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**Patent Marking Estoppel
and the Patent Licensee**

Scott D. Locke



Patent Marking Estoppel and the Patent Licensee

By Scott D. Locke*

I. INTRODUCTION

¶1 Patent licensors typically require their licensees to mark licensed products with the number of one or more patents that are held by the licensors. Consistent with their obligations under these licensing agreements, many licensees dutifully mark their products. But what if, after the agreement has been signed and a number of the products have been marked and sold, a licensee realizes that its products are not within the scope of the patent claims? She might think that she could simply stop paying royalties, and, even if she could not recoup fees already paid, she would be able to avoid unnecessary future payments.

¶2 Unfortunately for her, under the doctrine of patent marking estoppel, her own attempt to honor the terms of the license by marking products that are within the scope of the agreement, even if in good faith, could put her in a position that precludes her from ever challenging whether some or all of her products infringe the patent at issue. To add insult to injury, she may be forced to continue to pay royalties on products that could not form the basis of a claim of patent infringement had someone else made them, or, in order to avoid liability, she may be forced to modify the product to a degree that takes it out of the license or pull the product from the market. Because the doctrine of patent marking estoppel is not well known and has not been universally embraced by the courts, many licensees do not appreciate its potential impact on them, which can be significant if the licensee is considering terminating or has terminated a license agreement. In order to bring a greater appreciation of the potential effect of the patent marking estoppel doctrine, this article provides: (II) an overview of the contours of the doctrine of patent marking estoppel, and (III) options for licensees who wish to avoid the potentially unforgiving ramifications of this doctrine.

II. THE PATENT MARKING ESTOPPEL DOCTRINE

¶3 When reviewing the doctrine of patent marking estoppel, it is important to appreciate the purpose of the patent system. The Framers believed that a strong patent system would be beneficial to the growth of a nation and explicitly provided one of Congress's enumerated powers: to grant exclusive rights in order to promote the progress of science and the useful arts.¹ Thus, under the Framers' view and under the prevailing

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¹ U.S. CONST. art. I, § 8, cl. 8 ("To promote the Progress of Science and useful Arts, by securing for

view today, the patent system should strike a balance. On one hand, the patent system should provide sufficient incentives to inventors and, perhaps more importantly, to persons who provide capital to inventors, in order to encourage them to explore, to develop, and to disclose new inventions.² On the other hand, the patent system should limit these incentives so that they do not withhold from the public the unrestricted right to use these inventions for longer than is necessary.³

Among the rights given to patent holders are the rights to preclude others from using, making, selling, or offering for sale products or processes that embody their patented inventions⁴ and the right to recover damages for unlicensed use.⁵ However, in implementing the right to recover damages, Congress made the judgment that, if products are made under the authorization of the patent holder, the public is entitled to notice that a patent covers the product.⁶ A patent holder's failure to mark her product with the applicable patent number may limit damages that the patent holder is able to collect prior to providing the infringer with actual notice of a patent right.⁷

This marking requirement embodies a policy determination that it would be unfair to recover damages from an accused patent infringer if the accused infringer is competing with an existing product and did not have notice that there was a patent.⁸ Congress's

limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”).

² We now take it for granted that the incentives should be in the form of exclusive rights. However, it is possible to provide incentives in other forms, such as direct payments of money. There was little, if any, debate about the form of the Intellectual Property Clause of the Constitution when the Constitution was drafted, but at least one commentator has suggested that the choice to provide incentives in the form of exclusive rights was, at least in part, due to precedent set by England and due to the fact that, for a new government, granting exclusive rights was the most cost-effective way to incentivize innovation. See Edward C. Walterscheid, *To Promote the Progress of Science and Useful Arts: The Background and Origin of the Intellectual Property Clause of the United States Constitution*, 2 J. INTELL. PROP. L. 1, 11–14, 34 (1994).

³ The patent system should also be understood in view of its alternative, which is a system in which inventions are held confidential. When inventions are not disclosed to the public, inventors may seek to protect their rights as trade secrets. However, those systems for protecting intellectual property, which are based on maintaining confidentiality, have their limits. For example, they are not useful when the invention can easily be reverse engineered. Additionally, they have their difficulties being enforced. Because they are subject to different standards in different states and enjoy varying degrees of recognition across the globe, for example, holders of those rights may only be able to enforce them in a patchwork manner. Nevertheless, many inventors and companies do rely on them, particularly for information that cannot be patented.

⁴ 35 U.S.C. § 271(a) (2006) (“[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”).

⁵ 35 U.S.C. § 284 (2006) (“Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.”).

⁶ 35 U.S.C. § 287(a) (2006) (“In the event of failure so to mark [with a patent number], 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.”).

⁷ *Id.*

⁸ There are some inefficiencies in the law. For example, the doctrine only applies to product patents. *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1353 (Fed. Cir. 2001) (noting that 35 U.S.C. § 287(a) does not apply if the patent claims only methods) (citing *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993), *cert. denied*, 511 U.S. 1070 (1994); *Sorensen v. AmPro Tools Corp.*, No. C 08-00096 CW, 2009 U.S. Dist. LEXIS 21627, at *10–11 (N.D. Cal. Mar. 9, 2009) (recognizing that nothing in patent act requires notice for process or method patents). When there

focus on notice suggests a concern about the obligations and rights as allocated between patent holders and third parties with whom they do not have privity. Congress did not speak to how marking affects rights between the licensee and licensor.

¶16 Instead, how improper marking affects the relationship between the licensee and licensor was left to the courts to address, resulting in the judge-made patent marking estoppel doctrine. In contrast to the requirement of marking for eligibility for the recovery of damages by patent holders from third parties, the issue of patent marking estoppel typically arises in the context of a dispute between patent holders and either their licensees or former licensees. Rooted in equity, the doctrine provides that for purposes of analysis of patent infringement and damages, a party that marks a product with a patent number is precluded from denying that the product embodies the claimed features of the patent.⁹

¶17 The doctrine is rationalized under the theory that if a licensee receives the benefit of the protection of a patent license and marks its products with the patent number as provided in the license, it would be inequitable to allow the licensee at a later time to assert that the marked product is not within the claims of the patent because the licensee would receive a greater benefit than that for which it bargained.¹⁰ Therefore, having enjoyed a degree of exclusivity to use the patented technology and leading the public to

are both method claims and product claims in a patent that has been asserted, the issue becomes more complex, and one may need to consider whether there is a tangible item to mark. *Am. Med.*, 6 F.3d at 1538–39 (“Where the patent contains both apparatus and method claims, however, to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so if it intends to avail itself of the constructive notice provisions of section 287(a).”). But if there are both product and method claims, and only the method claims are asserted, then one might not need to mark. *Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 559 F.3d 1308, 1317 (Fed. Cir. 2009) (“In this case and *Hanson*, the patentee only asserted method claims despite the fact that the patent contained both method and apparatus claims. In *American Medical*, in contrast, ‘both apparatus and method claims of the ’765 patent were asserted.’ . . . Because Rexam asserted only the method claims of the ’839 patent, the marking requirement of 35 U.S.C. § 287(a) does not apply.”) (quoting *Am. Med.*, 6 F.3d at 1539) (citation omitted).

⁹ *Sliptrack Sys., Inc. v. Metal Lite, Inc.*, No. SA CV 98-20 AHS (MLGx), 2003 U.S. Dist. LEXIS 26099, at *10 (C.D. Cal. Dec. 10, 2003) (“Marking estoppel is an equitable doctrine that precludes a party who marks its product with a patent number from denying that the product embodies the patent for infringement and damage purposes.”), *aff’d in part, vacated and remanded in part*, 2004 U.S. App. LEXIS 24734 (Fed. Cir. 2004), *cert. denied*, 545 U.S. 1116 (2005); *Elite Licensing, Inc. v. Thomas Plastics, Inc.*, 250 F. Supp. 2d 372, 385 (S.D.N.Y. 2003) (“Under this doctrine, where a party knowingly and deliberately marks its product with a patent number for a period of years, thereby representing to the public that the product is covered by the patent, that party is estopped from later denying in an infringement suit that the product is covered by the patent.”); *Tri-Seal Int’l, Inc. v. J.S. Plastics, Inc.*, No. 90 C 2593, 1991 U.S. Dist. LEXIS 19603, at *83 (N.D. Ill. Dec. 18, 1991) (“We believe that if marking estoppel is to be applied, it should be applied only when the defendant’s conduct makes it inequitable for it to take a position contrary to its prior statements or actions.”). Although a number of courts have invoked this doctrine, at least one commentator has inferred that the Court of Appeals for the Federal Circuit “seems to have gone out of its way to avoid addressing this issue [of the viability of the doctrine of patent marking estoppel] head-on.” Michael D. Karson, *Rediscovering the Doctrine of Marking Estoppel After MedImmune: Balancing the Public Interest and Private Rights*, 7 J. MARSHALL REV. INTELL. PROP. L. 573, 574 (2008).

¹⁰ *Elite*, 250 F. Supp. 2d at 386 (nothing that having asserted coverage by a patent for years, it would be inequitable to later assert that the patent did not cover the activity); Karson, *supra* note 9, at 584 (“One justification notes that by marking a product as covered by a patent, a party is holding out to the public that a license remains in effect. Although not explicitly mentioning this rationale, several other courts have breathed life into it by treating markers as operating under a license. A related rationale details that by marking a product, a party is holding out to the public that the product is produced under the patent. A third rationale is that by marking a patent as patented, the marker is holding off competition in the marketplace.”) (footnotes omitted).

believe that the product is within the scope of the patent claims, the licensee is bound by that representation to the public and cannot be relieved of its obligation to pay royalties under a license, regardless of whether the marking ceases or whether the product was within the scope of the patent claims.

¶8 The origin of the doctrine dates back to the nineteenth century. More than one hundred thirty years ago, the Circuit Court for the Southern District of New York considered whether a patent licensee that had, in good faith, paid royalties on what were later determined not to be licensed products was precluded from challenging the issue of whether the products were within the patent claims.¹¹ The decision does not reference the doctrine of patent marking estoppel per se, but the court, drawing on an analogy from leases to real property, held that because the defendant had enjoyed the benefit of an exclusive license, the defendant could not later argue that he was not obligated to pay royalties on the same products on which he had paid royalties for a time.¹² It is important to note that this benefit of marking the product, i.e., representing to the world that the product was patented, inured to the defendant regardless of how close the defendant's products were to being within the metes and bounds of the claims. Thus, by entering the license agreement and marking the product, the licensee received the twin benefits of being free from a patent infringement suit and deterring competition for what may have been an unpatented product by representing that the product was within the scope of a patent.

¶9 For over the past one hundred thirty years, other courts have applied this doctrine, with the Court of Appeals for the Second Circuit being the leading modern appellate court to address the issue. In its most recent foray into the issue of patent marking estoppel, the Second Circuit reiterated: “[P]lacing a patent number on a product will estop a manufacturer from denying that his product embodies the patent for purposes of liability for both patent infringement damages and patent license royalties.”¹³

¶10 It is important to note that the Court of Appeals for the Federal Circuit, which is vested with jurisdiction over appeals from a final decision of a district court in cases that

¹¹ *Covell v. Bostwick*, 39 F. 421 (C.C.S.D.N.Y. 1889); *see also* *Niagara Fire Extinguisher Co. v. Hibbard*, 179 F. 844, 850 (7th Cir. 1910) (“If the suit were against the old company for further royalties, that company would be estopped from contending that the devices stamped and put forth by it as the patented devices were not in truth within the patents.”); *Piaget Novelty Co. v. Headley*, 108 F. 870, 872–73 (2d Cir. 1901) (holding that when an inventor transferred title he could not claim that banks that he used to stamp with patent numbers did not infringe the patent claims); *Dwight & Lloyd Sintering Co. v. Am. Ore Reclamation Co.*, 44 F. Supp. 401, 402 (S.D.N.Y. 1941) (“Defendant, in view of all the circumstances, cannot successfully maintain in this action that the machines bearing plates referring to patents which plaintiff claims were used by the machines did not embody such patents.”).

¹² *Covell*, 39 F. at 424 (“That a patent or lease should fail to cover the invention or premises bargained for by want of description would seem to be no better defense to an action for royalty or rent than if it failed to do so by want of right or title. . . . If the licensee has what he bargained for, without disturbance, he is bound to fulfill his part of the agreement.”).

¹³ *Boyd v. Schildkraut Giftware Corp.*, 936 F.2d 76, 79 (2d Cir. 1991), *cert. denied*, 502 U.S. 941 (1991) (citations omitted). There is a line of cases within the Second Circuit dating back to the nineteenth century that applied the doctrine of patent marking estoppel, even if they did not so name it. *See, e.g.*, *Sproull v. Pratt & Whitney*, 97 F. 807, 809 (C.C.S.D.N.Y. 1899) (“Having agreed to manufacture under said patent, having stamped said punch with the date thereof, having advertised and asserted that it did manufacture the Kennedy punch, and having accounted and paid royalties on said theory, it should now be estopped to make said defense.”); *Andrews v. Landers*, 72 F. 666, 670 (C.C.D. Conn. 1896) (“[D]efendant, having stamped said faucets with the Andrews patent, and having accounted and paid for the same, is estopped to deny that they do not contain the patented improvement”); *see also* cases cited *supra* note 11.

arise under the patent laws,¹⁴ has not expressed its opinion as to whether the doctrine of patent marking estoppel is still viable.¹⁵ However, unlike many other cases that implicate patents, cases in which patent marking estoppel arise may, as they did in the case before the Second Circuit, arise in cases that are filed as breach of contract cases, e.g., brought for failure to pay royalties. Thus, one would expect that the doctrine will continue to rear its head in the appellate courts of different regional circuits, as well as in the Federal Circuit.

¶11 Accordingly, licensees who find themselves reevaluating whether their previously marked products are within the metes and bounds of a patent claim may first consider challenging whether the patent marking estoppel doctrine is viable.¹⁶ However, as discussed below, there has not been sufficient analysis of the issue in the courts to predict whether any court not within the Second Circuit will follow the precedent of that circuit. Therefore, licensees who seek to stop payments based on a realization that their products are not within the scope of the patents for which they have been marking should consider how the doctrine could be applied.

¶12 As noted above, the doctrine is equitable in nature and, for at least some courts, requires the consideration of two primary variables: scienter and frequency. These variables must be balanced and evaluated in light of other factors, thereby rendering the analysis one that will be conducted by considering the totality of the circumstances. One should then consider the likelihood of the doctrine's demise and explore the interesting situation arising when the former patent owner becomes the licensee.

A. *Scienter*

¶13 The first issue to consider is: to what degree must a party have knowledge of patent mismarking, intent to mismark, or both in order for the doctrine to be applicable. Certainly, intentional mismarking, i.e., marking with a patent number when one knows that a product is not covered by a patent, would justify an invocation of the doctrine in any court that recognizes the viability of it.¹⁷ But what if one were knowingly to apply a patent number without checking whether a product is within a patent's claim? Unfortunately, there has not been consensus as to whether and how to apply a knowledge or intent factor.

¹⁴ 28 U.S.C. §§ 1295(a), 1338(a) (2006).

¹⁵ *High Frequency Prods., Inc. v. Wynn's Climate Sys., Inc.*, No. 95-1468, 1996 U.S. App. LEXIS 9957, at *3-4 (Fed. Cir. Apr. 30, 1996) (declining to determine whether patent marking estoppel was a viable doctrine, noting that if it were viable, it would not be applicable in the case before it); *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 890 (Fed. Cir. 1988) (declining to address the validity of the patent marking estoppel doctrine). Other courts have also avoided the issue of the viability of the doctrine. *See, e.g., Allan Block Corp. v. Cnty. Materials Corp.*, 634 F. Supp. 2d 979, 989 (D. Minn. 2008) (“[T]he Court assumes, without deciding, that the doctrine is viable and applicable.”).

¹⁶ *See, e.g., Goldberg v. Intermedics, Inc.*, No. 91 C 3352, 1992 U.S. Dist. LEXIS 17773, at *1 (N.D. Ill. Nov. 16, 1992) (“The parties differ as to whether this is still a viable doctrine, but assuming it is . . .”).

¹⁷ *See, e.g., Elite Licensing, Inc. v. Thomas Plastics, Inc.*, 250 F. Supp. 2d 372, 385 (S.D.N.Y. 2003) (stating that knowledge and deliberate marking estops denial of infringement suit that the product is covered by the patent); *Barnett v. Strom*, 265 F. Supp. 2d 946, 951-52 (N.D. Ill. 2003) (finding estoppel when intentional mismarking was found); *Crane Co. v. Aeroquip Corp.*, 364 F. Supp. 547, 561 (N.D. Ill. 1973) (holding intent not necessary for estoppel, but intent present and rendering estoppel clear), *aff'd in part, rev'd in part without consideration of the issue*, 504 F.2d 1086, 1093 (7th Cir. 1974).

¶14 In the context of false marking cases under 35 U.S.C. § 292, there is a threshold intent requirement that demands more than knowledge that the marking is incorrect.¹⁸ However, the false marking cases arise under express statutory authority and thus are of limited guidance in the analysis of patent marking estoppel.¹⁹

¶15 Appropriately not looking to the false marking standards for guidance, a number of courts have held that the patent marking estoppel doctrine does not have a scienter requirement. For example, in *Crane Co. v. Aeroquip Corp.*, the court applied the doctrine of marking estoppel without a scienter requirement.²⁰ The defendant had manufactured two types of couplings, which it called the 5700 Series coupling and modified 5700 Series coupling, which it designated “parent metal 5700 Series coupling.”²¹ The defendant, an exclusive licensee, had marked both products with a patent number that was the subject of the license.²² However, the defendant had paid royalties for its sales of the 5700 Series coupling, but not for the modified couplings.²³ Because of the increased sales of the modified couplings, the amount of royalties paid to the licensor decreased.²⁴

¶16 The court stated the general rule that “marking a product with a patent number estops the marking party from either avoiding royalty liability or asserting non-infringement in an action by the patentee.”²⁵ With respect to the issue of intent, the trial court reasoned that: (1) unlike the patent mismarking statute,²⁶ the doctrine of patent marking estoppel is not penal; (2) no authority was cited for establishing an intent requirement in estoppel cases; and (3) intent is not material to patent infringement.²⁷ The court, however, also noted that even if intent were a requirement, there would be sufficient intent in this case.²⁸

¶17 The court also explicitly addressed the issue of future infringement by the party who was, in effect, a former licensee. One could imagine a doctrine that deemed all

¹⁸ *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1363 (Fed. Cir. 2010).

¹⁹ Although both false marking and patent marking estoppel implicate representations to the public, there are at least two reasons that courts should keep them doctrinally separate. First, false marking is a congressionally created cause of action that is intended to discourage patent holders from misleading the public as to whether a product is within the scope of a patent. Thus, courts are obligated to defer to the parameters as set forth by Congress for applying the doctrine. By contrast, patent marking estoppel is a judicially created doctrine that arises out of a court’s equitable powers. Accordingly, a court has exercised and should exercise more flexibility when applying it. Second, false marking is an affirmative cause of action that gives rights to any person. Its sole purpose is to protect the public against inappropriate acts by the patent holder. There is no infringer activity to consider, and the patent holder is the party that may be punished. By contrast, patent marking estoppel can arise only in response to a claim of non-infringement. It can only be raised by a patent holder and it considers whether, once an accused infringer has misled the public as to whether its products are within a patent, the accused infringer should be forced to pay for the benefit that it received. Thus, the set of parties whose rights are implicated when issues of statutory false marking are implicated are not necessarily coextensive with the set of parties who are implicated when the issue of patent marking estoppel arises.

²⁰ 364 F. Supp. at 560 (N.D. Ill. 1973).

²¹ *Id.* at 559.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.* at 560.

²⁶ 35 U.S.C. § 292 (2006).

²⁷ *Crane*, 364 F. Supp. at 560–61.

²⁸ *Id.* at 561. More recently the United States District Court for the Eastern District of Michigan followed *Crane*’s position and held that “intent is not required in a case of ‘marking estoppel.’” *Empire Iron Works, Inc. v. Defender, Inc.*, 992 F. Supp. 928, 934 (E.D. Mich. 1997) (citations omitted).

products already mismarked to be subject to royalty payments, but not products manufactured after the marking ceased. However, the court took a more aggressive stance and held: “A corollary of the rule seems to be that discontinuance of marking will not obviate or cure the estoppel.”²⁹

¶18 Other courts have declined to apply the doctrine absent evidence of intent. In *Kodak v. E.I. DuPont*, the parties litigated patent rights over novelty yarns.³⁰ DuPont owned the patents rights to U.S. Patent No. 2,985,995 (the Bunting patent) and Kodak was the assignee of rights to a patent application (the Dyer application).³¹ The licensee had inadvertently mismarked its product, and when an engineer caught the error, the patent division of the company directed that all reference to the patent be dropped from the mismarked products.³² The court held that because the mismarking was not intentional, the doctrine would not apply.³³

¶19 More recently, in *Elite Licensing, Inc. v. Thomas Plastics*,³⁴ the court, similar to the *Crane* court, emphasized the benefit received by the licensee from the marking, thereby putting the focus on the knowledge and intent of marking and not on an intent to deceive. The defendant marked its products with the patent at issue and included the patent number on its advertising literature.³⁵ The defendant had sold over \$60 million of licensed merchandise over a four-year period and paid over \$3.6 million in royalties for this time period.³⁶ The licensee raised the issue of being outside of the patent only after learning that its license would not be renewed.³⁷

¶20 In the context of these facts, the district court summarized the “equitable doctrine of patent marking estoppel”³⁸:

Under this doctrine, where a party knowingly and deliberately marks its product with a patent number for a period of years, thereby representing to the public that the product is covered by the patent, that party is estopped from later denying in an infringement suit that the product is covered by the patent.³⁹

¶21 Thus, it focused on the representation to the public and not on the intent to deceive. The court then determined that because the licensee had reaped the benefits of asserting that its products were covered by the patent, permitting the licensee to deny that the patents covered the products at issue would be inequitable.⁴⁰

²⁹ *Crane*, 364 F. Supp. at 560.

³⁰ 298 F. Supp. 718, 733 (E.D. Tenn. 1968); *see also* *Dwight & Lloyd Sintering Co., Inc. v. Am. Ore Reclamation Co.*, 44 F. Supp. 401, 402 (S.D.N.Y. 1941) (“Defendant, in view of all the circumstances, cannot successfully maintain in this action that the machines bearing plates referring to patents which plaintiff claims were used by the machines did not embody such patents.”).

³¹ *Kodak*, 298 F. Supp. at 719–20.

³² *Id.* at 732.

³³ *Id.* at 733.

³⁴ 250 F. Supp. 2d. 372 (S.D.N.Y. 2003).

³⁵ *Id.* at 385.

³⁶ *Id.*

³⁷ *Id.* at 385–86.

³⁸ *Id.* at 385.

³⁹ *Id.*

⁴⁰ *Id.* at 386.

¶22 Each of the aforementioned decisions differs in the degree to which it relies on the factor of intent or knowledge, and there are no bright lines rules. However, because the patent holder invokes the doctrine, while the harm is, at least in large part, to the public, one can appreciate that many courts, particularly those that understand that the primary purpose of the patent system is to benefit the public, will be tempted to minimize the need to show intent, or even knowledge.

B. Frequency

¶23 The second issue to consider is the frequency of the marking. The Second Circuit has suggested that a small amount of marking would not warrant invocation of the doctrine of patent marking estoppel, holding: “[t]he act of impermissibly placing a patent number on a product, if limited in time and quantity, does not inevitably have such adverse effects for the patentee or the consuming public as to bar the mismarker from establishing that his product does not use the patent.”⁴¹ Thus, a showing of inadvertence and limited mismarking “should be able to defeat the claim” of marking estoppel;⁴² however, as the Second Circuit has also noted, a “plaintiff need not identify widespread mismarking to raise an estoppel claim.”⁴³

¶24 The existence of a factor of frequency raises the question of what number of markings rises to a level that invokes the doctrine of patent marking estoppel. There is insufficient case law to provide guidance as to what courts might find to be a reasonable standard, but one would not be surprised if a court were to consider the absolute number of products that were marked, the percentage of products that were marked, the timeframe in which they were marked, and whether the marking was of only one or more than one patents and, thus, part of a patent pool. One would also not be surprised if some courts were to consider the additional factors of how close the products were to being within the patent and whether the product had changed over time.

C. Evaluating the Totality of the Circumstances

¶25 The Court of Appeals for the Second Circuit has implicitly taken the position that scienter should be balanced with frequency and emphasized that inadvertent mismarking of a limited time would defeat a claim for mismarking, whereas deliberate mismarking of even a limited nature or inadvertent mismarking over an extended period would justify estoppel.⁴⁴ This type of balancing test is consistent with other doctrines that are rooted in equity. If one delves deeply into the facts of cases that give different weight to intent, one can often find other factors that, when combined with the intent or absence of it, supported the respective court’s determination as to whether to apply the doctrine.

⁴¹ *Boyd v. Schildkraut Giftware Corp.*, 936 F.2d 76, 79 (2d Cir. 1991), *cert. denied*, 502 U.S. 941 (1991); *Barnett v. Strom*, 265 F. Supp. 2d 946, 951 (N.D. Ill. 2003) (quoting *Boyd*).

⁴² *Boyd*, 936 F.2d. at 79.

⁴³ *Sliptrack Sys., Inc. v. Metal Lite, Inc.*, No. SA CV 98-20 AHS (MLGx), 2003 U.S. Dist. LEXIS 26099, at *11 (C.D. Cal. Dec. 10, 2003), *aff’d in part, vacated and remanded in part on other grounds*, 113 Fed. Appx. 930 (Fed. Cir. 2004).

⁴⁴ *Boyd*, 936 F.2d at 79.

D. Doubts as to the Viability of the Doctrine

¶26 Although the licensee should be prepared for courts to make inquiries into the totality of circumstances in order to determine whether the doctrine of marking estoppel is applicable to a set of facts, the licensor who wishes to assert it should be prepared for a challenge to the viability of the doctrine itself. The viability has been called into question by at least one district court.⁴⁵

¶27 Approximately sixteen years ago, Judge King of the District Court for the Southern District of Florida noted that the state of the law was unclear.⁴⁶ He concluded that to allow the doctrine to be available to patent holders would permit them to enforce their patents against non-infringing activities, which he determined was an unacceptable outcome. He emphasized, “Marking estoppel is not and cannot be an independent cause of action as Plaintiff suggests. In cases where there is no actual infringement, it would be absurd to preclude an accused infringer from defending on grounds that the product doesn’t infringe.”⁴⁷ He also emphasized that the patent holder has adequate remedies under 35 U.S.C. §§ 271 and 292.⁴⁸ Judge King’s analysis has a nice and simplistic sound to it—do away with the doctrine because it is outdated, unfair to the accused infringer, and inconsistent with statutory patent law. However, perhaps inappropriately, he relieves the licensee of the responsibility of being more diligent in determining which products should be marked and discounts the harm to the public.

¶28 Nevertheless, opponents of the patent marking estoppel doctrine will likely argue soon that the end of the doctrine is a logical extension of the precedent of *MedImmune v. Genentech*.⁴⁹ In *MedImmune*, the Supreme Court emphasized that a licensee may challenge a patent’s validity regardless of whether the license was terminated.⁵⁰ Thus, one might expect that a licensee who ceases making payments would be tempted to argue that there should similarly be no reason to preclude her from challenging issues of infringement, regardless of whether the license has been terminated.

¶29 However, before any court tries to apply *MedImmune* in this manner, it should consider that more than forty years ago the Supreme Court, in *Lear, Inc. v. Adkins*, repudiated the rule of patent licensee estoppel, thereby permitting licensees who repudiated their license to challenge the validity of a patent.⁵¹ Neither the Second Circuit in *Boyd* nor Judge King in *High Frequency*, the leading case for rejecting the patent marking estoppel doctrine, drew upon *Lear* to repudiate the doctrine. Thus, there is clearly room in which to distinguish *MedImmune*. Most notably, in *MedImmune*, the licensee challenged whether a legal right should exist. In contrast, in the context of

⁴⁵ *High Frequency Prods., Inc. v. Wynn’s Climate Sys., Inc.*, 892 F. Supp. 1515 (S.D. Fla. 1995), *aff’d*, 91 F.3d 167 (Fed. Cir. 1996); *see also* *Rainworks v. Mill-Rose Co.*, 609 F. Supp. 2d 732, 739 (N.D. Ohio 2009) (recognizing the questionability of the doctrine); *Acromed Corp. v. Sofamor Danek Grp., Inc.*, No. 1:93 CV 1184, 1998 U.S. Dist. LEXIS 23292, at *23–24 (N.D. Ohio Mar. 28, 1996) (same). *But see*, *Barnett*, 265 F. Supp. 2d at 951 n.8 (rejecting analysis of *High Frequency*).

⁴⁶ *High Frequency*, 892 F. Supp. at 1518.

⁴⁷ *Id.* at 1519.

⁴⁸ *Id.*

⁴⁹ 549 U.S. 118 (2007).

⁵⁰ *Id.* at 135 (“[I]t is not clear where the prohibition against challenging the validity of the patents can be found.”)

⁵¹ *Lear, Inc. v. Adkins*, 395 U.S. 653, 673 (1969).

patent marking estoppel, the licensee is challenging only whether the patentee has a right to recover damages for specific activity.

E. Former Patent Owners

¶30 Although many patent marking estoppel cases involve licensors and licensees who had no prior interest in the patent, there is an interesting pair of cases involving former patent owners who become licensees. First, *Sliptrack Systems, Inc. v. Metal Lite, Inc.*⁵² provides the interesting circumstance in which two parties formed a partnership in which one of the parties was a patent holder to a first patent. The partnership acquired a second patent, and the partnership subsequently dissolved. The two patents were, according to the court, nearly identical and were issued on the same day.⁵³ The defendant marked its product with both of the aforementioned patents.⁵⁴

¶31 During the litigation, the plaintiff alleged that when the parties were still partners, they marked the product with the patent number, and, therefore, the defendant was estopped from challenging the issue of infringement.⁵⁵ In response, the defendant argued that the doctrine of marking estoppel should not have been applied because the marking: (1) occurred three years before the suit was filed; (2) occurred for only a short time; (3) was fully authorized; and (4) was implemented by a former patent holder, not a licensee.⁵⁶

¶32 The court concluded that, although patent marking estoppel was not applicable in the “traditional sense”—i.e., because the defendant had marked its product with both patents subject to an interference proceeding—the defendant should nevertheless be estopped from taking the position that its product was not within the scope of the patent.⁵⁷ Moreover, the court applied the doctrine because the court believed that it would be inequitable to allow a party that had previously marked a product to be permitted at a later time to contend that the product was not within the scope of the patent. Again, the implication is that the party who marks a patent receives a benefit. Additionally, any cessation of improper marking does not cancel out this benefit because the public and potential competitors have been lead to believe that the marked product is subject to patent protection. Moreover, potential competitors are put on notice that during the life of the patent they should not introduce a product that has the same features or is too similar to the marked product.⁵⁸

¶33 The second case, *Barnett v. Strom*,⁵⁹ also proves instructive. In that case, the inventor, Strom, had transferred away his rights through an exclusive license to a

⁵² No. SA CV 98-20 AHS (MLGx), 2003 U.S. Dist. LEXIS 26099 (C.D. Cal. Dec. 10, 2003).

⁵³ *Id.* at *3–4.

⁵⁴ *Id.* at *4.

⁵⁵ *Id.* at *11–12.

⁵⁶ *Id.* at *12.

⁵⁷ *Id.* at *14. At least one court has held that there may be an exception when the marking is part of settlement negotiations. See *Seroctin Research & Techs., Inc. v. Unigen Pharms., Inc.*, 541 F. Supp. 2d 1238, 1246 (D. Utah 2008) (holding marking that commences only as an attempt to further settlement negotiations may not be an intentional disclaimer of a position that a patent does not apply).

⁵⁸ The degree to which competitive products may be similar to any correctly marked product turns on the limitations of the claims of the relevant patent or patents.

⁵⁹ 265 F. Supp. 2d 946 (N.D. Ill. 2003).

company that he formed.⁶⁰ He then left the company to form another company and exclusively licensed the same rights and marketed the products under that patent.⁶¹ Eventually, Barnett purchased rights to the patent from a trustee in bankruptcy.⁶² The court noted that Strom placed the patent number in a prominent position on the inspection sheet, noted elsewhere on the instruction sheet that the product was patented by Strom and placed the patent number on the product.⁶³ Thus, there was no question that Strom intentionally marked his product, and the court emphasized that, as the inventor, Strom had unique knowledge as to whether the product infringed.⁶⁴ Consequently, he was estopped from arguing non-infringement.⁶⁵

III. STRATEGY FOR THE LICENSEE

¶34 In an ideal world, when a patent licensee enters into its agreements, those agreements would be profitable for both the licensee and the licensor. However, no licensee wants to pay more than it needs to pay for a right to practice patented technology. Accordingly, both prior to entering into any license and after entering into it, the licensee should consider how to put itself in the best possible economic position. With respect to avoiding the implication of the patent marking estoppel doctrine, the licensee should consider different strategies for each of these points in time.

A. *Strategies Before Entering into a License*

¶35 Before entering into a license a licensee has at least two options. First, she can try to include language in the license agreement itself that in no event shall a good faith marking of a product estop a licensee from revisiting the issue of whether a product is within the scope of a patent claim. Thus, the licensee and the licensor could, by agreement, avoid the implications of the doctrine in the cases of good faith mistakes as to what is covered by the patent. Of course, a licensor would be expected to push back on this issue.

¶36 Second, the licensee can thoroughly investigate which products are within a patent claim before entering into a license agreement. This investigation, although perhaps adding certain costs up front, may prove to save the licensee a significant amount of money in the long run.

B. *Strategies for After the License Is Signed*

¶37 A licensee has three primary options when confronted with the issue that she has been marking her product with one or more patent numbers that do not cover the product that is marked.

¶38 First, the licensee can, of course, try to work with the licensor. The licensee can bring the issue to the licensor's attention and try to come to a business solution. When

⁶⁰ *Id.* at 947.

⁶¹ *Id.*

⁶² *Id.* at 949.

⁶³ *Id.* at 950.

⁶⁴ *Id.* at 951.

⁶⁵ *Id.* at 952.

the product is clearly outside of the patent, the licensor may be more amenable than if there is a close issue.

¶39 Second, the licensee can play hardball and simply stop paying royalties and stop marking her products while continuing to sell. This strategy may, however, be an invitation to a lawsuit, which can be costly for all parties involved. If litigation does ensue, then the issues that will be litigated may include whether the court in which litigation is pending recognizes the doctrine and to what degree intent or knowledge are factors to consider when enforcing it.

¶40 Third, the licensee can discontinue the product or try to sell a different product. For example, even the Second Circuit, which clearly embraces the doctrine of patent marking estoppel, has held that “in the absence of compelling equities [a licensee does not need to] pay royalties on devices that do not embody the patented invention merely because he paid royalties in the past on similar devices in the mistaken belief that the patent included them.”⁶⁶ Of course this raises the question of how similar a product must be before the doctrine of patent marking estoppel applies.

¶41 Additionally, if a licensee modifies its product to be outside of the patent, it should be careful not to mark the modified product with patent number. For example, in *Acromed Corp. v. Sofamor Danek Group*, which was the second patent infringement action between the parties, the court was called upon to address the issue of whether the doctrine of patent marking estoppel applied.⁶⁷

¶42 Following the first litigation, the parties entered into a license agreement for a system for straightening spinal columns. A few years later, the licensee changed the design of its system.⁶⁸ The parties agreed that the new system was not within the scope of the patents.⁶⁹ However, the licensee marked the modified products with the numbers of the patents that were subject to the license agreement.⁷⁰ In view of the patent marking, the court held that the licensee had reaped the benefits of the marking and, thus, was estopped from arguing non-infringement.⁷¹

IV. CONCLUSION

¶43 Patent marking estoppel is the limitation against a nefarious, overeager, or even careless licensee who too quickly marks a product with a patent number when the product is not within the metes and bounds of the patent claims. As with most areas of the law, in the long run, it is cheaper for a licensee to investigate thoroughly whether its product is actually covered by a licensed patent. However, in practice, too many licensees are already financially strained. Often, the precise reason that the licensee entered in to the license in the first place was to avoid defending the position that its product is not infringing on the licensed patent. Accordingly, one will expect the cash starved licensee who breaches her license to run the risk of having the doctrine of patent marking estoppel applied.

⁶⁶ *Limbershaft Sales Corp. v. A.G. Spalding & Bros.*, 111 F.2d 675, 677 (2d Cir. 1940).

⁶⁷ No. 1:93CV1184, 1996 U.S. Dist. LEXIS 22704 (N.D. Ohio Mar. 28, 1996).

⁶⁸ *Id.* at *9–10.

⁶⁹ *Id.* at *15.

⁷⁰ *Id.*

⁷¹ *Id.* at *18.

¶44

Because the doctrine of patent marking estoppel has not been universally embraced by the courts and has not been consistently applied by the courts that have applied the doctrine, one can expect litigants to continue to fight over the viability of the doctrine as well as its applicability to the facts of any given case. Unless a licensee is diligent about marking only those products that are within the scope of a patent that it licenses, the licensee should be aware that its actions run the risk of having the issue of patent marking estoppel injected into a case.

