1	IN THE SUPREME COURT OF THE UNITED STATES
2	X
3	FRANCONIA ASSOCIATES, ET AL., :
4	Petitioners :
5	v. :
6	UNITED STATES; :
7	and : No. 01-455
8	GRASS VALLEY TERRACE, ET AL., :
9	Petitioners :
10	v. :
11	UNITED STATES. :
12	X
13	Washington, D.C.
14	Monday, April 15, 2002
15	The above-entitled matter came on for oral
16	argument before the Supreme Court of the United States at
17	11:01 a.m.
18	APPEARANCES:
19	JEFF H. ECKLAND, ESQ., Minneapolis, Minnesota; on behalf
20	of the Petitioners.
21	MATTHEW D. ROBERTS, ESQ., Assistant to the Solicitor
22	General, Department of Justice, Washington, D.C.; on
23	behalf of the Respondent.
24	
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Т	PROCEEDINGS
2	(11:01 a.m.)
3	CHIEF JUSTICE REHNQUIST: We'll hear argument
4	next in No. 01-455, Franconia Associates v. the United
5	States, and the Grass Valley Terrace v. United States.
6	Mr. Eckland.
7	ORAL ARGUMENT OF JEFF H. ECKLAND
8	ON BEHALF OF THE PETITIONERS
9	MR. ECKLAND: Mr. Chief Justice, and may it
10	please the Court:
11	This Court has held that statutes of limitations
12	involve fundamental considerations of fairness.
13	Petitioners submit that the cases before Your Honors this
14	morning involve precisely that.
15	In these two civil actions, petitioners seek
16	fair compensation for continuing to be bound to the
17	Section 515 housing program and continuing to house low-
18	income tenants for up to 50 years. Petitioners can
19	succeed in obtaining that fair compensation only if this
20	Court continues to apply the same ordinary principles of
21	law to the United States Government that it applies to
22	United States citizens.
23	The ordinary principles of law and their
24	continuing application to the United States Government
25	that are at issue here are, first, that a breach of

- 1 contract claim does not accrue until the date of breach;
- 2 that is, until the time for performance by the defendant
- 3 arrives and the defendant fails to perform.
- 4 QUESTION: Mr. Eckland, you -- you began by
- 5 saying you're seeking fair compensation for something.
- 6 Which is it? Are you seeking fair compensation for the
- 7 Government's violation of the Constitution by impairing
- 8 the obligation of contracts, or are you simply seeking
- 9 your contractual rights? Are you seeking a contract
- 10 claim? Which -- what do we have before us?
- 11 MR. ECKLAND: We are -- Justice Scalia, we are
- 12 seeking compensation for the breach of contract.
- 13 QUESTION: Okay. So, it's a -- it's a simple
- 14 contract case.
- MR. ECKLAND: Very much so, Your Honor. I mean,
- 16 included in the compensation that the petitioners are
- 17 seeking, it was not merely the lost income because of
- 18 their lost right to opt out, but given the situation,
- 19 petitioners are not receiving really sufficient income to
- 20 even cover the costs of maintaining the housing for their
- 21 current tenants.
- 22 QUESTION: Do you think you have a separate
- 23 cause of action for the Government's violation of the
- 24 Constitution, assuming that -- that you're correct that
- 25 that's what it's done?

- 1 MR. ECKLAND: Under the takings claim, Justice
- 2 Scalia?
- 3 QUESTION: Well, no, not the takings. But --
- 4 but impairing the obligation of contracts.
- 5 MR. ECKLAND: Oh, quite so, Your Honor, yes. We
- 6 believe that although it's for purposes --
- 7 QUESTION: This is a -- this is a Federal
- 8 contract?
- 9 MR. ECKLAND: It is with the Department of
- 10 Agriculture, Your Honor, through the Farmers Home
- 11 Administration.
- 12 QUESTION: So, the impairment clause doesn't
- 13 apply.
- 14 MR. ECKLAND: Well, it -- it comes -- no. That
- only applies to the States.
- 16 QUESTION: My difficulty with your argument is
- 17 that if you have -- your whole property claim here rests
- 18 upon the contract. And if you have a contract claim, then
- 19 your contract will be enforceable. If you don't have a
- 20 contract claim, then I'm not sure what the source of your
- 21 property taking is on the -- on the unconstitutionality
- 22 claim.
- MR. ECKLAND: Well, petitioners pled, Justice
- 24 Souter, the takings claim in the alternative to the breach
- 25 of contract claim. And in fact, the lower courts have

- 1 held that there is no enforceable contract here.
- 2 QUESTION: Well, if -- if they are correct, then
- 3 I don't see how you've got a taking because your -- your
- 4 whole property interest -- the only property interest
- 5 you're asserting is an interest under that contract. And
- 6 if you haven't got the -- if you have no breach of
- 7 contract, then I don't see what's being taken from you.
- 8 MR. ECKLAND: What's being taken, Justice
- 9 Souter, is the expected use of the petitioners'
- 10 properties. What happened is they volunteered to a
- 11 certain period of time --
- 12 QUESTION: If you don't have a contract for it,
- 13 you have no right to expect it.
- 14 MR. ECKLAND: But there were representations by
- 15 the Government that created a reasonable investment-backed
- 16 expectation on the part of --
- 17 QUESTION: Why did the lower courts find that
- 18 there was no contract claim? Because of the statute.
- 19 MR. ECKLAND: Because of the -- one judge, in
- 20 particular, because of the unmistakability doctrine.
- 21 QUESTION: Because of the --
- 22 MR. ECKLAND: In other words, the contract was
- 23 not clear enough to constitute an enforceable contract
- 24 with the Government.
- 25 QUESTION: I thought the Federal Circuit went on

- 1 the statute of limitations. Isn't that what you're
- 2 opposing, that the statute of limitations didn't expire?
- 3 MR. ECKLAND: Yes, Your Honor. The lower court
- 4 opinions were denying our motion for summary judgment, so
- 5 we've not been able to get to trial on the existence of
- 6 the contract. Assuming for the purposes of our case that
- 7 there is a contract, the Federal Circuit did affirm the
- 8 dismissal on the basis of the statute of limitations.
- 9 QUESTION: Yes. The question you presented is
- 10 whether a breach of contract claim accrues for purposes of
- 11 section -- when Congress enacts a statute alleged to
- 12 abridge a contractual right to freedom from regulatory
- 13 covenants upon prepayment of Government mortgage loans.
- 14 Basically the -- the court held that your -- the statute
- of limitations barred your contract claim, didn't it?
- MR. ECKLAND: That is true, Your Honor.
- 17 QUESTION: And that's the case we have here.
- 18 MR. ECKLAND: Well, in -- yes. Yes, it is,
- 19 Judge, a statute of limitations case.
- 20 In our case, the petitioners alleged that their
- 21 claims accrued when they tried to prepay and when the
- 22 Farmers Home Administration failed to accept their
- 23 prepayment requests and refused to release them from the
- 24 regulatory covenants imposed by the Section 515 program.
- 25 Petitioners all commenced suit within 6 years of that

- 1 date, and therefore they maintain here that their claims
- 2 are timely.
- Now, the Government maintains that the
- 4 petitioners' claims accrued not on the date dictated by
- 5 the ordinary principles of law, breach of contract and
- 6 takings, but rather automatically in the enactment of the
- 7 1988 legislation. But if you look at -- closely at the
- 8 1988 legislation, it's clear that it has no immediate
- 9 impact whatsoever on the owners. All of its commands,
- 10 directives, requirements, and authorizations are directed
- 11 solely at the agency.
- 12 QUESTION: Didn't the Federal Circuit rely on
- 13 anticipatory breach?
- 14 MR. ECKLAND: No, Your Honor. They maintained
- 15 that the actual passage of the -- of the statute
- 16 constituted an automatic breach. They did not rely on the
- 17 anticipatory breach.
- 18 QUESTION: You were relying on anticipatory
- 19 breach, as I understand it.
- 20 MR. ECKLAND: We do not either, Your Honor,
- 21 although the petitioners here have the option of suing --
- 22 assuming -- suing before the breach, assuming that they
- 23 had the ability to perform at that time -- and there's
- 24 nothing in the record --
- 25 QUESTION: You rely on the notion that before

- 1 they went to pay it off, it was an anticipatory breach.
- 2 MR. ECKLAND: No, Judge. We are relying on the
- 3 actual breach. All petitioners --
- 4 QUESTION: I'm sorry. Then I'm confused. I
- 5 thought that your argument was that the reason the statute
- 6 of limitations doesn't arise, doesn't start to run prior
- 7 to the time that they paid it off, is because prior to
- 8 that time, there was no actual breach. There was only an
- 9 anticipatory breach.
- 10 MR. ECKLAND: Correct, yes.
- 11 QUESTION: All right. That's what I thought
- 12 Justice Ginsburg was asking.
- MR. ECKLAND: Yes.
- 14 QUESTION: Now, but you take the position that
- 15 your clients could have filed suit soon after the passage
- 16 of ELIHPA.
- 17 MR. ECKLAND: Justice O'Connor, not necessarily.
- 18 Under the doctrine of anticipatory repudiation, they did
- 19 have a option to sue before. But as we pointed out in
- 20 footnote --
- 21 QUESTION: Well, that's what I'm asking you.
- 22 You take the position -- let's be clear about your --
- 23 please -- that after the enactment of the statute, your
- 24 clients could have filed suit for breach of contract on an
- 25 anticipatory breach theory?

- 1 MR. ECKLAND: Yes, but only if they had the
- 2 ability to prepay at that time. One of the requirements
- 3 of -- of the contract is that the petitioners had the
- 4 requisite funds to prepay before submitting a prepayment
- 5 request.
- 6 QUESTION: Well, no, no, no, no, no.
- 7 MR. ECKLAND: That is --
- 8 QUESTION: You -- you don't -- you don't -- no.
- 9 You have to -- you say for anticipatory breach you have to
- 10 show that you're ready to --
- 11 MR. ECKLAND: Ready, willing, and able, Judge.
- 12 QUESTION: -- to perform when -- when the
- 13 obligation to perform comes. You -- you don't have to
- 14 show that you're ready for immediate performance.
- 15 MR. ECKLAND: You do have to show that you're --
- 16 but for the repudiation, you do have to show that you are
- 17 able to perform.
- 18 QUESTION: But performance here -- what you're
- 19 talking about here in performance means the ability to
- 20 prepay. And I take it your argument is we couldn't have
- 21 prepaid because we didn't have the money, and therefore we
- 22 couldn't have proved damages. Is -- is that it?
- 23 MR. ECKLAND: Essentially so, Your Honor. We
- 24 don't rely on --
- 25 QUESTION: I have a contract to deliver 100,000

- 1 widgets 3 years from now. The party who -- the party who
- 2 is committed to buy those widgets announces I am not going
- 3 to buy those widgets, and you say there is no anticipatory
- 4 breach unless I have on hand the 100,000 widgets, which I
- 5 have no obligation to deliver until 3 years from now.
- 6 That's -- that's how you envision the -- the law of
- 7 anticipatory breach? I'm sure that's wrong.
- 8 MR. ECKLAND: Well, no. Well, footnote 23. We
- 9 address this in our reply brief, Your Honor.
- 10 QUESTION: The whole purpose of anticipatory
- 11 breach -- most people use it not to get damages but to
- 12 relieve themselves of the obligation of -- of remaining in
- 13 -- in the status of being able to perform the contract.
- 14 The person who would sue in the case that I gave you would
- 15 be suing so that he wouldn't have to go and acquire the
- 16 100,000 -- the 100,000 widgets. It's never the case that
- 17 he's ready -- or almost never the case that he's ready
- 18 here and now to perform.
- 19 MR. ECKLAND: But, Your Honor, if the person who
- 20 had the obligation to accept the delivery did not have the
- 21 funds, for example, even to purchase them, then that would
- 22 be sort of almost a fraudulent --
- 23 QUESTION: He didn't need the funds until 3
- 24 years from now. He has no obligation to purchase until 3
- 25 years from now.

- 1 QUESTION: Could we agree to this?
- 2 Could we agree to this, that so far as the element of an
- 3 anticipatory breach claim involves the act of the
- 4 Government, you had that element, and at least to that
- 5 extent, you could have brought an anticipatory breach
- 6 claim when the statute was passed? Maybe you didn't have
- 7 other elements. That's what we're arguing about, but you
- 8 had the -- you had the -- the Government's fault element.
- 9 Is that correct? Do you agree?
- 10 MR. ECKLAND: Well, certainly, Justice Souter,
- 11 the --
- 12 QUESTION: But you're saying, whether I could
- 13 have sued then or not, I certainly can sue at the point at
- 14 which I would claim my right to redeem without these
- 15 various conditions, and they refused to honor it. You're
- 16 saying, even if I could have sued when the statute was
- 17 passed, I can also under contract principles sue when the
- 18 moment comes that I want to exercise my right to prepay.
- MR. ECKLAND: Correct, Your Honor.
- 20 QUESTION: Okay.
- 21 MR. ECKLAND: And -- and the doctrine does not
- 22 require you to sue until that date. It's merely an option
- 23 to sue prior to that date.
- 24 QUESTION: So, you're arguing for total control
- 25 then over timing because your client could say, we're not

- 1 ready after 5 years, we're not ready after 7 years, we're
- 2 not ready after 10 years. So, the statute would -- would
- 3 never run. In other words, you're asking for any time
- 4 from the earliest, which is when the law is passed, until,
- 5 say, 20 years later.
- 6 MR. ECKLAND: Yes, Your Honor, we are.
- 7 QUESTION: So, you could --
- 8 MR. ECKLAND: Because the Government negotiated
- 9 option terms up to 50 years.
- 10 QUESTION: That was the deal.
- 11 MR. ECKLAND: That was the deal.
- 12 QUESTION: Yes.
- 13 MR. ECKLAND: And the owners relied on that when
- 14 they signed up, and they had, you know, a clear
- 15 expectation that at some point in time they would be able
- 16 to prepay, opt out, and convert their markets --
- 17 QUESTION: May -- may I interrupt you?
- 18 MR. ECKLAND: -- to market rate -- yes.
- 19 QUESTION: Did they have a right to assume right
- 20 after the -- the day after the statute was passed, did
- 21 they continue to have a right to prepay --
- 22 MR. ECKLAND: The right --
- 23 QUESTION: -- without any objection?
- 24 MR. ECKLAND: Well, the right still existed,
- 25 Your Honor, but it wasn't -- it was repudiated at the time

- 1 of the statute.
- 2 QUESTION: Well, it wasn't just -- it's not like
- 3 a private citizen saying, I don't intend to perform 3
- 4 years from now. You have a law passed that takes away a
- 5 certain contract right. Was there a breach when the law
- 6 was passed?
- 7 MR. ECKLAND: Well, Your Honor, petitioners
- 8 maintain that the right was not eliminated. It was, if
- 9 you will, conditioned --
- 10 QUESTION: Do you maintain there was no breach
- 11 at the time the law was passed?
- 12 MR. ECKLAND: That's correct, Your Honor.
- 13 That's merely repudiation. The breach did not occur
- 14 unless and until the prepayment request was submitted and
- 15 denied.
- 16 QUESTION: But you would concede that the
- 17 statute changed your rights.
- 18 MR. ECKLAND: The statute did condition them,
- 19 and that conditioning, or fettering as the Government
- 20 says, is a repudiation, but like any other situation in
- 21 the private sector, when you repudiate a right, the breach
- 22 doesn't occur until the time for performance comes due.
- 23 QUESTION: The repudiation --
- 24 QUESTION: Well, that's because a private party
- 25 has the right to change his mind.

- 1 MR. ECKLAND: Correct. Right, the defendant
- 2 could change their mind or the petitioner here could, in
- 3 fact, be able to --
- 4 QUESTION: Doesn't the Government have the right
- 5 to change its mind? Couldn't the Government pass another
- 6 statute going back to what the situation was before this
- 7 one?
- 8 MR. ECKLAND: Yes, Justice Scalia.
- 9 QUESTION: In fact, it did that at one point,
- 10 didn't it?
- 11 MR. ECKLAND: They could and they did.
- 12 QUESTION: They did at one point, didn't they?
- 13 MR. ECKLAND: In 1979 they initially conditioned
- 14 the right, and in 1980 they repealed it, retracted it.
- 15 Now, under the Government's proposed rule, if -- if the
- 16 statute of limitations began to run immediately upon the
- 17 enactment of the statute, all of the petitioners here
- 18 would have been compelled to file their suit within 6
- 19 years of 1979, i.e., by 1985.
- 20 QUESTION: So, we're arguing about whether a
- 21 statute itself, without any action from the agency, can be
- 22 a repudiation.
- MR. ECKLAND: We believe it can be a
- 24 repudiation, yes, Mr. Chief Justice. But the breach does
- 25 not ripen, if you will, unless and until the prepayment

- 1 request is denied.
- 2 QUESTION: Does the repudiation give you the
- 3 right to the same damages that you would receive for a
- 4 total breach of the contract?
- 5 MR. ECKLAND: In our case, no. The petitioners
- 6 maintain that since the housing is within a restricted
- 7 program, it really has no market value unless and until a
- 8 petitioner actually attempts to prepay. But even
- 9 assuming, Your Honor, that there was some type of damage
- 10 caused by the enactment of the statute, still the
- 11 limitations period would not commence to run until the
- 12 time for performance came and was not rendered.
- 13 QUESTION: I think it's usually the case, is it
- 14 not, that when there's an anticipatory repudiation, it's
- 15 -- it's very difficult for the -- the other party to
- 16 determine what his damages are going to be.
- 17 MR. ECKLAND: Very difficult.
- 18 QUESTION: Which is why he uses the doctrine to
- 19 get out of the contract rather than to seek damages. In
- 20 the widget case I gave you, who knows? Who knows what 3
- 21 years from now the price of widgets will be? So -- so you
- 22 use it to get out of the contract.
- 23 MR. ECKLAND: Petitioners here, being in the
- 24 Court of Federal Claims, have as their only remedy the
- 25 monetary judgment. And -- and they are seeking damages

- 1 starting only as of the date that their prepayment request
- 2 was denied by the agency. So --
- 3 QUESTION: So are you -- you're saying that
- 4 there was a claim, or you're saying that -- that your
- 5 claim really doesn't accrue until you -- until you have
- 6 the -- the wherewithal to prepay. So, you don't really
- 7 have a ripe claim until then?
- 8 MR. ECKLAND: We're saying the petitioners would
- 9 at least have to have the money to prepay. They would
- 10 have to have the ability to perform. You couldn't have a
- 11 situation, for example, where someone was unable to
- 12 prepay, they experienced repudiation and a breach, a later
- 13 breach, and then say, well, we would have performed if you
- 14 hadn't repudiated.
- 15 QUESTION: Well --
- MR. ECKLAND: They have to have the honest
- 17 intent to perform and have the ability to perform.
- 18 QUESTION: I have a problem with that.
- 19 MR. ECKLAND: Yes.
- 20 QUESTION: But let's get -- if we can get -- for
- 21 the same reason Justice Scalia mentioned. But let's
- 22 assume you had cash in the bank that would allow you to
- 23 prepay, and then there's a repudiation.
- MR. ECKLAND: Sure.
- 25 QUESTION: At that point, can't you show your

- 1 damages? You don't want to prepay, but can't you say --
- 2 have an expert in and say, this property has a certain
- 3 value and part of the value is the right at any time to
- 4 prepay the -- the loan and use it for another use? And
- 5 this can be valued in the real estate market. It's worth
- 6 more if I can prepay than if -- if I can't, and you have
- 7 some expert come in and tell you the difference in the
- 8 values. And you do that at the moment the repudiation
- 9 occurs.
- 10 MR. ECKLAND: But here, Justice Kennedy, a 50-
- 11 year option exists. Petitioners don't know, frankly --
- 12 they didn't know in 1979 and many didn't know in 1988 what
- 13 the value of their properties would be, given interest
- 14 rate structures and other market conditions at any given
- 15 point in time --
- 16 QUESTION: Well, you mean 50-year options are
- 17 not subject to valuation? Experts do this all the time.
- 18 MR. ECKLAND: Well, but even so, even if you
- 19 could come up with a damage theory to cover this, still
- 20 it's clear that under the law, the breach would not be
- 21 deemed to accrue for limitations purposes until the time
- 22 for performance has arrived and performance failed.
- I mean, if you take a hypo of the GSA leasing
- 24 some space in a building --
- 25 QUESTION: You're -- you're just getting me

- 1 confused again. I thought we established that you thought
- 2 a suit could have been filed for anticipatory breach of
- 3 some kind after the statute was enacted.
- 4 MR. ECKLAND: If they're able to perform, yes,
- 5 Your Honor.
- 6 QUESTION: And now you're saying no. It's just
- 7 very confusing. I don't know what in the world you're
- 8 arguing.
- 9 MR. ECKLAND: Justice O'Connor, no. If the
- 10 petitioners had the ability to pay, they could have
- 11 brought an anticipatory breach claim --
- 12 QUESTION: Only if they had the ability to pay,
- 13 you say.
- 14 MR. ECKLAND: According to Corbin and the case
- 15 law that we cite at footnote 23 of our brief, yes. But if
- 16 we get beyond that, okay --
- 17 QUESTION: Footnote 23 just says that ordinary
- 18 contract law applies to this kind of case. We still --
- 19 but we still -- we still have to figure out what ordinary
- 20 contract law is. Footnote 23 doesn't shed any light on
- 21 that that I saw.
- 22 MR. ECKLAND: But in this case --
- 23 QUESTION: And -- and I might add that on page
- 24 27 of the blue brief, you say that the law constituted an
- 25 anticipatory repudiation and petitioners had the option of

- 1 suing immediately.
- 2 MR. ECKLAND: In general, yes, that's true, Your
- 3 Honor. But here the petitioners sued within 6 years of
- 4 the actual breach.
- 5 QUESTION: And in fact, you did not sue until
- 6 after the passage of 6 years.
- 7 MR. ECKLAND: From the statute, yes, Your Honor.
- 8 QUESTION: From the enactment of the statute.
- 9 MR. ECKLAND: But -- but all petitioners
- 10 commenced suit within 6 years of the date of the actual
- 11 breach, which is the date that the prepayment requests
- 12 were denied.
- 13 QUESTION: So, what apparently the Government's
- 14 arguing -- does it matter if we call this anticipatory
- 15 repudiation or anticipatory breach? I guess
- 16 technically --
- 17 MR. ECKLAND: Technically --
- 18 QUESTION: -- we should say anticipatory
- 19 repudiation?
- 20 MR. ECKLAND: Yes, Your Honor.
- 21 QUESTION: Fine. And so, what they say, in
- 22 part, which I'd like to hear your response, is if you're
- 23 right that where there is anticipatory repudiation of a
- 24 contract, the other side, if it's a private contract, has
- 25 a choice. They can either sue immediately if conditions

- 1 X, Y, and Z are fulfilled, or they wait until the contract
- 2 is actually breached. But we are the Government and we
- 3 have to interpret this statute strictly, and therefore we
- 4 interpret it to mean that even if where you're dealing
- 5 with a private person, you'd have your choice; here
- 6 there's no choice.
- Now, your response is what?
- 8 MR. ECKLAND: Well, here, Your Honor, although,
- 9 yes, we need to construe the statute strictly, we cannot
- 10 do so in such a manner, however, to narrow the waiver of
- 11 sovereign immunity that has already occurred under the
- 12 Tucker Act. As this Court held in Irwin and in Bowen
- 13 against New York, the tolling -- equitable tolling
- 14 principles at issue in those cases, which applied to the
- 15 private sector, were nonetheless deemed to apply to the
- 16 Government, despite the strict construction of the statute
- 17 of limitations involved in those cases. Here there is --
- 18 although there's a conditioning of the right at the point
- 19 of the repudiation, no breach occurs until the performance
- 20 comes due and is not rendered.
- 21 If -- again, if you look at the statute, under
- 22 ELIHPA, page 74 of our appendix 4a, all of its directives
- 23 are towards the Secretary. For example, the Secretary
- 24 shall make reasonable efforts to enter into an agreement
- 25 with the borrower to extend the term of the -- of the

- 1 contract. It's the Secretary that needs to make those
- 2 reasonable efforts. There's no directive directly to the
- 3 owner that the owner participate in that process.
- 4 QUESTION: If -- if that's the -- I mean, I
- 5 really do think that your takings claim, which is the
- 6 reason you're going into this thing -- well, it was just a
- 7 conditioning of the right; it wasn't an elimination of the
- 8 right; it just reduced it -- you do all of that to -- to
- 9 support your takings claim. But -- but it just -- it
- 10 confuses your -- your primary claim, which is the contract
- 11 claim. I don't see why there -- if it's only a
- 12 conditional reduction and if it's only a direction to the
- 13 agency, I don't see why there was an anticipatory breach
- 14 then. It seems to me that what you need for a taking, you
- 15 need for an anticipatory breach. I don't see how you can
- 16 say it was enough for an anticipatory breach, but it
- 17 wasn't enough for a taking.
- 18 MR. ECKLAND: You are correct, Your Honor. It
- 19 does not have to be repudiation. We maintain that that's
- 20 the most that it can be. If it's not a repudiation, the
- 21 breach here then occurs on the adverse agency action, and
- 22 all petitioners maintain --
- 23 QUESTION: And that's why you were confusing
- 24 Justice O'Connor, because you're not really ready to say
- 25 there was an anticipatory breach, because in order to

- 1 sustain your takings claim, you don't really want to say
- 2 there was an anticipatory breach because they didn't
- 3 really, absolutely break the contract. They just gave a
- 4 direction to the agency and it didn't entirely eliminate
- 5 the right, it just conditioned it.
- 6 MR. ECKLAND: Justice Scalia --
- 7 QUESTION: You're carrying water on both
- 8 shoulders, it seems to me, and you're spilling a lot.
- 9 MR. ECKLAND: Well, Your -- Your Honor, no. At
- 10 the point of the denial of the prepayment request, there
- is a definite breach and that's where the damages occur.
- 12 But the takings --
- 13 QUESTION: And you say in every breach there's
- 14 also a taking?
- MR. ECKLAND: Oh, no, Your Honor.
- 16 QUESTION: I don't understand that. Why weren't
- 17 you satisfied with a breach of contract claim?
- 18 MR. ECKLAND: Well --
- 19 QUESTION: What -- what are you adding with this
- 20 so-called takings claim?
- 21 MR. ECKLAND: Well, in the event that the lower
- 22 courts do not rule in the petitioners' favor on the
- 23 contract claim, they have their wholly independent takings
- 24 claim, which is based not -- it's not predicated on the
- 25 existence of a contract. It's simply the unilateral

- 1 'Fextension by the Government of restrictions on the use
- 2 of the petitioners' property. They -- they --
- 3 QUESTION: The property being buildings?
- 4 MR. ECKLAND: The buildings and their land.
- 5 Before they entered into the program voluntarily, they had
- 6 the full use of their buildings and land. And they
- 7 voluntarily --
- 8 QUESTION: Suppose you win on the first claim.
- 9 Suppose you win on the contract claim. Then do you want
- 10 us to go and answer the other question which, as far as I
- 11 can see, is going to take me into outer space?
- 12 (Laughter.)
- 13 QUESTION: But -- and I'd worry about what I'd
- 14 write on that. What's your view on that?
- MR. ECKLAND: Well, there are differences
- 16 between the claims, Your Honor. There are potential
- 17 differences --
- 18 OUESTION: I know there are differences. I
- 19 asked you a specific question. If you win on the contract
- 20 claim, do you want us, nonetheless, to go on and answer
- 21 the second question? It's either yes or no.
- 22 MR. ECKLAND: Petitioners do, Your Honor, yes,
- 23 because damages are different. In fact, the dates could
- 24 be different. The taking could take place, for example,
- 25 at the end of the for sale procedure that's involved in --

- 1 in the prepayment process, which would be 6 months, at
- 2 least, after the denial of the prepayment request.
- 3 QUESTION: May I --
- 4 QUESTION: You've gotten the full benefit of
- 5 your contract, which is what would happen if you win on
- 6 your contract's claim. What possible taking could there
- 7 have been?
- 8 MR. ECKLAND: If -- in practical terms, Justice
- 9 Scalia, if we do prevail on the contract claim at trial, I
- 10 don't see that we would pursue the takings.
- 11 QUESTION: That's fine, except what you're
- 12 asking us to do then is to write a little essay on a
- 13 matter that affects millions of other people in a very
- 14 serious way, in a case which doesn't seem completely to
- 15 present the issue. If that's what you want us to do, and
- 16 I guess you have a right to do it.
- 17 MR. ECKLAND: On behalf of the petitioners, I
- 18 mean, we would not abandon --
- 19 QUESTION: Well, we have a right to dismiss it
- 20 too, I suppose.
- 21 (Laughter.)
- MR. ECKLAND: Yes, you do.
- 23 QUESTION: May I ask, because I have to confess,
- 24 I get -- am getting a little confused, too? Just tell me
- 25 precisely -- forget the contract claim for a minute. All

- 1 we've got before us is the takings claim. What is it that
- 2 was taken and when?
- 3 MR. ECKLAND: Prior to the time that the owners
- 4 entered into this program, they owned their land. Many
- 5 owned the buildings.
- 6 QUESTION: I understand, and then they --
- 7 MR. ECKLAND: Then they voluntarily agreed to
- 8 these restrictions on the use, only a certain level of
- 9 rent, only a certain income of tenants. The
- 10 representations by the Government, even though they may
- 11 not have arisen to a contract, nonetheless stated that --
- 12 or gave the owners the expectation that at some point in
- 13 time they could prepay and opt out of the program.
- 14 QUESTION: Well, would you tell me what you
- 15 think was taken? Is it the right to prepay that was
- 16 taken?
- 17 MR. ECKLAND: If there is no contract right,
- 18 then no, that was not taken, Your Honor.
- 19 QUESTION: What -- what --
- 20 MR. ECKLAND: What was taken is their -- is --
- 21 is the permitted use of the property under their
- 22 reasonable investment-backed expectation. It's clearly --
- 23 it's -- it's a regulatory taking where the properties
- 24 experience a diminution in value because they can no
- 25 longer be used once the owner decides to -- to leave the

- 1 program in the manner in which they had been used prior to
- 2 their voluntary entry into the program.
- 3 QUESTION: It's a regulatory taking of the right
- 4 to make use of the property the way you wanted. Which
- 5 occurred when?
- 6 MR. ECKLAND: Which occurred prior to the time
- 7 that they voluntarily agreed to participate in the
- 8 program.
- 9 QUESTION: You mean before -- even before they
- 10 signed the contract?
- 11 MR. ECKLAND: Well, at or about the same time.
- 12 I mean, if it's a contract, yes, but we -- you know, it
- 13 was pled in the alternative. So far, the courts have held
- 14 there are no contracts. So, what we have is just a
- 15 written representation --
- 16 QUESTION: I've been trying to ask the question
- 17 that's --
- 18 MR. ECKLAND: Yes.
- 19 QUESTION: Assume you never made a contract
- 20 claim. What -- I'm trying to find out what your taking
- 21 claim would be, and I frankly don't understand.
- 22 MR. ECKLAND: It's just their inability to go
- 23 back to using their property the way they were because of
- 24 the passage of ELIHPA and the regulations that compelled
- 25 them to continue charging only a certain level of rent.

- 1 They could not raise their rent.
- 2 QUESTION: Now, can we go back a little? Did
- 3 your clients borrow some money from the Federal Government
- 4 at low interest rates?
- 5 MR. ECKLAND: Yes. Well --
- 6 QUESTION: Yes.
- 7 MR. ECKLAND: The construction loan, Your Honor,
- 8 in many cases was initially from a private mortgage
- 9 lender. Then that would be taken out upon the entry into
- 10 the contract by the Farmers Home Administration. And that
- 11 was a low interest rate loan effectively --
- 12 QUESTION: To develop the property.
- 13 MR. ECKLAND: Yes, Your Honor. Yes. And that
- 14 was a low interest loan, but it devolved to the benefit of
- 15 the tenants in the form of low rents. It didn't go into
- 16 the pockets of the owners. They were able to charge
- 17 low --
- 18 QUESTION: Well, to get the loan, the borrower,
- 19 your clients, had to execute a loan agreement and a
- 20 promissory note --
- MR. ECKLAND: Yes, Your Honor.
- 22 QUESTION: -- and enter into a mortgage.
- MR. ECKLAND: Yes.
- 24 QUESTION: And was the right of prepayment
- 25 spelled out in any of those agreements?

1	MR. ECKLAND: The prepayment right itself was in
2	the promissory note, yes, Your Honor.
3	Mr. Chief Justice, I see that most of my time is
4	spent. If I may reserve the rest for rebuttal.
5	QUESTION: Very well, Mr. Eckland.
6	Mr. Roberts, we'll hear from you.
7	ORAL ARGUMENT OF MATTHEW D. ROBERTS
8	ON BEHALF OF THE RESPONDENT
9	MR. ROBERTS: Mr. Chief Justice, and may it
10	please the Court:
11	Petitioners' claims are barred because they
12	weren't filed within 6 years of when they first accrued,
13	on the enactment of ELIHPA. Petitioners allege that their
14	contracts gave them the option to prepay their mortgages
15	at any time subject to only those legal restrictions in
16	place when the contracts were made. They're, thus,
17	alleging that the Government promised not to impose
18	additional legal restrictions on their option to prepay
19	and ELIHPA itself breached any such promise because ELIHPA
20	itself imposed additional legal restrictions on
21	prepayment. Petitioners' contracts claims accrued at the
22	time of that present breach.
23	QUESTION: Well, was do you do you concede
24	or should we take this case on the assumption that there

25

was a contract? Do -- do we --

1 MR. ROBERTS: We're -- for --2 QUESTION: -- do we assume it for purposes of 3 deciding this case? 4 MR. ROBERTS: For the purposes of deciding the 5 statute of limitations question, yes. QUESTION: And that the contract included a 6 7 right of prepayment. 8 MR. ROBERTS: Included a right of prepayment and not only a right of prepayment, because if the contract 9 10 just said you can prepay at any time, it like all 11 contracts would be presumed to be subject to subsequent 12 legislation. So, the -- that right to prepayment had to 13 also include a promise that the Government wouldn't change 14 the rules and impose additional legal restrictions on --15 QUESTION: When I have my contract to pay a 16 million dollars when my ship -- when the ships with grain 17 come in, I say, a year in advance, ha-ha, I'll never pay. 18 I'll never pay. And therefore, I then have breached the 19 contract to carry out what I promised. 20 MR. ROBERTS: No. In that circumstance, it 21 would be anticipatory repudiation. But -- but here you 22 have legislation, not a statement by a private party. 23 QUESTION: So -- so what? 24 MR. ROBERTS: Well, two things. One, 25 legislation itself alters the legal rights, and two --

1 QUESTION: Well, the Government -- the 2 Government cannot -- cannot break a contract then. 3 MR. ROBERTS: No. The Government --4 QUESTION: The Government can always act by 5 legislation, can't it? 6 MR. ROBERTS: Yes. Yes, Your Honor, and the 7 Government --8 QUESTION: So, the Government --9 MR. ROBERTS: -- can breach the contract and -and be responsible for damages. And we're not arguing 10 that -- that they can't. 11 12 QUESTION: So long as it does it by legislation, 13 it's okay. 14 MR. ROBERTS: No. No, no, Your Honor. The 15 Government --QUESTION: I thought that was your point, that 16 17 this -- this breach is different because it was done by 18 legislation. 19 MR. ROBERTS: That doesn't mean -- that -- that 20 doesn't mean that it's not a breach, but what it means is 21 that the breach is occurring at the time the legislation 22 is passed. 23 QUESTION: So, fine. The legislation says, ha-24 ha, we won't pay. You know, I just want the legislation

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to say precisely what the private person said. Now, you

25

- 1 say we reach a different result because it's in the form
- 2 of legislation?
- 3 MR. ROBERTS: Yes.
- 4 QUESTION: Okay. Now, one thing -- I'm just
- 5 curious to get into that a little bit -- is, I don't
- 6 understand why the Government is taking the position it
- 7 does, as well as what the position is. That is to say,
- 8 wouldn't you, if you win -- and this will help me
- 9 understand it -- have millions of people who have entered
- into contracts with the Government poring over every law
- 11 that is passed, and probably every regulation, to decide
- 12 whether or not that law and that regulation will somehow
- 13 10 or 15 years from now impact on a real estate contract
- 14 they have with the Government? A whole industry of
- 15 anticipatory breach, not really, lawyers will develop in
- order to bring those claims immediately in the Court of
- 17 Claims because we might lose them later even though
- 18 everything would have been worked out.
- 19 Now, if you can explain that to me, I suspect
- 20 I'll have a better time understanding your argument.
- MR. ROBERTS: Okay. What -- what we're -- what
- 22 we're asking for is that people who believe that their
- 23 contractual rights have been injured -- have been
- infringed by a statute give the Government reasonably
- 25 prompt notice, in accordance with the statute of

- 1 limitations, of their claims. And the benefit of the
- 2 ability to have a prompt accounting outweighs, in the
- 3 Government's view, any additional lawsuits that may
- 4 result.
- 5 And we don't think that there will be a
- 6 significant number of additional lawsuits because, as the
- 7 Court was explaining before, there's an ability to sue
- 8 immediately on the anticipatory repudiation theory. So,
- 9 it isn't that the petitioners -- or that the Government is
- 10 not going to be subject to suit or --
- 11 QUESTION: But what would the damages be when I
- 12 haven't got the wherewithal to pay?
- MR. ROBERTS: The -- the damages are that
- 14 petitioners had a loan that they allege gave them an
- 15 unfettered option to prepay at any time. And after ELIHPA
- 16 was passed, that loan no longer had that unfettered option
- 17 to prepay. And a loan that has an -- has an absolute
- 18 prepayment option is worth more than a loan with a
- 19 severely restricted prepayment option. The difference in
- 20 the value of the loan is reflected in the difference of
- 21 the value of the property that's encumbered by the loan,
- 22 and it's -- it's easy to measure by comparing the --
- 23 QUESTION: Easy to measure? You -- you'd bet
- 24 your life on that? I mean, the -- the reason -- the
- 25 reason contract law has developed the option of suing for

- 1 anticipatory breach as just an option is precisely because
- 2 it is often so difficult to anticipate what your damages
- 3 will be. And so, it leaves it up to the innocent party
- 4 who hasn't broken the contract to either sue immediately,
- 5 if he can calculate his damages and get them, or to wait
- 6 until the -- the time for performance comes.
- 7 And what the Government is doing with this
- 8 theory is forcing everybody who has a contract with the
- 9 Government to come in with -- with speculative damages and
- 10 hoping that some court will find a difference between the
- 11 value of this contract now and what it would be 50 years
- 12 from now. I -- I think it's a -- I don't know why you
- 13 would want to impose this kind of a regime upon
- 14 contractors with the Government.
- 15 MR. ROBERTS: The damages, first of all, can be
- 16 measured, as I said. Second of all, the -- the
- 17 Government, as reflected in the statute of limitations,
- 18 has a -- has a prompt -- has an interest in prompt
- 19 resolution of the claims.
- 20 QUESTION: Well, I'm not --
- 21 QUESTION: I mean, anything can be measured. I
- 22 mean, you know, my life expectancy can be measured, but I
- 23 wouldn't bet a whole lot of money on it.
- MR. ROBERTS: That -- that's right --
- 25 QUESTION: You know, you -- you can come up with

- 1 a guess for -- for anything. But -- but the reason we
- 2 give the option to the innocent party is precisely because
- 3 it's a guess. It may be, you know, an educated guess, but
- 4 it's a guess.
- 5 MR. ROBERTS: With -- with due respect, Your
- 6 Honor, I -- I don't think that's the reason why the law
- 7 gives the -- the option to the innocent party. The law
- 8 gives the option to the innocent party so that the -- the
- 9 party has the ability -- the opportunity to convince the
- 10 defendant to retract its wrongful repudiation.
- 11 QUESTION: But if -- if it is an option, why
- 12 should the innocent party be penalized by having the
- 13 statute of limitations start to run then?
- 14 MR. ROBERTS: It's not an option here because
- 15 the statute is a present breach. And -- and to understand
- 16 that --
- 17 QUESTION: Well, are you --
- 18 MR. ROBERTS: -- it's important to understand
- 19 the nature of the promise that's -- that's at issue here,
- 20 I think, and if -- if I could try to go back to -- to do
- 21 that.
- 22 QUESTION: Yes. I was going to ask -- I -- I
- 23 think it's consistent with the Chief Justice's inquiry.
- 24 Are you saying that there's only one cause of action here,
- 25 or do you concede that there are two causes of action, one

- 1 for repudiation or anticipatory breach and the other for
- 2 the actual breach?
- 3 MR. ROBERTS: Our position is that there is an
- 4 actual breach at the time that the statute is passed, and
- 5 it's a breach of -- of the promise that the Government
- 6 made that it wouldn't impose additional legal restrictions
- 7 on prepayment.
- 8 QUESTION: Even though --
- 9 MR. ROBERTS: It's different from --
- 10 QUESTION: Even though performance is not yet
- 11 due.
- 12 MR. ROBERTS: Performance on that promise is
- 13 due, Your Honor. Performance on that promise is -- is due
- 14 throughout the life of the loan.
- 15 QUESTION: No. But you can make that argument
- 16 with respect to any contract that is ever made. You're
- 17 saying there is always an implicit term that they won't
- 18 monkey around with the terms of the contract, and whenever
- 19 in anticipation they do so, there's an immediate breach.
- 20 And if you follow that analysis, then in fact the
- 21 distinction between repudiation and anticipatory breach on
- 22 the one hand and actual breach on the other will disappear
- 23 in every contract, public or private.
- 24 MR. ROBERTS: No, Your Honor, because -- because
- 25 the -- the difference is between legislation and the --

- 1 and the role that legislation has under background
- 2 principles of contract law and other actions.
- 3 QUESTION: The background principle of contract
- 4 law is that we try to treat the Government and a private
- 5 contracting party together.
- 6 MR. ROBERTS: Yes.
- 7 QUESTION: And you're saying the fact that the
- 8 Government can speak through legislation, whereas a
- 9 private party cannot, alters that rule. If so, then that
- 10 rule is going to have a remarkably short life because the
- 11 Government can do anything it wants to across the street
- 12 and displace the rule.
- 13 MR. ROBERTS: The -- the distinction, Your
- 14 Honor, is that -- is -- is twofold. The legislation
- 15 changes the legal rights and so there isn't an ability
- 16 anymore to perform.
- 17 QUESTION: Why does it change the legal rights
- 18 if the contract exists? It may -- it may convert one
- 19 right into a -- a right to damages as opposed to a right
- 20 to performance, but the theory of contract is that by
- 21 repudiation you can't just change the legal rights.
- 22 MR. ROBERTS: It does -- it does exactly that.
- 23 That's what I mean by changing the legal rights, that it
- 24 changes -- there's no longer a -- a right to performance.
- 25 There's only a right to the damages. If it was a contract

- 1 --
- 2 QUESTION: All right. If that is so, then
- 3 exactly the same thing is true in a private contract when
- 4 there has been an anticipatory breach.
- 5 MR. ROBERTS: No. No, Your Honor, there might
- 6 be a right to specific performance if it was the kind of
- 7 contract that you could specific performance, but we would
- 8 submit that you couldn't get specific performance once the
- 9 Government --
- 10 QUESTION: How does the fact that you cannot --
- 11 MR. ROBERTS: -- precluded the performance by
- 12 law. You could only get damages.
- 13 QUESTION: Let's assume you're right. How does
- 14 the fact that you may not get specific performance against
- 15 the Government affect the right to damages, which you
- 16 perfectly can get against the Government, as -- as against
- 17 any other private contract?
- 18 MR. ROBERTS: The -- what it does is show that
- 19 there's -- that there's a change and an -- an injury right
- 20 at the time that the legislation is passed.
- 21 QUESTION: Then that gets back to the original
- 22 point. If that's so, then the same argument is going to
- 23 apply in every contract, public or private.
- 24 MR. ROBERTS: It -- it's not going to apply in a
- 25 private context because there isn't going to be a breach

- by virtue of -- of legislation unless there's a promise by
  the private party that -guestion: You -- you have invented --
- 4 MR. ROBERTS: -- that the laws aren't going to
- 5 change.
- 6 QUESTION: I understand. You have invented a
- 7 promise that I won't change the laws. You can invent in
- 8 -- in private contracts an implicit promise that I will
- 9 not repudiate, and therefore, when you repudiate
- 10 anticipatorily, you have broken the contract and, bingo,
- 11 there is a breach of contract and you must sue at once.
- MR. ROBERTS: You -- you have --
- 13 QUESTION: You no longer have the option.
- MR. ROBERTS: You have --
- 15 QUESTION: You could do it. I mean, it's just
- 16 -- you know.
- 17 MR. ROBERTS: You have no need to invent that.
- 18 You have no need to -- to have that additional promise in
- 19 the private contract because -- because there isn't the
- 20 presumption. There -- there isn't the presumption in that
- 21 circumstance that the contract is subject to legislation
- 22 even though the Government is -- has the ability to
- 23 legislate.
- 24 QUESTION: I see your point.
- 25 QUESTION: Well, what is -- what is your

- 1 authority for the proposition that the  $\operatorname{--}$  an  $\operatorname{--}$  an
- 2 anticipatory breach not accepted by the other party starts
- 3 the statute of limitations running? I mean, what case?
- 4 MR. ROBERTS: My -- my argument is not that this
- 5 is an anticipatory breach. The -- our -- our principal
- 6 submission is that this is a present breach, but -- but
- 7 it's a present breach of a promise that the Government --
- 8 QUESTION: What --
- 9 MR. ROBERTS: -- that has to be there in a
- 10 contract with the Government because of the
- 11 Government's --
- 12 QUESTION: What if we disagree with you that
- 13 it's a present breach? Do you still say that an
- 14 anticipatory breach starts the statute running?
- 15 MR. ROBERTS: That -- that's not our principal
- 16 submission. We -- but you could read the statute -- you
- 17 could read the statute that providing first accrues to
- 18 mean that the first -- that when a plaintiff can first
- 19 bring suit, that that's when the statute of limitations
- 20 starts to run --
- 21 QUESTION: Even though that's not the law as
- 22 between private parties.
- MR. ROBERTS: Yes, given the principles of
- 24 sovereign immunity and the principle that the statute
- 25 should be narrowly construed. But -- but --

1	QUESTION: But that that narrow construction
2	notion, or construed strictly notion, applies to deciding
3	whether there's a waiver by the Government of any
4	privilege of sovereign immunity. And once we've decided
5	yes, the Government did waive it, the Government has said
6	it can be sued, we don't continue to look at every issue
7	and say, oh, it's the Government, we're going to strictly
8	construe it somehow.
9	MR. ROBERTS: The Court the Court has held
LO	several times that statutes of limitations, as conditions
1	on the Government's waiver of its sovereign immunity,
L2	should themselves be be narrowly construed and has
L3	applied it in in cases, for instance, involving a
L4	situation where a private party claimed that the
L5	limitations period didn't run until an administration
L6	administrative determination had been made that there
L7	wouldn't be that there was a was a loss and
L8	QUESTION: Well, in this sense in this sense,
L9	the Government actually needs less protection than the
20	private party because the Government at least is in the
21	position where it can always pass a statute of
22	limitations
23	MR. ROBERTS: Yes, the Government
24	QUESTION: which and if you're you're
25	concerned about your liability 50 years out or something,

- 1 I suppose you could pass a statute of limitations.
- 2 MR. ROBERTS: The Government can do that and has
- 3 done it here, and the statute of limitations provides that
- 4 when the action first accrues, there are 6 years to sue.
- 5 And if -- if --
- 6 QUESTION: Well, but again, I'm back to the
- 7 problem. It -- it seems to me that on contract law there
- 8 are two causes of action, anticipatory repudiation,
- 9 anticipatory breach, and breach. And you're conflating
- 10 the two.
- 11 MR. ROBERTS: In the -- in the ordinary
- 12 situation, if a private party -- let's -- if -- if I may,
- 13 let's -- can I pose a hypothetical? If -- if a -- if a
- 14 private party had promised that you could prepay, that the
- other party could prepay at any time, and Congress passed
- 16 a statute that imposed restrictions on prepayment, that
- 17 statute would be neither an anticipatory repudiation or a
- 18 breach, but would provide a discharge.
- 19 And -- but if the private party had promised,
- 20 subsidiary to the promise that it would be prepaid at any
- 21 time, that there -- that notwithstanding passage of
- 22 legislation, that if -- if there was legislation passed
- 23 that -- that -- excuse me -- that the private party had
- 24 promised that legislation wouldn't be passed or had
- 25 promised to indemnify, notwithstanding the passage of

- 1 legislation, then there would be a breach at the time the
- 2 legislation is passed.
- 3 And the Government has to make that promise, and
- 4 petitioners have alleged that the Government made that
- 5 promise here. That's what -- that's what they lost on the
- 6 summary judgment motion in the -- in the lower court about
- 7 on the merits --
- 8 QUESTION: I see that. I think I understand
- 9 your argument. It doesn't work with the private party.
- 10 Your analogy isn't so great because it's not the private
- 11 party who can pass the law.
- 12 But I think your argument is that unlike private
- 13 contracts, many, many, many Government contracts have the
- 14 following problem in them which was in Mobil. Are the
- 15 parties here saying that if Congress passes a law, that
- 16 that -- all bets are off? Are they saying the Government
- 17 promises to do this, Congress's law to the contrary in the
- 18 future notwithstanding? What's the promise?
- 19 And here you're saying the promise was in their
- 20 view we will do this irrespective of Congress's new law
- 21 and their -- your view is, no, it was conditioned on
- 22 Congress not passing a law. Is that right? Or maybe I
- 23 have it backwards. But you're -- you're saying that in
- 24 Government contracts, there is a promise and there is an
- 25 issue whether the Government means that promise

- 1 irrespective of what Congress does in the future.
- 2 MR. ROBERTS: Yes. That --
- 3 QUESTION: That's an issue.
- 4 MR. ROBERTS: That's an issue, and then there's
- 5 a separate --
- 6 OUESTION: And therefore, they're saying what
- 7 the Government meant was irrespective of what Congress
- 8 does, and you're saying no, it meant only if Congress
- 9 doesn't do to the contrary.
- MR. ROBERTS: On -- on the merits -- on the
- 11 merits, yes. But -- but --
- 12 QUESTION: On the merits. And you're saying
- 13 that kind of a contract issue is breached when Congress
- 14 passes the law to the contrary.
- MR. ROBERTS: Yes.
- 16 QUESTION: Okay. And that's special for
- 17 Government.
- And now all I would like on that is: A, does
- 19 that apply to administrative regulations too; and B,
- 20 what's the authority for that?
- MR. ROBERTS: Okay. It would apply to
- 22 administrative regulations if -- if that was the -- the
- 23 issue whether the promise -- if -- if the issue was there
- 24 wouldn't be regulations -- different regulations that
- 25 imposed restrictions on prepayment. It would apply to

- 1 that and it would be breached at the time the regulations
- 2 were promulgated. They have the effect of law.
- 3 The authority for that is the -- is the
- 4 background principle that's -- that's recognized in the
- 5 Winstar case, that's recognized in Bowen v. Posse, that's
- 6 recognized in --
- 7 QUESTION: All right. But if it's just a
- 8 background principle, I would worry about the practical
- 9 consequence being of people, particularly in real estate
- 10 contracts, having to study every regulation, every statute
- 11 in order to tell their clients what to do. Real estate
- 12 investors are nervous people sometimes. And -- and they
- 13 would say, my God, I better bring a lawsuit and the lawyer
- 14 would say, don't worry about it. This condition is never
- 15 going to arise anyway. Who cares? And if it does, sue
- 16 then.
- 17 Now, that -- that's the practical thing I brought up
- 18 at the beginning, and if we're trying to say what's the
- 19 right legal principle, I think that practical problem is
- 20 relevant.
- 21 MR. ROBERTS: Okay. And then to return to the
- 22 -- to practical considerations that -- that we think argue
- 23 in our favor on that side, that's because the Government
- 24 has a prompt interest in -- has a -- has a strong interest
- 25 in a prompt accounting of the costs of legislative action.

- 1 And it's particularly important that -- it's -- it's
- 2 important that, one, that -- that a Congress close to the
- 3 Congress that enacts a statute be able to address the
- 4 consequences of the enactment. And it's also important
- 5 that Congress --
- 6 QUESTION: Which it could enact by repealing --
- 7 MR. ROBERTS: -- be able to cause a --
- 8 QUESTION: It could enact -- the -- the Congress
- 9 that's close to the first one could say, okay, we'll
- 10 repeal it. And that's, Mr. Roberts, one of the major
- 11 problems I have with your argument. You seem to say that
- 12 legislation is magic, and you can't have an anticipatory
- 13 repudiation because when Congress has spoken, that's it.
- 14 But in this very case, Congress goes back and forth a
- 15 couple of times.
- MR. ROBERTS: Yes. Congress can repeal the
- 17 legislation, but it doesn't change the fact that during
- 18 the -- the period the legislation was in effect that
- 19 there's an alteration of legal rights, and there's also,
- 20 if there was a promise that -- that the -- that the rights
- 21 wouldn't be changed, a breach during that time.
- 22 And although Congress did -- although Congress
- 23 did repeal the statute here, it -- it's far less likely in
- 24 the ordinary situation that Congress is going to repeal
- 25 statutes than it is that a private party is going to

- 1 change its mind about its intention to repudiate a -- a
- 2 contract, and --
- 3 QUESTION: Well, Mr. -- Mr. Roberts, in the case
- 4 in which the Government, we'll assume, doesn't change its
- 5 mind, your argument in -- in response to Justice Breyer's
- 6 question seems to boil down to something like this. Pity
- 7 the poor Government as the contract breaker because it may
- 8 not know just how much damage it's causing. Therefore,
- 9 put a burden on the people harmed by the Government's
- 10 breach of contract to run in in a hurry and let the
- 11 Government know early on just how much damage it has
- 12 caused.
- 13 Why should the burden of the Government's breach
- 14 of contract be shifted entirely for limitations purposes
- 15 to the victims of the breach?
- 16 MR. ROBERTS: When -- when there's a present --
- 17 when there's a breach, the general principle is the
- 18 statute of limitations starts to run at the time of the
- 19 breach. It doesn't wait to run until --
- 20 QUESTION: No, but your -- no, but your
- 21 argument, as I understand it, is that because of the
- 22 Government's peculiar power to pass legislation, the
- 23 Government should not be in the position of the usual
- 24 contract breaker who may be subject to an anticipatory
- 25 breach claim or an actual breach claim later. You're

- 1 saying the Government should be subject only to one claim
- 2 at the first moment that an anticipatory breach claim
- 3 should be brought. And your argument for saying that is
- 4 the Government ought to have a right to make its victims
- 5 come in and tell it as early as possible how much damage
- 6 it has caused. Why does the Government, simply because it
- 7 has a legislative power, have that kind of a moral claim
- 8 that the private contract breaker does not have?
- 9 MR. ROBERTS: There's this -- there's a -- a
- 10 very strong interest in permitting the Government to -- in
- 11 permitting Congress to decide it wants to wrap up the
- 12 costs of improvident Federal contracts that they have --
- 13 QUESTION: Then why don't we let Congress -- why
- 14 don't we let Congress survey through the departments of
- 15 the Government how many contracts it has entered into or
- 16 guaranteed and tote up the damages in advance? The
- 17 Government has access to this information if it wants to
- 18 get it.
- 19 MR. ROBERTS: The -- the Government doesn't know
- 20 who's going to sue, for one. And so -- so it -- what this
- 21 rule does is --
- 22 QUESTION: In other words, the Government may
- 23 get off a little cheaper if it puts the burden on the
- 24 victims.
- 25 MR. ROBERTS: Well -- well, it -- there's a

- 1 dispute here as to whether the contract made this promise
- 2 or not, and the Government doesn't -- doesn't know how
- 3 that dispute is going to be resolved. We don't believe
- 4 that -- that there was a promise that prepayment would not
- 5 be subject to subsequent legislation.
- 6 QUESTION: Well, certainly general contract law
- 7 is not -- you know, you could say it from the point of
- 8 view of general contract law, it's important that people
- 9 who breach contracts know as soon as possible how much
- 10 damage they've done, but obviously that doctrine has not
- 11 commended itself in the area of general contract law.
- MR. ROBERTS: Well, when they breach a contract
- 13 and it's a breach, the statute of limits does start to run
- 14 and the rule is that even if the damages can't be fully
- 15 ascertained, that -- that the statute of limitations run.
- 16 And that's true with -- if -- if there was a contract
- 17 between one party to -- to employ another party for the
- 18 other party's life and that contract was breached, the
- 19 statute of limitations would run at the date of breach
- 20 even though it wouldn't be possible with certainty to know
- 21 the length of the damages. A -- a contract for a breach
- 22 of warranty of merchantability --
- 23 QUESTION: I think it's so hard to look at this
- 24 as an actual breach if we take it on the assumption there
- 25 was a contractual right of prepayment on demand by the

- 1 borrower. I would think normally you would wait and see
- 2 if and when there was a request for repayment -- or early
- 3 payment, and you wouldn't really know that, of course,
- 4 with a -- the owner of real estate who goes out and he
- 5 gets a low interest loan from the Government to develop
- 6 it. Now, if interest rates decline below that low rate in
- 7 the future within the 20-year period, then he might well
- 8 want to go have early payment so he can get an even better
- 9 deal. But if interest rates are going higher, there's no
- 10 incentive for him to. I wouldn't think you'd treat it as
- 11 an immediate breach because the Congress attached new
- 12 conditions to the circumstances of the prepayment.
- 13 MR. ROBERTS: Even under the scenario you posed
- 14 that -- that there wasn't an incentive to prepay right at
- 15 the moment, there's still a -- a change in what -- in --
- 16 in the loan that petitioners have, and it's a loan where
- 17 they no longer have that option to prepay with unfettered
- 18 --
- 19 QUESTION: No. As I read the legislation, there
- 20 still is consideration of the possibility of prepayment,
- 21 but there are some new conditions imposed whereby the
- 22 Government tries to assure itself that there will still be
- 23 a certain number of low-income housing units out there on
- 24 the market.
- 25 MR. ROBERTS: Yes, Your Honor, but petitioners

- 1 here aren't complaining about the fact that they're
- 2 ultimately not able to prepay. They're really complaining
- 3 about the -- about the restriction in the circumstances
- 4 under which they prepaid, and -- and that's revealed by
- 5 their complaint where not all -- even -- petitioners have
- 6 -- have submitted requests for prepayment. And some of
- 7 them have accepted incentives with -- and withdrawn their
- 8 requests. So, if they were complaining about not being
- 9 able to prepay, they would have gone through the whole
- 10 ELIHPA process to see whether they -- they could prepay.
- 11 QUESTION: Well, apparently at some point there
- 12 was a request to prepay. Right?
- 13 MR. ROBERTS: Some petitioners have made
- 14 requests to prepay. Not all petitioners have made
- 15 requests to prepay.
- 16 QUESTION: The -- but -- but petitioners -- some
- 17 of the petitioners in this case.
- 18 MR. ROBERTS: Some have but not all petitioners.
- 19 QUESTION: Have made a request to prepay and
- 20 it's been refused. Now, at that point, presumably, we can
- 21 see a breach.
- MR. ROBERTS: At that point, there's an
- 23 exacerbation in our view of the -- of the previous breach
- 24 because it's an application of the restrictions that were
- 25 imposed and that were imposed, according to petitioners'

- 1 allegations, in violation of the Government's promise not
- 2 to impose them. But --
- 3 QUESTION: Could you seek declaratory relief to
- 4 determine your liability?
- 5 MR. ROBERTS: At the time of the --
- 6 QUESTION: The legislation is passed. You're
- 7 concerned that it might cause some monetary liability some
- 8 years hence. You seek declaratory relief that this is not
- 9 a breach of the contract.
- 10 MR. ROBERTS: I suppose that the Government
- 11 could -- could do that. I'm not -- I -- you know, I don't
- 12 know for sure, but I don't know any reason why -- why --
- 13 QUESTION: Let's see if this is a quick analogy,
- 14 and you may not know the answer. I promise you in a
- 15 contract to give you an option to lease my beach house
- 16 every year for the next 15 years, and I also promise not
- 17 to make a contract disabling myself from carrying that
- 18 out. I enter into a contract with him that does disable
- 19 myself from carrying that out. Is that an immediate
- 20 breach or is it anticipatory?
- 21 MR. ROBERTS: An immediate breach, Your Honor.
- 22 QUESTION: It is immediate?
- MR. ROBERTS: It's an immediate breach. Do I
- 24 have something that -- that says --
- 25 QUESTION: Yes. I mean, that's pretty

1 analogous. 2 MR. ROBERTS: No. QUESTION: That's pretty analogous to the 3 4 case --MR. ROBERTS: Yes. I don't --5 QUESTION: -- that you were bringing up. 6 7 MR. ROBERTS: I don't think that -- that the 8 case -- I don't have a case one way or the other on that 9 proposition. 10 QUESTION: I think you'll find it's an 11 anticipatory breach. 12 MR. ROBERTS: But -- but ordinarily --13 QUESTION: If that is an anticipatory breach --MR. ROBERTS: If you didn't make any -- any 14 15 other promise at all, it would be an anticipatory breach. 16 I agree with you. But you wouldn't have need to make that 17 other promise because the -- because it would be presumed 18 that you wouldn't take action that would -- you wouldn't 19 be excused by taking action that makes it impossible for 20 you to perform. But -- but that presumption doesn't apply 21 in the case of the Government and legislation because of 22 the --23 QUESTION: And your whole case hinges on that, 24 that the Government --25 MR. ROBERTS: Well --

1	QUESTION: is really different because of
2	this. Now, if I believed that the Government and I'm
3	not I'm not saying I do that the Government was
4	really different for that reason, then this is a unique
5	kind of case and maybe we should have a different rule as
6	to when you have to sue. I mean, if it's unique for that
7	purpose, maybe it ought to be unique as to whether these
8	people who don't know what their damages are at this point
9	have to sue right away or it can wait until until they
10	they submit their request for prepayment.
11	If it's unique, we'll adopt a unique rule for
12	it. Would that make you happy?
13	MR. ROBERTS: All all I can say to that, Your
14	Honor, is that that there are many situations in which
15	damages cannot be ascertained fully. In fact, there are
16	situations in which courts have confronted situations
17	where the damages can't no measurable damages could be
18	found at all at the time of breach, and they hold that it
19	it runs from the breach.
20	And the the policy arguments on our side are
21	the the Government's interest in a prompt accounting,
22	in being able to wrap things up and in not having
23	QUESTION: Well, but the Government has
24	MR. ROBERTS: to wait for 50 years to know
25	QUESTION: But the Government should want to

- 1 have some rules out there that would encourage it to be
- 2 able to deal with people on a commercial basis in some
- 3 areas. You might want to be able to buy certain things
- 4 from the private sector or to engage in loan agreements.
- 5 And to adopt the kind of proposal you're making
- 6 discourages anyone from dealing with the Government. It's
- 7 a very peculiar rule.
- 8 MR. ROBERTS: I -- I don't think it discourages
- 9 them, Your Honor, because they -- they can sue and their
- 10 damages are measurable, and they can get the damages. The
- 11 likelihood that interest rates are going to go up or that
- 12 interest rates are going to go down and -- and other
- 13 possibilities are -- are reflected in the -- in the change
- 14 in the value of the loans and they're measurable at that
- 15 time.
- 16 And -- and if petitioners think they might be
- 17 able to prepay later, subject to the restrictions, so they
- 18 wouldn't be injured in that way, they can sue, get their
- 19 damages and then they'll be subject to the restrictions in
- 20 the program.
- 21 And if they prepay and -- and the restrictions
- 22 don't prevent them in any way from prepaying or don't
- 23 impose any limitations on them, then they've gotten the
- 24 damages for what they've lost and they also get the
- 25 ability to prepay.

1	QUESTION: Thank you, Mr. Roberts.
2	Mr. Eckland, you have 2 minutes remaining.
3	REBUTTAL ARGUMENT OF JEFF H. ECKLAND
4	ON BEHALF OF THE PETITIONERS
5	MR. ECKLAND: Thank you, Mr. Chief Justice. May
6	it please the Court:
7	The Government has not been able to cite to one
8	case in which a congressional statute has been treated
9	differently, in other words, that it constitutes an
10	immediate breach of a contract.
11	In the petitioners' briefs, we have a total of
12	six cases that make the distinction between a
13	congressional statute as being merely a repudiation and
14	the breach not occurring until there has been some adverse
15	agency action. In the Court of Federal Claims, we've got
16	Plaintiffs in Winstar-Related cases, Bank of America, and
17	Conoco. The Federal Circuit Court of Appeals, Far West,
18	Schism, and Stone Forrest. And two of those cases,
19	Plaintiffs in Winstar-Related cases and Bank of America,
20	dealt with the statute of limitations and have ruled in
21	favor of the petitioners' position advocated here.
22	Congress makes policy. It directs agencies what
23	to do, and petitioners maintain that in that sense it is
24	no real different than a board of directors of a
25	corporation. A board of directors can direct the CEO or a

- 1 program manager not to perform a contract, but that
- 2 directive or that change in bylaw by a board of directors
- 3 does not constitute a breach. It's merely a repudiatory
- 4 act. The -- the breach does not ripen unless and until
- 5 the program manager or CEO actually fails to perform at
- 6 the time that performance comes due.
- 7 Here it's clear that since the petitioners can
- 8 reach their central right of opting out of this program
- 9 upon prepayment -- and the statistics show that -- it
- 10 can't be that the statute is an immediate breach. A
- 11 breach occurs only if and when the agency acts and denies
- 12 a prepayment request.
- 13 In closing, Your Honors, petitioners here
- 14 understand that as U.S. citizens they have an obligation
- 15 to follow the law and to know the law. But here the
- 16 Government enticed the petitioners into this program by
- 17 holding out a 50-year option term, only to withdraw it
- 18 upon the time that the petitioners built the properties.
- 19 If the Government is not willing to give the
- 20 petitioners the benefit of their bargain, fundamental
- 21 considerations of fairness at least require that they get
- 22 the benefit of the doubt and that these ordinary
- 23 principles of law regarding the accrual of breach of
- 24 contract and takings claims should be able to be invoked
- 25 by the petitioners such that they do not need to file suit

Τ	unless and until their claims accrue.
2	CHIEF JUSTICE REHNQUIST: Thank you, Mr.
3	Eckland.
4	The case is submitted.
5	(Whereupon, at 12:02 p.m., the case in the
6	above-entitled matter was submitted.)
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