St. Onge Steward Johnston & Reens LLC

Knorr-Bremse and Willful Patent Infringement

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Prior Precedent

Parties have an affirmative duty "to seek and obtain legal advice from counsel before the initiation [or continuation] of any possible infringing activity."

Underwater Devices v. Morrison-Knudsen Co.
717 F.2d 1380, 1389-90 (Fed. Cir. 1983)

If the accused infringer is silent as to whether it sought advice of counsel it "would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that it infringes."

Kloster Speedsteel AB v. Crucible Inc.
793 F.2d 1565, 1580 (Fed. Cir. 1986)

Background of the Knorr-Bremse Case

- District Court found that the defendants' infringement is willful with respect to the Mark II brake design.
- Defendant Haldex obtained opinion of counsel, but refused to disclose
- Defendant Dana did not obtain opinion of counsel
- No actual damages
- Based on willfulness finding, Court found the case to be exceptional and awarded attorney fees

The Appeal

The Federal Circuit invited briefs on the following four questions:

- 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?

- When the defendant has not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?

- If the Court concludes the law should be changed, and the adverse inference withdrawn as applied to this case, what are the consequences for this case?

- 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?

Amicus Briefs

- **More than 34 Parties Represented in More than 24 Amicus Briefs**
  - Bar Associations
  - Trade Organizations
  - Private Companies
  - Other
- **Questions 1 and 2: Almost Unanimous Support For Removal of Adverse Inference**
- **Questions 4: Results in Wide Variety of Responses**
  - Duty of Care (Subjective Test)
  - Substantial Defense (Objective Test)

The Knorr-Bremse Federal Circuit Decision

- No longer adverse inference for failure to disclose or obtain opinion of counsel
  - "We now hold that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged failure to obtain or produce an exculpatory opinion of counsel. Precedent to the contrary is overruled."
  - Duty of Care still exists
- Determination of Willfulness is made on consideration of the Totality of Circumstances

The Knorr-Bremse Federal Circuit Decision (cont'd.)

- "Fundamental to determination of Willful Infringement is duty to act in accordance with the law"
- "Throughout this evolution the focus was not on attorney-client relations, but on disrespect for the laws"
- Substantial defense insufficient to overcome willfulness

Judge Dyk's Dissent

- Duty of Care should be abolished

"There is a substantial question as to whether the due care requirement is consistent with the Supreme Court cases holding that punitive damages can only be awarded in situations where conduct is reprehensible."

"But a potential infringer's mere failure to engage in due care is not itself reprehensible conduct. To hold that it is, 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."

"I would recognize that the due care requirement is a relic of the past and eliminate it as a factor in the willfulness and enhancement of damages analysis."

- Roadmap for Supreme Court Appeal

Effect on Opinion Letters

- Flexibility on Content of Opinion
- Still need solid opinions on important products
- Unimportant products may require less
- Internal Opinions

Effect on Litigation Strategy

- Same Factors will apply
- Decision to Produce Opinion Letter
  - Similarity Between Opinion Letter and Litigation Strategy
    - Facts
    - Products
    - Arguments Made
- Motions In Limine to Preclude Reference to Advice of Counsel or Absence of Such Advice During Trial
- No longer the *Quantum* dilemma
  - *Quantum v. Tandon,* 940 F.2d 642,643 (Fed. Cir. 1991)
  - Waiver likely to be broader
- Disqualification of Attorney authoring opinion
- Less chance to bifurcate Willfulness Discovery

Missing from Holding

- What will satisfy Duty of Care
  - No longer any objective standard now that opinions are not required
  - Will consideration by those of ordinary skill in the art satisfy this requirement
  - Test will be subjective to assess intent and state of mind at time of infringing conduct

- When/how can it be used at trial before finder of fact
  - "Several *amici curiae* raised the question of whether the trier of fact, particularly a jury, can or should be told whether or not counsel was consulted (albeit without any inference as to the nature of the advice received) as part of the totality of the circumstances relevant to the question of willful infringement. That aspect raised by this case was not before the court and not resolved."

Remand (372 F.Supp.2d 833 (ED Va. 2005))

- District Court after reconsideration:
  - Defendant's infringement still willful
  - However, no longer an exceptional case
  - Reversal of award of Attorney Fees
  - Application of *Read v. Portec*

Post Knorr-Bremse

- Federal Circuit Cases
  - *Fuji Photo Film Co. v. Jazz Photo Corp.,* 394 F.3d 1368 (Fed. Cir. Jan 14, 2005)
    - Totality of Circumstances
    - Notice Gives Rise to Duty of Care
  - *Clontech Laboratories, Inc. v. Invitrogen Corp.,* 406 F.3d 1347 (Fed. Cir. May 5, 2005)
    - False Marking Case (Clevenger, Dyk, Prost)
    - Duty of Care – Public Must Incur Cost to Investigate
    - Footnote 6 "Failure to take on the costs of a reasonably competent search for information necessary to interpret each patent, investigation into prior art and other information bearing on the quality of patents and analysis thereof can result in a finding of willful infringement which may treble the damages an infringer would otherwise have to pay."

Post Knorr-Bremse

- Federal Circuit Cases (continued)
  - *Imonex Services Inc. v. W.H. Munzprufer Deitmar*, 408 F.3d 1374 (Fed. Cir. May 23, 2005)
    - Actual Notice Triggers Duty of Care
      - Plaintiff Marked Products at Tradeshows
      - Literature with Patent Numbers
      - Correspondence with Defendant
    - Opinion Only Sought after Suit – "While early receipt of legal advice would have strengthened defendants' arguments that they had not willfully infringed, failure to have solicited such advice does not give rise to an inference of willfulness."
    - Exceptional Case - Attorney Fees Awarded

Post Knorr-Bremse

- Federal Circuit Cases (continued)
  - *Engineered Products Co. v. Donaldson Co.*, 2005 WL 2090662 (Fed. Cir. Aug. 31, 2005)
    - Non Precedential (Newman, Archer, Schall)
    - Jury Instructions Disclosing that Defendant Failed to Acquire Opinion was not Improper
    - "In the instant case, we do not see any error, let alone plain error, in instructions submitted to jury. That is because the instructions merely directed the jury to consider whether [defendant] sought a legal opinion as one factor in assessing whether, under the totality of circumstances, infringement by the [accused party] was willful."
    - "The instructions did not instruct the jury it could draw an adverse inference based on [defendant's] failure to seek legal counsel."

Post Knorr-Bremse

- Federal Circuit Cases (continued)
  - *Mallinckrodt, Inc. v. Masimo Corp.*, 2005 WL 2139867 (Fed. Cir. Sept. 7, 2005)
    - Non Precedential (Michel, Lourie, Prost)
    - No Non-Infringement/Invalidity Opinion
    - No Sufficient Evidence to Support Willfulness Finding
      - No Knowledge of Patents
      - No Copying
      - No Intentional or Reckless Disregard of Patents after Being Sued

Post Knorr-Bremse

Federal Circuit Cases (continued)

- *Union Carbide Corp. v. Shell Oil Co.,* 2005 WL 2416329 (Fed. Cir. Oct. 3, 2005)
  - No Willfulness
  - Defendant was Reasonable in its Response
  - Discovered the Patent as Part of Routine Monitoring
  - In-house attorney was Chemical Engineer and Licensed Patent Attorney, Interpreted the Claims
  - "Nonetheless this record suggests that [defendant's attorney's] analysis was not *entirely implausible*. Accordingly, [defendant] did not engage in the kind of *egregious and reckless conduct* that warrants a willfulness finding."

Post Knorr-Bremse

- District Court Cases
  - *Terra Novo, Inc. v. Golden Gate Prod., Inc.*, 2004 WL 2254559 (N.D. Cal. 2004)
    - Waiver Only as Broad as Necessary
    - Waiver Limited as to Communications between Opinion Counsel and Litigation Counsel on Post Complaint Opinion
  - *Collaboration Prop. Inc. v. Polycom Inc.*, 224 F.R.D. 473 (N.D. Cal. 2004)
    - Narrowed Waiver: Prevented Discovery from Former Litigation Counsel
    - Court Worried about Risky Intrusion Upon "Full communication and ultimately the public interest in encouraging open and confidential relationship between clients and attorney."

Post Knorr-Bremse

- CASE NOT OVER
  - REISSUE