

# WILLFUL INFRINGEMENT AND THE EVIDENTIARY VALUE OF OPINION LETTERS AFTER KNORR-BREMSE V. DANA

JOSHUA STOWELL<sup>1</sup>

## ABSTRACT

*Recently, the Federal Circuit in Knorr-Bremse v. Dana overruled almost twenty years of precedent by striking down the adverse inference doctrine, which had created a negative presumption against any alleged patent infringer for failing to obtain and disclose a patent opinion letter at trial. The decision, while strongly supported by numerous intellectual property and business associations, has created uncertainty for patent attorneys regarding the use of opinion letters in litigation and the acceptable methods for proving willful infringement. This iBrief addresses two specific questions left unanswered by the decision. It concludes that (1) Federal Circuit precedent strongly suggests that the plaintiff may inform the fact-finder that the alleged infringer failed to consult legal counsel, and (2) willful infringement findings can probably be avoided even absent an opinion from counsel, as long as the alleged infringer makes a showing of good faith intent to avoid infringement.*

## INTRODUCTION

¶1 Businesses and universities are placing greater and greater importance on creating and defending intellectual property.<sup>2</sup> This increased attention to intellectual capital, particularly patents, is reflected by dramatic increases in the number of patents issued<sup>3</sup> and patent lawsuits filed in the United States over the last several years.<sup>4</sup> Another indication of the increasing value associated with patents is the size of recent patent infringement verdicts. Many infringement verdicts today extend into the

---

<sup>1</sup> Joshua Stowell is a second year J.D. candidate at Duke University School of Law. He graduated with distinction from the University of Washington with a BS in Chemical Engineering. The author would like to thank Professor Arti K. Rai, Julian Wong and Nancy Stowell for their comments.

<sup>2</sup> NATIONAL RESEARCH COUNCIL, A PATENT SYSTEM FOR THE 21<sup>ST</sup> CENTURY 28 (Stephen A. Merrill et al. eds., 2004).

<sup>3</sup> *Id.* (“The number of U.S. patents issued to both U.S. and foreign entities nearly tripled from 66,290 in 1980 to 184,172 in 2001.”).

<sup>4</sup> *Id.* at 32 (“The number of patent lawsuits settled in or disposed by federal district courts doubled between 1988 and 2001, from 1,200 to nearly 2,400.”).

millions of dollars.<sup>5</sup> These multi-million dollar awards often result from the addition of enhanced damages to already substantial actual damages. However, the infringer is only liable for enhanced damages if the fact-finder determines the infringement was willful.<sup>6</sup> Unsurprisingly, virtually every infringement charge comes coupled with a willfulness charge due to the possibility of obtaining greatly enhanced damages.<sup>7</sup>

¶2 The Supreme Court has defined willfulness as “conduct that is not merely negligent.”<sup>8</sup> In the context of a patent case, this means the infringer has knowledge of an existing patent he is likely to infringe by the development of his own product.<sup>9</sup> The purposes of finding willful infringement and the subsequent award of enhanced damages are meant to punish infringers for deliberately breaking the law<sup>10</sup> and to make the policy statement that patent infringement is “disfavored.”<sup>11</sup> Deterrence for willful behavior by infringers can include treble damages<sup>12</sup> and an award of attorney fees.<sup>13</sup>

¶3 However, in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*,<sup>14</sup> the United States Court of Appeals for the Federal Circuit made willful infringement easier for infringing defendants to conceal by eliminating one of the primary tools employed by courts and plaintiff’s attorneys to prove willfulness – adverse inference. Prior to *Knorr-Bremse*, failure by a party accused of infringement to either obtain or disclose an

---

<sup>5</sup> See e.g., Eric Young, *Patents Spell a Hot Market – For Lawyers*, EAST BAY BUSINESS TIMES, Sept. 12, 2003 (“Consider recent judgments against eBay Inc. for \$29 million, Microsoft Corp. for \$521 million and Research in Motion Ltd. for \$53 million.”), available at <http://www.bizjournals.com/eastbay/stories/2003/09/15/focus4.html>.

<sup>6</sup> *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (“[T]his court has approved [enhanced damages] where the infringer acted in wanton disregard of the patentee’s patent rights, that is, where the infringement is willful.”); Ira V. Heffan, *Willful Patent Infringement*, 7 FED. CIR. B.J. 115, 119 (1997) (“An infringer is liable for actual damages even if the infringement was unintentional, but the infringer is not liable for enhanced damages without a finding of willfulness”).

<sup>7</sup> Heffan, *supra* note 6, at 115-16.

<sup>8</sup> *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004) (quoting *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133 (1988)).

<sup>9</sup> *State Indus., Inc. v. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985).

<sup>10</sup> Heffan, *supra* note 6, at 118.

<sup>11</sup> *Knorr-Bremse*, 383 F.3d at 1342.

<sup>12</sup> 35 U.S.C. § 284 (2000) (“[T]he court may increase the damages up to three times the amount found or assessed”).

<sup>13</sup> 35 U.S.C. § 285 (2000) (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”).

<sup>14</sup> 383 F.3d 1337 (Fed. Cir. 2004).

opinion letter<sup>15</sup> from legal counsel resulted in an adverse inference that such an opinion would have been negative for the infringing party.<sup>16</sup> Such a presumptive finding by the court often damaged the accused infringer's case and resulted in a finding of willful infringement.<sup>17</sup> In *Knorr-Bremse*, however, the court explicitly overruled its prior precedent and held "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."<sup>18</sup>

¶4 The decision in *Knorr-Bremse* to eliminate adverse inference, while widely advocated by many intellectual property groups,<sup>19</sup> created a number of uncertainties for patent litigators. Commentators seem convinced the decision will change patent law,<sup>20</sup> but many are unsure how the changes will play out. As Judge Dyk pointed out in his partial dissent in *Knorr-Bremse*, the majority provided little guidance about the future role of opinion letters in patent litigation.<sup>21</sup> The majority itself mentioned, but failed to resolve, the question of "whether the trier of fact, particularly the jury, can or should

---

<sup>15</sup> Opinion letters, or exculpatory opinions, are legal memoranda typically created by patent attorneys to advise clients about the "validity, enforceability, and infringement of a patent." David O. Taylor, *Wasting Resources: Reinventing the Scope of Waiver Resulting from the Advice-of-Counsel Defense to a Charge of Willful Patent Infringement*, 12 TEX. INTELL. PROP. L.J. 319, 326 (2004). In order for the opinion letter to be valid, "the opinion must be competent, timely obtained and reasonably relied upon by the accused infringer." Thomas Presson, *Knorr-Bremse and Questions About Production of an Exculpatory Legal Opinion and the Adverse Inference*, 44 IDEA 409, 417 (2004).

<sup>16</sup> See, e.g., *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565 (Fed. Cir. 1986) (holding defendant's silence on the subject of legal advice warranted a finding that the advice would have been negative).

<sup>17</sup> See William F. Lee & Lawrence P. Cogswell, III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Infringement*, 41 HOUS. L. REV. 393, 419 ("[Adverse] inference is a virtual deathblow to the defendant's case.").

<sup>18</sup> *Knorr-Bremse*, 383 F.3d at 1341.

<sup>19</sup> See, e.g., Brief for the Association of Patent Law Firms as Amicus Curiae at \*3, *Knorr-Bremse* (Nos. 01-1357, 01-1376, 02-1221, 02-1256), available at 2003 WL 23200560; Brief of Amicus Curiae Public Patent Foundation at \*12, *Knorr-Bremse* (Nos. 01-1357, 01-1376, 02-1221, 02-1256), available at 2003 WL 23200569.

<sup>20</sup> See Steve Seidenberg, *Patent Ruling May Boost IP Boutiques*, 3 No. 39 A.B.A. J. E-REPORT 2 (October 1, 2004) ("Many expect that the court's en banc ruling in *Knorr-Bremse* ... will simplify patent infringement suits, improve the relationship between patent counsel and their clients, and give boutique patent law firms a leg up in their competition with large general-practice firms.").

<sup>21</sup> *Knorr-Bremse*, 383 F.3d at 1352 (Dyk, J., concurring-in-part and dissenting-in-part).

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.”<sup>22</sup> Finally, commentators have questioned how potential infringers can avoid a finding of willfulness without an opinion of counsel.<sup>23</sup>

¶5 This iBrief will address these uncertainties created by the *Knorr-Bremse* decision. It will begin by tracing the historical development of adverse inference. The iBrief will then present the *Knorr-Bremse* decision and examine the effects of the decision on current patent law. Finally, the iBrief addresses two specific questions left unanswered by the Federal Circuit’s decision: (1) May the plaintiff inform the fact-finder that the alleged infringer failed to consult legal counsel? (2) How can potential infringers avoid a finding of willful infringement in the absence of obtaining an opinion from legal counsel? The iBrief concludes that fact-finders may still be informed of the failure by potentially infringing parties to consult counsel, but potential infringers may rebut an allegation of willful infringement, despite the absence of an opinion from counsel, by demonstrating that they made a good faith effort not to infringe.

#### I. HISTORICAL DEVELOPMENT OF ADVERSE INFERENCE

¶6 The adverse inference doctrine developed during the formative years of the Federal Circuit. Early on, the court recognized that a potential infringer “has an affirmative duty to exercise due care to determine whether or not he is infringing” when he has “actual notice” of another inventor’s patent rights.<sup>24</sup> Originally, the court held that fulfillment of this duty depended on the potential infringer obtaining “competent legal advice from counsel” before initiating any potentially infringing activity.<sup>25</sup> However, in subsequent decisions the court relaxed the requirement to consult counsel in every case, stating fulfillment of the “affirmative duty will normally entail the obtaining of competent legal counsel before infringing or continuing to infringe.”<sup>26</sup> Yet, while proof of competent legal advice may provide evidence a potential infringer fulfilled his duty of care, it does not act as a

---

<sup>22</sup> *Id.* at 1346-47.

<sup>23</sup> See, e.g., Marcus S. Friedman and Barry J. Marenberg, *A Sharp Turn in the IP Highway: The Federal Circuit Redefines Willful Patent Infringement*, 178 N.J. L.J. 29 (Oct. 4, 2004); Doug Elliot, *Putting the Brakes on Adverse Inference*, 9/27/2004 TEX. LAW. 29 (Sept. 27, 2004).

<sup>24</sup> *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983) (noting that an example of actual notice includes the results of a patent search).

<sup>25</sup> *Id.* at 1390.

<sup>26</sup> *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1109 (Fed. Cir. 1986) (emphasis added).

complete bar to a finding of willful infringement.<sup>27</sup> Likewise, failure to obtain any legal opinion does not necessarily create a mandatory finding of willfulness, so long as the potential infringer had no knowledge of any existing patent rights.<sup>28</sup> Instead of adopting one of these *pro se* rules regarding legal advice, the court reasoned a finding of willful infringement should not be based on a single failure on the part of the defendant, but rather on the “totality of the circumstances presented.”<sup>29</sup>

¶7 Against this backdrop, the Federal Circuit introduced the doctrine of adverse inference in *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*<sup>30</sup> While that court did not ultimately apply the adverse inference doctrine, it did suggest that failing to present any opinion from counsel at trial “may indeed lead to negative inferences.”<sup>31</sup> The Federal Circuit first applied adverse inference in *Kloster Speedsteel v. Crucible*.<sup>32</sup> In that case evidence suggested the defendant knew its “high speed” tool steel would infringe the plaintiff’s patent,<sup>33</sup> but proceeded to import and sell the infringing steel anyway.<sup>34</sup> Adhering to prior precedent, the court applied the “totality of the circumstances” test in deciding the issue of willfulness.<sup>35</sup> One component of the test was the defendant’s failure to assert “it sought advice of counsel when notified of the allowed claims and [the plaintiff’s] warning or at any time before it began this litigation.”<sup>36</sup> According to the court, the defendant’s “silence on the subject, in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its importation and sale of the accused products would be an infringement of valid U.S. patents.”<sup>37</sup> In this particular case the court’s decision to challenge the defendant’s reliance on attorney-client privilege almost certainly resulted

---

<sup>27</sup> Cent. Soya Co., Inc. v. Hormel & Co., 723 F.2d 1573, 1577 (Fed. Cir. 1983) (“While we recognize that counsel’s opinion on validity is evidence to be weighed towards a determination of good faith, it is not dispositive.”).

<sup>28</sup> King Instrument Corp. v. Otari Corp., 767 F.2d 853, 867 (Fed. Cir. 1985).

<sup>29</sup> *Underwater Devices*, 717 F.2d at 1390.

<sup>30</sup> Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 80 (2001) (citing *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 628 (Fed. Cir. 1985)).

<sup>31</sup> *Id.* at 80 (quoting *Shatterproof Glass*, 758 F.2d at 628.).

<sup>32</sup> 793 F.2d 1565, 1580 (Fed. Cir. 1986).

<sup>33</sup> *Id.* at 1570.

<sup>34</sup> *Id.* at 1580 (“Stora proceeded with its infringement on the assumption, as stated in the memorandum and found by the district court, that the patents were valid and would be infringed.”).

<sup>35</sup> *Id.* at 1579.

<sup>36</sup> *Id.* at 1580.

<sup>37</sup> *Id.*

from the skeptical nature of the defendant's defense. Yet adverse inference was not an anomaly relegated to this particular instance, for it has since become a major part of Federal Circuit jurisprudence.

¶8 Perhaps recognizing the serious implications of abrogating the attorney-client privilege, the Federal Circuit clarified the application of adverse inference in a subsequent case. In *Rite-Hite Corp. v. Kelley Co.*,<sup>38</sup> the court opined that “the weight that may fairly be placed on the presence or absence of an exculpatory opinion of counsel has varied with the circumstances of each case, and has not been amenable to development of a rigorous rule.”<sup>39</sup> The court thus implied that a finding of adverse inference would only be appropriate under certain fact patterns.<sup>40</sup> Turning to the case before it, the court determined the defendant had infringed the plaintiff's patent.<sup>41</sup> However, despite the defendant's claim of attorney-client privilege and refusal to present an opinion of counsel, the court refused to impose a finding of willful infringement.<sup>42</sup>

¶9 In other cases, the court continued to apply adverse inference. In *Fromson v. Western Litho Plate and Supply Co.*,<sup>43</sup> the court endorsed the doctrine of adverse inference stating, “[w]here the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that either no opinion was obtained, or if an opinion were obtained, it was contrary to the infringer's desire to initiate or continue its use of a patentee's invention.”<sup>44</sup> As in *Kloster*, the defendant in *Fromson* was found liable for willful infringement.<sup>45</sup>

## II. THE KNORR-BREMSE DECISION

¶10 The contrasting findings in *Rite-Hite* and *Fromson* demonstrate that the Federal Circuit did not uniformly apply the adverse inference doctrine. Furthermore, the application of adverse inference varied greatly by jurisdiction.<sup>46</sup> Coupled with these inconsistencies in the doctrine's

---

<sup>38</sup> 819 F.2d 1120 (Fed. Cir. 1987).

<sup>39</sup> *Id.* at 1125.

<sup>40</sup> *Id.* (“Although in appropriate circumstances this court has upheld the drawing of adverse inferences on the question of willfulness, we have observed that “[t]here is no per se rule that an opinion letter from patent counsel will necessarily preclude a finding of willful infringement”).

<sup>41</sup> *Id.* at 1124.

<sup>42</sup> *Id.* at 1125.

<sup>43</sup> 853 F.2d 1568 (Fed. Cir. 1988).

<sup>44</sup> *Id.* at 1572-73.

<sup>45</sup> *Id.*

<sup>46</sup> See Lori Goldstein, et al., *Federal Circuit Re-evaluates Adverse Inference Rule*, 15 NO. 12 J. PROPRIETARY RTS. 12, 12 (2003) (observing that the District Court of the Northern District of Ohio declined to apply adverse inference when

application, the concept of forcing litigants to waive the attorney-client privilege faced serious opposition from various attorneys' groups<sup>47</sup> and led to the proliferation of vague and unhelpful legal advice.<sup>48</sup> In response to these criticisms the Federal Circuit decided to re-hear *Knorr-Bremse* en banc in order to re-evaluate the propriety of adverse inference.<sup>49</sup>

#### A. *Knorr-Bremse* Background

¶11 Knorr-Bremse, the plaintiff company, developed a particularly effective type of air disk brake for use with large commercial vehicles.<sup>50</sup> Based in Germany, Knorr-Bremse marketed its air disk brakes primarily to European truck companies.<sup>51</sup> Recognizing the potential market for air disk brakes in the United States, Dana, an American corporation, and Haldex, a Swedish company, the alleged infringers, agreed to collaborate to manufacture and sell an air disk brake in America.<sup>52</sup> Eventually, Dana and Haldex developed the Mark II and began installing them on some large commercial vehicles in the United States.<sup>53</sup> Upon learning of the Mark II, Knorr-Bremse filed an infringement suit against Haldex in European court and shortly thereafter filed an infringement suit against Dana and Haldex in United States District Court for the Eastern District of Virginia.<sup>54</sup>

¶12 In the district court, Knorr-Bremse moved for summary judgment for literal infringement<sup>55</sup> by the Mark II brake.<sup>56</sup> After a hearing the district

---

a defendant refused to disclose a patent opinion, citing attorney-client privilege (citing *W.L. Gore & Assocs. Inc. v. Garlock Inc.*, 10 U.S.P.Q.2d 1628 (N.D. Ohio 1989)).

<sup>47</sup> See, e.g., Corrected Brief of the American Bar Association as Amicus Curiae at \*2-6, *Knorr-Bremse* (Nos. 01-1357, 01-1376, 02-1221, 02-1256), available at 2003 WL 23200567; Brief for Amicus Curiae New York Intellectual Property Law Association at \*2-3, *Knorr-Bremse* (Nos. 01-1357, 01-1376, 02-1221, 02-1256), available at 2003 WL 23200554.

<sup>48</sup> Robert P. Taylor & Katharine L. Altemus, *But the Lawyers Said it was Okay ... Revisiting the Role of Legal Opinions in Patent Litigation*, 801 PLI/PAT 761, 763 (2004).

<sup>49</sup> *Knorr-Bremse*, 383 F.3d at 1341.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> Literal infringement is where an accused product or process contains all the elements described in the claims of another existing patent. ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 882 (3rd ed. 2002).

<sup>56</sup> *Knorr-Bremse*, 383 F.3d at 1342.

court granted the motion for summary judgment.<sup>57</sup> The court also explored the issue of willful infringement. Haldex claimed it consulted both European and United States patent counsel regarding the Knorr-Bremse patent. Citing attorney-client privilege, however, Haldex refused to present any opinion letters.<sup>58</sup> Dana, on the other hand, admitted to consulting no outside counsel, but instead relied on the opinions of Haldex.<sup>59</sup> Since neither party presented any advice from counsel, the court, following prior Federal Circuit precedent, concluded that had such opinions been obtained they would have been unfavorable.<sup>60</sup> Based on the “totality of the circumstances,” the court found Dana and Haldex liable for willful infringement.<sup>61</sup> Both parties appealed the district court’s application of adverse inference and the Federal Circuit accepted the case en banc to reconsider the court’s opinion-letter precedent.<sup>62</sup>

### B. *The Federal Circuit’s Holding*

¶13 The Federal Circuit issued its decision in the form of answers to four distinct questions:

1. 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?<sup>63</sup>
2. When the defendant had not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?<sup>64</sup>
3. 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?<sup>65</sup>
4. Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful

---

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *Knorr-Bremse*, 383 F.3d at 1342.

<sup>61</sup> *Id.*

<sup>62</sup> Elliot, *supra* note 23, at 1.

<sup>63</sup> *Knorr-Bremse*, 383 F.3d at 1344.

<sup>64</sup> *Id.* at 1345.

<sup>65</sup> *Id.* at 1346.



infringement even if no legal advice has been secured?<sup>66</sup>

¶14 In response to question one, the court held no adverse inference should be drawn when the attorney-client privilege is invoked.<sup>67</sup> While the court still recognized the “duty to respect the law is undiminished,” the court determined “the inference that withheld opinions are adverse to the client’s actions can distort the attorney-client relationship, in derogation of the foundations of that relationship.”<sup>68</sup> Every amicus brief agreed with the court on this question, arguing defendants “should never have to waive the [attorney-client or work product] privilege to avoid being subject to adverse infringement.”<sup>69</sup>

¶15 In answer to question two, the court held that no adverse inference should result from the mere failure to consult counsel.<sup>70</sup> The court, however, did continue to support the notion that potential infringers have “an affirmative duty of due care to avoid infringement of the known patent rights of others.”<sup>71</sup> The court’s holding appears to have been greatly influenced by several amici curiae,<sup>72</sup> only one of which advocated adverse inference for failure to obtain legal counsel.<sup>73</sup> The amicus briefs highlighted the prohibitive costs associated with consulting patent counsel for every “potentially adverse patent.”<sup>74</sup>

---

<sup>66</sup> *Id.* at 1347.

<sup>67</sup> *Id.* at 1344.

<sup>68</sup> *Id.*

<sup>69</sup> Madeline F. Baer & John Dauer, *Willful Patent Infringement*, 804 PLI/PAT 883, 914 (2004). *See, e.g.*, Corrected Brief of the American Bar Association as Amicus Curiae at \*2-3, *Knorr-Bremse* (Fed. Cir. 2004) (Nos. 01-1357, 01-1376, 02-1221, 02-1256) (quoting 01A|16D ABA Policy and Procedures Handbook p. 363 (2003)) (“The ABA opposes a blanket rule under which the failure of defendant in an action for patent infringement to induce an opinion of counsel at trial will permit an inference to be drawn that either no opinion was obtained or, if an opinion was obtained, it was contrary to the accused infringer’s desire to initiate or continue its use of the patentee’s invention.”), available at 2003 WL 23200567.

<sup>70</sup> *Knorr-Bremse*, 383 F.3d at 1345.

<sup>71</sup> *Id.* at 1345-46 (quoting *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993)).

<sup>72</sup> *See, e.g.*, Amici Curiae Brief of United States Council for International Business, et. al. at \*6, *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) (“The en banc Court should overrule this precedent because this principle of law places far too much emphasis on the presence of a litigation-ready opinion in the willfulness analysis.”), available at 2003 WL 23200563.

<sup>73</sup> Baer & Dauer, *supra* note 69, at 915.

<sup>74</sup> *Knorr-Bremse*, 383 F.3d at 1345.

¶16 With respect to question three, the Federal Circuit remanded the case to the district court to reassess the issue of willfulness without admitting adverse inference.<sup>75</sup> In doing so the court recognized the importance of a balancing test to the finding of willful infringement, noting, “precedent illustrates various factors, some weighing on the side of culpability and some that are mitigating or ameliorating.”<sup>76</sup>

¶17 In response to question four, the court held that the existence of a substantial defense to infringement would not automatically bar a finding of willful infringement.<sup>77</sup> According to the court, willful infringement depends on the totality of the circumstances and the court has the discretion to weigh various factors as it sees fit.<sup>78</sup>

### III. RAMIFICATIONS OF KNORR-BREMSE

¶18 While the Federal Circuit clearly eliminated adverse inference from the test for willful infringement, the court failed to clearly explain how this decision would affect the current state of patent law, leaving patent attorneys with two fundamental questions.

#### *A. May the plaintiff inform the fact-finder that the alleged infringer failed to consult legal counsel?*

¶19 The Federal Circuit has previously acknowledged that the duty to consult counsel is one component of the “totality of the circumstances” and relevant to determining the potential infringer’s state of mind at the time of infringement. In that respect the plaintiff must be allowed to inform the fact-finder that the alleged infringer failed to consult legal counsel.

¶20 The Federal Circuit’s decision in *Knorr-Bremse* only addressed the issue of whether the court may instruct the fact-finder to interpret the defendant’s failure to present an opinion letter as indicating that any opinion letter so obtained by the defendant would have been negative. The court never addressed whether the plaintiff could simply inform the fact-finder that the defendant failed to consult counsel. However, the Federal Circuit’s prior jurisprudence strongly suggests a plaintiff must be allowed to inform the fact-finder that the defendant failed to consult legal counsel in any case where the defendant had a duty to consult counsel.<sup>79</sup>

---

<sup>75</sup> *Id.* at 1346.

<sup>76</sup> *Id.*

<sup>77</sup> *Id.* at 1347.

<sup>78</sup> *Id.*

<sup>79</sup> *See, e.g.,* *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983).

¶21 Generally, inventors do not have a duty to investigate whether each product they develop has been patented because the costs associated with such due diligence may be prohibitive.<sup>80</sup> However, once an inventor gains knowledge of a patent relating to his device, the costs of determining infringement decrease dramatically.<sup>81</sup> Along these lines the Federal Circuit adopted the affirmative duty rule. In *Knorr-Bremse* the court continued to adhere to the principle that a potential infringer “has an affirmative duty to exercise due care to determine whether or not he is infringing” when he has knowledge of prior patents his product may infringe.<sup>82</sup> While the court originally required defendants to consult legal counsel in order to satisfy their duty,<sup>83</sup> the court currently only requires a defendant to consult legal counsel if the totality of the circumstances warrants it.<sup>84</sup> Consequently, a blanket rule punishing potential infringers for failing to obtain legal counsel, regardless of whether the circumstances require consultation, is overly inclusive.<sup>85</sup>

¶22 In *Knorr-Bremse*, the court seemed to recognize the over-inclusive nature of the existing rule. The court stressed that willful infringement hinges on “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.”<sup>86</sup> In judging the defendant’s reasonableness the court has repeatedly stated it must consider the “totality of the circumstances,”<sup>87</sup> one of which is whether the defendant reasonably investigated the validity of any infringement claims.<sup>88</sup>

¶23 The question for any defendant becomes what is a reasonable investigation? In certain cases where the inventor lacks any background in patent law, the only reasonable course of conduct may be to consult a patent attorney. In contrast, in cases where the inventor is well educated on patent law, perhaps a large corporation that deals with patent issues on a regular basis, a reasonable investigation may not include consulting counsel.

---

<sup>80</sup> Lee & Cogswell, *supra* note 17, at 420.

<sup>81</sup> *Id.*

<sup>82</sup> *Knorr-Bremse*, 383 F.3d at 1345 (citing *Underwater Devices*, 717 F.2d at 1389-90).

<sup>83</sup> *Underwater Devices*, 717 F.2d at 1390.

<sup>84</sup> *Rolls-Royce*, 800 F.2d at 1109.

<sup>85</sup> See, e.g., *Fromson*, 853 F.2d at 1572-73 (making an adverse inference that had the defendant consulted counsel the outcome would have been negative despite failing to expressly find whether the defendant disregarded its duty to consult counsel).

<sup>86</sup> *Knorr-Bremse*, 383 F.3d at 1347 (quoting *SRI Int’l, Inc. v. Advanced Tech. Labs. Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997)).

<sup>87</sup> *Kloster*, 793 F.2d at 1579.

<sup>88</sup> *CPG Prods. Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007, 1015 (Fed. Cir. 1985).

However, in either case, whether the defendant consulted patent counsel may be helpful in explaining the defendant's state of mind at the time of the infringing activity. Thus, in the interest of considering the "totality of the circumstances," it appears that the fact-finder must be told whether the defendant consulted counsel because it is one component of the circumstances and may aid the jury in determining intent.

¶24 While some may think this outcome simply sounds like adverse inference in disguise, the results are much more just and favorable for the defendant. Pre-*Knorr-Bremse*, if the defendant failed to present an opinion of counsel at trial, the judge would instruct the jury that the defendant failed to consult counsel *and* that an opinion letter, had it actually been obtained, would have been against the defendant's interests. Not only does the jury learn that the defendant failed to pursue the wise course of action of consulting counsel, but it is also instructed to presume that any legal counsel, if consulted, would have said that the defendant was guilty of infringement. Under such circumstances, it becomes almost impossible for the defendant to win the trial.<sup>89</sup> Post-*Knorr-Bremse*, however, the plaintiff at most merely instructs the jury that the defendant failed to consult counsel. The defendant then would have an opportunity to rebut the plaintiff's charge of willfulness and explain why he did not consult counsel. Unlike the old system, there would be no presumption of guilt and the defendant would be permitted an opportunity to mount an actual defense.

*B. How can potential infringers avoid a finding of willful infringement in the absence of obtaining an opinion from legal counsel?*

¶25 In order to avoid a finding of willfulness, the defendant must convince the court that he did not intentionally infringe the plaintiff's patent. A good faith intent, absent an opinion from counsel, can be difficult to prove but not impossible. The defendant must present concrete evidence showing he was aware of the plaintiff's patent and took constructive action not to infringe it.

*1. The Federal Circuit's definition of willfulness*

¶26 Before turning to how the defendant may demonstrate a good faith intent not to infringe, it is necessary to develop an understanding of the concept of willfulness. The Federal Circuit has defined willfulness as a

---

<sup>89</sup> In theory, findings by the court are supposed to be based on the "totality of the circumstances." However, a finding based on adverse inference has seemingly always carried greater weight than the other factors and resulted in an almost automatic finding of willful infringement. See, e.g., *Kloster*, 793 F.2d at 1579; *Fromson*, 853 F.2d at 1572-73.

form of mens rea.<sup>90</sup> In other words, willfulness requires a showing of deliberate or intentional infringement. The Federal Circuit has stated that in order “[t]o willfully infringe a patent, the patent must exist and one must have knowledge of it.”<sup>91</sup> Potential infringers may obtain actual knowledge of a patent in a variety of ways, including receiving an offer to license, receiving a notice of infringement, or discussing a competing product with a manufacturer.<sup>92</sup> Constructive knowledge is also possible if the infringer has knowledge of a product with a patent number affixed.<sup>93</sup>

¶27 As the court established in *Kloster*,<sup>94</sup> and reaffirmed in *Knorr-Bremse*,<sup>95</sup> a finding of willful infringement should be based on the “totality of the circumstances.” The court must “look at exculpatory evidence as well as evidence tending to show deliberate disregard of [the patentee’s] rights.”<sup>96</sup> Ultimately, the “court must consider factors that render [the] defendant’s conduct more culpable, as well as factors that are mitigating or ameliorating.”<sup>97</sup> Although the relevant factors may vary greatly depending on the case, the Federal Circuit has provided some guidance through its prior case law as to some of the factors it may consider. One factor that clearly weighs into the willfulness determination is whether the alleged infringer consulted legal counsel.<sup>98</sup> Consulting legal counsel, however, does not automatically compel a finding against or for willful infringement, but is merely one factor the court must consider.<sup>99</sup>

¶28 In *CPG Products Corp. v. Pegasus Luggage, Inc.*,<sup>100</sup> the court identified three inquiries relevant to determining willfulness: (1) whether the defendant had knowledge of the plaintiff’s patent, (2) whether the defendant reasonably investigated the validity of any infringement claims, and (3) whether the defendant took remedial action upon learning of the potential infringement.<sup>101</sup> The court expanded upon the willfulness inquiry in *Bott v. Four Star Corp.*<sup>102</sup> by asking “whether the infringer deliberately copied the ideas or design of another” and how “the infringer[] [behaved] as

---

<sup>90</sup> Heffan, *supra* note 6, at 119.

<sup>91</sup> *State Indus., Inc. v. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985).

<sup>92</sup> Heffan, *supra* note 6, at 123.

<sup>93</sup> *Id.*

<sup>94</sup> *Kloster*, 793 F.2d at 1579.

<sup>95</sup> *Knorr-Bremse*, 383 F.3d at 1341.

<sup>96</sup> *Lee & Cogswell, supra* note 17, at 404 (citing *Comark Comm., Inc. v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed. Cir. 1998)).

<sup>97</sup> *Read*, 970 F.2d at 826.

<sup>98</sup> *Kloster*, 793 F.2d at 1579.

<sup>99</sup> *Id.*

<sup>100</sup> 776 F.2d 1007 (Fed. Cir. 1985).

<sup>101</sup> *Id.* at 1015.

<sup>102</sup> 807 F.2d 1567 (Fed. Cir. 1986).

a party to the litigation.”<sup>103</sup> Furthermore, in *Read Corp. v. Portec, Inc.*,<sup>104</sup> the court noted that the factors in the previous cases were not “all inclusive” and recognized five additional factors courts could consider when determining willfulness: “(1) Defendant’s size and financial condition; (2) Closeness of the case; (3) Duration of the defendant’s misconduct; ... (5) Defendant’s motivation for harm; and (6) Whether defendant attempted to conceal its misconduct.”<sup>105</sup> Potential defendants must be cognizant of all these factors because they may influence the factual determination.

¶29 Generally the defendant in a willful infringement suit will argue that he created his invention with a “good faith belief that it did not infringe” the plaintiff’s patent.<sup>106</sup> Based on this defense, a finding of willfulness will typically turn on the defendant’s state of mind at the time of the infringement.<sup>107</sup> Defendants, however, run into difficulty proving their good faith intent because their state of mind is entirely within their own possession.<sup>108</sup> An opinion of counsel can be effective in proving a defendant’s state of mind<sup>109</sup> and, based on prior Federal Circuit decisions, seems to be the preferred method of evidence for proving intent.<sup>110</sup>

¶30 However, as the Federal Circuit has previously noted, the weight placed on the presence or absence of an exculpatory opinion varies based on the circumstances.<sup>111</sup> Ultimately, willfulness must be determined based on the “totality of the circumstances” and not just one individual factor.<sup>112</sup> While Federal Circuit precedent is heavily populated by decisions turning on the presence of opinions of counsel, the court has issued a few decisions that found the defendant not liable for willful infringement despite the lack of an opinion of counsel. These cases provide insights into how potential infringers may prove a good faith intent not to infringe despite the failure to obtain an opinion of counsel.

---

<sup>103</sup> *Id.* at 1572.

<sup>104</sup> 970 F.2d at 816.

<sup>105</sup> *Id.* at 827. Omitted in the above list of factors is “(4) Remedial action by the defendant,” which is a duplicate of one of three factors in the test articulated in *CPG Products Corp.* See *supra* note 102 and accompanying text.

<sup>106</sup> Powers & Carlson, *supra* note 30, at 85-86.

<sup>107</sup> Taylor & Altemus, *supra* note 48, at 765.

<sup>108</sup> *Id.*

<sup>109</sup> Powers & Carlson, *supra* note 30, at 70.

<sup>110</sup> Taylor & Altemus, *supra* note 48, at 768.

<sup>111</sup> *Rite-Hite*, 819 F.2d at 1125.

<sup>112</sup> See *e.g.*, *Mach. Corp. v. Gullfiber AB*, 774 F.2d 467, 473 (Fed. Cir. 1985) (holding that a finding of willfulness by the district court based solely on the absence of an opinion letter was improper).

## 2. Proving a good faith intent not to infringe

¶31 One of the more common ways a defendant can demonstrate its good faith intent is to provide evidence that he tried to “design around” an already existing patent.<sup>113</sup> According to the Federal Circuit, the ability to design around an existing patent is a benefit of a patent system that ensures a “steady flow of innovations to the marketplace.”<sup>114</sup> Because the ability to design around is so valuable, the Federal Circuit has stated that “it should not be discouraged by punitive damages.”<sup>115</sup> In *Rite-Hite Corp. v. Kelley*, for example, the defendant refused to present any opinion of counsel at trial, citing attorney-client privilege.<sup>116</sup> Despite the absence of legal counsel on the record, the court still determined the defendant did not willfully infringe the plaintiff’s patent.<sup>117</sup> According to the court, the factors influencing its decision were “that the infringer’s copying of a certain feature was not exact and that the infringer’s stated aim was to ‘design around’ the patentee’s claims.”<sup>118</sup>

¶32 Similarly, in *Rolls-Royce Ltd. v. GTE Valeron Corp.*, the defendant failed to obtain an opinion of counsel.<sup>119</sup> Once again, the court was favorably influenced by the defendant’s attempt to “design around” the original invention.<sup>120</sup> The defendant provided evidence that engineers discussed whether its invention infringed the plaintiff’s, as well as evidence indicating the defendant was conscious of the need not to infringe.<sup>121</sup> This evidence was sufficient to convince the court that the defendant “did not intentionally copy the plaintiff’s patent.”<sup>122</sup>

¶33 Providing evidence that demonstrates an attempt to “design around” an existing patent is not the only way to avoid willful infringement liability. In *Wesley Jessen Corp. v. Lomb, Inc.*,<sup>123</sup> the defendant did not produce an

---

<sup>113</sup> At times members of the Federal Circuit have challenged the validity of the experimental use exception, *see Embrex, Inc. v. Serv. Eng’g Corp.*, 216 F.3d 1343 (Fed. Cir. 2000) (Rader, J., concurring), which could have a potential impact on the acceptability of attempts to design around if unlicensed copies are utilized for that process.

<sup>114</sup> Lee & Cogswell, *supra* note 17, at 405 (citing *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268 (Fed. Cir. 1985)).

<sup>115</sup> *Id.*

<sup>116</sup> 819 F.2d at 1125.

<sup>117</sup> *Id.* at 1126.

<sup>118</sup> Lee & Cogswell, *supra* note 17, at 406 (quoting *Rite-Hite*, 819 F.2d at 1125).

<sup>119</sup> 800 F.2d at 1109-10.

<sup>120</sup> *Id.*

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> 209 F. Supp. 2d 348 (D. Del. 2002).

opinion of counsel at trial.<sup>124</sup> Nonetheless, the court did not find the defendant liable for willful infringement because the defendant abandoned its infringing action immediately upon learning of the defendant's patent.<sup>125</sup>

¶34 The common denominator in all these cases is that the defendants were capable of presenting sufficient evidence of their good faith effort not to infringe to convince the court that their infringing actions were not intentional. This is likely the key to surviving any willful infringement action. While an opinion letter may be the easiest and most accepted way to accomplish this task, it is not entirely necessary to avoid a finding of willful infringement if other external factors sufficiently demonstrate the unintentional nature of the infringement.

### CONCLUSION

¶35 While the total impact of *Knorr-Bremse* on patent litigation remains unclear, a few results appear certain. First, a failure to produce an opinion of counsel does not create an adverse inference against the defendant. Second, potential infringers should be wary of the factors that contribute to the "totality of the circumstances," realizing that one factor is whether all notifications of infringement by competitors have been reasonably investigated. In certain cases reasonable investigation may require consulting patent counsel. Third, whether a court finds willfulness depends greatly upon the circumstances of each case. What factors will be examined and how heavily each factor will be weighted is left to the court's discretion. Potential infringers, when deciding whether the required duty of care includes a responsibility to consult outside patent counsel, must examine whether their current conduct convincingly demonstrates a desire to avoid infringement.

---

<sup>124</sup> Marcia H. Sundeen & George Langendorf, *Willfulness: Opinions, Discovery and Waiver*, 804 PLI/PAT 919, 928 (2004).

<sup>125</sup> *Id.*