

Is Marking Worth the Trouble?

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The U.S. patent system, enshrined in Article I, Section 8, of the U.S. Constitution and U.S. Code Title 35, encourages inventors to make their inventions known to the world by giving them a monopoly, or patent, on the invention for a set period of time. While issued patents are public records, now freely and readily accessible over the Internet, an important way that the public learns about patented inventions is by patent owners marking the patent number on products that they believe fall within the claims of a patent. Unfortunately, the law governing patent marking rights and obligations is developing in a way that may substantially increase the risks associated with patent marking to the extent that patent owners may be well-advised to not mark their patents on covered products.

Marking products with patent numbers provides benefits to society. Marking publicizes an invention to persons interested in the art. Upon seeing a patent number, a person interested in the art can readily access the patent on the Internet to evaluate its claims, validity, and art cited in the patent, which then allows such persons to build on the work of others, without transgressing on others' extant intellectual property rights. Further, putting competitors and potential competitors on notice of intellectual property rights may prevent infringement of and litigation as to those rights.

The patent statutes encourage patent holders to mark by permitting a patent holder who has done so to recover up to six years of past damages for acts of infringement.¹ While these past damages can be substantial, the patent laws limit the circumstances in which a patent holder can assert a claim for damages arising before an infringement lawsuit is filed. First, a patent holder is not entitled to any damages arising before the patent issued. Second, if the patent owner sells or licenses products covered by the claims of a patent, damages are limited to acts occurring after the alleged infringer was placed on notice of the alleged infringement, such as by being sued.² Proper marking of covered products provides constructive notice of the patent owner's rights, so as to allow up to six years of past damages. However, because of uncertainties and inconsistencies in the law of marking, and the increasingly onerous consequences of improper marking, the decision of how and whether to mark is becoming increasingly difficult.

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Where to Mark?

Wholly aside from the question of *whether* to mark, which is discussed in more detail below, when a patent issues, and a covered product produced, the patent owner must decide *where* to mark its patent. The patent laws require marking the patent number on the product itself unless "from the character of the article, this cannot be done," in which case the marking can be done on the product packaging.³ But the line between when one must mark on the product as opposed to packaging is a murky one.

Over a century ago the U.S. Supreme Court held that marking the packaging of small trunk fasteners was acceptable given the difficulty in marking the fasteners with patent numbers due to their size, stating "in a doubtful case, something must be left to the judgment of the patentee."⁴ Along the same lines, a district court has concluded that marking the packaging of T-shaped drywall casing beads was acceptable even though the product itself could have been marked, because the product would be enclosed within a wall and so marking the packaging was more likely to provide notice.⁵

Where products contain other writings, courts have come out both ways on whether marking packaging is sufficient. In the cases of wire strippers and closure devices for sealing plastic bags that already contained other markings, courts have found marking only the packaging with the patent number provided insufficient notice.⁶ However, in a case involving immersion probes for measuring the temperature and oxygen content in molten steel, a court found that, given the product was a single-use product and extensive safety gear was worn during its use, marking a patent number on the product itself was impractical and marking the packaging was far more likely to result in sufficient notice of the patents.⁷ Various courts have also held that marking patent numbers on items such as user guides, bills of lading, promotional fact sheets, and marketing materials was insufficient for the purposes of providing notice under the patent laws.⁸

It is clear that the most certain way to prevent against spending time and money litigating location of patent marking issues is to mark patent numbers on the products themselves. But changing product molds, plates, and associated artwork can be expensive, whenever products change, or patents issue or expire. There are proposals pending to allow web or internet patent marking, which would substantially ease the marking burden on patent owners, but nothing along this line has been adopted as of yet.

Consistency of Marking

There is also a consistency requirement to marking. "[O]nce marking has begun, it must be substantially consistent and continuous in order for the party to avail itself of the constructive notice provisions of the statute."⁹ Courts have held that marking was sufficient when 85%, 95%, and 96.79% of total products covered by the claims of the patent were marked.¹⁰ Conversely, a court has held that marking 16% of covered products was insufficient.¹¹

Consistency of marking also encompasses third party licensees of the patent. Both patent holders and "persons making . . . or selling . . . any patented article for or under them" must mark.¹² Recognizing that "with third parties unrelated to the patentee, it is often more difficult for a patentee to ensure compliance with the marking provisions,"¹³ courts apply a "rule of reason" that when a "failure to mark is caused by someone other than the patentee, the court may consider whether the patentee made reasonable efforts to ensure compliance with the marking requirements."¹⁴ In light of this, a patent holder should, either by contract or practice, put rules in place for licensees regarding patent marking and make reasonable efforts to ensure that licensees are complying with the marking statute.

The Threat of False Marking

A current hot issue in the patent marking environment is determining *which* patents to mark on which products. This is because there can be penalties associated with marking products with patent numbers that do not cover the products marked. The patent laws allow for such penalties where someone marks a patent on an "unpatented article . . . for the purpose of deceiving the public."¹⁵

This "false marking" can be asserted as a defense to an infringement claim. But, more importantly, the patent laws allow any person to sue at any time for alleged false marking.¹⁶ In such *qui tam* actions, if the plaintiff is successful, one-half of the penalty goes to the person suing and the other half goes to the federal government.¹⁷ The applicable statute of limitations for such false marking claims is five years.¹⁸

The statutory penalty for false marking is "not more than \$500 for every such offense."¹⁹ Courts have debated what "every such offense" actually means. Historically courts imposed either a single fine for continuous false marking, a time-based approach, or a per-article approach.²⁰ This limited both the penalty for false marking and the number of false marking suits, as there was little financial incentive to bring such suits.²¹ However, late last year, the U.S. Court of Appeals for the Federal Circuit held that the penalty associated with false marking must be applied on a per-falsely marked article basis.²² While the Federal Circuit acknowledged that the statute allows for a *maximum* penalty of \$500 per article and "a court has the discretion to determine that a fraction of a penny per article is a proper penalty,"²³ this measure could support a massive damages award in cases involving widely sold products.

The Federal Circuit has recognized that its per-article rule may encourage "a new cottage industry" of false marking litigation.²⁴ In fact, there does appear to be a recent proliferation of false marking claims, some brought by nonpracticing entities that appear to have been formed for the express purpose of bringing the claims.²⁵ As such cases make their way through the courts, other issues will likely need to be addressed, such as how such cases may be settled without the accused marker remaining at risk for additional lawsuits, potential collusive settlements to dispose of potential exposure to false marking claims, and the like. These, and other, questions remain unanswered at this time.²⁶

Of course, the mere act of marking a patent on a product where no claims of the patent cover the product does not, by itself, give rise to false marking liability. Intent to deceive must be proved.²⁷ While "[a] party asserting false marking must show by a preponderance of the evidence that the accused party did not have a reasonable belief that the articles were properly marked,"²⁸ the standard and burden to plead such intent is unclear in light of two recent U.S. Supreme Court decisions and a recent Federal Circuit decision.²⁹ Courts have also split as to whether a product that is covered by one valid patent constitutes an "unpatented article" that gives rise to false marking liability if it also is marked with other patents that are either expired or whose claims do not encompass the product.³⁰ It is also unclear whether marking a product with a patent that covers the product, but has expired, gives rise to false marking liability.³¹

In light of the increased incentive and potential for false marking suits, patent owners should give careful thought to whether and how to mark products with patents. If the decision is to mark, the patentee should take steps to ensure that the patents actually cover the products on which they are marked. It would be good practice to establish a formal marking policy, and maintain records of both the marking policy and specific marking decisions and actions. When products are changed or updated, or new product lines acquired, it would be beneficial to analyze whether the products continue to be covered by the marked patents, or may be covered by additional patents. Finally, at least until the law is clarified, it would be good practice to excise from the patent holder's products any patents that have expired.

Conclusion

Companies need to determine whether they will seek the benefits of the marking provisions in the patent laws to obtain past damages for infringement. In order to benefit from patent marking, the patent holder has the burden of pleading and proving at trial that it complied with the marking statute.³² Given recent case law, the costs and burden of such compliance measures can be significant, especially if this analysis must be done each time a product is altered or acquired or a patent issues or expires, and should be weighed against the projected benefits (possibly enhanced damages) of the constructive notice supplied by marking.

In light of these issues, patent owners should weigh the costs and benefits of marking and, if the decision is to mark, work with counsel to implement a coherent and documented marking policy, with compliance checklists and documentation, so as to protect against false marking litigation. And the courts and Congress may want to consider whether the direction of the law has moved too far in the direction of complicating marking decisions, with the unintended and unfortunate effect of less patent marking by patent owners.

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¹ 35 U.S.C. § 286.

² 35 U.S.C. § 287(a). This limitation applies only to apparatus claims, and not to method claims (because a method cannot be physically marked with a patent number). *Bandag, Inc. v. Gerrard Tire Co.*, 704 F.2d 1578 (Fed. Cir. 1983). However, if a patent contains both apparatus and method claims, and the owner does not mark products with the patent number, past damages could be forfeited on both the apparatus and the method claims. *Compare Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1083 (Fed. Cir. 1983) with *American Medical Systems, Inc. v. Medical Engineering Corp.*, 6 F.3d 1523 (Fed. Cir. 1993). If the patent owner does not sell or license products covered by the patent, it can claim the full six years of past damages. 35 U.S.C. §§ 286, 287; *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.*, 297 U.S. 387 (1936).

³ 35 U.S.C. § 287(a).

⁴ *Sessions v. Romadka*, 145 U.S. 29, 50 (1892).

⁵ *Rutherford v. Trim-Tex, Inc.*, 803 F. Supp. 158 (N.D. Ill. 1992).

⁶ *Creative Pioneer Prods. Corp. v. K-Mart Corp.*, 5 U.S.P.Q.2d (BNA) 1841 (S.D. Tex. July 10, 1987); *John L. Rie, Inc. v. Shelly Bros., Inc.*, 366 F. Supp. 84 (E.D. Pa. 1973).

⁷ *Heraeus Electro-Nite Co. v. Midwest Instrument Co.*, No. 06-CV-00355, 2007 BL 202437 (E.D. Pa. Nov. 1, 2007).

⁸ See *Metrologic Instruments, Inc. v. PSC, Inc.*, No. 99-CV-04876, Opinion, at *55, *59–60 (D.N.J. Dec. 13, 2004); *U.S. Cosmetics Corp. v. Greenberg Traurig, LLP*, No. 04-CV-03697, Opinion (D.N.J. Mar. 28, 2007); *Calmar, Inc. v. Emson Research, Inc.*, 850 F. Supp. 861, 867–68 (C.D. Cal. 1994); *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 891 F. Supp. 751, 830 (E.D.N.Y. 1995), *aff'd*, 96 F.3d 1409 (Fed. Cir. 1996).

⁹ *American Medical Systems*, 6 F.3d at 1537.

¹⁰ *Imagexpo, L.L.C. v. Microsoft Corp.*, 299 F. Supp. 2d 550, 554 (E.D. Va. 2003); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1112 (Fed. Cir. 1996); *Donnelly Corp. v. Gentex Corp.*, 918 F. Supp. 1126, 1140 (W.D. Mich. 1996).

¹¹ *Air Turbine Technology, Inc. v. Atlas Copco AB*, 295 F. Supp. 2d 1334, 1339 (S.D. Fla. 2003).

¹² 35 U.S.C. § 287(a).

¹³ *Maxwell*, 86 F.3d at 1111.

¹⁴ *Id.* at 1111–12.

¹⁵ 35 U.S.C. § 292(a).

¹⁶ 35 U.S.C. § 292(b).

¹⁷ *Id.* However it is not clear what, if anything, a putative false marking plaintiff must plead or prove to establish standing to bring a false marking claim. *Stauffer v. Brooks Bros., Inc.*, No. 09-01428 (Fed. Cir.) (complaint filed June 15, 2009), *opinion below*, 615 F. Supp. 2d 248 (S.D.N.Y. 2009).

¹⁸ See *Arcadia Machine & Tool, Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986); 28 U.S.C. § 2462.

¹⁹ 35 U.S.C. § 292(a).

²⁰ See, e.g., *A.G. Design & Associates, LLC v. Trainman Lantern Co.*, No. 07-CV-05158, Order, at *5 (W.D. Wash. Jan. 23, 2009) (single fine); *Icon Health & Fitness, Inc. v. Nautilus Group, Inc.*, No. 02-CV-00109, 2006 BL 41189, at *10–11 (D. Utah Mar. 23, 2006) (time-based approach); *Enforcer Products, Inc. v. Birdsong*, No. 93-CV-01701, Order (N.D. Ga. Nov. 29, 2005) (per-article approach).

²¹ For a discussion of the history of false marking claims, and an argument for a broader and more vigorous application of the false marking statute, see Elizabeth L. Winston, *The Flawed Nature of the False Marking Statute*, 77 Tenn. L. Rev. 111 (2009). The authors of this article disagree with the thesis of the Winston article, on the grounds that marking should be encouraged, rather than penalized, even at the risk of allowing inaccurate marks.

²² *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

²³ *Id.* at 1304.

²⁴ *Id.* at 1303.

²⁵ See, e.g., *Heathcote Holdings Corp. v. William K. Walthers, Inc.*, No. 09-CV-06722 (N.D. Ill.) (complaint filed Oct. 23, 2009); *San Francisco Technology, Inc. v. Adobe Systems Inc.*, No. 09-CV-06083 (N.D. Cal.) (complaint filed Dec. 30, 2009); *Brinkmeier v. Bayer Healthcare LLC*, No. 10-CV-00001 (D. Del.) (complaint filed Jan. 3, 2010); *Heathcote Holdings Corp. v. Crayola LLC*, No. 10-CV-00342 (N.D. Ill.) (complaint filed Jan. 19, 2010); *Hollander v. Hospira, Inc.*, No. 10-CV-00235 (E.D. Penn.) (complaint filed Jan. 19, 2010); *Hollander v. Timex Group USA, Inc.*, No. 10-CV-00429 (E.D. Penn.) (complaint filed Jan. 29, 2010); *Hollander v. EUSA Pharma (USA), Inc.*, No. 10-CV-00492 (E.D. Penn.) (complaint filed Feb. 2, 2010); *Hollander v. Etymotic Research, Inc.*, No. 10-CV-00526 (E.D. Penn.) (complaint filed Feb. 5, 2010); *Zojo Solutions, Inc. v. Leviton Manufacturing Co.*, No. 10-CV-00881 (N.D. Ill.) (complaint filed Feb. 9, 2010); *Heathcote Holdings Corp. v. Clorox Co.*, No. 10-CV-00942 (N.D. Ill.) (complaint filed Feb. 11, 2010); *Josephs v. Federal-Mogul Corp.*, No. 10-CV-10617 (E.D. Mich.) (complaint filed Feb. 12, 2010) See also Justin E. Gray and Harold C. Wegner, *The New Patent Marking Police: Answering Clontech and Forest Group*, available at <http://www.grayonclaims.com/home/2010/1/8/the-new-patent-marking-police-answering-clontech-and-forest.html> (Jan. 8, 2010), at 9 (collecting cases); Winston, *supra*, 77 Tenn. L. Rev. 112 n. 5; False Marking Case Information – Gray on Claims, available at <http://www.grayonclaims.com/false-marking-case-information> (an up-to-date listing of false marking litigation showing that between December 30, 2009 and March 3, 2010, 70 new false marking lawsuits were filed against over 100 companies). The authors thank the Docket Navigator service (www.docketnavigator.com) for providing pending case information.

²⁶ See Gray & Wegner, *supra*.

²⁷ 35 U.S.C. § 292(a).

²⁸ *Forest Group*, 590 F.3d at 1300.

²⁹ *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007) (holding that in an antitrust case a complaint must allege "enough facts to state a claim to relief that is plausible on its face"); *Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2009) (applying *Twombly* to all civil actions in the United States); *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 (Fed. Cir. 2009) (holding that pleading inequitable conduct "requires identification of the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO").

³⁰ *Compare Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005) ("[w]hen the statute refers to an 'unpatented article' the statute means that the article in question is not covered by at least one claim of each patent with which the article is marked") with *Arcadia Machine & Tool Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986) (not objecting to a label used for multiple products that listed thirty patents, only some applicable to each product).

³¹ See *Pequignot v. Solo Cup Co.*, No. 09-01547 (Fed. Cir.) (complaint filed Aug. 28, 2009), *opinion below*, 540 F. Supp. 2d 649 (E.D. Va. 2008).

³² *Dunlap v. Schofield*, 152 U.S. 244 (1894); *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1447 (Fed. Cir. 1998).