

**Stephen M. Nipper**

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**Sent:** Monday, September 13, 2004 8:14 PM  
**To:** stephen@dykaslaw.com  
**Subject:** Knorr-Bremse en banc removes adverse inferences  
**Attachments:** 01-1357.doc

Today, the Federal Circuit issued its much-awaited decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, Nos. 01-1357, -1376, 02-1221, -1256 (Fed. Cir. Sept. 13, 2004), holding that it is improper to grant adverse inferences for the failure to obtain an opinion of counsel or to produce an opinion of counsel in response to a charge of willful infringement.

In September, 2003, the federal circuit *sua sponte* undertook to hear the *Knorr-Bremse* case *en banc* to reconsider its own precedent concerning the drawing of adverse inferences, certifying four questions on appeal, three of which the court invited *amici* participation. Ending a year of speculation that included an oral hearing, a thorough briefing by the parties and the considered participation of 25 *amici*, the court held as follows.

First, when the attorney-client privilege and or work product privilege is invoked by a defendant in an infringement suit, it is ***not appropriate*** for the trier of fact to draw an adverse inference with respect to willful infringement. Writing for the clear majority, Judge Newman reasoned that the inference that withheld opinions are adverse to the client's actions can distort the attorney-client relationship, in derogation of the foundations of that relationship:

[t]here should be no risk of liability in disclosures to and from counsel in patent matters; such risk can intrude upon full communication and ultimately the public interest in encouraging open and confident relationships between client and attorney.

Second, the court held that is ***not*** appropriate to draw an adverse inference with respect to willful infringement when the defendant has not obtained legal advice. The court reasoned that the issue was not one of privilege, but rather, whether an affirmative duty existed to obtain opinions of counsel. Citing the burdens placed upon parties by *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342, 1364 (Fed. Cir. 1998) as set forth in the *amicus* submissions, the court acknowledged that although other cases have imposed less rigorous criteria, resultant extensive satellite litigation has distorted the "conceptual underpinnings" of *Underwater Devices* and *Kloster Speedsteel*. Notwithstanding, the court held that there continues to be "an affirmative duty of due care to avoid infringement of the known patent rights of others."

Third, the court held that the existence of a substantial defense to infringement would ***not*** be sufficient to defeat liability for willful infringement even if no legal advice has been secured. While precedent includes this factor with others to be considered among the totality of circumstances, precedent also authorizes the trier of fact to accord each factor the weight warranted by its strength in the particular case, an approach preferable to abstracting any factor for *per se* treatment.

In light of the court's rulings on Questions 1, 2 and 4, it vacated the finding of willful infringement and remanded the matter for redetermination.

Concurring-in-part and dissenting-in-part, Judge Dyk disagreed with the majority to the extent it reaffirmed *dicta* from *Underwater Devices* that placed an affirmative duty of due care on potential infringers to determine whether or not they were infringing. Judge Dyk questioned whether the due care requirement was consistent with Supreme Court precedent, and stated that enhancing damages for failure to comply with the due care requirement cannot be squared with those recent Supreme Court cases. Moreover, to hold that a potential infringer's failure to engage in due care is itself reprehensible conduct effectively shifts the burden of proof on the issue of willfulness from the patentee to the infringer, which must show that its infringement is not willful by showing that it exercised due care. He reasoned that the duty of care was unsupported in §284, the legislative history, or Supreme Court precedent.

The majority's opinion is in accord with the great weight of *amici* responses to questions 1, 2 and 4 as certified. Perhaps the most important question remaining after the *Knorr-Bremse* decision is one which the court declined to answer: whether the trier of fact, particularly a jury, can or should be told whether or not counsel was consulted as part of the totality of the circumstances analysis. In the absence of clear guidance from the federal circuit, the answer will evolve through the *ad hoc* process of case administration and the glacial evolution of the law.

A copy of the case is attached for your reference.

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