2005

Knorr-Bremse v. Dana Corporation - Willful Patent Infringement May No Longer Be Inferred Either from the Failure to Seek Legal Advice or Invoking the Attorney-Client Privilege, According to the Federal Circuit

Sue Mota

Follow this and additional works at: http://digitalcommons.law.scu.edu/chtlj

Part of the Law Commons

Recommended Citation

Available at: http://digitalcommons.law.scu.edu/chtlj/vol21/iss4/9

This Case Note is brought to you for free and open access by the Journals at Santa Clara Law Digital Commons. It has been accepted for inclusion in Santa Clara High Technology Law Journal by an authorized administrator of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.
KNORR-BREMSE V. DANA CORPORATION—
WILLFUL PATENT INFRINGEMENT MAY NO
LONGER BE INFERRED EITHER FROM THE
FAILURE TO SEEK LEGAL ADVICE OR
INVOKING THE ATTORNEY-CLIENT PRIVILEGE,
ACCORDING TO THE FEDERAL CIRCUIT

Sue Ann Motat†

I. INTRODUCTION

The U.S. Court of Appeals for the Federal Circuit decided en banc on September 13, 2004 that no adverse inference of willful infringement of a patent may be drawn either from the failure to obtain legal advice or the invocation of the attorney-client privilege concerning the advice sought.1 This landmark case, Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corporation,2 hereinafter Knorr-Bremse, overrules prior Federal Circuit precedent3 and makes willful patent infringement4 more difficult to prove, and thus treble damages5 and attorneys’ fees,6 more difficult to obtain, in patent infringement suits.

This article will examine the historical precedent for an inference of willful patent infringement either from the failure to receive legal

† Professor, Department of Legal Studies, Bowling Green State University; J.D., University of Toledo College of Law, Order of the Coif; M.A. and B.A., Bowling Green State University. This author teaches in the BGSU Dana Executive MBA Program. This author has only used public domain information in this article.

2. 383 F.3d 1337 (Fed. Cir. 2004).
3. See infra notes 20–35 and accompanying text.
4. See infra notes 12–19 and accompanying text.
5. See infra note 10 and accompanying text.
6. See infra note 11 and accompanying text.
advice on the issue or the invocation of the attorney-client privilege concerning advice sought. This article will then analyze Knorr-Bremse, called one of the major appellate cases of 2004,7 in which the Court of Appeals for the Federal Circuit overruled their own prior precedent to no longer allow such an inference. This article will conclude with implications arising from this landmark case.

II. Inference of Willful Patent Infringement from Either Failure to Consult Legal Counsel or Invoking the Attorney-Client Privilege

The U.S. Patent Act defines a patent infringer as anyone who, “without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention” during the patent term.8 A civil remedy is available for patent infringement.9 These civil damages are to be adequate to compensate for the infringement, and, according to the Patent Act section 284, may be increased by the court to up to three times the amount found or assessed.10 The court in exceptional cases, may also award reasonable attorney fees to the prevailing party, under the Patent Act section 285.11

The increase in damages authorized by section 284 may occur when the infringement is willful.12 No statutory standard sets the circumstances under which the district court may find willfulness to enhance damages.13 In determining willful infringement, the court

---

8. 35 U.S.C. § 271(a) (2005). Further, anyone who actively induces patent infringement is also an infringer. Id. § 271(b). Whoever offers to sell or sells in the U.S. or imports into the U.S. a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, knowing that the same to be especially made or adapted for use in an infringement, is a contributory infringer. Id. § 271(c).
9. Id. § 281.
12. See, e.g., Mathis v. Spears, 857 F.2d 749, 754 (Fed. Cir. 1988) (holding that increased damages are available to deter blatant, blind, and willful infringement of a valid patent); Great N. Corp. v. Davis Core & Pad Co., 782 F.2d 159, 166–67 (Fed. Cir. 1986) (holding that enhanced damages are available where the infringer acted in wanton disregard of the patent holder’s rights); Dow Chem. Co. v. Chem. Cleaning, Inc., 434 F.2d 1212, 1214 (5th Cir. 1970), cert. denied, 402 U.S. 945 (1971) (holding that treble damages are allowed under 35 U.S.C. § 284 where the infringement is “conscious and deliberate”, which substantially means “deliberate and willful”).
must find by clear and convincing evidence in the totality of the circumstances that the alleged infringer acted in disregard of the patent and lacked a reasonable basis for believing that he had the right to perform the infringing act. The totality of the circumstances must be weighed by the district court.

While there is no hard and fast per se rule for willfulness, the Court of Appeals for the Federal Circuit, however, has recognized several factors which may be weighed in determining whether damages should be enhanced. These factors include: (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when the infringer knew of the patent holder’s patent protection, investigated the issue and had a good faith belief that the patent was invalid or was not infringed; (3) the infringer’s behavior as a party to the litigation; (4) the defendant’s size and financial condition; (5) closeness of the case; (6) duration of the infringer’s misconduct; (7) the infringer’s motivation for harm; and (8) whether the defendant attempted to conceal his misconduct.

Considering the second factor—investigating the issue and forming a good faith belief of non-infringement—the Court of Appeals for the Federal Circuit affirmed a finding of non-willful infringement and no enhanced damages when the alleged infringer had a copy of the invention not marked “Patent Pending,” and no patent had been issued, when there was reasonable reliance on advice of counsel. There are similar illustrative, but not exhaustive, decisions involving advice of patent counsel. For example, the Court of Appeals for the Federal Circuit reversed a finding of willfulness when a patent attorney evaluated the patent and advised the defendants that their competing invention did not infringe.

16. Rolls-Royce Ltd. v. GTE Valeron Corp., 800 F.2d 1101, 1110 (Fed. Cir. 1986) (affirming the district court’s ruling disallowing attorney’s fees).
17. Id.
18. Portec, 970 F.2d at 826–27; Rolls-Royce, 800 F.2d at 1110.
19. Portec, 970 F.2d at 827.
21. Portec, 970 F.2d 816; see supra notes 13 and 19 and accompanying text.
who sought advice from both general counsel and a patent attorney, and both said the infringer's invention was non-infringing, was also not liable for increased damages or attorney fees for willfulness. A different result occurred, however, when in-house counsel who was not a patent attorney gave only brief and belated advice of noninfringement. This case, *Underwater Devices, Incorporated v. Morrison-Knudsen Company*, established the principle that once notice is received of an accusation of patent infringement the alleged infringer has an affirmative duty to obtain an opinion letter from qualified counsel.

However, an alleged infringer who claimed advice of counsel faced a double-edged sword. On the one side, the alleged infringer would have to obtain legal advice to avoid a finding of willfulness. Then, the alleged infringer claiming advice of counsel to avoid a finding of willfulness, prior to *Knorr-Bremse*, may have had to disclose all of the opinions they had received from legal counsel. The other side of the sword is that some of legal counsel's opinions may have been unfavorable, even for other reasons unrelated to the alleged infringement, and would have to be disclosed or the alleged infringer would be inferred to be a willful infringer.

The doctrine that legal counsel must be sought to avoid an inference of willful patent infringement developed early in Federal Circuit jurisprudence. In 1985, the Court of Appeals for the Federal Circuit stated that a record devoid of opinions of legal counsel and silent on the infringer's reaction to the existence of the patent may lead to such a negative inference of willfulness. Subsequent Federal Circuit jurisprudence refined the negative inference doctrine.

25. Id. at 1389–90.
26. Id.
Attorney fees may also be awarded under section 285 of the Patent Act.\textsuperscript{32} As with the award of up to treble damages, attorney fees may be awarded in exceptional cases, but a patent infringement case is not exceptional within the meaning of this section of the Patent Act where the infringer was actually advised by its patent attorney that its invention did not infringe.\textsuperscript{33} However, the nonproduction of two written attorney opinions, along with the production of an oral opinion from an interested attorney, belatedly supported a jury verdict of willful infringement for the purposes of trebling damages and awarding attorney's fees.\textsuperscript{34} Thus, the positive duty to seek legal advice and the negative inference for failure to seek such advice has been applied to the grant of attorney fees in patent infringement cases.\textsuperscript{35} In 2004, this was changed by \textit{Knorr-Bremse}.\textsuperscript{36}

III. \textbf{KNORR-BREMSE V. DANA CORPORATION}

Haldex Brake Products AB is a Swedish heavy brake component manufacturer; Haldex Brake Products Corporation is the American affiliate of Haldex AB.\textsuperscript{37} Together, Haldex began developing air disk brakes in 1994, calling their first prototype the Mark I.\textsuperscript{38} From 1995–1997, Haldex developed the alternative design the Mark II.\textsuperscript{39} In the late 1990's, Dana Corporation, a Toledo, Ohio headquartered parts manufacturer with its principal place of business in Kalamazoo, Michigan,\textsuperscript{40} and Haldex made a joint agreement to manufacture and

\begin{itemize}
\item 37. Haldex AB is a Swedish public company that manufactures hydraulic systems, traction systems, brake systems, and parts, and spring wire used in valve springs, piston rings, and fuel injection rings in cars, trucks, buses, construction equipment, and off-road vehicles. See Hoover’s Company Records – In-Depth Records, Haldex AB (Hoover ID: 128734), Mar. 15, 2005, LEXIS, Lexis-Nexis Library File. One of Haldex AB’s main competitors is Dana. \textit{Id.}; see also Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp., 133 F. Supp. 2d 843, 846 (E.D.Va. 2001).
\item 38. \textit{Knorr-Bremse}, 133 F. Supp. 2d at 849.
\item 39. \textit{Id.}
\item 40. Dana Corp. is a public company. See Hoover’s Company Records – In-Depth Records, Dana Corporation (Hoover ID: 10433), Mar. 15, 2005, LEXIS, Lexis-Nexis Library File. “Although Dana Corporation doesn’t make cars and trucks, it does manufacture the parts
offer to sell air disk brakes in the U.S., although no such brakes were ever sold in the U.S.\textsuperscript{41} Pursuant to this joint agreement, Haldex sent Dana between 100 and 200 Mark II air brakes free of charge for testing in U.S. laboratories and on U.S. test tracks and roads.\textsuperscript{42} Approximately eighteen Dana vehicles were equipped with the Mark II brakes.\textsuperscript{43} Haldex and Dana advertised the brakes at trade shows and in industry media in the United States.\textsuperscript{44} Although the defendants offered the Mark II brakes for sale, none were actually sold,\textsuperscript{45} due to a decision by Dana.\textsuperscript{46}

Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH\textsuperscript{47} (hereinafter Knorr-Bremse), a German corporation, is a leading manufacturer of commercial air disk brakes and other products.\textsuperscript{48} Knorr-Bremse is the assignee of U.S. patent number 5,927,445 (the '445 patent) for a disk brake for vehicles having an insensible actuator, issued by the U.S. Patent and Trademark Office on July 27, 1999.\textsuperscript{49} According to the abstract for the invention, this disk brake for road vehicles has a brake cast structure called a caliper that straddles the disk brake.\textsuperscript{50} On one side of the brake disk is a clamping unit upon which an actuation cylinder can act.\textsuperscript{51} The caliper is a one-part unit substantially closed on all sides; the clamping unit is inserted preassembled into the side of the caliper facing the disk brake.\textsuperscript{52} The invention has at least one adjusting spindle with a pressure scheme.\textsuperscript{53}
The ‘445 patent consists of eleven claims, nine of which were allegedly infringed. Before the U.S. patent was issued, Knorr-Bremse, in December 1998, notified Dana orally that Knorr-Bremse had patent disputes with Haldex in Europe over the Mark II brake, and told Dana that a patent application was pending in the U.S. Just over a month after the ‘445 patent issued, Knorr-Bremse notified Dana in writing that the patent had issued and of the infringement litigation in Europe with Haldex. In May of 2000, Knorr-Bremse filed suit in the U.S. against the three defendants, all major competitors of Knorr-Bremse.

The three defendants answered, and denied that the Mark II brake infringed any claim of the ‘445 patent. They also counterclaimed, alleging that the ‘445 patent was invalid on grounds

54. The first claim of the ‘445 patent, an independent claim, is for a disk brake having a one piece caliper which comprises a brake disk, on one side of which a brake application unit is arranged. This unit is insertable as a preassembled unit and has a rotary lever which can be displaced against a spring force. Claim two, an independent claim, is for the disk brake which, when the application unit is inserted, is closed off. Claim three, a dependent claim, is for the disk brake wherein the bridge may be operated by the eccentric of the rotary lever carrying two adjusting spindles. Claim four, a dependent claim, is for a disk brake with the preassembled application unit joined together by a bow element. Claim five, a dependent claim, is for a disk brake with a bridge operated by the eccentric of the rotary lever carrying two adjusting spindles, which have pressure pieces sealed off by bellows with the respect to the closing plate penetrated by them. Claim six, a dependent claim, is for the bow element with a bow spring in the form of a U-shaped bow around the rotary lever. Claim seven, a dependent claim, is for a disk brake with the rotary lever carrying spindles screwed to it, and pressure pieces sealed off by bellows with respect to the closing plate penetrated by them. Claim eight, a dependent claim, is for a disk brake with the closing plate screwed to the caliper by means of studs. Claim nine, an independent claim, is for a disk brake assembly for vehicles, comprising a brake disk, a caliper, and a described brake application unit. Claim ten, a dependent claim, is for the disk brake assembly unit with the caliper opening closed off by a closing plate penetrated by at least one pressure piece. Claim eleven, an independent claim, is a method of making the disk brake assembly for vehicles including a brake disk, a caliper, and a described brake application unit. U.S. Pat. No. 5,927,445 (issued July 27, 1999).

55. Knorr-Bremse alleged that claims one through five and eight through eleven of the ‘445 patent were infringed by the three defendants. Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp., 133 F. Supp. 2d 833, 836 (E.D. Va. 2001).


57. Id. In July 1999, right after the U.S. ‘445 patent was issued, Knorr-Bremse filed a patent infringement suit against Haldex AB in Germany, alleging that the Mark II brake violated the German version of the ‘445 patent. Id. At a meeting concerning this litigation Haldex learned of the ‘445 patent. Knorr-Bremse, 133 F. Supp. 2d 833, 835 n.2 (memorandum opinion memorializing the Markman hearing).


59. Id.
of obviousness and indefiniteness.\textsuperscript{60} In September 2000, Haldex presented to the district court the Mark III, a modified air disk brake Haldex developed in an attempt to design around the '445 patent.\textsuperscript{61}

Both sides requested summary judgment.\textsuperscript{62} The plaintiff requested summary judgment for literal infringement of the Mark II brake, and for literal infringement and infringement under the doctrine of equivalents for the Mark III brake.\textsuperscript{63} The defendants moved for summary judgment of non-infringement and thus, no damages for the Mark II brake, and for non-infringement for the Mark III brake.\textsuperscript{64} As the parties disputed various terms used in the patent claims at issue, all parties moved for claim construction under \textit{Markman v. Westview Instruments}.\textsuperscript{65}

A \textit{Markman} hearing was held in November 2000, and the district court granted Knorr-Bremse's motion for summary judgment of literal infringement of the '445 patent by the Mark II air disk brakes, and granted the defendants' motion for a finding of no damages arising out of this literal infringement.\textsuperscript{66} A bench trial ensued in January 2000.

At trial, the district court found that plaintiff's expert established by a preponderance of the evidence that every element of all nine claims of the '445 patent at issue read on the Mark III air disk brake, therefore literal infringement exists.\textsuperscript{67}

\begin{itemize}
\item \textsuperscript{60} \textit{Id.}
\item \textsuperscript{61} \textit{Id.}
\item \textsuperscript{62} \textit{Id.} at 849–50.
\item \textsuperscript{63} \textit{Id.} at 850.
\item \textsuperscript{64} \textit{Knorr-Bremse}, 133 F. Supp. 2d at 849–50.
\item \textsuperscript{66} \textit{Knorr-Bremse}, 133 F. Supp. 2d 833, 835 n.2, 836 (memorandum opinion). The disputed claim terms were construed as follows after the \textit{Markman} hearing. "Caliper" was defined as "a structure composed of those housing portions that engage about the brake disk and contain a brake application unit." \textit{Id.} at 839. "One-piece caliper" was defined as "a caliper constructed or formed as a single, integral piece." \textit{Id.} at 840. "Largely closed" and "substantially closed" were defined as "for the most part, to a large degree, or in the main closed." \textit{Id.} "Rearward area" was defined as "the area facing away from the brake disk." \textit{Id.} "Application unit" was defined as "a mechanical mechanism that multiplies an input force using a lever to provide a greater output force that presses the brake shoes against the brake disk." \textit{Id.} "Preassembled" was defined as "assembled beforehand." \textit{Id.} Summary judgment concerning the Mark III brake was denied. \textit{Id.} at 843.
\item \textsuperscript{67} \textit{Knorr-Bremse}, 133 F. Supp. 2d at 851, 859. The parties stipulated that Dana purchased and used the Mark III in the U.S., that Haldex Corp. and Haldex AB imported and
Defendants claimed that the '445 patent was invalid both on the grounds of obviousness and indefiniteness. The district court ruled that the defendants did not carry their burden of establishing by clear and convincing evidence that the '445 patent was obvious in light of the prior art. Similarly, the defendants did not carry their burden of establishing by clear and convincing evidence that the '445 patent was invalid due to indefiniteness. The district court further held that there was willful infringement of the '445 patent by use of the Mark II air disk brake, and awarded attorney's fees. This was the only issue appealed by the defendants.

Although there are no hard and fast per se rules to determine willfulness of patent infringement, willfulness is determined by whether, from a totality of the circumstances, a reasonable person would prudently act with any confidence that a court might find the

---

68. *Id.* at 849.

69. *Id.* at 860. Issued patents are presumed to be valid. 35 U.S.C. § 282 (2005). The burden of establishing invalidity of a patent claim for obviousness rests on the party raising the claim. *Id.* The party must prove, by clear and convincing evidence, that a patent claim is invalid due to obviousness by showing that the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art. *Id.* § 103(a). The defendants attempted to meet this burden by five prior art references. The five references, however, were considered by the U.S. Patent and Trademark Office examiner, either as a cited reference to the '445 patent or to an American counterpart to the cited reference. *Knorr-Bremse*, 133 F. Supp. 2d at 860. While an expert's opinion on the ultimate legal conclusion of obviousness is not required, the defendants did not offer expert testimony concerning the lack of ordinary skill in the prior art, the scope and content of the prior art, or the differences between the prior art and the claims at issue. *Id.* at 856. Thus, the presumption of validity of the '445 patent was not overcome. *Id.* at 861.

70. *Knorr-Bremse*, 133 F. Supp. 2d at 862. The party claiming invalidity must prove by clear and convincing evidence that the patent claims and specifications are insufficiently precise so that they do not allow a person of ordinary skill in the art to determine whether there is infringement. *Id.* at 861. The district court held that this burden was not met. *Id.* Instead, "defendants' attempt to design around the '445 patent with the Mark III air disk brake was unsuccessful not because the '445 patent claims and specifications were fatally indefinite, but rather because defendants were unwilling to relinquish the essential advantages of the '445 patent." *Id.* at 862.


patent infringed. In addition, the Court of Appeals for the Federal Circuit has held that there is an affirmative duty that usually requires the potential infringer to obtain competent legal advice before engaging in any potentially infringing activity. Furthermore, if the alleged infringer does not produce exculpatory opinion of counsel, an inference may be drawn that either no opinion was obtained, or if one was, it was unfavorable.

In the instant case, once Haldex became aware of the '445 patent, Haldex obtained verbal opinions, and at least one written opinion, from American counsel. Haldex, however, did not waive its attorney-client privilege. Dana and Haldex had an indemnification agreement, under which Haldex agreed to indemnify Dana for any legal fees, expenses, or damages, or any combinations thereof, as a result of this litigation. Thus, Dana relied exclusively on Haldex to handle infringement issues and did not obtain legal opinions or conduct an independent patent search or investigation regarding the '445 patent. These facts and circumstances led the district court to rule that there was willful infringement of the '445 patent.

The district court then had to conduct an analysis of whether the prevailing party had shown that this was an “exceptional” case, and if so, whether attorney’s fees were appropriate. The district court held that, while there was no bad faith litigation or inequitable conduct on the part of the defendants, this was an “exceptional” case. Knorr-Bremse was awarded attorney’s fees, in connection

---

73. Knorr-Bremse, 133 F. Supp. 2d at 862 (citing Hall v. Aqua Queen Mfg., Inc., 93 F.3d 1548, 1555 (Fed. Cir. 1996)). The court cited the factors set out in Rolls Royce Ltd. v. GTE Valeron Corp., 800 F.2d 1101 (Fed. Cir. 1986).
74. Knorr-Bremse, 133 F. Supp. 2d at 862 (citing Comark Communications, Inc. v. Harris Corp., 156 F.3d 1182, 1190 (Fed. Cir. 1998)).
75. Id. (citing Electro Med. Sys., S.A. v. Cooper Life Sciences, Inc., 34 F.3d 1048, 1056 (Fed. Cir. 1994)).
76. Id. at 857.
77. Id.
78. Id. at 857–58 n.20.
79. Id. at 857.
82. Knorr-Bremse, 133 F. Supp. 2d. at 864.
83. Id.
with the Mark II brake. No damages were awarded since there were no sales of the infringer's brakes.

The defendants/appellants appealed only the issue of willfulness and the resulting award of attorney fees. The plaintiff/appellee cross-appealed in an attempt to enjoin the defendants from retaining and using the brake performance records and test data concerning the Mark II air disk brake. The Court of Appeals for the Federal Circuit sua sponte took the case en banc to reconsider its precedent concerning drawing negative inferences from parties' actions regarding legal counsel, and invoking the attorney-client privilege concerning any advice received. Four questions were specifically addressed. First, 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? Second, when the defendant has not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement? Third, if the court concludes that the law should be changed, and the adverse inference withdrawn as applied to this case, what are the consequences for this case? Fourth, 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?

84. Id. Attorney's fees were unwarranted for work performed concerning the Mark III brake. Id.
85. Knorr-Bremse, 133 F. Supp. 2d. at 842.
89. Id. (citing Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565, 1580 (Fed. Cir. 1986); Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)).
90. Knorr-Bremse, 344 F.3d at 1336.
91. Id. at 1337.
92. Id. One author has noted that it is interesting that the court requested briefing on this issue as it is not squarely before the court, and any opinion is merely dicta on this point. Kimberly A. Moore, Empirical Statistics on Willful Patent Infringement, 14 FED. CIR. B.J. 227, 229 n.8 (2004).
93. Knorr-Bremse, 344 F.3d at 1337. The court also welcomed amicus curiae briefs from bar associations, trade or industry associations, and government entities. Id. at 1337. Twenty-four amicus curiae briefs were received. Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp., 383 F.3d 1337, 1339-40, 1341 n.2 (Fed. Cir. 2004). Many argued that the failure to obtain a legal opinion should not created an adverse inference, and the exercise of the attorney-
The Court of Appeals for the Federal Circuit in September 2004 overruled its own precedent, and established that no negative inferences may be drawn from either failure to obtain or failure to produce an exculpatory opinion from legal counsel concerning potential patent infringement. The court first examined the historical setting of the Court of Appeals for the Federal Circuit because special justification is necessary to depart from precedent. At the time the court was created patent rights were disregarded which resulted in the undermining of the incentive for innovation. In 1982, the Federal Courts Improvement Act created the Court of Appeals for the Federal Circuit, giving it exclusive appellate jurisdiction over most patent cases, making patent rights more stable and predictable. In 1983, the Court of Appeals for the Federal Circuit recognized the legal importance of respect for valid patent rights, and held that there is an affirmative duty to determine whether one is infringing. In recent years, the underlying reasons for the precedent of the negative inference have diminished, according to the appellate court. The Court of Appeals for the Federal Circuit obviously believes that there should not be the basis of a negative inference. See, e.g., George E. Hutchinson & Robert L. Baechtold, Brief of Amicus Curiae, the Federal Circuit Bar Association in Response to the Court's Inviting Briefs for the En Banc Hearing in Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp. 13 FED. CIR. B.J. 289 (2003). One brief advocated that the adverse inference is unfounded, but it should be eliminated only prospectively. Brief for Amici Curiae Computer Associates et al. at 2, 11, Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp, 383 F.3d 1337 (Fed. Cir. 2004) (Nos. 01-1357, 01-1376, 02-1221, 02-1256), available at http://www.law.stanford.edu/faculty/lemley/pubs/briefs/knorrvdana.doc (last visited Apr. 28, 2005). The Association of the Bar of the City of New York split the difference, arguing in its brief, in support of neither party, that an adverse inference where a party has not obtained legal advice is appropriate, but there should be no adverse inference for refusal to waive the privilege. Brief for Amicus Curiae The Association of the Bar of the City of New York at 2, 6-7, 9, Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp, 383 F.3d 1337 (Fed. Cir. 2004) (Nos. 01-1357, 01-1376, 02-1221, 02-1256), available at 2003 WL 23200558. Also, the Association's Committee on Patents' vote on each question was split, with a majority vote for each but no overwhelming vote for anyone position. Id. at 2.

95. Id. at 1343.
97. See Powers & Carlson, supra note 96, at 77.
is more uniformity in enforcing patent rights, and more respect for patent rights, making the reasons for the negative inference not as compelling in 2004 as they were in 1983.100

Examining each of the four questions,101 the Court of Appeals for the Federal Circuit first ruled that the adverse inference drawn from invocation of the attorney-client privilege is no longer to be drawn, bringing patent cases in line with other areas of the law.102 The attorney-client privilege is the oldest privilege for confidential communication known to common law,103 and the adverse inference can distort this privilege.104

Examining the second question posed, the appeals court similarly held that no negative inference may be drawn from failure to obtain legal advice.105 There remains however, an affirmative duty of care to avoid infringement of known patent rights.106

Concerning the third question, the consequences for the case, the appeals court vacated both the finding of willful infringement based on these negative inferences, and the resulting award of attorney fees.107 On remand, if willful infringement could be restored on other grounds, the attorney fee award may be revisited.108

Finally, the court declined to adopt a per se rule that the existence of a substantial defense to infringement is sufficient to defeat liability for willful infringement, even if no legal advice is secured.109 The totality of circumstances still is to be considered, with the trier of fact according each factor the weight warranted.110 Thus, the Court of Appeals for the Federal Circuit overruled its own precedent concerning the negative inferences.111

102. Knorr-Bremse, 383 F.3d at 1344-45. Of course, a party may choose to waive the attorney-client privilege but no negative inference may be drawn from failure to do so. Id. at 1345.
103. Id. at 1344 (citing Upjohn Co. v. United States, 449 U.S. 383, 389 (1981)).
104. Knorr-Bremse, 383 F.3d at 1344.
105. Id. at 1345-46.
106. Id. at 1345.
107. Id. at 1346-47.
108. Id. at 1347.
109. Id.
110. Knorr-Bremse, 383 F.3d at 1347. The ruling on Knorr-Bremse's cross-appeal was affirmed. Much of the technical data were obtained before the patent was issued, and some data related to non-infringing aspects, thus the decision not to order destruction was offered. Id.
111. Id. See generally Michael Abramowicz, A Unified Economic Theory of Noninfringement Opinions, 14 FED. CIR. B.J. 241, 243 (2004); Joshua D. Sarnoff, Abolishing the
Judge Dyk, concurring in part and dissenting in part, concurred concerning the elimination of the adverse inference arising from failure to seek legal counsel, but dissented concerning the affirmative duty to exercise due care to determine if there is infringement. According to the dissent, the duty of due care requirement "finds no support in the patent damages statute, the legislative history, or Supreme Court opinions." It is merely, according to the dissent, a "relic of the past" that should be eliminated. There is a question also, according to the dissent, of whether the due care requirement is consistent with Supreme Court cases holding that punitive damages may only be awarded in situations where the conduct is reprehensible. Since enhanced damages are a form of punitive damages, and failure to exercise due care is not in and of itself reprehensible, the "failure to comply with the due care requirement cannot be squared with those recent Supreme Court cases."

Shortly after its en banc ruling, a panel of the Court of Appeals for the Federal Circuit in October 2004 cited the ruling in Knorr-Bremse to vacate a district court’s determination of willful infringement based at least in part on the failure to obtain an opinion of counsel. The case was remanded to determine willfulness based on the totality of circumstances. District courts have also cited the landmark holding in Knorr-Bremse.
IV. CONCLUSION

\textit{Knorr-Bremse} is a precedent-reversing landmark case decided by the Court of Appeals for the Federal Circuit, and holds promise to be oft cited on the issue of the negative inferences which may no longer be used to find willfulness in patent infringement suits.\footnote{120} While there may have been valid historical reasons for the negative inferences,\footnote{122} the Court of Appeals for the Federal Circuit ruled that there are no longer valid reasons to support a finding of willful patent infringement from either the failure to obtain legal advice or the failure to produce any legal opinions obtained concerning potential patent infringement.\footnote{123} This author agrees with the outcome in \textit{Knorr-Bremse}. First, the negative inference of willful patent infringement from failure to obtain legal advice is unwarranted. It could be an expensive proposition for a small inventor or business to seek and obtain an independent legal opinion each time there could be a potential infringement. There could be other ways to meet the due care burden still required by the majority in \textit{Knorr-Bremse},\footnote{124} short of obtaining an independent legal opinion. While seeking legal advice is still advisable, it is no longer mandatory to avoid a finding of willful patent infringement.

The negative inference which had previously been drawn from invocation of the attorney-client privilege is also properly overturned, according to this author. Liability for willful patent infringement should not be inferred from invoking the privilege; there may be other reasons than willful patent infringement for invoking the privilege. The lawyer-client relationship and resulting communications should be encouraged, to maximize the value of the legal advice received.\footnote{125} The client may waive the privilege, but should not be penalized for not waiving it, as occurred to Haldex in the district court.\footnote{126} The holding in \textit{Knorr-Bremse} now allows defendants in patent

\begin{footnotes}
\item[120] 383 F.3d 1337 (Fed. Cir. 2004).
\item[121] \textit{Id.} at 1340.
\item[122] See supra notes 97–99 and accompanying text.
\item[123] \textit{Knorr-Bremse}, 383 F.3d at 1341.
\item[124] \textit{Id.} at 1345.
\item[125] "The attorney-client privilege is the oldest of the privileges for confidential communications known to common law.... The privilege recognizes that [the public goal served by the privilege] depends upon the lawyer's being fully informed by the client." Upjohn Co. v. United States, 449 U.S. 383, 389 (1981).
\item[126] See supra note 77 and accompanying text.
\end{footnotes}
infringement cases to use the attorney-client privilege as parties in other types of cases are allowed to do.

Willful patent infringement is charged in more than ninety percent of all patent suits, and enhanced damages for willful infringement are awarded about one-third of the time, according to Professor Kimberly Moore of George Mason University School of Law. While plaintiffs no longer may infer willful infringement from the negative inferences, willful infringement may still be, and will continue to be, determined from the totality of the circumstances. Whether or not the duty of due care requirement raised by Judge Dyk in his dissent survives still remains to be seen.

128. See, e.g., supra note 118 and accompanying text.
129. See supra notes 112–116 and accompanying text.