

# Marking and Notice

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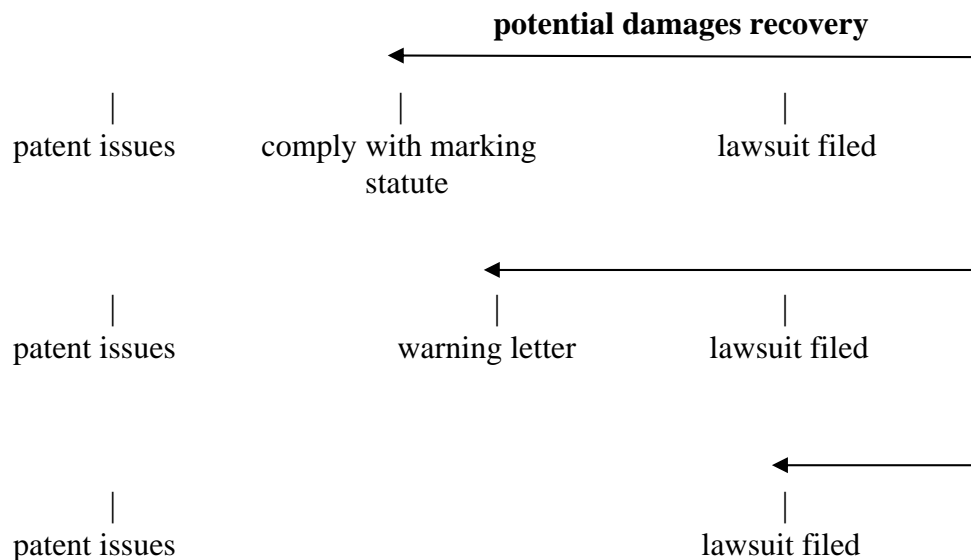
## I. Marking Statute and Policy

The marking statute provides for marking of a patented article by fixing the patent number onto the patented article or its package.

In order to recover damages for infringement which occurs prior to filing a lawsuit, the marking statute requires the patent owner to either:

- mark each patented article that is sold with the applicable patent number, or
- give the infringer actual notice of the patent (e.g., warning letter).

The filing of an infringement suit serves as actual notice, but the patent owner will only be able to recover for infringement that occurs once the suit has been filed. That is, failure to mark in compliance with the marking statute may result in smaller damage awards.



The objective of the marking statute is to give patentees the proper incentive to mark their products, and thus place the world on notice of the existence of the patent.

In more detail, the patent statute provides for notice to the public (constructive notice) by marking the patented article:

- either by fixing thereon the word “patent” or the abbreviation “pat.”, together 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 a 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 (actual notice) and continued to infringe thereafter, in which event *damages may be recovered only for infringement occurring after such notice.*

Lastly:

- Filing of an action for infringement shall constitute such notice.

Unless and until the patentee marks his patent in compliance with the marking statute §287(a), or serves actual notice upon an alleged infringer (e.g., warning letter or the filing of an infringement action), he can recover no damages.

### **§ 287. Limitation on damages and other remedies; marking and notice**

(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, 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.

## **II. Application of Marking Statute**

- Applies to patent owners who manufacture or license any tangible article.
- Neither marking nor actual notice is required if the patented invention is not made or sold by the patent owner or someone acting under its authority.
- Marking does not apply to patents containing *only* method claims. This is because where the patent claims are directed to only a method or process, there is nothing to mark.
- Where a patent contains both article and asserted method claims, the patentee is obliged to mark (or provide actual notice) if relying on the marking statute to recover pre-litigation damages.

## **III. How to Mark**

- If selling a patented product, mark each item with the word “patent” or the abbreviation “pat.” together with the applicable patent number(s). For example” “Patent No. 6,566,892” is proper marking.
- The marking must be legible, and is generally required to be directly on the patented item.

- Where impractical due to the nature of the item, the article's package can be marked instead.
- In order to comply with the marking statute, all patented articles that are sold must be marked, subject to a *de minimus* exception (for example, failure by mistake to mark a few articles in hundreds of thousands made and sold). In one case, the court held that marking 87% of patented articles was not adequate to comply with the marking statute.
- The number of marked or unmarked articles seen by the infringer (or public) is irrelevant. The controlling issue (as to eligibility for recovering pre-litigation damages) is whether the patent owner performed his statutory duty to mark all patented articles that are sold.

#### **IV. Special Circumstances for Patented Method or System Sold Over the Internet**

- One district court decision has held that marking is required for a method or system patent if the patent owner sold the patented system (in this case, a method and system for trading loans) over the internet. *IMX Inc. v. Lending Tree LLC*, 79 USPQ2d 1373 (D. Del. 2005).
- According to the court, the website on which the patented system was accessed and used by customers was intrinsic to (i.e., fundamentally part of) the patented system and constituted a tangible item to mark. Therefore the court held that the website should have been marked with the patent number.

#### **V. When Patented Article Must be Marked**

- The statute *precludes* recovery of damages for infringement prior to compliance with the marking requirements of the statute or prior to giving the infringer actual notice of the patent.
- Where there is a delay between the time that the patent issues and compliance with the marking requirement, damages may be recovered after the date that marking has begun. However, once marking has begun, it must be substantially consistent and continuous.

- For example, the court held that a patentee did not comply with §287(a) while it marked certain products but continued to ship unmarked products, thereby misleading the public into thinking that the product was freely available. Full compliance was not achieved until the patentee consistently marked substantially all of its patented products and was no longer distributing unmarked products. *American Med. Sys. Inc. v. Medical Eng'g Corp.*, 28 USPQ2d 1321 (Fed. Cir. 1993)

## **VI. Licensees**

- A licensee who makes or sells a patented article does so “for or under” the patent owner, thereby limiting the patent owner’s damage recovery when the patented article is not marked.
- In one case where 95% of the products sold by the licensee were marked and where the patent owner notified the licensee’s suppliers of the need to mark, the court affirmed that the patent owner had complied with the marking statute. *Maxwell v. J. Baker Inc.*, 39 USPQ2d 1001 (Fed. Cir. 1996).

## **VII. Notice Requirement**

- The statute requires notice, either actual (e.g., warning letter or the filing of an infringement action) or constructive notice (i.e., marking), that the article is patented, or no damages can be recovered by the patentee.
- The patentee has the burden of proving, at trial, that it has complied with the statutory requirements for marking or notice.
- Absent notice by the patentee, knowledge of a patent (by an infringer) is irrelevant, namely, §287(a) requires “notice of infringement.” That is, the focus is on the action of the patent owner, not the knowledge of the infringer.
- The actual notice requirement is satisfied when the recipient is informed of the identity of the patent and the activity that is believed to be an infringement, accompanied by a proposal to abate the infringement, either by taking a license or otherwise (e.g., a demand to cease infringement).

# *American Medical Systems Inc. v. Medical Engineering Corp.*

28 USPQ2d 1321 (Fed. Cir. 1993)

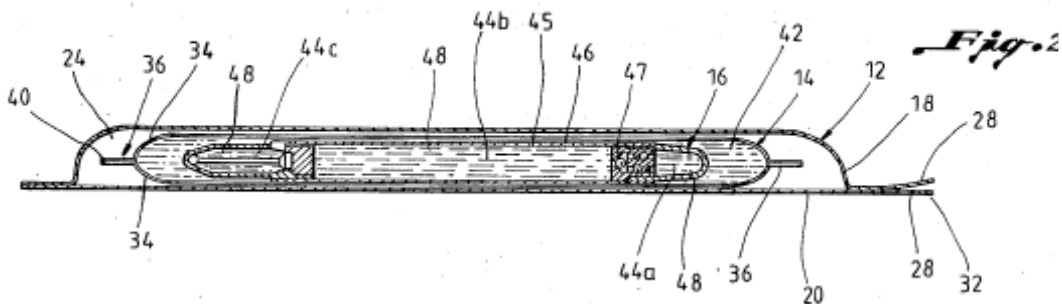
## 1. The Trade Show

MEC began to work on the problem of marketing a pre-filled, sterilized prosthesis in early 1984. MEC's packaging concept encountered problems with respect to leaking and sterilization.

In May of 1985, MEC personnel saw AMS's pre-filled, packaged prosthesis on display at the annual American Urological Association trade show. The AMS package was not marked with any patent pending notice, and no representations were made at that time that any patent applications had been filed. MEC abandoned its package after it had obtained a sample of the AMS device and package, and then introduced its own product in the market in May 1985 based on the AMS product.

## 2. The AMS Patent

AMS's '765 patent, including claims directed to an apparatus (packaged fluid containing prosthesis adapted to be implanted in a sterile condition) and method for packaging the prosthesis, issued on July 1, 1986.



MEC's in-house counsel became aware of the '765 patent shortly after it issued in July 1986. AMS's patent counsel also brought the '765 patent to the attention of MEC's patent counsel in August 1986. No accusation of infringement was made at that time. In an oral opinion, MEC's in-house counsel advised MEC's President that the '765, although literally infringed, was invalid.

### **3. MEC Develops Noninfringing Alternative**

Shortly after learning of the '765 patent, MEC began work on an alternative, noninfringing device (called the "vacuum pack") which entered the market in January 1988. Even after developing the noninfringing product, MEC continued to ship its remaining inventory of infringing product through the remainder of 1988.

### **4. AMS Files Infringement Suit**

AMS filed a complaint on October 28, 1987, accusing MEC of willful infringement of both the apparatus and method claims of the '765 patent. Although the complaint had been filed, the complaint was not served at the time of filing. Settlement discussions ensued, which were unsuccessful.

In February 1988, AMS filed and served an amended complaint (differing from the original complaint only in that there was no request for a jury trial). Ultimately, the district court found that the '765 patent was **not invalid and willfully infringed** (the court found that the "oral" invalidity opinion lacked credibility, and that MEC had no reasonable good faith belief to justify its continued infringement).

### **5. Marking History**

- Prior to issuance of the '765 patent on July 1, 1986, AMS had already shipped 8,556 unmarked prostheses.
- AMS began marking its products about two months after the patent issued (on around September 1, 1986).
- AMS did not begin shipping its marked products until October 15, 1986, 3 ½ months after the patent had issued.
- After the patent had issued, 1,939 prostheses were shipped without marking.

### **6. AMS's Damages Theory**

As to damages, AMS asserted that it was entitled to "lost profits" for the period of July 1, 1986 (the date that the patent issued) through December 1987, after which MEC's noninfringing "vacuum pack"

entered the market. From January 1988 on, AMS claimed that it was entitled to a “reasonable royalty” for MEC’s continued shipping of its remaining inventory of infringing product.<sup>1</sup>

## **7. Damages Awarded by the District Court**

In awarding damages, the district court found that AMS did not begin to mark its device until two months after the patent had issued, and that AMS did not begin shipping those marked devices until October 15, 1986.

Based thereon, the district court concluded that more than a *de minimus* number of devices had been shipped without any patent marking. **Accordingly, the district court held that AMS was only entitled to damages from the date that it gave MEC actual notice of infringement.**

The district court found that actual notice was not given until the lawsuit was filed on October 28, 1987.

The district court held that AMS was entitled to lost profits for the period of October 28, 1987 through December 1988 and to a reasonable royalty for the period of January 1988 to December 1988 (in addition to enhanced damages of 1.5 times proven damages for willful infringement).

According to the district court:

**AMS was obliged to have marked all Hydroflexes subsequent to issue of the patent, except that it is allowed a relatively small number to be shipped unmarked as it readies the marking process.**

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<sup>1</sup> A reasonable royalty is the minimum level of damages to which a wronged patent owner is entitled. Once MEC began shipping its redesigned product, there was no longer an absence of acceptable noninfringing substitutes needed to support a damages theory (actual damages) based on “lost profits.” In order to be entitled to “lost profits” the patent owner must also show a demand for the product during the period in question, its own manufacturing and marketing capability to meet that demand and a detailed computation of the amount of profit it would have made “but for” the infringement.

**Damages awarded by the district court (before enhanced damages):**

		-----\$906k----- -----\$46k-----			
		Lost Profits		Reasonable Royalty	
July '86	Oct '86	Oct '87	Jan '88	Dec '88	
Patent Issues	AMS Begins Marking Prod	AMS Files Lawsuit	MMC Ships Noninfring Prod	MMC stops Shipping Infringing Prod	

**8. Appeal to the Federal Circuit**

**A. Patent Marking and Damages**

On appeal, AMS argued that under a correct interpretation of §287(a), it was entitled to damages from the time that it began consistently marking its product.

The Federal Circuit agreed with AMS, noting that there is nothing in the statute requiring marking or notice within any period after issue as a condition for recovery of damages for infringement. In citing a number of earlier decisions, the Federal Circuit confirmed that:

**Liability for infringement begins with marking (or actual notice) whenever that occurs.**

That is, unless and until the patentee marks his patent or serves actual notice upon an alleged infringer he can recover no damages.

**The penalty for failure to do either is limited to denial of damages for infringement at any time prior to compliance with the requirements of the statute.**

Thus, the sooner one complies with the marking requirements, the more likely one is to maximize the period of time for recoverable damages.

**In light of the permissive wording of the present statute, and the policy of encouraging notice by marking, we construe section 287(a) to preclude recovery of damages only for infringement for any time prior to compliance with the marking or actual notice requirements of the statute. Therefore, a delay between issuance of the patent and compliance with the marking provisions of section 287(a) will not prevent recovery of damages after the date that marking has begun. We caution, however, that once 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.**

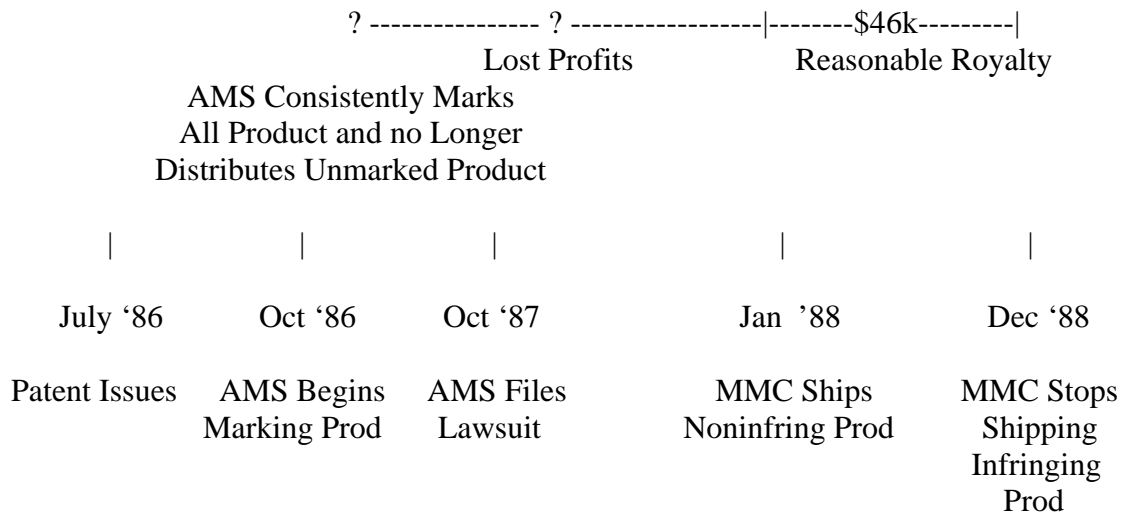
As applied to the facts of this case, the Federal Circuit held that AMS was entitled to damages from the time when it either began marking its products *in compliance with* section 287(a) or when it actually notified MEC of its infringement, whichever was earlier.

**The date that AMS began marking its products is irrelevant for purposes of the statute, because marking alone without distribution provides no notice to the public where unmarked products are continuing to be shipped (the world cannot be put on notice if the patent owner marks certain products, but continues to ship unmarked products). Therefore, AMS was not in full compliance with the marking statute while it continued to ship its unmarked products, which continued to mislead the public into thinking that the product was freely available.**

Full compliance was not achieved until AMS consistently marked substantially all of its patented products, and it was no longer distributing unmarked products.

The Federal Circuit therefore remanded the case to the district court for a proper determination of damages (i.e., to determine the point in time at which AMS consistently marked substantially all of its patented products, and was no longer distributing unmarked products).

Remand to district court (before enhanced damages):



### **B. Patent Marking Relating to Method Claims**

AMS further argued that the district court erred in limiting its recoverable damages from the infringed method claims of the '765 patent.

The Federal Circuit disagreed, noting that the purpose behind the marking statute is to encourage the patent owner to give notice to the public of the patent. The reason that the marking statute does not apply to method claims is that, ordinarily, where the patent claims are directed to only a method or process, there is nothing to mark.

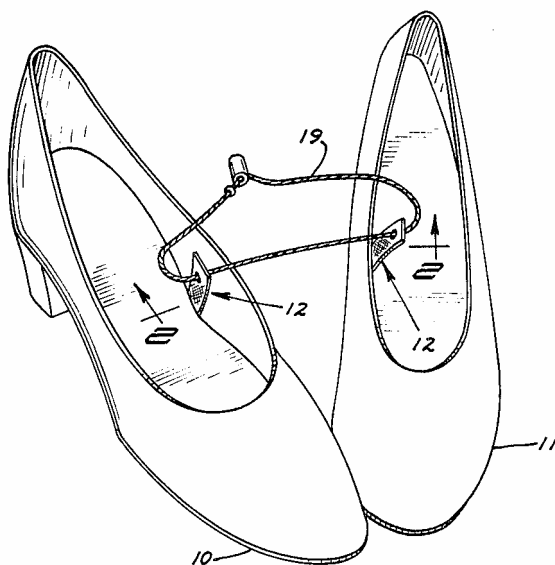
**Where the patent contains both apparatus and method claims, however, to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to mark if it intends to avail itself of the constructive notice provisions of section 287(a).**

## ***Maxwell v. J. Baker Inc.***

39 USPQ2d 1001 (Fed. Cir. 1996)

### **1. Maxwell Secures Patent**

Maxwell obtained the '060 patent issued November 25, 1986 directed to a system for connecting shoes that do not have eyelets. The claims call for fastening tabs provided along the inside of each shoe, and connecting the shoes with a filament threaded through a loop in each tab.



### **2. Jury Finds Infringement, Awards Damages as of November 1987 when Maxwell was Found to have Complied with the Marking Statute**

J. Baker sells and distributes shoes through retail stores. Between the mid-1980's and 1990, J. Baker instructed its manufacturers to connect shoes together for sale using a fabric loop inserted under a shoe's sock lining.

In June 1990, Maxwell informed J. Baker's in-house counsel that she believed that J. Baker infringed the '060 patent, and sued J. Baker on December 12, 1990. The jury (district court) found that J. Baker infringed the patent and that Maxwell complied with the marking

requirements of §287(a) as of November 1987. Thus, the jury awarded Maxwell monetary damages based on its determination of a reasonable royalty for use of Maxwell's patent.

### **3. Appeal to Federal Circuit – J. Baker Challenges Jury Verdict That Maxwell had Complied with marking Statute as of November 1987**

On appeal to the Federal Circuit, J. Baker contended that no damages may be awarded for infringement occurring before J. Baker had actual notice of the alleged infringement in June 1990, and challenged the jury's verdict that Maxwell complied with the marking statute as of November 1987. In this regard, J. Baker relied on evidence that at least 5% of the shoes sold by Maxwell's licensee, Target, were not properly marked because Target failed to instruct some of its manufacturers to mark the patented systems.

### **4. Federal Circuit Sides with Maxwell**

#### **A. Rule of Reason when Third parties are Involved**

The Federal Circuit agreed with Maxwell that she was diligent in enforcing Target's duty to mark, and that Target successfully marked 95% of the shoes sold with the attachment system.

A patentee who makes, uses, or sells its own invention is obligated to comply with the marking provisions to obtain the benefit of constructive notice. ... Thus, licensees, such as Target, and other authorized parties, such as Target's manufacturers, must also comply.

However, with third parties unrelated to the patentee, it is more difficult for a patentee to ensure compliance with the marking provisions. Thus:

**A “rule of reason” approach is justified in such a case and substantial compliance may be found to satisfy the statute.**

The court found that when third parties are involved, the number of shoes sold without proper marking is not conclusive of the issue as to whether the marking was “substantially consistent and continuous.” Rather, when the failure to mark is caused by someone other than the patentee, the court may consider whether the patentee made reasonable

efforts to ensure compliance. The court considered such application of the rule of reason to be consistent with the purpose of constructive notice, namely, to encourage patentees to mark in order to provide notice to the public of the existence of the patent and to prevent innocent infringement.

### **B. Specific Findings as to Maxwell**

Here, Maxell was found to have made extensive and continuous efforts to ensure compliance by Target, despite that a numerically large number of shoes were sold without proper marking. Further, the court found that the evidence supports the jury's finding that Maxwell complied with the marking statute.

Before the patent had issued, Target agreed to mark "Patent Pending" on all pairs of shoes using Maxwell's shoe attachment system. After the patent issued, Maxwell notified Target to mark the patent number on all shoes using the patented system, as required by their license agreement. Initially, Target made no effort to change the marking from "patent Pending" to recite the patent number. In response, Maxwell notified Target's manufacturers of the need to properly mark. Thereafter, Target agreed to properly mark shoes using the patented system by November 1987. Thereafter, on several occasions when Maxwell learned of Target's failure to mark, she notified Target of the errors. Maxwell also presented evidence that, in response to her urging, Target used its best efforts to correct its failure to mark by instructing its manufacturers to properly mark in the future.

Based thereon, the court found that substantial evidence supports the jury's determination that Maxwell complied with the marking statute as of November 1987. Most pairs of shoes using the patented system were marked. Any deficiency in marking was not due to Maxwell or any failure on her part to ensure compliance by her licensees.

## **VIII. Relationship to Provisional Rights**

Sections 154(d)(1) and (2) permit a patentee to obtain a reasonable royalty for activities amounting to infringement of the claims of a published application if:

- the claims of the issued patent are substantially identical to the claims of the published application; and
- the accused infringer had actual notice of the published patent application.

### **A. Actual Notice – Parallel to Marking Statute**

The patent statute does not explain what is meant by “actual notice,” and court decisions are few. The legislative history indicates that the requirement of actual notice is critical, and that the published Applicant must give actual notice of the published application to the accused infringer and explain what acts are regarded as giving rise to provisional rights.

In addition to the patent application serial number and identification of the activity that is believed to be within the scope of the published claims, some practitioners believe that “actual notice” requires a proposal to abate the provisional “infringement” (for example, by asking the recipient to cease the “infringing” activity or an offer of a “provisional license” as to any claims that issue that are substantially identical to the published claims).

- Identify published application
- Identify acts regarded as giving rise to provisional rights
- Proposal to “abate” provisional infringement

### **B. Accrual of Reasonable Royalty**

The patent statute does not indicate whether reasonable royalties begin to accrue only after the required notice has been given, or whether giving notice allows royalties to accrue from the date of publication. By analogy to §287(a) relating to marking, most practitioners believe that royalties should be calculated from the date notice is given, not from the date of publication.

- Royalties accrue from the date notice is given