Failure to Mark Can Put Damages Underwater

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The US Court of Appeals for the Federal Circuit affirmed that patented articles must be marked in order for the patentee to recover pre-notification or pre-complaint damages. *Arctic Cat Inc. v. Bombardier Recreational Products Inc.*, Case No. 19-1080 (Fed. Cir. Feb. 19, 2020) (Lourie, J).

In 2002, Arctic Cat entered into a licensing agreement with Honda for patents related to personal watercraft. The license agreement contained no provisions requiring Honda, as a licensee, to mark all licensed products with the applicable patent numbers. Honda began selling unmarked watercraft, and Arctic Cat made no attempt to ensure that the products were marked. Approximately a decade later, Honda stopped selling the unmarked products.

In 2014, Arctic Cat sued Bombardier for infringing various claims of its patents. Before trial Bombardier tried to limit damages because of Honda’s unmarked products. The district court determined that Bombardier failed to prove that Honda’s products practiced the patents, and denied Bombardier’s motion accordingly. At trial, the jury found that Bombardier willfully infringed the asserted claims. Bombardier appealed.

On the first appeal, the Federal Circuit affirmed willfulness, but *vacated and remanded the marking issue*. The Court explained that the district court erred in placing the burden on Bombardier to prove that Honda’s products practiced the
patent. The Court held that once an alleged infringer identifies products that it believes are unmarked patented articles subject to the notice requirement of 35 USC § 287, the patentee bears the burden of proving that the products do not practice the invention.

On remand, Arctic Cat could not show that Honda’s products did not practice the asserted claims, but nonetheless argued that it was entitled to receive pre-complaint damages. Arctic Cat argued that § 287 damage limitations apply only while a patentee is actively making, using or selling the unmarked products. Arctic Cat contended that it was therefore entitled to damages after Honda stopped selling the products but before the lawsuit was filed. Arctic Cat further argued that it was entitled to damages for the full six-year period before it filed the lawsuit because the jury found willful infringement. The district court disagreed, and Arctic Cat again appealed.

In this appeal, the Federal Circuit grappled with the issue of whether cessation of sales of unmarked products excuses noncompliance with the notice requirement of § 287 such that a patentee may recover damages for the period after sales of unmarked products ceased but before the filing of a suit for infringement. Looking to its own precedent, the Court explained that Arctic Cat’s obligation to mark arose when Honda began selling the patented products, and that the cessation of sales of those unmarked products did not excuse or remove Arctic Cat’s notice obligations under § 287. The Court noted that “the notice requirement to which a patentee is subjected cannot be switched on and off as the patentee or licensee starts and stops making or selling its product.” Since Arctic Cat never complied with the notice requirement of § 287, the Court concluded that Arctic Cat could not recover damages for the period prior to the filing of its complaint.

The Federal Circuit also rebuffed Arctic Cat’s assertion that it was entitled to the maximum amount of damages, regardless of whether its licensee marked its product, because the jury found willful infringement. The Court explained that willfulness, based on findings that an infringer knew of a patent and of its infringement, does not serve as actual notice as contemplated by § 287. Actual notice under § 287 requires an affirmative act by the patentee.

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