

**PATENT MARKING:  
THE GOOD, THE BAD AND THE UGLY\***

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\* Translated from the Italian: *il buono, il brutto, il cattivo*.

<sup>+</sup> Revised principally to include a discussion of *Stauffer v. Brooks Bros., Inc.*, Nos. 2009-1428, -1430, -1453, 2010 U.S. App. LEXIS 18144 (Fed. Cir. Aug. 31, 2010), which was decided after this paper was submitted for the course handbook.

## I. INTRODUCTION

*. . . and from both sides of my intelligence, the moral and the intellectual, I thus drew steadily nearer to that truth, by whose partial discovery I have been doomed to such a dreadful shipwreck: that man is not truly one, but truly two. . . . It was the curse of mankind that these incongruous faggots were thus bound together—that in the agonised womb of consciousness, these polar twins should be continuously struggling. . . .*<sup>1</sup>

Robert Louis Stevenson wrote *The Strange Case of Dr. Jekyll and Mr. Hyde* to illustrate what he perceived as a “primitive duality” in human nature and what might happen if these two sides were split apart. But he could just as well have been describing the patent marking system in the United States. On the one hand, the system encourages the marking of articles with patent numbers as a means of providing notice of a patentee’s rights to would-be infringers and to the public in general. On the other hand, the system punishes errors in patent marking by exposing the patentee to lawsuits in which it can be penalized up to \$500 for each erroneously marked article, and by putting the onus on the patentee to prove that the errors occurred without any intent to deceive the public.

This paper examines the duality in the patent marking system and considers what patentees can do to comply with patent marking and avoid potentially costly errors. Part II discusses the objectives and benefits of patent marking under 35 U.S.C. § 287(a), including the provision of constructive notice as a prerequisite to recovery of damages for patent infringement. This Part also reviews the mechanics of patent marking and the potential evidentiary impact in litigation of marking or not marking. Part III turns to the elements of false marking under 35 U.S.C. § 292, as clarified in recent Federal Circuit case law. This Part also examines the risk of liability under this statute, as seen in the recent spate of *qui tam* actions. To conclude, Part IV provides

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<sup>1</sup> ROBERT LOUIS STEVENSON, *THE STRANGE CASE OF DR. JEKYLL AND MR. HYDE*, ch. 10 (1886).

some suggested strategies for maximizing the benefits of patent marking while reducing the risks of false marking.

## II. THE GOOD – THE BENEFITS OF PATENT MARKING

### A. Overview of Patent Marking.

#### 1. *Statutory Scheme.*

United States patent law, 35 U.S.C. § 287(a), encourages marking as a means of providing notice to the public that an article is patented:

(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.<sup>2</sup>

As the above highlighted language makes clear, patent marking is entirely optional—patentees *may* give notice to the public of their rights through this method but they are *not required* to do so.<sup>3</sup>

That said, patent law *strongly encourages* marking by limiting the patentee’s recovery of infringement damages in the event the protected articles are not marked:

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

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<sup>2</sup> 35 U.S.C.A. § 287(a) (West 2001) (emphasis added).

<sup>3</sup> Historically this has not been the case, however. As discussed below, prior versions of the marking statute imposed a *duty* on patentees to mark their patented articles. This changed only with the Patent Act of 1952. *See infra* notes 13-15 and accompanying text.

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.<sup>4</sup>

In other words, patent marking is encouraged because it also serves as a form of *constructive notice* to a putative infringer, which triggers the patentee's right to recover damages for any infringement that occurs despite such notice. Absent patent marking, the marking statute requires that the patentee provide *actual notice* of infringement to a putative infringer (which can take the form of a filed lawsuit) before it can recover damages.<sup>5</sup> Not surprisingly, the potential limitation on damages can provide a strong financial incentive for a patentee to mark its articles.

## **2. Objectives and Historical Evolution.**

Interpreting the statutory scheme under 35 U.S.C. § 287(a), the United States Court of Appeals for the Federal Circuit has identified three related objectives that are served by patent marking: (1) helping others to avoid innocent infringement,<sup>6</sup> (2)

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<sup>4</sup> 35 U.S.C.A. § 287(a) (West 2001).

<sup>5</sup> As an aside, the actual notice required under section 287(a) must be notice of *infringement*, and not merely notice of the patent's existence or ownership. *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994). Apart from this aside, what will satisfy the requirements of actual notice of infringement under section 287(a) is beyond the scope of this paper.

<sup>6</sup> *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998) (citing *Wine Ry. Appliance Co. v. Enter. Ry. Equip. Co.*, 297 U.S. 387, 395 (1936); *Motorola, Inc. v. United States*, 729 F.2d 765, 772 (Fed. Cir. 1984)). Although patent marking helps others avoid "innocent infringement," a patentee's "decision to mark its products with the applicable patents provides little, if any, evidence that it will ever enforce its patents." *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1340 (Fed. Cir. 2008) (holding that the act of marking is not "a circumstance which supports finding an imminent threat of harm sufficient to create an actual controversy" required for declaratory judgment jurisdiction). This case highlights a key difference between constructive notice, as provided through marking, which merely notifies a third party of products that are patented, and actual notice, as provided in a letter or a lawsuit, which

encouraging patentees to give notice to the public that the article is patented,<sup>7</sup> and (3) aiding the public to identify whether an article is patented.<sup>8</sup> The first purpose is implicit in the statute's stipulation that in the absence of marking, damages do not begin to accrue until actual notice of infringement has been provided to a putative infringer. The second and third purposes, which are closely related, emanate from the statutory language regarding giving notice to the public that an article is patented.

United States patent law initially did not require marking because patents "are considered public records [and] [a]ll persons are bound to take notice of their contents."<sup>9</sup> It was not until the Act of 1842 that Congress imposed a duty to mark articles offered for sale or sold with "the date of the patent," along with a fine of "not less than one hundred dollars" for noncompliance.<sup>10</sup> Nineteen years later, in 1861, Congress replaced the penalty provision in the marking statute with a limitation on damages that conditioned recovery upon the patentee's marking its articles as patented or the

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notifies a third party of products that are infringing. Only the latter type of notice is sufficient to create declaratory judgment jurisdiction.

<sup>7</sup> *Nike*, 138 F.3d at 1443 (citing *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed. Cir. 1994); *American Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1537 (Fed. Cir. 1993)).

<sup>8</sup> *Id.* (citing *Bonito Boats Inc. v. Thunder Craft Boats Inc.*, 489 U.S. 141, 162 (1989)).

<sup>9</sup> *Sessions v. Romadka*, 145 U.S. 29, 50 (1892); *Boyden v. Burke*, 55 U.S. (14 How.) 575, 582-83 (1853).

<sup>10</sup> Act of 1842, ch. 263, § 6, 5 Stat. 543, 544-45 (1842) ("That all patentees and assignees of patents hereafter granted, are hereby required to stamp, engrave, or cause to be stamped or engraved, on each article vended, or offered for sale, the date of the patent; and if any person or persons, patentees or assignees, shall neglect to do so, he, she, or they, shall be liable to the same penalty, to be recovered and disposed of in the manner specified in the foregoing fifth section of this act."), *discussed in Nike*, 138 F.3d at 1443. The term "same penalty" in this initial version of the marking statute refers back to "the penalty of not less than one hundred dollars" imposed for an offense of false marking in section 5 of the same Act. Thus, the patent marking and false marking statutes emerged hand-in-hand in the history of United States patent law. *See infra* notes 78-80 and accompanying text.

infringer's receipt of actual notice.<sup>11</sup> As the Federal Circuit has observed, the limitation of damages language in the marking statute has thereafter remained substantially the same through subsequent iterations, from the 1870 version to the 1927 version to the present 1952 version.<sup>12</sup>

There is one notable change from the prior versions of the statute to the current 1952 version, however—patent marking ceases to be a “duty” of patentees and becomes a permissive, but encouraged, act.<sup>13</sup> Consistent with this shift from the prescriptive

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<sup>11</sup> Act of 1861, ch. 88, § 13, 12 Stat. 246, 249 (1861) (“That in all cases where an article is made or vended by any person under the protection of letters-patent, it shall be the duty of such person to give sufficient notice to the public that said article is so patented, . . . ; on failure of which, in any suit for the infringement of letters-patent by the party failing so to mark the article the right to which is infringed upon, no damage shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement, and continued after such notice to make or vend the article patented.”) (repealing Act of 1842, ch. 263, § 6, 5 Stat. 543, 544), *discussed in Nike*, 138 F.3d at 1443.

<sup>12</sup> *Nike*, 138 F.3d at 1443. *See* Patent Act of 1870, ch. 230, § 38, 16 Stat. 198, 203 (1870) (“That it shall be the duty of all patentees, and their assigns and legal representatives, and of all persons making or vending any patented article for or under them, to give sufficient notice to the public that the same is patented, . . . ; and in any suit for infringement, by the party failing so to mark, no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement, and continued, after such notice, to make, use, or vend the article so patented.”); Act of 1927, ch. 67, 44 Stat. 1058-59 (1927) (“It shall be the duty of all patentees and their assigns and legal representatives, and of all persons making or vending any patented article for or under them, to give sufficient notice to the public that the same is patented; . . . and in any suit for infringement by the party failing so to mark, no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement and continued, after such notice, to make, use, or vend the article so patented.”). The history of the marking statute is also reviewed in *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.*, 297 U.S. 387, 398 (1936) (construing the pre-1952 marking statute as protecting the public “against deception by unmarked patented articles”).

<sup>13</sup> *American Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1535 (Fed. Cir. 1993) (noting that in 1952, “Congress amended R.S. 4900 to

to the exhortative, the marking statute does not specify a time limit by which marking must commence, and its legislative history does not indicate any such requirement.<sup>14</sup> The statutory limitation on damages is tied to a patentee's failure to mark *at all*, and not to a patentee's failure to mark *within a certain period of time* after its patent issues.<sup>15</sup> Accordingly, if and when a patentee complies with the marking requirement, damages may begin to accrue and be recovered.

This approach makes sense from the policy standpoint of encouraging patentees to mark so as to provide notice to the public, as the Federal Circuit has commented:

Furthermore, allowing recovery of damages from the point of full compliance with the marking statute furthers the policy of encouraging marking to provide notice to the public, even if initial marking after issuance of the patent is delayed. The sooner one complies with the marking requirements, the more likely one is to maximize the period of time for recoverable damages. To prevent recovery of damages for failure to immediately mark, however, provides no incentive for a patentee who inadvertently or unavoidably fails to mark initially to mark in the future.<sup>16</sup>

In sum, based on “the permissive wording” of the marking statute and “the policy of encouraging notice by marking,” the Federal Circuit has construed section 287(a) “to preclude recovery of damages only for infringement for any time prior to compliance

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become the present section 287(a), changing the language to make marking permissive rather than mandatory, so that a ‘patentee . . . *may* give notice to the public’ by the specified marking”). *See also supra* notes 2-4 and accompanying text.

<sup>14</sup> *Id.* at 1537 (“The plain language of section 287(a) does not provide any time limit by which marking must begin, nor does the legislative history indicate any such limitation.”) (footnote omitted).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

with the marking or actual notice requirements of the statute.”<sup>17</sup> Delay on the part of the patentee in marking after the patent has issued will not prevent the patentee from recovering damages after marking has begun.<sup>18</sup>

### 3. *Issues of Scope.*

As the statutory language indicates, the marking requirement applies to “patented articles.”<sup>19</sup> The term “patented articles” refers to tangible, fabricated articles.<sup>20</sup> Accordingly, if there are *no articles* being produced by, for or under the authority of the patentee, then the marking requirement has no applicability.<sup>21</sup> Furthermore, patents that claim *only* methods or processes are exempt from the marking requirement<sup>22</sup> because “ordinarily,

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<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> 35 U.S.C.A. § 287(a) (West 2001).

<sup>20</sup> *Wine Ry. Appliance Co. v. Enter. Ry. Equip. Co.*, 297 U.S. 387, 395 (1936) (“The idea of a tangible article proclaiming its own character runs through this and related provisions. . . . the first [kind of notice—one to the public by a visible mark] can only be given in connection with some fabricated article.”) (construing predecessor version of the marking statute); *Coupe v. Royer*, 155 U.S. 565, 585 (1895) (expressing the view that in “a case where the patentee has not sold any machine, nor licensed others to use his invention, but has chosen to enjoy his monopoly by a personal and sole use of the patented machine[,] . . . if the articles produced by the operation of the patented machine are not themselves claimed as new and patented articles of commerce, there may be a question whether the statute has any applicability.”).

<sup>21</sup> *Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1219-20 (Fed. Cir. 2002) (holding that *Wine Railway* remains good law as to the proposition that “recovery of damages is not limited where there is no failure to mark, i.e., where the proper patent notice appears on products or where there are no products to mark”) (citing *Wine Railway*, 297 U.S. at 393). *Accord* *Funai Elec. Co., Ltd. v. Daewoo Elecs. Corp.*, No. 2009-1225, -1244, 2010 U.S. App. LEXIS 18237, at \*36 (Fed. Cir. Sept. 1, 2010).

<sup>22</sup> *See, e.g., Fujitsu Ltd. v. Netgear Inc.*, No. 2010-1045, 2010 U.S. App. LEXIS 19543, at \*25 (Fed. Cir. Sept. 20, 2010) (“All claims of the '952 patent are drawn to a method and we therefore find that the district court erred by limiting damages under § 287.”); *State Contracting & Eng'g*

where the patent claims are directed to only a method or process there is nothing to mark.”<sup>23</sup> In contrast, patents that claim both an apparatus and a method are subject to the marking requirement “to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given[.]”<sup>24</sup> The marking requirement can be avoided, however, if *only the method claims* from patents with mixed claims are asserted.<sup>25</sup>

In an infringement action involving multiple patents, a trial court must therefore look at each asserted patent separately to determine whether the marking statute applies to it.<sup>26</sup> For example, an action may involve one patent containing only method claims that is exempt from the marking requirement and another patent containing apparatus claims that is subject to the requirement.<sup>27</sup> If the damages to be awarded do not differentiate between the two

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Corp. v. Condotte Am., Inc., 346 F.3d 1057, 1074 (Fed. Cir. 2003) (“We have not previously held that a patent containing only method claims is examined to see if something could have been marked in order to assess whether the notice provision applies, and we decline to do so now.”); Bandag, Inc. v. Gerrard Tire Co., 704 F.2d 1578, 1581 (Fed. Cir. 1983) (holding that it is “settled in the case law that the notice requirement of this statute does not apply where the patent is directed to a process or method”).

<sup>23</sup> American Med. Sys., Inc. v. Med. Eng’g Corp., 6 F.3d 1523, 1538 (Fed. Cir. 1993).

<sup>24</sup> *Id.* at 1538-39.

<sup>25</sup> Crown Packaging Tech., Inc. v. Rexam Beverage Can Co., 559 F.3d 1308, 1317 (Fed. Cir. 2009) (“Because Rexam asserted only the method claims of the ‘839 patent, the marking requirement of 35 U.S.C. § 287(a) does not apply.”) (distinguishing *American Medical*, 6 F.3d at 1539, on its facts, i.e., both apparatus and method claims were asserted in that case and there was a physical device produced by the claimed method that could be marked); Hanson v. Alpine Valley Ski Area, Inc., 718 F.2d 1075, 1083 (Fed. Cir. 1983) (holding that the marking requirement did not apply in a case in which the only claims of the patent-in-suit asserted and found infringed were method claims directed to forming, distributing and depositing snow on a surface).

<sup>26</sup> *State Contracting*, 346 F.3d at 1074 (“[W]e look to the asserted patents independently.”).

<sup>27</sup> *Id.* at 1073.

patents, and if both patents are found to have been infringed, then the damages may properly begin to accrue from the date of issuance of the method patent regardless of when constructive or actual notice was given with respect to the apparatus patent.<sup>28</sup>

As noted above, the marking statute mandates that “[i]n the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement” except upon proof of actual notice of infringement to the infringer.<sup>29</sup> In *Nike, Inc. v. Wal-Mart Stores, Inc.*,<sup>30</sup> the Federal Circuit construed the term “damages” in this limitation to refer not only to damages in the strict sense of the word, i.e., losses that a patentee would traditionally recover in an action at law, but also to an infringer’s profits that a patentee could recover through a bill in equity.<sup>31</sup> Applying this broad construction of “damages,” the court of appeals concluded that the marking statute, in the context of a design patent infringement action, limits recovery of damages under 35 U.S.C. § 284 *and* an infringer’s profits under 35 U.S.C. § 289.<sup>32</sup>

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<sup>28</sup> *Id.* at 1073-74 (holding that the jury was properly instructed that it could award infringement damages from the issuance date of the ‘288 method patent, for which no notice was required, regardless of when actual notice was given of the pendency or issuance of the later-issued ‘455 apparatus patent).

<sup>29</sup> 35 U.S.C.A. § 287(a) (West 2001).

<sup>30</sup> 138 F.3d 1437 (Fed. Cir. 1998).

<sup>31</sup> *Id.* at 1440 (“We conclude that the term ‘damages’ as it appears in the marking statute is not limited to the recovery at law from which it arose, but includes recovery measured by the infringer’s profits, and continues to be so used although such recovery is now limited to design patent infringement.”) & 1444 (“Precedent and the marking statutes have used the term ‘damages’ to encompass both sources of recovery. The widespread contemporary use of the word ‘damages’ to mean the monetary recovery from infringement demands the conclusion that Congress did not limit the marking statutes to recovery measured only by the patentee’s losses.”).

<sup>32</sup> *Id.* at 1440, 1445-46. In addition to the general damages provision under 35 U.S.C. § 284, design patents have an additional statutory remedy for infringement, namely, a recovery of the infringer’s total profits, not to be less than \$250. 35 U.S.C.A. § 289 (West 2001).

The marking statute's limitation on damages applies only in the context of "any action for infringement."<sup>33</sup> Accordingly, if the patentee and the accused infringers settle the primary infringement claim as between them, the marking statute ceases to have any applicability in the lawsuit.<sup>34</sup> The fact that the accused infringers may still have an unresolved secondary cross-claim under the Uniform Commercial Code as between them does not implicate the marking statute.<sup>35</sup> Moreover, section 287(a) in no way preempts state commercial law, which continues to define and govern the contractual relationship between the accused infringers as buyer and seller despite the fact that their contract dispute has been triggered by an assertion of patent infringement.<sup>36</sup>

The marking statute also does not apply in the context of a claim against the United States for just compensation under 28 U.S.C. § 1498 because the recovery is based on an eminent domain taking instead of an infringement.<sup>37</sup> There are thus no "damages . . . in any action for infringement," the recovery of which can be limited by section 287(a). Moreover, the United States is not viewed as a putative infringer but rather, as a licensee that takes and uses an invention by eminent domain without regard to whether it is protected by a patent or not.<sup>38</sup> There is therefore no

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<sup>33</sup> 35 U.S.C.A. § 287(a) (West 2001).

<sup>34</sup> *Cover v. Hydramatic Packing Co.*, 83 F.3d 1390, 1393, 1394 (Fed. Cir. 1996) ("Inasmuch as Sea Gull and Hydramatic settled with the patentee, the patentee and the patent code are no longer in the picture. . . . Once the patentee left the picture, so did § 287(a). There is simply nothing on the face of § 287(a) that pertains to anyone but the infringer and the patentee.").

<sup>35</sup> *Id.* at 1394. At issue in *Cover* was whether the patentee's apparent noncompliance with the marking statute meant that there was no "rightful claim" of infringement, and hence no UCC liability (13 PA. CONS. STAT. ANN. § 2312(c) (West 1995)) on the part of Sea Gull as a buyer who furnishes specifications to a seller to hold the seller harmless against any "rightful claim of any third person by way of infringement or the like" which arises out of compliance with the specifications. *Id.* at 1393-94.

<sup>36</sup> *Id.* at 1394.

<sup>37</sup> *Motorola, Inc. v. United States*, 729 F.2d 765, 772 (Fed. Cir. 1984).

<sup>38</sup> *Id.*

“innocent infringement” by the United States that would be avoided by encouraging the patentee to provide constructive notice through patent marking. The marking statute therefore has no role in this context.

### **B. Mechanics of Patent Marking.**

The mechanics of patent marking are prescribed by statute and fairly straightforward. Marking involves placing the word “patent” or the abbreviation “pat.” and the applicable patent number(s) somewhere on the patented article.<sup>39</sup> For example, a patented tool could have the relevant patent number(s) stamped or engraved on its metal surface. If the patented article does not lend itself to having the patent number placed somewhere on its surface, then the statute offers the alternative of attaching a label with the patent number(s) to the article or placing the label on any packaging containing the article.<sup>40</sup> For example, a patented integrated circuit may be a semiconductor chip that is too small to permit a patent number to be printed on its surface. In such a situation, the packaging in which the circuits are shipped may be labeled with the patent number instead, thereby satisfying the marking requirement.

How is marking accomplished in a situation in which the article is a patented combination, and the patentee makes only an unpatented component of the combination, which it then sells to its customers with instructions on how to assemble the component with other parts to make the patented combination? This was the situation in *Amsted Industries Inc. v. Buckeye Steel Castings Co.*<sup>41</sup>

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<sup>39</sup> 35 U.S.C.A. § 287(a) (West 2001).

<sup>40</sup> *Id. See, e.g., Sessions v. Romadka*, 145 U.S. 29, 49-50 (1892) (“It appears that the plaintiff did stamp upon the larger sizes the fact and the date of the patent, but that he failed to affix such stamp to the smaller sizes, on account of the difficulty of marking them in such way that the mark would be legible when the catches were japanned or tinned. It is not altogether clear that the stamp could not have been made upon the smaller sizes, but, in a doubtful case, something must be left to the judgment of the patentee, who appears in this case to have complied with the alternative provision of the act, in affixing a label to the packages in which the fasteners were shipped and sold.”).

<sup>41</sup> 24 F.3d 178 (Fed. Cir. 1994).

The patentee Amsted manufactured and sold center plates for use by its customers in assembling a patented railroad car underframe structure.<sup>42</sup> Amsted did not mark its center plates, however, nor did it instruct its customers to mark the finished assemblies with the patent number.<sup>43</sup> In addressing the issue of Amsted's failure to mark, the Federal Circuit rejected Amsted's excuse that marking the unpatented center plate would have violated the false marking statute.<sup>44</sup> It held that Amsted could have properly marked the center plates as "for use under U.S. X,XXX,XXX" and it certainly could have sold the plates to its customers with the requirement that they mark the finished assemblies as "licensed under U.S. X,XXX,XXX."<sup>45</sup>

*Amsted Industries* thus illustrates the fact that a patentee may have some leeway in marking. Even an unpatented article may be marked, as long as the text of the marking makes clear the article's relationship to the patented invention. In other words, if the article itself is not what is patented, then the word/number "patent X,XXX,XXX" alone would be misleading. But the patentee can craft an accurate description that complies with the marking statute and yet avoids a charge of false marking, e.g., "for use under patent X,XXX,XXX," as the Federal Circuit suggested, or "use only with patent X,XXX,XXX."

Even though the mechanics of patent marking may be relatively straightforward and simple (depending on the character of the patented article), a patentee should still document what needs to be done in the form of a policy or protocol to be consistently followed. In litigation over the issue of compliance, such a document serves to corroborate testimony and other evidence showing that the patentee has consistently and continuously marked substantially all of its patented articles.<sup>46</sup> A

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<sup>42</sup> *Id.* at 180.

<sup>43</sup> *Id.* at 185.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *See, e.g.,* SEB S.A. v. Montgomery Ward & Co., Inc., 594 F.3d 1360, 1378 (Fed. Cir. 2010) (testimony of corporate executive regarding his company's policy of marking its products provided substantial evidence to support the jury's finding of compliance with the marking statute),

patentee should also save samples of marked articles or marked labels spanning the period during which marking practices have been in place to show that patent marking has occurred consistently and continuously over time.<sup>47</sup>

### **C. Proving Compliance with Patent Marking.**

In litigation, the patentee bears the burden of pleading compliance with the marking statute<sup>48</sup> and proving it by a preponderance of the evidence.<sup>49</sup> Compliance is a factual issue (for the jury if there is a jury trial)<sup>50</sup> and the focus of the inquiry is on “whether the patentee’s actions were sufficient, in the circumstances, to provide [constructive] notice *in rem*” of its patent rights, and not on what the infringer may have known or understood about the patentee and its products.<sup>51</sup> The Federal Circuit has made clear that full compliance with the marking statute requires that the patentee consistently and continuously

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*cert. granted on other grounds sub nom.* Global-Tech Appliances, Inc. v. SEB S.A., 79 U.S.L.W. 3226, 2010 U.S. LEXIS 8068 (Oct. 12, 2010).

<sup>47</sup> See, e.g., *id.* (introduction of a deep fryer with a sticker listing the patent-in-suit as evidence).

<sup>48</sup> *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996) (“As the patentee, Maxwell had the burden of pleading and proving at trial that she complied with the statutory requirements.”). See also *Dunlap v. Schofield*, 152 U.S. 244, 247 (1894) (“By the elementary principles of pleading, therefore, the duty of alleging and the burden of proving either of these facts is upon the plaintiff.”) (construing predecessor marking statute).

<sup>49</sup> *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1446 (Fed. Cir. 1998).

<sup>50</sup> *Maxwell*, 86 F.3d at 1111 (“Compliance with section 287(a) is a question of fact, and we review the court’s denial of JMOL on the jury’s resolution of the issue for substantial evidence.”).

<sup>51</sup> *Id.* (citing *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994); *American Med. Sys., Inc. v. Med. Eng’g Corp.*, 6 F.3d 1523, 1537 (Fed. Cir. 1993)).

mark substantially all of its patented articles, and cease distribution of any unmarked articles.<sup>52</sup>

Not only must the patentee comply with the marking statute but any “persons making, offering for sale, or selling within the United States any patented article *for or under them*” must as well.<sup>53</sup> This means that licensees and other parties expressly or impliedly authorized by a patentee to make or sell a patented article have to comply as well.<sup>54</sup> The Federal Circuit has recognized, however, that it can be difficult for a patentee to ensure compliance with the marking statute by third parties not under its direct control.<sup>55</sup> Accordingly, third-party compliance is evaluated under a “rule of reason” approach—“whether the patentee made reasonable efforts to ensure compliance with the marking requirements.”<sup>56</sup> This adoption of a “rule of reason” approach is consistent with the shift from patent marking being a duty to it being an encouraged act, “in order to provide notice to the public of the existence of the patent and to prevent innocent infringement.”<sup>57</sup> A rule that is too harsh would tend to penalize patentee and not encourage compliance.

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<sup>52</sup> *American Medical*, 6 F.3d at 1537, 1538 (holding 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” and that “[f]ull compliance [is] not achieved until [the patentee has] consistently marked substantially all of its patented products, and it [is] no longer distributing unmarked products”).

<sup>53</sup> 35 U.S.C.A. § 287(a) (West 2001) (emphasis added).

<sup>54</sup> *Amsted Industries*, 24 F.3d at 185 (“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. . . . In view of the purpose of section 287, ‘to encourage the patentee to give notice to the public of the patent,’ . . . there is no reason why section 287 should only apply to express licensees and not to implied licensees.”) (citations omitted).

<sup>55</sup> *Maxwell*, 86 F.3d at 1111.

<sup>56</sup> *Id.* at 1111-12.

<sup>57</sup> *Id.* at 1112 (citing *American Medical*, 6 F.3d at 1538).

Thus, in *Maxwell v. J. Baker, Inc.*, the Federal Circuit agreed with the district court that there was substantial evidence to support the jury's finding that Maxwell, the patentee, had complied with the marking statute as of a particular date.<sup>58</sup> Although "a numerically large number of shoes [using Maxwell's patented system of keeping mated pairs together] were sold [by Target] without proper marking," it represented only 5% of the millions of pairs of shoes that Target had sold.<sup>59</sup> Importantly, Maxwell diligently sought Target's compliance with the marking requirement, by obtaining the retailer's agreement to mark the shoes, first as "patent pending" before the patent issued and then with the patent number after issuance.<sup>60</sup> When Target initially failed to comply, Maxwell got the retailer to commit to bringing its inventory into compliance by a date certain, and she also put Target's manufacturers on notice as well of the need to properly mark the products.<sup>61</sup> On this set of facts, the Federal Circuit concluded that "[a]ny deficiency in the marking was not due to Maxwell or any failure on her part to ensure compliance by her licensees; she diligently attempted to comply with the statutory marking requirements."<sup>62</sup>

In *Funai Electric Co., Ltd. v. Daewoo Electronics Corp.*,<sup>63</sup> the Federal Circuit agreed with the district court that there was substantial evidence to support the jury's application of a rule of reason to Funai's marking of its products with one of the patents-in-suit.<sup>64</sup> Specifically, Funai had marked all products that were sold under its brand name, which comprised anywhere from 88-91% of the total amount of patented products sold.<sup>65</sup> The balance

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<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> No. 2009-1225, -1244, 2010 U.S. App. LEXIS 18237 (Fed. Cir. Sept. 1, 2010).

<sup>64</sup> *Id.*, 2010 U.S. App. LEXIS 18237, at \*40-41.

<sup>65</sup> *Id.* at \*39.

of 9-12% of patented products sold were unmarked because they were sold through Funai's original equipment manufacturer (OEM) customers for resale.<sup>66</sup> Funai argued that the OEM products were not sold "for or under [the patentee] and thus were exempt from the marking requirement, and in the alternative, the OEM products made up a small percentage of the total sales, so there was still substantial compliance with the marking requirement."<sup>67</sup>

By contrast, in *K&K Jump Start/Chargers, Inc. v. Schumacher Electric Corp.*,<sup>68</sup> the Federal Circuit held that the jury's finding of compliance with the marking requirements lacked support from substantial evidence and the district court therefore should have granted judgment as a matter of law in favor of the accused infringer on this issue.<sup>69</sup> Although there was a provision in the contract between the patentee and its licensee that the latter would mark any products made under the patent-in-suit with the patent number, the evidence showed that the patentee failed to take any steps to confirm whether its licensee was actually marking the products until this issue came up in litigation.<sup>70</sup> Moreover, the patentee's belated inquiry uncovered the troubling revelation that the licensee had not been properly marking the products prior to

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<sup>66</sup> *Id.* at \*38-39.

<sup>67</sup> *Id.* at \*39. In Judge Linn's view, however, the record was not fully developed with respect to Funai's agreements with its OEM customers or exactly how the OEM products were marked. *Id.* at \*64 ("[N]either the nature of Funai's OEM agreements with its customers nor the facts relating to any markings or lack of markings on OEM repackaged products is set forth in this record.") (Linn, J., concurring). Judge Linn therefore thought that the Court should not have decided the issue of constructive notice, especially since it involved the novel question of whether the marking requirement applies to OEM sales. *Id.* at \*63 ("But how the marking requirement of § 287 applies to sales of products made by a patentee for an OEM customer as distinguished from sales of products made by a licensee under a patent is not entirely clear. Our court has not yet directly addressed the question.") (Linn, J., concurring).

<sup>68</sup> 52 Fed. Appx. 135 (Fed. Cir. Nov. 25, 2002). Although this decision is non-precedential, the facts are nonetheless illustrative of the point being discussed, and hence the decision is cited here.

<sup>69</sup> *Id.* at 141.

<sup>70</sup> *Id.*

the commencement of the litigation.<sup>71</sup> Although the Federal Circuit did not go so far as to “hold that bare evidence of a contractual provision requiring marking can never constitute reasonable efforts by the patentee to ensure that a licensee is marking the products properly,” it held that this particular set of facts pointed only to the patentee’s failure to comply with the marking requirement.<sup>72</sup>

### **III. THE BAD – THE DANGERS OF FALSE MARKING**

#### **A. Overview of False Marking.**

##### ***1. Statutory Scheme.***

Although it encourages patentees to mark their products, the United States patent system penalizes the offense of false marking in a separate criminal statute.<sup>73</sup> Section 292(a) proscribes three species of false marking: (1) counterfeiting a patentee’s marking on an article, (2) marking an unpatented article with a patent number, and (3) marking an article as patent pending when it is not:

(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words “patent,” “patentee,” or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of

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<sup>71</sup> *Id.*

<sup>72</sup> *Id.* In other words, the Federal Circuit left open the possibility that in an appropriate case, a patentee may be able to satisfy the “rule of reason” standard by showing that it had obtained contractual agreements or provisions from third parties regarding marking.

<sup>73</sup> *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1363 (Fed. Cir. 2010) (“The bar for proving deceptive intent here is particularly high, given that the false marking statute is a criminal one, despite being punishable only with a civil fine.”).

deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or

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 that the same is patented for the purpose of deceiving the public; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words “patent applied for,” “patent pending,” or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

Shall be fined not more than \$500 for every such offense.<sup>74</sup>

The operative concept common to all three species of false marking is deception of the public.<sup>75</sup> If a person or entity is found guilty of false marking, a court may impose a fine of up to \$500 for each offense.<sup>76</sup>

## **2. Objectives and Historical Evolution.**

The Federal Circuit has viewed the purpose of the false marking statute to be the same as the marking statute—to give notice to the public of patent rights.<sup>77</sup> Indeed, as alluded to above,

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<sup>74</sup> 35 U.S.C.A. § 292(a) (West 2001).

<sup>75</sup> *Id.* ¶ 1 (“with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee”), ¶ 2 (“for the purpose of deceiving the public”) & ¶ 3 (“for the purpose of deceiving the public”).

<sup>76</sup> *Id.* (“Shall be fined not more than \$500 for every such offense”).

<sup>77</sup> *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1302 (Fed. Cir. 2009) (“The marking and false marking statutes exist to give the public notice of patent rights.”).

the first false marking statute arose in United States patent law at the same time and in the same Act as the first marking statute, in 1842.<sup>78</sup> It proscribed two species of false marking—counterfeiting an article with a patentee’s name, stamp, mark or other device and marking an unpatented article with any word, stamp or device implying that it is patented.<sup>79</sup> An offense under the original false

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<sup>78</sup> Act of 1842, ch. 263, § 5, 5 Stat. 543, 544 (1842) (“That if any person or persons shall paint or print, or mould, cast, carve, or engrave, or stamp, upon any thing made, used, or sold, by him, for the sole making or selling which he hath not or shall not have obtained letters patent, the name or any imitation of the name of any other person who hath or shall have obtained letters patent for the sole making and vending of such thing, without consent of such patentee, or his assigns or legal representatives; or if any person, upon any such thing not having been purchased, from the patentee, or some person who purchased it from or under such patentee, or not having the license or consent of such patentee, or his assigns or legal representatives, shall write, paint, print, mould, cast, carve, engrave, stamp, or otherwise make or affix the word ‘patent,’ or the words ‘letters patent,’ or the word ‘patentee,’ or any word or words of like kind, meaning, or import, with the view or intent of imitating or counterfeiting the stamp, mark, or other device of the patentee, or shall affix the same or any word, stamp, or device, of like import, on any unpatented article, for the purpose of deceiving the public, he, she, or they, so offending, shall be liable for such offence, to a penalty of not less than one hundred dollars, with costs, to be recovered by action in any of the circuit courts of the United States, or in any of the district courts of the United States, having the powers and jurisdiction of a circuit court; one half of which penalty, as recovered, shall be paid to the patent fund, and the other half to any person or persons who shall sue for the same.”). The false marking provision appeared as section 5 of the Act of 1842 and the patent marking provision appeared as section 6. *See supra* note 10 and accompanying text.

<sup>79</sup> *Id.* As the statutory language makes clear, even use of the word “patent” in the name of an unpatented product (e.g., Rahtjen’s Patent Composition Paint) may be viewed as deceptive and hence arguably in violation of the false marking statute. *Holzapfel’s Composition Co. v. Rahtjen’s Am. Composition Co.*, 183 U.S. 1, 8 (1901) (“Prior to November, 1873, the article was not patented anywhere, and a description of it as a patented article had no basis in fact, and was a false statement tending to deceive a purchaser of the article.”). Interestingly, however, Justice Holmes did not view the name “Beecham’s Patent Pills” to be deceptive even though the pills were not patented. *Jacobs v. Beecham*, 221 U.S. 263, 273 (1911) (“[T]he use of the word patent to indicate

marking statute (section 5) in the Act of 1842 carried with it a “penalty of not less than one hundred dollars,” the same as for a failure to comply with the marking statute (section 6) in the same Act.<sup>80</sup>

Although Congress in 1861 would repeal the marking statute in the Act of 1842 and replace it with a version that contained a limitation on recovery of damages instead of a penalty, it left the false marking statute alone.<sup>81</sup> The Patent Act of 1870 kept the false marking statute in essentially the same form but made it a little less prolix.<sup>82</sup> The modern version of the statute emerged in the Patent Act of 1952; it introduced a third species of false marking—marking an article as patent pending when it is not.<sup>83</sup>

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medicines made by secret formulas is widespread and well known. It is mentioned in the dictionaries, and it occurs in the plaintiff's circulars. We think it clear that there is no danger that anyone would be defrauded by the form of the label on the plaintiff's box[.]”).

<sup>80</sup> Act of 1842, ch. 263, §§ 5, 6, 5 Stat. at 544-45.

<sup>81</sup> Act of 1861, ch. 88, § 13, 12 Stat. 246, 249 (1861).

<sup>82</sup> Patent Act of 1870, ch. 230, § 39, 16 Stat. 198, 203 (1870) (“That if any person shall, in any manner, mark upon anything made, used, or sold by him for which he has not obtained a patent, the name or any imitation of the name of any person who has obtained a patent therefor, without the consent of such patentee, or his assigns or legal representatives; or shall in any manner mark upon or affix to any such patented article the word ‘patent’ or ‘patentee,’ or the words ‘letters-patent,’ or any word of like import, with intent to imitate or counterfeit the mark or device of the patentee, without having the license or consent of such patentee or his assigns or legal representatives; or shall in any manner mark upon or affix to any unpatented article the word ‘patent,’ or any word importing that the same is patented, for the purpose of deceiving the public, he shall be liable for every such offense to a penalty of not less than one hundred dollars, with costs; one moiety of said penalty to the person who shall sue for the same, and the other to the use of the United States, to be recovered by suit in any district court of the United States within whose jurisdiction such offense may have been committed.”). The false marking statute was numbered as section 4901 of the United States Revised Statutes (with section 4900 being the marking statute).

<sup>83</sup> Patent Act of 1952, ch. 950, § 292, 66 Stat. 792, 814 (1952).

To understand how the false marking statute also furthers notice to the public of patent rights, consider the Federal Circuit's decision in *Clontech Laboratories, Inc. v. Invitrogen Corp.*<sup>84</sup> In that case, Invitrogen argued to the court of appeals that compliance with the false marking statute as a matter of law does not require a good faith belief that an article falls within the scope of at least one claim of each patent with which it is marked.<sup>85</sup> Invitrogen reasoned that no harm can possibly flow from the marking of an article with patents that may not necessarily cover it because such a practice "allow[s] the relevant members of the public to undertake the appropriate investigation and enables those concerned to take steps to avoid infringement."<sup>86</sup> Such a practice, it argued, effectively serves to bring *more information* (i.e., the existence of more patents) to the public's attention than is legally required, which should be on the whole beneficial.<sup>87</sup>

The Federal Circuit found Invitrogen's arguments to be at odds with the plain language of the false marking statute, which prohibits the marking of "any unpatented article" "for the purpose of deceiving the public."<sup>88</sup> *More information* is not *better information*; rather it is *misleading information* that only serves to burden the public inquiry. The notice regime intended by Congress is supposed to provide the public with "a *ready means of discerning* the status of intellectual property embodied in an article of manufacturer or design."<sup>89</sup> Moreover, false marking negatively impacts the federal patent policy's interest in promoting full use of ideas that are part of the public domain because:

the act of false marking misleads the public into believing that a patentee controls the article in question (as well as like articles), externalizes the risk of error in the determination, placing it

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<sup>84</sup> 406 F.3d 1347 (Fed. Cir. 2005).

<sup>85</sup> *Id.* at 1356.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

<sup>89</sup> *Id.* (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989)) (emphasis added).

on the public rather than the manufacturer or seller of the article, and increases the cost to the public of ascertaining whether a patentee in fact controls the intellectual property embodied in an article.<sup>90</sup>

*Clontech Laboratories* thus identifies some potential harms to the public associated with false marking: (1) uncertainty and confusion on the part of the public as to what they may or may not do freely with products covered by patents, (2) the risk borne by the public (e.g., risk of civil lawsuit, prosecution) if they err in their determination of what is protected and what is not, and (3) the cost incurred by the public in determining what aspects of the use, operation and enjoyment of products may be controlled by the patentee. These potential harms likely explain why the false marking statute has remained an essentially unchanged fixture of United States patent law since 1842. The question now is whether the recent spate of false marking lawsuits against companies, particularly those that make consumer products in high volumes (one has only to search the court dockets), will cause Congress to amend the statute in some way because of the potentially negative impact on the American economy.<sup>91</sup>

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<sup>90</sup> *Id.* at 1356-57.

<sup>91</sup> On September 29, 2010, Congressman Bob Latta introduced H.R. 6352, titled the Patent Lawsuit Reform Act of 2010. If passed by Congress, this bill would amend section 292 so as to limit the fine to \$500 for all offenses committed by a false marking defendant in the aggregate, and to require that a person bringing a false marking lawsuit have suffered “a competitive injury” as a result of the violation. Patent Lawsuit Reform Act of 2010, H.R. 6352, 111th Cong., 2d Sess. (Sept. 29, 2010). See *infra* notes 116-18 and accompanying text (discussing the current penalty of up to \$500 per article under *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009)) and notes 127-29 and accompanying text (discussing the fact that under *Stauffer v. Brooks Bros., Inc.*, Nos. 2009-1428, -1430, -1453, 2010 U.S. App. LEXIS 18144 (Fed. Cir. Aug. 31, 2010), a person bringing the lawsuit currently does not have to have suffered any injury at all).

## **B. Elements of and Penalty for False Marking.**

### *1. Elements of an Offense.*

The false marking statute essentially imposes a strict liability standard for mismarking articles with patent numbers.<sup>92</sup> The offense has two basic elements: (1) marking an unpatented article (2) with the intent to deceive the public.<sup>93</sup> “When 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.”<sup>94</sup> Alternatively, an “unpatented article” also includes an article was once covered by a now-expired patent, as the Federal Circuit recently made clear.<sup>95</sup> Accordingly, the first element involves a determination of whether at least one claim of an extant patent with which an article is marked covers that article.<sup>96</sup> A district court would make this determination no differently than a determination of the issue of infringement<sup>97</sup>—first, the claim in question has to be properly construed in order to

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<sup>92</sup> *Clontech Labs.*, 406 F.3d at 1352 (“We see no reason to interpret the statute differently to render it a statute of strict liability for mismarking.”).

<sup>93</sup> *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1300 (Fed. Cir. 2009). To simplify the discussion of the elements of an offense of false marking, this section of the paper focuses on the second species of false marking—marking an article with a patent number that does not cover the article. The other species of false marking—counterfeiting a patentee’s mark and marking an article as patent pending when it is not—are far less commonly encountered in reported case law.

<sup>94</sup> *Clontech Labs.*, 406 F.3d at 1352. Additionally, because the proscribed offense is false *marking*, an *omission* of applicable patents that should have been marked on an article or its packaging does not violate the letter of the statute, even though one may argue that the public would be misled by the omission as well. *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co., Inc.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986).

<sup>95</sup> *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1361, 1362 (Fed. Cir. 2010).

<sup>96</sup> *Clontech Labs.*, 406 F.3d at 1352.

<sup>97</sup> *See, e.g.*, *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454 (Fed. Cir. 1998) (en banc).

ascertain its scope, and then it must be compared to the article in question to see if it reads on the article.<sup>98</sup>

The second element is the “intent to deceive.”<sup>99</sup> In *Clontech Laboratories, Inc. v. Invitrogen Corp.*, the Federal Circuit defined this element to mean “a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true.”<sup>100</sup> Although intent and state of mind are subjective in nature, the court of appeals held that they can nevertheless be proven by objective evidence: “Thus, ‘objective standards’ control and ‘the fact of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the inference that there was a fraudulent intent’.”<sup>101</sup>

Applying this definition to false marking, what a party asserting such a claim must show—by a preponderance of the evidence—is that “the accused party did not have a reasonable belief that the articles were properly marked (i.e., covered by a patent).”<sup>102</sup> Stated another way, the accused party cannot deny intent if it reasonably knows that the marking is false, and that as a consequence, the public will be misled by the marking.<sup>103</sup> “[U]nder such circumstances, the mere assertion by a party that it did not intend to deceive . . ., standing alone, is worthless as proof of no intent to deceive where there is knowledge of falsehood.”<sup>104</sup> The focus is on the accused party’s knowledge and belief.

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<sup>98</sup> *Clontech Labs.*, 406 F.3d at 1352.

<sup>99</sup> *Pequignot*, 608 F.3d at 1362 (“The false marking statute also requires that the marker act ‘for the purpose of deceiving the public.’”).

<sup>100</sup> *Clontech Labs.*, 406 F.3d at 1352 (citing *Seven Cases of Eckman’s Alternative v. United States*, 239 U.S. 510, 517-18 (1916)).

<sup>101</sup> *Id.* (citing *Norton v. Curtiss*, 433 F.2d 779, 795-96 (CCPA 1970)).

<sup>102</sup> *Id.* at 1352-53. *Accord* *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1300 (Fed. Cir. 2009).

<sup>103</sup> If the public understands the purpose of marking, and the marking is not correct, then of course they will be misled if they rely on it.

<sup>104</sup> *Clontech Labs.*, 406 F.3d at 1353.

In *Pequignot v. Solo Cup Co.*,<sup>105</sup> the Federal Circuit clarified its holding in *Clontech Laboratories* by stating that “the combination of a false statement and knowledge that the statement was false creates a rebuttable presumption of intent to deceive the public, rather than irrebuttably proving such intent.”<sup>106</sup> “Although the presumption cannot be rebutted by ‘the mere assertion by a party that it did not intend to deceive,’ . . . *Clontech* does not stand for the proposition that the presumption is irrebuttable.”<sup>107</sup> Because the operative concept in false marking is an intent to deceive the public,<sup>108</sup> “mere knowledge that a marking is false is insufficient to prove intent if [a patentee] can prove that it did not consciously desire the result that the public be deceived.”<sup>109</sup>

Moreover, an accused party may continue in good faith to cling to its reasonable belief that the claims of its patent are broad enough to cover a competitor’s products and its own products,<sup>110</sup> notwithstanding a claim construction ruling that allows the competitor to argue the opposing conclusion. Such was the case in *Kemin Foods, L.C. v. Pigmentos Vegetales del Centro S.A. de C.V.*<sup>111</sup> There, PIVEG argued that the district court’s claim construction meant Kemin’s own products were not covered by its ‘714 patent but the Federal Circuit disagreed, observing that Kemin had consistently maintained throughout the litigation that the ‘714 patent claims were broad enough to cover the accused

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<sup>105</sup> 608 F.3d 1356 (Fed. Cir. 2010).

<sup>106</sup> *Id.* at 1362-63.

<sup>107</sup> *Id.* at 1363 (citation omitted).

<sup>108</sup> *Id.* at 1364 (“Here, the required intent is not intent to perform an act, *viz.*, falsely mark a product, but instead intent to deceive the public. Thus, a good faith belief that an action is appropriate, especially when it is taken for a purpose other than deceiving the public, can negate the inference of a purpose of deceiving the public.”).

<sup>109</sup> *Id.* at 1363.

<sup>110</sup> See *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1353 (Fed. Cir. 2005) (“Absent such proof of lack of reasonable belief, no liability under the statute ensues.”).

<sup>111</sup> 464 F.3d 1339 (Fed. Cir. 2006).

PIVEG products, and hence its own products as well.<sup>112</sup> Moreover, neither the district court nor the Federal Circuit had held that Kemin's products were outside the scope of the '714 patent.<sup>113</sup> The court of appeals therefore concluded that "Kemin's legal position as to the scope of the '714 patent is sufficiently plausible that Kemin cannot be said to have acted with the deceptive purpose necessary to trigger liability under the false marking statute (or, derivatively, to form the basis for an antitrust or Lanham Act claim)."<sup>114</sup> It therefore affirmed the district court's order denying PIVEG leave to amend its counterclaims to assert additional counterclaims of false marking, unfair competition and antitrust violations based on their futility.<sup>115</sup>

## **2. Penalty for Each Offense.**

In its recent *Forest Group, Inc. v. Bon Tool Co.* decision,<sup>116</sup> the Federal Circuit clarified that the fine that may be imposed "for every offense of false marking" is on a per article basis.<sup>117</sup> In other words, each falsely marked article constitutes a separate and distinct offense, for which a district court has the discretion to impose a fine in an amount greater than zero but not more than \$500.<sup>118</sup> "By allowing a range of penalties, the statute provides district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities."<sup>119</sup>

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<sup>112</sup> *Id.* at 1354, 1355.

<sup>113</sup> *Id.* at 1355.

<sup>114</sup> *Id.*

<sup>115</sup> *Id.* at 1354-55.

<sup>116</sup> 590 F.3d 1295 (Fed. Cir. 2009).

<sup>117</sup> *Id.* at 1304.

<sup>118</sup> 35 U.S.C.A. § 292(a) (West 2001).

<sup>119</sup> *Forest Group*, 590 F.3d at 1304 ("In the case of inexpensive mass-produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty."). For example, in *Pequignot v. Solo Cup Co.*, the plaintiff relator accused Solo Cup of falsely marking 21,757,893,672 cup lids and yet was seeking an award of the maximum

The Federal Circuit in *Forest Group* defended its “per article basis” interpretation of the “every offense” language based in part on policy considerations. It explained that Congress enacted the marking statutes (35 U.S.C. §§ 287 & 292) to provide a mechanism for giving notice to the public of patent rights in articles of manufacture and/or design.<sup>120</sup> Instances of false marking frustrate this notice objective and “deter innovation and stifle competition in the marketplace”:<sup>121</sup>

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. . . .<sup>122</sup>

The Federal Circuit reasoned that these injuries to competition occur with *each instance* of false marking, and the greater the number of falsely marked articles, the greater the likelihood that potential competitors will encounter them in the marketplace and be deterred or dissuaded from competing.<sup>123</sup> Hence the statute appropriately punishes each falsely marked article as a separate offense.

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\$500 for each falsely marked lid. 608 F.3d 1356, 1359 (Fed. Cir. 2010). The Federal Circuit viewed this to be a disproportionately large penalty, commenting that the United States’s share of the award, approximately \$5.4 trillion, “would be sufficient to pay back 42% of the country’s total national debt.” *Id.* at 1359 n.1.

<sup>120</sup> *Forest Group*, 590 F.3d at 1302.

<sup>121</sup> *Id.* (citation omitted).

<sup>122</sup> *Id.* at 1303.

<sup>123</sup> *Id.*

In summary, district courts have discretion in deciding on a penalty amount greater than zero and up to \$500 that will further federal patent policy of giving notice to the public of patent rights and not disproportionately burden patentees who make and sell low-cost consumer products in very high volumes. That said, the Federal Circuit has not given the lower courts any guidance on how to arrive at an appropriate number. Nor is there any guidance on what factors (e.g., the defendant patentee’s financials and sales data) the lower courts should take into account in the “penalty phase” of a false marking lawsuit. Notwithstanding the absence of such guidance, companies defending false marking lawsuits should be prepared to gather and present evidence that would be relevant to the issue of the penalty amount and ask for a hearing and/or briefing on the issue.

### C. *Qui Tam* Actions.

The false marking statute authorizes any person who discovers an offense to bring a *qui tam* action for the penalty<sup>124</sup> and to split the recovery fifty-fifty with the United States:

(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.<sup>125</sup>

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<sup>124</sup> *Stauffer v. Brooks Bros., Inc.*, Nos. 2009-1428, -1430, -1453, 2010 U.S. App. LEXIS 18144, at \*10 (Fed. Cir. Aug. 31, 2010). *See Vermont Agency v. United States*, 529 U.S. 765, 768 n.1 (2000) (recognizing the false marking statute as one of four *qui tam* statutes on the books). The term “qui tam” is short for the Latin phrase *qui tam pro domino rege quam pro se ipso in hac parte sequitur*, which means “[he] who pursues this action on our Lord the King’s behalf as well as his own.” *Id.* This type of procedural device allows a private person, known as a “relator,” to bring a lawsuit on behalf of the United States, where the private person has information that the named defendant has falsely marked its products. Generally speaking, the relator does not need to have been personally harmed by the defendant’s conduct. *See infra* notes 127-28 and accompanying text.

<sup>125</sup> 35 U.S.C.A. § 292(b) (West 2001). “By allowing any person to sue, Congress granted individuals a legally cognizable right to half of the penalty defined in section 292(a).” *Stauffer*, 2010 U.S. App. LEXIS 18144, at \*18.

A *qui tam* statute is one that authorizes someone to pursue an action on behalf of the government as well as himself or herself.<sup>126</sup>

In *Stauffer v. Brooks Brothers, Inc.*, the Federal Circuit held that section 292(b), being a *qui tam* statute, grants an individual plaintiff, known as a relator, standing to sue.<sup>127</sup> Even if the relator has not suffered any injury to himself or herself,<sup>128</sup> he or she has standing to assert the injury suffered by the United States, which arises from a violation of section 292(a) prohibiting deceptive patent marking.<sup>129</sup> The United States has the right, however, to intervene in a *qui tam* action for false marking under Rule 24(a)(2) of the Federal Rules of Civil Procedure<sup>130</sup> because (a) it has an interest in enforcing its own laws and in one-half of the fine levied against the defendant, (b) a disposition of the action (e.g., a dismissal on the merits) may impair or impede its ability to protect that interest, and (c) the plaintiff relator may not adequately represent that interest.<sup>131</sup>

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<sup>126</sup> *Stauffer*, 2010 U.S. App. LEXIS 18144, at \*10.

<sup>127</sup> *Id.*, at \*11.

<sup>128</sup> *Id.* at \*17 (“We also need not address whether Stauffer’s alleged injuries to himself or his asserted injuries to competition give him standing, either individually or as a member of the public. Stauffer’s standing arises from his status as ‘any person,’ and he need not allege more for jurisdictional purposes.”).

<sup>129</sup> *Id.* at \*11-12 (“The parties have not cited any case in which the government has been denied standing to enforce its own law. Because the government would have standing to enforce its own law, Stauffer, as the government’s assignee, also has standing to enforce section 292.”). In answering the question of standing, the Federal Circuit in *Stauffer* saw no need to resolve the issue of whether the injury to the United States was of a proprietary or sovereign nature, or both. *Id.* at \*13-16.

<sup>130</sup> Rule 24(a)(2) requires a district court to permit intervention by anyone who “claims an interest relating to the property or transaction that is the subject of the action, and is so situated that disposing of the action may as a practical matter impair or impede the movant’s ability to protect its interest, unless existing parties adequately represent that interest.” FED. R. Civ. P. 24(a)(2).

<sup>131</sup> *Stauffer*, 2010 U.S. App. LEXIS 18144, at \*21-22.

The concept of a *qui tam* action has been present in the false marking statute since its introduction in 1842.<sup>132</sup> Although the false marking statute is a criminal provision, a *qui tam* action is a civil action brought to pursue a civil penalty, and for this reason, the burden of proof of intent for false marking is a preponderance of the evidence.<sup>133</sup> The Federal Circuit has held that the statute of limitations for pursuing a false marking claim is five years, based on 28 U.S.C. § 2462.<sup>134</sup>

In *Pequignot v. Solo Cup Co.*, the Federal Circuit held that the burden of “[r]ebutting the presumption of intent should have no higher a burden of proof than was needed to create the presumption,” and so a patentee defending a *qui tam* action must show only by preponderance of the evidence that it did not have the requisite intent to deceive.<sup>135</sup> In Solo Cup’s case, it did not attempt to rebut the inference of intent merely with “blind assertions of good faith where [it] has knowledge of mismarking.”<sup>136</sup> Rather, Solo Cup provided evidence that it relied in good faith on the advice of counsel in formulating a policy of replacing worn out molds for its cup lids with new molds that did not have the expired patent numbers.<sup>137</sup> It showed that it adopted

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<sup>132</sup> Act of 1842, ch. 263, § 5, 5 Stat. 543, 544 (1842) (specifying that the penalty may “be recovered by action in any of the circuit courts of the United States, or in any of the district courts of the United States, having the powers and jurisdiction of a circuit court; one half of which penalty, as recovered, shall be paid to the patent fund, and the other half to any person or persons who shall sue for the same”).

<sup>133</sup> *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1363-64 (Fed. Cir. 2010).

<sup>134</sup> *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co., Inc.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986). Section 2462 provides that “[e]xcept as otherwise provided by Act of Congress, an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced within five years from the date when the claim first accrued if, within the same period, the offender or the property is found within the United States in order that proper service may be made thereon.” 28 U.S.C.A. § 2462 (West 2006).

<sup>135</sup> *Pequignot*, 608 F.3d at 1364.

<sup>136</sup> *Id.* (quoting *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1353 n.2 (Fed. Cir. 2005)).

<sup>137</sup> *Id.*

this policy out of a desire to reduce costs and avoid business disruption that would result from a wholesale replacement of the molds, which can last for 15 to 20 years.<sup>138</sup> In short, the fact that Solo Cup left the expired patent numbers on the molds that it was continuing to use was not done with the design of deceiving the public, especially when the cup lids were at some point in the past covered by the marked patents.<sup>139</sup> There was a legitimate business purpose for continuing to use the molds which had not yet worn out.

*Pequignot* thus provides some cover for patentees accused of false marking. The *Clontech Laboratories* presumption of intent to deceive the public can be effectively rebutted by evidence that the mismarking, although known to the patentee, arose from a reasonable, good faith business decision. Because the requisite intent to deceive must be inferred from the facts at hand, such evidence negates the inference.

#### **IV. THE UGLY – SUGGESTED STRATEGIES FOR DEALING WITH MARKING REQUIREMENTS**

As Parts II and III make clear, a patentee faces potentially serious consequences if it does not comply with *both* marking statutes. What steps can a patentee take, however, so that the process of compliance itself does not turn into the proverbial risk-fraught navigation between Scylla and Charybdis? A compliance program for patent marking should focus on the four little “p”s, policies, procedures, policing and protection, which together add up to the big “P”—prevention.

First, a patentee should have a clearly articulated, easy-to-implement, written *policy* with respect to marking. This policy should be communicated not only to employees, but also to any third parties who have to comply with the marking requirements. Acknowledgments from third parties that they have received and understood the policy should be obtained. Although somewhat self-serving, the policy should have a statement of purpose that affirms the patentee’s good faith desire to comply with the

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<sup>138</sup> *Id.*

<sup>139</sup> *Id.* at 1364, 1365.

marking statutes and negates any inference of intent to deceive the public.

Second, a patentee should develop, document and implement *procedures* for periodically reviewing its products and their patent coverage. The review cycle can be tied to the product cycle so that changes to patent marking, if required, occur when product changes are released. The review process should involve patent counsel as necessary, and any legal advice given and relied upon should be memorialized in some way in case the patentee later needs to assert an advice-of-counsel defense to false marking. If there is a legitimate business reason for leaving patent numbers on a product that they no longer cover, then that reason should be memorialized as well.

Third, a patentee should effectively *police* compliance by others, especially third parties that are not under its direct control. The patentee may want to obtain an agreement under which third parties will provide evidence of marking (e.g., sample products, labels) periodically or upon request by the patentee. Keep in mind that full compliance by third parties should entail not only marking products as required with the applicable patent numbers, but also avoiding mismarking that may have the effect of misleading the public. The last thing a patentee needs is for a third party to create unwanted liability for false marking through its erroneous actions.

Lastly, a patentee or licensee should obtain *protection* from the risks of noncompliance with the marking statutes, to the extent such protection is available in the relevant industry. For example, indemnity provisions in supply or distribution agreements or in license agreements can help insulate against potential legal consequences of noncompliance. Failure to mark and false marking create business risks, which the parties to a business relationship may be able to allocate to the side best able to prevent or avoid the risk. A party may also be able to obtain insurance coverage under the rubric of “advertising injury” to the extent that patent marking is actually used in the context of commercial advertising.

In closing, compliance with the marking statutes can be “ugly” in the sense that it creates a hassle and a headache for a patentee. Given the risk that a patentee may lose the right to recover infringement damages for inadequate marking and may face a

potentially large exposure for false marking, however, the adage that an ounce of *prevention* is worth a pound of cure seems apt in this context.