

## **Beem's Summary of Knorr-Bremse Oral Argument Knorr-Bremse v. Dana**

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On February 5, 2004, the U.S. Court of Appeals for the Federal Circuit, sitting en banc, heard oral argument in *Knorr-Bremse v. Dana*, “concerning the drawing of adverse inferences, with respect to willful patent infringement, based on the actions of the party charged with infringement in obtaining legal advice, and withholding that advice from discovery.” (Court Order, Sept. 25, 2003).

Underlying the oral argument, there was an almost implicit assumption that the Federal Circuit will overrule its precedent imposing an adverse inference of willfulness as a penalty for defendant's assertion of the attorney-client privilege. The Court recognized that 29 out of 30 amici curiae argued for elimination of the adverse inference.

The Court seemed most concerned about preserving consistency between the law of willfulness, including the affirmative duty of due care imposed on accused infringers, and the law of privilege. Thus, much of the argument focused on the duty of due care.

The Court recognized that many of the amici would require accused infringers to obtain an opinion of counsel. But none of the parties urged such a requirement, and the Court seemed dubious about the value of pushing accused infringers into the arms of counsel.

The Court was interested in whether there should be any distinction between obtaining no opinion, on the one hand, and obtaining an opinion but refusing to disclose its substance, on the other. During the course of the argument, there did not seem to be any meaningful distinction drawn between the two situations.

All parties and the Court apparently acknowledged that there are many advantages for an accused infringer who obtains advice of counsel and that an accused infringer can elect to waive privilege and assert advice of counsel as a defense to willfulness. In response to a question from the Court, *Knorr-Bremse* acknowledged that proof of competent advice from house counsel would be sufficient to satisfy the duty of due care.

There was considerable interest in whether an accused infringer can satisfy its duty of due care through investigation and analysis by the businessperson or the technical expert. There seemed to be significant support for discharge of the duty without any requirement for obtaining advice of counsel.

The Court was interested in the hypothetical situation of the infringer who blatantly decides to copy a patented invention and only later uncovers evidence or develops arguments of non-infringement or invalidity. At least some members of the Court seemed incredulous that a substantial defense alone, particularly if developed a long time after initial cavalier disregard of patent rights, should be sufficient to defeat a charge of willfulness.

All parties agreed that the existence of a substantial defense would go a long way toward defeating a charge of willfulness, but, perhaps ironically, defendants argued that a substantial defense is only one factor, while patent owner Knorr-Bremse argued that a substantial defense is sufficient in itself to overcome a charge of willfulness.

There were questions whether the standard should be one of non-frivolity, but there did not seem to be strong support for that standard by any of the parties.

There were questions whether willfulness is objective or subjective and whether the issue should be decided by judge or jury. There did not seem to be a clear consensus on the answers to these questions.

There was considerable discussion of the “totality of circumstances” test, with *Read v. Portec* mentioned as a case in point, for determination whether defendants satisfy their duty of due care.

Not surprisingly, the parties differed in their views as to whether the defendants’ conduct in the case at bar amounted to willful infringement. Plaintiff-Cross Appellant Knorr-Bremse argued that even if the adverse inference is eliminated, the “undisputed facts” are sufficient for the Court to affirm the judgment of willful infringement. Knorr-Bremse also argued that if the Court decides to eliminate the adverse inference it should do so only prospectively. Defendants-Appellants argued that their defense was at least non-frivolous.

The case was submitted until the Court issues its anticipated decision.

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