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Tiny Print, Big Money: Using Patent Marking to Advantage

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The patent marking statute—35 U.S.C. § 287(a)—is a powerful economic tool that can be used both offensively and defensively. By complying with the marking statute, patent owners are able to maximize past damages. Conversely, if infringers can prove that the patent owner has failed to mark its products, or failed to mark effectively or continuously, damages can be significantly reduced.

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Despite appearing straight-forward, the patent marking statute has prompted extensive litigation, and can be confusing to navigate. In this article, we provide information and strategies useful to parties on both sides of a patent dispute in using patent marking to advantage.

The Patent Marking Statute

Originally, there was no requirement in the patent laws that patent owners mark their patented articles. Instead, all persons were deemed to have notice of patents, based on their status as public documents. The first patent marking statute was enacted in 1842 (Act of Aug. 28, 1842, ch. 263, § 6, 5 Stat. 543, 544–45 (repealed 1861)) and has existed in some form since then. In its latest iteration, Section 287(a) recites:

> Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word ''patent'' or the abbreviation ''pat.'', together with the number of the patent, or by fixing thereon the word ''patent'' or the abbreviation ''pat.'' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement,

> except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

Section 287(a) provides clear instructions on how an article should be marked, by fixing thereon the word ''patent'' or the abbreviation ''pat.'' together with either (1) the number of the patent; or (2) a no-charge website address associating the patented article with the number of the patent.

The second option, referred to as virtual marking, was added in the America Invents Act of 2011. Additionally, according to the statute, the physical marking required for either (1) or (2) may be done on the article's packaging or a label if it is impossible to mark the product itself.

Significantly, Section 287(a) encompasses both patent owners and licensees operating on their behalf based on the language ''persons making, offering for sale, or selling . . . for or under'' the patent owner. If the licensee fails to mark, the patent owner is unable to collect past damages, even if it marks its own products. Thus, patent owners must exercise reasonable effort to ensure that licensees or other third parties practicing the patent are complying with the marking statute. *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111-1112, 39 U.S.P.Q.2d 1001 (Fed. Cir. 1996).

Using Patent Marking Advantageously

The primary benefit of complying with Section 287(a) is providing constructive notice to potential infringers. The statute states that ''[i]n the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement.'' In other words, if the patent owner does not mark, or does not require its licensee to mark (and follow through by inspections, etc.), no damages can be recovered except if there was actual notice, such as sending a letter to the potential infringer or filing a complaint.

Section 287(a) only applies to patented products, and does not extend to patented methods. *See Wine Ry. Appliance Co. v. Enter. Ry. Equip. Co.*, 297 U.S. 387 (1936) (Supreme Court interpreting the marking statute to create an exception for method patent owners); *see also, e.g.*, *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1353, 57 U.S.P.Q.2d 1953 (Fed. Cir. 2001) (marking provisions do not apply to a patent containing only method claims). The language of the statute does not require patent owners or licensees practicing a patented method to mark products associated with that method either.

Furthermore, if a patentee or its licensee never produces or sells a patented product, damages are not limited by the marking statute. *See Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1192, 1219–20, 64 U.S.P.Q.2d 1545 (Fed. Cir. 2002) (abrogated in part on other grounds).

The importance of complying with the patent marking statute can be illustrated with the following hypothetical scenarios.

Scenario A (product claims only):

A patent issues with only product claims in 2010, and the patent owner or licensee has been practicing the patent and consistently marking its product since 2010. When a complaint is filed against an infringer in 2017, the patent owner will be eligible for damages for the past six years, limited only by the time limitation on damages provision of the patent statute (35 U.S.C. § 286).

In the same situation, but where the patent owner only started marking its products in 2013, only four years of damages are available because damages are limited under Section 287(a) to the time constructive notice started. And, if the patent owner *never* marked its product, past damages are limited under Section 287(a) to the time the infringer had actual notice.

Scenario B (method claims):

A patent issues with only method claims in 2010, and the patent owner or licensee has been practicing the patent since 2010. When a complaint is filed against an infringer in 2017, the patent owner will be eligible for damages for the past six years, limited only by 35 U.S.C. § 286, because method claims are not subject to the marking requirement.

Scenario C (product and method claims):

The situation is more complex for patents that include *both* method and product claims. Patents including both product and method claims are evaluated differently, depending on what claims are asserted in the litigation.

In this scenario, a patent issues with both product and method claims in 2010, and the patent owner or licensee has been practicing the patent since 2010, but has not marked anything. If a complaint is filed against an infringer in 2017 asserting *only* the method claims, there will be no limit on the past damages under the marking statute. *Crown Packaging Tech., Inc. v. Rexam Beverage Can. Co.*, 559 F.3d 1308, 1317, 90 U.S.P.Q.2d 1186 (Fed. Cir. 2009) (because only method claims were asserted, the marking requirement did not apply). In that scenario, the patent owner will be eligible for damages for the past six years, limited only by 35 U.S.C. § 286.

Conversely, if both the product and method claims are asserted, damages will be limited for *both* types of claims under the marking statute. *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538, 28 U.S.P.Q.2d 1321 (Fed. Cir. 1993). In other words, if a single patent contains both apparatus claims and method claims and both are asserted, the marking requirement applies to all the claims.

In a related scenario, if a patent family—rather than a single patent—includes one patent for product claims and one patent for method claims and both are asserted, there will be no limit on damages for method claims, regardless of whether or not the product is marked. *ActiveVideo Networks, Inc. v. Verizon Commc'ns., Inc.*, 694 F.3d 1312, 1335, 104 U.S.P.Q.2d 1241 (Fed. Cir. 2012).

Accordingly, in order to maximize patent damages, patent owners should endeavor to mark their products and require licensees to do so. Conversely, accused infringers should investigate patent marking compliance as a way in which to limit liability. For example, even if a patent owner or licensee has been marking a product, an accused infringer may successfully argue that the marking has not been substantial and continuous enough to provide constructive notice, *Am. Med. Sys.*, 6

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F.3d at 1537, or more than a *de minimus* number of articles were not marked. In that case, the marking statute would limit past damages.

In addition to allowing patent owners to claim the maximum amount of past damages by providing constructive notice, patent marking provides additional benefits related to optics. Marking can help deter competition, provide a persuasive narrative with regard to willful infringement or induced infringement, and provide marketing benefits.

False Marking

Although the benefit of maximizing damages is apparent, patent owners do not always mark products because the costs can be significant, especially with large patent portfolios. And, policing licensee compliance can be difficult and can involve labor and time costs. Moreover, improperly implementing patent marking can result in false marking liability.

False marking is governed by a separate statute, 35 U.S.C. § 292, specifying that whoever marks an unpatented article or otherwise suggests that the product is patented, for the purpose of deceiving the public, can be fined up to $500 for every offense. In 2009 the U.S. Court of Appeals for the Federal Circuit determined that ''[e]very offense'' meant every falsely-marked article. *Forest Group v. Bon Tool Co.*, 590 F.3d 1295, 93 U.S.P.Q.2d 1097 (Fed. Cir. 2009). The number of false marking suits exploded, particularly because marking a product with an expired patent was considered to be false marking.

In order to reduce the number of false marking ''troll'' suits that were filed, Congress amended the false marking statute in the America Invents Act by (1) removing liability for marking with expired patents; and (2) specifying that only the U.S. government can obtain the $500 per article penalty, whereas competitors are only entitled to obtain damages adequate to compensate. These changes greatly reduced the danger of false marking for patent owners.

Under the current statute, in order for false marking to be found, the marking must have been made with intent to deceive the public, which can be rebutted by a showing of good faith. Good faith can be shown in a variety of ways. For example, relying on inconclusive experiments showing a product fell within the scope of a patent was considered good faith and thus there was no false marking. *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1355, 74 U.S.P.Q.2d 1598 (Fed. Cir. 2005). Good faith can also be demonstrated by reliance on an opinion from counsel and a desire to reduce costs and business disruption. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1364–65, 95 U.S.P.Q.2d 1501 (Fed. Cir. 2010).

In general, the best way to comply with the patent marking statute while avoiding false marking liability is to have open communication among legal, technical, and production departments. Personnel should be tasked with keeping track of patents that have been subject to a claim construction, invalidated, or held unenforceable, and the patent marking should be updated accordingly. In some situations, obtaining an opinion of counsel may be warranted and can demonstrate good faith efforts to comply with the statute in the future, if necessary.

Implementing Patent Marking

Courts apply a rule of reason analysis to determine whether or not patent marking provides constructive notice to the public. Although Section 287(a) allows a patent owner to mark packaging or a label when demanded by ''the character of the article,'' marking the product itself is preferable. In determining whether or not the article itself should be marked, the Federal Circuit has applied a common sense and somewhat flexible analysis. In considering the ''character of the article,'' the Federal Circuit has suggested that size, the number of components in the final product (and whether the components are separately patented), and visibility in use may all contribute to evaluating whether or not the product itself must be marked. *Global Traffic Techs., LLC v. Morgan*, 620 Fed. Appx. 895, 904–906, 2015 BL 175901 (Fed. Cir. 2015).

Regardless of whether the marking is on the product, packaging, or a label, however, substantially all products covered by the patent must be consistently marked in order to comply with the underlying policy of putting the public on notice. So, in a situation where products A and B are both covered by a patent, all products A and B should be marked. If only product A is marked, a defendant could argue that the constructive notice purpose of the marking statute has not been fulfilled. The success of this argument would depend on the specific facts at hand. For example, if product B only accounts for a small amount of the covered products, a patent owner may still be able to show that substantially all covered products are consistently marked. On the other hand, if product B accounts for more than a *de minimus* amount of the covered products, the patent owner would likely be considered to fail to comply with the marking statute.

Conventional marking on a product, packaging, or label involves legibly printing ''patent'' or ''pat.'' together with any patent numbers applicable to the product. For example, ''Patent No. 5,444,333'' is proper marking. But because some products are covered by numerous patents, it can be difficult to list all applicable patents, and to update the marking to account for newly issued patents or patents that are no longer relevant. Furthermore, this type of marking may have a negative aesthetic impact on the product. In those situations, virtual marking may be more desirable.

Virtual marking still requires physical marking on the product, packaging, or label, namely, to include ''patent'' or ''pat.'' together with the website, but allows for increased flexibility in monitoring and implementation because changes and updates to the patents can be more easily made on the website. Additionally, a single website can be used for multiple products, as long as the website clearly indicates which patents cover which products. For example, ''Patents at www.company.com/patents'' would be proper virtual marking for multiple marked products.

The requirements for virtual marking are simply that the website on the marking must lead to a publicly-accessible website that is free of charge, and the website must associate each product/model with the patent number(s). Section 287(a) does not specify how the product/patent association must be done (and there is still no case law on this issue), so it is up to the patentee to decide how to best present this information. Currently, most virtual marking websites simply list the products followed by the patents covering each product, although some websites have a search box where a product/model number is entered, and the result is a list of relevant patents. And, while not required by the statute, the virtual marking website should be easy to use, and should have security against hacking. It may also be useful to the patent owner to have a system that tracks publication and editing information of the website, as well as information proving that the website was functioning and available at all times. Logging visitor activity may also be useful, as it could show that defendants visited the site and chose to infringe regardless.

Conclusion

If a company chooses to comply with the marking statute, patent owners should establish, implement, and follow policies and procedures for determining patent coverage. These same policies and procedures should be used to evaluate newly-issued patents as well as patents that may no longer be relevant or have been subject to a claim construction or invalidity/unpatentability determination. The marking statute should be followed in a practical, common sense manner. If cost or resources is an issue, a patent owner can be selective about which patents to mark. Notably, omitting a patent is not false marking, and choosing patents to mark that give a competitive advantage, create value in the marketplace, generate a licensing royalty stream, or will actually be litigated if infringed provides the best value.

Conversely, accused infringers should investigate patent marking as a way to mitigate damages. This may be particularly effective in situations where multiple products are covered by one or more patents, or where licensees make a product and may not be complying with the marking statute.

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