Honor, I believe the lower courts have the duty to decide whether there's a case or controversy. So long as they've made that decision, then the Federal Circuit I think is in the position of a reviewing court deciding whether the lower court has properly made its decision on the existence of the case or controversy.

So long as that review convinces it that the lower court was correct, then I think it should reach the invalidity issue as long as its raised by counterclaim, because the defendant is left without its remedy to resolve the conflict, the uncertainty between the parties.

QUESTION: And what are the situations in which you say that the Federal Circuit need not reach the validity issue?

MR. SCHILL: The only two that I've been able to come up with so far, Your Honor, are the issue, for example, where the patent has expired somewhere around the time of the appeal, and to decide that issue would really be a moot point.

The other would be, for example, if there was a finding of unenforceability of the patent. Also, that issue would be redundant. It would give relief -- it would not give any additional relief than the finding of noninfringement.



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QUESTION: Mr. Schill, what's the difference between unenforceability and invalidity?

MR. SCHILL: Unenforceability, there are a couple of different circumstances of unenforceability. It may just be unenforceable because of equitable factors against the particular defendant. Another unenforceable -- reason for finding unenforceability is --

QUESTION: Well, you mean like --

MR. SCHILL: Inequitable conduct before the patent office, which would make the patent perhaps invalid or unenforceable against any person.

QUESTION: Well, but that would be -- that makes the patent invalid in the -- if it's procured by fraud, doesn't it --

MR. SCHILL: Yes.

QUESTION: But you're suggesting there might be a case where it's unenforceable against a particular licensee or particular infringer because of inequi -- I see.

MR. SCHILL: Yes.

QUESTION: Okay. But I don't know why that should necessarily make the interest in having the validity of the patent determined for other parties. I mean, totally --

MR. SCHILL: I agree Your Honor, from the standpoint of the public interest --

QUESTION: Yes.

MR. SCHILL: I don't think the factors would require --

QUESTION: Which is one of the things Sinclair talks about.

MR. SCHILL: Yes, but I don't see that there is a need to resolve the particular conflict before the Court to decide that issue, only from a societal need to try --

QUESTION: And let me also be sure I get the thrust of your basic position. You're challenging the Federal Circuit's rule when the district court has already decided both issues. You're not necessarily suggesting that the district court would have the same duty to decide validity in every case.

Maybe it would, I don't know, but isn't it a little different situation when you already have a judgment than when you're still in the trial court?

MR. SCHILL: Yes, I think that is a different situation, Your Honor, and the trial court has before it the closest -- is closest to the facts of the case and knows when they're -- or, how to judge whether --

QUESTION: Yes.

MR. SCHILL: The controversy is real between

the parties or not.

QUESTION: Well, I suppose you'd say the trial court is the same as far as the counterclaim is concerned. As far as the declaratory judgment action is concerned there's no more basis for the trial court to dodge that bullet than there is for the court of appeals.

MR. SCHILL: No, and I --

QUESTION: I mean, I can understand on the defense, if the trial court wants to just find no infringement it may decide not to go ahead with the invalidity as a defense, but if there's a separate claim, a counterclaim on invalidity, can the trial court just say there's no infringement and that's the end of the case, case dismissed?

MR. SCHILL: Well, the Declaratory Judgment Act is discretionary, so even though there is a case or controversy, to me it seems as if that --

QUESTION: To be sure, but is a proper basis for exercising that discretion merely that you have dismissed an accompanying infringement action --

MR. SCHILL: No.

QUESTION: Anymore than it would if you brought the declaratory judgment action separately, when there had been no infringement action?

MR. SCHILL: That's correct.

QUESTION: I mean, I can't imagine -- can you say you can always dismiss a declaratory judgment action for infringement, in your discretion, with no other reason than it is a declaratory judgment action for infringement?

MR. SCHILL: No, I wouldn't --

QUESTION: Certainly not. Then why can you do it simply because it happens to be attached to a -- not infringement, invalidity. Why can you do it simply because it happens to be attached to an infringement action? I can't understand that.

QUESTION: In other words, there's the same unflagging obligation to pursue a declaratory judgment action as there is an injunction action, that's the position.

QUESTION: Virtually unflagging.

QUESTION: Virtually unflagging.

(Laughter.)

MR. SCHILL: Yes, Your Honor.

I think, to sum up, in a sense we think that the Court should consider as factors, Your Honor, that part of its responsibility is to effectuate the purpose of the Declaratory Judgment Act to relieve the parties from uncertainty, insecurity, and controversy, to prevent the misallocation of resources which occurs when the litigation of the patents found invalid is allowed -- that

is, relitigation of those patents -- and that they should reach the more important issue of patent validity in their deliberations.

This would allow -- and you would allow relitigation of patents only under the terms of Blonder-Tongue. That is, only when the patent owner has not had a full and fair opportunity to litigate the validity issue, otherwise, its rights have been protected, and its right to continue asserting the patents should not be renewed by the court's refusal to reach the merits of the issue.

So -- and I'd like to reserve the remaining portion of my time for rebuttal.

QUESTION: Mr. Schill, how do you think the Federal Circuit got into this box? 100 years ago, I was on a court of appeals, and it seems to me that this question was always presented and we always reversed when it was ruled the way the Federal Circuit has done it here, routinely, and I would have thought it would have been settled years ago, but the Federal Circuit went off on its own road, didn't it?

MR. SCHILL: To me, it just seems as if the interpretation they felt was necessary to interpret Altvater in these situations led to the practice, that they were trying to -- you know, preserve judicial economy so that they did not have to keep litigating the issue,

but I don't think it saves judicial time in the long run.

QUESTION: Mr. Schill, was Judge Markey still on the circuit when they adopted this rule?

MR. SCHILL: Yes, Your Honor.

QUESTION: He was.

QUESTION: Thank you, Mr. Schill.

(Laughter.)

MR. SCHILL: Thank you.

QUESTION: Mr. Coons.

ORAL ARGUMENT OF GORDON R. COONS

ON BEHALF OF THE RESPONDENT

MR. COONS: Mr. Chief Justice, and may it please the Court:

In response to the question that Justice O'Connor posed, within the confines of the specific facts of this case there is no difference whatsoever between the position of petitioner and respondent.

QUESTION: As to whether they should have decided the issue --

MR. COONS: That is correct.

QUESTION: But there's a major dispute between you on validity.

MR. COONS: There certainly is, and there is also a major dispute with regard to those situations in which the appellate court, the Federal Circuit, should



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decide validity.

I think we differ both in terms of analysis and in result, and respondent's position is quite clear, because of this Court's decision in 1971 in Blonder-Tongue, that what is required there is a fundamental right, on appeal, to decide the validity issue on the merits, and that must be done in every case because of the public interest that this Court recognized in that case.

That obviously goes beyond the facts of this particular case, because as has been pointed out, this case does involve a situation in which there is a declaratory judgment action. In fact, it is probably the rare case in which a defendant infringer does not interpose a declaratory judgment action.

But conceptually, the reason why the Federal Circuit should address the validity issue has nothing to do with whether there is the presence of a declaratory judgment count or not.

It's really bottomed in this Court's analysis in the Blonder-Tongue case, and it's kind of interesting to look at the position of the petitioners and the respondent in that case, because in both of their briefs, neither petitioner nor the respondent urged that the Triplett rule which was then in effect ought to be modified in any respect.

In fact, what they said is the Triplett rule should be maintained, and in this Court's Blonder-Tongue decision, it stated in petitioners' brief at page 12, "Though petitioners stand to gain by any such result, we cannot urge the destruction of a long-accepted safeguard for patentees merely for the expediency of victory."

And that safeguard that was referenced in that was the safeguard against an improvident judgment of invalidity, because under the Triplett rule, it really made no difference whether the patent was held valid or invalid except with respect to the particular parties, because in that setting it would be res judicata as between the particular parties.

But beyond that, if there was another party who was believed to infringe, then a second suit could be had, so that safeguard was the ability on the part of the patent owner to file multiple lawsuits.

And what this Court decided in Blonder-Tongue was no, that is not proper. There is a public interest in deciding validity of patents, and what should be done is to provide the patent owner with one full and fair opportunity, and respondents submit that that one full and fair opportunity inherently includes the right to a decision on appeal with respect to the merits of the validity issue. It doesn't make any difference --



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QUESTION: So you would say that if a -- the district court, when it's faced with claims -- infringement claims and claims on the other side of invalidity, has to decide them both.

MR. COONS: That's correct.

QUESTION: Or maybe just decide -- maybe you get to validity first, then you don't have to fool with invalidity, do you?

MR. COONS: You mean fool with noninfringement?

QUESTION: I mean, noninfringement. You don't have --

MR. COONS: I think that the better practice certainly -- it's almost one of false economy, because I think the Federal Circuit practice is well-rooted, in fact, to have the trial courts decide both issues, because if the decision is deemed to be inappropriate on validity, for example, which before this Vieau v. Japax procedure -- and that's part of the problem, that literally as many times as not, that trial court holding of invalidity was reversed, and so in those 50 percent of the cases the problem would be that not having decided infringement, then back down the case would go --

QUESTION: Yes.

MR. COONS: And certainly that sort of piecemeal litigation would be -- I think would take up more judicial

time than it would take to simply do it all at once.

QUESTION: But at least your position would be the district court, if there's a validity issue presented, it should be decided.

MR. COONS: Yes, that's correct.

QUESTION: Are you telling us, or can you tell us that in almost every instance of patent litigation in the district court the district court reaches both issues?

MR. COONS: I think that's correct. I'm aware of certain situations in which bifurcation is done, for example, and issues are decided one by one, but in virtually every case I think the practice is that the district court does decide both issues.

QUESTION: It would seem to me that there may be cases in which the evidence on infringement, the proof that's necessary to resolve the infringement is very easily managed and the patent validity question is extremely complicated, and that it's only wise for the district court to proceed to the infringement issue just to dispose of the case.

MR. COONS: And I think that certainly could be done by the exercise of judicial restraint, and like any court which is not a court of last resort, the problem would be that what may be entirely clear to that trial court, the appellate court may decide that's not the case

and then send it back down for validity, but certainly within the exercise of judicial restraint, in the first instance, if it is that clear, I think that the trial court has the discretion to decide that issue or not, but eventually --

QUESTION: So that there is discretion so far as you're concerned.

MR. COONS: That's correct.

QUESTION: Is there discretion also in the appellate court?

MR. COONS: Well, I think I misspoke, because I think there would be discretion to do so, but if you -- once there is an appeal and the issue has been -- well, let me backtrack on that.

I think in those circumstances, if non -- if validity was never decided, then it has never been put to issue, so I think that both the -- go back and I agree with -- I guess my position is the same, that if validity has never been decided, it's never been put into issue, then I don't think Blonder-Tongue would come into play, and the Federal Circuit would have the same discretion that the trial court would, because an infringement would decide the issue.

But if validity is put into play, and there is a contest between that, then -- by the trial court, then



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under our position, as respondents, Blonder-Tongue requires a consideration of the validity issue upon appeal in any instance, except for the rare situation in which, for example, a patent has expired and which, under what has been called prudential mootness, the issue of whether the patent is valid or not is so attenuated that it doesn't make any difference. It would be imprudent to then go ahead and consider that issue and go ahead.

But other than that sort of a circumstance, if validity has been put into issue, then it becomes part of the case or controversy and must be decided.

QUESTION: If we were to adopt that rule, is there any danger that powerful and well-funded patent-holders could pick their target for declaratory relief by prompting a suit from an infringer, by suing an infringer with very little assets?

MR. COONS: I don't think it would really make any difference.

QUESTION: Why wouldn't it? If I wanted to test a patent and to sue for infringement, I'd probably pick the weakest defendant in sight.

MR. COONS: But even if that were done, and even if there were a decision of -- that the patent was valid, technically it's the defendant's burden, so the holding would be that there has not been that clear and convincing

showing that the patent was not valid.

But even if that were affirmed, all that does is decide the issue as between the parties, because there is no mutuality with respect to validity, and every time there is a presumption of validity that certainly should be attached, but the very next lawsuit it doesn't buy a patent owner anything to have selected that target because every case is independent. The patent owner puts the patent on the line every time.

QUESTION: Each time.

MR. COONS: Now, another point --

QUESTION: Well, at least, then, there's no reason to go forward if you don't think that this particular alleged infringer cares about the issue anymore, right, so it isn't just --

MR. COONS: Cares about the issue of validity?

QUESTION: Right. I mean, you've just said it really is only important as to those two parties.

MR. COONS: No, I -- if I did, I spoke in error, because I think in Blonder-Tongue there's a third party, and that is the public. The public has an interest in patents, and I think that that issue is something that --

QUESTION: But the public isn't affected. You tell me later lawsuits are later lawsuits. There's the presumption of validity that it acquires, but --



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MR. COONS: Well, that's what we --

QUESTION: But the issue can be relitigated, right?

MR. COONS: It certainly can be relitigated, but there is a situation in which, if you do not resolve validity and you follow the Federal Circuit practice as has been done here -- stepping back in point of time, the Federal Circuit has been around for well over 10 years, and prior to 1986, in '87 when this Vieau practice came into play, they had decided routinely both validity and infringement.

And in those cases statistically, almost as many times as not, the patents that were held valid by the district court were reversed on appeal -- or, excuse me, the patents that were held invalid about 50 percent of the time were reversed on appeal and the patent was held valid.

And I think that what came out of Blonder-Tongue and why it's important to the public is that there ought to be some certainty of result once the validity issue has been raised so that you can distinguish between patents in which the validity claim has not been established and those in which the invalidity claim was in fact correct, and to the extent that there were "scarecrow patents" or the like, that those patents should be out of the rolls.



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The public should not have to face --

QUESTION: What I'm saying is, I don't understand what that means if you say the whole thing can be relitigated again in the next case, anyway.

MR. COONS: It can only be relitigated if the validity of the patent is restored, or is determined on appeal. If it isn't, that issue can certainly come up again and -- but that would be left, then, to another lawsuit, and that would be part of the multiple litigation in which this 50 percent of the patents that would have been held invalid then are still on the rolls, if you will, and it takes another lawsuit, another allocation of resources, to deal with the issue.

QUESTION: You say, if you lose on invalidity, that's the end of it.

MR. COONS: That is the end, that's right. Once --

QUESTION: But if you win on invalidity, you're going to have to keep on litigating it, no matter what.

MR. COONS: That's correct. That's correct.

QUESTION: But will the court of appeals on essentially the same charge of invalidity, if it has previously found a patent valid, adhere to its earlier decision?

MR. COONS: I think that's a good question. I



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don't know. I can't recall, as I'm standing here if I can ever -- if I can think of the case in which the -- the Federal Circuit has looked at the issue of validity on two different occasions. I am aware of situations in which a patent has been held valid in one case and then held invalid in a second or third case, and I think -- so there are those sorts of situations, I just don't know if the Federal Circuit has itself dealt with that sort of an issue.

QUESTION: Well, suppose the appellate court is dealing with a case in which the district court has found the patent to be valid. Why can't the appellate court say, well, there's really not much use in -- if I vacate the decision below without ruling on the validity issue, I'm really not depriving anybody of anything, because that validity would be relitigable anyway in the next case. Why isn't that a situation where, in the sound exercise of its discretion, the court of appeals might say, I'll just leave it be?

MR. COONS: Well, I think it certainly -- I think it certainly could, and there certainly is a distinction between whether a patent has been held invalid in the trial court or whether it has been held valid.

QUESTION: Invalid is a stronger case for getting to it on appeal, a much stronger case, isn't it?

MR. COONS: That certainly -- that certainly is the case, but if you follow Blonder-Tongue and you look at the concept of wanting to provide one full and fair opportunity, that includes the right to appeal on the merits, because just as the trial court could be wrong on either of that, you prevent that sort of a situation and it could be that the valid holding was incorrect and the patent should be held invalid.

Certainly there is a presumption of validity, and it's less of a problem, but if, in fact, patents are imbued with a public interest that is throughout this Court's opinion in Blonder-Tongue, then conceptually it should not make any difference whether the trial court's decision was valid or invalid, it ought to be considered on appeal.

QUESTION: Would it make any difference as long -- if validity's at issue, and infringement is at issue in a trial court, would it make any difference whether the patent was held to be infringed or noninfringed?

MR. COONS: Not insofar as Blonder-Tongue is concerned and in our position with respect to considering that issue on appeal.

I think that it ought to be considered in either event, because if patents do in fact have a public

interest, and certainly respondents contend that both good patents and bad patents ought to be identified and there ought to be a separation between the two, and that the issue ought to be resolved, then Blonder-Tongue would say regardless of whether -- how the infringement issue was decided, the validity issue ought to be decided on appeal.

Now, obviously, by exercising judicial restraint and the like and in the management of legal issues, to conserve their time the Federal Circuit may choose to decide the validity issue first, as Judge Lourie had suggested.

QUESTION: Wherein does your position differ from Mr. Schill's in this respect, Mr. Coons?

MR. COONS: I think it differs in the respect with which we were just discussing. On the limited issue before this Court, where there is a declaratory judgment held, we do not have any difference whatsoever. But our contention is that this Court is faced with in effect rationalizing its cumulative precedent. Altvater, Electrical Fittings, and Blonder-Tongue, and that in our position it really is immaterial whether there is a declaratory judgment count or not.

QUESTION: Or just an affirmative defense.

MR. COONS: Or just an affirmative defense.

QUESTION: You say that the validity should be



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decided in either event --

MR. COONS: That's correct.

QUESTION: By the Federal Circuit.

MR. COONS: That's correct.

QUESTION: At least where it's been -- well, of course, where it's been decided by the lower court --

MR. COONS: That's correct.

QUESTION: And when you were speaking earlier about when the lower court had to decide it in your view and it would be an abuse of discretion not to decide it, were you assuming that there was a declaratory judgment counterclaim or not, because frankly I -- it seems to me that it's up to the district judge how many issues he wants to resolve.

I'm not inclined to say that he has to resolve two issues if one will get rid of the case, but when there's a declaratory judgment claim, I feel a little bit differently about it. Were you addressing the declaratory judgment claim only, or do you assert that even when there's only an affirmative defense the district court has an obligation to reach the invalidity point?

MR. COONS: I think the Federal Circuit practice and what we've all more or less grown up with is a situation in which trial courts have in fact exercised their discretion and have in fact considered both issues,



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and I think the reason is to attempt to avoid piecemeal --

QUESTION: Right.

MR. COONS: -- litigation, because if they happen to be wrong on the issue that they decide -- infringement, for example, then what happens is you then go back and you have to decide something else when it's not fresh, it takes more time and all that sort of thing, and --

QUESTION: Sure, but you can say that in a lot of different contexts in a lot of different other lawsuits, and I don't know any rule that says a district judge has to decide anymore than is minimally necessary to resolve the dispute. I don't know why this area would be any different.

MR. COONS: And I think that -- and I don't contend to the contrary.

QUESTION: May I just throw out -- I don't know if this really sheds any light on anything or not, but are there not some cases in which there's a dispute about how to interpret the claims, and if you interpret the claims broadly you may have a stronger claim of invalidity, or if you construe them narrowly there's a better defense to the infringement charge, and so that you're not always -- I mean, sometimes your determination of the merits of one of

the two issues may color your determination of the other issue. Am I right on that, or is it --

MR. COONS: You are correct.

QUESTION: Yes, and I don't know if that might complicate it, and I'm -- very frankly, one of the things that worries me about a case where you don't have an adversary on the precise question before us, and much of the discussion is about other cases where there's an affirmative defense, and so forth, whether we really have any business talking about that.

The case before us seems to me very easy, but we've talked hypothetically about all sorts of situations, and I'm not sure it would be appropriate for us to go much beyond what we have to do to decide this case.

MR. COONS: Well, I think it depends on -- I think I would be certainly satisfied with that result, but I think this is an opportunity for this Court to provide some definitive bright line approach that would, I think, satisfy all the parties.

QUESTION: So you want us to talk about what district courts should do and all that?

MR. COONS: Oh, I think district courts can take care of themselves right now.

QUESTION: Well, all right, so you don't insist that we give the district courts a lot of advice.



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MR. COONS: Oh, I'm sure that that happens. I think in this case to resolve it I'm looking at the Federal Circuit practice, and I think that the answer -- you were quite right that oftentimes the validity issue and infringement issue are intertwined and you have to interpret the claims, and that's something which has to be done in any event.

And if that is not done, and is not done properly, it's part of what we think has occurred here, what happens is that you begin to meld the issues together, and it does affect the thinking, and so I think that that certainly has to be done.

And it is a rare case in which a declaratory judgment count is not there, so in terms of result we're probably not talking about a lot of cases, but in terms of approach, what I submit is that the Blonder-Tongue decision requires a consideration of validity when the trial court exercises discretion to decide that issue, whether it's decided valid or not.

And I think anything short of that would be a retreat from the sort of principles that were nec -- that were, excuse me, enunciated in Blonder-Tongue, and I think that what we've seen, that the concern about the safeguard over the 20 years, has certainly been something that has been put to rest. I think everyone is comfortable with



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the situation of one full and fair opportunity.

QUESTION: Do you think that most patent lawyers around the country agree with you?

(Laughter.)

MR. COONS: I haven't made a survey.

QUESTION: Do you know anyone that doesn't agree with you that we can get up here to argue the other side?

(Laughter.)

MR. COONS: I was hoping you weren't going to put me in that situation, but all I can say by way --

QUESTION: You can say yes, but I don't respect him, right?

(Laughter.)

MR. COONS: Well, I think that the point is that certainly from the amici, from the American Bar Association, the American Intellectual Property Law Association, and from the Federal Circuit Bar Association, you see a unanimity of view that this practice is not something that everybody is fond of and that it feels --

QUESTION: Maybe that's why we didn't get an amicus in this case. We couldn't find one to argue the other side.

MR. COONS: Well, I have been -- this is all hearsay, and perhaps it's not admissible at this stage, but I have been told that Judge Bennett's law clerk, and

he wrote the concurring opinion in the Vieau v. Japax --

QUESTION: You mean, he drafted it, yes.

(Laughter.)

MR. COONS: I stand corrected. He drafted the opinion. But at any rate, what I'm told is that he believes that that was proper, and I'm sure that it was --

QUESTION: I think you're right, that's hearsay.

(Laughter.)

MR. COONS: But I think that we're -- from my point of view, that one of the things that frankly I have not found any precedent that is squarely on point, but it's the issue of, we have Article 3 case or controversy, we have prudential mootness, and we have mootness being thrown around oftentimes a little bit loosely, and I submit that a court such as the Court of Appeals for the Federal Circuit, which is not a court of last resort, cannot itself, by its own action, create either jurisdictional mootness, nor can it create prudential mootness.

If prudential mootness occurs in a situation where it's a happenstance through some extrinsic fact, something which was in dispute, a report, or whatever, was issued, a bankruptcy plan which has already gone so far along in reorganization that it would be nonsensical to



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provide relief, those are the sorts of prudential mootness issues that come up.

But there is no situation in which a court which is not a court of last resort can by its own action create a situation in which the case is moot, whether you look at that as jurisdictionally moot or as prudentially moot, and I think that that perhaps is where the error came into play.

I think that the only thing that I would -- additional point that I would like to make is that you look at this from the standpoint of the patent owner, and part of the problem when you have the Federal Circuit practice is what has occurred here.

You have one half of an opportunity to litigate, which is accorded to Morton in the Argus case, you have one-half of an opportunity to litigate which was accorded in the Cardinal case, and the problem is that this is one situation in which one-half of an opportunity and one-half of an opportunity does not end up to be one full opportunity, that one-half of an opportunity may satisfy the cynical patent owner who only wants to save his or her patents, but that same one-half of an opportunity only serves to wholly frustrate a responsible patent owner as Morton, who believes an erroneous trial court decision was reached and would like to have that rectified on appeal.

Thank you very much.

QUESTION: Thank you, Mr. Coons. Mr. Schill, you have 4 minutes remaining.

REBUTTAL ARGUMENT OF CHARLES F. SCHILL

ON BEHALF OF THE PETITIONERS

MR. SCHILL: I think I would just like to make two points. First, the presumption of validity that's been discussed seems to be imbued with some substantive right by Morton. It really is only a procedural device to put the burden of proof of invalidity on the person attacking the patent, and I think that should be kept in mind when you're deciding whether there is some kind of unfairness of not deciding that issue, or deciding invalidity and then not going on to reach the merits.

The difference we have with Morton is that if the counterclaim, or if the invalidity is raised only as an affirmative defense, we don't believe the Court necessarily must reach that issue, and in conclusion, I believe that we would request this Court to remand the case to the Federal Circuit with the direction that they reach the issue of validity and reach the merits substantively on that issue.

CHIEF JUSTICE REHNQUIST: Thank you, Mr. Schill.

MR. SCHILL: Thank you, Your Honor.



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CHIEF JUSTICE REHNQUIST: The case is submitted.

(Whereupon, at 2:55 p.m., the case in the in the above-entitled matter was submitted.)



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Morton International, Inc.

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BY Ann Marie Federico

(REPORTER)