
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

01-1357, -1376, 02-1221, -1256

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.

BRIEF OF THE AMERICAN BAR ASSOCIATION
AS AMICUS CURIAE
SUPPORTING NEITHER PARTY

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TABLE OF CONTENTS

TABLE OF AUTHORITIES..... ii

I. STATEMENT OF INTEREST1

II. ARGUMENT3

 A. *Fromson* Compromises Candor In Attorney-Client Communications.4

 B. The Harmful Effects Of The *Fromson* Inference Cannot Be Remedied By
 Bifurcation Or Other *Ad Hoc* Limitations.8

III. CONCLUSION10

TABLE OF AUTHORITIES

FEDERAL CASES

<i>A.B. Dick v. Marr</i> , 95 F. Supp. 83 (S.D.N.Y. 1950)	3
<i>Akeva L.L.C. v. Mizuno Corp.</i> , 243 F. Supp.2d 418 (M.D.N.C. 2003)	7
<i>Chiron Corp. v. Genentech, Inc.</i> , 179 F. Supp.2d 1182 (E.D. Cal. 2001)	7, 9
<i>F. & G Scrolling Mouse LLC v. IBM Corp.</i> , 190 F.R.D. 385 (M.D.N.C. 1999)	9
<i>Fromson v. Western Litho & Plate & Supply Co.</i> , 853 F.2d 1568 (Fed. Cir. 1988)	2, 3, 4, 5, 6, 8, 10
<i>In re Grand Jury Investigation</i> , 599 F.2d 1224 (3d Cir. 1979)	3
<i>Hickman v. Taylor</i> , 329 U.S. 495 (1947)	7
<i>Hunt v. Blackburn</i> , 128 U.S. 464 (1888)	3
<i>Kloster Speedsteel AB v. Crucible Inc.</i> , 793 F.2d 1565 (Fed. Cir. 1986)	4
<i>Matsushita Elecs. Corp. v. Loral Corp.</i> , 1995 U.S. Dist. LEXIS 12880 (S.D.N.Y. Sept. 7, 1995)	9
<i>Nabisco, Inc. v. PF Brands, Inc.</i> , 191 F.3d 208 (2d Cir. 1999)	4, 6
<i>Parker v. Prudential Insurance Co.</i> , 900 F.2d 772 (4th Cir. 1990)	7

<i>Pfizer Inc. v. Novopharm Ltd.</i> , 57 U.S.P.Q. 2d 1442 (N.D. Ill. 2000)	5, 9
<i>Quantum Corp. v. Tandon Corp.</i> , 940 F.2d 642 (Fed. Cir. 1991)	8
<i>In re Sealed Case</i> , 676 F.2d 793 (D.C. Cir. 1982)	5
<i>Thorn EMI N. Am., Inc. v. Micron Tech., Inc.</i> , 837 F. Supp. 616 (D. Del. 1993)	9
<i>Swidler & Berlin v. U.S.</i> , 524 U.S. 399 (1998)	6
<i>THK America, Inc. v. NSK, Ltd.</i> , 917 F. Supp. 563 (N.D. Ill. 1996)	7
<i>Underwater Devices Inc. v. Morrison Knudsen Co.</i> , 717 F.2d 1380 (Fed. Cir. 1983)	4
<i>Upjohn v. U.S.</i> , 449 U.S. 383 (1981)	5, 6

STATUTES

Fed. R. Evid. 501	4
-------------------------	---

MISCELLANEOUS

8 John Henry Wigmore On <i>Evidence</i> § 2291 (McNaughton rev.1961)	6
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I. STATEMENT OF INTEREST

The American Bar Association ("ABA"), with over 408,000 members, is the leading national membership organization of the legal profession. Its members come from each of the fifty states, the District of Columbia, and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments and public interest organizations, as well as legislators, law professors, law students and non-lawyer associates in related fields.¹

The ABA has long recognized in numerous ways the importance of protecting the attorney-client relationship. The tenets of confidentiality and candor are central to the ABA Model Rules of Professional Conduct, which require attorneys to protect "information relating to representation of clients" (Rule 1.6), to provide "candid advice" to clients (Rule 2.1), to advance only "meritorious claims and contentions" (Rule 3.1), and to practice "candor" toward the courts (Rule 3.3).

¹ This brief is filed with the consent of all parties. *Amicus Curiae*, ABA, states that this brief has not been authored in whole or in part by counsel for a party and that no person or entity, other than *Amicus*, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief.

Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption of or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

These principles apply to all types of practice, including patent law. As comments [2] and [3] to ABA Model Rule 1.6 explain:

[2] A fundamental principle in the client-lawyer relationship is that, in the absence of the client's informed consent, the lawyer must not reveal information relating to the representation. (Sentence omitted.) This contributes to the trust that is the hallmark of the client-lawyer relationship. The client is thereby encouraged to seek legal assistance and to communicate fully and frankly with the lawyer, including even embarrassing or legally damaging subject matter. The lawyer needs this information to represent the client effectively and, if necessary, to advise the client to refrain from wrongful conduct. Almost without exception, clients come to lawyers in order to determine their rights and what is, in the complex of laws and regulations, deemed to be legal and correct. (Sentence omitted.)

[3] The principle of client-lawyer confidentiality is given effect by related bodies of law: the attorney-client privilege, the work product doctrine and the rule of confidentiality established in professional ethics.

Since *Fromson v. Western Litho & Plate & Supply Co.*, 853 F.2d 1568 (Fed. Cir. 1988), the use of adverse inferences in patent cases has been of concern to the ABA. In 1990, the ABA Section of Intellectual Property Law, concerned about the *Fromson* adverse inference of willful patent infringement upon invocation of the attorney-client privilege, adopted a resolution opposing the adverse inference. The ABA Board of Governors recommended and the House of Delegates adopted the following policy at the 2001 ABA Annual Meeting:

Opinion of Counsel in Patent Infringement Cases. [The ABA] oppose[s] a blanket rule under which the failure of defendant in an action for patent infringement to introduce an opinion of counsel at

trial will permit an inference to be drawn that either no opinion was obtained or, if an opinion was obtained, it was contrary to the accused infringer's desire to initiate or continue its use of the patentee's invention.

01A116D ABA Policy and Procedures Handbook p. 363 (2003).

Pursuant to this policy, the ABA submits this brief directed to Question 1 of the four questions set forth in this Court's September 26, 2003, Order:

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?

II. ARGUMENT

Fromson creates an adverse inference as to willful patent infringement if the attorney-client privilege is asserted. That inference seriously undermines the attorney-client privilege by penalizing the party invoking it.

The courts' practice of permitting an adverse inference of willful infringement from the invocation of privilege will jeopardize the candid exchange of information that the privilege is designed to encourage. *Hunt v. Blackburn*, 128 U.S. 464, 470 (1888). Any rule that negates confidentiality will necessarily make clients reluctant to disclose all information in seeking advice. *A.B. Dick v. Marr*, 95 F. Supp. 83, 101 (S.D.N.Y. 1950). Indeed, the absence of confidentiality may persuade clients not to seek advice. *In re Grand Jury Investigation*, 599 F.2d 1224, 1235 (3d Cir. 1979). It also discourages lawyers from providing cautionary

advice that they know may later be used to their clients' detriment. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 226 (2d Cir. 1999).

The harmful effects of the inference cannot be remedied by bifurcation or other *ad hoc* limitations.

A. *Fromson* Compromises Candor In Attorney-Client Communications.

There has been a gradual erosion of the privilege beginning with *Underwater Devices Inc. v. Morrison Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983) (failure "to seek and obtain competent legal advice from counsel" may be basis for willful infringement finding). The erosion continued with *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986) (defendant's "silence" based on attorney-client privilege "would warrant the conclusion that it either obtained no advice of counsel or did so and was advised" that it infringed). Finally, the erosion became complete with the adverse inference created by *Fromson*. 853 F.2d 1568, 1572-73.

Fromson negates the "principles of the common law" as they have historically been "interpreted by the courts of the United States in the light of reason and experience." Fed. R. Evid. 501. The *Fromson* line of cases is contrary to the fundamental principles that underlie the attorney-client privilege. The adverse inference undermines confidentiality because clients understandably will be unwilling to tell their attorney damaging information if the information

subsequently must be disclosed. Only with the assurance of confidentiality will a client entrust the attorney with all of the facts. *Upjohn v. U.S.*, 449 U.S. 383, 389 (1981). Only with the assurance of confidentiality will the attorney candidly advise the client on the adversary's likely theories of liability, damages and other risks. *See In re Sealed Case*, 676 F.2d 793, 809-10 (D.C. Cir. 1982) (higher level of work product protection for opinions).

The *Fromson* inference presents an accused infringer with a Hobson's choice: The client must either waive the privilege and disclose the advice of counsel, or assert the privilege and be presumed to have received no opinion or an adverse opinion. *Pfizer Inc. v. Novopharm Ltd.*, 57 U.S.P.Q.2d 1442, 1443 (N.D. Ill. 2000). The choice is effectively no choice for many litigants. Liability for willfulness – a possible trebling of the patentee's actual damages – may be a financial catastrophe. The threat of incurring such liability may make the decision to waive the privilege unavoidable.

Any lawyer advising a client about the practical realities arising from the *Fromson* doctrine also faces a Hobson's choice. Rule 2.1 of the ABA Model Rules of Professional Conduct requires a lawyer to advise the client candidly as to all risks and strategies in a case. By giving candid advice, however, a lawyer places the client at risk if the opinion either must be disclosed subsequently or an adverse inference drawn from refusing to disclose the opinion. The lawyer's only

alternative is to produce a sanitized opinion in the nature of a brief with the expectation that it will be disclosed.

Under *Fromson*, the lawyer's opinion becomes part and parcel of the client's defense at trial. The sanitized opinion comes at the cost of candor. A rule that punishes non-disclosure not only undermines the privilege but may well tarnish the advice given. *Swidler & Berlin v. U.S.*, 524 U.S. 399, 410 (1998) (*ad hoc* exceptions to privilege may cause "general erosion"). Thus, *Fromson* penalizes candor and changes what should be candid advice into advocacy.

The general rule, apart from *Fromson*, is that no adverse inference can be drawn from assertion of the attorney-client privilege because to do so would destroy the privilege. In *Nabisco*, the lower court had allowed an adverse inference based on a claim of attorney-client privilege for an opinion letter in a trademark action. The Court of Appeals held there was no basis for allowing such an inference (191 F.3d at 226):

But we know of no precedent supporting such an inference based on the invocation of the attorney-client privilege. This privilege is designed to encourage persons to seek legal advice, and lawyers to give candid advice, all without adverse effect. *See Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S.Ct. 677, 66 L.Ed.2d 584 (1981); 8 Wigmore, *Evidence* § 2291 (McNaughton rev.1961). If refusal to produce an attorney's opinion letter based on claim of the privilege supported an adverse inference, persons would be discouraged from seeking opinions, or lawyers would be discouraged from giving honest opinions. Such a penalty for invocation of the privilege would have seriously harmful consequences.

To the same effect are: *Parker v. Prudential Insurance Co.*, 900 F.2d 772, 775 (4th Cir. 1990) (refusing to apply a “negative inference” based on assertion of the privilege) and *THK America, Inc. v. NSK, Ltd.*, 917 F. Supp. 563, 566 (N.D. Ill. 1996). There is no reason why this principle should not apply in patent infringement cases as it does in other areas of the law.

In *Hickman v. Taylor*, 329 U.S. 495 (1947), the Supreme Court addressed forced waiver of attorney’s work product immunity and the resulting problems.

Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. An attorney’s thoughts, heretofore inviolate, would not be his own. Inefficiency, unfairness and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial. The effect on the legal profession would be demoralizing. And the interests of the clients and the cause of justice would be poorly served.

Hickman, 329 U.S. at 511.

Some of the effects of a forced waiver of privilege are illustrated in the following decisions: *Chiron Corp. v. Genentech, Inc.*, 179 F. Supp.2d 1182, 1189-90 (E.D. Cal. 2001) (reliance on advice waives privilege and work product both pre- and post-complaint filing; invoking advice of counsel not a "painless decision or a free lunch"; "there are discovery consequences . . . party who seeks to be absolved [must] pay the discovery price"); *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp.2d 418, 419-20, 425 (M.D.N.C. 2003) (ordering defendant to provide discovery of all oral and written opinions received from any source at any time

"including up through trial," even if those opinions came from "trial counsel where [president of defendant] admitted to relying not only on an 'opinion' by an attorney retained by trial counsel, but also on 'advice' from trial counsel").

The same unfortunate effects, of course, arise from the forced waiver of attorney-client privilege required by *Fromson* to defend against a claim of willfulness. The opinion may not be available on mere demand, but the practical effect of drawing an adverse inference will cause disclosure in almost all cases.

B. The Harmful Effects Of The *Fromson* Inference Cannot Be Remedied By Bifurcation Or Other *Ad Hoc* Limitations.

Fromson suggests that the lower courts consider a “separate trial on willfulness, e.g., as part of a separate trial on damages,” to help meet the acknowledged “attorney client privilege problem.” *Fromson*, 853 F.2d at 1572; *see also Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643-644 (Fed. Cir. 1991). Fifteen years of subsequent jurisprudence in dealing with the “problem” reveals the impracticability of the solution.

The practice of providing separate discovery and separate trials compounds difficulties in the administration of justice. Courts are reluctant to hold repeated trials and particularly reluctant to empanel a second jury. As a practical matter, the proposed solution has not worked. The courts have recognized, as suggested in *Fromson* and *Quantum*, that bifurcation of both discovery and trial is essential to avoid prejudice from the adverse inference during the determination of liability.

Pfizer, 57 U.S.P.Q.2d at 1443-44. Nevertheless, the courts decline motions for bifurcation. See, e.g., *F & G Scrolling Mouse LLC v. IBM Corp.*, 190 F.R.D. 385, 393-95 (M.D.N.C. 1999) (refusing bifurcation, citing but not following *Quantum* even though bifurcated trial would prevent jury confusion and prejudice; bifurcation of discovery especially difficult because of long delay and risk of needing a new jury).

Another suggested solution is for the courts to try to alleviate the harsh effects of waiver by placing *ad hoc* limitations on the scope of the waiver. Some courts have held that only work product communications to the client must be produced. See, e.g., *Thorn EMI N. Am., Inc. v. Micron Tech., Inc.*, 837 F. Supp. 616, 622-23 (D. Del. 1993). Other courts have held that all work product that formed the factual basis for the opinion must be produced. See, e.g., *Matsushita Elecs. Corp. v. Loral Corp.*, 1995 U.S. Dist. LEXIS 12880, *7-9 (S.D.N.Y. Sept. 7, 1995). Still other courts hold that all work product, factual or legal, communicated or not, must be produced. See, e.g., *Chiron Corp.*, 179 F. Supp.2d at 1187-89.

Those *ad hoc* solutions have no consistency and have not dealt with the fundamental problem created by the adverse inference. Most importantly, separate trials and *ad hoc* "fixes" do not solve the basic problem. The client is still required to disclose an opinion it sought in confidence, even if disclosure is in a second trial

or otherwise limited. These measures do not alleviate the difficulties created by the forced waiver of the privilege.

III. CONCLUSION

The Court should overrule *Fromson* to the extent that it supports the drawing of an inference of willfulness when an accused infringer invokes the attorney-client privilege.

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