

ADVERSE TO WHAT?: THE INCREASING VALUE OF PATENT
OPINIONS AFTER *KNORR-BREMSE*

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INTRODUCTION

“What now?” It is a reasonable question to ask when a company’s in-house counsel receives a cease-and-desist letter charging the company with patent infringement. Typically, the letter will invite negotiations to license the patentee’s technology and may threaten to file suit for patent infringement if the patentee’s requests are not met. A company’s response to these letters is a more critical decision than many business executives realize, and there are long-term ramifications regardless of how or whether the company decides to act. An investment in an opinion of counsel regarding the charges may even change the way courts

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apply legal standards to the alleged infringer.¹

A frequent step in responding to infringement claims is to obtain a patent opinion—a legal opinion from a patent attorney as to whether the asserted patent is valid and/or whether a particular process or product infringes it.² Recent cases in the Federal Circuit Court of Appeals help clarify the legal effects of seeking patent opinions and provide guidance on how best to approach these situations. These cases, decided between 2004 and 2006, have provided some answers to the question of “what now?” but several important questions are still unresolved. These cases may also be early tremors foretelling a larger shift in the grounding of willfulness law in general.³

This article examines the effects of these cases in detail. The article describes the limited guidance these decisions give on how failures to get an opinion may be treated during litigation and concludes that in-house lawyers now have increasing reasons to procure patent opinions when faced with allegations of infringement. Part I describes what is at stake and reviews the consequences of willful infringement. Part II outlines related areas of law prior to the landmark *Knorr-Bremse* decision, which is analyzed in detail in Part III. Part IV scrutinizes Federal Circuit cases that further refine *Knorr-Bremse* and notes the still-outstanding questions. Finally, Part V explores how district courts have embraced *Knorr-Bremse* and shows how one interpretation of this case could radically affect how willful infringement is litigated in the future.

I. WHAT IS AT STAKE

The risks for those facing a patent lawsuit are daunting. Losing an infringement case can result in an injunction against an entire line of business. Courts can award monetary damages to plaintiffs for lost profits. And even if the defendant wins, the average cost-to-trial can exceed two million dollars per side.⁴

¹ See *infra* Part V.B (concluding that fact-finders may be prevented from even *hearing* evidence regarding a withheld opinion when examining a defendant’s alleged willful infringement and noting that when opinions are obtained but withheld from the court, the court may have no choice but to prevent the opinion from being used as a factor to decide whether the defendant willfully infringed).

² These legal memos, especially when obtained preemptively prior to any notification from patentees, are sometimes called “clearance opinions” or “freedom to operate opinions.”

³ On January 26, 2007, the Federal Circuit decided *sua sponte* to consider a petition for writ of mandamus en banc to address, among other things, whether it should “reconsider the decision in *Underwater Devices* and the duty of care standard itself.” *In re Seagate Tech., LLC*, 2007 WL 196403, at *1 (Fed. Cir. Jan. 26, 2007).

⁴ See AM. INTELL. PROP. L. ASS’N, 2005 REPORT OF THE ECONOMIC SURVEY 22 (2005) (indicating that for cases involving awards of one to twenty-five million dollars, the

Yet the possible stakes in an infringement suit can be even higher. If the defendant is found to have *willfully* infringed a patent, it may be forced to pay three times the damages and to pay the patentee's attorney's fees as well as its own.⁵ It is this risk that makes patent opinions so important.

"Most patent practitioners and scholars believe that willful infringement determinations turn on the attorney opinion letter."⁶ Yet companies have good short-term financial reasons to avoid obtaining patent opinions. The cost of an opinion varies, but is rarely less than twenty thousand dollars and may be many times that amount, depending on the complexity and number of threatening patents.⁷ Further, larger companies receive hundreds of patent infringement allegations a year and can afford to get opinions for only the more credible claims.⁸ Finally, the burden of the risk of patent litigation is rising and has almost doubled during the 1990s.⁹

Charges of willfulness are as ubiquitous as they are financially dangerous. Professor (and now Federal Circuit Judge) Kimberly A. Moore found that plaintiffs in patent infringement lawsuits alleged willful infringement in 92.3% of their originally-filed complaints.¹⁰ Worse, willfulness was never resolved on summary judgment.¹¹ Because most cases settle, the issue as to whether there was willful infringement was actually decided in only 143 of the 4,254 cases collected,¹² but more than half of those decisions

average total cost was two million dollars, growing to \$4.5 million for larger cases).

⁵ See *infra* Part II.

⁶ Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 228 (2004).

⁷ Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 102 (2001).

When rendered by outside counsel, patent opinions generally cost at least \$20,000, and frequently cost over \$100,000. Larger companies may have internal patent counsel responsible for investigating the allegations, and will seek an outside opinion for only the most credible allegations. Smaller start-up companies may not have the internal resources to evaluate patents, and may be more dependent on outside advice.

Id.

⁸ *Id.*

⁹ See James Bessen & Michael J. Meurer, *Lessons for Patent Policy from Empirical Research on Patent Litigation*, 9 LEWIS & CLARK L. REV. 1, 24-25 (2004) (noting, however, that the contemporaneous doubling in the number of patent filings may mean that the "propensity to litigate on a per patent basis is essentially constant").

¹⁰ Moore, *supra* note 6, at 232. Professor Moore reviewed 1,721 patent cases from an initial set of 4,254 that were resolved during 1999-2000, focusing on many of the statistical claims made by amici in the *Knorr-Bremse* decision. *Id.* at 229-30.

¹¹ *Id.* at 234 ("Willfulness, being a highly factual question, does not seem likely to be the type of issue which can be disposed of on summary judgment.").

¹² *Id.* Moore's article indicates that the 143 represent "2.1% of all cases." This may be a typographical error, because 143 is ~2.1% of the 6,876 total number of *patents* at issue in the 4,254 patent cases collected. It appears the figure should be 3.36% of the total 4,254 cases.

resulted in a finding of willfulness.¹³ The majority of the cases finding willfulness resulted in enhanced penalties, and the decisions were rarely reversed on appeal.¹⁴ As examples of the amounts at stake, Minnesota Mining & Manufacturing Co. was awarded fifty-three million dollars in 1991 for Johnson & Johnson Orthopaedic, Inc.'s willful infringement,¹⁵ and Boston Scientific was awarded an additional eighty-five million dollars in enhanced damages in 2001 due to Medtronic's willful infringement.¹⁶

A. Willful Infringement

Receiving a warning regarding another's patent claim is an important event because such a warning provides "actual notice" that the recipient may be infringing the patent.¹⁷ This notice may trigger a legal duty for prospective defendants to get advice from an attorney before proceeding with possibly infringing activities.¹⁸ Courts consider "an attorney's opinion of non-infringement or unenforceability particularly strong evidence against willful infringement."¹⁹ If the court finds infringement, a defendant's failure to obtain an opinion may result in a finding that the defendant willfully infringed the patent and the possibility of enhanced damages.²⁰

¹³ *Id.* at 236 ("The judge found the infringer willful in 60.4% of these cases. The remaining ninety-five cases were jury trials. The jury found the infringer willful in 56.0% of these cases.")

¹⁴ *Id.* at 236, 238. "Considering both the potential penalties (damage enhancement and attorney fees), judges penalized willful infringers in 91.9% of the cases where the judge found willfulness and 60.6% of the cases where the jury found willfulness." *Id.* at 237.

¹⁵ *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedic, Inc.*, Civ. 4-86-359, 1991 U.S. Dist. LEXIS 20320, at *6 (D. Minn. July 26, 1991).

¹⁶ GERMESHAUSEN CENTER NEWSL. (Franklin Pierce Law Ctr., Concord, N.H.), Summer/Fall 2003, at 6, *available at* <http://www.resources.piercelaw.edu/pubs/Germ03SF.pdf>.

¹⁷ *See Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365, 1379 (Fed. Cir. 2001).

¹⁸ *See Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983).

¹⁹ Carol Johns, *Notes: Knorr-Bremse Systeme Fuer Nutzfahrzeuge Gmbh v. Dana Corp.: A Step in the Right Direction for Willful Infringement*, 20 BERKELEY TECH. L.J. 69, 75 (2005); *see also* 7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03 [4][b][v][C] (2001) ("Failure to seek and carefully follow the advice of competent counsel has frequently been a key factor supporting a willfulness finding, but the failure to seek such advice is just one factor that must be considered along with the totality of circumstances.") (internal citations omitted).

²⁰ While obtaining an opinion may be close to necessary, it is not necessarily sufficient; opinions based only on weak or inadequate argument may not save a defendant. *Cent. Soya Co. v. George A. Hormel & Co.*, 723 F.2d 1573, 1577 (Fed. Cir. 1983) ("In short, the attorney's advice, based solely on file history prior art, *does not by itself* raise an inference of good faith substantial enough to convince us that the trial court's determination of willful infringement was clearly erroneous."); *accord SRI Int'l v. Advanced Tech. Lab.*, 127 F.3d 1462, 1466 (Fed. Cir. 1997) (finding willfulness when counsel's opinion simply repeated arguments that had been rejected on re-examination).

B. *The Quantum Dilemma and Knorr-Bremse*

Even without a legal duty, companies may intuitively respond to cease-and-desist letters by taking steps to determine whether the asserted patent is valid and whether they are actually infringing that patent. But doing so can be risky. Until recently, spending money on a patent opinion in this situation might unwittingly help the plaintiffs win their case. Prior to the Federal Circuit's 2004 decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*,²¹ patent defendants faced the "*Quantum Dilemma*."²² If our hypothetical general counsel obtained an opinion about infringement/validity, then regardless of the opinion's conclusions, the company might find itself with only two equally untenable choices during litigation—either 1) reveal the opinion, or 2) withhold the opinion and allow the jury to infer that the opinion indicated that the defendant was (knowingly) infringing a valid patent.

Under the first choice, the company could claim that its infringement was not willful by waiving its attorney-client privilege and instead allow the court and opposing counsel to examine what might be a very strategic document.²³ This privilege otherwise prevents courts from forcing parties to disclose confidential communications between the parties and their legal counsel.²⁴ But even if the opinion was positive for the defendant (indicating the patent was invalid or not infringed), the disclosure of any strategic information the opinion contained might overwhelm the positive aspects of revealing it.²⁵ Access to an

²¹ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004).

²² *See Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643-44 (Fed. Cir. 1991).

An accused infringer, therefore, should not, without the trial court's careful consideration, be forced to choose between waiving the privilege in order to protect itself from a willfulness finding, in which case it may risk prejudicing itself on the question of liability, and maintaining the privilege, in which case it may risk being found to be a willful infringer if liability is found.

Id.; see also Thomas Presson, *Knorr-Bremse and Questions About Production of an Exculpatory Legal Opinion and the Adverse Inference*, 44 IDEA 409, 420 (2004).

²³ Obviously, a company would typically only use this option if it was favorable and indicated non-infringement and/or invalidity.

²⁴ The related "work-product" privilege protects materials prepared in anticipation of litigation from discovery by opposing counsel, even some materials not prepared by attorneys. The attorney-client privilege generally includes only communications between attorneys and their clients. *See, e.g., Wells v. Liddy*, 37 Fed. App. 53, 65 (4th Cir. 2002).

²⁵ When a party asserts an advice-of-counsel defense to willfulness, it waives the attorney-client privilege with respect to any opinions it relies on. *See, e.g., Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc.*, 265 F.3d 1294, 1309 (Fed. Cir. 2001) ("Medtronic asserted its attorney-client privilege with respect to its legal consultations on the '233 patent, thus precluding discovery and evidence into Medtronic's legal consultations regarding the '233 patent."); *Saint-Gobain/Norton Indus. Ceramics Corp. v. Gen. Elec. Co.*, 884 F. Supp. 31, 33 (D. Mass. 1995); *Handgards, Inc. v. Johnson & Johnson*, 413 F. Supp. 926, 929. (N.D. Cal. 1976).

opinion “gives the patentee a detailed blueprint as to likely defenses early in the litigation process,” and it can be used against the defendant if it pursues any litigation strategies that differ from the opinion.²⁶

Alternatively, the company could either refuse to disclose whether an opinion was obtained or admit that it received an opinion, but use the attorney-client privilege to prevent it from being shared with the court. Unfortunately, this makes it much more difficult for the defendant to show it had exercised due care in ensuring it did not violate the patent. As mentioned above, obtaining a patent opinion is generally a critical element in defending against a charge of willful infringement, and courts generally do not allow defendants to claim they received an opinion without forcing them to reveal its contents.²⁷ Judges are much more likely to find willfulness if the defendant fails to produce an opinion, though forty-five percent of cases surveyed still found willfulness even in the presence of an opinion.²⁸

However, withholding an opinion could have an even more invidious effect. Before *Knorr-Bremse*, both withholding an opinion as well as withholding whether an opinion had been obtained would allow the jury to draw a negative inference that any opinion, if one had been obtained, contained negative information for the defendant.²⁹ Therefore, the jury could assume that the opinion indicated that the patent was valid and that the company infringed

Unfortunately for infringement defendants, the amount of strategic information that might be given away by waiving the privilege is staggering. “[M]any courts have held that the scope of such a waiver extends to communications with trial counsel, and even to uncommunicated work product.” Brief for Amicus Curiae Microsoft Corp. at *9, *Knorr-Bremse*, 383 F.3d 1337 (Civ. Nos. 01-1357, 01-1376) (arguing that that a good faith defense to infringement should bar a willfulness finding) (citing *Akeva v. Mizuno Corp.*, 243 F. Supp. 2d 418, 424-25 (M.D.N.C. 2003); *Verizon Calif., Inc. v. Katz Tech. Licensing, LP*, 266 F. Supp. 2d 1144, 1149 (C.D. Cal. 2003)).

²⁶ Moore, *supra* note 6, at 233.

²⁷ Courts have been strict in prohibiting defendants from using the privilege “both as a sword and a shield.” *Chevron Corp. v. Pennzoil Co.*, 974 F.2d 1156, 1162 (9th Cir. 1992). For instance, defendants cannot keep the contents of an opinion protected while still putting the attorney-author of that opinion on the stand to simply testify that the defendants did, in fact obtain an opinion. See *Columbia Cascade Co. v. Interplay Design, Ltd.*, Civ. No. 90-148-FR, 1990 U.S. Dist. LEXIS 16621 (D. Or. Dec. 5, 1990).

If Columbia Cascade chooses to invoke the attorney-client privilege to prevent discovery of the items sought [by Interplay] . . . , Columbia Cascade will be precluded from introducing the opinions or testimony of its counsel as evidence that it satisfied its affirmative duty of due care to determine that no infringement existed or that it did not act willfully.

Id. at *7.

²⁸ Moore, *supra* note 6, at 239 (indicating that although the absence of an attorney opinion in bench trials equates to a finding of willfulness eighty-four percent of the time, overall the presence of an attorney opinion does not insulate a defendant from willfulness, and the research data followed “little predictable pattern”).

²⁹ See *infra* Part II. But see *Trading Techs. Int’l, Inc. v. eSpeed, Inc.*, 431 F. Supp. 2d 834, 839 (N.D. Ill. 2006) (noting that even now, *Knorr-Bremse* has not “completely eliminated the prejudice to a party facing a Quantum dilemma”).

it. Mounting a defense that the company exercised due care in light of such an opinion might be nearly impossible.

The first option can give away strategic information about how the company plans to fight the patent, and the second may hamper its arguments that the company did not think it was infringing a valid patent. Either way, prior to *Knorr-Bremse*, the defendant company was in a difficult situation with few tactical options.³⁰

II. WILLFUL INFRINGEMENT PRIOR TO *KNORR-BREMSE*

Because *Knorr-Bremse* revised only some aspects of willful infringement, it is important to understand the prior legal backdrop. Although the concept of willful infringement has existed since the early 1800s, it was not until 1983 that the Federal Circuit began shaping this area of law in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*³¹ The Federal Circuit held that those with actual notice of another's patent rights have an affirmative duty to exercise due care to determine whether they are infringing the patent.³² This obligation includes a duty to obtain competent legal advice from counsel before the initiation of any possible infringing activity.³³

The Patent Act provided for treble damages as far back as its 1793 version. Statutory support for enhanced patent infringement damages currently exists in 35 U.S.C. § 284, allowing for treble damages, and 35 U.S.C. § 285, allowing the award of attorney's fees in "exceptional cases."³⁴ A finding of willful infringement may

³⁰ Attempts to control where the opinion may be used during trial by bifurcating the validity/infringement portion from the damages portion are usually unavailing. "Although bifurcation motions are common (consuming much time and expense), trial courts often deny them and likewise refuse to bifurcate discovery, and these decisions are unappealable." Brief for Amicus Curiae Semiconductor Industry at 5, *Knorr-Bremse*, 383 F.3d 1337 (Nos. 01-1357, 01-1376) (citing 7 CHISUM, *supra* note 19, § 20.03[4][b][v] n.334; *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991)).

³¹ 7 CHISUM, *supra* note 19, § 20.03 [4][b][v][A] (describing history of enhanced patent damages); *see also Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

³² *Underwater Devices*, 717 F.2d at 1389-90.

³³ *Id.*; *see also Comark Commc'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998) ("[T]he legal opinion must be 'competent' or it is of little value in showing the good faith belief of the infringer."). Note, however, that the Federal Circuit has stated its intent to "reconsider the decision in *Underwater Devices* and the duty of care standard itself." *In re Seagate Tech., LLC*, 2007 WL 196403, at *1 (Fed. Cir. Jan. 26, 2007).

To make matters worse, attempts to save money by using in-house counsel may backfire. While there is no rule excluding reliance on opinions written by in-house counsel, they may call into question the potential bias of the author. *See Studiengesellschaft Kohle, m.b.H. v. Dart Indus., Inc.*, 862 F.2d 1564, 1573-76 (Fed. Cir. 1988); *Underwater Devices*, 717 F.2d at 1390.

³⁴ 35 U.S.C. § 285 (2006) ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."); *id.* § 284 ("[T]he court may increase the damages up to three times the amount found or assessed.").

qualify a case as exceptional,³⁵ though willful infringement is just one reason courts award enhanced damages.³⁶ Generally, it is the willful infringer's "intentional disregard of legal rights" that warrants this deterrence.³⁷

Willful infringement itself has never been a bright-line test. "[T]here are no tried and true tests to help companies completely avoid charges of willful infringement."³⁸ Whether infringement is willful is "by definition a question of the infringer's intent."³⁹ Willfulness is determined from the totality of the circumstances and must be proven by clear and convincing evidence.⁴⁰ The factors considered when examining these circumstances are discussed in *Read Corp. v. Portec, Inc.*⁴¹ and include:

1. "[W]hether the infringer deliberately copied the ideas or design of another;"
2. Whether the defendant, upon becoming aware of a patent, investigated its scope and formed a good-faith belief it was invalid or not infringed;
3. Defendant's behavior during the litigation;
4. "Defendant's size and financial condition;"
5. Closeness of the question of infringement in the case;
6. "Duration of defendant's misconduct;"
7. "Remedial action by the defendant;"
8. "Defendant's motivation for harm;" and
9. "[W]hether defendant attempted to conceal its misconduct."⁴²

Three years after *Underwater Devices*, the Federal Circuit addressed both the attorney-client privilege and willful

³⁵ *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1372 (Fed. Cir. 2005).

³⁶ Enhanced damages may be awarded for such conditions as bad faith, when improper tactics are used in litigation, and "whenever the infringer's lack of, or deficiencies in, its records makes it difficult for the patentee to calculate damages with the desirable degree of precision." 7 CHISUM, *supra* note 19, § 20.03[4][b][iii].

³⁷ *See Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004).

³⁸ Sanford E. Warren, Jr. & E.E. Richards II, *Avoiding Willful Infringement in Intellectual Property Litigation (Part 1)*, INT'L RISK MGMT. INST., Feb. 2004, <http://www.irmi.com/Expert/Articles/2004/Warren02.aspx> ("[T]here are general guidelines that can be observed to lessen one's chance of being hit with a willful infringement charge."); *see also* *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125-26 (Fed. Cir. 1987) ("Willfulness' in infringement, as in life, is not an all-or-nothing trait, but one of degree. It recognizes that infringement may range from unknowing, or accidental, to deliberate, or reckless, disregard of a patentee's legal rights.").

³⁹ *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992); *Gustafson, Inc. v. Intersystems Indus. Prods.*, 897 F.2d 508, 510-11 (Fed. Cir. 1990).

⁴⁰ *See Gustafson*, 897 F.2d at 510.

⁴¹ *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992).

⁴² *Id.* *See also Knorr-Bremse*, 383 F.3d at 1342 (continuing to cite *Read* as precedent).

infringement in *Kloster Speedsteel AB v. Crucible Inc.*⁴³ Crucible had sued the defendants for willfully infringing its patents on metal alloys for high-speed metal-cutting tools. During trial, the defendants failed to make any assertions that they had sought an opinion on Crucible's patents after the patentee's warning and prior to suit.⁴⁴ The court decided the defendant's silence "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."⁴⁵ Thus began the rule that a negative inference could be drawn from an infringer's failure to introduce an exculpatory patent opinion.⁴⁶

Many of these foundational cases were decided during "a time when widespread disregard of patent rights was undermining the national innovation incentive."⁴⁷ By 2004, however, the "conceptual underpinnings" of this "disrespect for [the] law" had diminished, and the Federal Circuit saw the implementation of *Kloster Speedsteel* as damaging to the attorney-client relationship.⁴⁸ Accordingly, the Federal Circuit took *Knorr-Bremse* en banc to review this precedent.⁴⁹

III. THE *KNORR-BREMSE* DECISION

German-based Knorr-Bremse owned a European patent on disk brake technology. In 1997, the Swedish company Haldex agreed with United States-based Dana to have Dana import Haldex's disk brakes. In 1999, Knorr-Bremse informed Dana that Knorr-Bremse was in a patent dispute with Haldex in Europe and that an American patent corresponding to the disputed brake technology had just issued. Knorr-Bremse filed suit in 2000. Haldex had consulted counsel concerning Knorr-Bremse's patents, but declined to produce any legal opinion or to disclose the advice received, asserting attorney-client privilege. Dana stated that it did not itself consult counsel, but relied on Haldex. The district court followed Federal Circuit precedent to infer that the opinion was unfavorable and concluded that the totality of the

⁴³ *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565 (Fed. Cir. 1986).

⁴⁴ *Id.* at 1580.

⁴⁵ *Id.*

⁴⁶ *See, e.g.*, *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988) ("Where 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 the patentee's invention.")

⁴⁷ *Knorr-Bremse*, 383 F.3d at 1343.

⁴⁸ *See id.* at 1343-44.

⁴⁹ *See id.* at 1344.

circumstances warranted a finding of willful infringement.⁵⁰ The defendants appealed the willfulness issue and the corresponding award of attorney's fees.

In reconsidering the law surrounding willful infringement, the Federal Circuit presented four issues for review:

1. [Whether it is] appropriate for the trier of fact to draw an adverse inference with respect to willful infringement [when a defendant invokes the attorney-client privilege to avoid discussing any opinions they may have obtained].⁵¹
2. When the defendant had not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?⁵²
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?⁵³
4. 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?⁵⁴

The holdings in regard to issues one and four were straightforward. The answer to the first question was an unqualified “no”—“[the] assertion of attorney-client and/or work-product privilege and the withholding of the advice of counsel [would] no longer entail an adverse inference as to the nature of the advice.”⁵⁵

Regarding question four, the court declined to adopt any *per se* rule that would deem a substantial defense to infringement sufficient to defeat a charge of willful infringement.⁵⁶ Instead, the court preferred to continue regarding such defenses as just one factor in the totality of the circumstances.⁵⁷

A decision as to question three resulted in the Federal Circuit

⁵⁰ See *id.* at 1341.

⁵¹ *Id.* at 1344.

⁵² *Id.* at 1345.

⁵³ *Id.* at 1346.

⁵⁴ *Id.* at 1347.

⁵⁵ See *id.* at 1345. The court specifically overruled any “[p]recedent to the contrary.” *Id.* at 1341. Earlier precedent had “resulted in inappropriate burdens on the attorney-client relationship,” and the court implied that the widespread problems with flagrant disregard of patents had subsided since *Underwater Devices*. *Id.* at 1343-44.

⁵⁶ See *id.* at 1347. An example of such a defense might be getting a meritorious, competent opinion that the asserted patent was invalid. See *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350-51 (Fed. Cir. 2001) (giving examples of defenses sufficient to prevent a preliminary injunction against the alleged infringer). Judge Dyk referred to *Amazon* in his dissent in *Knorr-Bremse*.

⁵⁷ See *Knorr-Bremse*, 383 F.3d at 1347.

remanding the case for a redetermination of whether the defendants willfully infringed Knorr-Bremse's patent.⁵⁸ "Because elimination of the adverse inference as drawn by the district court [was] a material change in the totality of the circumstances, a fresh weighing of the evidence [was] required to determine whether the defendants committed willful infringement."⁵⁹

Thus, the court made it clear that fact-finders could not be instructed to infer that any opinion that was obtained but not disclosed by the defendants was negative. Several amici curiae had raised the issue of what, exactly, plaintiffs *could* tell the finder-of-fact.⁶⁰ The amici posed situations in which the issue of whether an opinion was obtained might be relevant (e.g., weighing the totality of circumstances) without being used for any adverse inference.⁶¹ Some argued that no statements regarding claims of privilege or an absence of legal advice should even be revealed to the jury.⁶²

The court refused to provide additional guidance, noting that these issues were "not raised by this case, [were] not before the district court, and ha[d] not been briefed on this appeal."⁶³ This raised a number of questions. Could a plaintiff's attorney assert during trial that the defendant failed to analyze the asserted patent? Could plaintiffs attack the sufficiency of any in-house legal or engineering opinions? If a defendant argued that it was not willful because it took the infringement charges "seriously," would this allow the plaintiffs to then ask if the defendant requested an opinion? If the fact-finder—especially a lay jury—might still draw the prohibited inference without any suggestion to do so, is a specific jury instruction required to prevent this?⁶⁴ Some subsequent cases have addressed these questions,⁶⁵ but much remains undecided even two years after this opinion.

Finally, the answer to question two was that no "adverse inference with respect to willful infringement" could be drawn from a failure to obtain an opinion.⁶⁶ But there was no indication

⁵⁸ See *id.* at 1346.

⁵⁹ See *id.*

⁶⁰ See *id.* at 1346-47.

⁶¹ See *id.*

⁶² See Brief for Amicus Curiae Am. Intell. Prop. L. Ass'n at *12-13, *Knorr-Bremse*, 383 F.3d 1337 (Nos. 01-1357, 01-1376) ("[A]ccused infringers should not be forced to invoke a privilege in the presence of the jury, and counsel should be forbidden from commenting on claims of privilege."); Brief for Amicus Curiae BEA Sys. and Novell, Inc. at *11 n.2, *Knorr-Bremse*, 383 F.3d 1337 (Nos. 01-1357, 01-1376).

⁶³ See *Knorr-Bremse*, 383 F.3d at 1347.

⁶⁴ See Debra Koker, Note, *Legal Update: Fulfilling the "Due Care" Requirement After Knorr-Bremse*, 11 B.U. J. SCI. & TECH. L. 154, 162 (2005) ("Arguably, telling a jury that an infringer did not bother to obtain a patent opinion when he could and should have is very similar to an adverse inference.")

⁶⁵ See *infra* Part IV.

⁶⁶ *Knorr-Bremse*, 383 F.3d at 1344-46.

whether inferences could be drawn with respect to issues other than willful infringement or exactly *which* willfulness issues were included. Thus, the title of this article—“Adverse to *What?*” Judge Newman also left unanswered what is perhaps the most important practical issue—the amici 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.”⁶⁷ This has resulted in varying interpretations in subsequent decisions and scholarly reviews. The question is also critical to whether corporate counsel should obtain a patent opinion.

At first glance, Judge Newman’s characterization of the unanswered amici question indicates that the prohibited adverse inference may be relevant to *some* issues and is distinct from the factors involved in showing that the defendant upheld its duty of due care. In other words, an adverse inference *that the defendant did not exercise a duty of due care* might be allowed under *Knorr-Bremse*, even if the inference that *any patent opinion, if obtained, would have been negative* is prohibited.

The court referred to holding one (that withholding an opinion no longer entailed an adverse inference as to the nature of the advice) when deciding question two (effect of failing to get an opinion), stating that it was “inappropriate to draw a *similar* adverse inference from failure to consult counsel,” thus indicating that the specific prohibited inference was that *the opinion would have been negative*.⁶⁸ The opinion also summarized holding two: “[F]ailure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption *that such an opinion would have been unfavorable*.”⁶⁹

Yet some opinions and articles have cited *Knorr-Bremse* for a much broader holding—that *no* adverse inference (perhaps even in regard to determining if the alleged infringer exercised its duty of due care) can be drawn from a failure to get a patent opinion.⁷⁰

⁶⁷ See *id.* at 1346-47.

⁶⁸ *Id.* at 1345 (emphasis added).

⁶⁹ *Id.* at 1346 (emphasis added). In his dissent, Judge Dyk asserted his belief that the duty to obtain an opinion that was left in place by the majority should also have been removed. See *id.* at 1348 (Dyk, J., dissenting).

⁷⁰ See, e.g., Sue Ann Mota, *Casenote: 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*, 21 SANTA CLARA COMPUTER & HIGH TECH. L.J. 901, 901, 912 (2005) (arguing, as the article title suggests, for a very broad interpretation of the holding, and asserting that “no negative inferences may be drawn from [] failure to obtain . . . an exculpatory opinion from legal counsel concerning potential patent infringement.”) (emphasis added). Other commentators have phrased the new rule as no longer requiring opinions at all. See Troy R. Lester & Jennifer R.

The court's holding can be read disjunctively as prohibiting only an evidentiary "presumption that such an opinion would have been unfavorable," or as prohibiting any adverse inference altogether.⁷¹ If the latter were correct, our hypothetical corporate counsel might have an easier decision; if *Knorr-Bremse* prohibited any adverse inference, it would be tantamount to removing a duty to get an opinion. Corporate counsel could make their decision based strictly on business, not legal issues. Later cases have not entirely resolved this question of interpretation.

IV. THE POST-*KNORR-BREMSE* LEGAL LANDSCAPE

The Federal Circuit has cited *Knorr-Bremse* frequently in the two years since it was decided. Because of the sometimes divergent opinions of judges sitting on the court, it should be no surprise that *Knorr-Bremse* has received varying interpretations.

A. Insituform (*October 2004*)

In one of the first post-*Knorr-Bremse* cases, *Insituform Technologies, Inc. v. Cat Contractors, Inc.*, Insituform successfully sued for willful infringement of its '012 patent on a method for performing in-ground pipe repair.⁷² The defendant had received an oral opinion, but not until just after Insituform sued.⁷³ The district court judge asked hypothetically whether the defendant would have concluded that it infringed had there been a more "competent" analysis.⁷⁴ This sounded much like the prohibited

Mahalingappa, *Steering a Course on In-house Noninfringement Opinions After Knorr-Bremse*, ACC DOCKET (July/Aug. 2005) ("Instead of the lengthy, intensely formal, and rather expensive opinions of recent years, opinions can now be written for the client, in a short and straightforward manner that the client can actually understand. . . . [T]he law no longer requires you to obtain an opinion from outside counsel. That requirement was struck down by the Federal Circuit's recent ruling in *Knorr-Bremse v. Dana Corp.*"). *But see* *Golden Blount v. Robert H. Peterson Co.*, 438 F.3d 1354 (Fed. Cir. 2006) (*Golden Blount II*) (apparently reading *Knorr-Bremse* narrowly to prohibit only adverse inferences that an opinion, if obtained, would have been negative for the defendant).

⁷¹ *Knorr-Bremse*, 383 F.3d at 1346. However, Judge Dyk asserted in his dissent that the duty to obtain an opinion that was left in place by the majority, though it should have been removed. *See id.* at 1348 (Dyk, J., dissenting).

⁷² *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 385 F.3d 1360, 1362 (Fed. Cir. 2004). The repair method involved installing a resin-impregnated liner into the pipe using a vacuum system. *Id.* at 1362-63. The opinion was written by Judge Schall on a panel including Chief Judge Michel and Judge Mayer.

⁷³ *Insituform Techs., Inc. v. Cat Contracting, Inc.*, Civ. No. H-90-1690, 1999 U.S. Dist. LEXIS 23372, at *90-91 (S.D. Tex. Aug. 30, 1999), *remanded by* 385 F.3d 1360. The oral opinion was apparently positive for the defendant—the patent attorney, who had already given a written opinion on two of the plaintiff's other patents, indicated the defendant did not infringe the '012 patent. *Id.* at *11-12, *90-91. Moreover, the ostensible reason the defendant had not gotten a written opinion on the '012 patent earlier was that there was no European equivalent of the '012 at the time the defendant requested an opinion on technology related to its upcoming European operations. *Id.* at *12.

⁷⁴ *Id.* at *91-93. "[D]ue to a complete absence of competent advice regarding possible infringement of the '012 patent and a flagrant display of deliberate misconduct by [the

inference.

The Federal Circuit noted that “one crucial aspect of the district court’s willfulness determination was the failure of [the defendants] to obtain an opinion of counsel.”⁷⁵ It cited the second holding of *Knorr-Bremse* in its totality, stating that “the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or presumption that such an opinion would have been unfavorable.”⁷⁶

The court remanded the case, believing that an elimination of the just-mentioned adverse inference was material to the case.⁷⁷ The Federal Circuit seemed to be limiting *Knorr-Bremse* to inferences that an opinion would have been *unfavorable* and not broadening it to prohibit *any* negative inference whatsoever from failure to get an opinion.

B. Imonex (*May 2005*)

The theory that the Federal Circuit is broadening *Knorr-Bremse*’s protection does find support in *Imonex Services v. W.H. Munzprufer Dietmar Trenner GmbH*.⁷⁸ The *Imonex* jury decided that the defendant’s original equipment manufacturers (OEMs) willfully infringed Imonex’s coin selectors patents prior to *Knorr-Bremse*. Writing for a panel including Judges Bryson and Archer, Judge Rader affirmed the lower court’s denial of the defendants’ judgment as a matter of law (JMOL) motions of non-infringement and non-willfulness.⁷⁹ In this case, *Knorr-Bremse* did not mandate remand, and the court affirmed the trial court’s determination that the defendants were willful infringers.

None of the defendants commissioned an opinion of counsel regarding infringement until after they were sued.⁸⁰ The appeals court first found that the defendants had sufficient notice of the patents to trigger a duty of due care to prevent willful

defendant] throughout this proceeding, the Court finds that actions of [the defendant] evidenced the degree of willfulness necessary to support the award of enhanced damages.” *Id.* at *95.

⁷⁵ *Insituform Techs., Inc.*, 385 F.3d at 1377. Although it should be noted that the district court judge indicated his displeasure only with the *quality* of the ’012 opinion, not its *existence*.

⁷⁶ *Id.* (quoting *Knorr-Bremse*, 383 F.3d at 1346).

⁷⁷ *Id.* at 1377.

Because elimination of the adverse inference arising from failure to obtain an opinion of counsel is a material change in the totality of the circumstances in this case, a fresh weighing of the evidence is required. For this reason, we vacate the district court’s willfulness finding and remand for further proceedings.

Id.

⁷⁸ *Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F.3d 1374 (Fed. Cir. 2005).

⁷⁹ *Id.* at 1376.

⁸⁰ *Id.* at 1378.

infringement and then turned to whether the OEMs had satisfied this duty.⁸¹

The defendants argued that the jury did not have enough evidence to find willfulness, while Imonex argued that the defendants should have obtained patent opinions as soon as they learned of their possible infringement.⁸² Judge Rader was forced to examine what, if any, effect the intervening *Knorr-Bremse* decision would have on the case.⁸³ He indicated that *Knorr-Bremse* “informed” the issues of whether the combination of obtaining a patent opinion regarding possible infringement (though only shortly after being served with the complaint), and the defendant’s claims that they did not receive sufficient notice of the patent, meant that the defendant had satisfied its duty of due care.⁸⁴ Rader’s opinion characterized *Knorr-Bremse* as holding that it was “no longer appropriate to draw an adverse inference with respect to willful infringement from failure to obtain legal advice.”⁸⁵ He never mentioned that the inference was limited to a presumption that any opinion would have been *unfavorable*. Specifically, “while early receipt of legal advice would have strengthened the defendants’ argument that they had not willfully infringed, failure to have solicited such advice does not give rise to an inference of willfulness.”⁸⁶ This seems to considerably broaden *Knorr-Bremse*.

The seemingly incongruous outcomes of *Imonex* and *Insituform* are understandable from a judicial risk-management perspective.⁸⁷ *Insituform* was remanded on the relatively high chance that the district court had held the lack of a good opinion against the defendant.⁸⁸ *Imonex* refused to remand in a situation

⁸¹ *Id.* The plaintiff’s demonstration of their products to the OEMs at tradeshows, distribution of advertising literature indicating the products were patented, and correspondence with OEM employees about the use of the patented devices was sufficient notice. *Id.*

⁸² *Id.*

⁸³ *Knorr-Bremse* was decided just after briefs in the *Imonex* appeal had been submitted.

⁸⁴ See *Imonex*, 408 F.3d at 1378.

⁸⁵ *Id.* (citing *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345-46 (Fed. Cir. 2004)).

⁸⁶ *Id.*

⁸⁷ At first glance, it seems strange that the court affirmed the legally weaker willfulness finding in *Imonex* while remanding *Insituform*. Both cases concerned pre-*Knorr-Bremse* findings of willful infringement. Both defendants had obtained opinions after being sued. But only the *Imonex* defendant appeared to have a competent, written opinion (at least there was no indication in the opinion that the court considered the written opinions to be insufficient), so the question is why *Imonex*’s willfulness finding was affirmed.

⁸⁸ Note that the district court judge in *Insituform* specifically wondered whether “[h]ad there been [a more competent] analysis, [the defendant] may have concluded [it infringed].” *Insituform Techs., Inc. v. Cat Contracting, Inc.*, Civ. No. H-90-1690, 1999 U.S. Dist. LEXIS 23372, at *93 (S.D. Tex. Aug. 30, 1999), remanded by 385 F.3d 1360 (Fed. Cir. 2004).

where the jury was relatively less likely to have held a tardy but competent opinion against its defendant.

Imonex's internal logic is less coherent. Unless Judge Rader was using *Knorr-Bremse* simply to dispose of the defendants' arguments, *Imonex* seems to argue that failing to get an opinion should not hurt the defendant legally, so the jury's willfulness finding could not have depended on this and should be upheld. Of course, the fact that the later state of the law prohibits negative inferences certainly could not have inhibited the jury from making such inferences, but the opinion does not address this logic. The opinion simply concluded that "[o]verall, the jury had substantial evidence to find willfulness, and this court affirms the district court's denial of JMOL on this point."⁸⁹

C. Engineered Products (*August 2005*)

Engineered Products Co. v. Donaldson Co. was another bridge case in which *Knorr-Bremse* was decided between the trial and the appeal to the Federal Circuit.⁹⁰ Engineered Products Co. (EPC) won on its claims of willful infringement against Donaldson regarding its technology in internal combustion engine air-filter contamination indicators. *Engineered Products* is one of the strongest indicators that *Knorr-Bremse's* protection is to be interpreted narrowly, prohibiting only inferences that an opinion, if obtained, would have been unfavorable, but not prohibiting fact-finders from using the absence of an opinion as a factor in finding willfulness.⁹¹

On appeal, the defendant, Donaldson, argued that the willfulness finding against it had to be vacated because the jury had been given an instruction emphasizing the fact that Donaldson did not obtain an opinion of counsel as to whether it infringed EPC's patent.⁹² Judge Schall's opinion rejected this argument and appeared to distinguish the use of Donaldson's *failure* to obtain an opinion for the purpose of determining willfulness from an inference that the opinion would have been

⁸⁹ *Imonex*, 408 F.3d at 1378.

⁹⁰ *Engineered Prods. Co. v. Donaldson Co.*, 147 F. App'x 979 (Fed. Cir. 2005). The opinion was written by Judge Schall, who was joined by Judges Newman and Archer.

⁹¹ Because the *Insituform* decision—like *Engineered Products*—was written by Judge Schall, this implies *Insituform* should be interpreted similarly.

⁹² Reply Brief for Defendant-Appellant at *25, *Engineered Prods.*, 147 F. App'x 979. The defendants cited *Insituform* and noted that the jury had:

[R]eceived many pushes in the wrong direction that undermined Donaldson's right to assert its privilege. For example, the jury instructions focused on the lack of an opinion as central to the willfulness determination—it was not simply one in a long list of factors. And EPC itself plainly sought such an inference, by highlighting the failure to obtain an opinion to the jury.

Id.

unfavorable. Judge Schall’s opinion clearly made a distinction, but was less clear as to exactly what that distinction was:

[W]e do not see any error, let alone plain error, in the instructions T]he instructions merely directed the jury to consider whether Donaldson sought a legal opinion as one factor in assessing whether, under the totality of the circumstances, infringement . . . was willful. The instructions did not instruct the jury that it could draw an adverse inference based on Donaldson’s failure to seek legal advice.⁹³

The “totality of the circumstances” must refer to the willfulness finding, so, by a process of elimination, the “adverse inference” of the last sentence cannot refer to some general class of negative inferences with respect to willfulness. The only other likely negative inference would be the inference that an opinion, if obtained, would have been negative. Thus, *Engineered Products* indicates that *Knorr-Bremse’s* second holding should be read narrowly on its face, providing no protection against adverse inferences with respect to willfulness in general.

This case also begins to define what plaintiff’s counsel can argue with respect to the significance of the defendant’s failure to obtain a patent opinion. The defendant’s appellate brief cited the following actions as pointing the jury toward the prohibited inference:

[A]lthough the court’s instructions told the jury in general to look to all the circumstances, they identified only two such circumstances—one of which was the presence or absence of an opinion of counsel. . . .

EPC chose to make the lack of an opinion a centerpiece of its questioning of Donaldson’s former patent liaison [thus magnifying the harm of the jury instructions]:

Q: And you didn’t send this out for an opinion of counsel, did you?

A: I sent the patent to outside counsel.

Q: But you did not get an opinion of counsel, did you?

EPC also juxtaposed [one of the defendant’s products] on which there *was* an opinion and [on which] EPC did not allege willfulness, with the [accused device]—emphasizing that the attorney who wrote the opinion for the [non-accused device] did not write one for the [infringing one].⁹⁴

Despite the fact that the jury instructions did not explicitly

⁹³ *Engineered Prods.*, 147 F. App’x at 991 (internal citations omitted). The court also noted that the willful infringement claim was “not a close case.” *Id.* at 992.

⁹⁴ Brief for Defendant-Appellant at *55-56, *Engineered Prods.*, 147 F. App’x 979 (No. 04-1596) (emphasis added).

ask the jury to draw an inference and “instructed the jury that a finding of willfulness was not compelled from the lack of an opinion (i.e., that there was no mandatory irrebutable inference),” the defendants reasoned that this instruction did not go far enough.⁹⁵ “Rather, the logical import of all that was shown to the jury plainly point[ed] the jury toward such an inference”⁹⁶

The court seemed untroubled by either the instructions or the manner in which the plaintiffs presented their case. It affirmed the district court’s denial of Donaldson’s motion for JMOL on the willfulness claim.⁹⁷ At least in the absence of more aggressive arguments by the plaintiff, a jury instruction that did not explicitly allow (though did not explicitly prohibit) an adverse inference that any opinion would have been negative for the infringer) appears to be allowed by *Knorr-Bremse*.

D. Mallinckrodt (*September 2005*)

The district court judge in *Mallinckrodt v. Masimo Corp.* reversed the jury’s willful infringement finding against a co-defendant (Nellcor) for two of Masimo’s patents on pulse oximeters.⁹⁸ Masimo appealed, arguing that there was sufficient evidence for a jury to conclude that Nellcor was both aware of the patents and had acted in bad faith. Part of Masimo’s argument that the jury was reasonable in finding willfulness included a contention that Nellcor’s failure to get a patent opinion after being sued was a factor the jury might correctly have used to find willfulness.

Citing *Knorr-Bremse*, the Federal Circuit noted that it was no longer “appropriate to draw an adverse inference with respect to willfulness when an accused infringer had not obtained legal advice.”⁹⁹ Even if the jury had used this inference, it was not allowed, and with no other evidence to go on, the district court’s decision to overturn the willfulness determination was upheld by the appeals court.¹⁰⁰

Here, as in *Imonex*, there is no explicit limitation to the type of negative inference that *Knorr-Bremse* prohibited. The court did not seem to care what type of inference the jury might have made, thus apparently believing that *any* use of the defendant’s failure to

⁹⁵ *Id.* at *56.

⁹⁶ *Id.*

⁹⁷ *Engineered Prods.*, 147 F. App’x at 991.

⁹⁸ *Mallinckrodt, Inc. v. Masimo Corp.*, 147 F. App’x 158, 161 (Fed. Cir. 2005). Chief Judge Michel wrote the opinion, joined by Judges Lourie and Prost.

⁹⁹ *Id.* at 171 (citing *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004)).

¹⁰⁰ *Mallinckrodt*, 147 F. App’x at 171.

obtain patent counsel was disallowed.

E. Union Carbide Chemicals (*October 2005*)

In another opinion by Judge Rader, a panel that included Judges Mayer and Prost, the court broadly framed *Knorr-Bremse* as having “declined to draw a negative inference from a party’s failure to obtain a formal opinion of counsel after it becomes aware of an issued patent.”¹⁰¹ Union Carbide cross-appealed the district court’s denial of its JMOL motion that the jury should have found Shell’s infringement to be willful.¹⁰² Union Carbide argued that because Shell failed to obtain a formal opinion of counsel, Union Carbide was entitled to a finding of willful infringement.¹⁰³ Using its broad formulation, the court decided that “Shell’s decision to proceed without an opinion of counsel [did] not affect the jury verdict . . .” and affirmed the district court’s decision.¹⁰⁴ Again, the implication is that *no* inference that the jury might have drawn could have led them to a finding of willful infringement.¹⁰⁵

F. Golden Blount II (*February 2006*)

With *Golden Blount Inc. v. Robert H. Peterson Co.* (*Golden Blount II*), the Federal Circuit gave its clearest interpretation of *Knorr-Bremse* to date.¹⁰⁶ Chief Judge Michel (who wrote the *Mallinckrodt* opinion and was on the *Insituform* panel) and Judge Lourie joined in an opinion written by Judge Linn. On remand, the district court held at a bench trial that Peterson infringed Golden Blount’s fireplace burner patent and that the infringement was willful.¹⁰⁷ The district court trebled the damages to \$1,287,766, awarded Golden Blount its attorney’s fees, and Peterson appealed. In *Golden Blount II*, the Federal Circuit decided the lower court was not wrong in dismissing Peterson’s opinions as incompetent and in finding that its assertions of good faith rang hollow.¹⁰⁸

When explaining its willfulness holding, the district court had

¹⁰¹ Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co., 425 F.3d 1366, 1380 (Fed. Cir. 2005).

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ Another possible implication is that the Federal Circuit will bend *Knorr-Bremse*’s holding whichever way is required to give deference to the lower court’s willfulness finding.

¹⁰⁶ See *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354 (Fed. Cir. 2006) (*Golden Blount II*).

¹⁰⁷ The earlier bench trial found Peterson liable for willful infringement of Golden’s fireplace burner patent, but in *Golden Blount I*, the Federal Circuit vacated the district court’s infringement findings and reconstrued some of the patent claims. The judge found Peterson both directly and indirectly infringed. See *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054 (Fed. Cir. 2004) (*Golden Blount I*).

¹⁰⁸ *Golden Blount II*, 438 F.3d at 1365.

stressed that “in the two and one-half years after Peterson received notice of the patent, Peterson never obtained a written opinion of counsel and that the oral opinions obtained by Peterson were rendered without counsel having examined either the patent’s prosecution history or the accused device, and were thus incompetent.”¹⁰⁹ Further, the district court believed that the opinions were “to be used only as an illusory shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another’s patent.”¹¹⁰

On appeal, Peterson argued against the willfulness finding on two grounds. Primarily, Peterson cited *Knorr-Bremse*, asserting that “it had no duty to seek an opinion of counsel (let alone a competent opinion), and that the district court could not consider whether it obtained an opinion of counsel in evaluating whether it discharged its duty of due care.”¹¹¹ Peterson conceded that the lack of an opinion might leave it at a disadvantage in disproving willfulness, but argued that this shortcoming could not help Golden Blount make out its *prima facie* case for willfulness.¹¹² Without the opinion, the only other evidence of willfulness was Peterson’s stated intent to use the opinion solely to avoid paying attorney’s fees—as opposed to using it to ensure that it avoided infringing the patent.¹¹³ Peterson asserted that the remaining factor standing alone did not amount to reckless conduct.¹¹⁴

Golden Blount countered that Peterson’s understanding of *Knorr-Bremse* was incorrect and that “*Knorr-Bremse* only addressed adverse inferences and merely eliminated the ability of the trier of fact to infer from the absence of an opinion letter that such an opinion, if rendered, would have been unfavorable to the potential infringer.”¹¹⁵ This set up a core question arguably left unaddressed by earlier post-*Knorr-Bremse* cases—whether the fact-finder (in this case the judge) could consider the absence of an opinion in determining willfulness.

The court began its response by outlining one of its key holdings—withholding an opinion was insufficient to support a *prima facie* case of willful infringement or to shift the burden to the accused infringer:

¹⁰⁹ *Id.* at 1366.

¹¹⁰ *Id.* at 1367 (quoting the district court).

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *Id.* at 1366-67. Peterson had apparently decided that any infringement damages were so small that “the suit was not a very meaningful case ‘dollarwise.’” *Id.* at 1367 (quoting Peterson). The management appears to have decided they would rather just risk paying those damages (so long as willfulness wasn’t found) than follow the law. *Id.*

¹¹⁴ *Id.* at 1367.

¹¹⁵ *Id.*

The patentee must present threshold evidence of culpable behavior” before the burden of production shifts to the accused to put on evidence that it acted with due care. That threshold showing cannot be satisfied merely by proof that the accused is asserting the attorney-client privilege to withhold an opinion of counsel.¹¹⁶

The court at first appeared to sidestep *Knorr-Bremse*, saying that Peterson did not withhold its opinion (nor completely fail to get an opinion), and thus the trial court could not have made the prohibited inference that a withheld opinion would have been “unfavorable.”¹¹⁷ Once the opinion was in evidence, nothing prevented the patentee from using the disclosed opinion in making out its prima facie case.¹¹⁸ Because *Knorr-Bremse* did not apply to this case,¹¹⁹ any clarification by *Golden Blount II* of *Knorr*’s second holding is technically dicta. Still, Judge Michel went on to cite his opinion in *Insituform*, saying that it was proper to use the lack of a *competent* opinion (even though an opinion was obtained) in evaluating the plaintiff’s prima facie case and “in deciding whether Peterson’s infringement was willful.”¹²⁰ This is almost the same as holding that it is proper to use a *complete lack of any* opinion in evaluating willfulness. *Golden Blount II* apparently refutes Peterson’s assertion that it had no duty to seek an opinion of counsel, and confirms that an opinion is an important safeguard against a finding of willful infringement.

Peterson fared no better in its second argument that:

[E]ven in the absence of a formal opinion of counsel, because [Peterson] held a reasonable, good-faith belief that it did not directly infringe and that its instructions did not induce its customers to infringe, it did not act in reckless disregard of the patent and thus the willfulness finding was clearly erroneous.¹²¹

The Federal Circuit quickly rejected this because Peterson “made little-to-no effort to assess whether it infringed or whether the

¹¹⁶ *Id.* at 1368 (internal citation and quotation omitted).

¹¹⁷ *See id.* at 1369. In particular, once the opinion was in evidence, nothing prevented the patentee from using information related to the disclosed opinion in making out its prima facie case.

¹¹⁸ *Id.*

¹¹⁹ After all, the defendant neither failed to get an opinion (though the opinion it got was apparently unwritten and of low quality), nor withheld an opinion.

¹²⁰ *Golden Blount II*, 438 F.3d at 1369.

The competence of those opinions and the facts surrounding Peterson’s obtaining of those opinions were relevant to the willfulness issue and properly were considered by the district court, along with all of the other evidence presented, both in assessing whether Golden Blount made out its prima facie case, and in deciding whether Peterson’s infringement was willful.

Id. (internal citations omitted).

¹²¹ *Id.* at 1367.

patent was invalid after receiving notice of the patent.”¹²²

The *Golden Blount II* panel read *Knorr-Bremse* narrowly, extending the earlier case’s prohibition of negative inferences no further than the question of whether an opinion, if obtained, would have been negative. Plaintiffs could still use the lack of an opinion for inferring that the defendant failed in its duty of due care to respect the patent and in building its prima facie case of willfulness. Despite the Federal Circuit’s sometimes mixed messages regarding *Knorr-Bremse*’s second holding, district courts appear to have gotten this same message. Yet, as district judges have grappled with *Knorr-Bremse*’s unanswered questions, they may have effectively (and significantly) broadened the effect of its first holding regarding opinions that are obtained but withheld.¹²³

V. DISTRICT COURT PRECEDENT FOLLOWING *KNORR-BREMSE*

As of April 2007, over forty district court cases in seven circuits have cited *Knorr-Bremse*. Many of these cases have addressed issues of *Knorr-Bremse*’s scope, its application in trial and discovery practice, and the extent to which defendants may protect the contents of pre-litigation patent opinions while simultaneously drawing positive inferences from their existence.¹²⁴

A. *Refining the Scope of Knorr-Bremse*

District courts have resisted any explicit broadening of the Federal Circuit’s opinion, even though their procedural decisions may have effectively done so. The defendant in *Third Wave Technologies v. Stratagene Corp.* attempted to broaden *Knorr-Bremse*’s holding by truncating it: “[I]t is inappropriate to draw an adverse inference from the failure to consult counsel.”¹²⁵ Stratagene was

¹²² *Id.* at 1369.

[T]he district court did not clearly err in inferring that Peterson demonstrated a cavalier attitude toward Golden Blount’s patent rights from the facts that Peterson did not respond substantively to Golden Blount’s notice letters and that it only sought a thorough opinion of counsel after suit was filed, and then only out of a concern to avoid a willfulness finding and a possible judgment for attorney fees.

Id. at 1370.

¹²³ For this article, “broadening” the holding means that the protection the holding gives to those accused of willful infringement is broader.

¹²⁴ On remand, *Knorr-Bremse* itself was decided in favor of the patentee, as even without the inference, there were still many other factors supporting a willfulness finding. See *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 372 F. Supp. 2d 833, 847 (E.D. Va. 2005) (“[D]efendants made a business decision to place the convenience and satisfaction of their customers above their affirmative duty of care to avoid infringing plaintiff’s valid patent rights through their use of the Mark II air disk brake.”).

¹²⁵ *Third Wave Techs., Inc. v. Stratagene Corp.*, 405 F. Supp. 2d 991, 1016 (D. Wis. 2005) (quoting *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004)).

aware of Third Wave's patents but failed to get an opinion until after Third Wave sued. Strategene moved for JMOL after the jury found it guilty of willful infringement.¹²⁶ Relying on the truncated holding, Strategene argued that even if the defendant had been aware of plaintiff's patents before plaintiff filed suit, the jury could draw no adverse inference from that knowledge.¹²⁷

The court quickly responded that:

[W]hen read in full and in context, [Knorr-Bremse] . . . did not say that it was improper for a jury to infer from an infringer's failure to consult counsel that the infringer had no prior knowledge of its opponent's patents or that it had not acted properly in other respects.¹²⁸

Instead, according to *Third Wave*, *Knorr-Bremse* went no further than prohibiting fact-finders from drawing any inferences about what the opinion might have said had it been issued.¹²⁹ The *Third Wave* opinion also denounced the defendant's opinion letter, noting that because it "was not timely; it did not rest on an accurate analysis of the relevant facts; and it included no opinion on infringement but rested entirely on counsel's opinion that the patents were invalid . . .," thus providing no defense to enhanced damages for willfulness.¹³⁰

When the defendant's expert witness was sick and could not testify in support of an invalidity defense at an earlier trial, the court in *Applied Medical Resource Corp. v. United States Surgical Corp.* refused to broaden *Knorr-Bremse* to also prohibit adverse inferences related to invalidity.¹³¹ United States Surgical, the defendant, argued that it should not be estopped from re-litigating its invalidity arguments during a later trial because the jury in the earlier trial had made an impermissible inference of validity when United States Surgical failed to timely present its patent opinions. The judge noted that *Knorr-Bremse* applied only to inferences made regarding "the attorney-client privilege and willfulness, not to the invalidity of patents."¹³²

B. Trial Practice

Some references to the lack of a patent opinion, and certainly those made prior to *Knorr-Bremse*, may still be allowed if other

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.* at 1016-17.

¹³⁰ *Id.* at 1016.

¹³¹ *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 352 F. Supp. 2d 1119, 1127 (C.D. Cal. 2005).

¹³² *Id.*

mitigating factors are present. After a jury verdict for the plaintiff in *Applera Corp. v. MJ Research Inc.*, a Connecticut district court reviewed the patentee's motion to enhance damages and for an award of attorney's fees based on willful infringement. The original trial had occurred prior to the *Knorr-Bremse* decision.¹³³ Although the plaintiff's counsel had pointed to the absence of a legal opinion letter on the Applera patents during its closing argument, the judge considered the reference to be only one factor of many called to the jury's attention. In view of the "overwhelming evidence of willful infringement supporting the jury's verdict," the district court judge concluded that this argument was not outcome determinative and granted the plaintiff's motion despite *Knorr-Bremse's* holding.¹³⁴

Even for cases decided after *Knorr-Bremse*, district courts have been almost unanimous in allowing evidence of defendants' failures to obtain opinions. In *z4 Technologies, Inc. v. Microsoft Corp.*, the accused infringer (Microsoft) argued that their motion for JMOL as to willful infringement should be granted because of insufficient evidence.¹³⁵ The only evidence of willfulness the plaintiff presented was a Microsoft representative (Cole) who admitted that she had not formed an opinion regarding the patents at issue.¹³⁶ Microsoft argued that the "only effect Cole's testimony could have was to create the type of improper negative inference against Microsoft that the Federal Circuit banned in *Knorr-Bremse*."¹³⁷ The court replied that "[t]here is a difference between the adverse inference discussed in *Knorr-Bremse* and any inference that might have arisen from the deposition testimony"¹³⁸ The court decided that:

The inference that the jury could have drawn from Cole's testimony was that Microsoft did not seek the advice of counsel based on the fact that Cole did not have an opinion on the subjects of infringement or invalidity. This type of inference is still appropriate under Federal Circuit authority.¹³⁹

Because "[n]either the Court nor z4 instructed the jury to draw an adverse inference or evidentiary presumption that had Microsoft obtained the advice of counsel, the opinion would have been unfavorable . . . the portion of Cole's testimony read into

¹³³ *Applera Corp. v. MJ Research Inc.*, 372 F. Supp. 2d 233, 243 (D. Conn. 2005).

¹³⁴ *Id.*

¹³⁵ *z4 Techs., Inc. v. Microsoft Corp.*, No. 6:06-CV-142, 2006 WL 2401099, at *8 (E.D. Tex. Aug 18, 2006).

¹³⁶ *Id.* at *7-8.

¹³⁷ *Id.* at *8.

¹³⁸ *Id.*

¹³⁹ *Id.*

evidence by z4 was not improper.”¹⁴⁰

In *Avocent Huntsville Corp. v. ClearCube Technology, Inc.*, a federal district court in Alabama had to decide whether it would allow a jury to hear that an accused infringer had failed to obtain a patent opinion.¹⁴¹ The defendant’s motion for partial summary judgment of no willful infringement turned on the admissibility of the lack of an opinion.¹⁴² The court recognized that the Federal Circuit had left this unanswered, but decided that:

A jury may consider the evidence that ClearCube has failed to obtain a formal opinion of counsel Such evidence also may weigh in a jury’s determination that, after receiving actual notice of Avocent’s patent rights, ClearCube neglected its “duty to exercise due care to determine whether or not [it] is infringing.”¹⁴³

Even more specifically, the defendant in *IMX, Inc. v. Lendingtree, LLC* asked the court during a pre-trial conference whether the plaintiff “may make any arguments or seek to draw inferences relating to the fact that the opinion of counsel obtained by defendant addressed the issue of invalidity of the patent-in-suit, but not the issue of infringement.”¹⁴⁴ This question is essentially whether *Knorr-Bremse’s* second holding prevents any mention of failure to obtain an opinion in proving willfulness. The court held tightly to the distinction between drawing an inference on the *nature* of the opinion versus the *presence* of an opinion, prohibiting the former, but allowing the latter.¹⁴⁵ Willfulness determinations continued to be based on the totality of the circumstances, and the lack of an opinion was still part of that totality.¹⁴⁶ For this reason, the court allowed the plaintiff to refer to the defendant’s lack of an opinion on infringement.

Outcomes have been very different in cases where an opinion was obtained but withheld, as happened in *McKesson Information*

¹⁴⁰ *Id.*

¹⁴¹ *Avocent Huntsville Corp. v. ClearCube Tech., Inc.*, CV-03-S-2875, 2006 WL 2109503, at *26 (N.D. Ala. July 28, 2006). The court noted that “it is undisputed that ClearCube never obtained a formal opinion of counsel regarding infringement of the patents-in-suit, or the validity or unenforceability of the patents-in-suit.” *Id.*

¹⁴² *See id.*

¹⁴³ *Id.* (quoting *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986); *see supra* Part V.B.

¹⁴⁴ *IMX, Inc. v. Lendingtree, LLC*, Civ. 03-1067, 2006 WL 38918, at *1 (D. Del. Jan. 6, 2006) (quoting pretrial conference).

¹⁴⁵ *Id.* (“The fact that no opinion of counsel on the issue of infringement was acquired by defendant may be considered by the trier of fact in its willful infringement analysis, but no inference may be drawn to suggest that such an opinion, had it been acquired, would have been unfavorable to defendant.”).

¹⁴⁶ *Id.* (“Unchanged by *Knorr-Bremse* is the standard that a determination of willfulness is made as a result of consideration of the totality of the circumstances.”).

*Solutions, Inc. v. Bridge Medical, Inc.*¹⁴⁷ The defendant, Bridge, moved to prevent McKesson from informing the jury that Bridge had asserted privilege over an opinion that Bridge had not intended to reference at trial.¹⁴⁸ Both parties agreed that *Knorr-Bremse* prevented arguments that the jury infer the opinion was unfavorable, but the judge noted that the Federal Circuit had declined to answer whether the jury could be informed that Bridge had consulted counsel.¹⁴⁹ After distinguishing *IMX* and *Third Wave* as cases where the defense had not sought opinions, the *McKesson* judge excluded any mention of Bridge's opinion (in "all respects") because "any possible inference that the jury could draw from knowing that Bridge received an opinion of counsel but refuses to reveal it under a claim of privilege, would run directly afoul of the rationale of *Knorr*."¹⁵⁰ He recognized that any decision would prejudice one of the party's interests, but decided that "[u]ltimately, the court must balance the parties' respective interests, considering the dictates of *Knorr* and its emphasis on the sanctity of the privilege."¹⁵¹

What is important about *McKesson* is that in concluding that *no* mention can be made of a withheld opinion, it essentially removes these protected patent opinions as a willfulness factor. Thus, even if an opinion clearly indicates infringement of a valid patent, its purchase price includes the valuable ability to pull any use of the opinion out from under the plaintiff's case. This effectively constitutes removing what was considered by many to be the most important willfulness factor and, if other courts follow suit, a considerable change in the law.

Finally, if defendants offer evidence of an opinion that is then excluded by the court itself, it is possible the jury will essentially be told that no valid opinion was obtained, and the usual negative consequences will attach. In *Andrew Corp. v. Beverly Manufacturing Co.*,¹⁵² the court excluded an opinion that was written by a firm found to have a conflict of interest due to its involvement with both the defendant and the plaintiff. The court appreciated the effect this would have on the defendant's willfulness defense, but felt compelled nevertheless to hold the counsel's ethical failure against the defendant.

¹⁴⁷ *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 434 F. Supp. 2d 810 (E.D. Cal. 2006).

¹⁴⁸ *Id.* at 811.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 812.

¹⁵¹ *McKesson*, 434 F. Supp. 2d at 812.

¹⁵² *Andrew Corp. v. Beverly Mfg. Co.*, No. 04 C 6214, 2006 U.S. Dist. LEXIS 87256 (N.D. Ill. Feb. 16, 2006).

C. *Discovery Practice and the Scope of Waiver*

Knorr-Bremse is also having an effect on discovery practice and the scope of waiver resulting from relying on an opinion of counsel. In 2006, the Federal Circuit addressed the scope of waiver in *In re Echostar Communications*, but the scope's exact contours remain unclear. Many questions raised by practical applications of *Knorr-Bremse* remain unanswered.¹⁵³ *Echostar* determined that reliance on an opinion waives attorney-client privilege over documents a defendant receives from its attorneys pertaining to the "subject matter" of the opinion.¹⁵⁴ The waiver can even include documents the defendants received from trial counsel after the start of litigation if ongoing willful infringement is at issue, though work-product not communicated to the defendants is still privileged.¹⁵⁵ The *Echostar* court thus decided that its defendant could not rely on the opinion of its in-house counsel on non-infringement while withholding the opinion of outside counsel on the same subject.¹⁵⁶

Prior to *Echostar*, many courts viewed *Knorr-Bremse* as an indicator of the sanctity of the privilege and protected it accordingly. A California district court cited *Knorr-Bremse* when denying a motion to compel production of documents exchanged between the defendant's engineers and its former litigation counsel.¹⁵⁷ The plaintiff argued that any privilege for these documents was waived because they were "relevant to the state of mind of . . . the alleged infringer."¹⁵⁸ The court cited *Knorr-Bremse* as "caution[ing] against risking intrusion upon 'full communication and ultimately the public interest in encouraging open and confidential relationships between client and attorney.'"¹⁵⁹ It noted that the opinion had been obtained near the beginning of the trial and emphasized that the opinion was "created in anticipation of the litigation at the instance of

¹⁵³ Moreover, interpretations of *Echostar* vary widely. Some courts have given it a broad interpretation, allowing the scope of waiver to include trial counsel as well as opinion counsel. *See, e.g.*, *Beck Systems, Inc. v. Managesoft Corp.*, No. 05 C 2036, 2006 WL 2037356, at *8 (N.D. Ill. July 14, 2006). Others have fallen in a sort of middle ground while still others have strictly restricted the waiver to non-trial counsel. *See, e.g.*, *Ampex Corp. v. Eastman Kodak Co.*, No. Civ A. 04-1373, 2006 WL 1995140, at *2 (D. Del. July 17, 2006). One district court did not include in the scope of a waiver an (apparently pre-suit) invalidity opinion that the defendant did not rely upon and also held that such waivers certainly do not extend "post filing." *Ind. Mills & Mfg., Inc. v. Dorel Indus., Inc.*, 1:04-CV-01102, 2006 U.S. Dist. LEXIS 34023, at *18, 20 (D. Ind. May 26, 2006).

¹⁵⁴ *Echostar*, 448 F.3d at 1299.

¹⁵⁵ *Id.* at 1299, 1303.

¹⁵⁶ *Id.* at 1299.

¹⁵⁷ *Collaboration Props., Inc. v. Polycom, Inc.*, 224 F.R.D. 473, 477 (N.D. Cal. 2004).

¹⁵⁸ *Id.* at 476.

¹⁵⁹ *Id.* at 477 (quoting *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004)).

litigation counsel.”¹⁶⁰ An Illinois court construed a similar waiver even more narrowly. A request for documents related to the defendant’s willfulness defense was limited to “opinion of counsel” documents that were actually communicated to the defendant.¹⁶¹ The private papers and supporting documents that the lawyer used in preparing their opinion remained privileged.¹⁶²

It is likely that the above two cases might have been decided differently after *Echostar*, but other cases immediately following *Knorr-Bremse* have addressed situations that *Echostar* never resolved. In an unreported California district court case—*Terra Novo, Inc. v. Golden Gate Products*—a magistrate judge interpreted *Knorr-Bremse* as giving the defendant a new-found (and mutually-exclusive) choice between keeping its opinion confidential or relying on it in a willfulness defense.¹⁶³ The judge emphasized that when defendants use an advice-of-counsel defense, they waive the attorney-client privilege as to communications and documents relating to the advice.¹⁶⁴

It should be noted, however, that *Terra Novo* limited the privilege waiver affected by the defense to something less than *all* communications regarding opinions on the patent. The defendant’s willfulness defense relied on an opinion (that addressed only the issue of validity) from one attorney, and the defendants later received advice on whether it infringed from another (unrelated) attorney.¹⁶⁵ This second attorney later became defense litigation counsel.¹⁶⁶ The court allowed the defendant to rely on (if disclosed) the validity opinion, but still allowed it to withhold the advice they had shared *exclusively* with the litigation counsel.¹⁶⁷ It was clear that the court’s rationale was that the information exchanged during litigation was more privileged than that shared with opinion counsel prior to suit.¹⁶⁸ Nonetheless, this raises speculation regarding whether a defendant could obtain two opinions, each on different subject matter (i.e., invalidity and non-infringement). One opinion could

¹⁶⁰ *Id.*

¹⁶¹ *Ropak Corp. v. Plastikan, Inc.*, No. 04 C 5422, 2006 U.S. Dist. LEXIS 19912, at *18 (D. Ill. Apr. 17, 2006).

¹⁶² *See id.*

¹⁶³ *See Terra Novo, Inc. v. Golden Gate Prods., Inc.*, No. C-03-2684, 2004 WL 2254559, at *2 (N.D. Cal. Oct. 1, 2004) (citing *Handgards, Inc. v. Johnson & Johnson*, 413 F. Supp. 926, 929 (N.D. Cal. 1976)).

¹⁶⁴ *Id.* This is not much of a “choice,” however. Such a choice continues to force many defendants to disclose strategic information in order to effectively refute claims of willful infringement.

¹⁶⁵ *Id.* at *1.

¹⁶⁶ *Id.*

¹⁶⁷ *See id.* at *3.

¹⁶⁸ *See id.* (“After litigation has commenced, the dangers inherent in invading the confidentiality of the attorney-client privilege are magnified.”).

be written with greater candor and tailored to litigation, and a second opinion could be authored by separate opinion counsel and directed for use as a willfulness defense. Defendants might be able to disclose only the second opinion and use *Knorr-Bremse* to protect against any inference from withholding the first.¹⁶⁹ It is likely that courts would be very strict in reviewing such strategies, as the use of privilege as both a “sword and a shield” is almost universally prohibited.

For example, the defendant in *Software AG v. BEA Systems, Inc.*, BEA, attempted to introduce evidence that it employed a patent lawyer (Meyer) in its pre-litigation correspondence with plaintiff Software AG while simultaneously asserting privilege as to that lawyer’s private communications with BEA.¹⁷⁰ BEA argued that it should be allowed to do both because they were not planning on presenting “evidence of any opinion that Meyer might have formed, or whether Meyer was asked to form such an opinion.”¹⁷¹ The court refused to allow BEA to identify the author of the correspondence as a patent lawyer for fear that doing so would allow the jury to make a “subtle ‘wink wink’” inference that the patent attorney’s involvement demonstrated BEA’s lack of willfulness.¹⁷² It would not allow even an inference that a patent opinion was obtained without also allowing the plaintiff access to that opinion.

CONCLUSION

Several conclusions can be made in light of *Knorr-Bremse* and subsequent cases. First, a competent patent opinion remains a critical safeguard against a finding of willful infringement.¹⁷³

¹⁶⁹ However, “[s]ome courts have articulated the scope of the waiver more broadly, stating that the attorney-client privilege is waived with respect to all documents pertaining to the infringement of the patents at issue.” Powers & Carlson, *supra* note 7, at 87. Even if the court allowed this strategy, the opinions would likely have to be directed at different legal questions, such as invalidity and infringement. See *In re Echostar Commc’ns Corp.*, 448 F.3d 1294 (Fed. Cir. 2006) (reiterating that “when [a defendant] rel[ies] on the advice of in-house counsel, it waive[s] the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel.”).

On January 26, 2007, the Federal Circuit decided *sua sponte* to consider a petition for a writ of mandamus en banc to address: 1) whether a “party’s assertion of the advice of counsel defense to willful infringement [should] extend waiver of the attorney-client privilege to communications with that party’s trial counsel,” 2) whether “the effect of any such waiver on work-product immunity,” and 3) whether it should “reconsider the decision in *Underwater Devices* and the duty of care standard itself.” *In re Seagate Tech., LLC*, 2007 WL 196403, at *1 (Fed. Cir. Jan. 26, 2007).

¹⁷⁰ *Software AG v. BEA Sys., Inc.*, No. Civ.A.03-739, 2005 WL 859266, at *2 (D. Del. Apr. 8, 2005).

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ See *Harris Corp. v. Ericsson Inc.*, 417 F.3d 1241, 1259 (Fed. Cir. 2005) (“Those cases

Second, fact-finders are still free to find a lack of due care, and thus willfulness, from a defendant's failure to obtain a competent opinion.¹⁷⁴ Some decisions have hinted at limiting this ability, but these cases may have been influenced by the deference shown to trial judges and juries on willfulness.¹⁷⁵

Later cases have begun to define how litigators can approach willful infringement when defendants fail to obtain opinions. As discussed in Part IV.B, plaintiffs' lawyers may aggressively draw the jury's attention to an absence of a patent opinion. Jury instructions that do not explicitly allow—but do not explicitly prohibit—an adverse inference that any opinion would have been negative, appear to be valid despite the fact a jury is likely to naturally make that inference.

Although these inferences are technically prohibited by law, the impact of these later cases seems likely to allow them practically. If juries can factor a defendant's failure to seek an opinion into their willfulness decision (with the help of the plaintiff's attorneys), it is easy to imagine them implicitly thinking that such an opinion, if obtained, would have been negative.¹⁷⁶ Ultimately, for defendants who did not seek advice of counsel, *Knorr-Bremse* appears to have changed little. But *Knorr-Bremse* has greatly increased the returns for those who do invest in a pre-trial patent opinion.

In the post *Knorr-Bremse* world, plaintiffs cannot make a prima facie showing of willfulness based solely on proof that the accused is asserting the attorney-client privilege to withhold an opinion of counsel.¹⁷⁷ Patentees may face a much more difficult discovery phase, because, without an opinion, they may have to show willfulness using less tangible (and likely more difficult to find)

where willful infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent.”) (quoting *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828-29 (Fed. Cir. 1992)).

¹⁷⁴ See *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1369 (Fed. Cir. 2006) (*Golden Blount II*); *Engineered Prods. Co. v. Donaldson Co.*, 147 F. App'x 979, 991 (Fed. Cir. 2005). Technically, the case could still be seen as only dicta on this issue, however.

¹⁷⁵ See *Imonex Servs. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F.3d 1374 (Fed. Cir. 2005) (affirming district court's refusal to overturn the jury verdict of non-willfulness and holding that failure to solicit an opinion does not give rise to an inference of willfulness); see also *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1380 (Fed. Cir. 2005) (affirming non-willfulness despite defendant's lack of a formal opinion); *Mallinckrodt, Inc. v. Masimo Corp.*, 147 F. App'x 158, 171 (Fed. Cir. 2005) (affirming district court's decision to overturn the jury's willfulness determination regardless of the fact the defendant failed to obtain an opinion).

¹⁷⁶ If the jury has already found infringement of a valid opinion, it is natural that they would think that any opinion that was obtained would have reached the same conclusions the jury reached.

¹⁷⁷ *Golden Blount II*, 438 F.3d at 1368.

evidence.

Plaintiffs in these cases may not be able to even mention the *existence* of these withheld opinions.¹⁷⁸ If courts follow *McKesson*, defendants with opinions are now in a win-win position. A favorable opinion is a strong defense against willfulness, and if the opinion is unfavorable, defendants can remove what would have been their opponent's strongest offense by claiming privilege. By removing the issue of an opinion completely from the jury, this effectively removes it from consideration as an element for willful infringement—a considerable change in the law.

If courts do not follow *McKesson*, however, practical considerations may eviscerate *Knorr-Bremse's* prohibition against inferring that a withheld opinion would have been negative. Imagine a case in which the defendant testifies that it got a competent opinion, but is unwilling to share that opinion with the court. As the *McKesson* judge reasoned, it is easy to imagine jurors asking themselves why the defendants would not present the opinion if it tended to exonerate them.¹⁷⁹ And if the jury then quietly assumes that the opinion must have indicted the defendants, it would be difficult for jurors not to find that any infringement was willful. Either way, defendants who withhold a patent opinion are still likely to lose.

It is possible that jury instructions could be created that explain that the opinion might have been withheld because it contained confidential or strategically-important information. Even so, asking the jury to keep the distinction between negative inferences regarding the content of the opinion and otherwise proper inferences about willfulness may be risky no matter how carefully the court writes its instructions.

One possible countermeasure for defendants might be to obtain two opinions on different subjects (perhaps one on infringement and one on invalidity) when faced with an important and meritorious threat of suit.¹⁸⁰ Though this tactic had no specific support in the case law at the time this article was written, it might allow defendants to have their cake and eat it too. Our hypothetical general counsel could obtain one patent opinion from its litigation counsel that discloses an unguarded opinion that might include sensitive strategies for fighting the patentee's allegations, and another patent opinion (perhaps from its regular patent attorneys) that is better suited for use in a willfulness

¹⁷⁸ See *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, Civ. S-02-2669, 2006 WL 1030170, at *1 (E.D. Cal. Sept. 6, 2006).

¹⁷⁹ See *id.* at *2.

¹⁸⁰ See *supra* Part V.D.

defense. *Knorr-Bremse* could be used to remove any inference that the former opinion was negative when the defendant asserts privilege to protect it. The latter would allow defense counsel to put its “best foot forward” by disclosing the opinion to the court in order to defend against any charge of willfulness.

Prior to *Knorr-Bremse*, many commentators had noted the chilling effect of the Federal Circuit’s previous adverse inference rule.¹⁸¹ Given what is at least technically an option of withholding an opinion without a negative inference, attorneys may now have the freedom to provide less guarded, more frank information with less fear of its disclosure.¹⁸²

¹⁸¹ Powers & Carlson, *supra* note 7, at 102.

[S]ophisticated parties know, in advance of litigation, that any statements made to their attorneys may be made available at trial. In anticipation of a waiver of the attorney-client privilege, companies undoubtedly restrict the scope of their communications with their attorneys. Presumably, parties are less at liberty to engage in frank discussions to ascertain the potential liability for their conduct.

Id. at 113.

¹⁸² Lester & Mahalingappa, *supra* note 70 (“Instead of the lengthy, intensely formal, and rather expensive opinions of recent years, opinions can now be written for the client, in a short and straightforward manner that the client can actually understand.”).