

OFFICIAL TRANSCRIPT  
PROCEEDINGS BEFORE  
**THE SUPREME COURT**  
**OF THE**  
**UNITED STATES**

CAPTION: DONALD E. NELSON, Petitioner v. ADAMS USA, INC.,  
ET AL.

CASE NO: 99-502 *c.2*

PLACE: Washington, D.C.

DATE: Monday, March 27, 2000

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Supreme Court U.S.

1                   IN THE SUPREME COURT OF THE UNITED STATES

2                   -X

3     DONALD E. NELSON,                           :

4                   Petitioner                       :

5     v.    : No. 99-502

6     ADAMS USA, INC., ET AL.                   :

7                   -X

8                   Washington, D.C.

9                   Monday, March 27, 2000

10                  The above-entitled matter came on for oral  
11                  argument before the Supreme Court of the United States at  
12                  11:05 a.m.

13                  APPEARANCES:

14     DEBRA J. DIXON, ESQ., Cleveland, Ohio; on behalf of the  
15                  Petitioner.

16     JACK A. WHEAT, ESQ., Louisville, Kentucky; on behalf of  
17                  the Respondents.

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1 P R O C E E D I N G S

2 (11:05 a.m.)

3 CHIEF JUSTICE REHNQUIST: We'll hear argument  
4 next in Number 99-502, Donald E. Nelson v. Adams USA.

5 Spectators are admonished, do not talk until you  
6 get out of the courtroom. The Court remains in session.

7 Ms. Dixon.

8 ORAL ARGUMENT OF DEBRA J. DIXON  
9 ON BEHALF OF THE PETITIONER

10 MS. DIXON: Mr. Chief Justice, and may it please  
11 the Court:

12 This is a case where the respondent, Adams USA,  
13 obtained a judgment of invalidity, had that judgment  
14 affirmed on appeal, obtained a judicial determination of  
15 inequitable conduct for an award of attorney's fees, had  
16 that award reaffirmed, had All American Sports Corporation  
17 dismissed from the judgment, obtained a judicial  
18 determination as to the amount of fees to be paid, had  
19 that fee award reduced to judgment in the amount of  
20 \$178,000. Then, and only then, did the respondent attempt  
21 to have Don Nelson joined as a party.

22 The rules of substantive law, the rules of  
23 constitutional law, and the rules of procedural law all  
24 tell us that Adams did this wrong.

25 QUESTION: Ms. Dixon, I take it that you don't

1 challenge the fact that the pleadings were amended to add  
2 the petitioner.

3 MS. DIXON: I do challenge that, Your Honor.  
4 What I understand the record to say is that the  
5 respondents were granted leave to amend their complaint to  
6 join Don Nelson as a party. However, as we sit here  
7 today --

8 QUESTION: Was any objection made below at that  
9 time to the amendment?

10 MS. DIXON: There was an object -- there was a  
11 motion filed to alter or amend the judgment, but there was  
12 no formal objection. Mr. Nelson had not been served with  
13 process and had not filed a responsive pleading at that  
14 time.

15 QUESTION: That's exactly what's bothering me  
16 about the case, because it seems that the obvious  
17 objection would be that it wasn't -- that justice didn't  
18 require the amendment under Rule 15. That's the objection  
19 that wasn't made.

20 Instead what you're saying is that there wasn't  
21 service of process, there wasn't jurisdiction, and those  
22 things seem either waived, or -- they seem waived,  
23 basically, so the issue that should be here isn't here,  
24 the issue that shouldn't be here is here, and there I am,  
25 stuck. And now, how do you get me out of that?

1                   MS. DIXON: Your Honor, the waiver rule  
2 specifically states that one must assert a defense at  
3 their first opportunity. Under Federal Civil Rule 12,  
4 that first opportunity is in one's responsive pleading. A  
5 potential party has absolutely no obligation to file a  
6 responsive pleading until he or she has been served with  
7 process.

8                   QUESTION: Oh, that may be, but unfortunately I  
9 gather that that issue is waived. I mean, isn't it? I  
10 mean, is it here? I mean, did you raise the objection  
11 below? Did you say, judge, in the district court, my  
12 client has not been served with process and therefore --

13                  QUESTION: Your client wasn't there below.  
14 That's your position.

15                  MS. DIXON: Precisely, Justice Scalia.

16                  QUESTION: Your client couldn't have waived it  
17 below, because your client hadn't been served and  
18 therefore was not present.

19                  QUESTION: I misspoke. It's the jurisdiction, I  
20 gather, that they're saying is waived. I gather that  
21 they're saying, anyway, that the service of process issue  
22 is not properly before us.

23                  MS. DIXON: Your -- if I may address Justice  
24 Scalia's point first, that's precisely the position of the  
25 petitioner. He was not there. Because he wasn't there,

1 there was nothing for Mr. Nelson to waive.

2 As it relates to the jurisdictional issue, I  
3 believe this Court has spoken on multiple occasions  
4 stating that, until one has been served with service of  
5 process and had an opportunity to be heard, they are not  
6 subject to the jurisdiction of the court.

7 Being as though Mr. Nelson was not subject to  
8 the jurisdiction of the district court, he was not able to  
9 waive the jurisdiction of that court.

10 QUESTION: Well, you did move to amend the  
11 judgment.

12 MS. DIXON: Absolutely, Your Honor.

13 QUESTION: And you take it that's tantamount to  
14 a special appearance, is that --

15 MS. DIXON: I would disagree with that, Your  
16 Honor. Quite frankly, based on my reading of the record,  
17 it appears as though the motion to amend or alter the  
18 judgment was nothing more than an attempt to buy time on  
19 appeal. Post judgment, there are only two --

20 QUESTION: Now, just a minute here. You're  
21 saying that Rule 15 was an objection, that even though it  
22 appears he might have had a meritorious ground to say it  
23 doesn't relate back under 15(c), that he doesn't have to  
24 do that because he's not there. He's not a party.

25 MS. DIXON: Correct, Your Honor.

1                   QUESTION: And then I said, well, but you did  
2 move to amend the judgment, and you said, well, that was  
3 just a delaying tactic. That doesn't sound to me like  
4 you're being consistent in your position of saying that  
5 he's not a party before the court.

6                   MS. DIXON: I would disagree with the Court. My  
7 position is that post judgment there are only two remedies  
8 available to someone in the position of Mr. Nelson. One  
9 is filing an appeal, the second is filing a 60(b), both of  
10 which have been done by Mr. Nelson as he sits before this  
11 Court.

12                  He was not a party to the underlying action at  
13 the time that motion was pending before the court and, as  
14 a result, was not in a position to file a responsive  
15 pleading.

16                  QUESTION: What were the grounds of his 60(b)  
17 motion?

18                  MS. DIXON: His 60(b) motion related, Your  
19 Honor, to the due process violation as well as the  
20 violations of the Federal Civil Rules.

21                  QUESTION: So he was saying through Rule 60(b) I  
22 should not have been added as a party to the judgment when  
23 I was never entered as a party to the lawsuit?

24                  MS. DIXON: Exactly, Your Honor.

25                  QUESTION: You don't seem to rely on 15(c)(3),

1 which I thought gave maybe too easy an answer in your  
2 favor, because one of the -- in addressing the question of  
3 adding a party by amendment, 15(c) (3) (A) sets as a  
4 condition that the party to be added gets sufficient  
5 notice so that he will not be prejudiced in putting in a  
6 defense, which seems to imply very clearly that it can't  
7 be done when the case is closed and no defense can be put  
8 in.

9                 Is -- that's -- maybe that's too easy. Is there  
10 a reason you don't rely on that?

11                 MS. DIXON: Your Honor, procedurally it's the  
12 petitioner's position that based on the statute under  
13 which Adams is seeking awards and the extension of the  
14 judgment of attorney's fees against Mr. Nelson, they have  
15 not even met their threshold requirement of prevailing  
16 party. Based on that, the issue of whether or not 15(c)  
17 and, in fact, the due process requirements have been met  
18 in effect become a secondary issue.

19                 QUESTION: But if you're wrong on your first  
20 argument, if Adams remains the prevailing party in the  
21 lawsuit, then do you agree that on the further arguments  
22 that you make, you can win here, but there must be further  
23 proceedings in the district court?

24                 In other words, this could go back, and the --  
25 Adams can say, now we want to do it right, Your Honor, so

1       we're going to serve a pleading on Nelson, which hasn't  
2       been up to now done. You were talking about service of  
3       process, but there hasn't even been a complaint drawn.

4                  MS. DIXON: Correct, Justice Ginsburg. I would  
5       represent to the Court that Mr. Nelson sits in this  
6       courtroom today, more than 2 years after the district  
7       court granted leave to amend the complaint, ready,  
8       willing, and able, if this Court's judgment so orders, to  
9       accept service of process, appear in the district court,  
10      and litigate this matter on its merits.

11                 QUESTION: Yes, I wanted to clarify that. So  
12      you recognize if you lose on the prevailing party thing,  
13      then it does go back to the district court and he can  
14      fight it out there.

15                 MS. DIXON: Certainly, Your Honor.

16                 QUESTION: Could you just elaborate just a  
17      minute on -- I thought that -- I mean, I completely agree  
18      with you, obviously if you don't have jurisdiction over a  
19      human being, you cannot make that human being do anything,  
20      but I think that they -- what the other side was saying is  
21      that there is jurisdiction over your client for the  
22      following reason.

23                 At some point, he appeared. When he appeared in  
24      the case -- I can't tell you, I'm not that familiar to  
25      know just when he did. When he appeared with the case, he

1 mentioned nothing about jurisdiction whatsoever. He made  
2 a few substantive defenses, and if in fact you're going to  
3 make an appearance and you don't raise the issue, and  
4 you're there in court, that in effect waives your claim as  
5 to jurisdiction.

6 You didn't make a special appearance. You --  
7 and I thought that was basically the law, and so I want to  
8 be sure I get your response to that.

9 MS. DIXON: Your Honor, by virtue of filing --  
10 the very fact that Mr. Nelson filed a motion to amend  
11 and/or alter the pleadings, which, as I understand the  
12 Court, the Court is directing my attention to --

13 QUESTION: Well, you'll be more familiar with  
14 their argument from their brief, frankly, than I will.  
15 You've probably read it several times, and that's what I'm  
16 trying to refer to.

17 They say he appeared at some point, and when he  
18 appeared at that point in this case, he didn't raise the  
19 jurisdictional defenses or lack of notice defense and,  
20 because he didn't raise them, but responded on the merits,  
21 he basically has waived his defense of no jurisdiction,  
22 because he's there, or they made it approximately like  
23 that.

24 I'm referring to their argument, not to my  
25 argument, and I want to know what your response is to it.

1                   MS. DIXON: Your Honor, my response to that  
2 question is two-pronged. First and foremost, Mr. Nelson's  
3 position continues to be the Court has not -- does not  
4 have jurisdiction over him in this matter because the  
5 respondents have not filed the procedural requirements for  
6 jurisdiction to attach. As I understand --

7                   QUESTION: Well, but that can be waived. That  
8 can be waived. Do you concede that? The lack of service  
9 and the lack of jurisdiction can be waived, can it not?

10                  MS. DIXON: By consent it can be waived,  
11 certainly, Your Honor.

12                  QUESTION: And courts have said that when such a  
13 person makes an appearance and files a pleading, that  
14 constitutes a waiver, and that's the question.

15                  MS. DIXON: Your Honor, I would suggest to this  
16 Court there are certain pleadings that may waive those  
17 jurisdictional requirements. However, I would likewise  
18 represent to this Court it's the petitioner's position  
19 that merely by filing a motion to alter or amend the  
20 judgment pursuant to Civil Rule 59 does not constitute  
21 such a waiver.

22                  QUESTION: Ms. Dixon, I think we may be talking  
23 at cross-purposes here. There are really two separate  
24 issues. One is simply the question of whether he was  
25 there, whether he was in the case. That is the precise

1 point that he made when he filed his pleading. He said,  
2 you can't enter this judgment against me because I wasn't  
3 there.

4 There's a second issue, which is whether, if the  
5 court did enter a judgment against him when he wasn't  
6 there, it would violate the Constitution. Now, he did not  
7 raise those constitutional arguments when he first  
8 appeared, but he did raise the argument, I'm not here.  
9 Isn't that correct?

10 MS. DIXON: It is correct, Justice Scalia.  
11 However, the distinction is made as to the timing that  
12 this -- the issue was raised.

13 As the Court is aware, Mr. Nelson did not file  
14 the motion to amend or alter the judgment until judgment  
15 on the merits had been rendered. He was simply brought  
16 into this case as a -- attempted to be brought into this  
17 case as a last ditch effort by Adams to have somebody pony  
18 up the \$178,000 in fees.

19 By virtue of the fact that Mr. Nelson was never  
20 subject to jurisdiction of this Court when it was heard on  
21 its merits, he cannot, based on this Court's prior  
22 rulings, be subject to an award of attorney's fees post  
23 judgment.

24 QUESTION: Okay, but I just want to get to the  
25 narrow waiver point that was raised, and my recollection

1       is the same as Justice Scalia's, and that is -- I don't  
2       remember procedurally how to describe this, but my  
3       recollection from reading the briefs was that at the first  
4       moment that he filed any pleading following the joinder,  
5       one of the things he said is, you can't do this because I  
6       am not a party, or was not a party. Is that recollection  
7       correct, that he raised his nonparty status at that  
8       moment?

9                     MS. DIXON: He did, Your Honor.

10                  QUESTION: Okay.

11                  QUESTION: I suppose that that's an -- now I'm  
12       not certain about what the law is on that. I mean, he --  
13       in other words, the -- of course he wasn't a party. The  
14       issue is to make him a party.

15                  MS. DIXON: Absolutely, Your Honor.

16                  QUESTION: And so therefore there would be a  
17       question as to whether or not the court has -- should make  
18       him a party.

19                  Now, if you say, I'm not a party, don't make me  
20       a party, does that waive your juris -- I don't know, does  
21       it waive your jurisdictional argument?

22                  MS. DIXON: Your Honor, I would suggest to this  
23       Court that based on civil rules, as well as this Court's  
24       prior holdings, that's simply not the case. More  
25       importantly, a careful review of the docket from the

1 district court undercuts any such argument.

2 On March 25 of 1998, at 10:09 a.m., the district  
3 court's docket was silent as to Donald Nelson in his  
4 individual capacity. One minute later, at 10:10 a.m., the  
5 docket reflected not only had Mr. Nelson been joined as a  
6 party, but was subject to and bound by a judgment in  
7 excess of 178,000 --

8 QUESTION: I understand, but you -- and your  
9 position, I take it, is that when he does come to court  
10 and move to amend the judgment, this is tantamount to a  
11 special appearance challenging the court's authority to  
12 treat him as a party.

13 MS. DIXON: Your Honor, I would say that he  
14 certainly did raise the issue of the court's jurisdiction  
15 as part of his motion to alter and amend, but in no way  
16 did he subject himself to that jurisdiction.

17 QUESTION: So that it's tantamount to a special  
18 appearance to challenge jurisdiction.

19 MS. DIXON: I would disagree with the Court. I  
20 do not believe --

21 QUESTION: Special appearance means that you are  
22 there only for that limited purpose, and you're not -- so  
23 I think you agree with what Justice Kennedy just said. A  
24 special appearance is a limited appearance simply for the  
25 purpose of making that application, and not subjecting

1 yourself generally to the jurisdiction of the court.

2 MS. DIXON: I understand the distinction  
3 technically. I just wanted to differentiate. In the  
4 Zenith case counsel for Hazeltine, when they came in, they  
5 specifically acknowledged to the court they were making a,  
6 quote, special appearance, end quote. There was no such  
7 appearance filed on behalf of Mr. Nelson in conjunction  
8 with his motion to amend or alter --

9 QUESTION: He's doing something.

10 QUESTION: He's making some appearance.

11 MS. DIXON: Absolutely.

12 QUESTION: I mean, the motion just didn't float  
13 down from nobody. He's either making a general appearance  
14 or a special appearance. Which one would you rather have?

15 MS. DIXON: I would definitely go with the  
16 special appearance, Your Honor.

17 QUESTION: Okay. Then if you win on that -- if  
18 you win on that, you won, I guess. I think. If you win  
19 on that, that it was a special appearance, and the  
20 jurisdictional issue is there, and they didn't have  
21 jurisdiction because they never served him, I guess --  
22 you'd at least have to find out about that.

23 Suppose you lost on that. Suppose, just for the  
24 sake of argument. For the sake of argument, suppose it  
25 turns out to be a waiver of the jurisdiction. Is there

1 any other ground you could win on?

2 MS. DIXON: Absolutely, Your Honor. Under  
3 section 285, the statute that provides for awards of  
4 attorney's fees in patent cases involving exceptional  
5 circumstances, that statute has, as is outlined -- as is  
6 also found in the civil rights arena, a threshold  
7 requirement of being a, quote, prevailing party, end  
8 quote.

9 This Court, although it has not specifically  
10 addressed the definition of prevailing party, subject to  
11 section 285, has on a multitude of occasions wrestled with  
12 and, in fact, addressed the definition of prevailing party  
13 within the civil rights arena, specifically under 42  
14 U.S.C. 1988.

15 In each of those cases, this Court has found in  
16 order to be a prevailing party one must have prevailed  
17 against the opposing side on the merits. The record  
18 before this Court is clear. When this matter was  
19 adjudicated on its merits, Donald Nelson was not a party.

20 By virtue of the fact he was not a party on the  
21 merits, under section 285, it is impossible for him to be  
22 subject to an award of fees post judgment --

23 QUESTION: What's worrying me about that  
24 argument is, there's a lot of authority that a prevailing  
25 party is a person who gets the practical thing he wanted

1       as against, let's say, the defendant, and so if it was  
2       proper to make him a defendant, or the effect thereof, I  
3       wouldn't want to undercut that law and say that the -- you  
4       know, if he really -- if it was proper to make him the  
5       opposite side -- didn't they get the practical relief they  
6       wanted as against him --

7                  MS. DIXON: Your Honor --

8                  QUESTION: -- i.e. that the -- yes.

9                  MS. DIXON: Your Honor, I would agree with you  
10       on a more global scale. However, as it relates to the  
11       specific circumstances of this Court, as the record  
12       reflects, at the time the underlying litigation was  
13       instituted, Mr. Nelson had released all right, title, and  
14       interest he had in the subject patents, the 110 and the  
15       702 patent. He had absolutely no relationship to either  
16       of those patents when the underlying litigation commenced.

17                  By virtue of that lack of a relationship to  
18       either of those patents, there were no merits against  
19       Mr. Nelson to which Adams could prevail upon.

20                  QUESTION: That's what he'd like to litigate if  
21       he had a chance to, but he -- well, what do you make of  
22       Rule 21, which says that parties may be added by order of  
23       the court on motion of any party at any stage of the  
24       action?

25                  MS. DIXON: I would suggest to this Court that

1       certainly Rule 21 applies, again in the more global sense,  
2       but it does not absolve the party attempting to amend to  
3       their Rule 4 requirement of service of process. This  
4       Court has stated repeatedly that one, in order to be  
5       subject to the jurisdiction of the court, must be served  
6       with process and have an opportunity to be heard.

7                   QUESTION: I thought you were going to say that  
8       any stage of the action doesn't mean after judgment is  
9       rendered.

10          MS. DIXON: Well, certainly that's a collateral  
11       point, Justice Ginsburg. However --

12          QUESTION: But you are saying that. You said --  
13       I assume when you said opportunity to be heard, I thought  
14       you meant opportunity to put in a defense, which he can't  
15       do after judgment.

16          MS. DIXON: Your Honor, I would suggest to this  
17       Court that there are certain circumstances where, post  
18       judgment, Mr. Nelson could be served with process and  
19       joined as a party. However, that mandates that he be  
20       permitted to be heard on the merits, specifically the  
21       merits which led to the award of attorney's fees, but that  
22       does not --

23          QUESTION: Why isn't it -- why don't you -- and  
24       I may be missing something here, but why wouldn't it be  
25       simpler for your position to say, no, they can't get him

1 into this action after judgment.

2           What they can do is try to collect the  
3 attorney's fees from him by pursuing him in a separate  
4 action and claiming that there is, in fact, preclusion.  
5 He can then defend on whether or not there is preclusion  
6 in the assertion of the fee claim against him, and he will  
7 do so based on whether he was given an equitable  
8 opportunity to be heard if he had wanted to in the first  
9 action, and so on.

10           Why isn't that the more orderly way to structure  
11 the possibilities for what they want to do and you want to  
12 defend?

13           MS. DIXON: Justice Souter, I would  
14 wholeheartedly agree with you. As I indicated earlier,  
15 Mr. Nelson sits here today ready, willing, and able to  
16 answer claims that are made --

17           QUESTION: But Ms. Dixon, you told me they  
18 wouldn't have to bring a new lawsuit, that assuming you  
19 lose on your prevailing party interpretation, that  
20 Mr. Nelson stands ready in this very case. The judgment  
21 is reopened. The question is whether he should be added  
22 as a party to it.

23           He could stay in the district court. He doesn't  
24 have to bring -- Adams doesn't have to bring another  
25 action, and just air the question, is he responsible for

1 attorney's fees, with no new litigation, or are you  
2 changing your mind about that?

3 MS. DIXON: No, I'm not, Your Honor. I think  
4 those -- both of those options are available to Adams.  
5 What the fundamental principle involved in both --

6 QUESTION: Well, why would Adams ever want to  
7 start a brand-new lawsuit when they already are in court?

8 MS. DIXON: I can't fathom circumstances under  
9 which they'd want to. However, all we're requesting is  
10 that they finish the lawsuit they started with Mr. --

11 QUESTION: Well, they didn't even start it. I  
12 mean, Mr. Nelson started the lawsuit. Adams didn't start  
13 the lawsuit.

14 MS. DIXON: But Adams certainly did assert  
15 counterclaims, which they vigorously prosecuted.

16 QUESTION: Well, the reason -- all these  
17 considerations you brought up, what's bothering me at the  
18 bottom of this is that there seems to me an obvious rules-  
19 based vehicle for you to make your argument. You would  
20 just say, judge, it's not in the interests of justice to  
21 permit this amendment. My client hasn't been here, et  
22 cetera, there are other ways to get him.

23 And that's why this case seems about Rule 15 at  
24 the bottom to me, but unfortunately for you, I guess, if  
25 I'm right, then you didn't make that argument, so why am I

1 not right?

2 MS. DIXON: Your Honor, I believe that the  
3 petitioner on appeal has, whether or not he raised the  
4 Rule 15 argument directly, certainly raised that by virtue  
5 of his more far-reaching violation of the Federal Rules of  
6 Civil Procedure argument.

7 The fundamental principle involved in this case  
8 is a complete failure of service of process, and  
9 notwithstanding that complete failure of service of  
10 process, an attempt to bind a stranger to the litigation  
11 post judgment, and that finding by both the district court  
12 as well as the Federal circuit court flies in the face of  
13 this Court's prior rulings.

14 QUESTION: Ms. Dixon, I keep wondering why  
15 you're emphasizing service of process. No complaint was  
16 ever filed in the district court naming Nelson.

17 MS. DIXON: Correct.

18 QUESTION: So isn't the filing of a complaint a  
19 little more basic than the service of process after you  
20 file the complaint?

21 MS. DIXON: Certainly the filing of the  
22 complaint is the predicate act to permit Mr. Nelson to  
23 file a responsive pleading, hence subjecting himself to  
24 the jurisdiction of this Court, of the district court.  
25 The fundamental problem in this case is that, without that

1 opportunity to be heard, Mr. Nelson was nonetheless  
2 subject to a judgment where he had no opportunity to  
3 litigate the underlying merits.

4                   Justice Newman, in her dissent in the Federal  
5 circuit court, stated it very accurately, that both the  
6 respondents and the majority for the Federal circuit hold  
7 hard and fast to this concept of this case presenting a,  
8 quote, particular circumstance, end quote, and by virtue  
9 of that particular circumstance, a violation of both the  
10 letter and spirit of not only the Rules of Civil Procedure  
11 but also the Due Process Clause of the Fifth Amendment  
12 have been violated.

13                   It's the petitioner's position that  
14 circumstances should not circumvent the rules. They  
15 should be strictly adhered to and be uniformly applied to  
16 both --

17                   QUESTION: Was your constitutional claim raised  
18 before the Federal circuit?

19                   MS. DIXON: Your Honor, I did not find it in the  
20 brief. However, if I could direct the Court's attention  
21 to Justice -- Judge Newman's dissenting opinion, it was  
22 discussed at length, and one must presume that it was  
23 dealt with before that court.

24                   QUESTION: Oh, I'm not at all sure that's true  
25 of our practice. If it appears in the majority opinion

1 one needn't go further, because even if the majority  
2 opinion discussed it without having been raised we have  
3 jurisdiction to review it, but if it's not discussed in  
4 the majority opinion and wasn't raised in the brief, I'm  
5 not at all sure it's before us.

6 MS. DIXON: Your Honor, I would respectfully  
7 disagree with that conclusion. Assuming, without  
8 conceding, that the Due Process Clause was not raised  
9 before the Federal circuit court, the due process  
10 considerations in this case are so fundamental to the  
11 issue that this Court has the authority to exercise their  
12 supervisory responsibilities and deal with that issue in  
13 the Nelson v. Adams matter.

14 QUESTION: And what's your authority for that,  
15 that proposition that you just stated?

16 MS. DIXON: I would say that that's Rules of the  
17 Supreme Court 10.

18 QUESTION: You don't have a case?

19 MS. DIXON: Not off-hand I don't, Your Honor.

20 QUESTION: Getting back to where we were at the  
21 very beginning of the argument, because I just want to  
22 anticipate what I think respondents are going to tell me,  
23 when you went into the district court, when Mr. Nelson  
24 made his first appearance, page 4 of the red brief tells  
25 us that Nelson, in full Italics, Nelson did not raise

1 issues of due process, personal jurisdiction, or service  
2 of process.

3 All you made was the motion under the  
4 substantive provision of the patent law, and if I were  
5 asked I would say that is a waiver.

6 MS. DIXON: Again, I would disagree with the  
7 Court that that's a waiver.

8 QUESTION: And if I find it's a waiver, then I'd  
9 say that it's fair to say, why didn't you move to -- so  
10 long as you made what I think is an appearance, a general  
11 appearance, why didn't you move under Rule 15(c) to say  
12 this doesn't relate back, there's no mistaken identity of  
13 the parties?

14 I mean, that's, it seems to me, the clear vice  
15 in what the court did here under the rules, if --  
16 forgetting about the serious due process one. But you say  
17 this is so fundamental that we should raise it here for  
18 the first time under Rule 10. You didn't even raise it in  
19 the trial court.

20 MS. DIXON: Your Honor, I would suggest to this  
21 Court that the opportunity was not provided specifically  
22 to Mr. Nelson because that appearance was made post  
23 judgment. The two remedies that were available to him  
24 were a direct appeal and a 60(b) motion, both of which he  
25 availed himself to.

1           If the Court has no further questions, I would  
2 like to reserve the balance of my time.

3           QUESTION: Very well, Ms. Dixon.

4           Mr. Wheat, we'll hear from you.

5           ORAL ARGUMENT OF JACK A WHEAT

6           ON BEHALF OF THE RESPONDENTS

7           MR. WHEAT: Mr. Chief Justice, and may it please  
8 the Court:

9           There are at least three major waivers in this  
10 case. One, jurisdiction was waived. The motion to vacate  
11 was not a special appearance. Paragraph 1 of the motion  
12 to vacate --

13           QUESTION: Where can we find that motion? I see  
14 the reference to the docket entry in the joint appendix.  
15 Is the motion itself in the joint appendix?

16           MR. WHEAT: I don't recall, Your Honor.

17           QUESTION: So what are you reading --

18           MR. WHEAT: There's a docket item number 133 --

19           QUESTION: I find that extraordinary. These  
20 things are central to both sides, and the briefs on both  
21 sides go into these things, and we don't have the  
22 documents in front of us. I don't know how you selected  
23 what goes into the appendix.

24           QUESTION: Well, Mr. Wheat, at least on page 3  
25 of -- yes, page 3 of your brief you say that on April 8

1 Nelson, appearing individually, brought a motion to amend,  
2 and this was, as I understand it from the sequence you set  
3 out, the first pleading that Nelson filed after being  
4 joined as a party, and you say -- again, I'm still on  
5 page 3 of your brief -- that he raised two claims.  
6 Number 1, he said that section 285 doesn't allow an award  
7 of fees in these circumstances and number 2, he couldn't  
8 be held under 285 anyway, because he was not a party.

9 I mean, it seems to me that that may not have  
10 been the most subtle way, that latter claim that he was  
11 not a party may not have been the most complete or subtle  
12 way to raise the point, but it sounds as though someone is  
13 trying to raise the point that there's no jurisdiction  
14 here, and so I have my -- I have difficulty in just taking  
15 it as a waiver.

16 MR. WHEAT: To address your question, Your  
17 Honor, in section 1 of the motion to vacate, they  
18 acknowledged he was a party and requested that the order  
19 be amended to delete him as a party.

20 QUESTION: Well, I assume what they meant was,  
21 he's a party because you've just issued an order saying he  
22 is one, but -- and taking the pleading as you've described  
23 it in your own brief, his next statement was, I am not a  
24 party, or was not a party through the litigation, and that  
25 makes -- I guess that doesn't make any sense to me except

1       on the theory that he's saying, you have no jurisdiction  
2       over me.

3                    MR. WHEAT: Your Honor, I understand your point.  
4       I don't agree with it. Jurisdiction was not challenged.  
5       On appeal, jurisdiction was not challenged.

6                    QUESTION: Well, it was not challenged using the  
7       word, jurisdiction, but what else was he getting at in the  
8       second part of his motion to amend the judgment? I mean,  
9       if I could find a commonsensical reading that doesn't  
10      involve a jurisdictional challenge, I might accept your  
11      argument.

12                  MR. WHEAT: The way this case progressed, Your  
13      Honor, was that eventually led into the argument made on  
14      appeal by analogy to the civil rights cases that a fee  
15      award was not --

16                  QUESTION: Okay, but if I may interrupt you,  
17      just go back to this question. What else would it be  
18      reasonable to assume he was trying to get at by that  
19      second point, right at that moment, April 8, 1998.

20                  MR. WHEAT: And which section are you referring  
21      to, Your Honor?

22                  QUESTION: I'm on page 3 of your brief, the  
23      bottom of the page. You are describing the substance of  
24      the motion to amend, which was the first pleading, as I  
25      understand it, that he filed after the court had joined or

1        purported to join him as a party, and he says two things  
2        in his motion to amend the judgment.

3                Number 1, he says, 285 doesn't, in fact, entitle  
4        them to fees.

5                Number 2, he says, beside -- even aside from  
6        that, and I'm quoting your brief, he was not a party to  
7        the litigation. Don't you think the reasonable way to  
8        read that second point is, he is claiming -- he is  
9        contesting jurisdiction over him?

10              MR. WHEAT: Your Honor, I'm --

11              QUESTION: What else was he doing? Tell me  
12        that.

13              MR. WHEAT: He was saying, I'm not liable for  
14        this fee award --

15              QUESTION: Under 285.

16              MR. WHEAT: Under 285.

17              QUESTION: He said that in the first part.

18              QUESTION: Right.

19              QUESTION: Now we're at the second part. He's  
20        saying, I'm not liable because I was not a party to the  
21        litigation.

22              MR. WHEAT: Was not a party when the judgment  
23        was originally entered, yes, Your Honor. That's the way I  
24        understood that argument.

25              QUESTION: Isn't he contesting the jurisdiction

1 of the court to make him pay the fee award?

2 MR. WHEAT: I do not read that as a challenge to  
3 the jurisdiction. On appeal, jurisdiction was not  
4 challenged. A Rule 15 argument was made on appeal.

5 QUESTION: Rule 15 relates to what parties must  
6 do. His position, I take it, is, he never comes within  
7 Rule 15 because he's never even been -- no complaint has  
8 ever been filed against him, no less served on him, so  
9 Rule 15 is assuming you are already a party, and then  
10 states your obligations.

11 MR. WHEAT: Justice Ginsburg, as I read the Rule  
12 15 argument it was about the timing, not the question of  
13 whether he was made a party -- questioning the timing, was  
14 it too late in the proceeding to make him a party, and  
15 that question's been waived in this Court. Page --

16 QUESTION: But you don't waive a question when  
17 you are not in the litigation at all. Rule 15 is framed  
18 in terms of somebody who's already there -- can you have  
19 an amendment that relates back? -- but it speaks in terms  
20 of parties, people who have party status.

21 The underlying -- the root problem here is, it  
22 sounds a little bit like the Red Queen who says, judgment  
23 first, and then you could state your defense.

24 MR. WHEAT: Your Honor, it was a peculiar  
25 procedure. We've looked to the peculiarities and

1       particularities of this case. We were looking at the fact  
2       that it appeared Mr. Nelson was collaterally estopped by  
3       the finding against Ohio Cellular Products. He didn't  
4       question jurisdiction. He questioned the timing of the  
5       amendment.

6                 QUESTION: I don't know any other way to  
7       reasonably interpret his first appearance. As you  
8       describe it, he could not be held liable under section 285  
9       because he was not a party. Now, there's nothing in  
10      section 285 that mentions party. I mean, he's appealing  
11      to a general principle that you can't be held liable in a  
12      piece of litigation, whether it involves 285 or anything  
13      else, unless you're a party. Now, that -- you know, that  
14      sounds to me --

15                QUESTION: May I ask you a preliminary --

16                QUESTION: -- like a jurisdictional objection.  
17       What else was he objecting to? Was he referring to some  
18       language in 285?

19                MR. WHEAT: Your Honor, I understood it to be  
20      two objections. The 285 objection was because we had not  
21      prevailed against him, the analogy to the civil rights  
22      cases, and objecting to the timing of the amendment, a  
23      Rule 15 objection which has been waived, page 7 of the  
24      petition for cert. They say they no longer question the  
25      timing of that amendment. They agree the timing was

1 appropriate under the circumstances of the case.

2                   QUESTION: Well, of course, 285 does mention  
3 parties. It mentions prevailing party, and I suppose your  
4 argument would be that he would say this means that the  
5 nonprevailing party is the one who has to pay the fees,  
6 and he's not a nonprevailing party under 285.

7                   MR. WHEAT: I understand their argument, Your  
8 Honor --

9                   QUESTION: But --

10                  MR. WHEAT: -- and disagree with it.

11                  QUESTION: You agree with that.

12                  QUESTION: No, I think you want to agree with  
13 that.

14                  QUESTION: I think --

15                  (Laughter.)

16                  QUESTION: You think you agree with --

17                  MR. WHEAT: They're arguing that he was not a  
18 nonprevailing party, is my understanding.

19                  QUESTION: You're -- he's --

20                  MR. WHEAT: Are we saying the same thing?

21 Excuse me, Your Honor.

22                  QUESTION: Well, in all events, I take it that  
23 he could be a nonprevailing party for two reasons:  
24 1) that he just doesn't fit within the purpose and intent  
25 of 285 as a substantive matter; 2) he could be a

1 nonprevailing party because he wasn't in the litigation as  
2 a matter of due process.

3 MR. WHEAT: Yes, Your Honor. A couple of points  
4 there. Of course, due process is a waivable defense. We  
5 think he did have due process there. He was --

6 QUESTION: What process do you say is due before  
7 someone can be made a party to amend, to bring someone in?

8 MR. WHEAT: In the collateral estoppel context,  
9 I believe because of the collateral estoppel situation I  
10 believe Mr. Nelson had his due process.

11 QUESTION: Do you think that a complaint has to  
12 be filed to accord due process before a complaint can be  
13 amended to bring somebody in?

14 MR. WHEAT: Your Honor, the order we tendered  
15 with the motion to amend, the order said the third party  
16 complaint is deemed amended to add Mr. Nelson as a party.

17 QUESTION: I would have thought it was --

18 MR. WHEAT: There was no change --

19 QUESTION: I would have thought it was fairly  
20 fundamental under due process that you have to have a  
21 complaint that names the party, and serve the party with  
22 process.

23 MR. WHEAT: Your Honor, service of process is  
24 fundamental.

25 QUESTION: You don't always, I guess, do you? I

1 mean, there can be weird situations where they just made a  
2 mistake in the name, or say they were Siamese twins and  
3 the other one wasn't named properly but he's been in the  
4 courtroom the whole time.

5 I mean, there are odd situations where I guess  
6 you can, but it isn't normal, right? I mean, it's not  
7 normal that you would -- what happened here would happen.

8 MR. WHEAT: This was not a normal case, I agree,  
9 Your Honor. Perhaps a complaint would have been the  
10 approach, rather than a motion. The case law we've cited  
11 in our brief says that if that happens, if you proceed by  
12 motion instead of by complaint, but if the response to the  
13 motion is not an objection that you should have filed --

14 QUESTION: Where does it say -- I never heard of  
15 a -- you can file a motion for leave to file an amended  
16 complaint, but then you have to file the amended  
17 complaint. I never heard of a motion being a substitute  
18 for a complaint before.

19 MR. WHEAT: Your Honor, there were about three  
20 cases we cited in our brief on pages 30 and 31, where the  
21 courts uniformly held in those cases that it was a waiver  
22 of the right to be served if in your response to those  
23 motions you did not object to not being served with the  
24 complaint. Here, he did not object to not being served  
25 with the complaint until we got to this Court.

1           QUESTION: But may I ask you kind of a  
2 preliminary question? He first reared his ugly head after  
3 March 25, 1998, isn't that right?

4           MR. WHEAT: He referring to --

5           QUESTION: Mr. Nelson. He first -- he was not a  
6 party prior to March 25, 1998, was he?

7           MR. WHEAT: He was not a named party, but he was  
8 actively involved in the litigation, Your Honor.

9           QUESTION: Well, was he a party to the  
10 litigation before 1998?

11          MR. WHEAT: He was not a named party, I agree,  
12 Your Honor.

13          QUESTION: He was not a party, period.

14          MR. WHEAT: He was not party, Your Honor.

15          QUESTION: All right.

16          MR. WHEAT: That's correct.

17          QUESTION: Now, if on March 27, 1998, nothing  
18 had been done by either side, could the marshall have  
19 levied on that judgment, in your view?

20          MR. WHEAT: Against Mr. Nelson?

21          QUESTION: Yes.

22          MR. WHEAT: I believe Ohio has -- you have to  
23 wait 10 days to allow --

24          QUESTION: Wait the 10 days, then. Wait 15  
25 days. Do you think it was a valid judgment that would be

1 enforceable by seizing his assets?

2 MR. WHEAT: Your Honor, I'll be candid with the  
3 Court and say, frankly we were scratching our heads  
4 saying, what do we do next, and less than a week later,  
5 after we received the order, in came the entry of  
6 appearance. We said, okay, he's here now.

7 QUESTION: So that without that appearance you  
8 would agree, I think, that there was no power -- there was  
9 a void judgment as to him.

10 MR. WHEAT: We felt that we needed to serve him  
11 with something, and we weren't sure what. The order  
12 saying the complaint's deemed -- the third party  
13 complaint's deemed amended to add him as a third party,  
14 serve him with a copy of the third party complaint --

15 QUESTION: Why didn't you join him initially?  
16 You're arguing issue preclusion. You're saying he was  
17 really there even though we didn't join him. That's the  
18 mystery. Why didn't you join him in his individual  
19 capacity?

20 MR. WHEAT: Frankly, Your Honor, my practice,  
21 whether it's good practice or not, is, I don't see every  
22 potential party. I tend to go after --

23 QUESTION: Yes, but you don't -- I'm sure it  
24 isn't your practice ordinarily to join people after final  
25 judgment has been rendered.

1                             (Laughter.)

2                             MR. WHEAT: It's not, Your Honor. This was not  
3                             a normal case. You know, in the patent infringement --

4                             QUESTION: But you know, you have only one case  
5                             that's somewhat in point, and that's the Fromson case.  
6                             But that's when the corporation represented to the Court  
7                             that it was going to be good for the judgment, that it  
8                             would have the wherewithal to pay, so you didn't have to  
9                             join the principal, and then it turned out the corporation  
10                            had nothing. Here, there was nothing of that nature.

11                          MR. WHEAT: Yes, Your Honor, Fromson is  
12                          factually distinguishable based upon that distinction you  
13                          just made, but the law in Fromson is the timing of an  
14                          amendment post judgment, and the Federal circuit held that  
15                          was appropriate, that you can amend post judgment to add a  
16                          new party. That's what we did.

17                          QUESTION: Even though the Court in Fromson  
18                          itself made it clear that what drove that result was a  
19                          misrepresentation that had made to the -- made to the  
20                          Court, with the principal's knowledge, that the  
21                          corporation would be good for the judgment.

22                          MR. WHEAT: Yes, a consideration and whether to  
23                          allow an amendment, whether it's unjust. That was an  
24                          equitable consideration. I agree.

25                          I think the more pertinent case, Your Honor, is

1 American Surety, where Justice Brandeis writing for the  
2 quote -- for the Court was that it was a situation where a  
3 judgment was entered against the surety company without  
4 notice, the Court, Justice Brandeis speaking for the Court  
5 said, we're assuming due process was denied, but when you  
6 filed your motion to vacate you did not raise that issue.  
7 When you appealed, you did not raise that issue. It was  
8 not waived -- it was not raised until your motion for  
9 rehearing at the appellate court.

10           QUESTION: But Brandeis didn't say that you  
11 wouldn't have the opportunity then to be heard. He said  
12 you could be heard after judgment.

13           MR. WHEAT: And --

14           QUESTION: It didn't have this multiple waiver  
15 that you're arguing, and also wasn't it true in that case  
16 that at least the plaintiff was arguing the surety company  
17 covered two defendants? It consented to be there. It  
18 consented to being a party.

19           MR. WHEAT: Well, I think that the Court said  
20 no, it probably wasn't a bond posted for both parties, but  
21 it was too late to raise that issue because you didn't  
22 raise it until your motion --

23           QUESTION: In other words, I never understood  
24 Brandeis to be saying in that case that you get no chance  
25 to put on your defense on the merits. He said, you do.

1                   MR. WHEAT: You do, but it may be post judgment,  
2 as long as you have an opportunity to be heard.

3                   QUESTION: Well, that's what Ms. Dixon says that  
4 she wants, go back to the district court and let her make  
5 her defenses.

6                   MR. WHEAT: Mr. Nelson had his opportunity. The  
7 order was amended. He said --

8                   QUESTION: Well, all I'm saying is, you cannot  
9 use American Surety for the proposition that not only can  
10 you join someone after the judgment, but then you can say,  
11 and we're not going to let you put on your defense.

12                  MR. WHEAT: The point I'm trying to make is,  
13 under American Surety your opportunity to be heard post  
14 judgment is adequate as long as you do have that  
15 opportunity. The order, the judgment was amended. Mr.  
16 Nelson said, here I am, let's resolve it in this court.  
17 The judge said, okay, make your argument. He made his  
18 argument. He didn't challenge jurisdiction. He didn't  
19 challenge the finding that he had --

20                  QUESTION: He said, I'm not here. I'm not  
21 properly here.

22                  MR. WHEAT: He said I'm here and shouldn't be  
23 here, and then on appeal he challenged the timing of the  
24 amendment --

25                  QUESTION: Mr. --

1                   MR. WHEAT: -- not whether he had not been  
2 served. That wasn't an issue at the Federal circuit.

3                   QUESTION: And you said a second ago -- I just  
4 want to ask you this technical point. I think you said a  
5 second ago that in the cert petition he has withdrawn the  
6 objection to the timing, and you referred to a page, but I  
7 didn't get it. What page is that on?

8                   MR. WHEAT: Page 7.

9                   QUESTION: 7, thank you.

10                  MR. WHEAT: The petitioner does not here  
11 challenge the liberal pleading provisions of the Federal  
12 Rules of Civil Procedure, and does not challenge the  
13 district court's decision to grant respondents leave to  
14 1) amend their complaint, 2) join petitioner as a new  
15 party defendant, and 3) to do so after judgment had been  
16 rendered. The timing was the issue in the Federal  
17 circuit, along with does 285 even apply. The timing issue  
18 is waived.

19                  Does 285 apply? I think if you analogize to the  
20 civil rights cases, it's a specious analogy.

21                  QUESTION: We're not arguing the merits, because  
22 the basis on which you won on the merits don't matter.

23                  MR. WHEAT: Excuse me, Your Honor?

24                  QUESTION: The basis on which you won, that he  
25 waived his right to defend on the merits, so what 285

1 means or doesn't mean is the question that he would like  
2 to argue, but you said -- so the point that you're making  
3 would be academic if you're right that he's waived  
4 everything.

5 MR. WHEAT: No, I think 285 was argued at the  
6 Federal circuit, and was argued --

7 QUESTION: And it's the first question presented  
8 here, too, isn't it? I mean, it's the first question on  
9 which we granted cert.

10 MR. WHEAT: Yes. In our response to the  
11 petition for cert, our position was that's the only issue  
12 that would really be ripe for consideration by this Court,  
13 that all the other issues have been waived, and again, we  
14 think it's a specious analogy to analogize the 285 fee  
15 award to a civil rights fee award because they are awarded  
16 for totally different purposes.

17 QUESTION: And the court of appeals decision in  
18 this case at page 23 of the petition for writ of  
19 certiorari, under -- where they have the discussion  
20 section, the second paragraph, it's talking about what  
21 Nelson contends.

22 It says he can't be responsible individually for  
23 paying the fee award. Such a prohibition against  
24 assessing attorney's fees against a nonparty he seeks to  
25 fashion from language in the Supreme Court's decision in

1 Kentucky v. Graham. There he was certainly complaining  
2 about an award against him having been made when he was  
3 not a party, don't you think?

4 MR. WHEAT: Well, the way we understood it was,  
5 he should have been a party when we obtained the judgment  
6 on the merits, and he was not a party at that point.  
7 Collaterally estopped, perhaps, but not a named party at  
8 that point.

9 QUESTION: You're taking it as, he's not making  
10 the argument, I have never been to the United States of  
11 America, I never got any notice and I don't know what this  
12 is about, and you have no jurisdiction.

13 He's making the argument, I've been here the  
14 whole time, I know everything that's going on, I have  
15 total notice, and I'm in here telling you that you can  
16 only award attorney's fees under this statute against a  
17 real party, not somebody who's just been made a party for  
18 purposes of the attorney fees.

19 MR. WHEAT: Your Honor, that is my  
20 understanding.

21 QUESTION: All right. Now, I guess it would be  
22 helpful to find out which argument he's making if we  
23 actually had the document in which he made it, and I  
24 gather we don't. Where is it? You have it up there, but  
25 we don't have it, I think.

1                   MR. WHEAT: What I have is the petition for  
2 cert, Your Honor.

3                   QUESTION: Oh, all right. Well, where is the  
4 document in which he went to the district court and made  
5 whatever argument it was he made? Is that with the  
6 Clerk's Office or somewhere?

7                   MR. WHEAT: There have actually been two, and we  
8 need to clarify this quickly. There was the motion to  
9 alter and amend the judgment entry, docket item number  
10 133.

11                  QUESTION: 133?

12                  MR. WHEAT: Yes, 133. Ms. Dixon this morning  
13 did mention the Rule 60(b) motion to vacate the judgment.  
14 That motion is totally collateral to the record you have.  
15 That motion was filed after the Federal circuit affirmed  
16 the judgment. The trial court has held that jurisdiction  
17 was waived. That decision is reprinted, full text, in our  
18 response to the petition for cert.

19                  That issue is at the Federal circuit right now,  
20 whether the trial court had jurisdiction. I mean, they're  
21 going to have it one way or the other. Did they raise it  
22 in the matter that's before this Court, or did they not  
23 raise it? There, they say it wasn't raised yet. It needs  
24 to be addressed.

25                  QUESTION: What is this other proceeding that's

1 now pending in --

2 MR. WHEAT: It's -- after the Federal circuit  
3 affirmed this judgment, they filed a Rule 60(b) motion to  
4 vacate the judgment, filed that with the trial court. The  
5 trial court overruled that motion. The opinion is  
6 reprinted full text in our response to the petition for  
7 cert. That order is now on appeal at the Federal circuit  
8 and is fully briefed. It is not in the record on appeal  
9 here that you have, the record you --

10 QUESTION: Has it been stayed pending our  
11 decision in this case?

12 MR. WHEAT: I haven't received an order to that  
13 effect, but I suspect that it has, but that's just a guess  
14 on my part.

15 QUESTION: There's one other feature of this  
16 that I'm curious about, in addition -- I wondered why you  
17 didn't join him in the first place, then at the end I take  
18 it your concern is that the corporation does not have the  
19 wherewithal to pay this judgment. If he were sole  
20 shareholder, and the assets of the corporation were  
21 distributed to him, you could go after those assets in his  
22 hands, couldn't you?

23 MR. WHEAT: You mean, based upon the judgment we  
24 have against him --

25 QUESTION: My understanding was that in a

1       bankruptcy situation, where you have a one-person  
2       corporation, that that shareholder, you can go after the  
3       shareholder to the extent that he got a distribution from  
4       the corporation.

5                    MR. WHEAT: I'm not involved in collection law,  
6       but I do generally understand that to be the case, that if  
7       there is a liquidation you can follow the assets to the  
8       shareholder.

9                    QUESTION: Right. Right.

10          MR. WHEAT: I don't know that there are any  
11       assets. We've tried various executions and they've all  
12       come back with there being no property found against the  
13       corporation. We were told it was going to be shut down if  
14       we obtained a judgment against it, and that's what  
15       motivated us to then proceed against Mr. Nelson  
16       individually, being our view he was collaterally estopped  
17       to challenge the finding that the fee award was based upon  
18       his inequitable conduct, and that finding wasn't  
19       challenged at either the trial court or the Federal  
20       circuit.

21          QUESTION: But in the trial court he wasn't  
22       there, and the problem that this case presents is, the  
23       corporate form means something, and your argument seems to  
24       suggest that any time you have a judgment against a one-  
25       person corporation, that after you get that judgment, you

1 can join the sole shareholder if you're shaky about --

2 MR. WHEAT: Justice -- excuse me.

3 QUESTION: -- there being enough in the  
4 corporate till.

5 MR. WHEAT: Justice Ginsburg, we're asking for  
6 something much more narrow than that: when you have a  
7 situation where it's a controlling shareholder, in this  
8 case the sole shareholder, the controlling officer, the person  
9 actively involved in the litigation, the person  
10 controlling the litigation and therefore collaterally  
11 estopped by the finding against the corporation, and if it  
12 is that person who committed the fraud which warranted the  
13 fee award, that you should be allowed to recover that fee  
14 award.

15 QUESTION: Well, you may well be right  
16 ultimately, but as I understand Mr. Nelson's position, he  
17 is challenging that he was solely in control of the  
18 litigation, of what went on, that he is raising a number  
19 of factual questions that haven't been aired before any  
20 court.

21 MR. WHEAT: Your Honor, I don't believe that's  
22 in the record. Pre-judgment, he challenged whether he  
23 committed inequitable conduct. The trial court found that  
24 he did.

25 QUESTION: He didn't. The corporation did.

1 MR. WHEAT: No.

2 QUESTION: He wasn't --

3 MR. WHEAT: They found that it was his  
4 inequitable conduct that was imputed to the corporation,  
5 and that that inequitable conduct that he personally  
6 committed was what support --

7 QUESTION: Yes, but he was not a party to that,  
8 and he is at least contesting the extent to which he had  
9 control over the litigation because the corporation  
10 changed hands in between, and that you say he was in  
11 control.

12 MR. WHEAT: Your --

13 QUESTION: Do I read his position incorrectly to  
14 challenge that?

15 MR. WHEAT: That argument did not come up until  
16 we were in this Court. It would have been logical in his  
17 first appearance to say, hey, I'm not served, you don't  
18 have jurisdiction, I'm not in privity with Ohio Cellular  
19 Products. None of those arguments were made. He said,  
20 here I am. I don't think I have to pay the fee award.

21 QUESTION: I thought he said, here I am not  
22 because I'm not a party.

23 MR. WHEAT: He said he did not -- should not be  
24 a party, and wanted that order reversed or vacated that  
25 made him a party.

1                   QUESTION: May I ask just a question about the  
2 merits? Are there cases out there in which a corporation  
3 brought a patent suit and lost because its sales manager  
4 or patent office manager engaged in serious inequitable  
5 conduct in the patent office and that voided the patent,  
6 in which, after the litigation was all over, they got a  
7 judgment against the officer who committed the wrongdoing?

8                   MR. WHEAT: Yes, Your Honor, there are. I think  
9 the best case on that point is the Hughes, H-u-g-h-e-s,  
10 case cited in our brief.

11                  QUESTION: And they got attorney's fees from the  
12 officer?

13                  MR. WHEAT: Yes. It was the patentee who no  
14 longer owned the patent. It was assigned to his  
15 corporation, but he was the one who committed the  
16 inequitable conduct, and the Federal circuit held that he  
17 was liable for a fee award. In fact, I'm aware of no  
18 cases saying you cannot hold the patentee --

19                  QUESTION: Even if you're wrong, I guess your  
20 narrowest argument is, even if you're wrong, the way to do  
21 it is Rule 15, and say it's not in the interests of  
22 justice, rather than start redefining prevailing party  
23 under the -- am I right, or not, that if you're wrong on  
24 that, the way to attack you is through Rule 15?

25                  MR. WHEAT: Oh, I think there are two ways we

1 could have pursued it, Rule 15, which we did --

2           QUESTION: Yes.

3           MR. WHEAT: -- or we could have filed an  
4 independent action in both claiming he was collaterally  
5 estopped, but yes, that does then get to the issue, is he  
6 liable for the fee award. The jurisprudence interpreting  
7 285 is clear that the one who commits inequitable conduct  
8 can be held liable.

9           QUESTION: But that's a matter of substantive  
10 law. The question here is really, you know, anyone who  
11 is -- you make a claim against -- under substantive law.  
12 You have to make the claim and give them an -- you know,  
13 notice that the claim is being made against them, and give  
14 them an opportunity to come in and defend themselves.

15           MR. WHEAT: Yes, I agree, Your Honor.

16           QUESTION: And is -- I understood from the  
17 briefs, or perhaps from the lower court opinion, that you  
18 make no claim here to piercing the corporate veil?

19           MR. WHEAT: No. We did not proceed under that  
20 theory. We proceeded under the theory that the person who  
21 committed the inequitable conduct is -- can be held  
22 accountable for the fee award, and under the theory that  
23 he was collaterally estopped to dispute the finding that  
24 he committed inequitable conduct adequate to support the  
25 fee award.

1               Unless there are other questions, I will  
2 conclude my remarks. I thank the Court for its attention  
3 to this matter.

4               QUESTION: Thank you, Mr. Wheat.

5               Ms. Dixon, you have 3 minutes left.

6               REBUTTAL ARGUMENT OF DEBRA J. DIXON

7               ON BEHALF OF THE PETITIONER

8               MS. DIXON: Thank you, Mr. Chief Justice. There  
9 are a few points I wish to attempt to clarify for the  
10 Court.

11              QUESTION: Would you clarify for me why, in your  
12 petition for cert, you said that petitioner does not  
13 challenge the district court's decision to grant  
14 respondents leave to amend the complaint and to join  
15 petitioner as a new party defendant, and to do so after  
16 judgment had been rendered? I mean, there we are. So  
17 that isn't some kind of a waiver?

18              MS. DIXON: No, it isn't, Your Honor, because  
19 even conceding the district court's ability to perfect all  
20 three of those items, it does not obviate Mr. Nelson's  
21 right to service of process and the right to be heard.

22              What the petitioner does challenge in the  
23 district court, and object to in the district court's  
24 finding, was having rendered a judgment against him  
25 without affording him the opportunity to be heard on or

1 defend on the merits, and there were multiple defenses  
2 available to Mr. Nelson, as well as a potential  
3 counterclaim, which were not available to Ohio Cellular  
4 Products, which in turn were not raised at the trial  
5 court.

6                   QUESTION: Ms. Dixon, how do you explain the  
7 statement by the trial court here on your later  
8 application for a 60(b) motion? In denying it, the court  
9 says this: the Federal Rules of Civil Procedure provide  
10 that a challenge to personal jurisdiction, insufficiency  
11 of process, or insufficiency of service of process is  
12 waived if not made in the party's first responsive  
13 pleading or motion.

14                  It is not disputed that Nelson did not, in any  
15 of his prior pleadings, make the objections he now seeks  
16 to raise, that is, personal jurisdiction, insufficiency of  
17 process, or insufficiency of service of process.

18                  MS. DIXON: Your Honor, I respond to that quite  
19 directly. Under Civil Rule 12, a responsive pleading is a  
20 party's first opportunity to be heard. However, the  
21 responsive pleading is deemed to either be a dispositive  
22 motion prior to filing an answer, or an answer. The  
23 predicate to that is Adams' filing of a complaint and  
24 giving Mr. Nelson the opportunity to affirmatively respond  
25 to the same.

1                   QUESTION: You -- well, I mean, it seems a  
2 reasonable rule laid down in that denial of the motion  
3 that the Federal rules provide that these defenses are  
4 waived if not made in the party's first responsive  
5 pleading or motion, and you're saying that you didn't have  
6 to make those defenses in your first motion?

7                   MS. DIXON: Correct, Your Honor, because, as we  
8 had addressed during my initial argument, Mr. Nelson's  
9 filing the Rule 59 motion would have been a special  
10 appearance, and he would not have been subject to the  
11 jurisdiction of the court by virtue of the same.

12                  QUESTION: In other words, the answer by motion  
13 or by answer to the complaint, Rule 12 is the rule in  
14 question, and Rule 12 says you can make a motion in  
15 advance of answering the complaint, or you can answer the  
16 complaint, so Rule 12 is set up to deal with the case  
17 where a complaint was filed, and then it says you respond  
18 to that complaint either by pre-answer, motion, or by  
19 answer.

20                  MS. DIXON: Precisely, Your Honor.

21                  QUESTION: How can you consider your first, your  
22 April 8 appearance a special appearance when you made two  
23 arguments, the first one of which is obviously to the  
24 merits, namely, section 285 does not allow an award of  
25 attorney's fees against an individual who engaged in

1       inequitable conduct? That's certainly a general  
2       appearance.

3                  MS. DIXON: I would disagree with the Court. It  
4       was merely a special appearance in an attempt to bring  
5       some deficiencies in the procedural aspects of the case to  
6       the court's attention.

7                  CHIEF JUSTICE REHNQUIST: Thank you, Ms. Dixon.

8                  The case is submitted.

9                  (Whereupon, at 12:03 p.m., the case in the  
10      above-entitled matter was submitted.)

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## CERTIFICATION

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

DONALD E. NELSON, Petitioner v. ADAMS USA, INC., ET AL.  
CASE NO: 99-502

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BY Jean Marie Frederic -----

(REPORTER)