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Patent Licensing

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Does Section 287(a) Apply to Agreements That Do Not Contain a Patent License?

When a patentee enters into an agreement with a third party that does not expressly include a patent license (*e.g.*, a covenant not to sue between a non-practicing patentee and a third-party practicing entity), does that agreement render the third party's products a "patented article" that requires marking? Although it does not appear that the Federal Circuit has spoken squarely on the scope of what kinds of agreements are subject to Section 287(a), most district courts have answered this question in the affirmative.

Statutory Background

35 U.S.C. § 287(a) (the marking statute) provides:

Patentees, and persons making, offering for sale, or selling within the United States any patented article *for or under them* . . . may give notice to the public that the same is patented . . . In the event of failure so to mark, no damages shall be recovered by the patentee in any

action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter.

35 U.S.C. § 287(a) (emphasis added).

Application of § 287 to Settlements and Licenses

Marking under the statute is permissive ("Patentees . . . may give notice to the public that the same is patented"), not mandatory. Nevertheless, patentees may only recover damages for the period they provide notice of the "patented articles" to potential infringers. Notice can be either constructive or actual. Marking a patented article constitutes "constructive notice" to the public that patent protection is asserted. *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996). Actual notice is satisfied through filing a Complaint for patent infringement or by informing the infringer of the identity of the patent and the activity that is identified as an infringement. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1470 (Fed. Cir. 1997). When patentees fail to mark their products, the damages recoverable upon infringement

are limited by the date that the accused infringer received actual notice of the infringement. *Id.*

To recover damages for the period prior to actual notice to the infringer, it is the burden of the patentee to demonstrate constructive notice through compliance with the marking requirements of § 287. *Arctic Cat Inc. v. Bombardier Recreational Prod. Inc.*, 876 F.3d 1350, 1359 (Fed. Cir. 2017). Importantly, the marking requirement does not apply to patentees alone. It also extends to "persons making, offering for sale, or selling within the United States any patented article *for or under*" the patentee. 35 U.S.C. § 287(a) (emphasis added).

As stated above, one issue that has arisen under Section 287(a) is what constitutes an article that is made "for or under" the patentee and thus must be marked (if it practices the patent). Several courts have spoken on this issue, and most have construed the "for or under" requirement broadly. For example, one court held that, when a patentee authorizes the making, offer for sale, and selling of a patented article, the marking requirement applies regardless of the particular form of such authorization and "regardless of whether the authorizations are settlement agreements, covenants not to sue (CNTS) or licenses." *In re Yarn Processing Pat. Validity Litig. (No. II)*, 602 F. Supp. 159, 225 (W.D.N.C. 1984) (*cited with approval in Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed. Cir. 1994)). This holding stems in part from the fact that a covenant not to sue is generally considered equivalent to a non-exclusive license. *See, e.g., U.S. Ethernet Innovations, LLC v. Acer, Inc. United States District Court*, 2013 WL 4456161 (N.D. California. August 16, 2013) (quoting *TransCore, LP v. Elec.*

Transaction Consultants Corp., 563 F.3d 1271, 1275 (Fed. Cir. 2009)). The *U.S. Ethernet* court stated: “For this reason, the Supreme Court in *De Forest Radio Telephone & Telegraph Co. v. United States*, reiterated: “As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee.” 273 U.S. 236, 242, 47 S.Ct. 366, 71 L.Ed. 625 (1927) (treating a covenant not to enjoin infringing acts as a license). “To like effect, this court and its predecessors have on numerous occasions explained that a non-exclusive patent license is equivalent to a covenant not to sue.”

Similarly, in *Massachusetts Inst. of Tech. v. Abacus Software, Inc.*, No. 501CV344, 2004 WL 5268123, at *9 (E.D. Tex. Aug. 4, 2004), the court referred to a prior Federal Circuit decision on marking, *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed. Cir. 1994). The *MIT* court quoted *Amsted’s* citation with approval to *In re Yarn Processing*, 602 F.Supp. 159, 169, 225 USPO 765, 771–72 (W.D.N.C.1984). The Federal Circuit’s parenthetical for *In re Yarn Processing* stated: “section 287 applies to a nonmanufacturing patentee who has licensed or authorized others to produce or sell the patented article ‘regardless of the particular form [the] authorizations may take[.]’” *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d at 185, n.2 (quoting *In re Yarn Processing*, 602 F.Supp. at 169). The *MIT* case also addressed the scope of the term “patented article” in Section 287(a), and rejected limiting its scope to only include the asserted claims at issue: “It is readily apparent that nothing in the language of the statute itself says that ‘patented article’ means an article falling within the scope of the asserted claim or claims in

a particular case. Rather, several portions of the statute may be construed as running counter to such a construction.” 2004 WL 5268123 at *19.

On a related point, at least one court has held that a patentee cannot avoid the marking requirement by including a provision in the agreement stating that the licensee denies that it uses the patent. *Finjan, Inc. v. Juniper Networks, Inc.* 387 F. Supp. 3d 1004 at 1017–18 (N.D. Cal. 2019). *Finjan v. Juniper* held, when the licensee fails to mark the “patented articles” at issue, pre-notice damages are barred, even when licenses explicitly state that the licensee “shall have no obligation or requirement to mark its licensed products,” or when the licensee “denie[s] infringement in the license.” *Id.*

Although a patentee’s licensees must also comply with § 287 in order for the patentee to recover damages prior to actual notice, Courts recognize that when the licensee is a “third part[y] unrelated to the patentee, it is often more difficult for a patentee to ensure compliance with statutory marking provisions.” Maxwell, 86 F.3d 1098, 1111. Under such circumstances, Courts may apply a less strict “rule of reason” to determine “whether the patentee made reasonable efforts to ensure compliance with the marking requirements.” *Id.* at 1112. For example, in *Asia Vital Components v. Asetek Danmark*, the Northern District of California found that a patentee made reasonable efforts to comply with § 287(a) through the use of a CNTS because there was an “active dispute whether those products were the [patentee]’s ‘patented articles’” and because “it would have been unreasonable for [patentee] to attempt to impose marking requirements” on products supplied to the recipient of

the covenant not to sue while patentee was in active litigation with the supplier of the products. *Asia Vital Components Co. v. Asetek Danmark A/S*, 377 F. Supp. 3d 990, 1026 (N.D. Cal. 2019) (“[T]he CNTS at most licensed the sale of products that [patentee] could not prove it had a right to mark. Accordingly . . . the unmarked products sold under the auspices of the CNTS do not undermine [patentee]’s compliance with § 287(a)’s marking requirements.”).

Takeaways

US federal courts have broadly interpreted Section 287(a) to apply to patent license agreements and covenants not to sue. Courts appear to treat any authorization from the patentee as a license that requires marking in order to recover pre-notice damages regardless of the particular form the authorization may take. However, when unrelated third-party licensees are involved, courts may apply a fact-intensive analysis to determine if the patentee made reasonable efforts to comply with the marking requirement.

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