

No. 08-304

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IN THE  
**Supreme Court of the United States**

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GRAHAM COUNTY SOIL & WATER CONSERVATION  
DISTRICT, *ET AL.*,

*Petitioners,*

*v.*

UNITED STATES *EX REL.* KAREN T. WILSON,  
*Respondent.*

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**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Fourth Circuit**

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**BRIEF OF *AMICI CURIAE* THE  
WASHINGTON LEGAL FOUNDATION AND  
THE ALLIED EDUCATIONAL FOUNDATION  
IN SUPPORT OF PETITIONERS**

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October 8, 2008

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**QUESTION PRESENTED**

Whether an audit and investigation performed by a State or its political subdivision constitutes an “administrative . . . report . . . audit, or investigation” within the meaning of the public disclosure jurisdictional bar of the False Claims Act, 31 U.S.C. § 3730(e)(4)(A).

## TABLE OF CONTENTS

	PAGE
QUESTION PRESENTED .....	i
TABLE OF AUTHORITIES .....	v
INTEREST OF <i>AMICI CURIAE</i> .....	1
REASONS FOR GRANTING THE PETITION .....	4
I. THE PUBLIC DISCLOSURE BAR WAS INTENDED TO PREVENT PARASITIC LAWSUITS BY <i>QUI TAM</i> RELATORS WHO LEARNED OF FRAUD THROUGH PUBLIC SOURCES .....	7
II. THE FOURTH CIRCUIT'S <i>PER SE</i> RULE IS CONTRARY TO THE TEXT AND PURPOSE OF THE PUBLIC DISCLOSURE BAR AND MUST BE REJECTED .....	11
A. THE RULES OF STATUTORY CONSTRUCTION SHOULD NOT BE USED TO DIVORCE THE PUBLIC DISCLOSURE BAR FROM ITS PURPOSE .....	12
B. ELIMINATING STATE SOURCES FRUSTRATES ONE OF THE PURPOSES OF THE PUBLIC DISCLOSURE BAR .....	16
C. IT IS ENTIRELY APPROPRIATE FOR STATE SOURCES TO QUALIFY AS "PUBLIC DISCLOSURES" .....	18

	<b>PAGE</b>
D. INTERPRETING THE PUBLIC DISCLOSURE BAR TO INCLUDE STATE SOURCES HAS NO EFFECT ON ENFORCEMENT OF THE FCA, NOR DOES IT DISCOURAGE TRUE WHISTLEBLOWERS FROM FILING FCA SUITS .....	20
E. GUIDANCE FROM THIS COURT WILL HELP CLARIFY THE PUBLIC DISCLOSURE BAR FOR THE COURTS AND FOR LITIGANTS.....	21
CONCLUSION .....	22

## TABLE OF AUTHORITIES

	PAGE
<b>CASES</b>	
<i>A-1 Ambulance Serv., Inc. v. State of Cal.</i> , 202 F.3d 1238 (9th Cir. 2000) .....	14, 16
<i>Allison Engine Co. v. United States ex rel.</i> <i>Sanders</i> , 128 S. Ct. 2318 (2008).....	2
<i>Battle v. Bd. of Regents</i> , 468 F.3d 755 (11th Cir. 2006) .....	5, 18, 19
<i>Boeing Co. v. United States ex rel. Kelly</i> , 510 U.S. 1140 (1994) .....	2
<i>Cooper v. Blue Cross &amp; Blue Shield of Fla., Inc.</i> , 19 F.3d 562 (11th Cir. 1994) .....	11
<i>Gold v. Morrison-Knudsen Co.</i> , 68 F.3d 1475 (2d Cir. 1995).....	15
<i>Hagood v. Sonoma County Water Agency</i> , 81 F.3d 1465 (9th Cir. 1996) .....	10
<i>Hays v. Hoffman</i> , 325 F.3d 982 (8th Cir. 2003) .....	5
<i>Hughes Aircraft Co. v. United States ex rel.</i> <i>Schumer</i> , 520 U.S. 939 (1997).....	2, 6
<i>Jarecki v. G.D. Searle &amp; Co.</i> , 367 U.S. 303 (1961) .....	12
<i>Jones v. United States</i> , 527 U.S. 373 (1999) .....	12
<i>R &amp; F Props. of Lake County, Inc. v.</i> <i>United States ex rel. Walker</i> , 127 S. Ct. 554 (2006) .....	2

	<b>PAGE</b>
<i>Reves v. Ernst &amp; Young</i> , 494 U.S. 56 (1990) .....	13
<i>Riley v. St. Luke’s Episcopal Hosp.</i> , 196 F.3d 514 (5th Cir. 1999) .....	2
<i>Rockwell Int’l Corp. v. United States</i> , 127 S. Ct. 1397 (2007) .....	4, 6, 8, 20
<i>Russell Motor Car Co. v. United States</i> , 261 U.S. 514 (1923) .....	13
<i>United States v. Bank of Farmington</i> , 166 F.3d 853 (7th Cir. 1999) .....	10
<i>United States ex rel. Alcohol Found., Inc. v.</i> <i>Kalmanovitz Charitable Found., Inc.</i> , 186 F. Supp. 2d 458 (S.D.N.Y.) .....	14-15, 16
<i>United States ex rel. Bly-Magee v. Premo</i> , 470 F.3d 914 (9th Cir. 2006) .....	5
<i>United States ex rel. Devlin v. State of Cal.</i> , 4 F.3d 358 (9th Cir. 1996) .....	10
<i>United States ex rel. Dick v. Long Island</i> <i>Lighting Co.</i> , 912 F.2d 13 (2d Cir. 1990) .....	15
<i>United States ex rel. Dingle v. Bioport Corp.</i> , 270 F. Supp. 2d 968 (W.D. Mich. 2003) .....	15
<i>United States ex rel. Doe v. John Doe Corp.</i> , 960 F.2d 318 (2d Cir. 1992) .....	17
<i>United States ex rel. Dunleavy v. County</i> <i>of Del.</i> , 123 F.3d 734 (3d Cir. 1997) .....	5, 16
<i>United States ex rel. Findley v. FPC-Boron</i> <i>Employees’ Club</i> , 105 F.3d 675 (D.C. Cir. 1997) .....	11

	<b>PAGE</b>
<i>United States ex rel. Fine v. Sandia Corp.</i> , 70 F.3d 568 (10th Cir. 1995) .....	10, 11
<i>United States ex rel. Gilligan v. Medtronic, Inc.</i> , 403 F.3d 386 (6th Cir. 2005) .....	14
<i>United States ex rel. Hafter v. Spectrum Emergency Care, Inc.</i> , 190 F.3d 1156 (10th Cir. 1999) .....	14
<i>United States ex rel. Haight v. Catholic Healthcare West</i> , 445 F.3d 1147 (9th Cir. 2006) .....	22
<i>United States ex rel. Marcus v. Hess</i> , 317 U.S. 537 (1943) .....	8, 19
<i>United States ex rel. Mistick PBT v. Housing Auth. of Pittsburgh</i> , 186 F.3d 376 (3d Cir. 1999).....	22
<i>United States ex rel. Paranich v. Sorgnard</i> , 396 F.3d 326 (3d Cir. 2005).....	14
<i>United States ex rel. Precision Co. v. Koch Indus.</i> , 971 F.2d 548 (10th Cir. 1992).....	11
<i>United States ex rel. Ramseyer v. Century Healthcare Corp.</i> , 90 F.3d 1514 (10th Cir. 1996) .....	18
<i>United States ex rel. Reagan v. East Tex. Med. Ctr. Reg'l Healthcare Sys.</i> , 384 F.3d 168 (5th Cir. 2004) .....	14
<i>United States ex rel. Russell v. Epic Healthcare Mgmt. Group</i> , 193 F.3d 304 (5th Cir. 1999) .....	3

**PAGE**

<i>United States ex rel. Siller v. Becton</i> <i>Dickinson &amp; Co.</i> , 21 F.3d 1339 (4th Cir. 1994) ..	14
<i>United States ex rel. Springfield Terminal Ry.</i> <i>Co. v. Quinn</i> , 14 F.3d 645 (D.C. Cir. 1994).....	7, 14
<i>United States ex rel. State of Wis. v. Dean</i> , 729 F.2d 1100 (7th Cir. 1984) .....	8-9
<i>United States ex rel. Stinson, Lyons, Gerlin &amp;</i> <i>Bustamante, P.A. v. Prudential Ins. Co.</i> , 944 F.2d 1149 (3d Cir. 1991).....	9, 14
<i>United States ex rel. Wilson v. Graham</i> <i>County Soil &amp; Water Conservation Dist.</i> , 528 F.3d 292 (4th Cir. 2008) .....	<i>passim</i>

**STATUTES**

Act of Dec. 23, 1943, ch. 377, § 1, 57 Stat. 608 .....	8
31 U.S.C. § 3729.....	2
31 U.S.C. § 3730(a) .....	20
31 U.S.C. § 3730(b) .....	20
31 U.S.C. § 3730(b)(4)(A).....	20
31 U.S.C. § 3730(e)(4) .....	21
31 U.S.C. § 3730(e)(4)(A) .....	8, 11, 18
31 U.S.C. § 3730(e)(4)(B) .....	8

**OTHER AUTHORITIES**

Brief of the United States as <i>Amicus Curiae</i> , <i>United States ex rel. Bly-Magee v. Premo</i> (No. 06-1269) (filed Dec. 21, 2007).....	6
---	---



	<b>PAGE</b>
J. Andrew Jackson, <i>A Law Gone Rogue: Time to Return Fairness to the False Claims Act</i> (WLF Legal Backgrounder) (Dec. 16, 2005) .....	2
J. Andrew Jackson & Edward W. Kirsch, <i>The Qui Tam Quagmire: Understanding the Law in an Era of Aggressive Expansion</i> (WLF Monograph) (1998).....	2
John T. Boese, <i>D.C. Circuit Rules on “Reckless Disregard” Under False Claims Act</i> (WLF Legal Opinion Letter) (Aug. 2008) .....	2
Petition for Writ of Certiorari, <i>United States ex rel. Bly-Magee v. Premo</i> (No. 06-1269) (filed Mar. 16, 2007) .....	5
U.S. Gov’t Accountability Office, GAO-06-320R, <i>Information on False Claims Act Litigation</i> (2006), available at <a href="http://www.gao.gov/new.items/d06320r.pdf">http://www.gao.gov/new.items/d06320r.pdf</a> .....	20

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**INTEREST OF *AMICI CURIAE***

The Washington Legal Foundation (“WLF”) is a non-profit public interest law and policy center based in Washington, D.C., with supporters in all 50 states.<sup>1</sup> WLF devotes a substantial portion of its resources to promoting a limited and accountable Government, supporting the free enterprise system,

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<sup>1</sup> In accordance with this Court’s Rule 37, *amici curiae* certify that no counsel for a party authored this brief in whole or in part and that no entity other than *amici* or their counsel made a monetary contribution to the preparation or submission of the brief. Counsel of record for all parties were notified of *amici*’s intention to file this brief ten days before the due date. The parties have consented to the filing of this brief, as reflected in letters lodged with the Clerk of the Court.

and opposing abusive enforcement actions and civil litigation by the Government and private litigants. WLF regularly participates in important constitutional and statutory litigation raising these issues.

WLF has appeared before this Court and other federal courts in several cases raising significant issues regarding the civil False Claims Act (“FCA” or “the Act”), 31 U.S.C. § 3729 *et seq.* See, e.g., *Allison Engine Co. v. United States ex rel. Sanders*, 128 S. Ct. 2123 (2008); *R & F Props. of Lake County, Inc. v. United States ex rel. Walker*, cert. denied, 127 S. Ct. 554 (2006); *Hughes Aircraft Co. v. United States ex rel. Schumer*, 520 U.S. 939 (1997); *Boeing Co. v. United States ex rel. Kelly*, cert. denied, 510 U.S. 1140 (1994); *Riley v. St. Luke’s Episcopal Hosp.*, 196 F.3d 514 (5th Cir. 1999).

In addition, WLF’s Legal Studies Division produces and distributes legal public policy publications on numerous topics, including the FCA. See, e.g., J. Andrew Jackson & Edward W. Kirsch, *The Qui Tam Quagmire: Understanding the Law in an Era of Aggressive Expansion* (WLF Monograph) (1998); J. Andrew Jackson, *A Law Gone Rogue: Time to Return Fairness to the False Claims Act* (WLF Legal Backgrounder) (Dec. 16, 2005); John T. Boese, *D.C. Circuit Rules on “Reckless Disregard” Under False Claims Act* (WLF Legal Opinion Letter) (Aug. 2008).

The Allied Educational Foundation (“AEF”) is a non-profit charitable and educational foundation based in New Jersey. Founded in 1964, AEF is dedicated to promoting education in legal reform and public policy. AEF has appeared as co-*amicus* with

WLF in numerous cases before the Supreme Court on a broad array of public interest and legal policy issues.

*Amici curiae* submit that, over the last two decades, excessive FCA activity has spawned abusive punitive litigation against businesses, both large and small, to the detriment of those businesses, their employees, and their shareholders as well as to the public at large.

The FCA's *qui tam* provisions encourage private individuals with knowledge of fraud perpetrated against the United States Treasury to come forward and sue on behalf of the United States. To encourage whistleblowers (known as *qui tam* relators) to come forward and expose such fraud, the Government pays a bounty of up to 30% of all recoveries. In other words, the FCA's *qui tam* provisions essentially allow the Government to "purchase" from private individuals the information they may have about fraud on the United States Treasury. *United States ex rel. Russell v. Epic Healthcare Mgmt. Group*, 193 F.3d 304, 309 (5th Cir. 1999).

The potential bounties available under the FCA's *qui tam* provisions make this mechanism susceptible to abuse by opportunistic bounty hunters masquerading as true whistleblowers. One of the most effective bars to such parasitic lawsuits has been the jurisdictional public disclosure bar that Congress crafted in the 1986 amendments to the FCA. This public disclosure bar is a core feature of *qui tam* enforcement of the FCA, and it requires dismissal of *qui tam* suits where the *qui tam* relator's case is based on publicly disclosed

information and the relator is not an original source to the Government.

In holding that state reports, hearings, audits, or investigations can *never* qualify as “public disclosures” for purposes of the FCA’s public disclosure bar, the court of appeals below adopted a *per se* rule that is contrary to the text of the statute, the purpose of the public disclosure bar, and the position of a majority of the circuit courts that have considered this question. *Amici* believe that this brief will bring an additional perspective to the issue presented in this case and will assist the Court in determining whether state reports, hearings, audits, or investigations may qualify as “public disclosures” to bar parasitic *qui tam* lawsuits.

#### **REASONS FOR GRANTING THE PETITION**

The Question Presented in this case deserves this Court’s attention. Two Terms ago, in *Rockwell International Corp. v. United States*, 127 S. Ct. 1397 (2007), this Court addressed the second prong of the FCA’s public disclosure bar — the “original source” exception — which allows true whistleblowers to maintain their *qui tam* lawsuits if they have direct and independent knowledge of the fraud alleged in their suit, even if those allegations were already publicly disclosed. With this case, the Court now has the opportunity to continue the work it began in *Rockwell* by bringing further harmony to the FCA’s oft-litigated public disclosure bar. Specifically, this case presents the opportunity for this Court to address the first prong of the FCA’s jurisdictional public disclosure bar and to clarify what types of disclosures qualify as “public disclosures.”

The particular issue before this Court is undoubtedly the subject of a clear conflict among the courts of appeals. Two circuits, the Third Circuit and the Fourth Circuit (in the case below), have held that state reports, audits, or investigations never can serve as “public disclosures” for purposes of the FCA’s public disclosure bar. *See United States ex rel. Dunleavy v. County of Del.*, 123 F.3d 734, 745-46 (3d Cir. 1997); *United States ex rel. Wilson v. Graham County Soil & Water Conservation Dist.*, 528 F.3d 292, 306-07 (4th Cir. 2008). The Eighth, Ninth, and Eleventh Circuits have reached the opposite conclusion and have held that state reports, audits, or investigations can qualify as “public disclosures.” *United States ex rel. Bly-Magee v. Premo*, 470 F.3d 914, 917-18 (9th Cir. 2006), *cert. denied*, 128 S. Ct. 1119 (2008); *Battle v. Bd. of Regents*, 468 F.3d 755, 762 (11th Cir. 2006); *Hays v. Hoffman*, 325 F.3d 982, 988 (8th Cir.), *cert. denied*, 540 U.S. 877 (2003). This conflict among the circuits is fresh, and only this Court can resolve it.

Moreover, the Solicitor General agrees that this issue deserves the attention of this Court. During the last two Terms, this Court considered a petition for certiorari to the Ninth Circuit raising essentially the same issue now presented in this case. *See* Pet. for Writ of Certiorari, *United States ex rel. Bly-Magee v. Premo* (No. 06-1269) (filed Mar. 16, 2007) (presenting the question whether “an audit performed by a state agency is an ‘administrative . . . audit’” within the meaning of the FCA’s public disclosure bar). By invitation of the Court, the Solicitor General filed an *amicus* brief acknowledging the importance of this question and noting the conflict among the circuits, but ultimately

recommending against granting that petition so that the Court could “await further development of the issue in the lower courts” and because the resolution of the public disclosure issue likely would not have affected the outcome in that case. Br. of the United States as *Amicus Curiae*, *United States ex rel. Bly-Magee v. Premo* (No. 06-1269) (filed Dec. 21, 2007) at 18-20. This Court ultimately denied the petition. *See Bly-Magee*, 128 S. Ct. 1119.

The Court should no longer defer the resolution of this issue. This case raises an important jurisdictional issue for *qui tam* enforcement of the FCA. In *Rockwell*, this Court confirmed that the FCA’s public disclosure bar is jurisdictional and, thus, goes to the very heart of a federal court’s competence to hear a *qui tam* suit. *See* 127 S. Ct. at 1405-06; *see also Schumer*, 520 U.S. at 951. None of the concerns for the Solicitor General’s recommendation to deny certiorari in the *Bly-Magee* case are present here. And, here, the decision below is demonstrably wrong. It carves out an entire category of potential “public disclosures” even though the information was undoubtedly “public” and indisputably “disclosed.” It allows certain *qui tam* cases to go forward even where Congress intended to strip federal courts of jurisdiction to hear those cases. This Court should grant review in this case and restore the FCA’s public disclosure bar to its proper understanding.

**I. THE PUBLIC DISCLOSURE BAR WAS  
INTENDED TO PREVENT PARASITIC  
LAWSUITS BY QUI TAM RELATORS  
WHO LEARNED OF FRAUD THROUGH  
PUBLIC SOURCES**

“The history of the FCA qui tam provisions demonstrates repeated congressional efforts to walk a fine line between encouraging whistle-blowing and discouraging opportunistic behavior.” *United States ex rel. Springfield Terminal Ry. Co. v. Quinn*, 14 F.3d 645, 651 (D.C. Cir. 1994). In 1986, after over 100 years of living with two very different extremes — one (before 1943) that allowed parasitic *qui tam* relators to cut and paste (literally) allegations from the Government’s own pleadings and another (after 1943) that disallowed *qui tam* suits where the Government had knowledge of the information even if the relator was the Government’s source — Congress forged a more balanced approach to screening for proper *qui tam* relators when it enacted the “public disclosure” bar codified in 31 U.S.C. § 3730(e)(4).

This provision states in full:

No court shall have jurisdiction over an action under this section based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing, in a congressional, administrative, or Government [sic] Accounting Office report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General or the person bringing the action is an original source of the information.



31 U.S.C. § 3730(e)(4)(A).<sup>2</sup>

To understand fully what this provision was designed to do, it is important to understand the history of the FCA's *qui tam* provisions and what led Congress to include the public disclosure bar in the 1986 amendments.

As originally drafted, the FCA's *qui tam* provisions were very permissive, as well illustrated by *United States ex rel. Marcus v. Hess*, 317 U.S. 537 (1943), in which an enterprising *qui tam* relator made a direct copy of a criminal indictment, incorporated those allegations in a civil action under the FCA, and requested his statutory share (then half) of any subsequent civil judgment. *Id.* at 545. The relator ultimately prevailed in this Court based on the text of the statute at the time. In response, Congress quickly amended the FCA to bar *qui tam* actions “based on evidence or information the Government had when the action was brought.” Act of Dec. 23, 1943, Pub. L. No. 78-213, ch. 377, 57 Stat. 608.

Nearly 40 years later, the pendulum had swung the other way, as illustrated in *United States ex rel.*

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<sup>2</sup> An “original source” for purposes of Section 3730(e)(4) is “an individual who has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the Government before filing an action under this section which is based on the information.” 31 U.S.C. § 3730(e)(4)(B). See *Rockwell*, 127 S. Ct. at 1403. The “original source” analysis is wholly separate from the public disclosure analysis and only comes into play if there indeed is a “public disclosure” within the meaning of Section 3730(e)(4)(A).

*State of Wisconsin v. Dean*, 729 F.2d 1100 (7th Cir. 1984). In that case, the court of appeals refused to allow the State of Wisconsin to act as a *qui tam* relator in a Medicaid fraud action (even though the investigation had been conducted solely by Wisconsin and the Federal Government learned of the fraud only because Wisconsin had reported it) because, the court held, the FCA barred *qui tam* actions “whenever the government has knowledge of the ‘essential information upon which the suit is predicated’ before the suit is filed, even when the plaintiff is the source of that knowledge.” *Id.* at 1103.

Whereas the *Marcus* case was responsible for the 1943 amendments to the FCA, the *Dean* case was a key motivator for the 1986 amendments. Nevertheless, there should be no doubt that Congress was keenly aware of both extremes — as illustrated by the *Marcus* and *Dean* cases — and that this awareness significantly shaped what would become the public disclosure bar in the 1986 amendments to the FCA. As the Third Circuit has observed, with the 1986 amendments, Congress’s “principal intent . . . was to have the *qui tam* suit provision operate somewhere between the almost unrestrained permissiveness represented by the *Marcus* decision . . . and the restrictiveness of the post-1943 cases, which precluded suit even by original sources.” *United States ex rel. Stinson, Lyons, Gerlin & Bustamante, P.A. v. Prudential Ins. Co.*, 944 F.2d 1149, 1154 (3d Cir. 1991) (internal citations omitted).

Thus, while the immediate impetus for Congress to add the public disclosure bar to the FCA in 1986

was the *Dean* decision, it must be recognized that, in stepping back from that extreme, Congress endeavored to avoid a return to the other equally undesirable extreme — allowing parasitic *qui tam* relators to bring suits based on information readily available to the Government or the public. The new public disclosure bar was designed, as one court has explained, to obtain “the golden mean between adequate incentives for whistle-blowing insiders with genuinely valuable information and discouragement of opportunistic plaintiffs who have no significant information to contribute of their own.” *United States ex rel. Fine v. Sandia Corp.*, 70 F.3d 568, 571 (10th Cir. 1995) (internal quotation marks and citation omitted); *see also United States v. Bank of Farmington*, 166 F.3d 853, 858 (7th Cir. 1999) (“Congress intended that the courts not be troubled by persons who wish to capitalize on others’ discovery of frauds to the exposure of which they themselves have in no way contributed.”); *United States ex rel. Devlin v. State of Cal.*, 84 F.3d 358, 362 (9th Cir. 1996) (public disclosure bar intended “to bar parasitic suits through which a plaintiff seeks a reward even though he has contributed nothing significant to the exposure of fraud”).

Under Section 3730(e)(4)(A), the first step in the public disclosure inquiry is for a court to determine whether the *qui tam* relator’s complaint is based on allegations or transactions that have been publicly disclosed. Several circuit courts have noted that this initial analysis is meant to be a “quick trigger” test that, if necessary, will lead to the more nuanced “original source” analysis required under Section 3730(e)(4)(B). *See Hagood v. Sonoma County Water Agency*, 81 F.3d 1465, 1476 n.18 (9th Cir. 1996);

*Cooper v. Blue Cross & Blue Shield of Fla., Inc.*, 19 F.3d 562, 568 n.10 (11th Cir. 1994) (per curiam); *United States ex rel. Precision Co. v. Koch Indus.*, 971 F.2d 548, 552-53 (10th Cir. 1992). For this reason, courts have held that a “public disclosure” need only be sufficient to have “set the government squarely on the trail of the alleged fraud,” *Fine*, 70 F.3d at 571, or to have raised the “specter of ‘foul play,’” *United States ex rel. Findley v. FPC-Boron Employees’ Club*, 105 F.3d 675, 687 (D.C. Cir. 1997), in order to trigger the public disclosure bar.

**II. THE FOURTH CIRCUIT’S *PER SE* RULE IS CONTRARY TO THE TEXT AND PURPOSE OF THE PUBLIC DISCLOSURE BAR AND MUST BE REJECTED**

The FCA’s public disclosure bar only comes into play if the purported disclosure qualifies as a “public disclosure.” Section 3730(e)(4)(A) sets forth the following categories of “public disclosures”:

Category 1: “a criminal, civil, or administrative hearing”;

Category 2: “a congressional, administrative, or Government [sic] Accounting Office report, hearing, audit, or investigation”; or

Category 3: “the news media.”

31 U.S.C. § 3730(e)(4)(A). The interpretation adopted by the court of appeals below creates a bright line rule for Category 2: The court prohibits a *state* audit report or investigation from qualifying as a “public disclosure” regardless of any other factors,

including the scope, nature, subject, or circulation of the state report.

The principal basis for the Fourth Circuit’s *per se* rule was the court’s mistaken belief that the doctrine of *noscitur a sociis* required the adjective “administrative” in Category 2 to mean “federal administrative,” thus restricting Category 2 only to federal “administrative . . . reports, hearings, audits, or investigations.” *Wilson*, 528 F.3d at 302. The court also reasoned that the public disclosures identified in Category 2 should be limited to “federal” sources because of the purpose behind the public disclosure bar. *Id.* at 302-07. Respectfully, the Fourth Circuit’s statutory analysis is flawed and its understanding of the purpose of the public disclosure bar incomplete.

**A. THE RULES OF STATUTORY  
CONSTRUCTION SHOULD NOT BE  
USED TO DIVORCE THE PUBLIC  
DISCLOSURE BAR FROM ITS  
PURPOSE**

In concluding that the term “administrative” in Category 2 must mean “federal administrative,” the Fourth Circuit (as did the Third Circuit before it) erroneously applied the doctrine of *noscitur a sociis* — that a statutory “phrase ‘gathers meaning from the words around it.’” *Jones v. United States*, 527 U.S. 373, 389 (1999) (quoting *Jarecki v. G.D. Searle & Co.*, 367 U.S. 303, 307 (1961)). Looking at the three examples in Category 2, the Fourth Circuit reasoned that “administrative” must mean “federal administrative” because the other two examples, “congressional” and “Government Accounting Office,”

clearly were federal sources. *Wilson*, 528 F.3d at 302-03.

Respectfully, this approach misses the forest for the trees. Although it is true that a “word may be known by the company it keeps,” this Court has also admonished that the doctrine of *noscitur a sociis* is “not an invariable rule, for the word may have a character of its own not to be submerged by its association.” *Russell Motor Car Co. v. United States*, 261 U.S. 514, 519 (1923). Moreover, in applying this rule to Category 2, the court of appeals also should have taken into account what Congress was trying to accomplish with *all three categories* of “public disclosures” set forth in Section 3730(e)(4). See *Reves v. Ernst & Young*, 494 U.S. 56, 63 (1990) (“Thus, the phrase ‘any note’ should not be interpreted to mean literally ‘any note,’ but must be understood against the backdrop of what Congress was attempting to accomplish in enacting the Securities Acts.”). It is, in fact, the broader understanding of Category 2 adopted by the Eighth, Ninth, and Eleventh Circuits that “accords with the broad purposes of the legislation.” *Russell Motor Car Co.*, 261 U.S. at 521.

In this case, the Fourth Circuit’s narrow focus on the purported “federal” nature of the three examples in Category 2 completely ignores the thrust of all of the categories of “public disclosures” in Section 3730(e)(4)(A). Although the Fourth Circuit acknowledged that neither Category 1 nor Category 3 was limited to “federal” sources, the court’s analysis gave short shrift to the expansiveness of those two categories.

Lower courts have almost universally interpreted Category 1 and Category 3 to be quite broad in their application. The circuit courts are in agreement that Category 1 includes both state and federal sources. *See, e.g., United States ex rel. Paranich v. Sorgnard*, 396 F.3d 326, 330, 333 (3d Cir. 2005); *United States ex rel. Siller v. Becton Dickinson & Co.*, 21 F.3d 1339, 1341, 1350 (4th Cir. 1994); *United States ex rel. Reagan v. East Tex. Med. Ctr. Reg'l Healthcare Sys.*, 384 F.3d 168, 174 (5th Cir. 2004); *United States ex rel. Gilligan v. Medtronic, Inc.*, 403 F.3d 386, 390 (6th Cir. 2005); *United States ex rel. Hafter v. Spectrum Emergency Care, Inc.*, 190 F.3d 1156, 1161 n.6 (10th Cir. 1999). Indeed, even though the text of Category 1 states that it applies only to “criminal, civil or administrative *hearings*,” the lower courts have interpreted this to cover not only actual *hearings* but all proceedings or other aspects of a court case, whether state or federal. *See, e.g., A-1 Ambulance Serv., Inc. v. State of Cal.*, 202 F.3d 1238, 1243-44 (9th Cir. 2000); *Springfield Terminal*, 14 F.3d at 652. The Third Circuit, which along with the Fourth Circuit has read Category 2 to be limited to federal sources, has gone so far as to interpret the term “hearing” in Category 1 to encompass discovery materials exchanged by private parties to a litigation, even when those materials are not filed with the court and are, thus, not part of the public court record. *See Stinson*, 944 F.2d at 1158-60.

Similarly, the term “news media” in Category 3 has not been interpreted narrowly. The lower courts have defined “news media” to mean any published information disseminated to the public in a “periodic manner.” *E.g., United States ex rel. Alcohol Found., Inc. v. Kalmanovitz Charitable Found., Inc.*, 186

F. Supp. 2d 458, 463 (S.D.N.Y.), *aff'd*, 53 F. Appx. 153 (2d Cir. 2002). In applying this definition, courts have had little trouble concluding that “news media” encompasses not only major national daily newspapers, such as the *New York Times* and the *Wall Street Journal*, but also regional newspapers, including the *Lansing State Journal*, the *Syracuse Herald*, and even unspecified “news media” in Nassau and Suffolk Counties (New York). *See, e.g., Gold v. Morrison-Knudsen Co.*, 68 F.3d 1475, 1476 (2d Cir. 1995); *United States ex rel. Dick v. Long Island Lighting Co.*, 912 F.2d 13, 14 (2d Cir. 1990); *United States ex rel. Dingle v. Bioport Corp.*, 270 F. Supp. 2d 968, 977 (W.D. Mich. 2003). Courts have also interpreted this category to include a broad array of news outlets besides traditional newspapers.

But courts have gone further. They have also construed “news media” to encompass publications with a limited circulation, such as scientific, scholarly, or technical publications. For example, in *Alcohol Foundation*, the district court *agreed with the Government* that the relator’s allegations had been publicly disclosed in scientific publications that the relator claimed were “too technical for the average member of the public to understand” and were distributed to a small, professionally specialized reader base. 186 F. Supp. 2d at 463. In rejecting the relator’s narrow reading of the term “news media,” the court noted that a similarly “cramped” interpretation of “hearing” had been rejected based on a plain reading of the public disclosure bar and reasoned that



[n]o principle of statutory construction or public policy would compel a cramped reading of the term “news media” or the imposition of a judicially created limit on “news media” to encompass only the newspaper context.

*Id.* (citing *A-1 Ambulance*, 202 F.3d at 1244).

In *Dunleavy*, the Third Circuit (much like the Fourth Circuit in this case) found it “hard to believe that the drafters of [Category 2] intended the word ‘administrative’ to refer to both state and federal reports when it lies sandwiched between modifiers which are unquestionably federal in character.” 123 F.3d at 745. But the force to this observation falls away when one considers the placement of Category 2 — sandwiched as *it* is between Category 1 and Category 3, neither of which is limited to “federal” sources. Given the generally broad application of Categories 1 and 3, it simply defies logic and common sense to impose a reading of Category 2 that is so dramatically different from these other two.

**B. ELIMINATING STATE SOURCES  
FRUSTRATES ONE OF THE  
PURPOSES OF THE PUBLIC  
DISCLOSURE BAR**

Although the Fourth Circuit claimed that limiting Category 2 to federal sources was faithful to the intent of Congress, *Wilson*, 528 F.3d at 302-07, this claim cannot withstand scrutiny.

The main thrust of the Fourth Circuit’s reasoning for limiting Category 2 to federal sources was that “[i]nformation about federal investigations and

audits is easily available to the members of the Department of Justice charged with enforcing the FCA” and because “the federal government is unlikely to learn about state and local investigations.” *Wilson*, 528 F.3d at 306. Thus, the court reasoned, “a large number of fraudulent claims against the government would go unremedied without the financial incentives offered by the *qui tam* provisions of the FCA.” *Id.* These concerns reflect, at best, only half of what Congress was concerned with in 1986 when it forged the public disclosure bar. Indeed, although Fourth Circuit’s analysis focused on the public disclosure bar’s role in preventing parasitic *qui tam* suits based on information available to the Federal Government (in other words, overturning *Dean*), that singular focus fails to account for Congress’s other goal — to avoid a return to *Marcus* by also preventing “potential . . . parasitic lawsuits by those who learn of the fraud through public channels.” *United States ex rel. Doe v. John Doe Corp.*, 960 F.2d 318, 319 (2d Cir. 1992).

There is, moreover, no explicit or implicit requirement in Section 3730(e)(4)(A) that the disclosure actually be known or transmitted — or even readily available — to the Federal Government for it to qualify as a “public disclosure.” Certainly, as a practical matter, there is no reason to think that federal officials are conducting routine Nexis-Lexis searches for news media accounts exposing potential fraud on the federal fisc. Nevertheless, for purposes of Category 3, a full-fledged exposé of a scheme to defraud the Government splashed across the front page of the *Washington Post* is just as much a “public disclosure” as a full-fledged exposé of a scheme to defraud the Government appearing on

page 5 of the “Metro” section of the *Topeka Capital-Journal*. Ready access to the “public disclosure” by federal officials in Washington or elsewhere is just not part of the test created by Congress.

**C. IT IS ENTIRELY APPROPRIATE FOR  
STATE SOURCES TO QUALIFY AS  
“PUBLIC DISCLOSURES”**

There is no injustice or unfairness in allowing state-originated materials to qualify as “public disclosures.” For the public disclosure bar to be triggered, the disclosure must not only qualify as a “public disclosure” under Section 3730(e)(4)(A), but the disclosure also must have been actually *made public* by being “publicly disclosed.” 31 U.S.C. § 3730(e)(4)(A). State-originated materials can be just as “public” and just as “disclosed” as many federal reports, hearings, audits, or investigations. On the other hand, an obscure state audit report buried in a desk drawer would be no more “public” than a newspaper article that never got published. *Cf. United States ex rel. Ramseyer v. Century Healthcare Corp.*, 90 F.3d 1514, 1519 (10th Cir. 1996) (observing that an independently prepared report that is merely present in state agency files and not revealed to others does not qualify as a “public disclosure”).

At the same time, the Fourth Circuit’s *per se* ban against state-generated “public disclosures” would allow truly parasitic *qui tam* suits to go forward. For example, in *Battle*, the Eleventh Circuit confronted a case in which the *qui tam* relator, a former university employee, filed an FCA suit against individual university administrators for alleged

fraudulent activities in connection with the Federal Work Study Program. 468 F.3d at 758. According to the Eleventh Circuit, the relator's FCA allegations relied "chiefly on information that was publicly disclosed" in audit reports issued by the Georgia Department of Audits. *Id.* at 762. These independent audits by the Georgia Department of Audits "revealed serious noncompliance with federal regulations and risk factors for fraud." *Id.* at 759. In 2002, the university reached a \$2.17 million settlement with the U.S. Department of Education "to settle questioned costs identified by the state auditors in audits from 1997-2000 and in lieu of further file review." *Id.*

In the district court, the relator "referred Defendants to the audits performed by the State of Georgia Department of Audits and Accounts" and sought "all damages allowed under the False Claims Act for these violations." *Id.* at 762. This blatant attempt by the relator to obtain a share of the Government's damages by simply echoing the fruits of an official investigation sounds eerily familiar to the scenario in *Marcus*, where the *qui tam* relator simply cut and pasted the allegations from a criminal indictment into his FCA complaint and requested half of any subsequent civil judgment. *See Marcus*, 317 U.S. at 545. Yet, under the Fourth Circuit's *per se* rule, a case based on state audit reports could always go forward because the public disclosure bar would not be triggered. The Eleventh Circuit, on the other hand, had no difficulty concluding in *Battle* that the state report satisfied the public disclosure bar in Section 3730(e)(4)(A) and, thus, affirmed the dismissal of the relator's FCA claims. 468 F.3d at 763.

**D. INTERPRETING THE PUBLIC DISCLOSURE BAR TO INCLUDE STATE SOURCES HAS NO EFFECT ON ENFORCEMENT OF THE FCA, NOR DOES IT DISCOURAGE TRUE WHISTLEBLOWERS FROM FILING FCA SUITS**

Allowing state reports, hearings, audits, and investigations to qualify as “public disclosures” has no effect whatsoever on the *Government’s* ability to pursue FCA cases. Actions under the FCA may be initiated by the Attorney General or by a *qui tam* relator. *See* 31 U.S.C. §§ 3730(a) & (b). In addition, the Government may intervene in an action initially brought by a relator, thereby taking over the suit. *Id.* § 3730(b)(4)(A). As this Court has noted, the jurisdictional nature of the public disclosure bar has no impact on the ability of the United States to pursue an FCA action, whether the Attorney General initially brought the case or whether the Government chooses to intervene in a case filed by a *qui tam* relator. *See Rockwell*, 127 S. Ct. at 1411.<sup>3</sup>

So, too, allowing state reports, hearings, audits, and investigations to qualify as “public disclosures”

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<sup>3</sup> It also should be noted that more than 95% of the recoveries in FCA cases arise in cases in which the Department of Justice either intervenes in a *qui tam* case or initiates a case on its own. *See, e.g.,* U.S. Gov’t Accountability Office, GAO-06-320R, *Information on False Claims Act Litigation*, at 35 (2006), *available at* <http://www.gao.gov/new.items/d06320r.pdf> (analyzing FCA case data from the Department of Justice for Fiscal Years 1987-2005).

should have no effect on true whistleblowers. This is so because a finding that a *qui tam* relator's claims are based on a "public disclosure" is only the first part of the public disclosure analysis. Under the "original source" exception, even a *qui tam* suit based on a "public disclosure" can go forward if the *qui tam* relator is a true whistleblower and "has direct and independent knowledge" of the alleged fraud. 31 U.S.C. § 3730(e)(4).

**E. GUIDANCE FROM THIS COURT  
WILL HELP CLARIFY THE PUBLIC  
DISCLOSURE BAR FOR THE  
COURTS AND FOR LITIGANTS**

Finally, although the Question Presented in this case is relatively straightforward, any guidance from this Court on what constitutes a "public disclosure" under Section 3730(e)(4) would be a welcome development and an important step in bringing some uniformity to the often divergent interpretations of other aspects of the FCA's public disclosure bar. The Federal Reporter and Federal Supplement are chock-full of conflicting interpretations of the FCA's public disclosure bar; the federal versus state source distinction highlighted in this case is but one example.

These differing and conflicting interpretations of the public disclosure bar produce arbitrary results. As noted by Petitioner, a public audit report generated by a state agency and detailing a fraudulent scheme will qualify as a "public disclosure" in a case pending in Georgia, but not across the border in South Carolina. *See* Pet. at 18. In a similar vein, the response to a citizen's FOIA request to a federal agency can qualify as a "public

disclosure” in an FCA case pending in Pennsylvania, but probably not in California. *Compare United States ex rel. Mistick PBT v. Housing Auth. of Pittsburgh*, 186 F.3d 376, 383 (3d Cir. 1999) (Alito, J.), *with United States ex rel. Haight v. Catholic Healthcare West*, 445 F.3d 1147, 1155-56 (9th Cir. 2006). Although the Court would not be in a position to resolve all of these conflicting interpretations by granting the petition in this case, the Court’s guidance certainly can help bring an end to such arbitrary and disparate results *on questions of jurisdiction* based solely on geography.

### CONCLUSION

The petition for a writ of certiorari should be granted.

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October 8, 2008

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