

RESOLUTION

PATENT MARKING STATUTE SUBCOMMITTEE Mark D. Schuman, Subcommittee Chair

Subcommittee Of The American Intellectual Property Law Association Patent Litigation Committee (Jeffrey I. D. Lewis, Chair; John Skenyon, Vice Chair) in cooperation with the Patent Law Committee (John Wiedeman, Chair; Denise Kettelberger, Vice Chair)

PROPOSED RESOLUTION

RESOLVED, that the American Intellectual Property Law Association (AIPLA) favors, in principle, revising the current patent marking statute to allow damages against infringers who are aware of a patent even if there has not been patent marking by the patentee; and

Specifically, the AIPLA supports adding the following clause to the second to the last sentence of 35 U.S.C. § 287(a): "or except upon proof that the infringer knew of the patent, in which event damages may be recovered only for infringement after such knowledge."

PAST ACTION

None.

DISCUSSION

I. The Proposal

The Committees propose revising the current marking statute to allow damages to be collected from infringers who are aware of a patent even if there has not been patent marking by the patentee. Specifically, the Committees support adding the following clause to the second to the last sentence of 35 U.S.C. § 287(a): "or except upon proof that the infringer knew of the patent, in which event damages may be

recovered only for infringement after such knowledge." The complete revised statute would read:

Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice or except upon proof that the infringer knew of the patent, in which event damages may be recovered only for infringement after such knowledge. Filing of an action for infringement shall constitute such notice.

The newly-proposed language is underlined, and the remainder is the text of the current marking statute, 35 U.S.C. § 287(a)

II. Historical Background

A. Legislative History and Policy

There is no clear statement of legislative intent or policy stated in the legislative history of what is now section 287(c). The history of the statute, however, does give some background that is useful in understanding what policy concerns it was meant to address.

In 1836, Senate Document No. 338 indicated that the entire number of patents issued up to that year by the United States was 9,731. S. Doc. No. 338, 24th Cong., 2d Sess. p. 5. Furthermore, it said that the granting of patents was merely a ministerial duty because,

[t]he act of 1793, which is still in force, gives, according to the practical construction it has received, no power to the Secretary to refuse a patent for want of either novelty or usefulness. The only inquiry is whether the terms and forms prescribed are complied with. The granting of patents therefore is but a ministerial duty.

...

Under the act referred to, the Department of State has been going on more than forty years, issuing patents on every application without any

examination into the merit or novelty of the invention. And to the evils necessarily which resolved from the law as it now exists, must continue to increase and multiply daily til Congress shall put a stop to them.

Id. at pp. 2-3.

The Senate Document listed some of the problems that were being encountered at that time. One of these was the dilution of patent rights by people claiming patents on old devices and improvements:

The country becomes flooded with patent monopolies, embarrassing to bona fide patentees, whose rights are thus invaded on all sides; and not less embarrassing to the community generally, in the use of even the most common machinery and long-known improvements in the arts and common manufacturers of country.

Id. at p. 3.

Finally, the Senate Document mentioned the most serious problem, the problem that most likely led to the passage of the first patent marking statute in 1842:

It opens the door to frauds, which have already become extensive and serious. It has been represented to the committee that it is not uncommon for persons to copy patented machines in the model-room; and, having made some slight immaterial alterations, they apply in the next room for patents. There being no power given to refuse them, patents are issued of course. Thus prepared, they go forth on a retailing expedition, selling out their patent rights for States, Counties, and Townships, to those who have no means at hand of detecting the imposition, and who find, when it is to late, that they have purchased what the vendors had no right to sell, and which they obtain thereby no right to use. This speculation of patent rights has become a regular business, and several hundred thousand dollars, it is estimated, are paid annually for void patents, many of which are thus fraudulently obtained.

Id.

Regarding the condition of the Patent Office in 1836, the Senate Document stated that the Patent Office was "crowded together in a manner unfavorable for exhibition or examination. In such a situation, it is impossible to give them any systematic or scientific arrangement." Id. at p. 7. As a result of the problems with the Patent Office in 1836, the Senate Document proposed that the Patent Office be

reorganized, to "secure to it a character altogether above a mere clerkship." Id. at p. 4. As part of the reorganization of the Patent Office, the document called for the organization of the patent models and the patent literature to allow for searching of an invention's novelty and usefulness. The Senate Document recommended a bill that required the patentee to submit specifications, drawings, and descriptions of the invention and it recommended that the Patent Office keep a record of issued patents "in books to be kept for that purpose". Id. at p. 10. The bill also provided for the first time that the Patent Office actually would rule on the technical merit of inventions. Id. at p. 11.

In 1842, the first marking statute was passed. It provided for mandatory marking of patented products. If the product was not marked, the patentee was subject to civil penalties. Although not explicitly stated in the legislative history, it appears that the marking statute was a reaction to the "frauds" that were being perpetrated on the public who had no way of determining whether patents actually had been granted on inventions or whether the patents had any merit. The 1842 statute provided:

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.

Act of August 29, 1842, c. 263 § 6, 5 Stat. 544

Following the passage of the 1842 Act, the House of Representatives issued a report dealing with the publication of patents for public review. In describing the evolution of United States patent laws the House Report stated:

New legislation now brought the patent laws nearer into harmony with public opinion. Examiners were provided, to decide upon the originality and utility of alleged inventions; facilities of various kinds were afforded to inventors; the collection of a library was commenced; a spacious and safe place to deposit was furnished for papers and models. The Patent Office was rendered tributary to the wants of agriculture, as

well as of the mechanic arts. The reports of the Commissioner spread before the country various and useful information. Lists of the patents were published as a beginning of new system publicity.

H. Rep. No. 139, 28th Cong., 2d Sess. p. 3.

The House Report recommended "that the specifications of the patents issued each month at the Patent Office, with engravings accompanying the more important patents, should be published and distributed by Congress". Id. at p. 6.

In 1857, the House of Representatives again issued a report on the patent laws. The House Report stressed that the printing of patents "is a matter of great importance, not only to the inventor, but to the whole public. Each patent issued, if valid, has the power of a statute law, and it is a presumption of law that every person has knowledge of the contents, while in fact patents are now sealed books to the great body of the people. If they are printed and properly distributed to all parts of our extended country, the citizens north, south, east, and west will be equally well informed, and have the facilities as those of the District of Columbia." H. Rep. No. 98, 34th Cong., 3d Sess. p.

2. The House Report continued:

An able jurist on the bench of the Supreme Court says 'the people generally should have some more convenient way of getting a knowledge of patent specifications, of which the Courts treat them as having *notice*, not only that they may be able to adopt and purchase such inventions and discoveries, but they may not, as is very often the case, get themselves involved in litigation, or be made the subjects of *black mail levies*, on account of their ignorance of matters which the law presumes them to know, while it furnishes them no means of acquiring that knowledge.

Id.

A revised marking statute was passed in 1861 after these two reports. This marking statute was changed significantly from the previous marking statute. Instead of requiring notice under penalty of civil fines, the statute was changed to allow the marking of patents with the penalty for not marking being the inability to collect damages. It appears that this change in the law was brought about by the widespread publication of patent information and dissemination of that information to the public. It

appears that Congress felt that the identification of the patent date would allow the public to determine the patent right involved and to evaluate it. The revised statute provided:

[t]hat 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, together with the day and year the patent was granted; or when, from the character of the article patented, that may be impracticable, by enveloping one or more of the said articles, and affixing a label to the package or otherwise attaching thereto a label on which the notice, with the date, is printed; 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.

Act of March 2, 1861, c. 88 §13, 12 Stat. 249.

The marking statute was changed again in 1870, but the changes did not deal with how a product was marked. Rather, the changes dealt with who was required to mark the product. The changes are not relevant to the current inquiry. Nonetheless, for completeness, the 1870 statute appears below:

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; either by fixing thereon the word 'patented,' together with the day and year the patent was granted; 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 inclosed, a label containing the like notice; 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 July 8, 1870, c. 230 § 38, 16 Stat. 198, (4900, R.S.).

In January of 1927, a month before the next change in the marking patent statutes, both the Senate and House issued reports indicating that changing the

marking statute to require marking of the patent number would be advantageous. The House Report said that it had

given careful consideration to this proposed amendment of the statutes and believes it to be to the interest of both patentees and the general public that the law require notice of issue of patents to contain the number assigned to it, together with the date of issue. That such notice containing said information will expedite any search or making of records with regard to such patents and will work no hardship on anyone interested.

H. Rep. No. 1661, 69th Cong., 2d Sess. p. 1.

Similarly, the Senate Report was favorable to the change in the law. It reported a letter from the Patent Office indicating the Patent Office's support of the bill as well as the patent bar's support of the bill:

Consideration has been given to Senate Bill 4958. This bill requires the patent number to be placed on the patented article instead of the date of the patent as now. I am informed that the bill has been submitted for the referendum vote of the bar and that the bar by such vote has approved the bill.

S. Rep. No. 1320, 69th Cong., 2d Sess. p. 1.

Despite support by both the House and Senate, the change in the marking legislation was not made and the statute was revised without substantive change in February of 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; either by fixing thereon the word 'patented,' together with the day and year the patent was granted; 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 inclosed, a label containing the like notice; 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 February 7, 1927, c. 67 § 49, 44 Stat. 1058 (35 U.S.C.A. § 49).

The marking statute was changed essentially to its present form in 1952. The Senate Report outlining the sweeping changes to the patent laws indicated that there was nothing particularly important about the change to the marking statute. The report simply stated that "[t]he next few sections relate to injunctions, damages, attorneys fees, the statute of limitations, and to marking and notice; all of which together replace present statutes on suits, with a good deal of reorganization in language to clarify the statement of statutes." S. Rep. No. 1979, 82d Cong., 2d Sess. p. 9. Despite the innocuous language describing the changes in this section of the statute, the statute was changed substantively to require marking of the patent number as opposed to the date of the patent. It appears that the 1952 changes in the marking statute finally implemented the Congressional reports from 1927. The 1952 statute is as follows:

Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

P.J. Federico, one of the principal drafters of the revised 1952 patent statutes also wrote that the changes to the marking statute were minor and were made for clarification. P.J. Federico, Commentary on the New Patent Act, p. 56.

B. Judicial Interpretation of the Statute

In 1936, the Supreme Court decided Wine Ry. Appliance Co. v. Enterprise Ry. Equipment Co., 297 U.S. 387 (1936). In that case, the Supreme Court examined the changes in the patent marking statute and concluded that they "reveal the purpose to require that marks be put on patented articles for the information of the public." Id. at 397. In Bonito Boats v. Thundercraft Boats, Inc., 489 U.S. 141, 162 (1989), the

Supreme Court again expressed the purpose of the patent marking statute: "for the information of the public." The Supreme Court did not review the legislative history in either of those cases.

In Nike Inc. v. WalMart Stores Inc., 138 F.3d 1437, 1443 (Fed. Cir. 1998), the Federal Circuit announced that the marking statute "serves three related purposes: (1) helping to avoid innocent infringement; (2) encouraging patentees to give notice to the public that the article is patented; and (3) aiding the public to identify whether an article is patented." The Federal Circuit did not examine the legislative history of the patent marking statute before determining the policies behind it. Id. Regardless, the case law is clear that the patent marking statute's purpose is to provide notice and to prevent innocent infringement. See Bonito Boats, 489 U.S. 141 (holding that the purpose of the patent marking statute is to provide notice to the public of patented articles); Wine Ry. Appliance Co., 297 U.S. 387 (holding that the purpose of the patent marking statute is to prevent innocent infringement).

The statute's purpose is to provide damages for patent infringement without punishing innocent infringement. Section 287(a) provides that a patentee cannot recover damages for infringement absent proof that the infringer was notified. Notice can come from either marking substantially all of the patented articles sold, or actually notifying the alleged infringer of the patent. The marking requirement is excused for processes and methods, as well as "paper patents," as there is nothing to mark. When the court considers notice, it only considers the patentee's acts, and not the infringer's knowledge.

III. Problems with the Current Statute

The present marking statute has some flaws. For example, it can reward infringers who know they are infringing but have not been notified of their infringement. It can unfairly prejudice those patentees who are not able to mark their products. It treats different inventions and industries differently. It also is inconsistent with the laws in other countries. The following sections discuss the flaws in the current marking statute.

A. The Current Statute is Unfair

The problem with the present marking statute is that knowing infringers often go unpunished. For example, in Amsted Industries, Inc. v. Buckeye Steel Castings Co., 24 F.3d 178 (Fed. Cir. 1994), evidence indicated that Buckeye was aware of the patent as early as 1976. In 1986, Amsted sent a letter to Buckeye, suggesting that Buckeye “acquaint” itself with the patent and “refrain from supplying or offering to supply component parts which would infringe or contributed to the infringement of the patent.” In 1989, Amsted sent a cease and desist letter to Buckeye. In reversing the district court, the Federal Circuit held that Amsted was not permitted to obtain damages from any infringement prior to the 1989 cease and desist letter. Id. at 187. The Federal Circuit held that the 1986 letter, which generally advised companies not to infringe and did not explicitly charge the accused infringer with infringement of a specific patent was insufficient to meet the statutory requirement of “notified of infringement.” Even though the infringer was aware of the patent and the patentees concern there was infringement, because the patentee did not mark, the patentee was unable to obtain damages.

Frequently, knowing infringers are not punished, as courts only consider whether the patentees marked or actually informed the infringer of the infringement. See, e.g., Lans v. Digital Equip. Corp., 252 F.3d 1370 (Fed. Cir. 2001); Gart v. Logitech, Inc., 254 F.3d 1334 (Fed. Cir. 2001); Nike Inc. v. WalMart Stores Inc., 138 F.3d 1437, 1446 (Fed. Cir. 1998); Amsted Indus., Inc. v. Buckeye Steel Castings Co., 24 F.2d 178, 185-87 (Fed. Cir. 1994); Am. Med. Sys., Inc. v. Med. Eng'g Corp., 6 F.3d 1523, 1537, n.18 (Fed. Cir. 1993); Devices for Medicine, Inc. v. Boehl, 822 F.2d 1062, 1066 (Fed. Cir. 1987); ABC Indus., Inc. v. Kason Indus., Inc., 30 F. Supp. 2d 331 (E.D.N.Y. 1998); Loral Fairchild Corp. v. Victor Co. of Japan, 906 F. Supp. 813, 817 (E.D.N.Y. 1995); Endress + Hauser, Inc. v. Hawk Measurement Sys. Pty. Ltd., 892 F. Supp. 1123 (S.D. Ind. 1995); Gen Elec. Co. v. George J. Hagan Co., 40 F.2d 505, 507 (W.D. Pa. 1929); Int'l Nickel Co. v. Ford Motor Co., 166 F. Supp. 551, 567 (S.D.N.Y. 1958); Hoover Int'l, Inc. v. Graham Packaging Corp., 1997 WL 413600 (C.D. Cal. 1997); Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd., 1997 WL 83395 (S.D.N.Y. 1997).

Another problem with the patent marking statute is that it punishes some patentees who are unable to mark. In Western Emulsions, Inc. v. Copperstate Emulsions, Inc., 1997 WL 579200 (D. Ariz. 1997), Western, a manufacturer of a liquid asphalt emulsion, alleged infringement of a patent covering the emulsion by Copperstate. The liquid emulsion was typically manufactured and stored in large storage tanks and delivered by discharging the emulsion directly from the storage tanks to transport or spreader trucks. Western made one sale of 15 fifty-five gallon drums of emulsion. At issue was whether the marking statute applied to the liquid emulsion. The court held that the marking statute applied to the liquid emulsion. The court identified two situations in which the marking statute does not apply: (1) the patentee does not manufacture or sell an article within the scope of the patent; and (2) the patent is directed to only to a process or method. Id. (citing Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co., 297 U.S. 387 (1936); Am. Med. Sys. v. Med. Eng'g Corp., 6 F.3d 1523, 1538 (Fed. Cir. 1993)). The court suggested that Western could have marked its large storage tanks and equated the storage tanks to the "packages" in which a patented article is found.

The Western Emulsions case demonstrates the problems that patentees that are unable to mark because of medium or other constraints face under the present statute. The case also demonstrated the inequality of the treatment of different patents. When the owner of a process patent does not mark, that patentee may still be able to recover damages prior to actual notice, regardless of whether the infringer was aware of the patent or the infringement. See Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc., 246 F.3d 1336, 1353 (Fed. Cir. 2001); Bandag, Inc. v. Gerrard Tire Co., 704 F.2d 1578, 1581 (Fed. Cir. 1983). The rationale behind this exception is that processes cannot be marked. See Am. Med. Sys., Inc. v. Med. Eng'g Corp., 6 F.3d 1523, 1538 (Fed. Cir. 1993). Also, owners of "paper patents" or patents that are not in use may recover damages, even in the absence of notice. See Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co., 297 U.S. 387 (1936).

A recent article summarized some of the problems with the patent marking statute. See D. Meyer, Patent Marking Statute May Need Major Overhaul, Nat'l L. J.,

Dec. 24, 2001, at C5. This article noted that chemicals that are shipped in bulk often cannot be marked. "A patented liquid cannot be marked. And even if rail cars or trucks are 'packages,' when they don't belong to the manufacturer, marking would not be under the manufacturer's control." Id. It also suggested that the electronics industry is at a disadvantage. "Components of miniaturized electronic devices often embody a number of different patented inventions. Properly marking the devices with the patent number of every invention embodied in a complex microprocessor may be difficult, if not impossible." Id. The article noted that this problem also extends to components of larger devices.

[D]istrict courts have held that the duty to mark extends to policing licensees. But if the licensee refuses to mark, the patentee is without recourse. The price of doing business with a powerful original equipment manufacturer may be that marking patents held by the component supplier will not be permitted. Should a component manufacturer be penalized because of its customer's policies?

Id. The article also pointed out the unfair "windfall" available to owners of paper patents. Id. In addition to the enumerated examples above, the problem with the patent marking statute is that "it permits even willful infringers to avoid infringement damages," and it "makes protecting innocent infringers a higher priority than deterring willful disregard of patent rights." Id. The article suggested that it is "questionable whether such protection is needed in today's commercial environment in which intellectual property rights abound."

Another recent article has pointed out reasons why patent holders may fail to mark their product. The first has to do with the ability of the patent holder to monitor marking by its licensees. Another reason can be that the patentee began marking the product before the patent issued, *i.e.*, "patent pending," and it may be too expensive to remark the products after the patent issued. Another reason is that it may be difficult or expensive to comply with the marking statute. For example, "by correctly marking a product that embodies many discreet patents, especially if the product design changes over time." The patent holder may not know how to mark because it is not clear what constitutes sufficient marking in its particular situation. Finally, there may be strategic reasons. On the one hand, the lack of marking may allow a company to stage a "sneak

attack" on competitors by seeking an injunction after the competitor has invested substantial capital. See R. Blair and T. Cotter, Strict Liability and its Alternatives in Patent Law, 17 Berkley Technology Law Journal, No. 2, 799, 806 n. 19. (hereinafter "R. Blair and T. Cotter"). On the other hand, a manufacturer may be prevented from marking as part of a broader business arrangement (such as an Original Equipment Manufacturer of a component where the brand-name contractor refuses to allow patent marking as a part of the OEM contract) or out of fear of improper patent marking in where there is a large patent portfolio.

The current patent marking statute allows knowing infringers to escape infringement damages. Infringers who are aware of a patent are free to infringe it without fear of punishment until they are actually notified by the patentee of the alleged infringement, as long as the patentee is producing a product and does not properly mark.¹ Willful infringers can escape damages even when the patentee is unable to mark because of size, medium or other constraints.

B. The Current Statute Is Inconsistent with the Laws of Other Countries

Changing the patent marking statute to the suggested form would place the United States more in line with the rest of the world. While many foreign countries do not require patent marking or that infringement be done knowingly in order for a patentee to recover damages (e.g., Argentina, Austria, China, Costa Rica, Denmark, Egypt, Finland, France, Ghana, Iraq, Malaysia, Netherlands, Russian Federation, Tanzania, and Turkey), a number of countries provide that if an infringer was not aware of the patent, damages may not be recovered. These countries also provide that marking the patent product with the patent number will provide constructive notice to infringers. However, none of the foreign laws appear to require that, in the absence of actual marking, knowledge of the infringement must come from the patentee (e.g.,

¹ R. Blair and T. Cotter argue that a knowing infringer is not likely to infringe a patent up to the point of actual notice and then stop because the cost of complying with an injunction forbidding use of the infringement can be high. Id. at p. 836-37. They conclude that persons "with knowledge of the patent therefore already have some incentive not to infringe, even absent actual or constructive notice." Id. This argument fails to take into account situations in which the cost of equipment to produce the infringing product is low in comparison to the potential profit that could be made before infringement must stop.

Great Britain, India, Ireland, New Zealand, and South Africa). In fact, the Patent Acts of many countries place the burden on the infringer to prove that he was not aware of the patent. For example:

1. Australia:

Innocent infringement

123. (1) A court may refuse to award damages, or to make an order for an account of profits, in respect of an infringement of a patent if the defendant satisfies the court that, at the date of the infringement, the defendant was not aware, and had no reason to believe, that a patent for the invention existed.

(2) If patent products, marked so as to indicate that they are patented in Australia, were sold or sued in the patent area to a substantial extent before the date of the infringement, the defendant is to be taken to have been aware of the existence of the patent unless the contrary is established.

(3) Nothing in this section affects a court's power to grant relief by way of an injunction.

Australia Patents Act 1990 § 123 (1990).

2. Great Britain:

In proceedings for infringement of a patent damages shall not be awarded, and no order shall be made for an account of profits, against a defendant or defender who proves that at the date of the infringement he was not aware, and had no reasonable grounds for supposing, that the patent existed; and a person shall not be taken to have been so aware or to have had reasonable grounds for so supposing by reason only of the application to a product of the word "patent" or "patented", or any word or words expressing or implying that a patent has been obtained for the product, unless the number of the patent accompanied the word or words in question.

Great Britain Patents Act § 62(1) (1977).

3. India:

In a suit for infringement of a patent, damages or an account of profits shall not be granted against the defendant who proves that at the date of the infringement he was not aware and had no reasonable grounds for believing that the patent existed.

Explanation.—A person shall not be deemed to have been aware or to have had reasonable grounds for believing that a patent exists by reason

only of the application to an article of the word “patent”, “patented” or any word or words expressing or implying that a patent has been obtained for the article, unless the number of the patent accompanies the word or words in question.

The Patents Act of India § 111(1) (1970).

4. Ireland:

In proceedings for the infringement of a patent damages shall not be awarded, and no order shall be made for an account of profits, against a defendant who proves that at the date of the infringement he was not aware, and had no reasonable grounds for supposing, that that patent existed, and a person shall not be deemed to have been so aware or to have had reasonable grounds for so supposing by reason only of the application to a product of the word “patent” or “patented” or any word or words expressing or implying that a patent has been obtained for the product, unless the number of the relevant patent accompanied the word or words in question.

The Patents Act of Ireland § 49(1) (1992).

5. New Zealand:

In proceedings for the infringement of a patent, damages or account of profits shall not be awarded against a defendant who proves that at the date of the infringement he was not aware, and had no reasonable ground for supposing, that the patent existed; and a person shall not be deemed to have been aware or to have had reasonable grounds for supposing as aforesaid by reason only of the application to an article of the word “patent”, “patented”, or any word or words expressing or implying that a patent has been obtained for the article, unless the word or words are accompanied by the words “New Zealand” or the letters “N.Z.” and by the number of the patent.

New Zealand Patents Act § 68(1) (1953) (as amended in 1972, 1992, 1994, and 1996).

6. South Africa:

A patentee shall not be entitled to recover damages in respect of infringement of a patent from a defendant who proves that at the date of the infringement he was not aware, and had no reasonable means of making himself aware, of the existence of the patent, and the marking of an article with the word “patent” or “patented” or any word or words expressing or implying that a patent has been obtained for the article, stamped, engraved, impressed on or otherwise applied to the article, shall not be deemed to constitute notice of the existence of the patent unless such word or words are accompanied by the number of the patent:

Provided that nothing in this section shall affect any proceedings for an interdict.

Republic of South Africa Patents Act § 66(1) (1978) (as amended in 1983, 1986, and 1988).

Read literally, these provisions do not require marking in order to recover damages. Instead, they provide that if the patentee wishes to rely on marking to show that the infringer was aware of the patent, he must include words expressing or implying that a patent has been obtained, the number of the patent, and in at least one case, the name of the country or an abbreviation of it.

While some countries require patent marking, they have no provisions prohibiting damages in the absence of marking (e.g., Canada, Japan, and Peru) For example, the Japanese Patent Law does not mention marking in its provisions governing infringement, but specifically requires marking elsewhere in its laws:

A patentee or an exclusive or non-exclusive licensee shall take steps, as prescribed in an ordinance of the Ministry of International Trade and Industry, to mark the patented product or a product produced by the patented process . . . , or the packaging thereof, with a statement to the effect that the invention of the product or process has been patented

Japanese Patent Law § 187 (1959) (as amended through 1998). It does not appear that such compulsory marking laws are regularly enforced.

Despite these exceptions, it appears that the majority of countries with patent laws do not require that the patentee mark his product in order to be entitled to damages for infringement. While some countries do require knowledge of the patent, there is no requirement that such knowledge come from the patentee.

IV. The Resolution Alleviates Some of the Problems

The suggested revision to the patent marking statute would alleviate some of the problems with the current patent marking statute. By allowing for damage recovery when an infringer is aware of the patent, some of the inequalities are lessened. Knowing infringers can no longer argue that the patentee did not mark, or that the marking was in some way deficient. Patentees that are unable to mark because of size,

medium, or other constraints will have a better chance of recovering damages, particularly if they utilize other sources of broadcasting their patent rights, such as through an Internet web page. Patentees that produce will not be "punished" as severely compared to owners of paper patents because the patentee may be able to recapture some of the damages that might have been lost under the present marking statute.

Although the revision alleviates some problems associated with the current patent marking statute, it may create others. The first problem is that the current revision may require a court to determine whether an infringer knew of the patent. This arguably might increase costs. The increased cost of judicial fact-finding has been noted by R. Blair and T. Cotter:

First and foremost is the possibility that an "actual knowledge" standard might require courts and litigants to bear substantial administrative costs in determining whether the defendant in a particular case had the requisite state of mind. Furthermore, an actual knowledge rule might give some potential infringers an incentive to avoid searches that could lead to the acquisition of actual knowledge--unless the rule were further modified to penalize infringers who "know or should have known" of the patent's existence, which then would give rise to further administrative costs.

R. Blair and T. Cotter at p. 837. However, in some patent situations the intent of the defendant already is an issue. This is particularly the case when willfulness of the defendant is alleged or when a defendant is charged with contributory or inducing infringement. *Id.* at p. 838. R. Blair and T. Cotter argue that in these situations, it may make economic sense to use an actual knowledge standard. *Id.*²

R. Blair and T. Cotter conclude that it may be "relatively easy to justify" a patent holder's ability to collect damages for knowledge of the patent when the "infringer's state of mind" is necessarily at issue in light of the nature of the claims (e.g., willful or contributory infringement). In addition, one could probably specify certain other cases in which it might make sense to apply an actual knowledge standard, such as when the

² The authors provide two situations in which a defendant with actual knowledge may unfairly take advantage of the current patent statute. The first is the case of a defendant who is a terminated licensee who continues to use the now-unlicensed patent. The second situation is where a defendant is sued for patent infringement, ceases the infringing activity and then later resumes infringing activity regarding the same patent. *Id.* at p. 839, n. 106.

infringer is a former licensee under the patented issue (and therefore must have had actual knowledge). Id. at p. 841 (footnotes omitted). The authors, however, would not go as far as the current proposed revision and apply an actual knowledge standard across all fact situations.

The second problem is that infringers may intentionally avoid knowledge of patents. Punishing actual knowledge may create an incentive for potential infringers to avoid knowledge.

V. Other Proposed, But Unadopted Changes

Over the years there have been suggestions to modify the patent marking statute, evidencing a general dissatisfaction with the statute. None of the suggestions have been successfully implemented, however.

In 1975, an article in the Journal of Patent Office Society noted some of the problems with the patent marking statute and suggested that another form of in rem notification was necessary. See M. Snyder, Notice of Infringement: A Suggestion for Expansion of Constructive Notice, 57 J. Pat. Off. Soc'y 306 (1975). That article suggested that:

Upon request to the Patent Office and payment of an additional fee along with the issue fee, for example, the patent could be issued with the patent information in the Official Gazette and in the Index of Patents Issued from the United States Patent Office or some other type of annual index. This form of notification would not be deemed to preclude any other type of notice in addition thereto, but would put the onus on patentees, in every instance, to take some kind of positive step before any infringement liabilities could begin to accrue.

Id. at 316. It suggested that the benefit of this proposal was that "[a]rticle patentees would thus be placed on a more equal footing with nonproducing patentees and process patentees, insofar as recovery of damages for past infringement is concerned, since nonproducing patentees and process patentees would no longer have the right to rely simply on patent issuance as a substitute for notification." Id. at 316-17. The problem with this proposal is that it is too unwieldy. It also may create issues similar to those encountered under 35 U.S.C. § 271(e)(2) regarding the listing of patents in the FDA's

"Orange Book" where parties will end up litigating the propriety of patents listed or not listed in the Orange Book. The suggestion also does not make the information any more accessible than current patent databases.

In 1998, the ABA Section on Intellectual Property, Committee 108, suggested several changes to the patent marking statute, including: amending the patent marking statute to eliminate the marking provision (Proposed Resolution 108-7); amending the patent marking statute to provide constructive notice when a product is marked with sufficient information to allow the public to obtain the patents that pertain to the product (Proposed Resolution 108-8); amending the patent marking statute to provide for a "National Patented Product Register" to be maintained by the Patent and Trademark Office for the public to look up patents associated with products for constructive notice (Proposed Resolution 108-9); amending the patent marking statute to provide for actual notice when the infringer is notified of the patent (Proposed Resolution 108-10); amending the patent marking statute to provide for actual notice when the infringer is notified of the patent and the products or processes covered by the patent (Proposed Resolution 108-11); and amending the patent marking statute to provide for actual notice when the infringer is notified of the patent, and provided that such notice would not create declaratory judgment jurisdiction (Proposed Resolution 108-12). ABA Committee No. 108, at 12-19 (1998-1999).

In 1999, the ABA Section again proposed amendments to the marking statute, Resolutions 108-6 through 108-11, which were identical to the Resolutions from the year before but with different Resolution Numbers. ABA Committee No. 108, at 26-34 (1999-2000). All of the 1999-2000 resolutions were adopted by Committee 108, but only one was adopted by the ABA/IPL Section. That was proposal 108-7 (amending the patent marking statute to provide constructive notice when a product is marked with sufficient information to allow the public to obtain the patents that pertain to the product). Two of the proposals were defeated by the ABA/IPL Section as a whole. They were proposals 108-6 (eliminating the marking provision) and 108-8 (providing for a "National Patented Product Register"). The other resolutions were not considered by

the ABA/IPL Section and merely rested as a Committee report. It appears that even though it was adopted by the ABA/IPL Section, Proposal 108-7 went no further.

Proposal 108-7 has some similarities to the current proposed revision in that it tried to eliminate some of the situations in which patentees could unfairly be precluded from seeking damages. Proposal 108-7, however, did not tie its solution to the problem. The problem is a knowing infringer taking advantage of defective patent marking. The solution is not to target the ineffective marking as Proposal 108-7 did, but to target the knowing infringer.

In 2000 and 2001, the ABA Electronics Group, Committee 757, considered the patent marking statute as applied to systems, business methods, software, and websites. ABA Committee No. 757, at 59-64 (2000-2001). The Committee recognized some of the problems that the electronics industry faces with the marking statute. The Committee asked:

a) what constitutes a proper patent marking for a patent that covers a system, software, a business method, or a website?; b) does each claim have to be represented by a patent marking in the electronic or computer domains?; c) how many times must the marking be presented to the viewer?; and d) does the patent marking even have to be presented to the viewer at all in order to be a valid marking (i.e., placing the marking on the web server)?

Id. at 59. The Committee pointed out that the patent marking statute is both ineffective and unfair. It also pointed out that:

[G]iven that patents are public documents freely available to the general public and given the on-line availability of free patent searches and free patent downloading (USPTO Website, IBM Patent Server) and other online services (NERAC, Lexis), is it necessary to continue to go through the motions of marking the products . . . ?

Id. at 63. The Committee suggested that "the patent marking statute is not necessary because it serves no useful purpose in today's environment and it is a burden on the patent owner." Although the Committee did not pass any resolutions, it recommended that Internet and business method patents not be treated any differently in the patent marking statute. Id. at 62. The Committee suggested that "the Internet Patent Quality

Committee discuss adopting a position that the patent marking statute is ineffective in the current technology environment and that either a new rule/law should be adopted regarding marking or the patent marking requirement should be abandoned altogether." Id. at 64. It does not appear that the Committee's work went any further. The proposed revisions to the patent marking statute would alleviate some of the concerns raised by this Committee.

V. Conclusion

The present marking statute has a number of inequities. It is unfair in some circumstances. The problems with the current marking statute have been the subject of articles and thought by patent professionals since at least 1975.

The proposal in this resolution corrects some, but not all of the perceived problems with the marking statute. It closes a loophole in the statute that allows infringers with knowledge of a patent to infringe it without paying damages if the patentee has failed to mark or has marked defectively.

The proposal also would bring U.S. marking law better in line with the laws of other countries where marking can serve as constructive notice of the patent, but actual knowledge of the patent by the infringer also is sufficient to start damages running.

The proposal also would not substantially increase the extent of litigation discovery or litigation cost. In a large number of patent cases, willfulness already is an issue and, therefore, whether and when the patentee knew of the patent is already under scrutiny.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Not Heard From</u>	<u>Total Voting Members</u>
Resolution	_____	_____	_____	_____	_____