



# The Goods on IP<sup>®</sup>

## An Intellectual Property Newsletter for Consumer Product Companies

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The January 2018 issue of Sterne Kessler's *The Goods on IP*<sup>®</sup> discusses interesting patent marking considerations for consumer product companies, including a recent Federal Circuit case involving licensee marking. This issue also includes news on Russia's membership in the Hague Agreement, and an update on the current design patent PTO litigation statistics and trends.

Sterne Kessler's **Consumer Products** practice is focused on the unique intellectual property needs of consumer product companies. Our practice integrates utility and design patent and trademark expertise to implement the right combination of IP tools available to meet our clients' global business goals. For more information, please contact **Mark Rygiel** or **Tracy-Gene G. Durkin**.

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**Patent Office Litigation, 2nd Edition We Wrote the Book -- Again!**



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By: [Mark W. Rygiel](#) and Karin Benavides

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By: [Tracy-Gene G. Durkin](#) and [Elizabeth Kharman](#)

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By: [Mark W. Rygiel](#) and [James T. Buchanan](#)

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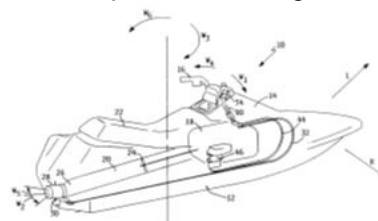
## Arctic Cat: A Chilly Reminder Regarding Licensee Marking

By: [Mark W. Rygiel](#) and Karin Benavides

In order to make the most of a patent investment, consumer product companies must put competitors on notice of their patent rights. Specifically, a patentee who makes or sells a patented article must mark their articles or actually notify infringers of their patent in order to recover damages. By marking products in the marketplace – and by requiring licensees to do so as well – patent owners can effectively put potential infringers on constructive notice and start the damages clock.

The Federal Circuit recently addressed several patent marking issues in *Arctic Cat Inc. v. Bombardier Recreational Products Inc.*, including whether a patent owner or its licensee bears the burden of determining whether a product is covered by a patent and should therefore be marked.[1] In a case of first impression, the court also determined whether the infringer or the patentee has the “initial burden of production to articulate the products it believes are unmarked ‘patented articles’ subject to § 287.”[2]

In *Arctic Cat Inc.*, plaintiff Arctic Cat sued defendant BRP for infringement of two of its patents covering a thrust steering system for personal watercraft (PWC) propelled by jet stream.[3] Before trial, BRP unsuccessfully moved for summary judgment on the issue that Arctic Cat’s sole licensee, Honda, failed to mark the PWCs it produced as required by § 287.[4] On appeal, the parties disputed whether the PWCs sold by Honda were actually patented articles that were required to be marked and whether Honda’s failure to mark certain products limited Arctic Cat’s damages.[5]



U.S. Pat. No. 6,568,969

The court explained that it is the patentee’s burden to ensure that its licensees comply with the marking requirements of § 287, and that patentees should “[make] reasonable efforts to ensure compliance with the marking requirements.”[6] In this case, the licensing agreement between Arctic Cat and Honda explicitly stated that Honda had no obligation to mark its licensed products, and Arctic Cat took no steps to make sure these products were, in fact, marked properly.[7] Accordingly, the court held that Arctic Cat failed to satisfy the marking requirements.[8]

Because the court found that the marking requirement had not been satisfied, the remaining issue was whether the unmarked products sold by Honda were covered by the patent claims at issue.[9] In denying summary judgment for BRP, the district court held that the burden of proving compliance was placed on the defendant.[10] However, the Federal Circuit disagreed, holding that “the burden of proving compliance with marking is and at all times remains on the patentee.”[11] The court further held that, even though the burden of proving compliance falls on the patentee, the alleged infringer has an initial burden of production to “articulate the products it believes are unmarked.”[12] Here, the court found that BRP had satisfied this initial “low bar”. [13] Accordingly, the Federal Circuit vacated the district court’s judgment and remanded so

that Arctic Cat could establish whether the identified Honda PWCs did not practice the asserted patents.[14]

This case serves as an important reminder for companies to require licensees to mark products covered by their patents, either contractually or through other “reasonable efforts.” A licensee’s failure to mark products may limit damages recoverable from a potential infringer. Making “reasonable efforts” to ensure compliance with the marking requirement may also simplify patentee’s burden of proving compliance when, at trial, an infringer identifies products it believes are unmarked.

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[1] *Arctic Cat Inc. v. Bombardier Recreational Products, Inc.*, 876 F.3d 1350, 1367 (Fed. Cir. 2017).

[2] *Id.*

[3] *Id.* at 1357.

[4] *Id.*

[5] *Id.* at 1366, 1367.

[6] *Id.* at 1366.

[7] *Id.*

[8] *Id.* at 1367.

[9] *Id.*

[10] *Id.*

[11] *Id.*

[12] *Id.* at 1368.

[13] *Id.*

[14] *Id.* at 1369.

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By: [Tracy-Gene G. Durkin](#) and [Elizabeth Kharman](#)

The Hague System, the international registration system for industrial designs, grows as Russia becomes its newest member on February 28, 2018. Russia joins a long list of members, which already includes 67 countries and intergovernmental organizations.

Currently under the Hague system designs can be registered through the Patent Offices in the following member countries and regions: the African Intellectual Property Organization (OAPI), Albania, Armenia, Azerbaijan, Belgium, Belize, Benin, Bosnia and Herzegovina, Botswana, Brunei, Bulgaria, Cambodia, Croatia, Côte d'Ivoire, Denmark, Egypt, Estonia, European Union (EU), Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Hungary, Iceland, Italy, Japan, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Mali, Monaco, Mongolia, Montenegro, Morocco, Namibia, Netherlands, Niger, North Korea, Norway, Oman, Poland, Portugal, Moldova, Romania, Rwanda, Sao Tome and Principe, Senegal, Serbia, Singapore, Slovenia, South Korea, Spain, Suriname, Switzerland, Syria, Tajikistan, Tunisia, Turkey, Turkmenistan, Ukraine, and the United States.

After Russian membership comes into force at the end of February, applicants can designate Russia in their international design applications ("IDAs"). This is welcome news as the Hague system continues to grow, making it a more attractive filing venue for design rights applicants. One of the many benefits of the Hague system is the elimination of the need to translate your application into Russian or other national languages. With the Hague system there is just one application, in one language, with one set of filing fees. However, caution should be taken when designating Russia, as well as the U.S., Japan, and South Korea for example, because the Hague system does not eliminate substantive examination or patentability requirements in any country. Therefore, applicants should ensure they are familiar with the rules and regulations of any country they designate in their IDA or else they run the risk of failing to obtain design rights in any country in which they fail to satisfy the local requirements.

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## Patent Marking Basics

By: [Mark W. Rygiel](#) and [James T. Buchanan](#)

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### Who Should Mark?

Patentees who make, offer for sale, sell, or import any article covered by the patent should mark the patented article. Patentees should also require their [licensees](#) to do the same. Patentees should monitor licensee products to ensure the licensee complies with the marking requirements.

### Why Should You Mark?

Under the patent marking statute, 35 U.S.C. § 287, patentees may obtain damages from an infringer dating back to when the infringer had “notice” of the infringement and continued to infringe. Proper marking gives the infringer constructive notice. Absent marking, a patentee may only collect damages from the time the infringer received actual notice, such as, a warning letter or the filing of an infringement suit.

### How Should You Mark Your Product?

Generally, products should be marked with “Patent [Number]” or “Pat. [Number]” where the applicable patent number or numbers are included. Patent notice must be “fixed” on the patented article. If the character of the article itself prevents fixing notice to the patented article, the patentee should mark the article’s packaging or container. Although courts generally give patentees wide discretion for satisfying the statutory notice provision, patentees should carefully consider the best option for marking, especially when “fixed” marking on the article is not available.

### How Extensively Should You Mark?

Marking must be “consistent and continuous.” Although a de minimis number of unmarked products may not trigger noncompliance in most circumstances, patentees should ensure that “substantially all” of the patented articles are marked. Courts have recently addressed whether the patent marking statute should be considered on a claim-by-claim or patent-by-patent basis, and patentees should carefully consider whether a particular product is covered by a patent such that marking is necessary. For example, patentees should consider whether a component to their patented system should be marked in compliance with the statute.

### What About Virtual Marking?

The patent marking statute permits “virtual marking,” which can provide patent owners flexibility to add or remove patents associated with a particular product. A patentee employing “virtual marking” may mark the patented article with “Patent [Website]” or “Pat. [Website]” where [Website] is an Internet address that is

accessible to the public without charge (i.e., the web address cannot be behind a pay wall). The website should associate the patented article with the number of the patent(s) covering the article.

### **When Should You Start Marking?**

Articles may be marked with "Patent Pending" once a U.S. Patent Application, including a provisional patent application, covering the article is filed. Once granted, subsequently produced articles should be marked in compliance with the patent marking statute.

### **What about False Marking?**

False marking under 35 U.S.C. § 292 allows only the United States and persons who have suffered a "competitive injury" to bring a claim for false marking. A claimant must show (1) that the patent does not cover the marked article, and (2) that the article was marked with the intent of counterfeiting or deceiving the public. The marking of a product relating to a patent that covered that product but has expired is not a violation of this statute.

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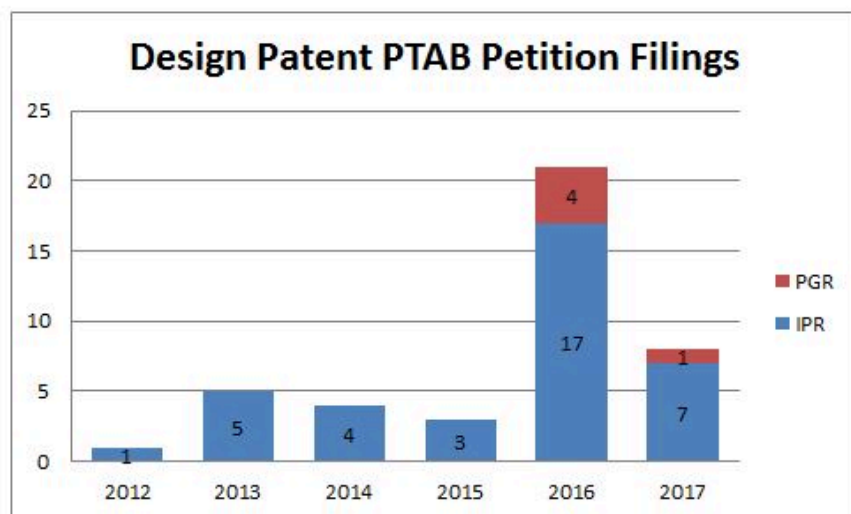
## Design Patent pto litigation statistics (through JANUARY 15, 2018)

By: [Mark W. Rygiel](#) and Patrick T. Murray

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### I. Proceeding Breakdown

Year	IPR	PGR	Grand Total
2012	1		1
2013	5		5
2014	4		4
2015	3		3
2016	17	4	21
2017	7	1	8
Grand Total	37	5	42



### II. Institution Rates/Case Statuses

The institution rate for design patents, for both claims and proceedings, is 41% (17/41).

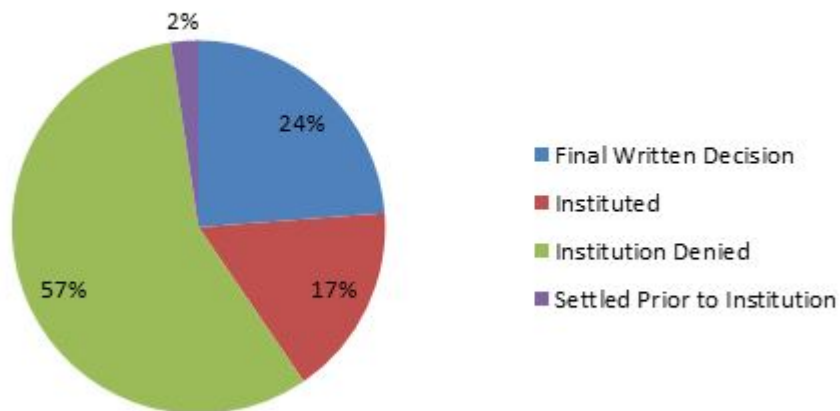
For cases overall, the proceeding institution rate is 69%, and the claim institution rate is 61%.

Here is a breakdown of the current case statuses for all of the design cases:

Status	Total
Final Written Decision	10
Instituted	7
Institution Denied	24
Settled Prior to Institution	1
Grand Total	42

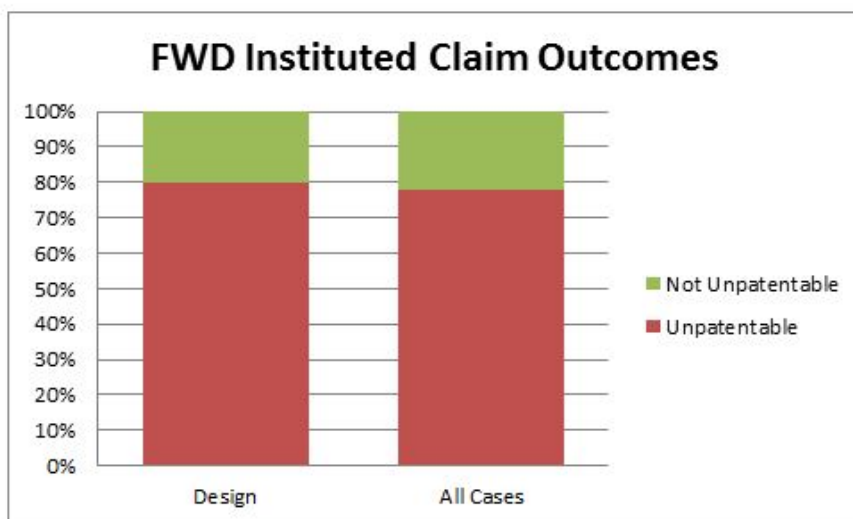


## Design Patent IPR/PGR Case Statuses



### III. Final Written Decision (FWD) Outcomes A. Claim Cancellation Rate

The instituted claim has been cancelled in 8 of 10 design FWDs (80%). The overall claim cancellation rate is 78%.



### B. FWD Ground Type

Claim Outcome	FWD Ground Type		Grand Total
	102/103	103	
Not Unpatentable	2	0	2
Unpatentable	3	5	8
Grand Total	5	5	10

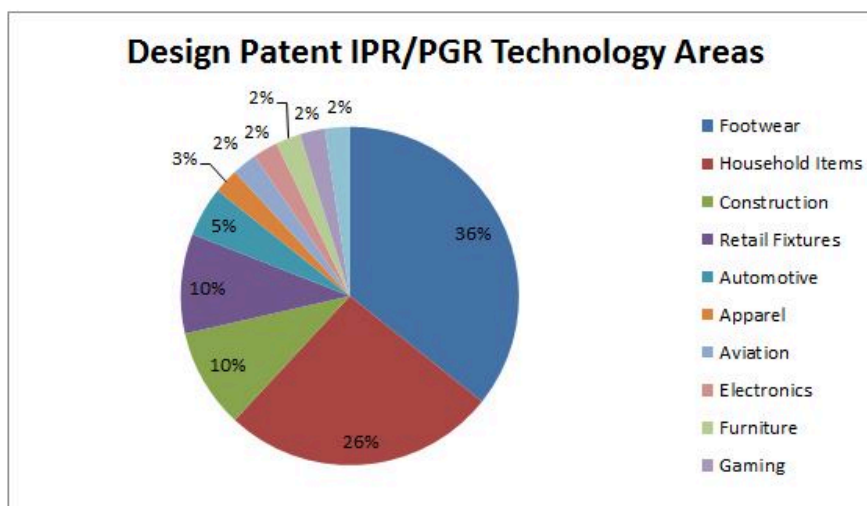
### C. FWD Prior Art Type

Trial Number	FWD Ground Type	FWD Prior Art Type
IPR2016-00826	103	Patent
IPR2016-00816	103	Patent
IPR2016-00130	102/103	NPL
IPR2015-01453	102/103	NPL
IPR2015-00416	103	NPL/Patent
IPR2015-00306	103	Patent
IPR2013-00580	102/103	Patent
IPR2013-00501	102/103	Patent
IPR2013-00500	102/103	Patent
IPR2013-00072	103	Patent

Claim Outcome	FWD Prior Art Type			Grand Total
	Patent	NPL	Both	
Not Unpatentable	0	2	0	2
Unpatentable	7	0	1	8
Grand Total	7	2	1	10

#### IV. Technology Areas

Tech Area	#
Footwear	15
Household Items	11
Construction	4
Retail Fixtures	4
Automotive	2
Apparel	1
Aviation	1
Electronics	1
Furniture	1
Gaming	1
Medical Devices	1



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