

Stephen M. Nipper

From: Wegner, Harold C. [hwegner@foley.com]
Sent: Tuesday, September 14, 2004 7:05 AM
To: stephen@dykaslaw.com
Subject: Knorr-Bremse Willfulness -- An Analysis

Attachments: knorrbremsebadcnovember12.doc; knorr-bremseprogram.doc



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Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., ___ F.3d ___ (Fed. Cir. September 13, 2004)(Newman, J.), took its glacial path to a decision that seemed all but certain to come to the result set forth in yesterday's opinion; this was clear, once the overwhelming amici had come through with a consensus viewpoint ten (10) months ago in their 23 briefs. An e-mail from November 14, 2003, summarizing the case at that point is attached.

There are no surprises in Knorr-Bremse. In essence, the court turned the clock back a generation to the pre-Markey era of the regional circuits where willfulness was judged by a "totality of the circumstances" test. En banc the court has now stated that "[d]etermination of willfulness is made on consideration of the totality of the circumstances[.]". It cites with approval the factors from *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992), that was stressed by amicus curiae Bar Association of the District of Columbia in its brief.

The court also, as an anticlimax after nearly a year, unanimously overruled earlier precedent to "hold that that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel."

It unanimously said "no" to the question: "When the attorney-client privilege and/or work-product privilege is invoked by a defendant in an infringement suit, is it appropriate for the trier of fact to draw an adverse inference with respect to willful infringement?" (Question 1)

It also unanimously said "no" to the question: "When the defendant had not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?" (Question 2).

Yet, the court did say that "there continues to be 'an affirmative duty of due care to avoid infringement of the known patent rights of others,'

L.A. Gear Inc. v. Thom McAn Shoe Co., 988 F.2d 1117, 1127 (Fed. Cir. 1993), [but] the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable."

The court said that a substantial defense to an infringement charge should be considered by the court as one factor to consider, but answered "no" to a per se rule: "Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful infringement even if no legal advice has been secured?" (Question 4).

The court said that the case law "includes this factor with others to be considered among the totality of circumstances, stressing the 'theme of whether a prudent person would have sound

reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated,' SRI Int'l, Inc. v. Advanced Tech. Labs. Inc., 127 F.3d 1462, 1465 (Fed. Cir. 1997). However, precedent also authorizes the trier of fact to accord each factor the weight warranted by its strength in the particular case. We deem this approach preferable to abstracting any factor for per se treatment, for this greater flexibility enables the trier of fact to fit the decision to all of the circumstances. We thus decline to adopt a per se rule."

Regards
Hal

> -----Original Message-----

> From: Wegner, Harold C.

> Sent: Friday, November 14, 2003 4:56 PM

> Subject: Knorr-Bremse Argument Thursday February 5, 2004 --

> addendum: link to the 23 amicus curiae briefs

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> Addendum: There was a total of 23 briefs amicus curiae in

> Knorr-Bremse. A PDF copy of all the briefs of all the amici in

> Knorr-Bremse is available from a law firm website at the page --

> <<http://www.ssjr.com/amicusbriefs.htm>>

> The Baechtold brief mentioned in the previous E-mail is on behalf of

> the Federal Circuit Bar Association and is particularly well worth

> reading, as is the brief of the American Intellectual Property Law

> Association.

> The previously mentioned brief of the Bar Association of the District

> of Columbia PTC section, coauthored by Lynn Eccleston and Ralph

> Albrecht, is found at the website, also, as well as in a word copy as

> below.

> Regards,

> Hal

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> -----Original Message-----

> From: Wegner, Harold C.

> Sent: Friday, November 14, 2003 2:15 PM

> Subject: Knorr-Bremse En Banc Argument Thursday February 5, 2004

> 10:00 AM

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> The Federal Circuit website has now posted the oral argument for the

> en banc hearing in Knorr-Bremse (enhanced damages for willful

> infringement) to take place February 5, 2004. Assuming (very roughly)

> a four month turnaround time for the en banc opinion in the case, we

> are looking to a decision in Knorr-Bremse very roughly around the

> Fourth of July 2004.

>

> With the exception of the Festo case, it appears that there have been

> more amici weighing in on this case than any other patent case in the

> twenty plus year history of the Federal Circuit.

>

> Among the amici briefs well worth reading are the thoughtful

> contributions of the American Intellectual Property Law Association as

> well as the brief principally authored by Bob Baechtold that urges
> that a judge should make the decision on whether there should be
> enhanced damages. The weight of the briefing is to do away with any
> presumption based upon the absence of a formal opinion and to let a
> substantial defense to infringement be a bar to enhanced damages.
>
> The Bar Association for the District of Columbia (position paper and
> amicus curiae brief both attached below) are in agreement with this
> viewpoint and also would add a requirement that as a minimum before
> finding enhanced damages the infringer must be demonstrated to have a
> mens rea culpability at the level of recklessness -- following a trial
> court opinion from Judge McKelvie that was affirmed
> (nonprecedentially) by the Federal Circuit.
>
> A collection of the amici briefs is being assembled by the Bar
> Association of the District of Columbia that should be available
> shortly.
>
> Regards,
> Hal
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> <<knorrbremsebadcnovember12.doc>> <<knorr-bremseprogram.doc>>

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