To Mark or Not to Mark — The Past and Present State of Patent Marking and False Marking

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Under U.S. law, notice is necessary before patent damages begin to accrue. Constructive notice, or patent marking, is perhaps the more common of the two ways a patent owner can notify potential infringers, the other being actual notice. Patent marking has certain requirements and involves certain risks, and its law has changed measurably in a short period of time, first by the courts and most recently by the America Invents Act (AIA). As the law has evolved, the state of patent marking has gone from good, to risky, to now better with the enactment of the AIA.

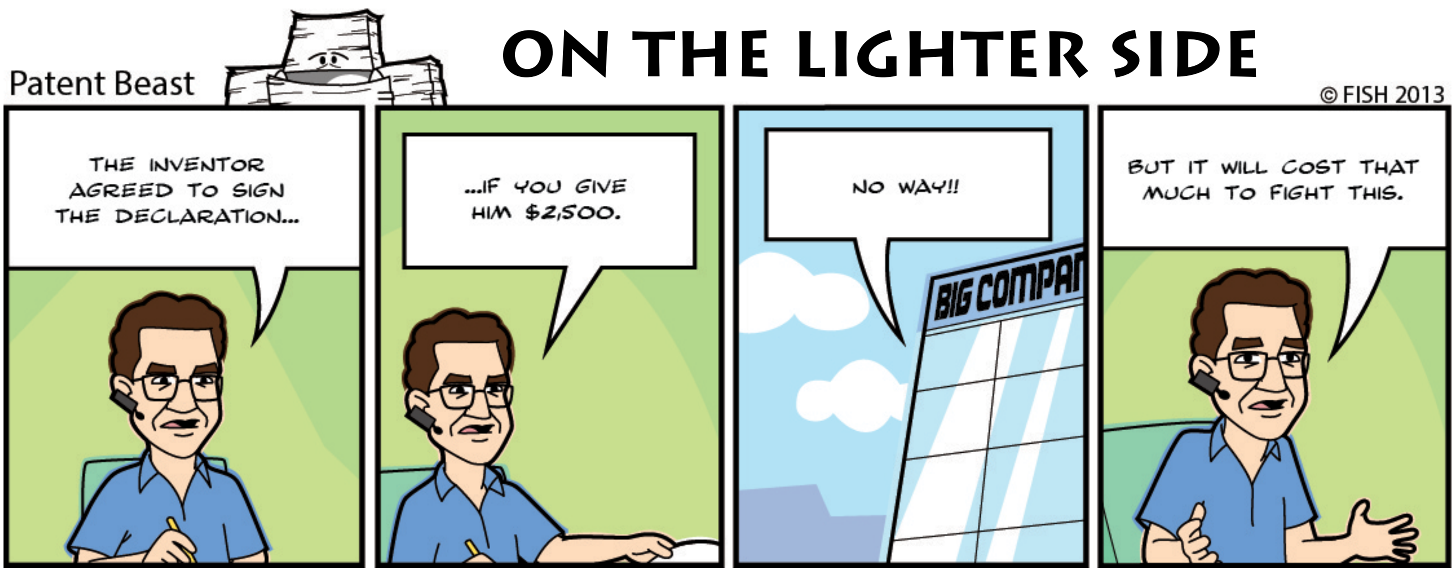
A LITTLE BACKGROUND

A patent owner provides constructive notice by properly marking a patented product and putting the product in the marketplace. A product is covered by a patent — and hence can be marked with the accompanying patent number — when one or more claim(s) of the patent read on that product.[1] Marking has traditionally been carried out by printing patent numbers on products or product packaging. If the claims, on the other hand, do not read on any of the patent owner's products, then constructive notice is satisfied merely by the act of patent issuance.[2] In either case, a patent owner will not be precluded from patent damages based on an absence of notice.

When an unpatented product is marked improperly, however, a patent owner can be sued for false marking. A patent owner is guilty of false marking when they have marked an unpatented product and have done so intending to deceive the public.[3] Several circumstances have made patent owners liable in false marking lawsuits. Before the AIA these included: i) a product marked with a number of a patent that has expired, ii) a product marked with a number of a patent without a claim reading on the product, or iii) a product marked by an indication that a patent is pending for the product when indeed no patent is pending. And while the bar for proving deceptive intent is currently high, a rebuttable presumption of deceptive intent is established if a patent owner knew they marked improperly and had no intention, policy, or plan to correct it.[4]

TIMES WERE GOOD, AND THEN GOT RISKY

For over a century, patent owners could mark their products with little to fear. The false marking statute of the 1870 Patent Act had been interpreted to impose only a single fine even when many products were falsely marked.[5] Then in 2009, the Court of Appeals for the Federal Circuit (CAFC) ruled in *Forest Group, Inc. v. Bon Tool Co.* that a culpable party could be levied a fine of up to $500 per each product falsely marked.[6] The CAFC interpreted the false marking statute of the amended 1952 Patent Act, thereby setting aside the 1870 Patent Act and its single fine. Patent owners were now exposed to false marking suits with fines possibly in the millions, and the *qui tam* nature of the Act meant that private individuals could bring suit without proof that they suffered an injury. The mere threat deterred some patent owners from marking at all, while others paid settlements to avoid the costs of a lawsuit. In



one well-known case, the defendants faced fines comparable to the U.S. national debt for allegedly marking billions of plastic cup lids with patent numbers of expired patents.[7]

TIMES ARE GETTING BETTER

With the AIA, Congress sought to quell the surge of false marking litigation that arose after *Forest Group*. The new AIA marking statute has done just that. It limits those who can bring suit, reduces the risk of false marking, and makes it easier for patent owners to properly mark their patented products.

False marking under the AIA gives only the United States government and a person who has suffered a competitive injury the right to sue for false marking, and takes away this right from uninjured private individuals.[8] Now, the potentially $500-per-product fine can only be sought by the government, effectively abrogating the *qui tam* nature of the previous statute. At the time of its enactment in 2011, the abrogation applied to all pending *qui tam* suits. Though challenged, the CAFC has upheld the retroactive application as constitutional and the Supreme Court of the United States has recently denied *certiorari* on that issue.[9] Apart from the government, those that have suffered a competitive injury — presumably competitors — can also bring suit. But the competitors will not be awarded the potentially $500-per-product fine and instead will be able to recover damages that adequately compensate for their injury.

The new statute also removes expired patents as a false marking violation.[10] This was the most frequent basis for past lawsuits. Now patent owners marking their products can only be liable when they have marked a product with a number of a patent without a claim reading on the product, or they have marked a product with *patent pending* when indeed no patent is pending that covers the product (of course deceptive intent is still required). While still not advisable, patent owners will no longer be punished under false marking for simply continuing to mark a product with a number of an expired patent.

Lastly, the AIA now makes it easier to properly mark one's product by introducing a new way to mark called virtual marking. Instead of physically marking one's product with a listing of individual patent numbers, which could require recurring changes as patents and applications come and go, a patent owner can now fix the word *patent* or *pat.* together with a website address on their products (e.g., *patented, go to www.mycompany'spatents.com*). At the website, the patent owner simply provides a list of their products and the associated patent number(s) for the products. So under product A, for instance, patent numbers 1, 2, and 3 can be listed. In addition to associating products with patent numbers, this provision of the statute requires that the website be accessible to the public and without charge for accessing it.[11]

With virtual marking, patent owners can more readily modify their products and patent numbers. Several circumstances call for adding and removing products and patent numbers, including patent expiration through passage of time, patent expiration through maintenance fee lapses, new patent applications, newly-issued patents, new products, altered product design or manufacture, a court's construction of a claim, legal developments, as well as other reasons.

CONCLUDING REMARKS

While not perfect, the author believes the AIA has made it safer and easier to mark one's products. The new statute includes some sensible provisions, including removing expired patents as a violation and establishing virtual marking. Patent owners who stopped marking after *Forest Group* can now consider reinstating their patent marking activities.

Furthermore, the AIA false marking statute will likely continue to reduce the number of lawsuits brought, but the author believes that the new statute could lower the bar for proving deceptive intent since virtual marking makes it easier to properly mark one's product. So patent owners need to remain watchful and be sure their products are properly marked, even with the AIA's help. IPT

ENDNOTES

1. *Clontech Labs, Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005)
2. *Wine Ry. Appliance Co. v. Enterprise Ry. Equipment Co.*, 297 U.S. 387 (1936)
3. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010)
4. *Id.*
5. *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910)
6. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009)
7. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010)(with the maximum fine of $500, $10.8 trillion in total; U.S.'s one-half share would equate to 42% of the U.S. national debt at the time)
8. 35 U.S.C. § 292 (2011)
9. *Brooks v. Dunlop Manufacturing*, 702 F.3d 624 (Fed. Cir. 2012), *Public Patent Foundation, Inc. v. McNeil-PPC, Inc.*, Sct. No. 13-161
10. 35 U.S.C. § 292 (2011)
11. 35 U.S.C. § 287 (2011)

ON THE LIGHTER SIDE