

No Adverse Inference From Invocation of Privilege

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Roy Simon's article in the June 2004 issue of NYPRR, *Privilege And Adverse Inferences In Patent Infringement Litigation*, centered on *KnorrBremse Systeme Fuer Nutzfahrzeuge GMHB v. Dana Corporation*, a patent infringement case before the Federal Circuit. The importance of the case is shown by the fact that twentyfive entities, including the ABA, filed amicus briefs. The Court considered the case en banc. The Court's holding, announced as NYPRR was going to press, was to the point.

We now hold that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel. Precedent to the contrary is overruled. We therefore vacate the judgment of willful infringement and remand for redetermination, on consideration of the totality of the circumstances but without the evidentiary contribution or presumptive weight of an adverse inference that any opinion of counsel was or would have been unfavorable.

The issues before the Court which aroused the concern of the Bar were:

Question 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?

The Court's answer: "No."

Although the duty to respect the law is undiminished, no adverse inference shall arise from invocation of the attorney client and/or work product privilege. The Supreme Court describes the attorney client privilege as "the oldest of the privileges for confidential communications known to common law," and has stressed the public purpose to encourage full and frank communication between attorneys and their clients....

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

Again, the Court answered: "No."

The issue here is not of privilege, but whether there is a legal duty upon a potential infringer to consult with counsel, such that failure to do so will provide an inference or evidentiary presumption that such opinion would have been negative.

Question 3 applied the answers to Questions 1 and 2 to the facts of *Knorr Bremse*. The Court then asked:

Question 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?

The answer is "no."

Precedent includes this factor with others to be considered among the totality of circumstances, stressing the "theme of whether a prudent person would have sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated," *SRI Int'l, Inc. v. Advanced Tech. Labs. Inc.*, 127 F.3d 1462, 1465 (Fed.Cir.1997). However, precedent also authorizes the trier of fact to accord each factor the weight warranted by its strength in the particular case. We deem this approach preferable to abstracting any factor for per se treatment, for this greater flexibility enables the trier of fact to fit the decision to all of the circumstances. We thus decline to adopt a per se rule.