

Patent marking in the U.S. and India – A comparison

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Introduction

The purpose of patents is to protect and incentivise innovation. The structure of the patent system sets up a trade-off between disclosing the innovation and a limited exclusivity over it. Today, the number of patents held by an individual has become a proxy for an individual's contribution to the sciences¹; corporations wear patent numbers as a badge of pride.² As much as one may consider patents as an entity's (or individual's, for that matter) commitment to innovation and / or of technological superiority, at a fundamental level, patents also serve an important "public notice" function – communicate the prohibited area of operation for other competitors.

Innovation, and consequently the patent system, has grown in sheer numbers and specialized in scope to the point where it is no longer possible to publicise each patent by mere publication. Patent marking, therefore, may have assumed a much more crucial role in serving this "public notice" function to consumers and / or competitors. By marking their products, patentees provide a basis for the public to ascertain the status of the intellectual property embodied in an article in general circulation.³ Patent marking serves to clearly delineate those inventions that are off-limits to the public and thereby prevents innocent infringement.⁴

The American marking statute

The American patent marking and notice provision is contained in 35 U.S.C. 287. Notice of infringement can be established in three ways - by marking the articles, actual notice sent to the infringer, or by filing a suit against infringement. The purpose achieved by marking the article is awareness among the general public and to protect innocent infringers. Marking a patent appropriately is considered to be notice *in rem* i.e. to the public at large, and removes the need for any other form of notice of infringement. A valid mark under the statute is one which contains the words "patent" or the abbreviation "pat.", followed by the patent number.⁵ This patent marking requirement, however, is limited to the question of damages; it is not available as a defence to infringement itself.⁶

¹ Declaration of Edison's status as one of the great contemporary Men of Science is often immediately followed by mention of the patents he held across 4 jurisdictions (1093 in the US alone, a record at the time) - http://en.wikipedia.org/wiki/List_of_prolific_inventors

² The Siemens website keeps an up-to-date track of patents it has obtained in various jurisdictions on its Innovation page - http://www.siemens.com/innovation/en/facts_figures.htm; IBM is proud of its record at the USPTO - <http://domino.research.ibm.com/comm/research.nsf/pages/d.compsci.ibm.patents.2008.html>.

³ Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 150–51 (1989).

⁴ Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co., 297 U.S. 387, 394 (1936).

⁵ 35 U.S.C. § 287(a).

⁶ Motorola, Inc. v. United States, 729 F. 2d 765 (Fed. Cir. 1984).

Originally, the U.S. statute mandated a “duty to mark”.⁷ The 1842 and subsequent statutes penalized default through taking away the right to recover damages.⁸ This was amended to the present, more permissive, “may mark” requirement in 1994.⁹ This allows the patentee the choice of weighing the costs and benefits of marking. The present form of the statute does not require a patentee to have marked their products right from the time of issuance of patent for entitlement to damages. As was held by the Federal Circuit in *American Medical Systems v. Medical Engineering Corp.*, the US Congress structured the statute so as to tie *failure to mark* with the disability to collect damages, as opposed to failure to mark *at the time of issuance* with the disability to collect damages.¹⁰ Thus, the marking requirement has evolved into a threshold time-period from which one may recover damages in a patent infringement suit. As the Court observed in *American Medical Systems*, this is simply a free-market based implementation of the same principle - “[t]he sooner one complies with the marking requirements, the more likely one is to maximize the period of time for recoverable damages.”¹¹

Compliance with the marking statute is a question of fact, determinable by a jury.¹² The patentee is required to be proactive in marking their products, irrespective of the knowledge of the infringer.¹³ The burden of proof is on the patentee to lead evidence that the products were marked¹⁴, the standard of proof being a preponderance of evidence.¹⁵ Once marking has commenced it must be substantially consistent and continuous to enable claims for damages.¹⁶ Where the patentee has licensed for distribution of their products, substantial compliance is enough; the patentee will be judged on whether they took reasonable steps to ensure compliance rather than the quantity of products not complying.¹⁷

When marking is not required

The marking statute is usually not applied to limit damages in situation where the patentee has not manufactured the patented article at all, or where the patent is directed to pure process or method claims. U.S. Supreme Court and Federal Circuit decisions have concluded that the marking statute deals only with articles and not with method claims since, as in the case of no manufacture, there is nothing tangible to mark.¹⁸ However, where the patent contains both

⁷ The Act of March 2, 1861, c. 88, 12 Stat. 249, provided - “Sec. 13. . . . 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, either by fixing thereon the word patented....”

⁸ *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.*, 297 US 387 (1936), at 397.

⁹ Public Law 100-418, sec. 9004(a), 102 Stat. 1564; Dec. 8, 1994, Public Law 103-465, sec. 533(b)(5), 108 Stat. 4989. Act of Mar. 2,

¹⁰ 6 F.3d 1523 (1993), at 1537.

¹¹ *Ibid.*

¹² *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111, 39 USPQ2d 1001, 1010 (Fed. Cir. 1996)

¹³ *Gart v. Logitech, Inc.*, 254 F. 3d 1334 (Fed. Cir. 2001).

¹⁴ *Dunlap v. Schofield, Devices for Medicine, Inc. v. Boehl*, 822 F. 2d 1062 (Fed. Cir. 1987), at 1066.

¹⁵ *Nike, Inc. v. Wal-Mart Stores, Inc. and Hawe Yue, Inc.* 138 F.3d 1437 (Fed. Cir. 1998)

¹⁶ Supra note 4.

¹⁷ Supra n. 9, at 1112.

¹⁸ *Bandag, Inc. v. Gerrard Tire Co., Inc.*, 704 F. 2d 1578 (Fed. Cir. 1983), at 1582 *citing Wine Ry. Appliance Co. v. Enterprise Ry. Equipment Co.*, 297 U.S. 387, 56 S.Ct. 528, 80 L.Ed. 736 (1936).

apparatus and method claims and where the method produces a physical device, the articles are required to be marked.¹⁹

However, the obligation to mark extends to situations in which the patentee sells a component of a patented combination to a licensee with directions to assemble it and with the expectation that the licensee would assemble and sell the patented combination. In *Amsted v. Buckeye*²⁰, the patentee argued that they never themselves manufactured but merely sold components to others with instructions to assemble, hence their failure to mark the patented combination would not affect the patentee's claim for damages. The Court, however, after establishing that the customers in question were implied licensees of the patentee, reasoned that Amsted could have used the words "for use under Patent _____" on the components or directed the licensees to mark the assembled combination.²¹ Since it did neither, Amsted was allowed to claim only from the date on which it issued notice of infringement.

False marking

False marking, consequently, is a fraud on the patent system and the public - it wrongly convinces consumers of the quality of the product, increases the cost to the public of ascertaining whether the product is actually patented and worst of all, inhibits innovation and competition by causing innovators to abandon their research for fear of infringing non-existent patents.²² Accordingly, 35 U.S.C. 292 prohibits mismarking of patents, including counterfeiting existing patent marks, marking an unpatented article as patented, or marking articles in respect of which no patent has been applied for with words such as "patent pending" which give a contrary impression. It requires that four elements be established to sustain a finding of violation: (1) a marking importing that an object is patented (2) falsely affixed to (3) an unpatented article (4) with intent to deceive the public.²³

As a result of the America Invents Act recently signed into law by President Obama²⁴ which amends 35 USC 292.(b),²⁵ plaintiffs now derive standing based on competitive injury as a result of false marking. Thus, the nature of the provision has been changed completely from a Government-imposed penalty to a private suit for damages.²⁶

¹⁹ *American Medical Systems*, at 1539.

²⁰ 24 F.3d 178 (Fed. Cir. 1994)

²¹ *Amsted*, at 185.

²² CA Teichner, *Markedly Low: An Argument To Raise The Burden Of Proof For Patent False Marking* (November 21, 2010). Chicago-Kent Law Review, Vol. 87, 2011, p.7. Available at SSRN: <http://ssrn.com/abstract=1800061>

²³ *Mayview Corp. v. Rodstein*, 620 F. 2d 1347 (9th Cir. 1980)

²⁴ "Leahy-Smith America Invents Act", H.R. 1249.

²⁵ *Ibid.*, Section 16.(b).2.

²⁶ This puts an end to the practice of a *Qui Tam* action, where any private individual could assist the state in prosecution and claim part, or all, of the penalty imposed. Prior to the amendment, false marking was considered as an injury against the United States § 292(2) and any citizen was given the standing to sue for this injury - *Stauffer v. Brooks Brother's*, 619 F. 3d 1321 (Fed. Cir. 2010)

Of the four elements, the fourth, as one would imagine, is the most contentious. Its most authoritative contemporary definition was given in *Clontech Laboratories, Inc. v. Invitrogen Corp.* as “*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.*”²⁷ In *Clontech*, the Federal Circuit stated that 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.²⁸ In *Pequignot v. Solo Cup*, however, the Federal Circuit read down its own precedent, opining that the combination of a false statement (i.e. that an article is patented) and the knowledge that the statement is false merely created a *rebuttable presumption* of intent to deceive.²⁹ *Solo Cup*, however, succeeded in proving that it was acting on the advice of a solicitor and thus that it did not intend to deceive the public.³⁰ This change in the standard was probably to off-set the effect of the opportunistic underpinnings of false marking suits at that time.³¹

Unpatented article

Solo Cup also dealt with the question of marking after the expiry of the patent. It held that an article under an expired patent is in the public domain and is hence an “unpatented article”.³² However, the America Invents Act amends Section 292 to allow marking of articles with patent numbers which have expired.³³

Fine for false marking

The U.S. statute prescribes a fine of “not more than \$500 for every such offense”. Till recently, American courts interpreted this statute as imposing a fine on each *decision to mark* i.e. a policy undertaken by a patentee to mark their articles would cover all the articles marked under such a policy and hence, would constitute a single offence under the statute. Under this standard, courts sought to implement time-based formulae to reconcile the per-decision rationale with the cap on penalty.³⁴ The Federal Circuit, however, in 2009, in its *Forest Group, Inc. v. Bon Tool Co.*³⁵ decided that a separate offence occurred with *each improperly marked article*. The decision precipitated a flood of litigation potentially

²⁷ 406 F. 3d 1347 (Fed. Cir. 2005).

²⁸ *Ibid.*, at 1352.

²⁹ *Pequignot v. Solo Cup Co.*, 608 F. 3d 1356 (Fed. Cir. 2010), at 1363.

³⁰ *Ibid.*

³¹ *Supra* n.22, p.2; As Lourie, J. wryly observed in the *Solo Cup* decision, the damages of \$500 claimed on each cup sold would total up to around \$ 5 trillion, potentially enabling the United States to clear a third of its national debt.

³² *Supra* n.27, at 1361.

³³ *Supra* n.24, Section 16.(b).3.

³⁴ *Forest Group, Inc. v. Bon Tool Co.*, 590 F. 3d 1295, at 1302 (Fed. Cir. 2009)

³⁵ *Id.*

involving damages in the millions.³⁶ It is unclear how American courts currently assess the fine under 35 USC 292.³⁷

Overview of the Indian Legislation

The Indian Patents and Designs Act of 1911 dealt with the issue of patent marking in Section 30, whereby innocent infringers were intended to be protected from liability for damages. The language was continued in Section 111 of the 1970 Act. The explanation to Section 111(1) has the effect of establishing a valid mark (i.e. one that includes the number of the patent) as deemed notice to the public. However, the true intent of the Explanation to Section 111(1) is to define the proper manner of patent marking - the patent number has to be necessarily included along with the word “patent” or “patented”. The explanation does not serve to limit or expand the scope of the defence under Section 111(1).

Section 111(1) itself limits damages where the infringer can prove that they were not aware of or had no reasonable grounds for believing the existence of the patent. Thus, the cumulative effect of the sub-section and the explanation is to encourage patentees to establish “deemed notice” through marking as early as possible. Unlike the U.S. statute which only refers to ‘damages’ being limited,³⁸ the Indian statute makes it explicit that courts cannot award accounts of profits or damages on failure to mark.

Though both the American and the Indian statutes are designed to limit damages, their approach differs – while 35 U.S.C. 287 requires the patentee to mark their products, Section 111 does not. Consequently, in an American infringement suit, the patentee is required to prove that their products were properly marked before they can claim damages pertaining to that time-frame.³⁹ Section 111, however, contemplates lack of marking as a *defence* in an action for infringement⁴⁰, thus placing the initial burden of proof on the defendant to prove that they did not have knowledge, i.e. the defendants are required to prove that the patented products were not or improperly marked. At best, proving the lack of patent marking shifts the burden of proof onto the patentee to establish that the defendant was made aware of the existence of the patent by another mode, such as by way of issuance of a cease and desist letter / notice.

³⁶ Steve Williams & Jane Du, *Successfully Defending Against False Marking Claims* 9 Nw. J. TECH. & INTELL. PROP. 10.

³⁷ Thomas F. Cotter, *Optimal Fines For False Patent Marking* 17 Mich. Telecomm. Tech. L. Rev. 181 (2010).

³⁸ This language created an issue in Nike, Inc. v. Wal-Mart Stores, Inc. and Hawe Yue, Inc. 138 F.3d 1437 (Fed. Cir. 1998), where it was debated whether ‘damages’ included accounts of profits as well.

³⁹ As part of the scheme of 35 U.S.C. 287 which sets communication of the infringement of the patent either through marking or through notice as a pre-requisite to claiming damages.

⁴⁰ Section 111, Patents Act, 1970 - “[...] damages... shall not be granted against *the defendant who proves that... he was not aware [...]*”

False marking in India

The Indian statute deals with false marking in Section 120 of the Patents Act, 1970. Section 120 is more pointed than its American counterpart, in that it prescribes a fine for false marking on “*any article sold*”. Unlike the USA, however, there is no right for damages being claimed by any person.⁴¹ The Indian statute is of penal nature with a fine of “may extend to Rs. 1 lakh”. Further, the provision sets the fine at a maximum of one lakh (per instance of violation) and does not mandate imposition of such maximum fine in each case.

More importantly, Section 120 is much stricter in application than its American counterpart since it does not require that the false marking be intended to deceive the public. From the language employed in Section 120, representation is deemed to be made by the act of marking itself.⁴² Hence, the Patents Act, 1970 appears to impose strict liability for false marking; the mere combination of the act of marking and the fact of inaccuracy of the mark are necessary and sufficient conditions to invite penalty.

Another important distinction relates to the situation of patent marking an article, the patent over which has expired. Technically, this amounts to a false representation that a given article is patented since the patent over the article has expired and hence, the article is actually an unpatented article.⁴³

Conclusion

While the legislation relating to patent marking is in place, it is under-utilized; it appears that defendants have completely overlooked the potential of Section 111 to limit their financial exposure in infringement suits. As a budding innovation economy with a large and diverse population, India needs to embrace marking as the main informational link in the patent system and this would occur if and only if defendants take advantage of the provision during enforcement proceedings. If this does not occur in the immediate future, considering the exponential growth of patents in India, there may come a time where legislative intervention may be required, by shifting the burden of marking on to patentees.

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⁴¹ However, private remedy against false marking may still lie under common law but examining this remedy is beyond the scope of this article.

⁴² Explanation to Section 120, Patents Act, 1970.

⁴³ As seen earlier, this was the view of the Federal Circuit (USA) in the *Solo Cup* case.