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**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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KNORR-BREMSE SYSTEME FUER NUTZFAHRZEUGE GMBH,

*Plaintiff-Cross Appellant,*

v.

DANA CORPORATION,

*Defendant-Appellant*

and

HALDEX BRAKE PRODUCTS CORPORATION, and HALDEX BRAKE PRODUCTS AB,

*Defendants-Appellants.*

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF VIRGINIA IN 00-CV-803, JUDGE T. S. ELLIS III.

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**BRIEF FOR THE ASSOCIATION OF PATENT LAW FIRMS AS  
*AMICUS CURIAE***

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## CERTIFICATE OF INTEREST

Counsel for *amicus curiae* Association of Patent Law Firms certifies the following:

1. The full name of every party represented by me is:

Association of Patent Law Firms

2. The name of the real party in interest represented by me is:

Association of Patent Law Firms

3. All parent corporations and any publicly held companies that own 10% or more of the stock of the party represented by me is:

None

4. The name of all law firms and the partners or associates that appeared for the party represented by me in the trial court or are expected to appear in this court are:

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## STATEMENT OF *AMICUS CURIAE*

The Association of Patent Law Firms (“APLF”) is a national association of law firms that devote a majority of their practice to patent law. Practicing attorneys of APLF member firms are skilled and experienced in the areas of patent litigation, patent application and counseling services. As an alliance strictly of patent law firms, a major objective is to jointly promote the interests of the patent system and the advantages realized by clients when they select a law firm devoted to the practice of patent law.

The APLF urges the United States Court of Appeals for the Federal Circuit to consider the following brief as *amicus curiae* to clarify issues related to the opinion of counsel defense to willful infringement.

The APLF has no stake in this litigation or in the results of the case. The parties to the case did not participate in the preparation of this *amicus curiae* brief.

The Association of Patent Law Firms submits this *amicus curiae* brief pursuant to the Court's September 29, 2003 Order inviting comment on the following issues:

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?
2. When the defendant has not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?
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?

### **SUMMARY OF ARGUMENT**

The sanctions of treble damages and the award of attorneys fees under 35 U.S.C. §§284 and 285 for the willful infringement of a patent are important deterrents to those willing to disregard a patent owner's legal rights. This Court's precedent requiring consideration of the totality of the circumstances and proof of willful infringement by clear and convincing evidence strikes a necessary balance between patent owners' rights and those of alleged infringers. *See, e.g., State Contracting & Engineering Corp. v. Condotte America, Inc.*, 2003 U.S. App.

LEXIS 20422 \*14-15 (Fed. Cir. Oct. 7, 2003); *WMS Gaming Inc. v. International Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999).

This Court's early decisions, however, on the role of advice of counsel in rebutting allegations of willful infringement significantly disturb this balance of competing rights. Cases such as *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983), and *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986), impose an affirmative duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity. They further impose an adverse inference when that legal advice is properly protected from discovery as attorney-client privileged and work product immune. In practical effect, this precedent unfairly shifts the burden of proof on the issue of willfulness.

Under these cases, a patent owner need only establish an alleged infringer's notice of the patent in suit (no matter how passing) to require the alleged infringer's production and waiver of privilege to an opinion of counsel. An alleged infringer failing to do so suffers the legal presumption that it failed to satisfy its "affirmative duty," or worse, an inference that it received *adverse* legal advice. Other more probative facts supporting the alleged infringer's good faith often are simply ignored. The APLF respectfully submits that this Court should restore



the proper balance between the rights of patent owners and alleged infringers by the following:

1. Overturning the Court's prior precedent imposing an "adverse inference" from the proper assertion of the attorney-client privilege and work product immunity to protect legal advice concerning a patent, except in the rare case where interests of justice leave no other alternative;

2. Confirming that the presence or absence of advice of counsel is not determinative on the issue of willful infringement, but is only one factor in considering the totality of the circumstances; and

3. Confirming that an alleged infringer should be permitted to rebut allegations of willful infringement with *all* relevant evidence establishing its due care and good faith, including substantial liability defenses.

## ARGUMENT

The attorney-client privilege serves the vital role of promoting “broader public interests in the observance of law and administration of justice.... sound legal advice or advocacy serves public ends and.... such advice or advocacy depends upon the lawyer's being fully informed by the client.” *Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S. Ct. 677, 682, 66 L. Ed. 2d 584, 591 (1981). The work product immunity similarly serves a “strong public policy” by protecting the mental impressions, strategies and plans of counsel in or anticipating litigation. *Id.*, 449 U.S. at 398, 101 S. Ct. at 687, 66 L.Ed. at 596. This Court should not permit overly broad statements from its prior cases to continue to undercut the privilege and immunity, and the public interests that they serve.

### **A. An Adverse Inference Should Not Result From The Proper Assertion Of The Attorney-Client Privilege and Work Product Immunity**

Under *Kloster* and subsequent cases, an adverse inference is imposed solely based on the proper assertion of privilege and work product immunity to legal advice concerning a patent. *See, e.g., Kloster*, 793 F.3d at 1580. Thus, alleged patent infringers (unlike other litigants, including the patent owner) face the dilemma that the privilege and immunity are intended to prevent. The alleged

infringer is duty bound to seek legal advice concerning a patent, but must assume that any such legal advice will be revealed to their opponents.

**1. The Negative Consequences Of The Adverse Inference Rule Outweigh Its Benefits As A Matter of Public Policy**

This adverse inference rule, as a result, discourages open, frank and objective discussions between counsel and client, contrary to the public interest. *See, e.g., Lucent Information Management, Inc. v. Lucent Technologies, Inc.*, 186 F.3d 311, 318 (3<sup>rd</sup> Cir. 1999); *Parker v. Prudential Ins. Co. of America*, 900 F.2d 772, 775 (4<sup>th</sup> Cir. 1990)(both refusing to apply an adverse inference due to the assertion of privilege). Indeed, few clients will openly discuss legally sensitive concerns knowing that their opponents are effectively “listening in” on their discussions with counsel.

Moreover, when legal advice is sought, this rule compels rational attorneys and clients to draft records of that advice with an eye toward litigation, sanitized of any potentially controversial issues. If such precautions are not taken, objective evaluations and true “pro” versus “con” discussions can be manufactured into alleged “admissions” in litigation.

The waiver of privilege to an opinion further can result in a subject matter waiver of all other privileged and immune communications, including the trial

counsel work product that the Supreme Court held should be “inviolable”, to avoid “[i]nefficiency, unfairness and sharp practices....” *UpJohn*, 449 U.S. at 398, 101 S. Ct. at 687, 66 L.Ed. at 596. The scope of this waiver, however, is unpredictable and depends entirely on district courts’ discretion.

In some cases, the waiver is narrowly construed, and in others, the waiver is broadly applied to include attorney-client communications and trial counsel work product that, at best, may be tangentially related to the opinions. *See, e.g., Novartis Pharmaceuticals Corp. v. Eon Labs Mfg., Inc.*, 206 F.R.D. 396, 398 (D. Del. 2002)(broad waiver); *Thorn EMI North America, Inc. v. Micron Technology, Inc.*, 837 F.Supp. 616, 621 (D. Del. 1993)(narrow waiver); *See also Steelcase, Inc. v. Haworth, Inc.*, 954 F.Supp. 1195, 1199-2000 (W.D. Mich. 1997)(narrow waiver).

The forced production of privileged documents also frequently results in wasteful depositions of counsel and others in efforts to collaterally attack opinions of counsel. *See, e.g., Belmont Textile Machinery Co. v. Superba, S.A.*, 48 F. Supp. 2d 521, 523 (W.D.N.C. 1999). Thus, the threat of an “adverse inference” from the proper assertion of privilege and work product immunity generates expensive and unpredictable satellite litigation in virtually every patent case.

At least one district court attempted to justify such discovery battles because “focusing on the infringer’s waiver rather than state of mind may reduce the chances of legal gamesmanship creeping into the practice of rendering infringement and validity opinions.” *Novartis*, 206 F.R.D. at 399. This Court’s well established authority, however, holds that the focus for willful infringement ***always should be on the state of mind of the alleged infringer.*** See e.g., *SRI International, Inc. v. Advanced Technology Labs., Inc.*, 127 F.3d 1462, 1464-65 (Fed. Cir. 1997); *Thorn*, 837 F.Supp. at 622. A rule compelling the waiver of privilege that itself creates the incentive for such “gamesmanship” and misdirection of the district courts is simply backwards.

The waiver of privilege compelled by the threat of an adverse inference also fuels efforts to disqualify the lawyers and law firms providing the legal advice as “necessary witnesses.” Such assertions impose a double penalty on the alleged infringer – further unnecessary litigation expenses and the loss of the counsel most knowledgeable concerning the patent at issue. Indeed, the *Novartis* court criticized a client for retaining ***other*** lawyers from the same firm that provided an opinion of counsel as “unconventional and risky.” 206 F.R.D. at 399. That court, in fact, ordered the production of all attorney work product concerning the patent in suit

from that firm, even from trial lawyers that were not involved in providing the opinions of counsel. *See Id.*

Thus, the “adverse inference” rule compels clients to retain separate opinion and trial counsel, who then must be walled off from each other. This significantly and unnecessarily increases legal expenses. The complete separation of trial and opinion counsel further can create inconsistencies and misunderstandings in the case, to the client’s detriment. Indeed, such inconsistencies can become a central focus at trial on liability *and* willfulness, even though they have little to do with either issue.

Similarly, when the adverse inference is applied, it can become the controlling, if not only, consideration on the issue of willful infringement. *See, American Medical Systems, Inc. v. Medical Engineering Corp.*, 6 F.3d 1523, 1531 (Fed. Cir. 1993); *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988); *Kloster*, 793 F.2d at 1580. At least one court has described the dilemma faced by an accused infringer in deciding whether or not to waive privilege for an opinion of counsel:

The argument offered . . . is that, in patent cases, the waiver rule creates a cruel dilemma for one accused of infringement. While reliance on an advice of counsel is not necessary *per se* to defend the suit, it is, as a practical matter, absolutely essential to the good faith

defense [against willful infringement]. Thus the choice is between a complete sacrifice of the privilege or a complete sacrifice of the defense.

*Abbott Labs. v. Baxter Travenol Labs, Inc.*, 676 F.Supp. 831, 832-33 (N.D. Ill. 1987). *See also, THK America, Inc. v. NSK, Ltd.*, 917 F. Supp. 563, 566-67 (N.D. Ill. 1996).

Only one reported decision has been found in which the court held that the refusal to produce a written opinion of counsel would *not* be used to impose an adverse inference on willfulness. As the Court correctly held, “that would undermine the purpose of the privilege.” *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 10 USPQ 2d 1628, 1631 n. 11 (N.D. Ohio 1989).

## **2. An Adverse Inference Should Be Permitted Only In The Rarest Of Circumstances**

A party threatened by a patent should be encouraged to obtain candid, informed legal advice concerning a patent without the threat of the forced disclosure of advice by the adverse inference rule. The only exception should be in the rare instance where there is *no* legitimate reason for withholding an opinion of counsel, and the interests of justice require its production to a patent owner. For example, the production of non-privileged documents showing that an alleged infringer did in fact receive adverse legal advice is an instance where a patentee

would have legitimate grounds for seeking discovery on the advice or an adverse inference.

This approach preserves an equitable balance between the interests of patentee and alleged infringer. The alleged infringer asserting privilege and the work product immunity to its legal advice, could not mention or rely on that advice or the fact that it was obtained in any respect. In turn, the patent owner could not mention privileged communications, but would be free to point out the alleged infringer's failure to offer any supportive legal advice as evidence of willful infringement.

**B. An Opinion Of Counsel Should Be Only One Consideration On The Issue Of Willfulness**

A competent and timely opinion of counsel is important evidence of an accused infringer's good faith belief that the patent-in-suit is invalid, not infringed or unenforceable. The presence or absence of an opinion of counsel, however, should be only one indicia of an alleged infringer's good faith and due care concerning a patent, not the sole determining factor. As this Court has emphasized in recent decisions, the fact finder should consider *all* of the evidence relevant to an alleged infringer's good faith and be free to draw its own conclusions on



willfulness. *See e.g., State Contracting*, 2003 U.S. App. LEXIS 2042 at \*14-15; *WMS*, 184 F.3d at 1354.

This Court, in fact, has affirmed non-willfulness judgments in the *absence* of an opinion of counsel based on other facts that demonstrated good faith. *See Id.* This Court's decisions since *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed. 577 (1996), in addition, emphasize that patent claims, specifications and prosecution histories are intended for, and must be interpreted as understood by, those of ordinary skill in the art. An alleged infringer, therefore, should not be precluded from relying on its own employees or others of ordinary skill in the art who conclude that a patent is not infringed or is invalid based on a proper analysis of a patent's intrinsic record.

**C. A Substantial Liability Defense Should Be An Important Consideration Bearing on Willfulness**

For the reasons discussed above, a substantial liability defense should be one factor considered in determining whether a patent owner has met its burden of proof. An alleged infringer's reliance on such defenses before beginning, or in continuing, its accused activities can be directly relevant to the alleged infringer's good faith, regardless of the presence or absence of opinions of counsel. This Court has so held in cases such as *State Contracting*, 2003 U.S. App. 20427, at

\*14-16; *Ajinomoto Co., Inc. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338, 1352 (Fed. Cir. 2000); *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 20 (Fed. Cir. 1984).

Moreover, the fact finder typically is the same for the liability and willfulness trials. Thus, the fact finder is capable of evaluating the strength of such defenses, the reasonableness of the alleged infringer's reliance on them, without jeopardizing the privilege or work product protections. Indeed, there is no reason why an alleged infringer with a substantial liability defense should be compelled to disclose its advice of counsel in order to rebut allegations of willful infringement.

### CONCLUSION

For the reasons stated above, the Court should modify, and if necessary, overrule its prior precedent as discussed above.

Respectfully submitted,

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November 5, 2003

## **CERTIFICATE OF COMPLIANCE**

Pursuant to Rule 32(a)(7)(C), Fed. R. App. P., I certify that this brief complies with the type-volume limitations of Rule 29(d), Fed. R. App. P., and the Court's September 29, 2003 Order. Exclusive of the portions of the brief exempted by Rule 32(a)(7)(B)(iii), Fed. R. App. P., and Rule 32(b), Fed. Cir. R., this brief contains 2,377 words. As permitted by Rule 32(a)(7)(C), Fed. R. App. P., I have relied upon the word count of the word processing program used to prepare this brief (Word Perfect 10) in preparing this certificate.

Respectfully submitted,

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Dated: November 5, 2003

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 5th day of November, 2003, two copies of the Brief of *Amicus Curiae* Association of Patent Law Firms were caused to be served by third-party commercial courier for overnight delivery on:

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