



presents

Patent Marking: Federal Circuit Expands Liability Threat

Complying With the False Marking Statute to Avoid Claims

A Live 90-Minute Teleconference/Webinar with Interactive Q&A

Today's panel features:

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Thursday, March 18, 2010

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False Patent Marking – The State of the Law

**Robert Unikel
Howrey LLP**

March 18, 2010

The False Marking Statute – 35 U.S.C. § 292

- **Section 292 addresses three separate offenses:**
 - (1) counterfeit marking (by non-patentees) (Section 292(a) ¶ 1)
 - (2) false patent marking (Section 292(a) ¶ 2)
 - (3) false patent pending marking (Section 292(a) ¶ 3)

Section 292(a) ¶ 2 – The Most Common Basis For Suit

■ Definition of Liability

- (a) ¶ 2: Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article the word "patent" or any word or number importing the same is patented, for the purpose of deceiving the public

■ Definition of the Fine

- (a) ¶ 4: Shall be fined not more than \$500 for every such offense

■ *Qui Tam* Provision

- (b) Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States

35 U.S.C. § 287 - The Other Marking Statute

- (a) Patentees, ... selling within the United States any patented article..., 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... 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....

35 U.S.C. § 287 - The Other Marking Statute

- Section 287 encourages affirmative marking of patented products.
- Marking of patented products serves several salutary purposes, including (1) helping others to avoid innocent infringement; (2) encouraging patentees to give notice that an article is patented; and (3) aiding the public to identify whether an article is patented.
- “The federal patent scheme provides a basis for the public *to ascertain* the status of the intellectual property embodied in any article in general circulation. . . . The [§ 287] notice requirement is designed ‘for the information of the public’ and provides a ready means of discerning the status of the intellectual property embodied in an article of manufacture or design.” *Bonito Boats*, 489 U.S. 141, 161-62 (1989)

Why The Sudden Interest In False Marking?

- In 2007, Solo Cup was sued for False Marking
 - First modern, reported case where false marking action brought by *qui tam* plaintiff
 - First reported case brought solely based on existence of *expired* patent markings
- Brooks Brothers, Proctor & Gamble, Gillette and others sued shortly thereafter
- More than 60 cases filed in February 2010

Pre-December 2009 – Limited Exposure for False Marking

- **“Shall be fined not more than \$500 for every such offense”**
 - *London v. Everett*, 179 F. 506 (D. Mass. 1910) – fine assessed on a “per decision basis”
 - Because “[t]he purpose to deceive the public is an essential element of the offense,” the *decision* to mark is “where[] the intent is made manifest.”
 - Because “[a] fraudulent design maintained throughout the continuous marking of a number of articles cannot be divided into as many distinct fraudulent purposes as there are distinct overt acts of marking,” where the marking is part of a single, continuous act there is “but one offense ... and only a single penalty ... recoverable, though more than one article may have been marked.”
 - Ultimate rationale: avoid damages that “accumulate as fast as a . . . stamping machine might operate”
- *London* rationale accepted and applied for nearly a century

Forest Group v. Bon Tool Co. – Raising the Stakes

- Background Facts
 - Plaintiff-Patentee sued for patent infringement
 - After a claim construction ruling adverse to patentee, defendant counter-claimed for false marking
 - District Court ruled that neither the accused infringer's nor the patentee's products were covered by the patent-in-suit
- Patentee's "bad" facts
 - Patentee had been advised by two law firms that it could no longer mark its products
 - Patentee claimed that it told its distributor to stop marking the product
 - But the product continued to be marked
 - There was no evidence (e.g., documents, emails, or phone records) that the patentee ever contacted the distributor

Forest Group v. Bon Tool Co. – Raising the Stakes

- The District Court found False Marking based on patentee’s knowledge – after the court’s order – that its patent did not cover its products
- However, the District Court followed *London*
 - District Court construed “\$500 for every such offense” as \$500 for each “decision to mark”
 - The District Court awarded \$500 because there was only one order placed after the court ruled that the patent did not cover the product

Forest Group v. Bon Tool Co.- The Federal Circuit Speaks

- Opinion Issued on December 28, 2009
- Upholds finding of intent to deceive
 - Basis: the patentee received two legal opinions, two adverse claim construction rulings, and two court orders that its patents did not cover its products
- Reverses and remands on damages
 - Held that “\$500 for every such offense” should be construed to mean a fine of up to \$500 “on a per article basis”

Forest Group v. Bon Tool Co.- The Federal Circuit's Rationale

- “[T]he statute’s plain language requires the penalty to be imposed on a per article basis,” as the statute prohibits false marking of “any unpatented article,” and it imposes a fine for “every such offense.”
- “Congress’ affirmative change of the statute’s penalty from a minimum to a maximum fine eliminated the policy consideration expressed by the court in *London* of not imposing disproportionate fines for the false marking of small and inexpensive articles.”
- “If an article that is within the public domain is falsely marked, potential competitors may be dissuaded from entering the same market.”
 - “False marks may also deter scientific research when an inventor sees a mark and decides to forego continued research to avoid possible infringement.”
 - “False marking can also cause unnecessary investment in design around or costs incurred to analyze the validity or enforceability of a patent whose number has been marked upon a product with which a competitor would like to compete.”

What the Federal Circuit did *not* say in Bon Tool Co.

- *Bon Tool* did not address how and/or when a district court should calculate the fine associated with the marking of each article
 - What factors can/should a court consider in assessing a fine?
 - Does fine relate at all to extent of actual injury, if any?
 - Must/can a jury be involved?
 - Liability v. Fine
 - Interesting question: Can the *qui tam* relator obtain a jury trial if the defendant requests bench trial?

Intent to Deceive – The Next, First Line of Defense

- **Liability requires that false marking be “for the purpose of deceiving the public”**
- **Two basic types of false patent marking cases:**
 - **(1) “Not-Covered Type” – i.e., articles are marked with the number of patent that, properly construed, does not “cover” the article**
 - **(2) “Expired Type” – i.e., articles are marked with the number of a patent that is expired**

Intent to Deceive – “Not-Covered Type” Cases

- In absence of “smoking gun,” typical inquiry is whether patentee had “reasonable belief” that marked patent covered product
- *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005)
 - Court made clear that Section 292 is not a statute of strict liability for mismarking
 - “But in order to establish knowledge of falsity the plaintiff must show by a preponderance of the evidence that the party accused of false marking did not have a reasonable belief that the articles were properly marked (i.e., covered by a patent.) Absent such proof of lack of reasonable belief, no liability under the statute ensues.”
 - “Thus, under such circumstances, the *mere assertion* by a party that it did not intend to deceive will not suffice to escape statutory liability. Such an assertion, standing alone, is worthless as proof of no intent to deceive where there is knowledge of falsehood.”

Intent to Deceive – “Expired Type” Cases

- **Legacy Marking v. New Marking**
 - **New marking = first placing patent number of articles after expiration date**
 - **likely to be treated like “Not-Covered Type” – i.e., was there “reasonable belief” that product could properly be marked?**
 - **Legacy marking = leaving prior, accurate marking on article after patent expiration date**
 - **Raises more difficult questions re: intent**

Intent to Deceive – “Expired Type” Cases

- **Issues inherent in Legacy Marking cases**
 - **Is legacy marking even covered by/subject to Section 292?**
 - **Section 292 deals with marking an “unpatented article”**
 - **Is an article correctly marked with an expired patent really “unpatented”?**
 - **Conflict with *Bonito Boats* rationale – expiration date is basic information**
 - **Is there a duty on the part of a patentee to monitor marks?**
 - **Is knowledge of expiration date assumed/imputed?**
 - **How quickly must a patentee remove a patent number after expiration?**
 - **Is cost/difficulty of removal a proper factor for a patentee to consider?**
 - **What is the effect of advice of counsel?**

The *Solo Cup* District Court Ruling (Judge Brinkema – ED VA)

- “No court has addressed how the *Clontech* standard applies to allegations involving only expired patents. As such, the question of what suffices to prove intent to deceive under such circumstances is one of first impression.”
- “The Court believes that when, as here, the false markings at issue are expired patents that had previously covered the marked products, the *Clontech* presumption of intent to deceive is weaker, because the possibility of actual deceit, as well as the benefit to the false marker, are diminished.”
- “[T]he Court holds that under *Clontech*, a false marking made with knowledge of falsity creates a rebuttable presumption of intent to deceive. To rebut this presumption, the defendant must present more evidence than a ‘mere assertion by a party.’ Whether evidence suffices to rebut the presumption ‘turns on a fact-specific examination of the defendant’s conduct.’”

The *Solo Cup* District Court Ruling (Judge Brinkema – ED VA)

- The Court granted summary judgment to *Solo* on lack of intent to deceive
 - “The undisputed evidence also shows that Solo was genuinely concerned about following the advice of counsel and adhering to the law. . . .There is not a scintilla of evidence that Solo ever ignored its counsel’s advice or, more importantly, manifested any actual deceptive intent. There is also no evidence that Solo had any desire to keep the expired numbers on the lids for any reason other than to avoid the costs and disruption of a wholesale replacement.”
- Now on appeal to Federal Circuit

Intent to Deceive – What is the Burden of Proof?

- Is burden preponderance, clear and convincing, or beyond a reasonable doubt?
 - Section 292 acknowledged to be a penal/criminal provision which allows imposition of a civil fine
- ***Clontech* and *Bon Tool* reference**
“preponderance” standard
 - “A party asserting false marking must show my a preponderance of the evidence that the accused party did not have a reasonable belief that the articles were properly marked.”
 - Yet, unclear whether this describes *ultimate* burden, or only the burden for creating a rebuttable presumption

Intent to Deceive – What is the Burden of Proof?

- **Guidance from Inequitable Conduct cases**
 - *Star Scientific, Inc. v. R.J. Reynolds*, 527 F.3d 1357 (2008)
 - According to Federal Circuit, burden of proving intent to deceive the PTO is “clear and convincing evidence”
 - “[T]he inference [of intent to deceive] must not only be based on sufficient evidence and be reasonable in light of that evidence, but it must also be the single most reasonable inference to be able to be drawn from the evidence to meet the clear and convincing standard.”
 - “If a threshold level of intent to deceive or materiality is not established by clear and convincing evidence, the district court does not have any discretion to exercise and cannot hold the patent unenforceable regardless of the relative equities or how it might balance them.”
- **Shouldn't the burden of proof be at least as high in False Marking cases?**

Qui Tam Issues

- **Standing**
 - *Brooks Brothers* district court held no “case or controversy” where *qui tam* plaintiff alleges only non-specific injury
 - Federal Circuit appeal pending
- **Constitutionality of Section 292 if *qui tam* standing is allowed**
 - “Take care” clause of Article II
 - First Plaintiff Problem
- **Venue**
 - Is *qui tam* plaintiff’s choice of forum entitled to any deference?
- **Patent Reform Act**
 - “A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.”
 - Would have retroactive effect



Practical Recommendations for Effective Patent Marking and Minimizing Risks of False Marking

Nathan Cummings

March 18, 2010

Any opinions or characterizations expressed in this presentation represent the personal viewpoint of the author and do not necessarily reflect the viewpoint of any colleague, organization or client.

- ▶ Determining whether to mark
- ▶ Determining how to mark
- ▶ Minimizing risks of false marking

Determining Whether to Mark: Benefits & Costs

- ▶ Benefits of patent marking:
 - ▶ May recover up to six years of damages
 - ▶ Legitimately dissuade potential competitors from entering market
 - ▶ Encourage appropriate research and development

- ▶ Costs of patent marking:
 - ▶ Analysis can be time consuming and expensive, particularly for large portfolios
 - ▶ Increased manufacturing and/or packaging costs, particularly in unusual cases
 - ▶ Costs related to monitoring your own products to avoid false marking
 - ▶ Costs related to policing licensees' marking
 - ▶ Lately, a greater risk of suit and liability for false marking

Selective Marking

- ▶ You can be selective about which patents to list

- ▶ Omission of applicable patents is *not* false marking

Arcadia Machine & Tool, Inc. v. Sturm, Ruger & Co., 786 F.2d 1124, 1125 (Fed. Cir. 1986)

- ▶ Consider limiting the marking to:
 - ▶ Patents that give competitive advantage
 - ▶ Patents that create value in the marketplace
 - ▶ Patents that generate a licensing royalty stream
 - ▶ Patents you will actually litigate if infringed

Other Considerations

- ▶ Length of remaining patent term

- ▶ Custom of the trade

- ▶ Feasibility of marking at all
 - ▶ Size of the product
 - ▶ Defacement
 - ▶ Other similar circumstances

- ▶ Many companies simply decide not to mark at all

No Need to Mark for Method Patents or Claims

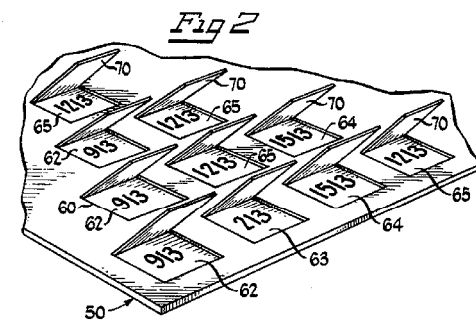
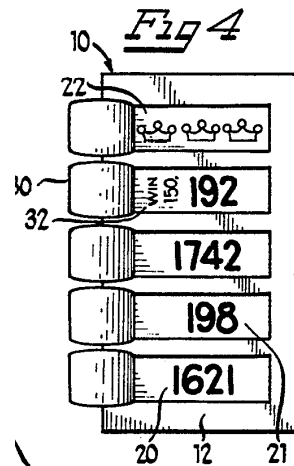
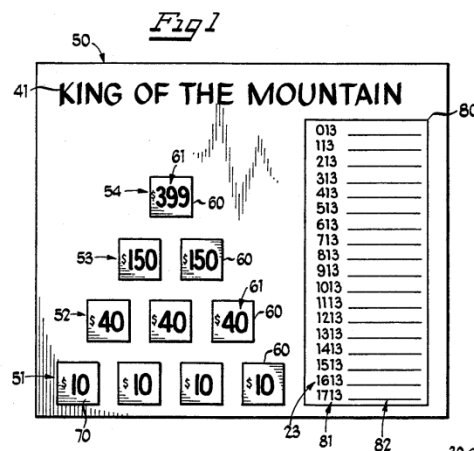
- ▶ For patents with only method claims, no need to mark because there is no thing to mark
- ▶ For patents with both method and apparatus claims, no need to mark *if* you will only assert the method claims
 - ▶ *Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 559 F.3d 1308 (Fed. Cir. 2009)
 - ▶ But safer to mark, in case you need to assert the apparatus claims

Marking Small Products

- ▶ Make the patent mark legible to the naked eye, otherwise mark the packaging
 - ▶ *Trussell Mfg. Co. v. Wilson-Jones Co.*, 50 F.2d 1027 (2d Cir. 1931).
 - ▶ Loose-leaf binders marked in very small print, in order to be inconspicuous to consumers
 - ▶ The court recognized the trade practice against any printing or other marks on the products
 - ▶ Needed magnifying glass to read the marks and, even then, many were still illegible
 - ▶ An illegible notice is no notice at all

Marking Products with Multiple Components

- ▶ It is sufficient to mark one piece of a multi-component product where all pieces are included in the package delivered to the consumer
 - ▶ *Douglas Press, Inc. v. Arrow Int'l, Inc.*, No. 95C3863, 1997 WL 441329 (N.D. Ill. July 30, 1997)



Marking Products with Multiple Components

- ▶ When selling a component of a patented combination to be assembled by the customer:
 - ▶ Require the customer to mark the final combination, and/or
 - ▶ Mark the component “For use under U.S. Pat. No. x,xxx,xxx”

- ▶ *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178 (Fed. Cir. 1994)

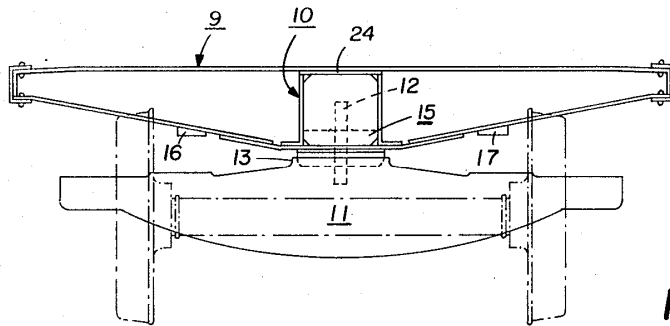


FIG. 1

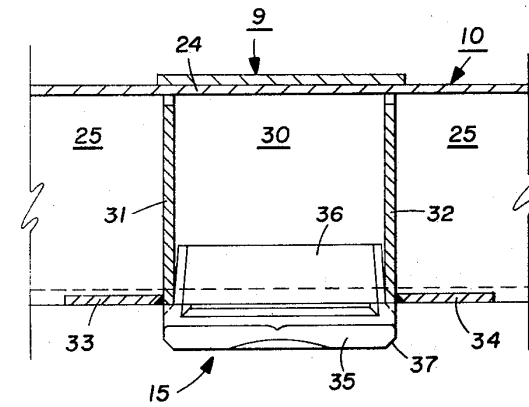


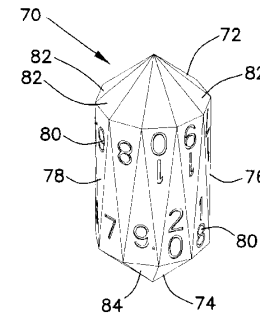
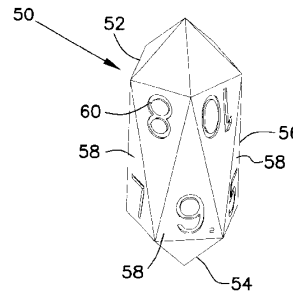
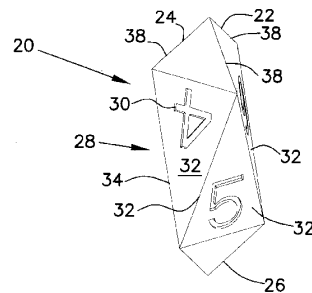
FIG. 4

Products with Layers of Patent Protection

- ▶ When a component covered by Patent A is incorporated into a larger product covered by Patent B, mark both the component and finished product with the respective patents
- ▶ If the component's marking is visible after assembly, it is not necessary to separately mark the finished product
- ▶ When a patent covers both a component and the finished product, mark the component if it is sold before (or separately from) assembly into the finished product
 - ▶ *Amsted*

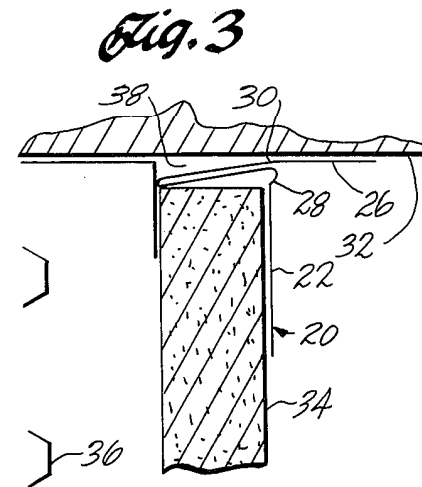
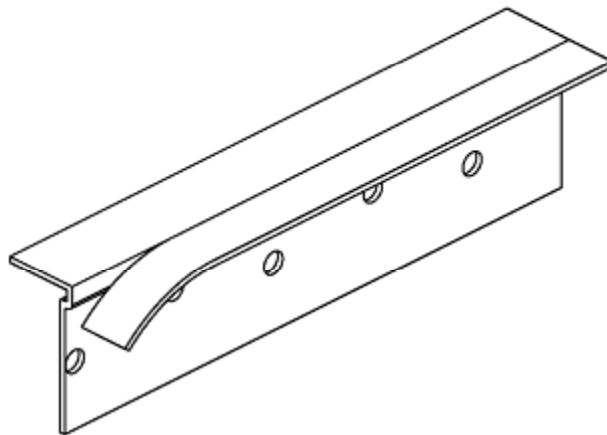
Marking Products with Other Markings

- ▶ If the product has other markings (such as manufacturer's name or trademarks), the product should be marked
 - ▶ *Briggs & Stratton Corp. v. Kohler Co.*, 398 F. Supp. 2d 925 (W.D. Wis. 2005), *rev'd in part on other grounds*, No. 05-C-0025-C, 2006 WL 6005798 (W.D. Wis. Jan. 30, 2006) (engines with other markings and room for the patent marking did not comply with the marking statute)
 - ▶ But not a hard and fast rule:
 - ▶ *Bowling v. Hasbro, Inc.*, 490 F. Supp. 2d 262 (D.R.I. 2007) (dice had other markings, but other factors may come into play to determine if marking the packaging is sufficient)



Products with No Other Markings

- ▶ If the product has no other marking but nevertheless *could* be marked, marking the label or packaging is sufficient when the costs associated with marking the product are commercially unreasonable.
 - ▶ *Rutherford v. Trim-Tex, Inc.*, 803 F. Supp. 158, 164 (N.D. Ill. 1992)



Rutherford v. Trim-Tex

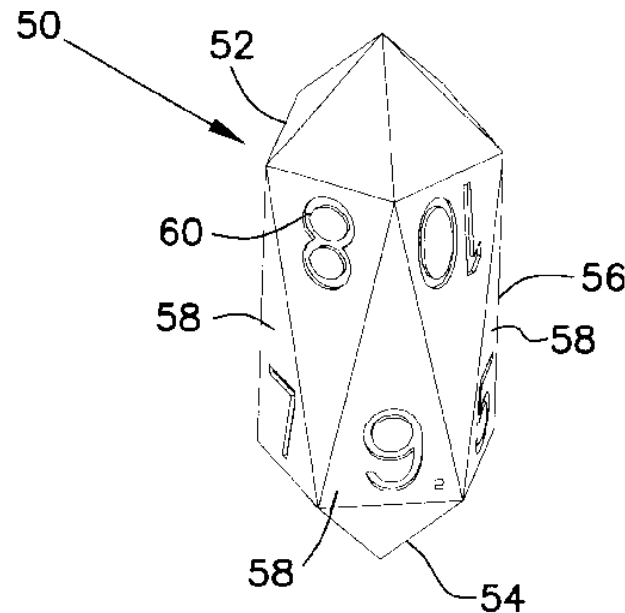
- ▶ Rejecting defendant's claim that marking the packaging did not comply with the statute, the court relied on a number of Supreme Court decisions:
 - ▶ The primary purpose of § 287 is to provide information to the public concerning "the status of the intellectual property embodied in an article of manufacture or design." *Bonito Boats, Inc. v. ThunderCraft Boats, Inc.*, 489 U.S. 141, 162 (1989).
 - ▶ The Court's long-standing focus [has been] on the notice effected by the method of marking the patented article rather than on the precise mechanistic compliance with the statute. See *Sessions v. Romadka*, 145 U.S. 29 (1892).
 - ▶ "[I]n a doubtful case, something must be left to the judgment of the patentee." *Id.* at 50.

Rutherford v. Trim-Tex (continued)

- ▶ Primary concern is not the standards under which packaging may be marked instead of the article, but rather on whether any notice was given to the consuming public
- ▶ Balancing of various factors in a “practical common sense approach”

Marking and Product Defacement

- ▶ If marking would deface the product or render it unusable for its commercial purpose, mark the packaging
 - ▶ *Bowling v. Hasbro*



Marking Products Covered by Many Patents

- ▶ When the product is not large enough to list all patent numbers covering the product, include a partial list on the product and a full list on its label or packaging
 - ▶ *Metrologic Instruments, Inc. v. PSC, Inc.*, No. 99-4876(JBS), 2004 WL 2851955 (D. N.J. Dec. 13, 2004) (bar-code scanners covered by 45-50 patents)
- ▶ Marking the product with “See Reference Manual for Patent Coverage” did not comply with the statute

Marking Summary

- ▶ “Practical common sense approach” (*Metrologic, Rutherford Douglas Press*, and many others)
- ▶ The statute “requires nothing unreasonable of patentees.” *Wine Railway Appliance Co. v. Enterprise Railway Equip. Co.*, 297 U.S. 387, 398 (1936)
- ▶ Supreme Court’s “long-standing focus on the notice effected by the method of marking the patented article rather than on the precise mechanistic compliance with the statute.” *Rutherford* (citing *Sessions*, 145 U.S. 29)
- ▶ Statute is to be “realistically applied.” *Rutherford*

Marking Summary (continued)

- ▶ Marking can be a sound investment that helps protect the value of your patents

- ▶ If you encounter dilemmas or unusual circumstances, seek advice of counsel:
 - ▶ Marking is a waste of time and money if not done in compliance with the statute

Minimizing Risk of Liability for False Marking

- ▶ Is there really a risk?
 - ▶ *Solo Cup* case: 21 billion cup lids marked with expired patents
 - ▶ at \$500 each = \$10.5 trillion
 - ▶ at 1¢ each = \$210 million
 - ▶ at $\frac{1}{100}$ ¢ each = \$2.1 million
 - ▶ Even with no liability, the costs of litigation are high
 - ▶ In February 2010, more than 60 filed cases
 - ▶ This month: on track for more than 100 filed cases

Key Points for Avoiding False Marking Liability

- ▶ Obviously, ideal to avoid litigation altogether
 - ▶ Litigation likely expensive—particularly in the “not-covered” type of case

- ▶ Show that you have a **reasonable belief** that the products are properly marked, and/or

- ▶ Show that you acted not for the purpose of deceiving the public, but in a good faith desire to achieve some other legitimate purpose
 - ▶ Good faith reliance on the advice of counsel
 - ▶ Reduce costs and business disruption

Recommendation: Determine Patent Coverage

- ▶ Establish, implement and follow policies and procedures for determining patent coverage
 - ▶ When first deciding to mark (to ensure the patents read on the product)
 - ▶ When the patent first issues (to ensure the claims were not narrowed during prosecution to exclude the product)
 - ▶ After a substantial re-design of the product (to ensure the product has not moved away from the patents)
 - ▶ After product testing results
 - ▶ *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005)

Recommendation: Remove Expired Patents

- ▶ Establish, implement and follow policies and procedures for removing expired patents
 - ▶ “Expired type” simpler to show, so particular diligence required here
 - ▶ Some circumstances may require more prior planning than others:
 - ▶ *Solo Cup* situation where very expensive and disruptive to change marking with every patent expiration
 - ▶ Simpler situations just require changing labels affixed to the products
 - ▶ In some instances, may want to remove the patent number even before expiration
 - ▶ If the patent number will not be removed immediately after expiration, document the reasons to show reasonable behavior and lack of intent to deceive the public

Recommendation: Remove Expired Patents

- ▶ Don't forget:
 - ▶ Patents allowed to expire by not paying maintenance fees
 - ▶ Terminal disclaimers
 - ▶ Dedications to the public

Recommendation: Litigation and PTO Activity

- ▶ Reconsider product coverage any time the scope of the claims may have been impacted
 - ▶ Litigation, including:
 - ▶ Markman opinions
 - ▶ Summary judgment decisions
 - ▶ Conclusion of trial and/or appeals
 - ▶ Re-examination or re-issue proceedings in the PTO

Other Recommendations

- ▶ Consider obtaining an opinion of counsel and/or asking counsel to write your policies
 - ▶ *Solo Cup*

- ▶ Document your “reasonable belief” and actions
 - ▶ Actual evidence, not mere assertions

- ▶ Website or toll-free number for handling inquiries about patents— and keep records about such inquiries
 - ▶ *Solo Cup*

- ▶ Avoid anything that might be construed as being deceptive

Help on the Horizon? Patent Reform Legislation

Proposed amendment to S.515:

(k) FALSE MARKING.—

(1) IN GENERAL.—Subsection (b) of section 292 of title 35, United States Code, is amended to read as follows:

“(b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.”

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to all cases, **without exception**, pending on or after the date of the enactment of this Act.

- ▶ Whether to mark
 - ▶ Weigh the costs and benefits
 - ▶ May want to be selective
 - ▶ Consider the practicalities of the patent and products
- ▶ How to mark
 - ▶ Follow the statute in a practical, common sense approach
 - ▶ Seek advice of counsel
- ▶ Minimizing risk of false marking
 - ▶ Establish, implement and follow appropriate policies and procedures
 - ▶ Remove expired patents immediately, when possible
 - ▶ Document your reasonable belief and actions

Q & A