



St. Onge Steward Johnston & Reens LLC

Knorr-Bremse Willful Patent Infringement

Presented at: **Joint Patent Practice Seminar**
New York Hilton
New York, New York

Date: April 22, 2004

Presented by: **Richard J. Basile**
Member
St. Onge Steward Johnston & Reens LLC
Stamford, Connecticut
ssjr.com

The Law

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- If the Court concludes the law should be changed, and the adverse inference withdrawn as applied to this case, what are the consequences for this case?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

Bar Associations

- ABA
- International Federation of Intellectual Property Attorneys
- AIPLA
- Fed. Cir. Bar Association
- NYIPLA
- D.C. Bar Association
- Association of the Bar of the City of New York
- Houston Intellectual Property Law Association
- San Diego Intellectual Property Law Association

Trade Organizations

- Semiconductor Industry Association
- Biotechnology Industry Organization
- Securities Industry Association
- Generic Pharmaceutical Association
- Intellectual Property Owners Assoc.
- Association of Patent Law Firms
- Association of Corporate Counsel



Amicus Briefs (cont.)

Private Companies

- Microsoft
- Cisco
- Bea Systems Inc.
- Sony Computer Entertainment
- Applera
- Novelle
- Oracle
- Applied Systems
- Computer Associates
- LSI Logic
- Qualcomm

Others

- United States Counsel for International Business
- City of Chicago
- Public Patent Foundation



Removal of Inference

- Amicus Briefs almost unanimous on first two questions
 - Unique to patent law
 - Creates litigator's Hobson's choice between being subject to adverse inference or waiving privilege to all communications between attorney and client.
 - Opinions no longer complete opinions because they may cause attorney to violate ethical obligations
 - Opinion may contain other prejudicial information or reveal trial strategy
 - Facts may have changed so litigation strategy has changed
 - Waiver can be interpreted broadly resulting in difficult and burdensome discovery issues



Issues Raised At *En Banc* Hearing

- Is empirical evidence needed to support change in law?
- Should duty of care still require an opinion of counsel?
- Should non-frivolous defense be sufficient to overcome willfulness finding?
- Should substantial defense protect against finding of willfulness, even if it fails to consider infringer's state of mind?
- Is the inference no longer necessary because the times have changed and patents are now being better respected?



What to Look for in Ruling

- Removal of Inference
 - *Amicus* briefs almost unanimously support removal
 - Should cover both instances: with and without an opinion
- Duty of Due Care (Subjective Test)
 - Does standard remain?
 - How can it be satisfied?
- Substantial Defense (Objective Test)
 - Will non-frivolous be the standard?
 - What time frame will be applied?

