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SECOND CIRCUIT REVIEW

THE SECOND CIRCUIT
IN THE SUPREME COURT

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With the U.S. Supreme Court beginning its 2000 term next week, we conduct our 16th annual review of the Second Circuit's performance in the Supreme Court during the past term and also examine those Second Circuit decisions that the Supreme Court has scheduled for review during its 2000 term.

1999 Term: Criminal Law

During its 1999 term, the Supreme Court issued opinions in only 74 cases — the lowest number in five decades. The Court denied 280 petitions for certiorari from the Second Circuit and granted only three. The Court reversed the three decisions it reviewed. The accompanying chart (see below) compares the Second Circuit's performance during the 1999 term to those of other courts.

In *Portuondo v. Agard*,¹ the Supreme Court reversed the Second Circuit, holding that it is not unconstitutional for a prosecutor, for the first time in closing argument, to call the jury's attention to the fact that the defendant had the opportunity to hear all of the other witnesses testify and to tailor his own testimony accordingly.²

<u>Court</u>	<u>Number of Cases</u>	<u>Percent reversed or vacated in whole or in part</u>
1st Circuit	1	0
2nd Circuit	3	100
3rd Circuit	1	0
4th Circuit	9	56
5th Circuit	9	56
6th Circuit	4	75
7th Circuit	8	75
8th Circuit	5	20
9th Circuit	10	90
10th Circuit	1	0
11th Circuit	5	40
D.C. Circuit	3	0
Federal Circuit	2	100
District courts	2	0
State appellate courts	11	64
Total	74	58

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Ray Agard was convicted in New York Supreme Court of first degree sodomy and two counts of third degree weapons possession. With numerous conflicting accounts of the relevant events offered by the witnesses at trial, the case against Agard boiled down to an issue of witness credibility. At the end of her summation, the prosecutor made the following statements over defendant's objections:

You know, ladies and gentlemen, unlike all the other witnesses the defendant has a benefit and the benefit that he has, unlike all the other witnesses, is he gets to sit here and listen to the testimony of all the other witnesses before he testifies.

That gives you a big advantage, doesn't it. You get to sit here and think what am I going to say and how am I going to say it. How am I going to fit it into the evidence?

He's a smart man. I never said he was stupid He used everything to his advantage.³

Defendant's motion for a mistrial based on these comments was denied. On defendant's direct appeal of his conviction, the Appellate Division affirmed the trial court's ruling.⁴ Agard then petitioned for a writ of habeas corpus under 28 U.S.C. § 2254. The district court denied the petition, rejecting Agard's claims that his Sixth and Fourteenth Amendment rights had been violated at trial, but granted him a certificate of probable cause to pursue an appeal to the Second Circuit.

On appeal, in a fractured opinion written by Senior Circuit Judge James L. Oakes — in which Judge Ralph K. Winter filed a separate opinion concurring in the result and Judge Ellsworth A. Van Graafeiland filed a dissenting opinion — the Second Circuit noted that it was unable to locate a single federal case examining the precise issue presented. The court noted, however, that several state cases addressed the issue and held that such prosecutorial commentary is improper.⁵ The Second Circuit agreed with the reasoning of the state court cases, holding that it is “constitutional error for a prosecutor to insinuate for the first time during summation that the defendant's presence in the courtroom at trial provided him with a unique opportunity to tailor his testimony to match the evidence”⁶

The court reasoned that the prosecutor's summation remarks violated the defendant's Sixth Amendment right to be present at trial by inviting the jury to penalize the defendant for the exercise of that right. The Second Circuit found further support for its conclusion in *Griffin v. California*.⁷ In that case, the Supreme Court held that it was unconstitutional for a prosecutor to suggest to a jury that guilt may be implied from a defendant's decision to exercise her Fifth Amendment right not to testify. The Second Circuit analogized the tactics approved in *Griffin* to the prosecutor's remarks at issue in Agard's case, and held that the prosecutor's tactics violated Agard's constitutional rights.

The Supreme Court In ‘Griffin’

The Supreme Court disagreed. In reversing the Second Circuit and upholding the defendant’s conviction, the Supreme Court, in a 7-2 opinion written by Justice Antonin Scalia over a dissent written by Justice Ruth Bader Ginsburg (joined by Justice David H. Souter), reasoned that attacking witness credibility in this manner is consistent with the “longstanding rule that when a defendant takes the stand, his credibility may be impeached and his testimony assailed like that of any other witness.”⁸

The Court began its analysis by characterizing Agard’s argument as a request to extend the rationale of *Griffin*. The Court refused to do so, engaging in a detailed historical excursus to demonstrate the lack of foundation for the requested extension. After announcing that the burden lay upon Agard to produce a relevant case — one in which comments urging that a defendant’s presence at trial facilitated tailored testimony were held improper — and that the absence of such cases cut in favor of the State, the Court concluded that Agard’s argument rested solely on the analogy to *Griffin*. The Court found that the analogy to *Griffin* was inapposite, for two reasons:

First, the Court stated that it was not reasonable to expect a jury to comply with an instruction that it must not count the defendant’s silence against him because such an inference of guilt from silence was not always “natural or irresistible.”⁹ In contrast, the Court stated that it is “natural and irresistible” for a jury to consider and take into account the fact that a defendant had heard the testimony of all those who preceded him.¹⁰ Thus, the principle requested by Agard differed from the principle adopted in *Griffin* in “one or the other of the following respects: It either prohibits inviting the jury to do what the jury is perfectly entitled to do; or it requires the jury to do what is practically impossible.”¹¹

The second reason given by the Court for the weakness of the analogy to *Griffin* was that *Griffin* dealt with comments that suggested a defendant’s silence is evidence of guilt, whereas in Agard’s case, the prosecutor’s comments merely concerned the criminal defendant’s credibility as a witness. That is, in Agard’s case, the prosecutor’s argument was entirely relevant to the defendant’s role and credibility as a witness — and therefore may be subject to testimonial impeachment and attack just like any other witness at trial.

The Court next rejected Agard’s argument that the prosecutor’s comments were impermissibly “generic” rather than based upon any specific indication of tailoring. The Court cited as support for its holding an 1895 case, *Reagan v. United States*,¹² in which the Court approved such generic commentary. The Court also cited *Reagan* to refute the suggestion that there was any constitutionally significant distinction in the fact that the comments in Agard’s case were made during summation rather than in cross-examination.

The Court noted that the challenged instruction in *Reagan* had come at the end of the case, after the defense had rested, just as the prosecutor’s comments had in Agard’s case. The Court wrote: “what *Reagan* permitted — a generic interested-witness instruction, after

the defense has closed — is in a long tradition that continues to the present day.”¹³ Having determined that the prosecutor’s comments were constitutionally permissible under the Sixth Amendment, the Court concluded: “[a]llowing comment upon the fact that a defendant’s presence in the courtroom provides him a unique opportunity to tailor his testimony is appropriate — and indeed, given the inability to sequester the defendant; sometimes essential — to the central function of the trial, which is to discover the truth.”¹⁴

Finally, the Court rejected the Second Circuit’s holding that the prosecutor’s comments had violated the defendant’s Fourteenth Amendment right to due process on the ground that, because Agard’s presence at trial was required under New York law, the prosecution had violated his right to due process by commenting on that presence. The Court dismissed this argument, finding that “[t]here is no authority for the proposition that the impairment of credibility, if any, caused by mandatory presence at trial violates due process.”¹⁵

Trademark Law

In *Wal-Mart Stores Inc. v. Samara Brothers Inc.*,¹⁶ the Supreme Court unanimously reversed the Second Circuit’s decision holding that, in a Lanham Act suit for infringement of unregistered trade dress, a product’s design is never inherently distinctive and therefore is protectable only upon a showing of secondary meaning. The Court in *Wal-Mart* drew a sharp distinction between “product-design” trade dress and “product-packaging” trade dress, making product-design trade dress violations more difficult to prove. The Court did not alter the test for proving an infringement of product-packaging, which is still protected without a showing of secondary meaning so long as the trade dress is inherently distinctive.

This case involved a line of children’s clothing originally designed and manufactured by Samara. The clothes were seersucker outfits decorated with various appliques of “hearts, flowers, fruits and the like.”

In contracting with one of its suppliers to manufacture a line of children’s outfits for sale in the 1996 spring/summer season, Wal-Mart sent its supplier pictures of the Samara outfits. It specifically requested that the supplier base the spring/summer line on the Samara designs. After learning that Wal-Mart was selling “knock-offs” of its products, Samara brought an action against Wal-Mart in the Southern District of New York, alleging trademark and copyright infringement. After a one-week trial, the jury found in favor of Samara on all counts.

Wal-Mart filed a motion for judgment as a matter of law, arguing, *inter alia*, that there was insufficient evidence to support the conclusion that Samara’s clothing designs could be protected as distinctive trade dress under § 43(a) of the Lanham Act. The district court denied the motion.

The Second Circuit affirmed the denial of Samara's motion for judgment as a matter of law in a sharply divided opinion.¹⁷

As its starting point, the Second Circuit noted that there was no assertion in the case that Samara's products had obtained "secondary meaning," or acquired distinctiveness, over the course of time; the only issue was whether the garments were "inherently distinctive." It noted that while trade dress protection often is sought for a product's packaging, in this case, protection was sought for the design of its garment, "which is more difficult to obtain."¹⁸ Nevertheless, the Court of Appeals concluded that Samara had sufficiently demonstrated the inherent distinctiveness of the specific elements of its product design at trial. It went on to hold that there was sufficient evidence of customer confusion, noting that "[c]lose similarity of trade dress in a plethora of detail raises a serious question of copying and intent to confuse customers" — which intent Wal-Mart had failed to rebut.¹⁹

The Supreme Court reversed in a unanimous decision written by Justice Scalia.²⁰ In its brief opinion, the Court made two major points.

First, the Court noted that marks generally may be protectable under § 43(a) of the Lanham Act if they are distinctive in one of two ways. A mark may be distinctive if "[its] intrinsic nature serves to identify a particular source."²¹ In the alternative, a mark can acquire distinctiveness over time, even if it is not inherently distinctive, if it develops secondary meaning; this occurs when, "in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself."²² The Court stated that "[n]othing in [the relevant provision of the Lanham Act] demands the conclusion that every category of mark necessarily includes some marks by which the goods of the applicant may be distinguished from the goods of others without secondary meaning — that in every category some marks are inherently distinctive."²³

The Court then went on to reason by analogy that product design was indeed incapable of being "inherently distinctive" as indicative of source for purposes of trademark law. The Court analogized product design to color — a category of mark the Supreme Court has held can never be inherently distinctive and thus must acquire distinctiveness through "secondary meaning."

In *Qualitex v. Jacobson Products*,²⁴ the Court held that unlike "fanciful," "arbitrary" or "suggestive" marks, color does not "almost automatically tell a customer that [it] refer[s] to a brand," and does not "immediately signal a brand of product 'source.'"²⁵

'Wal-Mart' Conclusion

The Court in *Wal-Mart* concluded that product design was like color, and unlike other marks such as word marks or product packaging (or product dressing), in that its primary function and effect was not to signal source. The Court found further support for its conclusion in the potential danger presented by product design protection of depriving

consumers of the benefits of competition with regard to the “utilitarian and esthetic purposes that product design ordinarily serves.”²⁶ Thus, the Court held that product design was protectable only if it could be shown that the product had acquired secondary meaning over time to signify a particular brand to customers.

Second, the Court drew a distinction between the *Wal-Mart* case and its prior holding in *Two Pesos v. Taco Cabana, Inc.*,²⁷ in which the Court ruled that a certain “festive eating atmosphere decorated with artifacts, bright colors, paintings and murals” could be protected under § 43(a) without a showing of secondary meaning.²⁸ The Court found that *Two Pesos* was inapposite because it involved a type of trade dress that, in the Court’s view, did not constitute product design. The trade dress in *Two Pesos* “was either product packaging — which normally is taken by the consumer to indicate origin — or else some tertium quid that is akin to product packaging and has no bearing on the present case.”²⁹

In conclusion, the Court acknowledged that the distinction drawn between product packaging and product design would result in some difficult cases at the margin — citing as an example Coca-Cola sold in the distinctive classic glass bottle — but the Court stated that “the frequency and the difficulty of having to distinguish between product design and product packaging will be much less than the frequency and the difficulty of having to decide when a product design is inherently distinctive.”³⁰ To the extent that lower courts are concerned with close cases, they are advised in *Wal-Mart* to err on the side of caution and categorize ambiguous trade dress as product design and therefore to require a showing of secondary meaning.³¹

False Claims Act

In *Vermont Agency of Natural Resources v. United States ex rel. Stevens*,³² the Supreme Court reversed a Second Circuit ruling and held that a private individual has standing to bring a qui tam action under the False Claims Act (FCA or Act), although a State or state agency is not a “person” for purposes of qui tam liability under the Act, and thus the Act does not subject a State to liability under its provisions.

Under the False Claims Act, a private person (the relator) may bring a qui tam civil action “in the name of the [Federal] Government,”³³ against “[a]ny person” who “knowingly presents to the Government a false or fraudulent claim for payment.”³⁴ This allows the relator to collect a bounty of sorts by sharing in the proceeds of any amount recovered.³⁵

In this case, attorney Jonathan Stevens brought such an action against his former employer, the Vermont Agency of Natural Resources (the state agency), alleging that it had submitted false claims to the Environmental Protection Agency (the EPA) in connection with federal grant programs administered by the EPA. The state agency moved to dismiss, arguing that a State (or state agency) is not a “person” subject to FCA liability and that a qui tam action in federal court against a State is barred by the sovereign immunity doctrine under the Eleventh Amendment. The district court denied the motion, and the state agency filed

an interlocutory appeal. The United States intervened in the appeal in support of Stevens' position.

In an opinion authored by Judge Amalya L. Kearse, in which Judge John M. Walker Jr. joined, over a lengthy dissent by Eastern District Judge Jack B. Weinstein (sitting by designation), the Second Circuit affirmed.

In reversing the Second Circuit judgment, the Supreme Court first addressed the issue of Article III standing.³⁶

Article III Standing

The Court found that Stevens did indeed have standing to bring a federal action on behalf of the United States under the FCA. Stevens met the requirements necessary to establish Article III standing because he was able to show “injury in fact” — a harm that is both “concrete” and “actual or imminent, not conjectural or hypothetical.”³⁷

The Court held that Stevens' concrete private interest in the outcome of his suit — his success “bounty” — is insufficient to confer standing, as that interest does not consist of obtaining compensation for, or preventing, the violation of a legally protected right. However, the Court ruled that Stevens' standing was supported by the doctrine that the assignee of a claim has standing to assert the injury in fact suffered by the assignor. Because the FCA can reasonably be regarded as effecting a partial assignment of the government's damages claim, the United States' injury in fact sufficed to confer standing on Stevens. The Court drew this conclusion from the long tradition of *qui tam* actions in England and colonial America, which conclusively demonstrates that such actions were “cases and controversies of the sort traditionally amenable to, and resolved by, the judicial process.”³⁸

Despite Stevens' standing to sue, the Court nonetheless found that he could not recover against the state agency under the FCA, as a private individual may not bring such a suit in federal court on behalf of the United States against a State. The Court held that a State or state agency is not a “person” subject to *qui tam* liability under the Act. The Court first noted that it has long presumed that the term “person” does not include the sovereign — a presumption that “may be disregarded only upon some affirmative showing of statutory intent to the contrary”³⁹ The Court then examined the Act's historical context through different iterations and amendments to further support the conclusion that the term “person” has never included a State or state agency.

The Court pointed to several features of the current statutory scheme that further buttress this conclusion. First, another section of the FCA expressly defines “person” to include States, suggesting that States are not included as persons for *qui tam* liability. Second, the current version of the FCA imposes essentially punitive damages, “which would be inconsistent with state *qui tam* liability in light of the presumption against imposition of punitive damages on governmental entities.”⁴⁰ Third, contrary to the FCA, a sister scheme

creating administrative remedies for false claims does contain a definition of “persons” subject to liability, which does not include States, and the Court found that “[i]t would be most peculiar to subject States to treble damages and civil penalties in qui tam actions under the FCA, but exempt them from the relatively smaller damages provided under the [sister statute].”⁴¹

Statutory Construction

In conclusion, the Court stated that its holding was buttressed both “by the ordinary rule of statutory construction that if Congress intends to alter the usual constitutional balance between States and the Federal Government, it must make its intention to do so unmistakably clear in the statute’s language,” as well as “by the doctrine that statutes should be construed so as to avoid difficult constitutional questions.”⁴² Given the Court’s disposal of the case by addressing only the statutory argument, it never reached the broad Eleventh Amendment issue — although it did note its belief that there exists serious doubt on that score.

Justice John Paul Stevens, joined by Justice Souter, responded with a heated dissent — in which Justice Stevens labeled Justice Scalia’s opinion “strained” and untenable; Justice Scalia responded in kind, going so far as to accuse the dissent of intentionally disregarding contrary authority. The dissent claimed that a proper statutory exegesis demonstrates that the term “person” does indeed include States for purposes of qui tam liability. Justice Stevens also went further than the Court to state that the longstanding use of qui tam statutes satisfies both Article II and Article III standing challenges. Finally, the dissent concluded that Congress’ clear intent to subject States to qui tam liability is also sufficient to defeat an Eleventh Amendment defense, such that a relator should be held to possess the same power as the government to sue a State under the FCA.

Although additional Second Circuit cases may well be added to its docket in the months ahead, the Supreme Court is scheduled to review at least two Second Circuit decisions during its 2000 term. In *Velasquez v. Legal Services Corp.*,⁴³ the Second Circuit affirmed, for the most part, a district court’s denial of a preliminary injunction brought by New York Legal Services Corp. (LSC) grantees and others to prevent the enforcement of restrictions imposed by Congress on the professional activities of LSC-funded entities.

The Second Circuit agreed with the lower court that most of the restrictions should not be preliminarily enjoined, including the prohibition on the use of LSC funds to aid entities that perform various activities such as lobbying, participation in class actions, providing legal assistance to aliens in certain categories, supporting advocacy training programs, collecting attorney’s fees under fee-shifting laws and litigating on behalf of prisoners. However, the Second Circuit held that it was unlawful to prohibit LSC grantees from challenging the propriety of any existing rule leading to the denial of a client’s welfare benefits. It held that this specification was inescapably viewpoint-biased and could not withstand First Amendment scrutiny. Accordingly, the Second Circuit reversed solely with

respect to this narrow specification and affirmed the district court's denial of a preliminary injunction as to the balance of the LSC restrictions.

The Supreme Court also agreed to review the Second Circuit's opinion in *Bennett v. Artuz*.⁴⁴ In that case, the Second Circuit reversed a district court's *sua sponte* dismissal of a prisoner's habeas corpus petition as untimely.

The Second Circuit previously had held that prisoners whose convictions became final prior to the enactment of the Antiterrorism and Effective Death Penalty Act of 1996 (AEDPA) have only a "reasonable time" after one year of the AEDPA's enactment to bring federal habeas petitions. Accordingly, the district court determined that the prisoner's petition was time-barred because it had been filed more than 21 months after the enactment of the AEDPA.

In reversing, the Second Circuit held that petitioner's time had not expired because petitioner had a longstanding motion pending in state court to vacate his conviction; because petitioner never received the state appellate court's adverse order, that motion was technically still pending and it served to toll the limitations period. The Second Circuit then ruled that the petitioner's state court motion to vacate his conviction had been "properly filed" within the meaning of the AEDPA.

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ENDNOTES

1. 120 S. Ct 1119, 146 L.Ed.2d 47 (March 6, 2000).
2. 117 F.3d 696 (1997).
3. 117 F.3d at 707.
4. 199 A.D.2d 401, 402, 606 N.Y.S.2d 239, 240 (2d Dept. 1993).
5. 117 F.3d at 707 (citing *State v. Cassidy*, 236 Conn. 112, 672 A.2d 899, 905-908 (1996), *State v. Jones*, 580 A.2d 161, 162-63 (Me. 1990), *Coreas v. United States*, 565A.2d 594, 604 (D.C. Ct. App. 1999); *State v. Hemingway*, 148 Vt. 90, 528 A.2d 746, 747-48 (1987); *Commonwealth v. Person*, 400 Mass. 136, 508 N.E.2d 88, 90-91 (1987), *State v. Johnson*, 80 Wash. App. 337, 908 P.2d 900, 902-03 (1996)).
6. 117 F.3d at 708-09.
7. 380 U.S. 609 (1965).
8. 120 S. Ct. at 1125.
9. 120 S. Ct. at 1124 (citing *Griffin*, 390 U.S. at 615).
10. *Id.*
11. *Id.* at 1124.
12. 157 U.S. 301, 15 S. Ct. 610, 39 L. Ed. 709 (1895).
13. 120 S. Ct. at 1127 (citing *United States v. Jones*, 587 F.2d 802 (5th Cir 1979); *United States v. Hill*, 470 F.2d 361 (D.C. Cir. 1972); 2 C. Wright, *Federal Practice and Procedure* § 501, and n.1 (1982)).
14. 120 S. Ct. at 1127.
15. *Id.* at 1128.
16. 120 S.Ct. 1339, 146 L.Ed.2d 182 (March 22, 2000).
17. 165 F.3d 120 (2d Cir. 1998).
18. *Id.* at 125.
19. *Id.* at 128 (internal quotations omitted).

20. 120 S. Ct. 1339.
21. *Id.* at 1343 (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)).
22. *Id.* (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851 n.11 (1982)).
23. *Id.* at 1343-44 (internal quotations omitted).
24. 514 U.S. 159, 162 (1995).
25. 120 S. Ct. at 1344 (citing *Qualitex*, 514 U.S. at 162-63)).
26. *Id.*
27. 505 U.S. 763 (1992).
28. 505 U.S. at 765.
29. 120 S. Ct. at 1345.
30. *Id.* at 1346.
31. *Id.*
32. 120 S. Ct. 1858, 146 L. Ed. 836 (May 22, 2000).
33. 31 U.S.C. § 3730(b)(1).
34. § 3729(a).
35. §§ 3730(d)(1)-(2).
36. In response to the dissent's charge that the majority had improperly raised this issue sua sponte, Justice Scalia's opinion clarified that the Court's ruling expressed no view as to whether qui tam suits violate Article II's Appointments Clause and "Take Care" Clause. 120 S. Ct. at 1865 n.8.
37. 120 S. Ct. at 1861.
38. *Id.* at 1865.
39. 120 S. Ct. at 1867.
40. *Id.* at 1869.

41. Id. at 1870.
42. Id.
43. 164 F.3d 757 (2d Cir. 1999).
44. 199 F.3d 116 (2d Cir. 1999).