

| | C O N T E N T S | |
|----|---|------|
| 1 | | |
| 2 | ORAL ARGUMENT OF | PAGE |
| 3 | THEODORE B. OLSON, ESQ. | |
| 4 | On behalf of the Petitioners | 3 |
| 5 | MALCOLM L. STEWART, ESQ. | |
| 6 | On behalf of the United States, as amicus | |
| 7 | Curiae, supporting the Respondents | 26 |
| 8 | JAMES B. HELMER, JR., ESQ. | |
| 9 | On behalf of the Respondents | 41 |
| 10 | REBUTTAL ARGUMENT OF | |
| 11 | THEODORE B. OLSON, ESQ. | |
| 12 | On behalf of the Petitioners | 55 |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
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| 24 | | |
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P R O C E E D I N G S

(10:06 a.m.)

CHIEF JUSTICE ROBERTS: We'll hear argument today in Case 07-214, Allison Engine Company versus United States ex rel. Sanders and Thacker.

Mr. Olson.

ORAL ARGUMENT OF THEODORE B. OLSON

ON BEHALF OF THE PETITIONERS

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

The False Claims Act addresses and redresses fraud on the government, not on every recipient of government funds. The liability-imposing provisions of the False Claims Act refer ten times in a single sentence to a submission to the government, getting a claim paid or approved by the government, or defrauding the government. Liability is to the government and it's based upon the amount of damages that the government sustains.

20 years ago, construing an even broader statute, this Court unanimously determined that defrauding the government in any manner for any purpose does not include defrauding recipients of Federal funds. That's the Tanner case. The United States made the same arguments in the Tanner case in 1987 that it's making

1 today in connection with the False Claims Act, and this
2 Court unanimously decided that case that defrauding the
3 government did not include defrauding grantees or
4 recipients of Federal funds.

5 There is no evidence in this case that false
6 or fraudulent claims were submitted to the United
7 States. Indeed, we don't know from the record what was
8 submitted to the United States, when it was submitted to
9 the United States, what it contained.

10 JUSTICE GINSBURG: What about the
11 certificates of conformance with specifications? I
12 believe they were the Navy's specifications and Allison
13 submitted to someone those certificates of conformance.

14 MR. OLSON: The district court very
15 carefully analyzed that evidence, as well as all the
16 other evidence in the case, Justice Ginsburg, and found
17 that an inference could not be drawn with respect to
18 what had happened or when it happened because there is a
19 time lag to drawing an inference from certificates of
20 performance when you don't know when those certificates
21 were made, when they were submitted to the government,
22 what they said.

23 JUSTICE GINSBURG: Could the government have
24 asked -- could the Navy have asked for them?

25 MR. OLSON: The Navy, you mean in connection

1 with the litigation or in connection --

2 JUSTICE GINSBURG: No. In connection -- the
3 Navy -- the engines are being supplied for Navy
4 destroyers and the Navy obviously has an interest in
5 making sure that the -- they measure up to the
6 specifications. So my question is whether in this
7 procedure for dealing with subcontractors there is any
8 kind of audit where the Navy can say, we want to see the
9 certificates of conformance for those engines or other
10 documents relating to them?

11 MR. OLSON: The answer to your question as I
12 understand it, Justice Ginsburg, is yes, the Navy had
13 the right to test the equipment, look at the -- look at
14 the specifications, examine the specifications, ask for
15 corrections if they were unsatisfied, to test the
16 products. The Navy had the right to do all of those
17 things.

18 And one -- fundamental to this case is we
19 don't know whether they did, whether they were satisfied
20 with the generators as ultimately delivered to them,
21 whether there were corrections, if there were
22 deficiencies or deviations from the specifications when
23 they were first submitted to the shipyards, whether
24 those were corrected, whether those deviations were
25 immaterial. Because --

1 JUSTICE KENNEDY: Does the Navy have the
2 right to audit the subcontractor's books?

3 MR. OLSON: It's my understanding -- I'm not
4 100 percent sure of that, Justice Kennedy, but it's my
5 understanding that the government did have the right to
6 follow the process all the way through. There's no
7 evidence that they did so.

8 JUSTICE KENNEDY: Suppose they audit the
9 subcontractor's books and they don't discover a fraud
10 and leave. Would there be liability then under your
11 view?

12 MR. OLSON: Well, I think it would depend
13 upon what was in the books and whether there was --

14 JUSTICE KENNEDY: The books show that X
15 dollars were spent for certain parts and that was far
16 too much. That was an inflated figure. It fools the
17 government. The government then pays the
18 subcontractor -- pays the contractor; the contractor
19 pays the subcontractor.

20 MR. OLSON: It -- that might be,
21 Justice Kennedy. Regarding the terms of the statute,
22 whether you might interpret that as providing under
23 (a)(2), providing a record or document to the government
24 with the intention that the government pay or approve a
25 claim, I think you'd have to examine the evidence in

1 that context.

2 What we don't have here, we don't know what
3 was submitted to the government. What the lawyers
4 representing the claimants in this case -- and this is
5 from page 5a of the appendix to the cert petition,
6 footnote 3. We -- this is what the -- when they were
7 asked about this issue: "We haven't shown you the
8 shipyard's invoices to the United States and we're not
9 going to show you those, because they are totally
10 irrelevant under the False Claims Act."

11 Now, that could not be more wrong, it seems
12 to us. You can't determine -- if there's going to be a
13 fraud, a claim of fraud against the United States, you
14 have to know what the United States received to see
15 whether it's fraudulent, to see whether any deviation
16 from the facts were material, whether the deviation from
17 the specifications where maybe the product was better,
18 maybe it deviated in an insubstantial way or an
19 immaterial way, maybe the government had an opportunity
20 to fix it.

21 We don't know whether there was reliance by
22 the government. We don't know whether there was a loss
23 by the government. And we don't know, if there was a
24 loss by the government, the quantification for the loss.

25 JUSTICE BREYER: I must be just missing

1 something here. Tell me what I'm missing. What about
2 the definition of "claim"? It says a claim includes a
3 request under a contract for money or property, and the
4 request is made to the contractor if the United States
5 provides any -- any of the money.

6 Is there an issue here as to whether some of
7 the money provided -- are you saying there was no money
8 provided by the United States or maybe there was no
9 money provided?

10 MR. OLSON: No. The way the record -- the
11 record is a little confusing with respect to that,
12 Justice Breyer, but I think that one of the witnesses --
13 I don't know how he knew --

14 JUSTICE BREYER: Yes.

15 MR. OLSON: -- but one of the witnesses said,
16 yes, the money that we received was money that came from
17 the United States.

18 JUSTICE BREYER: Well -- so why doesn't that
19 end it? Why doesn't -- how do you win, then, given the
20 language I just read?

21 MR. OLSON: Well, that's the definition of
22 the word "claim."

23 JUSTICE BREYER: "Claim." And there has to
24 be a claim.

25 MR. OLSON: There has to be a claim. But

1 then section -- you're reading subsection (c).

2 JUSTICE BREYER: That's right, that's right.

3 MR. OLSON: Subsection (a) provides the
4 standard for liability. So you can have a claim, but
5 you're not liable for a false claim unless it's
6 submitted to the government, unless it's knowingly made
7 to get a fraudulent claim paid or approved by the
8 government.

9 JUSTICE KENNEDY: Well, you say (a), but
10 we're talking about (a)(2) --

11 MR. OLSON: Yes.

12 JUSTICE KENNEDY: -- in connection with (c).

13 MR. OLSON: Yes. I -- I'm looking at the
14 statute --

15 JUSTICE KENNEDY: But you were quoting from
16 (a)(1).

17 MR. OLSON: No, I quoted from both (a)(1)
18 and (a)(2). (a)(2) --

19 JUSTICE KENNEDY: I know that, but doesn't
20 (a)(2) stand by itself, especially as -- as (c) is
21 written, (c) and (2), (c) and (a)(2) make perfect
22 grammatical sense without any presentation to the
23 government.

24 MR. OLSON: Well, it reads out the words "by
25 the government" from that section, which is what the

1 statute looked like until it was specifically amended.

2 JUSTICE STEVENS: Well, the words "by the
3 government" are in (a)(2).

4 MR. OLSON: Pardon me?

5 JUSTICE STEVENS: The words "by the
6 government" are in (a)(2).

7 MR. OLSON: They are in (a)(2), but the way
8 Justice -- the way Justice Kennedy was reading it, I
9 respectfully submit, would read out those "by the
10 government." What (a)(2) --

11 JUSTICE SCALIA: You're saying, in addition
12 to being a claim, that's not enough reliability? It has
13 to be a claim that's presented to the government?

14 MR. OLSON: It's presented to the government
15 and --

16 JUSTICE SCALIA: And all that (c) does is
17 tell you what a claim is. So that, even if it's not a
18 claim against the government but just a claim against a
19 subcontractor, that still can be the basis for liability
20 so long as it's presented to the government.

21 MR. OLSON: It's presented to the government
22 or, under (a)(2), knowingly made to get --

23 JUSTICE STEVENS: But (a)(2) says it has to
24 be paid or approved by the government.

25 MR. OLSON: It has to be made or used to get

1 a claim paid or approved. In other words, it has to be
2 something that's created, then given to the government,
3 so in order to get a claim paid or approved by the
4 government. What I am --

5 JUSTICE KENNEDY: But you say "given to the
6 government." It doesn't say "given to the government."
7 It says "paid or approved by the government."

8 MR. OLSON: Well, I think a reasonable
9 reading of the statute is -- and this is essentially
10 what this Court unanimously decided 20 years ago in the
11 Tanner case, that these cases about defrauding the
12 government must involve something that causes the
13 government to suffer a loss, some something that impacts
14 the government. Even -- even the government today is
15 making the same statement that there has to be a loss.

16 What I'm saying with -- it's important,
17 Justice Kennedy, that -- that if you are going to want
18 to get something paid or approved by the government, you
19 have to do something that gets it to the government in
20 some fashion.

21 And reading (a)(1) and (a)(2) and (a)(3) and
22 the Tanner decision and the history of this statute from
23 1863 all suggest very strongly, I submit, the plain
24 language of the statute is that it's -- involves fraud
25 against the government.

1 Now, you may submit something to a prime --
2 you may be a subcontractor that submits something to the
3 prime contractor, and this very -- this case is a very
4 good example of it, and this case is very much like the
5 Tanner case. What did the prime contractor do with it?
6 If it was false or deficient or out of specifications,
7 the prime contractor had a right to say: Wait a minute,
8 tighten those bolts up a little bit more, or we're going
9 to deduct it, a little price from that, and we're going
10 to tell the government that there's a deviation in the
11 specifications.

12 JUSTICE GINSBURG: But if it's disguised,
13 how would the -- how would the prime contractor know?

14 MR. OLSON: Well, that's just the point,
15 Justice Ginsburg. We don't no one way or the other
16 unless the evidence is submitted. We don't know what
17 the government received, so we don't know whether the
18 government was deceived. So, if I submit that it might
19 well be in this case -- we don't know how much time
20 elapsed between the submission of the invoices or the
21 other materials from the subcontractor to the prime
22 contractor. What happened then between then and when
23 the ships were delivered to the Navy? Lot of things
24 could have happened. We don't know.

25 JUSTICE GINSBURG: Well, there wasn't any

1 trial, was there?

2 MR. OLSON: There was a trial.

3 JUSTICE GINSBURG: There was?

4 MR. OLSON: And there was a motion at the
5 close of the evidence of the plaintiff's case. And at
6 that -- it's at that point that counsel said: We are
7 not going to show you the invoices to the United States.
8 We're not --

9 JUSTICE GINSBURG: Well, how could -- they
10 would have at a minimum -- even if your theory is not
11 correct -- they would have to prove loss to the
12 government. Otherwise they would have no claim.

13 MR. OLSON: That's -- that's correct,
14 Justice Ginsburg. And that's my point.

15 If you can't -- if you don't know what went
16 to the government, you don't know whether a claim or a
17 document or a statement, to use the words of the
18 statute, went to the government. You don't know whether
19 what the government got was false; you don't
20 know whether they --

21 JUSTICE SCALIA: Does the other side concede
22 that point, that you have to prove loss to the
23 government? I don't think they do, do they?

24 MR. OLSON: I'm not sure. I think --

25 JUSTICE SCALIA: I don't think they concede

1 it.

2 MR. OLSON: What the statute says --

3 JUSTICE GINSBURG: Well, the government
4 certainly has that in its brief.

5 MR. OLSON: What the statute says is that it
6 is liability to the government for the damage the
7 government sustains. Now, it may well be -- there's
8 penalties even if there isn't damage to the government.
9 I would concede that.

10 JUSTICE SCALIA: You could say that the
11 misuse of government funds, which are in the hands of
12 subcontract -- of contractors, harms the government,
13 even though it doesn't come out of the government's
14 pocket, because those funds were given for a particular
15 purpose, and if that purpose is frustrated, the
16 government is harmed. That would work, without saying
17 that the government has lost any money.

18 MR. OLSON: Well, you could say that, but
19 you don't know whether the government got what it
20 wanted. You don't know whether the -- if something
21 deviates from specifications in a contract, it might
22 deviate on the plus side of something, it might deviate
23 in an immaterial way.

24 The contractor, the prime shipyards here,
25 and the government had the right to correct any

1 deficiencies.

2 JUSTICE SCALIA: Well, suppose the
3 government gives money for building schools, okay, to a
4 State and a fraudulent claim is submitted as -- in
5 connection with the construction of the school.

6 The government has been cheated in that the
7 money it gave for a school is not going to the school;
8 some of it is going into the hands of the fraudulent
9 contractor.

10 MR. OLSON: Well, what you've done with your
11 question, Justice Scalia, is left out the link. What
12 happened -- what -- the government may have made
13 -- given money to the schools. Subcontractors might
14 have submitted something false. The prime contractor
15 might have discovered it and said: Correct this or --

16 JUSTICE SCALIA: I understand that, but
17 that's a different point.

18 MR. OLSON: No, it isn't --

19 JUSTICE SCALIA: I am talking now about the
20 point of whether the government itself has to suffer any
21 harm other than the fact that the money it gave was not
22 used for the purpose for which it gave it. That alone,
23 it seems to me, could be harm.

24 MR. OLSON: Well, it -- it might under some
25 circumstances be harm. It might not under other

1 circumstances be harm. It might be misleading in an
2 immaterial way. It might -- there might have been no
3 reliance by the government. There might have -- the
4 government might have said -- the contract between the
5 prime contractor and the subcontractor might have
6 different requirements than what the government wants.
7 None of those --

8 JUSTICE KENNEDY: Mr. Olson, it seems to me
9 you're fighting the hypothetical. Let's say they built
10 a lousy school, sub-spec. The roof is falling in; the
11 plumbing leaks. It's a fraud, but they've given the
12 money, the feds have given the money to the States and
13 the States have let this slip by. Justice Scalia's
14 point was the Federal Government has been injured.

15 MR. OLSON: The Federal Government may have
16 been injured. The question is what does this statute
17 redress? There are other statutes. There's a major
18 fraud provision of Title 18 that has major penalties for
19 fraud by subcontractors against contractors in
20 connection with public projects just as the one -- like
21 the ones you're describing.

22 But if this Court's Tanner decision is
23 correct -- and it was only 20 years ago; it was
24 unanimous -- it defined the term "defrauding the
25 government" and it said "defrauding the government"

1 means defrauding the government, not filing a false
2 claim --

3 JUSTICE BREYER: But that's why the
4 definition -- it seems to me at the moment -- that's why
5 I'd like your view -- that the language is perfectly
6 ambiguous, the language of "knowingly makes a false
7 statement to get a false claim paid."

8 Now, the "false claim" is the claim that
9 they made to the contractor, because that's the
10 definition. And you are saying: Well, they made this
11 statement to get a false claim paid by the government.
12 Now, you could read those words "paid by the government"
13 to say "and there has to be a causal connection," which
14 is what you're saying, that you have to make the false
15 statement, make the claim, and that led the government
16 to pay.

17 But you could also say it's "paid by the
18 government" when the money to pay it comes out of
19 government funds, because it was paid by the government
20 even though the government gave the money to build the
21 school 100 years ago. But it's there in the bank
22 account, and then the contractor took the money from the
23 bank account that the government put in and paid it. In
24 such a case, linguistically, you can say it's paid by
25 the government.

1 MR. OLSON: It has to be a false claim paid
2 by the government.

3 JUSTICE BREYER: It was a false claim.
4 That's there.

5 MR. OLSON: What -- Justice Breyer, what is
6 missing from your hypothetical is what went to the
7 government. Suppose the prime contractor decided that
8 the paint was off-white instead of white, and that was
9 satisfactory.

10 Suppose the subcontractor said to the
11 government: This is a major project; this is
12 a billion-dollar project; there are all these little
13 things that are out of specifications and could be
14 called false or fraudulent or misleading; we're going to
15 disclose all of these things to the government. The
16 government has a complete opportunity to test them, look
17 at them, and decide whether it's satisfied. Then the
18 government isn't deceived.

19 JUSTICE BREYER: Well, it doesn't say that.
20 It says it was a false claim, which it was. It's false,
21 and it is a claim to the general. And was it paid by
22 the government? Yes. It was paid by the government,
23 even though everything you said is true, because the
24 money to pay it came from government funds. So that's
25 why I'm having a problem. I can read those words, "paid

1 by the government," either way.

2 MR. OLSON: Well, I think you are taking the
3 words and isolating them.

4 JUSTICE BREYER: That's true.

5 MR. OLSON: It is knowingly making a false
6 record or a false statement to get a false claim paid.
7 If the government didn't pay a false claim, then (a)(2)
8 doesn't provide for liability.

9 JUSTICE SOUTER: Well, that's not strictly
10 correct. I mean, it's "paid or approved."

11 MR. OLSON: Yes, I should have said --

12 JUSTICE SOUTER: And if -- yes, but if --
13 which means there is a third way, and the third way of
14 reading it is if the sub makes the false statement to
15 the general contractor in order ultimately to get a
16 false claim, i.e., the ultimate contractor's claim for
17 conforming work, approved or this particular claim
18 approved by the government when the government makes the
19 ultimate decision to pay the general contractor, that
20 would be covered by (2).

21 MR. OLSON: Well, if -- I should have said
22 the word "approved" because I -- I was shortening it up.
23 But it does say "paid or approved." But what has to be
24 done is that the government has to -- what has to be
25 submitted is something to cause the government to pay or

1 to approve a false claim to the government.

2 JUSTICE SOUTER: But that can simply be done
3 by the false claim to the general contractor, who either
4 accepts it as true or, for that matter, knowingly
5 understands that it is false, and ultimately submits the
6 same claim, i.e., as an element of its ultimate bill for
7 the whole project.

8 MR. OLSON: Well, what I might say in
9 addition to what I have said, Justice Souter, is that
10 there is no stopping point for that theory. The
11 government says as long as the project involved Federal
12 money, as long as the project used Federal funds, as
13 long as the project might endanger the Federal fisc, as
14 long as the program is financed in part by Federal
15 money, there would be liability under this statute.

16 Given the tens of thousands of government
17 contracts, government funds, government financing of
18 States, localities, universities, and so forth, there is
19 no limiting point. And what --

20 JUSTICE SOUTER: With respect, I think there
21 is a limiting point. You are certainly right when you
22 talk about the thousands of contracts that the
23 government ultimately makes or finances for the benefit
24 of lower units of government. But it does not follow
25 from the government's theory that if the United States

1 makes grants to a subunit of government, not for the
2 purpose of a given contract or a given project, it
3 simply makes grants, revenue-sharing sorts of things, it
4 doesn't follow from the government's position that when
5 one of those sub-units of government then makes a
6 contract spending part of that money, that it's covered
7 by this statute.

8 This statute would cover the myriad of
9 grants made for particular contracts. It would not
10 cover every subset of funds in a lower government unit,
11 some of which had been contributed by the national
12 government.

13 MR. OLSON: I don't -- I don't think, with
14 respect, that that's a fair reading of what the
15 government said either in the Tanner case, I think making
16 essentially the same arguments which were rejected
17 unanimously by this Court, or what it says in its brief
18 to the Court today.

19 JUSTICE GINSBURG: Well, perhaps we should
20 ask the government to explain what its position is. But
21 one of the points that has been raised in opposition to
22 your argument is that your interpretation would cut out
23 claims that today are regarded as properly presented
24 under the False Claims Act.

25 And the one that was featured was false

1 claims for Medicare or Medicaid reimbursement, because
2 those are presented not to the government but to an
3 intermediary.

4 MR. OLSON: In -- with respect to that, the
5 government filed a brief in a case called Atkins versus
6 McInteer in the Eleventh circuit, and I have the brief
7 here -- it is not part of the material that is before
8 you -- in which the government said that even if the
9 District -- D.C. Circuit decision that's involved in
10 this case, the Totten case, was correctly decided, those
11 Medicare-Medicaid cases would be substantially covered
12 under the statute even under that construction because
13 the provider's claim is passed on by the insurer to the
14 Medicare agency or entity.

15 Now, I don't know, Justice Ginsburg, the
16 facts of that case or the facts of all of those
17 circumstances. But the fact is that if you take this
18 statute as it was enacted in 1863, all of this used to
19 be a part of one section that talked in the first case --
20 the first instance, one sentence which discussed in the
21 first instance a presentation of a claim to the
22 government and which was the liability to be imposed
23 upon the claimant.

24 The second part of the sentence said -- it
25 was intended to cover the people aiding the fraud, those

1 people that provided with records or statements in order
2 to get the payment made.

3 And then the third provision was the
4 conspiracy provision.

5 Those were broken out into the subsections
6 you see today. In 1982, Congress specifically said: We
7 are simply codifying the statute; we're not changing the
8 statute. We are making no substantive changes in the
9 statute.

10 If you read that provision in the context of
11 the Marcus versus Hess case, which was in the early
12 '40s, in which the government -- in which the Court
13 specifically said there's liability for an intermediary
14 causing a -- Federal Government to pay the claim. But
15 in that case, the invoices were passed on, and the --
16 and the government entity in that case, the Public Works
17 Administration, had the opportunity to review and
18 approve invoices --

19 JUSTICE GINSBURG: So the whole
20 difference -- the whole difference, then, is if the --
21 the invoices are passed on, as opposed to the government
22 having the right, if it so chooses, to inspect the books
23 and records?

24 MR. OLSON: I think I may not have heard
25 your question. In the --

1 JUSTICE GINSBURG: The difference is if the
2 government gets the invoices from the contractor, then
3 there's a claim under the False Claims Act. But if,
4 instead, the subcontractor is required to make its books
5 and records available on request to the government,
6 that's not enough?

7 MR. OLSON: Well, I -- I think -- it's
8 certainly not this case, because the -- although the
9 government had an opportunity to do these things, we
10 don't know what happened.

11 JUSTICE GINSBURG: But it made -- I thought
12 you said that it is this case that the government had
13 the right --

14 MR. OLSON: If --

15 JUSTICE GINSBURG: -- to audit the --

16 MR. OLSON: The problem is, as this Court
17 said in the -- unanimously in the Tanner case, given --
18 forgive me for doing this, but it's important. "Given
19 the immense variety of ways the Federal Government
20 provides Federal financial assistance, always
21 accompanied by some restrictions or conditions on its
22 use, the inability of the substantial supervision
23 language" which the government was advancing then, which
24 it's sort of advancing now, does not provide any test
25 for any real guidance or --

1 JUSTICE KENNEDY: But the Tanner case didn't
2 confront the statute which has the definition of
3 "claims" that Justice Breyer is putting to you.

4 MR. OLSON: Yes --

5 JUSTICE KENNEDY: This statute that we're
6 looking at, in effect, defines what a fraud against the
7 government is.

8 MR. OLSON: Yes, but it -- but when it
9 was -- when it added that section, it specifically added
10 in the words "by the government," which those words were
11 added after the legislative history that both the
12 Respondents and the government cites. And it did not
13 change, Justice Kennedy, the definition of "liability."
14 It simply defined "claim." If the Court --

15 JUSTICE SCALIA: Am I correct in this that
16 without the "claim" definition, the statute would not
17 cover a fraudulent submission by the subcontractor to
18 the contractor which is known to be passed on to the
19 government ultimately?

20 MR. OLSON: No, I think --

21 JUSTICE SCALIA: Without that definition,
22 the claim would be made against the contractor, not
23 against the government.

24 MR. OLSON: I --

25 JUSTICE SCALIA: And, therefore, wouldn't be

1 a claim.

2 MR. OLSON: I think under both the -- if the
3 claim by the subcontractor to the contractor is intended
4 to be passed on, that the -- that the contractor is an
5 intermediary, then under Marcus versus Hess, which is
6 the situation there, there could be liability.

7 I'd like if I could, Mr. Chief Justice, to
8 reserve the balance of my time.

9 CHIEF JUSTICE ROBERTS: Thank you,
10 Mr. Olson.

11 Mr. Stewart.

12 ORAL ARGUMENT OF MALCOLM L. STEWART,
13 ON BEHALF OF THE UNITED STATES,
14 AS AMICUS CURIAE,
15 SUPPORTING THE RESPONDENTS

16 MR. STEWART: Mr. Chief Justice, and may it
17 please the Court:

18 I'd like to begin with the same point that
19 Mr. Olson began with, namely, does the False Claims
20 Act -- is the False Claims Act directed solely at
21 schemes to defraud the government or does it encompass
22 schemes to defraud people who receive Federal money?
23 And we're in agreement with Petitioners that the False
24 Claims Act is directed at schemes to defraud the Federal
25 Government.

1 Our theory in this case is not that the
2 subcontractors are potentially liable because they may
3 have attempted to defraud the prime contractors. Our
4 theory is that the subcontractors are potentially liable
5 because they are alleged to have used false
6 representations made to the prime contractors but with
7 the ultimate purpose of defrauding the United States.

8 And I think if you imagine what would have
9 happened if the allegations in this case are true and if
10 the fraudulent scheme had been carried to completion,
11 it's very clear that the government, rather than the
12 prime contractors, would have been the injured party.

13 CHIEF JUSTICE ROBERTS: Mr. Stewart, I don't
14 understand that point. Let's say Allison Engine is
15 defrauding Bath, but Bath makes ships for a lot of
16 people, boats, whatever they make. Allison Engine is
17 defrauding, saying these engines, you know, work this
18 way and, in fact, they don't.

19 It doesn't know Bath is going to use some of
20 them in a government ship as opposed to a private ship.
21 So you'd say in that context, since there's no
22 intent to defraud the government, there's no liability?

23 MR. STEWART: Well, we would say certainly
24 in the context where Allison knows that the engines are
25 to be used for private work, that the False Claims

1 Act would not --

2 CHIEF JUSTICE ROBERTS: It just sells them
3 engines. It doesn't know what Bath is going to do with
4 them. They are going to put some in private boats and
5 some in the government boats.

6 MR. STEWART: I think you could still have a
7 FCA claim, if in fact the work was being done for the
8 government contract. But whatever the correct answer to
9 that question in the circumstance where the
10 subcontractor really doesn't know what the ultimate
11 project is for, that's not the case here. The
12 subcontractor --

13 JUSTICE SCALIA: I have another question.
14 Suppose the subcontractor -- the fraud consists of
15 inflating the hours spent in a cost-plus contract. So
16 the subcontractor submits and receives payment for
17 \$10,000 more than the subcontractor deserved. All
18 right?

19 But that all comes out of the hide of the
20 contractor. The contractor gets the same amount of
21 money from the Federal Government and the fraud only
22 harms the contractor.

23 MR. STEWART: Our view is that that would
24 not be covered.

25 JUSTICE SCALIA: That would not be --

1 MR. STEWART: That would not be covered. It
2 would --

3 JUSTICE SCALIA: Why?

4 MR. STEWART: Because the statute -- if you
5 look at page 2 of the blue brief, that reproduces the
6 relevant provisions of the statute. And the one that
7 we're principally -- the two that we're relying on here
8 are subsection 2, which says: "Knowingly makes, uses or
9 causes to be made or used a false record or statement to
10 get a false or fraudulent claim paid or approved by the
11 government."

12 And we would say that the reference to "false
13 or fraudulent claim paid or approved by the government"
14 should be taken as limited to a claim that is false as
15 to the government. That is, it's false in a respect
16 that the government cares about.

17 JUSTICE SOUTER: It cares about it because
18 it, in effect, gets less than it paid for.

19 MR. STEWART: Well --

20 JUSTICE SOUTER: If it were a cost-plus
21 contract, the government would pay an extra \$10,000 and
22 it would lose.

23 MR. STEWART: That's right.

24 JUSTICE SOUTER: If they -- if they simply
25 supplied defective parts, the government would get less

1 of a machine than it paid for. But in the -- in
2 Justice Scalia's example, the government ultimately ends
3 up with exactly what it bargained for, and the person
4 who's out is the person who paid for too much labor,
5 which was the general. Is that your --

6 MR. STEWART: That's correct. And in that
7 circumstance, I think the scheme could fairly be
8 characterized as one to defraud the prime contractor,
9 because the prime contractor would bear the loss
10 associated with the scheme. And we would agree that
11 that's not covered. Here --

12 JUSTICE BREYER: What you are saying is
13 covered, I take it -- and this is -- I want to know how
14 this has worked out -- what is covered is -- imagine
15 government grant programs. And suppose there are vast
16 numbers of grant programs now that go to all kinds of
17 entities throughout the country, and a large portion of
18 which are just grants. They're paid and the government
19 is not going to get a penny back.

20 Now, there are instances of frauds in such
21 situations of subs against the person who gets the
22 grant. And in -- I can't imagine a case -- maybe
23 imagine, but it would be imaginary -- where the
24 government couldn't say: But we got less than the grant
25 was supposed to pay for.

1 And you're saying all those are covered. Is
2 that right?

3 MR. STEWART: I mean, I think our test would
4 be, is the effect of the fraud to cause the money
5 provided by the Federal Government to be diverted to
6 purposes --

7 JUSTICE BREYER: To get less than it was
8 supposed to get.

9 MR. STEWART: I mean, certainly --

10 JUSTICE BREYER: And so this is what
11 surprises me on your side. It's 20 years later. And if
12 all those things are covered, given the vast extent of
13 government grant programs in the United States, has your
14 interpretation worked to bring within this statute, and
15 lots of qui tam cases against municipal frauds of all
16 kinds, things that they just never thought of at the
17 time of the Civil War? Do you see what the question is?

18 MR. STEWART: I mean, I think -- I think it
19 has basically worked. I don't think it has worked
20 perfectly. But I don't think --

21 JUSTICE BREYER: Have there been a lot of
22 such cases?

23 MR. STEWART: I think there are a lot of
24 cases -- I mean, Medicare and Medicaid fraud is an
25 example that we would deal with differently textually,

1 but those are programs in which the Federal Government
2 provides money. Persons other than Federal officials
3 decide whether the claims should be paid, but ultimately
4 there's reimbursement by the Federal Government. Now,
5 our answer to the question --

6 JUSTICE GINSBURG: Mr. Olson said on the
7 Medicare that the providers, that the intermediary does
8 present the bill that they got.

9 MR. STEWART: And our view is that those
10 would be covered even if there is a presentment
11 requirement, because subsection (a)(1) of the statute
12 refers to a person who knowingly causes a false claim to
13 be presented to a Federal official.

14 So because there's the reimbursement
15 mechanism we think that would be covered. But a big
16 part of our argument here is that the applicability of
17 the FCA should not depend on these sorts of quirks of
18 timing. That is, to take the school hypothetical that
19 was discussed in the first part of the argument, you
20 have provision of government money for -- Federal money
21 for construction of a school, and the contractors who
22 deal with the State agency defraud the State agency and
23 they produce a shoddy product.

24 Now, if the way that the funding program
25 works is that the State agency pays first and then

1 presents a claim for reimbursement to the Federal
2 Government, that would be covered even with the
3 presentment requirement.

4 CHIEF JUSTICE ROBERTS: Well, how far down
5 the line? I mean, let's take that hypothetical. The
6 government gives money to the State to build a school.
7 The school has to be painted as part of that, so the
8 school contractor, the prime contractor, takes some of
9 the money from the Federal Government and pays the
10 painter. The painter needs to buy paint. So the
11 painter takes some of the Federal money and pays the
12 paint company. The paint company has to get the
13 chemicals from somebody. So the paint company takes
14 some of the money and pays the chemical company. And at
15 that point, the chemical company's fraudulently added,
16 you know, a dollar on to the cost of the chemicals. So
17 that dollar goes all the way through. So the government
18 ends up paying a dollar more because of the fraud five,
19 six, seven times down the line.

20 Can an uninterested person bring a qui tam
21 action against the chemical manufacturer because of that
22 fraud?

23 MR. STEWART: I think our answer would
24 probably be yes. A court might read a de minimis
25 limitation into the statute, but part of our point would

1 be that be that that --

2 JUSTICE SCALIA: A hundred dollars more a
3 can.

4 (Laughter.)

5 MR. STEWART: Well, the answer to that
6 hypothetical -- and the answer to that hypothetical
7 really has nothing to do with whether the statute
8 imposes a presentment requirement, because the
9 hypothetical --

10 CHIEF JUSTICE ROBERTS: It's not a
11 presentment requirement. That's in (a)(1). It's that
12 the claim be paid, the false claim be paid by the
13 government. And what you're saying is when the
14 government pays the State, that pays the school, that
15 pays the contractor, that pays the paint -- blah, blah,
16 blah -- that that is payment by the government of a
17 false claim because the chemical manufacturer six or
18 seven steps down the line commits fraud.

19 MR. STEWART: It could be an (a)(2)
20 question, but my point was that the same type of issue
21 could arise even with the presentment requirement,
22 because if the chemical manufacturer presents his own
23 bill to the paint company, who presents his bill to the
24 contractor who does the painting work, who presents his
25 bill, et cetera, et cetera --

1 JUSTICE SCALIA: He has to know that. He
2 has to know that his bill is going to be sent up the
3 line to the government. "Knowingly makes, uses or
4 causes to be made or used a false record to get a false
5 or fraudulent --

6 MR. STEWART: I guess I was --

7 JUSTICE SCALIA: And if he knows it, serve
8 him right. But this other guy thinks he's just honestly
9 cheating the guy who's buying the chemicals.

10 (Laughter.)

11 MR. STEWART: Again, whatever -- whatever
12 the answer -- the point I was trying to make about the
13 timing is -- again assume away these issues about how
14 much might be de minimis. You have substantial fraud by
15 the contractor directed at the State agency. If the
16 State -- if the way the funding program works is that
17 the State agency then presents its own bill to the
18 Federal Government, we're going to have a good (a)(1)
19 case regardless of whether presentment is required,
20 because we're going to say the subcontractor, the person
21 who did the work, caused the State agency to submit a
22 false claim to the Federal Government and we can recover
23 on that theory.

24 But -- but if the government provides the
25 money up front, gives it to the State agency and says,

1 use it for the defined purposes, you'll still have
2 presentment of a claim by the State agency, namely
3 the request for funding, but there will be no way to
4 say that that claim is --

5 JUSTICE BREYER: The difference is that
6 government money today is in everything. So if it's in
7 everything, then everything is going to become subject
8 to this False Claims Act. And of course I exaggerate by
9 using the word "everything," but only a little.

10 (Laughter.)

11 MR. STEWART: But the point about timing --
12 but the point about timing is if the State's claim is
13 submitted to the Federal Government at a time when the
14 fraud has not yet occurred, the State's claim can't be
15 denominated false, assuming that the State intends it --

16 JUSTICE KENNEDY: I don't know that that
17 accords with the definition of "claim" in (c).

18 MR. STEWART: Well, the definition of
19 "claim" in (c) says it's a request or a demand --

20 JUSTICE KENNEDY: If the government
21 will reimburse.

22 MR. STEWART: Will reimburse, but it also
23 says "if the United States Government provides any
24 portion of the money or property which is requested or
25 demanded, or if the government will reimburse." And so

1 --

2 JUSTICE KENNEDY: But I meant provide. It
3 has provided it already.

4 MR. STEWART: That's correct. And my -- my
5 point is the definition of "claim" indicates that
6 Congress didn't want liability to turn on this quirk of
7 timing, whether the fraud occurs before the claim is
8 submitted to --

9 JUSTICE KENNEDY: So in your own school
10 hypothetical, there's liability.

11 MR. STEWART: There's liability if the
12 Federal Government reimburses a claim for expenses that
13 have already been incurred, but under Petitioner's
14 theory, if the Federal Government pays the money up
15 front, the State has submitted a claim but it's not a
16 false claim. And then if the contractor defrauds the
17 school -- the State, by producing a shoddy school, the
18 contractor can't be charged with having caused a false
19 claim to be submitted.

20 JUSTICE SCALIA: It doesn't shock me. I
21 don't know. It doesn't shock me at all. If indeed the
22 object of this is to prevent fraud upon the government
23 and if the government has not been deceived at all, get
24 yourself a new statute.

25 MR. STEWART: But our point is that --

1 JUSTICE SCALIA: This statute doesn't have
2 to cover every ill in the world.

3 MR. STEWART: That's correct. But fraud --
4 fraud against the government can occur whether -- the
5 whole point of the definition of (c) is that fraud
6 against the government can occur if Federal money is
7 diverted away from its intended purposes, whether the
8 deceit is practiced directly upon a Federal official or
9 a contractor or a grantee.

10 JUSTICE GINSBURG: Before -- before you
11 finish -- your time is almost out -- the major objection
12 is the one that Justice Breyer just voiced, that your
13 position is vastly overbroad and every time there's
14 government money there will be -- one of these qui tam
15 people can come in. What are the limiting principles
16 that you say attach to this statute?

17 MR. STEWART: There are two principal
18 limiting principles. The first is that the bill has to
19 be submitted to the contractor or grantee in his
20 capacity as such. That is, there has to be a nexus
21 between the provision of Federal funds and the request
22 that's made. So if a subcontractor defrauds Boeing on
23 work that Boeing is doing for a private airline, there's
24 no FCA violation. Even though Boeing literally is a
25 government contractor, it's not being defrauded in its

1 capacity as such.

2 And the second is that the fraud has to be
3 of a nature that if successfully carried to completion
4 could be expected to injure the Federal Government. So
5 in the hypothetical of the cost-plus contract between
6 the prime contractor and the sub and the sub presents an
7 inflated bill, if the loss falls on the prime contractor
8 and is not passed along to the government, the claim
9 would not lie under the FCA

10 JUSTICE SCALIA: But injuring the Federal
11 Government would -- it would suffice to injure the
12 Federal Government that the schools are shoddy and the
13 roofs are leaking? That would be enough?

14 MR. STEWART: That would be enough.

15 JUSTICE SCALIA: Even though the Federal
16 Government is not out of pocket any more, but the
17 program that it -- that it was desirous of encouraging
18 is simply not as good as it would have been otherwise.

19 MR. STEWART: That's -- that's correct.

20 JUSTICE SOUTER: And you would still -- your
21 theory would still cover the case of the -- of the
22 agency that gets 10 percent of its budget by -- through
23 a general grant from the United States, no matter what
24 it spent its money on, regardless of the fact that the
25 United States has no connection with particular

1 contracts. If in fact a fraudulent claim was presented
2 to that agency, it would fall within the qui tam
3 statute?

4 MR. STEWART: We would still be asking was
5 the -- whether the fraud was of a sort that the Federal
6 Government cared about. That is, if the Federal
7 Government made a grant with no strings attached, use it
8 as you want.

9 JUSTICE SOUTER: Right, no strings attached.

10 MR. STEWART: Then there would be no FCA
11 liability.

12 JUSTICE SOUTER: Why wouldn't there be?

13 MR. STEWART: Because the fraud would not --
14 in that -- in that hypothetical, you would have
15 something akin to a fraudulent car repair bill passed
16 along, given to me. I happen to be a Department of
17 Justice employee and I might use my Federal salary to
18 pay the fraudulent claim. But we wouldn't say that's an
19 FCA violation.

20 JUSTICE SOUTER: No, but when your salary is
21 paid, in effect the government's interest stops when it
22 pays for your labor. In the -- in the hypothetical in
23 which the government funds 10 percent of a sub-agency's
24 operating budget, presumably its intent generalized goes
25 to everything that agency does.

1 MR. STEWART: Well, we would still ask
2 whether the government has -- the Federal Government has
3 placed meaningful limitations on the way in which the
4 money may be spent and whether the nature of the fraud
5 is to prevent those limitations from being honored.

6 Thank you.

7 CHIEF JUSTICE ROBERTS: Thank you,
8 Mr. Stewart.

9 Mr. Helmer.

10 ORAL ARGUMENT OF JAMES B. HELMER, JR.,

11 ON BEHALF OF THE RESPONDENTS

12 MR. HELMER: Mr. Chief Justice, and may it
13 please this Court:

14 Electricity is the critical component in a
15 modern warship that allows it to fight, to defend
16 itself, and to carry out its mission. Because of that,
17 the Navy imposed rigid requirements on all who work on
18 its generator sets in manufacturing those generator
19 sets.

20 Those rigid requirements were passed down
21 from the Navy to Bath. Bath was ordered by the Navy to
22 pass those down in writing to each of its subcontractors
23 who were going to work on these Gen-Sets, and Bath did
24 that. Each of the subcontractors in this case knew they
25 were working on the DDG-51 project, which is the Arleigh

1 Burke-class destroyers. They knew that military
2 requirements were called out in their paperwork that had
3 to be met; and they did not satisfy those military
4 requirements and yet submitted both claims for payment
5 and, as Justice Ginsburg has pointed out, certificates
6 of compliance.

7 If you look at the Sixth Circuit's joint
8 appendix at page 620, you're going to see, at paragraph
9 6.1 in the contract between Bath Iron Works and Allison,
10 the subcontractor, that Allison was required, when it
11 delivered the Gen-Sets to the shipyard to give a
12 certificate of conformance that all of these rigid
13 requirements had been satisfied, and that certificate of
14 conformance had to be given to the United States Navy.

15 And third, until that certificate of
16 conformance was given to the United States Navy, no
17 money; no money was going to be paid to Allison.

18 JUSTICE GINSBURG: Whose certificate is it?
19 Is it the contractor's certificate that everything that
20 the subs have done or the certificate of conformance
21 that Allison provided, that SOFCO provided?

22 MR. HELMER: Yes, ma'am. There are two
23 certificates of conformance, you're absolutely correct.
24 What I'm speaking of is the certificate of conformance
25 from the defendants in this case. They have to take and

1 give that to the shipyard that says: We have met all
2 the requirements, the Navy requirements; and we have to
3 give that to the U.S. Navy. The U.S. Navy then takes
4 that certificate and releases the Gen-Set. It's under
5 lock and key. It releases the Gen-Set --

6 JUSTICE SCALIA: I thought --

7 MR. HELMER: -- to be installed in the ship.

8 JUSTICE SCALIA: I thought it was not
9 established that anything from this defendant got to the
10 Navy.

11 MR. HELMER: You were told that earlier this
12 morning, Your Honor. I don't believe that's correct.

13 JUSTICE SCALIA: Well, where in the record
14 is there some indication that some -- some paper from --
15 with a fraudulent representation made it up to the Navy?

16 MR. HELMER: If you'll look at the joint
17 appendix, the Sixth Circuit joint appendix, at page 620;
18 it's clause 6.1 -- talks about the certificates. The
19 certificates are in the record starting at joint
20 appendix, Sixth Circuit joint appendix 515 --

21 JUSTICE SCALIA: Well, I know what
22 certificates are, I mean, you know, their general
23 content. But was there anything in the record that a
24 certificate from Allison went to the Navy with Allison's
25 signature on it?

1 MR. HELMER: Yes, Your Honor. The contract
2 with Bath required the Navy to receive that for Allison
3 to be paid. There was evidence in this case that
4 Allison was, in fact, paid for delivering these
5 Gen-Sets. That's circumstantial evidence that they did
6 submit their certificates of conformance --

7 JUSTICE ALITO: What about the statement
8 that Mr. Olson quoted during his argument, when counsel
9 for plaintiffs said to the jury: You haven't seen
10 anything that was submitted to the Navy and you're not
11 going to see anything that was submitted to the Navy?

12 MR. HELMER: No, Your Honor. That -- I made
13 that statement, and that was not my statement.

14 JUSTICE ALITO: Well, what was your
15 statement?

16 MR. HELMER: My statement was: You are not
17 going to see the invoices from Allison -- the invoices,
18 not the certificates of conformance, not the invoices
19 from Bath to the Navy. You're not going to see those.
20 But the invoices from Allison to Bath were all admitted
21 into the record in this case. They're all summarized.

22 JUSTICE SCALIA: Well, then there's less to
23 this case than we had thought. My goodness, even under
24 the Petitioner's theory, you win. If indeed a
25 fraudulent document was given to Bath and Bath passed

1 that on, I think the Petitioners would have conceded --

2 MR. HELMER: Your Honor, this case --

3 JUSTICE SCALIA: -- that there's a cause of
4 action. What is all this fuss about, then?

5 MR. HELMER: This case is not an outlier on
6 the ends of this statute. It is squarely in the middle
7 of (a)(2).

8 JUSTICE SCALIA: I wish you had said that in
9 your brief because we could have saved ourselves a lot
10 of reading.

11 (Laughter.)

12 MR. HELMER: Your Honor, anything that I can
13 do to help the Court. I apologize if I didn't write the
14 brief better than I could have.

15 But I do have another point that I -- that I
16 would like to make in addition to what's in the record
17 in this case. If you go back and look at the 1863
18 version of the False Claims Act, which continues on in
19 1943, the statute talks about in the second clause --
20 and the second clause is what is now known as (a)(2) --
21 it talks about a false record or statement being made
22 for the purpose of obtaining or aiding to obtain
23 payment. It does not say, and it never said, that there
24 has to actually be payment, there has to actually be
25 payment.

1 Now the statute reads today "to get a false
2 or fraudulent claim paid or approved by the government."
3 My point is -- and the Rainwater case, Justice Scalia,
4 that I think you may have been referring to says that --
5 the government does not have to have a monetary loss for
6 there to be a False Claims Act violation. However, for
7 there to be a violation of (a)(2), the false record or
8 statement that's presented, the false record or
9 statement that's made, has to be made with the purpose
10 of reaching Federal funds. That's what the statute
11 originally said. That language was taken out in 1982.
12 We all seem to agree that the '82 recodification did not
13 change any of the meaning or purpose of the statute --

14 CHIEF JUSTICE ROBERTS: So your argument --
15 your understanding of the scope of the statute is
16 exactly the same if the words "by the government" were
17 replaced by "with Federal funds"? You think those
18 are -- you think the statute is exactly the same if it
19 said "with Federal funds" instead of "by the
20 government"?

21 MR. HELMER: Yes, Your Honor. I think
22 that's correct. I think that --

23 CHIEF JUSTICE ROBERTS: So when the
24 government -- when the phrase "by the government" was
25 added -- was it in '86?

1 MR. HELMER: Yes, Your Honor.

2 CHIEF JUSTICE ROBERTS: There were a lot of
3 statutes that said "with Federal funds," right?

4 MR. HELMER: There were.

5 CHIEF JUSTICE ROBERTS: So why did the
6 Congress add the phrase "by the government" instead of
7 "with Federal funds" if it meant the same thing?

8 MR. HELMER: The legislative history is dark
9 on that subject. But I have two answers for you,
10 Mr. Chief Justice. First, if you look at the '82
11 version of the statute, there were six liability
12 provisions set out. A seventh was added in '86, (a)(7).
13 But of the first six that were added in '82, when they
14 broke this long sentence down into parts, every one of
15 those provisions except for (a)(2) dealt with either "by
16 the government" or "defrauding the government." (a)(7)
17 likewise has such similar language.

18 My first point to you is that I believe that
19 when Congress amended this statute in '86 it wanted all
20 provisions to be consistent with each other in that
21 sense that we're talking about fraud on the government,
22 not fraud against private parties, fraud on the
23 government.

24 The second response I would make to you,
25 Mr. Chief Justice, is that we don't read "by the

1 government" as meaning presented to the government or
2 even paid by the government. We read "by the
3 government" as indicating that this is a limitation on
4 (a)(2), because without that language on (a)(2), if you
5 read the definition of "claim," then any claim or
6 private funds could be -- could have been covered by
7 (a)(2). By adding the words "by the government," the
8 Congress has limited this to directing to Federal funds.

9 CHIEF JUSTICE ROBERTS: Right. So I guess I
10 get back -- you read "by the government" as if it said
11 "with Federal funds"?

12 MR. HELMER: I do, Your Honor.

13 JUSTICE BREYER: Suppose -- you just said to
14 Justice Scalia -- if you have one minute; I rather
15 missed that -- that your point was if you lose on that
16 point you just made and it isn't "with Federal funds"
17 and it is that the government has to pay the claim, you
18 still win. That was your point to Justice Scalia, I
19 guess.

20 MR. HELMER: Yes.

21 JUSTICE BREYER: Well, what was that
22 argument? Because you said it wasn't in the brief, and
23 what is it? How do you still win?

24 MR. HELMER: Well, I believe they -- that
25 was the first point that I was making to Justice Scalia.

1 JUSTICE BREYER: Yes.

2 MR. HELMER: And my point there is that
3 (a)(2) covers making a false record or statement to get
4 a false claim paid or approved by the government.

5 JUSTICE BREYER: Yes.

6 MR. HELMER: In this case, they were
7 required -- Allison was required by its contract with
8 Bath and the Navy to submit a certificate of conformance
9 to Bath and the Navy to release the Gen-Set for
10 installation into the destroyer. Without that
11 certificate of conformance -- and we spent five weeks in
12 front of a jury talking about why they were false, why
13 each of those were false -- without that certificate of
14 conformance, the Gen-Set could not have been released to
15 be installed in the ship and Allison could not have been
16 paid. That's what section 6.1 of the contract provides.

17 JUSTICE ALITO: If the certificate of
18 performance made its way to the Navy, if that was required
19 by contract, why did you not introduce direct evidence
20 of that in your case?

21 MR. HELMER: We did put all the certificates
22 of conformance that were given to Bath in the record in
23 this case.

24 And all of those by the terms of Allison's
25 contract with Bath had to be shown to the U.S. Navy

1 employee on site at the shipyard. And that contract was
2 also admitted into evidence.

3 But we did not --

4 JUSTICE GINSBURG: But that was only the
5 contract. You didn't show that in fact that had
6 happened, that the certificates of conformance actually
7 were shown to a naval officer?

8 MR. HELMER: No, ma'am, we did not have a
9 witness who testified that this certificate was given to
10 Ensign So-and-So. But --

11 JUSTICE SCALIA: And whose -- whose contract
12 required this? It's a strange provision to be in the
13 contract between Allison and Bath.

14 MR. HELMER: It -- you are correct, Your
15 Honor. It was the contract between Bath and Allison
16 that I'm speaking about now that flowed -- that also
17 flowed down the U.S. Navy's requirements that these
18 Gen-Sets be -- be built rigidly to the specifications
19 set out by the Navy.

20 JUSTICE SCALIA: And that contract between
21 Allison and Bath said that this certificate from Allison
22 had to be presented to the Navy?

23 MR. HELMER: Yes, Your Honor. It had -- it
24 had to be shown to the Navy. If you want to get paid,
25 you have to show it to the Navy, and then the Navy will

1 release the Gen-Set. See they build these ships around
2 the Gen-Sets. They are so huge that you don't install
3 them on a destroyer; you build the destroyer up around
4 it. So before you can release those to the shipyard for
5 construction, you had to have the certificates of
6 conformance.

7 JUSTICE SOUTER: In the contract between the
8 Navy and Bath, was there a provision that Allison's
9 invoices would be shown to the Navy? In other words,
10 was the parallel provision in the contract with the --
11 with the general the same as the provision between the
12 general and the sub?

13 MR. HELMER: Justice Souter, it was
14 different. There is a provision I believe
15 Justice Ginsburg was referring to. You will find it at
16 page 415 of the Sixth Circuit's joint appendix. That
17 provision required that when Allison made a certificate
18 to get paid to the Navy -- I'm sorry, strike that --
19 when Bath made a certificate to the Navy to get paid, it
20 had to have available for the U.S. Navy all of the
21 underlying documentation. All of the bills, the
22 invoices, and certifications had to be available to show
23 the Navy.

24 JUSTICE SOUTER: Available, but not
25 necessarily transmitted.

1 MR. HELMER: Not necessarily stapled to the
2 invoice and given to the Navy, but they had to be
3 available.

4 JUSTICE SOUTER: But the contract between
5 Bath and Allison says: You give those to us, and we
6 give them to the Navy. It was specific in saying they
7 go -- your invoices, your -- your certificates, go to
8 the Navy?

9 MR. HELMER: It was specific in saying your
10 certificate of conformance goes to the Navy.

11 JUSTICE SOUTER: Okay.

12 MR. HELMER: It did not say in the provision
13 that I have cited to the Court, your invoice.

14 JUSTICE SOUTER: I stand corrected.

15 MR. HELMER: And that was why I said,
16 Justice Alito, to the trial court, not to the jury, that
17 the invoices are irrelevant. And I -- I didn't make
18 that up. That comes out of the Bornstein opinion.

19 JUSTICE SCALIA: And Bath would have been in
20 breach of its contract with Allison unless it passed
21 these things on to the Navy? That's why I say it's a
22 strange provision to be in the contract between Bath and
23 Allison.

24 MR. HELMER: The certificate was required.
25 Your Honor, yes, that was required. The invoices had to

1 be available --

2 JUSTICE SCALIA: Allison could sue Bath for
3 not passing the certificate on to the Navy?

4 MR. HELMER: Well, I believe the way it
5 reads, Allison is supposed to hand the certificate to
6 the Navy employee at the shipyard.

7 CHIEF JUSTICE ROBERTS: So if in fact, as
8 you suggest, Allison submitted the certificate to the
9 Navy person at the shipyard, then the question presented
10 in this case is not in fact presented here? Because the
11 question presented assumes that there has not been a
12 submission to the Federal Government of the false --
13 false claim.

14 MR. HELMER: I think that's fair to say,
15 Your Honor.

16 JUSTICE SCALIA: Did you make this point in
17 response to the petition for cert?

18 MR. HELMER: We opposed the petition for
19 cert on other grounds. I did not cite the Court to the
20 joint appendix, the Sixth Circuit joint appendix at page
21 620.

22 JUSTICE SCALIA: Well, you know, usually we
23 take a case to decide the question presented; and if
24 this question is really not before us you should have
25 told us that.

1 MR. HELMER: Well, my understanding, Justice
2 Scalia, is under your Rule 26.2 I am permitted to bring
3 to the Court's attention additional information that was
4 in the joint appendix below. And that was what I was
5 attempting to do in response to Justice Ginsburg's
6 initial question that started the presentation today.

7 JUSTICE GINSBURG: There has been a
8 statement, in opposition to your position, that the way
9 you read (a)(2) would render (a)(1) useless, that
10 everything would fall within (a)(2).

11 Is there a distinction between what comes
12 under (a)(1) and (a)(2), in your view?

13 MR. HELMER: Yes, ma'am. That is pointed
14 out in the Solicitor's brief at pages 18 and 19, the
15 silver brief, the distinction between (a)(1) and (a)(2).
16 (a)(1) can be a claim that just says, pay me; there's
17 nothing false on its face, but it is impliedly false
18 because it -- it's not entitled to be paid because the
19 requirements haven't been met.

20 (a)(2) would require a specific false
21 statement in that record or statement that's used.

22 JUSTICE GINSBURG: Thank you.

23 CHIEF JUSTICE ROBERTS: Thank you,
24 Mr. Helmer.

25 MR. HELMER: Thank you, Your Honor.

1 CHIEF JUSTICE ROBERTS: Mr. Olson, four
2 minutes.

3 REBUTTAL ARGUMENT OF THEODORE B. OLSON
4 ON BEHALF OF THE PETITIONERS

5 MR. OLSON: Thank you, Mr. Chief Justice.

6 Let me address the -- what seems to be a
7 controversy as to what was submitted to the Navy.

8 In the first place, the invoices were not
9 submitted to the Navy. We know that. That's the
10 provision that I quoted before.

11 The plaintiffs in this case did not call a
12 single Navy witness. They did not call the prime
13 contractor as a witness. So we don't know what the Navy
14 received, or what the Navy did not receive.

15 With respect to the so-called certification,
16 that is addressed on pages 57a through 59a of the cert
17 petition appendix. This is the district-court decision,
18 three pages of discussion.

19 This was an argument that the relators came
20 up with relatively late when they couldn't explain why
21 they didn't have the invoices or what actually went to
22 the Navy, and they argued that Bath submitted a false
23 implied certification.

24 Then the district court goes through the
25 evidence on pages 57a to 59a and concludes at the top of

1 59a: "There is no evidence of a requiring" -- "of a
2 required continuing certification with respect to
3 quality, which is the issue tried in this case."

4 I don't have time to go through all of that
5 or all of the evidence, but that is backing and filling.

6 There -- and the question presented is a
7 correct question presented. As the relators put it to
8 the -- to the district court, we don't have to do that.
9 We are not going to show you to do that.

10 JUSTICE STEVENS: Let me ask you this
11 question: Suppose they had submitted the qualification
12 certificate, but not a claim? Would they have had a
13 case, under your view?

14 MR. OLSON: If it was -- if the
15 qualification -- if a -- if a --

16 JUSTICE STEVENS: What I am really asking
17 is: Do they still need a claim?

18 MR. OLSON: I -- they -- there has to be --
19 no. Under (a)(2), Justice Stevens, you could submit a
20 statement intending to get a false claim approved or
21 paid by the government.

22 Now, the government can't approve anything
23 if it's not actually submitted to it, or not intended to
24 be submitted to it. That's in the same section of -- of
25 the statute.

1 Let me -- let me turn to the -- this is a
2 penal statute, is a punitive statute, as you pointed
3 out in the Vermont versus Stevens case.

4 There is no meaningful limitation on what
5 the government and the Respondents want in this case.
6 The government has now come up with this limitation:
7 Well, it must be really a government project.

8 Well, that isn't in the statute. That's
9 basically the same thing you unanimously rejected in the
10 Tanner case.

11 The government said in its brief if the
12 government is the ultimate source of the funds. That
13 goes back to the example that the Chief Justice was
14 making. There might be 15 different layers, the way
15 this government works. Money is fungible. It's
16 impossible to trace.

17 This statute is intended to address claims
18 made, or statements made in connection with claims made,
19 to -- to commit to defraud the government, and defraud
20 the government irrespective of the definition of
21 "claim," which could have been put in section (a), but
22 was not put in section (a), the liability section.

23 The Congress knows how to put those words in
24 statutes. They were in the major fraud statute, the --
25 the case that this Court distinguished in Dixson, in --

1 in Tanner. The Dixson case was money given -- paid to or
2 on behalf of the government. There is language like
3 that throughout the congressional statutes.

4 We don't know in this case whether the
5 government was defrauded, or was intended to be
6 defrauded, because there is this big space between what
7 went on between the subcontractors and the shipbuilders
8 and what went on between the shipbuilders and the
9 government.

10 There could have been all kinds of dialogue.
11 There could have been disclosures. There might be
12 deviations from the specifications in any kind of
13 government contract. But this statute has to have a
14 limitation point.

15 And if you look at it from 1863 up through
16 the present, it is intended just as the Tanner case said.
17 And in Marcus versus Hess you said that the criminal
18 false claim statutes have to be construed identically
19 with the civil false claims provisions if they contain
20 identical language. 371 has the same language as the
21 False Claims Act's, and the Tanner case is dispositive.

22 CHIEF JUSTICE ROBERTS: Thank you,
23 Mr. Olson.

24 The case is submitted.

25 (Whereupon, at 11:09 a.m., the case in the

Official

1 above-entitled matter was submitted.)

2

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|----------|---|--|--|--|
| A | <p>26:23 aiding 22:25 45:22 airline 38:23 akin 40:15 AL 1:4 Alito 44:7,14 49:17 52:16 allegations 27:9 alleged 27:5 Allison 1:3 3:4 4:12 27:14,16 27:24 42:9,10 42:17,21 43:24 44:2,4,17,20 49:7,15 50:13 50:15,21,21 51:17 52:5,20 52:23 53:2,5,8 Allison's 43:24 49:24 51:8 allows 41:15 ambiguous 17:6 amended 10:1 47:19 amicus 1:22 2:6 26:14 amount 3:18 28:20 analyzed 4:15 answer 5:11 28:8 32:5 33:23 34:5,6 35:12 answers 47:9 apologize 45:13 APPEARAN... 1:17 appendix 7:5 42:8 43:17,17 43:20,20 51:16 53:20,20 54:4 55:17 applicability 32:16 approve 6:24 20:1 23:18</p> | <p>56:22 approved 3:16 9:7 10:24 11:1 11:3,7,18 19:10,17,18,22 19:23 29:10,13 46:2 49:4 56:20 argued 55:22 argument 1:15 2:2,10 3:3,7 21:22 26:12 32:16,19 41:10 44:8 46:14 48:22 55:3,19 arguments 3:25 21:16 Arleigh 41:25 asked 4:24,24 7:7 asking 40:4 56:16 assistance 24:20 Assistant 1:20 associated 30:10 assume 35:13 assumes 53:11 assuming 36:15 Atkins 22:5 attach 38:16 attached 40:7,9 attempted 27:3 attempting 54:5 attention 54:3 audit 5:8 6:2,8 24:15 available 24:5 51:20,22,24 52:3 53:1 a.m 1:16 3:2 58:25</p> | <p>45:17 48:10 57:13 backing 56:5 balance 26:8 bank 17:21,23 bargained 30:3 based 3:18 basically 31:19 57:9 basis 10:19 Bath 27:15,15 27:19 28:3 41:21,21,23 42:9 44:2,19 44:20,25,25 49:8,9,22,25 50:13,15,21 51:8,19 52:5 52:19,22 53:2 55:22 bear 30:9 began 26:19 behalf 1:18,22 1:24 2:4,6,9,12 3:8 26:13 41:11 55:4 58:2 believe 4:12 43:12 47:18 48:24 51:14 53:4 benefit 20:23 better 7:17 45:14 big 32:15 58:6 bill 20:6 32:8 34:23,23,25 35:2,17 38:18 39:7 40:15 billion-dollar 18:12 bills 51:21 bit 12:8 blah 34:15,15,16 blue 29:5 boats 27:16 28:4 28:5</p> | <p>Boeing 38:22,23 38:24 bolts 12:8 books 6:2,9,13 6:14 23:22 24:4 Bornstein 52:18 breach 52:20 Breyer 7:25 8:12,14,18,23 9:2 17:3 18:3,5 18:19 19:4 25:3 30:12 31:7,10,21 36:5 38:12 48:13,21 49:1 49:5 brief 14:4 21:17 22:5,6 29:5 45:9,14 48:22 54:14,15 57:11 bring 31:14 33:20 54:2 broader 3:20 broke 47:14 broken 23:5 budget 39:22 40:24 build 17:20 33:6 51:1,3 building 15:3 built 16:9 50:18 Burke-class 42:1 buy 33:10 buying 35:9</p> |
| | | B | | |
| | | <p>B 1:18,24 2:3,8 2:11 3:7 41:10 55:3 back 30:19</p> | | |
| | | | C | |
| | | | <p>c 2:1 3:1 9:1,12 9:20,21,21 10:16 36:17,19 38:5 call 55:11,12 called 18:14 22:5 42:2 capacity 38:20 39:1</p> | |

| | | | | |
|---|---|---|---|--|
| <p>car 40:15 cared 40:6 carefully 4:15 cares 29:16,17 carried 27:10 39:3 carry 41:16 case 3:4,24,25 4:2,5,16 5:18 7:4 11:11 12:3 12:4,5,19 13:5 17:24 21:15 22:5,10,10,16 22:19 23:11,15 23:16 24:8,12 24:17 25:1 27:1,9 28:11 30:22 35:19 39:21 41:24 42:25 44:3,21 44:23 45:2,5 45:17 46:3 49:6,20,23 53:10,23 55:11 56:3,13 57:3,5 57:10,25 58:1 58:4,16,21,24 58:25 cases 11:11 22:11 31:15,22 31:24 causal 17:13 cause 19:25 31:4 45:3 caused 35:21 37:18 causes 11:12 29:9 32:12 35:4 causing 23:14 cert 7:5 53:17 53:19 55:16 certain 6:15 certainly 14:4 20:21 24:8 27:23 31:9 certificate 42:12</p> | <p>42:13,15,18,19 42:20,24 43:4 43:24 49:8,11 49:13,17 50:9 50:21 51:17,19 52:10,24 53:3 53:5,8 56:12 certificates 4:11 4:13,19,20 5:9 42:5,23 43:18 43:19,22 44:6 44:18 49:21 50:6 51:5 52:7 certification 55:15,23 56:2 certifications 51:22 cetera 34:25,25 change 25:13 46:13 changes 23:8 changing 23:7 characterized 30:8 charged 37:18 cheated 15:6 cheating 35:9 chemical 33:14 33:15,21 34:17 34:22 chemicals 33:13 33:16 35:9 Chief 3:3,9 26:7 26:9,16 27:13 28:2 33:4 34:10 41:7,12 46:14,23 47:2 47:5,10,25 48:9 53:7 54:23 55:1,5 57:13 58:22 chooses 23:22 Cincinnati 1:24 circuit 22:6,9 43:17,20 53:20 Circuit's 42:7 51:16</p> | <p>circumstance 28:9 30:7 circumstances 15:25 16:1 22:17 circumstantial 44:5 cite 53:19 cited 52:13 cites 25:12 civil 31:17 58:19 claim 3:16 6:25 7:13 8:2,2,22 8:23,24,25 9:4 9:5,7 10:12,13 10:17,18,18 11:1,3 13:12 13:16 15:4 17:2,7,8,8,11 17:15 18:1,3 18:20,21 19:6 19:7,16,16,17 20:1,3,6 22:13 22:21 23:14 24:3 25:14,16 25:22 26:1,3 28:7 29:10,13 29:14 32:12 33:1 34:12,12 34:17 35:22 36:2,4,12,14 36:17,19 37:5 37:7,12,15,16 37:19 39:8 40:1,18 46:2 48:5,5,17 49:4 53:13 54:16 56:12,17,20 57:21 58:18 claimant 22:23 claimants 7:4 claims 3:11,14 4:1,6 7:10 21:23,24 22:1 24:3 25:3 26:19,20,24 27:25 32:3</p> | <p>36:8 42:4 45:18 46:6 57:17,18 58:19 58:21 clause 43:18 45:19,20 clear 27:11 close 13:5 codifying 23:7 come 14:13 38:15 57:6 comes 17:18 28:19 52:18 54:11 commit 57:19 commits 34:18 company 1:3 3:4 33:12,12,13,14 34:23 company's 33:15 complete 18:16 completion 27:10 39:3 compliance 42:6 component 41:14 concede 13:21 13:25 14:9 conceded 45:1 concludes 55:25 conditions 24:21 conformance 4:11,13 5:9 42:12,14,16,20 42:23,24 44:6 44:18 49:8,11 49:14,22 50:6 51:6 52:10 conforming 19:17 confront 25:2 confusing 8:11 Congress 23:6 37:6 47:6,19 48:8 57:23 congressional</p> | <p>58:3 connection 4:1 4:25 5:1,2 9:12 15:5 16:20 17:13 39:25 57:18 consistent 47:20 consists 28:14 conspiracy 23:4 construction 15:5 22:12 32:21 51:5 construed 58:18 construing 3:20 contain 58:19 contained 4:9 content 43:23 context 7:1 23:10 27:21,24 continues 45:18 continuing 56:2 contract 8:3 14:21 16:4 21:2,6 28:8,15 29:21 39:5 42:9 44:1 49:7 49:16,19,25 50:1,5,11,13 50:15,20 51:7 51:10 52:4,20 52:22 58:13 contractor 6:18 6:18 8:4 12:3,5 12:7,13,22 14:24 15:9,14 16:5 17:9,22 18:7 19:15,19 20:3 24:2 25:18,22 26:3 26:4 28:20,20 28:22 30:8,9 33:8,8 34:15 34:24 35:15 37:16,18 38:9 38:19,25 39:6 39:7 55:13 contractors</p> |
|---|---|---|---|--|

| | | | | |
|---|--|---|---|--|
| <p>14:12 16:19 27:3,6,12 32:21 contractor's 19:16 42:19 contracts 20:17 20:22 21:9 40:1 contributed 21:11 controversy 55:7 correct 13:11,13 14:25 15:15 16:23 19:10 25:15 28:8 30:6 37:4 38:3 39:19 42:23 43:12 46:22 50:14 56:7 corrected 5:24 52:14 corrections 5:15 5:21 correctly 22:10 cost 33:16 cost-plus 28:15 29:20 39:5 counsel 13:6 44:8 country 30:17 course 36:8 court 1:1,15 3:10,21 4:2,14 11:10 21:17,18 23:12 24:16 25:14 26:17 33:24 41:13 45:13 52:13,16 53:19 55:24 56:8 57:25 Court's 16:22 54:3 cover 21:8,10 22:25 25:17 38:2 39:21 covered 19:20</p> | <p>21:6 22:11 28:24 29:1 30:11,13,14 31:1,12 32:10 32:15 33:2 48:6 covers 49:3 created 11:2 criminal 58:17 critical 41:14 curiae 1:22 2:7 26:14 cut 21:22</p> <hr/> <p style="text-align: center;">D</p> <hr/> <p>D 3:1 damage 14:6,8 damages 3:18 dark 47:8 DDG-51 41:25 de 33:24 35:14 deal 31:25 32:22 dealing 5:7 dealt 47:15 deceit 38:8 deceived 12:18 18:18 37:23 decide 18:17 32:3 53:23 decided 4:2 11:10 18:7 22:10 decision 11:22 16:22 19:19 22:9 55:17 deduct 12:9 defective 29:25 defend 41:15 defendant 43:9 defendants 42:25 deficiencies 5:22 15:1 deficient 12:6 defined 16:24 25:14 36:1 defines 25:6</p> | <p>definition 8:2,21 17:4,10 25:2 25:13,16,21 36:17,18 37:5 38:5 48:5 57:20 defraud 26:21 26:22,24 27:3 27:22 30:8 32:22 57:19,19 defrauded 38:25 58:5,6 defrauding 3:16 3:22,23 4:2,3 11:11 16:24,25 17:1 27:7,15 27:17 47:16 defrauds 37:16 38:22 delivered 5:20 12:23 42:11 delivering 44:4 demand 36:19 demanded 36:25 denominated 36:15 Department 1:21 40:16 depend 6:12 32:17 describing 16:21 deserved 28:17 desirous 39:17 destroyer 49:10 51:3,3 destroyers 5:4 42:1 determine 7:12 determined 3:21 deviate 14:22,22 deviated 7:18 deviates 14:21 deviation 7:15 7:16 12:10 deviations 5:22</p> | <p>5:24 58:12 dialogue 58:10 difference 23:20 23:20 24:1 36:5 different 15:17 16:6 51:14 57:14 differently 31:25 direct 49:19 directed 26:20 26:24 35:15 directing 48:8 directly 38:8 disclose 18:15 disclosures 58:11 discover 6:9 discovered 15:15 discussed 22:20 32:19 discussion 55:18 disguised 12:12 dispositive 58:21 distinction 54:11,15 distinguished 57:25 district 4:14 22:9 55:24 56:8 district-court 55:17 diverted 31:5 38:7 Dixson 57:25 58:1 document 6:23 13:17 44:25 documentation 51:21 documents 5:10 doing 24:18 38:23</p> | <p>dollar 33:16,17 33:18 dollars 6:15 34:2 drawing 4:19 drawn 4:17 D.C 1:11,18,21 22:9</p> <hr/> <p style="text-align: center;">E</p> <hr/> <p>E 2:1 3:1,1 earlier 43:11 early 23:11 effect 25:6 29:18 31:4 40:21 either 19:1 20:3 21:15 47:15 elapsed 12:20 Electricity 41:14 element 20:6 Eleventh 22:6 employee 40:17 50:1 53:6 enacted 22:18 encompass 26:21 encouraging 39:17 endanger 20:13 ends 30:2 33:18 45:6 Engine 1:3 3:4 27:14,16 engines 5:3,9 27:17,24 28:3 Ensign 50:10 entities 30:17 entitled 54:18 entity 22:14 23:16 equipment 5:13 especially 9:20 ESQ 1:18,20,24 2:3,5,8,11 essentially 11:9 21:16</p> |
|---|--|---|---|--|

| | | | | |
|--------------------------|-------------------------|-------------------------|------------------------|-------------------------|
| et 1:4 34:25,25 | 26:19,20,23 | find 51:15 | funding 32:24 | 20:16 21:2,2 |
| evidence 4:5,15 | 27:5,25 29:9 | finish 38:11 | 35:16 36:3 | 24:17,18 31:12 |
| 4:16 6:7,25 | 29:10,12,14,15 | first 5:23 22:19 | funds 3:13,23 | 40:16 42:14,16 |
| 12:16 13:5 | 32:12 34:12,17 | 22:20,21 32:19 | 4:4 14:11,14 | 44:25 49:22 |
| 44:3,5 49:19 | 35:4,4,22 36:8 | 32:25 38:18 | 17:19 18:24 | 50:9 52:2 58:1 |
| 50:2 55:25 | 36:15 37:16,18 | 47:10,13,18 | 20:12,17 21:10 | gives 15:3 33:6 |
| 56:1,5 | 45:18,21 46:1 | 48:25 55:8 | 38:21 40:23 | 35:25 |
| ex 1:7 3:5 | 46:6,7,8 49:3,4 | fisc 20:13 | 46:10,17,19 | go 30:16 45:17 |
| exactly 30:3 | 49:12,13 53:12 | five 33:18 49:11 | 47:3,7 48:6,8 | 52:7,7 56:4 |
| 46:16,18 | 53:13 54:17,17 | fix 7:20 | 48:11,16 57:12 | goes 33:17 40:24 |
| exaggerate 36:8 | 54:20 55:22 | flowed 50:16,17 | fungible 57:15 | 52:10 55:24 |
| examine 5:14 | 56:20 58:18,19 | follow 6:6 20:24 | fuss 45:4 | 57:13 |
| 6:25 | 58:21 | 21:4 | | going 7:9,12 |
| example 12:4 | far 6:15 33:4 | fools 6:16 | G | 11:17 12:8,9 |
| 30:2 31:25 | fashion 11:20 | footnote 7:6 | G 3:1 | 13:7 15:7,8 |
| 57:13 | FCA 28:7 32:17 | forgive 24:18 | general 1:21 | 18:14 27:19 |
| expected 39:4 | 38:24 39:9 | forth 20:18 | 18:21 19:15,19 | 28:3,4 30:19 |
| expenses 37:12 | 40:10,19 | found 4:16 | 20:3 30:5 | 35:2,18,20 |
| explain 21:20 | featured 21:25 | four 55:1 | 39:23 43:22 | 36:7 41:23 |
| 55:20 | February 1:12 | fraud 3:12 6:9 | 51:11,12 | 42:8,17 44:11 |
| extent 31:12 | Federal 3:23 4:4 | 7:13,13 11:24 | generalized | 44:17,19 56:9 |
| extra 29:21 | 16:14,15 20:11 | 16:11,18,19 | 40:24 | good 12:4 35:18 |
| | 20:12,13,14 | 22:25 25:6 | generator 41:18 | 39:18 |
| F | 23:14 24:19,20 | 28:14,21 31:4 | 41:18 | goodness 44:23 |
| face 54:17 | 26:22,24 28:21 | 31:24 33:18,22 | generators 5:20 | government |
| fact 15:21 22:17 | 31:5 32:1,2,4 | 34:18 35:14 | Gen-Set 43:4,5 | 3:12,13,15,16 |
| 27:18 28:7 | 32:13,20 33:1 | 36:14 37:7,22 | 49:9,14 51:1 | 3:17,17,18,22 |
| 39:24 40:1 | 33:9,11 35:18 | 38:3,4,5 39:2 | Gen-Sets 41:23 | 4:3,21,23 6:5 |
| 44:4 50:5 53:7 | 35:22 36:13 | 40:5,13 41:4 | 42:11 44:5 | 6:17,17,23,24 |
| 53:10 | 37:12,14 38:6 | 47:21,22,22 | 50:18 51:2 | 7:3,19,22,23 |
| facts 7:16 22:16 | 38:8,21 39:4 | 57:24 | getting 3:15 | 7:24 9:6,8,23 |
| 22:16 | 39:10,12,15 | frauds 30:20 | Ginsburg 4:10 | 9:25 10:3,6,10 |
| fair 21:14 53:14 | 40:5,6,17 41:2 | 31:15 | 4:16,23 5:2,12 | 10:13,14,18,20 |
| fairly 30:7 | 46:10,17,19 | fraudulent 4:6 | 12:12,15,25 | 10:21,24 11:2 |
| fall 40:2 54:10 | 47:3,7 48:8,11 | 7:15 9:7 15:4,8 | 13:3,9,14 14:3 | 11:4,6,6,7,12 |
| falling 16:10 | 48:16 53:12 | 18:14 25:17 | 21:19 22:15 | 11:13,14,14,18 |
| falls 39:7 | feds 16:12 | 27:10 29:10,13 | 23:19 24:1,11 | 11:19,25 12:10 |
| false 3:11,14 4:1 | fight 41:15 | 35:5 40:1,15 | 24:15 32:6 | 12:17,18 13:12 |
| 4:5 7:10 9:5 | fighting 16:9 | 40:18 43:15 | 38:10 42:5,18 | 13:16,18,19,23 |
| 12:6 13:19 | figure 6:16 | 44:25 46:2 | 50:4 51:15 | 14:3,6,7,8,11 |
| 15:14 17:1,6,7 | filed 22:5 | fraudulently | 54:7,22 | 14:12,16,17,19 |
| 17:8,11,14 | filing 17:1 | 33:15 | Ginsburg's 54:5 | 14:25 15:3,6 |
| 18:1,3,14,20 | filling 56:5 | front 35:25 | give 42:11 43:1 | 15:12,20 16:3 |
| 18:20 19:5,6,6 | financed 20:14 | 37:15 49:12 | 43:3 52:5,6 | 16:4,6,14,15 |
| 19:7,14,16 | finances 20:23 | frustrated 14:15 | given 8:19 11:2 | 16:25,25 17:1 |
| 20:1,3,5 21:24 | financial 24:20 | fundamental | 11:5,6 14:14 | 17:11,12,15,18 |
| 21:25 24:3 | financing 20:17 | 5:18 | 15:13 16:11,12 | 17:19,19,20,23 |

| | | | | |
|---|--|--|---|---|
| <p>17:25 18:2,7 18:11,15,16,18 18:22,22,24 19:1,7,18,18 19:24,25 20:1 20:11,16,17,17 20:23,24 21:1 21:5,10,12,15 21:20 22:2,5,8 22:22 23:12,14 23:16,21 24:2 24:5,9,12,19 24:23 25:7,10 25:12,19,23 26:21,25 27:11 27:20,22 28:5 28:8,21 29:11 29:13,15,16,21 29:25 30:2,15 30:18,24 31:5 31:13 32:1,4 32:20 33:2,6,9 33:17 34:13,14 34:16 35:3,18 35:22,24 36:6 36:13,20,23,25 37:12,14,22,23 38:4,6,14,25 39:4,8,11,12 39:16 40:6,7 40:23 41:2,2 46:2,5,16,20 46:24,24 47:6 47:16,16,21,23 48:1,1,2,3,7,10 48:17 49:4 53:12 56:21,22 57:5,6,7,11,12 57:15,19,20 58:2,5,9,13 government's 14:13 20:25 21:4 40:21 grammatical 9:22 grant 30:15,16 30:22,24 31:13</p> | <p>39:23 40:7 grantee 38:9,19 grantees 4:3 grants 21:1,3,9 30:18 grounds 53:19 guess 35:6 48:9 48:19 guidance 24:25 guy 35:8,9</p> <hr/> <p style="text-align: center;">H</p> <hr/> <p>hand 53:5 hands 14:11 15:8 happen 40:16 happened 4:18 4:18 12:22,24 15:12 24:10 27:9 50:6 harm 15:21,23 15:25 16:1 harmed 14:16 harms 14:12 28:22 hear 3:3 heard 23:24 Helmer 1:24 2:8 41:9,10,12 42:22 43:7,11 43:16 44:1,12 44:16 45:2,5 45:12 46:21 47:1,4,8 48:12 48:20,24 49:2 49:6,21 50:8 50:14,23 51:13 52:1,9,12,15 52:24 53:4,14 53:18 54:1,13 54:24,25 help 45:13 Hess 23:11 26:5 58:17 hide 28:19 history 11:22 25:11 47:8</p> | <p>honestly 35:8 Honor 43:12 44:1,12 45:2 45:12 46:21 47:1 48:12 50:15,23 52:25 53:15 54:25 honored 41:5 hours 28:15 hug 51:2 hundred 34:2 hypothetical 16:9 18:6 32:18 33:5 34:6,6,9 37:10 39:5 40:14,22</p> <hr/> <p style="text-align: center;">I</p> <hr/> <p>identical 58:20 identically 58:18 ill 38:2 imaginary 30:23 imagine 27:8 30:14,22,23 immaterial 5:25 7:19 14:23 16:2 immense 24:19 impacts 11:13 implied 55:23 impliedly 54:17 important 11:16 24:18 imposed 22:22 41:17 imposes 34:8 impossible 57:16 inability 24:22 include 3:23 4:3 includes 8:2 incurred 37:13 indicates 37:5 indicating 48:3 indication 43:14 inference 4:17</p> | <p>4:19 inflated 6:16 39:7 inflating 28:15 information 54:3 initial 54:6 injure 39:4,11 injured 16:14,16 27:12 injuring 39:10 inspect 23:22 install 51:2 installation 49:10 installed 43:7 49:15 instance 22:20 22:21 instances 30:20 insubstantial 7:18 insurer 22:13 intended 22:25 26:3 38:7 56:23 57:17 58:5,16 intending 56:20 intends 36:15 intent 27:22 40:24 intention 6:24 interest 5:4 40:21 intermediary 22:3 23:13 26:5 32:7 interpret 6:22 interpretation 21:22 31:14 introduce 49:19 invoice 52:2,13 invoices 7:8 12:20 13:7 23:15,18,21 24:2 44:17,17 44:18,20 51:9</p> | <p>51:22 52:7,17 52:25 55:8,21 involve 11:12 involved 20:11 22:9 involves 11:24 Iron 42:9 irrelevant 7:10 52:17 irrespective 57:20 isolating 19:3 issue 7:7 8:6 34:20 56:3 issues 35:13 i.e 19:16 20:6</p> <hr/> <p style="text-align: center;">J</p> <hr/> <p>JAMES 1:24 2:8 41:10 joint 42:7 43:16 43:17,19,20 51:16 53:20,20 54:4 JR 1:24 2:8 41:10 jury 44:9 49:12 52:16 Justice 1:21 3:3 3:9 4:10,16,23 5:2,12 6:1,4,8 6:14,21 7:25 8:12,14,18,23 9:2,9,12,15,19 10:2,5,8,8,11 10:16,23 11:5 11:17 12:12,15 12:25 13:3,9 13:14,21,25 14:3,10 15:2 15:11,16,19 16:8,13 17:3 18:3,5,19 19:4 19:9,12 20:2,9 20:20 21:19 22:15 23:19 24:1,11,15</p> |
|---|--|--|---|---|

| | | | | |
|---|--|--|---|--|
| 25:1,3,5,13,15 25:21,25 26:7 26:9,16 27:13 28:2,13,25 29:3,17,20,24 30:2,12 31:7 31:10,21 32:6 33:4 34:2,10 35:1,7 36:5,16 36:20 37:2,9 37:20 38:1,10 38:12 39:10,15 39:20 40:9,12 40:17,20 41:7 41:12 42:5,18 43:6,8,13,21 44:7,14,22 45:3,8 46:3,14 46:23 47:2,5 47:10,25 48:9 48:13,14,18,21 48:25 49:1,5 49:17 50:4,11 50:20 51:7,13 51:15,24 52:4 52:11,14,16,19 53:2,7,16,22 54:1,5,7,22,23 55:1,5 56:10 56:16,19 57:13 58:22 | 5:19 7:2,14,21 7:22,23 8:13 9:19 12:13,16 12:17,19,24 13:15,16,18,20 14:19,20 22:15 24:10 27:17,19 28:3,10 30:13 33:16 35:1,2 36:16 37:21 43:21,22 53:22 55:9,13 58:4 knowingly 9:6 10:22 17:6 19:5 20:4 29:8 32:12 35:3 known 25:18 45:20 knows 27:24 35:7 57:23 | liability 3:17 6:10 9:4 10:19 14:6 19:8 20:15 22:22 23:13 25:13 26:6 27:22 37:6,10,11 40:11 47:11 57:22 liability-impo... 3:13 liable 9:5 27:2,4 lie 39:9 likewise 47:17 limitation 33:25 48:3 57:4,6 58:14 limitations 41:3 41:5 limited 29:14 48:8 limiting 20:19 20:21 38:15,18 line 33:5,19 34:18 35:3 linguistically 17:24 link 15:11 literally 38:24 litigation 5:1 little 8:11 12:8,9 18:12 36:9 localities 20:18 lock 43:5 long 10:20 20:11 20:12,13,14 47:14 look 5:13,13 18:16 29:5 42:7 43:16 45:17 47:10 58:15 looked 10:1 looking 9:13 25:6 lose 29:22 48:15 loss 7:22,24,24 | 11:13,15 13:11 13:22 30:9 39:7 46:5 lost 14:17 lot 12:23 27:15 31:21,23 45:9 47:2 lots 31:15 lousy 16:10 lower 20:24 21:10 | 19:13 meant 37:2 47:7 measure 5:5 mechanism 32:15 Medicaid 22:1 31:24 Medicare 22:1 22:14 31:24 32:7 Medicare-Me... 22:11 met 42:3 43:1 54:19 middle 45:6 military 42:1,3 minimis 33:24 35:14 minimum 13:10 minute 12:7 48:14 minutes 55:2 misleading 16:1 18:14 missed 48:15 missing 7:25 8:1 18:6 mission 41:16 misuse 14:11 modern 41:15 moment 17:4 monetary 46:5 money 8:3,5,7,7 8:9,16,16 14:17 15:3,7 15:13,21 16:12 16:12 17:18,20 17:22 18:24 20:12,15 21:6 26:22 28:21 31:4 32:2,20 32:20 33:6,9 33:11,14 35:25 36:6,24 37:14 38:6,14 39:24 41:4 42:17,17 57:15 58:1 |
| K | L | M | | |
| Kennedy 6:1,4,8 6:14,21 9:9,12 9:15,19 10:8 11:5,17 16:8 25:1,5,13 36:16,20 37:2 37:9 key 43:5 kind 5:8 58:12 kinds 30:16 31:16 58:10 knew 8:13 41:24 42:1 know 4:7,20 | L 1:8,9,20 2:5 26:12 labor 30:4 40:22 lag 4:19 language 8:20 11:24 17:5,6 24:23 46:11 47:17 48:4 58:2,20,20 large 30:17 late 55:20 Laughter 34:4 35:10 36:10 45:11 lawyers 7:3 layers 57:14 leaking 39:13 leaks 16:11 leave 6:10 led 17:15 left 15:11 legislative 25:11 47:8 let's 16:9 27:14 33:5 | machine 30:1 major 16:17,18 18:11 38:11 57:24 making 3:25 5:5 11:15 19:5 21:15 23:8 48:25 49:3 57:14 MALCOLM 1:20 2:5 26:12 manner 3:22 manufacturer 33:21 34:17,22 manufacturing 41:18 Marcus 23:11 26:5 58:17 material 7:16 22:7 materials 12:21 matter 1:14 20:4 39:23 59:1 ma'am 42:22 50:8 54:13 McInteer 22:6 mean 4:25 19:10 31:3,9,18,24 33:5 43:22 meaning 46:13 48:1 meaningful 41:3 57:4 means 17:1 | | |

| | | | | |
|---|--|---|--|--|
| <p>morning 43:12 motion 13:4 municipal 31:15 myriad 21:8</p> <hr/> <p style="text-align: center;">N</p> <hr/> <p>N 2:1,1 3:1 national 21:11 nature 39:3 41:4 naval 50:7 Navy 4:24,25 5:3,3,4,8,12,16 6:1 12:23 41:17,21,21 42:14,16 43:2 43:3,3,10,15 43:24 44:2,10 44:11,19 49:8 49:9,18,25 50:19,22,24,25 50:25 51:8,9 51:18,19,20,23 52:2,6,8,10,21 53:3,6,9 55:7,9 55:12,13,14,22 Navy's 4:12 50:17 necessarily 51:25 52:1 need 56:17 needs 33:10 never 31:16 45:23 new 37:24 nexus 38:20 numbers 30:16</p> <hr/> <p style="text-align: center;">O</p> <hr/> <p>O 2:1 3:1 object 37:22 objection 38:11 obtain 45:22 obtaining 45:22 obviously 5:4 occur 38:4,6 occurred 36:14 occurs 37:7</p> | <p>officer 50:7 official 32:13 38:8 officials 32:2 off-white 18:8 Ohio 1:24 okay 15:3 52:11 Olson 1:18 2:3 2:11 3:6,7,9 4:14,25 5:11 6:3,12,20 8:10 8:15,21,25 9:3 9:11,13,17,24 10:4,7,14,21 10:25 11:8 12:14 13:2,4 13:13,24 14:2 14:5,18 15:10 15:18,24 16:8 16:15 18:1,5 19:2,5,11,21 20:8 21:13 22:4 23:24 24:7,14,16 25:4,8,20,24 26:2,10,19 32:6 44:8 55:1 55:3,5 56:14 56:18 58:23 ones 16:21 operating 40:24 opinion 52:18 opportunity 7:19 18:16 23:17 24:9 opposed 23:21 27:20 53:18 opposition 21:21 54:8 oral 1:14 2:2 3:7 26:12 41:10 order 11:3 19:15 23:1 ordered 41:21 originally 46:11 outlier 45:5 overbroad</p> | <p>38:13</p> <hr/> <p style="text-align: center;">P</p> <hr/> <p>P 3:1 page 2:2 7:5 29:5 42:8 43:17 51:16 53:20 pages 54:14 55:16,18,25 paid 3:16 9:7 10:24 11:1,3,7 11:18 17:7,11 17:12,17,19,23 17:24 18:1,21 18:22,25 19:6 19:10,23 29:10 29:13,18 30:1 30:4,18 32:3 34:12,12 40:21 42:17 44:3,4 46:2 48:2 49:4 49:16 50:24 51:18,19 54:18 56:21 58:1 paint 18:8 33:10 33:12,12,13 34:15,23 painted 33:7 painter 33:10,10 33:11 painting 34:24 paper 43:14 paperwork 42:2 paragraph 42:8 parallel 51:10 Pardon 10:4 part 20:14 21:6 22:7,19,24 32:16,19 33:7 33:25 particular 14:14 19:17 21:9 39:25 parties 47:22 parts 6:15 29:25 47:14</p> | <p>party 27:12 pass 41:22 passed 22:13 23:15,21 25:18 26:4 39:8 40:15 41:20 44:25 52:20 passing 53:3 pay 6:24 17:16 17:18 18:24 19:7,19,25 23:14 29:21 30:25 40:18 48:17 54:16 paying 33:18 payment 23:2 28:16 34:16 42:4 45:23,24 45:25 pays 6:17,18,19 32:25 33:9,11 33:14 34:14,14 34:15,15 37:14 40:22 penal 57:2 penalties 14:8 16:18 penny 30:19 people 22:25 23:1 26:22 27:16 38:15 percent 6:4 39:22 40:23 perfect 9:21 perfectly 17:5 31:20 performance 4:20 49:18 permitted 54:2 person 30:3,4,21 32:12 33:20 35:20 53:9 Persons 32:2 petition 7:5 53:17,18 55:17 Petitioners 1:5 1:19 2:4,12 3:8</p> | <p>26:23 45:1 55:4 Petitioner's 37:13 44:24 phrase 46:24 47:6 place 55:8 placed 41:3 plain 11:23 plaintiffs 44:9 55:11 plaintiff's 13:5 please 3:10 26:17 41:13 plumbing 16:11 plus 14:22 pocket 14:14 39:16 point 12:14 13:6 13:14,22 15:17 15:20 16:14 20:10,19,21 26:18 27:14 33:15,25 34:20 35:12 36:11,12 37:5,25 38:5 45:15 46:3 47:18 48:15,16 48:18,25 49:2 53:16 58:14 pointed 42:5 54:13 57:2 points 21:21 portion 30:17 36:24 position 21:4,20 38:13 54:8 potentially 27:2 27:4 practiced 38:8 present 32:8 58:16 presentation 9:22 22:21 54:6 presented 10:13 10:14,20,21</p> |
|---|--|---|--|--|

| | | | | |
|--|--|---|--|---|
| <p>21:23 22:2 32:13 40:1 46:8 48:1 50:22 53:9,10 53:11,23 56:6 56:7 presentment 32:10 33:3 34:8,11,21 35:19 36:2 presents 33:1 34:22,23,24 35:17 39:6 presumably 40:24 prevent 37:22 41:5 price 12:9 prime 12:1,3,5,7 12:13,21 14:24 15:14 16:5 18:7 27:3,6,12 30:8,9 33:8 39:6,7 55:12 principal 38:17 principally 29:7 principles 38:15 38:18 private 27:20,25 28:4 38:23 47:22 48:6 probably 33:24 problem 18:25 24:16 procedure 5:7 process 6:6 produce 32:23 producing 37:17 product 7:17 32:23 products 5:16 program 20:14 32:24 35:16 39:17 programs 30:15 30:16 31:13 32:1</p> | <p>project 18:11,12 20:7,11,12,13 21:2 28:11 41:25 57:7 projects 16:20 properly 21:23 property 8:3 36:24 prove 13:11,22 provide 19:8 24:24 37:2 provided 8:7,8,9 23:1 31:5 37:3 42:21,21 providers 32:7 provider's 22:13 provides 8:5 9:3 24:20 32:2 35:24 36:23 49:16 providing 6:22 6:23 provision 16:18 23:3,4,10 32:20 38:21 50:12 51:8,10 51:11,14,17 52:12,22 55:10 provisions 3:13 29:6 47:12,15 47:20 58:19 public 16:20 23:16 punitive 57:2 purpose 3:22 14:15,15 15:22 21:2 27:7 45:22 46:9,13 purposes 31:6 36:1 38:7 put 17:23 28:4 49:21 56:7 57:21,22,23 putting 25:3</p> <hr/> <p style="text-align: center;">Q</p> <p>qualification</p> | <p>56:11,15 quality 56:3 quantification 7:24 question 5:6,11 15:11 16:16 23:25 28:9,13 31:17 32:5 34:20 53:9,11 53:23,24 54:6 56:6,7,11 qui 31:15 33:20 38:14 40:2 quirk 37:6 quirks 32:17 quoted 9:17 44:8 55:10 quoting 9:15</p> <hr/> <p style="text-align: center;">R</p> <p>R 3:1 Rainwater 46:3 raised 21:21 reaching 46:10 read 8:20 10:9 17:12 18:25 23:10 33:24 47:25 48:2,5 48:10 54:9 reading 9:1 10:8 11:9,21 19:14 21:14 45:10 reads 9:24 46:1 53:5 real 24:25 really 28:10 34:7 53:24 56:16 57:7 reasonable 11:8 REBUTTAL 2:10 55:3 receive 26:22 44:2 55:14 received 7:14 8:16 12:17 55:14 receives 28:16</p> | <p>recipient 3:12 recipients 3:23 4:4 recodification 46:12 record 4:7 6:23 8:10,11 19:6 29:9 35:4 43:13,19,23 44:21 45:16,21 46:7,8 49:3,22 54:21 records 23:1,23 24:5 recover 35:22 redress 16:17 redresses 3:11 refer 3:14 reference 29:12 referring 46:4 51:15 refers 32:12 regarded 21:23 Regarding 6:21 regardless 35:19 39:24 reimburse 36:21 36:22,25 reimbursement 22:1 32:4,14 33:1 reimburses 37:12 rejected 21:16 57:9 rel 1:7 3:5 relating 5:10 relatively 55:20 relators 55:19 56:7 release 49:9 51:1,4 released 49:14 releases 43:4,5 relevant 29:6 reliability 10:12 reliance 7:21</p> | <p>16:3 relying 29:7 render 54:9 repair 40:15 replaced 46:17 representation 43:15 representations 27:6 representing 7:4 reproduces 29:5 request 8:3,4 24:5 36:3,19 38:21 requested 36:24 require 54:20 required 24:4 35:19 42:10 44:2 49:7,7,18 50:12 51:17 52:24,25 56:2 requirement 32:11 33:3 34:8,11,21 requirements 16:6 41:17,20 42:2,4,13 43:2 43:2 50:17 54:19 requiring 56:1 reserve 26:8 respect 4:17 8:11 20:20 21:14 22:4 29:15 55:15 56:2 respectfully 10:9 Respondents 1:23,25 2:7,9 25:12 26:15 41:11 57:5 response 47:24 53:17 54:5 restrictions 24:21 revenue-shari...</p> |
|--|--|---|--|---|

| | | | | |
|---|--|---|---|---|
| <p>21:3 review 23:17 right 5:13,16 6:2 6:5 9:2,2 12:7 14:25 20:21 23:22 24:13 28:18 29:23 31:2 35:8 40:9 47:3 48:9 rigid 41:17,20 42:12 rigidly 50:18 ROBERTS 3:3 26:9 27:13 28:2 33:4 34:10 41:7 46:14,23 47:2 47:5 48:9 53:7 54:23 55:1 58:22 ROGER 1:8,9 roof 16:10 roofs 39:13 Rule 54:2</p> <hr/> <p style="text-align: center;">S</p> <p>S 2:1 3:1 salary 40:17,20 Sanders 1:8 3:5 satisfactory 18:9 satisfied 5:19 18:17 42:13 satisfy 42:3 saved 45:9 saying 8:7 10:11 11:16 14:16 17:10,14 27:17 30:12 31:1 34:13 52:6,9 says 8:2 10:23 11:7 14:2,5 18:20 20:11 21:17 29:8 35:25 36:19,23 43:1 46:4 52:5 54:16</p> | <p>Scalia 10:11,16 13:21,25 14:10 15:2,11,16,19 25:15,21,25 28:13,25 29:3 34:2 35:1,7 37:20 38:1 39:10,15 43:6 43:8,13,21 44:22 45:3,8 46:3 48:14,18 48:25 50:11,20 52:19 53:2,16 53:22 54:2 Scalia's 16:13 30:2 scheme 27:10 30:7,10 schemes 26:21 26:22,24 school 15:5,7,7 16:10 17:21 32:18,21 33:6 33:7,8 34:14 37:9,17,17 schools 15:3,13 39:12 scope 46:15 second 22:24 39:2 45:19,20 47:24 section 9:1,25 22:19 25:9 49:16 56:24 57:21,22,22 see 5:8 7:14,15 23:6 31:17 42:8 44:11,17 44:19 51:1 seen 44:9 sells 28:2 sense 9:22 47:21 sent 35:2 sentence 3:15 22:20,24 47:14 serve 35:7 set 47:12 50:19</p> | <p>sets 41:18,19 seven 33:19 34:18 seventh 47:12 ship 27:20,20 43:7 49:15 shipbuilders 58:7,8 ships 12:23 27:15 51:1 shipyard 42:11 43:1 50:1 51:4 53:6,9 shipyards 5:23 14:24 shipyard's 7:8 shock 37:20,21 shoddy 32:23 37:17 39:12 shortening 19:22 show 6:14 7:9 13:7 50:5,25 51:22 56:9 shown 7:7 49:25 50:7,24 51:9 side 13:21 14:22 31:11 signature 43:25 silver 54:15 similar 47:17 simply 20:2 21:3 23:7 25:14 29:24 39:18 single 3:14 55:12 site 50:1 situation 26:6 situations 30:21 six 33:19 34:17 47:11,13 Sixth 42:7 43:17 43:20 51:16 53:20 slip 16:13 SOFCO 42:21 solely 26:20</p> | <p>Solicitor 1:20 Solicitor's 54:14 somebody 33:13 sorry 51:18 sort 24:24 40:5 sorts 21:3 32:17 source 57:12 Souter 19:9,12 20:2,9,20 29:17,20,24 39:20 40:9,12 40:20 51:7,13 51:24 52:4,11 52:14 So-and-So 50:10 so-called 55:15 space 58:6 speaking 42:24 50:16 specific 52:6,9 54:20 specifically 10:1 23:6,13 25:9 specifications 4:11,12 5:6,14 5:14,22 7:17 12:6,11 14:21 18:13 50:18 58:12 spending 21:6 spent 6:15 28:15 39:24 41:4 49:11 squarely 45:6 stand 9:20 52:14 standard 9:4 stapled 52:1 started 54:6 starting 43:19 State 15:4 32:22 32:22,25 33:6 34:14 35:15,16 35:17,21,25 36:2,15 37:15 37:17 statement 11:15 13:17 17:7,11</p> | <p>17:15 19:6,14 29:9 44:7,13 44:13,15,16 45:21 46:8,9 49:3 54:8,21 54:21 56:20 statements 23:1 57:18 States 1:1,7,15 1:22 2:6 3:5,24 4:7,8,9 7:8,13 7:14 8:4,8,17 13:7 16:12,13 20:18,25 26:13 27:7 31:13 36:23 39:23,25 42:14,16 State's 36:12,14 statute 3:21 6:21 9:14 10:1 11:9 11:22,24 13:18 14:2,5 16:16 20:15 21:7,8 22:12,18 23:7 23:8,9 25:2,5 25:16 29:4,6 31:14 32:11 33:25 34:7 37:24 38:1,16 40:3 45:6,19 46:1,10,13,15 46:18 47:11,19 56:25 57:2,2,8 57:17,24 58:13 statutes 16:17 47:3 57:24 58:3,18 steps 34:18 Stevens 10:2,5 10:23 56:10,16 56:19 57:3 Stewart 1:20 2:5 26:11,12,16 27:13,23 28:6 28:23 29:1,4 29:19,23 30:6 31:3,9,18,23</p> |
|---|--|---|---|---|

| | | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 32:9 33:23 | 7:3 9:6 12:16 | 13:24 | 1:18 2:3,11 3:7 | 54:6 |
| 34:5,19 35:6 | 15:4,14 19:25 | surprises 31:11 | 55:3 | told 43:11 53:25 |
| 35:11 36:11,18 | 36:13 37:8,15 | sustains 3:19 | theory 13:10 | top 55:25 |
| 36:22 37:4,11 | 37:19 38:19 | 14:7 | 20:10,25 27:1 | totally 7:9 |
| 37:25 38:3,17 | 42:4 44:10,11 | | 27:4 35:23 | Totten 22:10 |
| 39:14,19 40:4 | 53:8 55:7,9,22 | T | 37:14 39:21 | trace 57:16 |
| 40:10,13 41:1 | 56:11,23,24 | T 2:1,1 | 44:24 | transmitted |
| 41:8 | 58:24 59:1 | take 22:17 30:13 | thing 47:7 57:9 | 51:25 |
| stopping 20:10 | subs 30:21 42:20 | 32:18 33:5 | things 5:17 | trial 13:1,2 |
| stops 40:21 | subsection 9:1,3 | 42:25 53:23 | 12:23 18:13,15 | 52:16 |
| strange 50:12 | 29:8 32:11 | taken 29:14 | 21:3 24:9 | tried 56:3 |
| 52:22 | subsections 23:5 | 46:11 | 31:12,16 52:21 | true 18:23 19:4 |
| strictly 19:9 | subset 21:10 | takes 33:8,11,13 | think 6:12,25 | 20:4 27:9 |
| strike 51:18 | substantial | 43:3 | 8:12 11:8 | trying 35:12 |
| strings 40:7,9 | 24:22 35:14 | talk 20:22 | 13:23,24,25 | Tuesday 1:12 |
| strongly 11:23 | substantially | talked 22:19 | 19:2 20:20 | turn 37:6 57:1 |
| sub 19:14 39:6,6 | 22:11 | talking 9:10 | 21:13,15 23:24 | two 29:7 38:17 |
| 51:12 | substantive 23:8 | 15:19 47:21 | 24:7 25:20 | 42:22 47:9 |
| subcontract | subunit 21:1 | 49:12 | 26:2 27:8 28:6 | type 34:20 |
| 14:12 | sub-agency's | talks 43:18 | 30:7 31:3,18 | |
| subcontractor | 40:23 | 45:19,21 | 31:18,19,20,23 | U |
| 6:18,19 10:19 | sub-spec 16:10 | tam 31:15 33:20 | 32:15 33:23 | ultimate 19:16 |
| 12:2,21 16:5 | sub-units 21:5 | 38:14 40:2 | 45:1 46:4,17 | 19:19 20:6 |
| 18:10 24:4 | successfully | Tanner 3:24,25 | 46:18,21,22 | 27:7 28:10 |
| 25:17 26:3 | 39:3 | 11:11,22 12:5 | 53:14 | 57:12 |
| 28:10,12,14,16 | sue 53:2 | 16:22 21:15 | thinks 35:8 | ultimately 5:20 |
| 28:17 35:20 | suffer 11:13 | 24:17 25:1 | third 19:13,13 | 19:15 20:5,23 |
| 38:22 42:10 | 15:20 | 57:10 58:1,16 | 23:3 42:15 | 25:19 30:2 |
| subcontractors | suffice 39:11 | 58:21 | thought 24:11 | 32:3 |
| 5:7 15:13 | suggest 11:23 | tell 8:1 10:17 | 31:16 43:6,8 | unanimous |
| 16:19 27:2,4 | 53:8 | 12:10 | 44:23 | 16:24 |
| 41:22,24 58:7 | summarized | ten 3:14 | thousands 20:16 | unanimously |
| subcontractor's | 44:21 | tens 20:16 | 20:22 | 3:21 4:2 11:10 |
| 6:2,9 | supervision | term 16:24 | three 55:18 | 21:17 24:17 |
| subject 36:7 | 24:22 | terms 6:21 | tighten 12:8 | 57:9 |
| 47:9 | supplied 5:3 | 49:24 | time 4:19 12:19 | underlying |
| submission 3:15 | 29:25 | test 5:13,15 | 26:8 31:17 | 51:21 |
| 12:20 25:17 | supporting 1:23 | 18:16 24:24 | 36:13 38:11,13 | understand 5:12 |
| 53:12 | 2:7 26:15 | 31:3 | 56:4 | 15:16 27:14 |
| submit 10:9 | suppose 6:8 15:2 | testified 50:9 | times 3:14 33:19 | understanding |
| 11:23 12:1,18 | 18:7,10 28:14 | textually 31:25 | timing 32:18 | 6:3,5 46:15 |
| 35:21 44:6 | 30:15 48:13 | Thacker 1:9 3:5 | 35:13 36:11,12 | 54:1 |
| 49:8 56:19 | 56:11 | Thank 26:9 41:6 | 37:7 | understands |
| submits 12:2 | supposed 30:25 | 41:7 54:22,23 | Title 16:18 | 20:5 |
| 20:5 28:16 | 31:8 53:5 | 54:25 55:5 | today 3:4 4:1 | uninterested |
| submitted 4:6,8 | Supreme 1:1,15 | 58:22 | 11:14 21:18,23 | 33:20 |
| 4:8,13,21 5:23 | sure 5:5 6:4 | THEODORE | 23:6 36:6 46:1 | unit 21:10 |

| | | | | |
|---|---|--|---|---|
| <p>United 1:1,7,15 1:22 2:6 3:5,24 4:6,8,9 7:8,13 7:14 8:4,8,17 13:7 20:25 26:13 27:7 31:13 36:23 39:23,25 42:14 42:16 units 20:24 universities 20:18 unsatisfied 5:15 use 13:17 24:22 27:19 36:1 40:7,17 useless 54:9 uses 29:8 35:3 usually 53:22 U.S 43:3,3 49:25 50:17 51:20</p> | <p>47:19 wants 16:6 War 31:17 warship 41:15 Washington 1:11,18,21 wasn't 12:25 48:22 way 6:6 7:18,19 8:10 10:7,8 12:15 14:23 16:2 19:1,13 19:13 27:18 32:24 33:17 35:16 36:3 41:3 49:18 53:4 54:8 57:14 ways 24:19 weeks 49:11 went 13:15,18 18:6 43:24 55:21 58:7,8</p> | <p>work 14:16 19:17 27:17,25 28:7 34:24 35:21 38:23 41:17,23 worked 30:14 31:14,19,19 working 41:25 works 23:16 32:25 35:16 42:9 57:15 world 38:2 wouldn't 25:25 40:12,18 write 45:13 writing 41:22 written 9:21 wrong 7:11</p> | <p>19 54:14 1943 45:19 1982 23:6 46:11 1987 3:25</p> | <p>8 82 46:12 47:10 47:13 86 46:25 47:12 47:19</p> |
| <p style="text-align: center;">V</p> <p>v 1:6 variety 24:19 vast 30:15 31:12 vastly 38:13 Vermont 57:3 version 45:18 47:11 versus 3:4 22:5 23:11 26:5 57:3 58:17 view 6:11 17:5 28:23 32:9 54:12 56:13 violation 38:24 40:19 46:6,7 voiced 38:12</p> | <p>We'll 3:3 we're 7:8 9:10 12:8,9 13:8 18:14 23:7 25:5 26:23 29:7,7 35:18 35:20 47:21 white 18:8 win 8:19 44:24 48:18,23 wish 45:8 witness 50:9 55:12,13 witnesses 8:12 8:15 word 8:22 19:22 36:9 words 9:24 10:2 10:5 11:1 13:17 17:12 18:25 19:3 25:10,10 46:16 48:7 51:9 57:23</p> | <p style="text-align: center;">X</p> <p>x 1:2,10 6:14</p> <p style="text-align: center;">Y</p> <p>years 3:20 11:10 16:23 17:21 31:11</p> <p style="text-align: center;">\$</p> <p>\$10,000 28:17 29:21</p> <p style="text-align: center;">0</p> <p>07-214 1:6 3:4</p> <p style="text-align: center;">1</p> <p>1 9:16,17 11:21 32:11 34:11 35:18 54:9,12 54:15,16 10 39:22 40:23 10:06 1:16 3:2 100 6:4 17:21 11:09 58:25 15 57:14 18 16:18 54:14 1863 11:23 22:18 45:17 58:15</p> | <p style="text-align: center;">2</p> <p>2 6:23 9:10,18 9:18,20,21,21 10:3,6,7,10,22 10:23 11:21 19:7,20 29:5,8 34:19 45:7,20 46:7 47:15 48:4,4,7 49:3 54:9,10,12,15 54:20 56:19 20 3:20 11:10 16:23 31:11 2008 1:12 26 1:12 2:7 26.2 54:2</p> <p style="text-align: center;">3</p> <p>3 2:4 7:6 11:21 371 58:20</p> <p style="text-align: center;">4</p> <p>40s 23:12 41 2:9 415 51:16</p> <p style="text-align: center;">5</p> <p>5a 7:5 515 43:20 55 2:12 57a 55:16,25 59a 55:16,25 56:1</p> | <p style="text-align: center;">6</p> <p>6.1 42:9 43:18 49:16 620 42:8 43:17 53:21</p> <p style="text-align: center;">7</p> <p>7 47:12,16</p> |
| <p style="text-align: center;">W</p> <p>Wait 12:7 want 5:8 11:17 30:13 37:6 40:8 50:24 57:5 wanted 14:20</p> | <p>wasn't 12:25 48:22 way 6:6 7:18,19 8:10 10:7,8 12:15 14:23 16:2 19:1,13 19:13 27:18 32:24 33:17 35:16 36:3 41:3 49:18 53:4 54:8 57:14 ways 24:19 weeks 49:11 went 13:15,18 18:6 43:24 55:21 58:7,8</p> | <p style="text-align: center;">1</p> <p>1 9:16,17 11:21 32:11 34:11 35:18 54:9,12 54:15,16 10 39:22 40:23 10:06 1:16 3:2 100 6:4 17:21 11:09 58:25 15 57:14 18 16:18 54:14 1863 11:23 22:18 45:17 58:15</p> | <p style="text-align: center;">6</p> <p>6.1 42:9 43:18 49:16 620 42:8 43:17 53:21</p> <p style="text-align: center;">7</p> <p>7 47:12,16</p> | <p style="text-align: center;">8</p> <p>82 46:12 47:10 47:13 86 46:25 47:12 47:19</p> |