

Patent Marking: Recent Federal Circuit Guidance, Complying With False Marking Statute

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PATENT MARKING

- Patent Marking Requirements
- *Arctic Cat Inc. v. Bombardier Recreational Products, Inc. et al.*
- Patent Marking
 - Determining whether to mark: considerations
 - When to mark
 - How to mark
- Strategic Enforcement Consideration in View of Failure to Mark
- Minimizing Risk of Liability for False Marking

PATENT MARKING REQUIREMENTS

Patent Marking Requirements

- **35 U.S.C. § 287:** Must mark products that practice the claims in order to collect damages from period prior to filing suit.
- Can collect damages for infringement up to six years prior to filing suit
- But **no damages** during the period(s) in which the patentee was not in “substantial” compliance with the marking statute
 - Need not be 100% compliant, but the burden is on the patentee to explain lapses. *See, e.g., Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996) (finding marking 95% of patented products sold by licensee sufficient for compliance); *Funai Elec. Co v. Daewoo Electronics Corp.*, 616 F.3d 1357, 1374-75 (Fed. Cir. 2010) (finding marking 88-91% of patented products sufficient for compliance).

Why is marking required?

- Marking serves 3 purposes:
 - 1) Helping to avoid innocent infringement
 - 2) Encouraging patentees to give **notice to the public** that the article is patented
 - 3) Aiding the public to identify whether an article is patented

Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437, 1443 (Fed. Cir. 1998) (citations omitted).

Arctic Cat Inc. v. Bombardier Recreational Products, Inc. et al.

950 F.3d 860 (Fed. Cir. Feb. 19, 2020)

Arctic Cat: Timeline

- 1999 Arctic Cat develops a steering system for personal watercraft (PWC) and files the first of an extended patent family.
- 2002 Honda takes a fully paid up license to issued patents and later patents “that patently cover” AC’s steering system technology.
- Initial draft of agreement included a clause obligating Honda to mark
 - Final agreement provided that Honda had “no obligation or requirement to mark” the licensed products.
- 2003-4 Arctic Cat receives Patent Nos. 6,568,969 and 6,739,545 which fall under the license.
- 2013 Honda stops selling PWC. Honda’s PWC products were not marked
- 2014 Arctic Cat sues Bombardier for infringing ‘969 and ‘545 patents.

Arctic Cat: District Court (No. 14-cv-62369 SDFL)

- Bombardier lost in its failure to mark defense on summary judgment and post-jury JMOL
- District court put the burden on Defendant to show that the Honda products were covered by the patents (e.g., via claim charts) and therefore should have marked.
- Jury found willful infringement.
- 3x Damages awarded for infringement going back to 2008 (six years).

Arctic Cat: First Appeal 876 F.3d 1350 (Fed. Cir. 2017)

Federal Circuit addressed burden of proof for marking issues:

- Accused infringer has “only a burden of production to identify unmarked products that it alleges should have been marked.”
- Patentee bears the burden of pleading and proving compliance with the marking requirement. This includes proving that unmarked products identified by the defendant do not fall within the patent claims.
- Affirmed willfulness finding -- district court had substantial evidence defendant knew of the patents
- Vacated and remanded for Arctic Cat to offer evidence as to the Honda products and the marking requirement

Arctic Cat: District Court remand

- Arctic Cat conceded it could not show the Honda PWCs did not practice the asserted claims but argued it was still entitled to pre-complaint damages because :
 - There can be no failure to mark when the unmarked products are not being sold so damages are available after Honda's PWC sales ended
 - Finding of willful infringement demonstrates Bombardier had actual notice of the patents. Therefore AC is entitled to get full 6-years of pre-suit damages
- Bombardier argued that failure to mark can only be cured by starting to mark or by providing actual notice
- District court granted SJ to Bombardier. Arctic Cat appealed.

Arctic Cat: Second Appeal

950 F.3d 860 (Fed. Cir. Feb. 19, 2020)

Does stopping sales of unmarked products excuse noncompliance with the statute so that pre-suit damages can be recovered? No.

- “The notice requirement ... cannot be switched on and off as the patentee or licensee starts and stops making or selling its product”
- “If... a patentee ... fails to mark in accordance with § 287, the patentee cannot collect damages until it either begins providing notice or sues the alleged infringer ... and then only for the period after notification or suit has occurred.”
- “[A] patentee who begins selling unmarked products can cure noncompliance with the notice requirement—and thus begin recovering damages—by beginning to mark its products in accordance with the statute.”

Arctic Cat: Second Appeal

Court looked at policy considerations of the Marking statute:

- Notice requirement advances policy underlying the marking statute (avoid innocent infringement, encourage patentee to give notice, aid public in identifying patented product)
- The policy of § 287 is to encourage marking, not merely to discourage the sale of unmarked products.”
- Accepting AC’s position would “allow a patentee to mislead others that they are free to make and sell an article that is actually patented”
- Notes that AC “took no action to remedy [its] prior non-compliance or to provide notice that the articles were actually patented.”

Arctic Cat: Second Appeal

Impact of willfulness finding – infringer’s knowledge of patent vs. actual notice to the infringer:

- Court rejected Arctic Cat’s argument that the willfulness finding by the jury established actual notice
- Prior binding decision: *Amsted Indus. Inc. v. Buckeye Steel Castings Co.* 24 F.3d 178, 187 (Fed. Cir. 1994)
 - Focus is on the action of the patentee.
 - Defendant’s knowledge of the patent or their infringement is irrelevant.
- A conclusion of willfulness does not service as actual notice under the marking statute.

Arctic Cat Takeaways

- Affirmative obligation of patentee / licensees to mark
- Stopping sales of unmarked items not enough.
- Failure to mark can be cured by starting sales of marked items or actual notice to infringer.
- Once accused infringer identifies unmarked products sold by patentee or licensee, burden shifts to patentee to show those products are not covered by the patent.
- Knowledge of patent / willful infringement by accused infringer is not enough to meet notice requirement of the marking statute.

DETERMINING WHETHER TO MARK

Who should mark?

- 35 U.S.C. § 287(a): “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....”
- Patent owners
- Licensees
 - A patent owner should take reasonable steps to ensure that any and all licensees of the patent are marking the products
 - *See, e.g., Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed. Cir. 1994) (“A **licensee** who makes or sells a patented article does so ‘for or under’ the patentee, thereby **limiting the patentee’s damage recovery** when the patented article is not marked.”).

Marking and Licensees

- Covenant not to sue may also trigger duty to mark
 - *U.S. Ethernet Innovations, LLC v. Acer, Inc.*, 2013 WL 4456161 (N.D. Cal. 2013)
- Courts apply “rule of reason” approach to measure licensee’s compliance
 - *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996); see also *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 13550, 1366 (Fed. Cir. 2017)
- Licensees often resist obligation to mark
- May estop licensee from denying infringement

Marking and Licensees

- Licensees often resist obligation to mark
 - Federal Circuit has not applied “marking estoppel” but has stated that it may be a “extrajudicial admission that the product falls within the patent claims.”
 - *Frolow v. Wilson Sporting Goods Co.*, 710 F.3d 1303, 1309 (Fed. Cir. 2013).
- Alternatives to obligation to mark
 - Promise to use reasonable efforts
 - Agreement that breach of marking provision is not “material”

Marking and Licensees

- Licensees need only “substantial compliance” with its obligation to mark but patentee must make “reasonable efforts” to ensure compliance by the licensee. *Maxwell v. Baker* 86 F.3d. 1111.
- Courts look to whether patent owner monitored licensee’s efforts:
 - 95% marking compliance, coupled with evidence of monitoring licensee's efforts sufficient. *Maxwell* , 86 F.3d. 1111
 - *K&K Jump Start/Chargers v. Schumacher Elec. Corp* – Patent owner did not make reasonable efforts where licensee did not comply with its contractual obligation to mark and patent owner did not investigate compliance until after it filed suit. 52 Fed. Appx. 13 (Fed. Cir. 2002).
 - Statement from licensee that it used its best efforts to comply with marking requirement, evidence from patentee that it audited marking compliance, and photo of a marked licensee’s product sufficient to bump “substantial compliance” issue to the jury. *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 271 F. Supp. 3d 990 (E.D.Wi 2017)

What should be marked and how?

- Any patented article or product should be marked, by placing the words “Pat.” or “Patent” followed by the patent information. 35 U.S.C. § 287(a).
- If the patentee is not practicing—then nothing to mark (and can get damages back six years)
 - See *Texas Digital Sys., Inc. v. Relegenix, Inc.*, 308 F.3d 1193, 1220 (Fed. Cir. 2002) (citing *Wine Railway Appliance Co. v. Enterprise Railway Equip. Co.*, 297 U.S. 387 (1936)).

Patent Marking and Method Claims

- If the patent contains **only method claims**:
 - Need not mark, even if patentee sells an apparatus that practices the method
- If the patent contains **both apparatus and method claims**:
 - Patentee must show substantial marking of the apparatus, unless only method claims are **asserted** in the litigation
 - *If only method claims are asserted*, then no need to demonstrate marking (and can go back six years)
- *See, e.g., Crown Packaging Tech. Inc. v. Rexam Beverage Can Co., 559 F.3d 1308, 1316-17 (Fed. Cir. 2009).*

WHEN TO MARK

When to mark?

- Duty to mark only applies after patent issuance.
 - See *Magnetar Techs. Corp. v. Six Flags Theme Parks Inc.*, 2014 WL 533425, at *4 (D. Del. 2014); cf. *American Medical Sys., Inc. v. Medical Engineering Corp.*, 6 F.3d 1523, 1537 (Fed. Cir. 1993) (“[a]ny products entering the market prior to issuance of the patent will not be marked.”)
- Marking with “patent pending” has no legal effect.

HOW TO MARK

- The statute provides for three main marking methods:
 - “Traditional” Marking (directly marking the product)
 - “Virtual” Marking
 - Marking the Packaging

Traditional Marking

- 35 U.S.C. § 287(a): “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...**”
- Mark patent number directly on each product
 - “Covered by U.S. Patent Nos. [A,B,C]”
 - “Pat.: [A,B,C]”

Problems with Traditional Marking

- Difficult to mark certain products
- Difficult to mark products covered by large numbers of patents
- Expensive to update marked patent numbers
- Updates lead to inconsistent markings for a given product
- Damages aesthetics of the marked product

Solutions to Traditional Marking Problems

- Virtual Marking (added by AIA)
- Mark the Packaging

Virtual Marking Statute

- 35 U.S.C. § 287(a): “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...”

- Rather than marking each product with patent number(s), patent holders may now:
 - Mark each product with an internet address
 - List relevant patent information at the marked website
- Virtual marking example: mark product with URL
 - “Covered by U.S. Patents: see [web address]”
 - “Pat.: [web address]”
 - Merely listing a website address is **not** sufficient

Virtual Marking Statutory Requirements

- Must be accessible to the **public**
- Must be accessible at **no charge**
- Must associate each patented article with applicable patent number(s)

35 U.S.C. § 287(a)

Virtual Marking Benefits

- Easier to manage
 - Provides a centralized means for managing marks
 - Allows prompt updating of public information regarding rights
- Less expensive to implement and maintain
 - Eliminates the need for updating separate patent numbers on each product
- Less of a risk for rights holders who employ a marking system
- Easier to police licensee marking, they will only need to mark once
- Lessen the risk of false marking allegations through relatively quick and easy updating

See USPTO Report on Virtual Marking to Congress, Sept. 2014,
https://www.uspto.gov/sites/default/files/aia_implementation/VMreport.pdf

Virtual Marking Best Practices

The referenced patent website should list:

- Product name, part number, or model number
- Product picture (optional - use if helpful for identification)
- List of applicable patents
 - Include language such as “the following United States patents apply to this product:”

Example of Recent Virtual Patent Marking Guidance

- Iteration of website listed 94 patents, only stating: “One or more of the above listed MRI patents may be used by LG-MRI products under license from MRI, Inc.”
- Another iteration simply titled the list with “MRI LCD Display Patents”.

14/803,848	SYSTEM FOR USING CONSTRICTED CONVECTION WITH CLOSED LOOP COOLING SYSTEM AS THE CONVECTION PLATE	07/20/2015	06/14/2016	9,370,127	United States
12/620,330	SYSTEM FOR USING CONSTRICTED CONVECTION WITH CLOSED LOOP PLENUM AS THE CONVECTION PLATE	11/17/2009	09/25/2012	8,274,622	United States
2011129607	THERMAL CONTROL SYSTEM FOR AN ELECTRONIC DISPLAY	12/18/2009	04/20/2014	2513043	Russian Federation
12/630,469	THERMAL PLATE WITH OPTIONAL COOLING LOOP IN ELECTRONIC DISPLAY	12/03/2009	07/30/2013	8,497,972	United States
13/954,469	THERMAL PLATE WITH OPTIONAL COOLING LOOP IN ELECTRONIC DISPLAY	07/30/2013	04/12/2016	9,313,917	United States
12/763,797	VISUAL IDENTIFIER FOR IMAGES ON AN ELECTRONIC DISPLAY	04/20/2010	05/14/2013	8,441,574	United States
13/569,753	WIRE PASS THROUGH DEVICE	08/08/2012	06/23/2015	9,065,259	United States
14/741,118	WIRELESS VIDEO TRANSMISSION SYSTEM FOR LIQUID CRYSTAL DISPLAY	06/16/2015	12/27/2016	9,526,352	United States
14/247,658	SYSTEM AND METHOD FOR MAINTAINING A CONSISTENT TEMPERATURE GRADIENT ACROSS AN ELECTRONIC DISPLAY	04/08/2014	03/14/2017	9,594,271	United States

One or more of the above listed MRI patents may be used by LG-MRI products under license from MRI, Inc.

App. No.	Title	App Date	Grant Date	Patent No.
12/787,152	A METHOD FOR DRIVING A COOLING FAN WITHIN AN ELECTRONIC DISPLAY	05/25/2010	04/15/2014	8,700,000
12/266,749	ADVERTISING DISPLAYS	11/07/2008	09/13/2011	8,010,000
13/858,426	APPARATUS AND METHOD FOR	04/08/2013	04/19/2016	9,310,000

Mfg. Res. Int'l, Inc. v. Civiq Smartscales, LLC, 397 F. Supp. 3d 560, 577-578 (D. Del. 2019)

Example of Recent Virtual Patent Marking Guidance

- Listing all patents that could possibly apply does not give public notice, it “merely creates a research project for the public”.
- Does the website “associate” patents with covered products?
 - Mentioning a single specific patented article by product number or name along with the patents that cover it is likely sufficient.
 - Categorizing patents is not sufficient.

Mfg. Res. Int'l, Inc. v. Civiq Smartscales, LLC, 397 F. Supp. 3d 560, 577 (D. Del. 2019)

Virtual Marking Best Practices

Maintain an up-to-date list of patents:

- Courts may adopt a higher standard for what provides reasonable notice based on the ease of updating a website
 - Failing to remove patents that are invalidated or abandoned may give rise to liability
 - Not removing patents that once covered a product but later expired, however, will not be grounds for false marking damages based on the language of § 292(c)
- Assess and specifically state which patents cover each product

Virtual Marking Best Practices

- How Often Should the Site Be Updated?
 - Key issue: damages only available after the product is marked on the website
- Update the list as often as is reasonably practical
 - No case law guidance yet regarding recommended update frequency
 - Periodically review products and associated patents and make changes as necessary
 - Remove expired patents (even though no liability for false marking with expired patents)

Virtual Marking Best Practices

- Create and preserve records demonstrating that your virtual marking system is consistent and continuous
- Maintain a written log of updates to the patent website and preserve evidence that it was consistently operational
- While “Patent Pending” provides no legal benefit or detriment under patent marking laws, if it is used, promptly update the pending patents to the issued patent numbers after issuance

Marking Packaging

- 35 U.S.C. § 287(a): “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.”

Marking Packaging

- If the marking the product itself is not feasible, then mark packaging
- Limiting characteristics to qualify for this method of marking:
 - Size of the product
 - Cost of marking may be disproportionate to the cost of product
 - Industry customs
 - Defacement
- Can label packaging with URL for virtual marking

Ethicon Endo-Surgery, Inc. v. Hologic, Inc., 689 F. Supp. 2d 929 (S.D. Ohio 2010):

- **Other markings or lettering** on patented articles **may** be weighed against patentee when determining statutory compliance
- This includes lettering, calibrations or other markings engraved into a device or component

LifeNet Health v. LifeCell Corp., 93 F. Supp. 3d 477 (E.D. Va. 2015):

- Marking on **instruction for use within the packaging** found to be sufficient
- The patentee was found to have shown that marking was substantially *consistent and continuous*

Marking Packaging

- “While some courts have found that placing the patent mark in the literature describing the patented article constitutes constructive notice, they have done so **only** when the **literature is distributed with the product or placed in the box [in which] the product is contained.**”

Acantha LLC v. Depuy Orthopaedics Inc., No. 15–C–1257, 2018 WL 1951231 (E.D. Wis. Apr. 25, 2018) (citing *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 891 F. Supp. 751, 829, 930 (E.D.N.Y. 1995), *aff’d*, 96 F.3d 1409 (Fed. Cir. 1996)).

Marking Software and Digital Innovations

- Some software may be considered a “patented article” requiring marking, but these involve unique considerations.
- If patented software (e.g., “network”) has no tangible item:
 - Mark website that is “intrinsic” to patented article.
 - Mark website that provides access to patented article (e.g., download page).
 - Notice at start-up or on other windows may be insufficient.
 - Material associated with an intangible patented product are not “articles” requiring marking.

Limelight Networks, Inc. v. XO Commc'ns, LLC, 241 F. Supp. 3d 599, 608 (E.D. Va. 2017)

Marking Software and Digital Innovations

- Graphical User Interface (GUI) and User Experience (UX) inventions
 - Reminder that products covered by **design patents** should comply with the marking statute.
 - Possible to provide notice without interfering with user experience.
 - Virtual marking may be most efficient and aesthetically pleasing.
 - Consider how the invention is claimed and mark accordingly.

STRATEGIC ENFORCEMENT CONSIDERATIONS IN VIEW OF FAILURE TO MARK

Sufficiency of marking

- Question of **reasonableness**: is the public adequately informed of patent rights?
 - Marking must be substantially consistent and continuous
 - Patent owner bears the burden of proving that it satisfied the marking requirement
 - See *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996).

Failure to Mark Can Have Significant Consequences

- Where no constructive notice, damages available only upon actual notice
- Pre-suit damages barred in *Juno Manufacturing, LLC v. Nora Lighting, Inc.*
 - Suit filed in August 2014 seeking damages from August 2008 until patent expired in March 2014
 - “Patented article” refers to the individual patented component.
 - Damages claim barred because of inadequate marking – labels on part of product that was not the “patented article”

*Juno Mfg., LLC v. Nora Lighting, Inc., No. CV1406546RGKPJWX, 2015 WL 11438613, at *4-5 (C.D. Cal. Aug. 13, 2015)*

Early and Pre-enforcement Considerations

- Early and ongoing considerations
- Communication with marketing, manufacturing and R&D
- Product label “checklist”
- Establish a marking program that addresses any unique marking issues with the technology

Early and Pre-enforcement Considerations

- Pre-enforcement considerations
 - What is goal of enforcement?
 - Is litigation even intended?
- Consider other enforcement goals when faced with a poor marking situation
 - May not impact other desirable results like removing competitor products, inferior design around, or future damages.
 - Monitor product market closely and consider whether early actual notice is possible

Pre-Suit Due Diligence

- Determining marking status of infringed technology
 - Maintain evidence of continuous marking program
 - Consider whether there is licensed technology
 - Review related legacy litigation
- Marking may inform claims to assert
- Defensive considerations in discovery or settlement
 - Non-practicing entity litigation
 - Settlement representations and warranties

MINIMIZING RISK OF LIABILITY FOR FALSE MARKING

False Marking After the AIA

- AIA made significant changes limiting false marking concerns
- 35 U.S.C. § 292
 - False marking with intent to deceive the public can be fined up to \$500 per offense. But only U.S. government may enforce.
 - Only a person who has suffered a competitive injury as a result of a violation of the false marking statute can file a civil action in district court
 - AIA clarified that marking an article with an expired patent number is no longer considered false marking
- Good practice to periodically revisit patent marking to ensure compliance

Thank You

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