BURNS & LEVINSON LLP

INTELLECTUAL PROPERTY LAW
UPDATE

February 2015

POLICE YOUR PATENT MARKING AND YOUR PATENT PROMOTION

Despite the curtailment of previously rampant patent false marking suits by the 2011 America Invents Act ("AIA"), patent owners still must mark to provide statutorily required notice of their patents in connection with their patented products, or lose valuable rights to obtain damages for patent infringement. Many companies, however, go beyond marking notice and actively promote their products and services by highlighting their patents and inventiveness in catalogues, brochures, websites and direct solicitations. But as the pending suit in *Bern Unlimited, Inc. v. Burton Corp.et al.* (D. Mass.) illustrates, patent owners should vigilantly police their patent **marking**, and also their patent **promotion**, to guard against potential claims of false advertising for damages (including disgorgement of a patent owner's own profits).

PROPER MARKING POST-AIA

A federal statute, 35 U.S.C. § 287(a), requires patent owners to give notice to the public that their products are patented. The patent owner can satisfy this standard either by fixing on the product (a) the word "patent" or the abbreviation "pat.", together with the number of the patent, or (b) an address of a patent number posting on the Internet, accessible to the public without charge, which associates the patented article with the number of the patent (a so-called "virtual marking," a feature added by the AIA). If placing such marking directly on the product is not possible, marking can be on the packaging with a label containing an equivalent notice. Failure to mark means no pre-suit damages 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. Although failure to mark does not prevent a suit or limit damages post-complaint, it can have a significant impact on a patent owner's leverage in a lawsuit if marking questions arise.

FALSE PATENT MARKING

Marking must be accurate, however, and according to another statutory provision, false marking occurs when a party marks upon, affixes to, or uses in advertising in connection with an unpatented article the word "patent" or any word or number importing the same is patented, for the purpose of deceiving the public. See 35 U.S.C. §292. Before the enactment of the AIA in 2011, individuals were free to bring claims against companies for false marking, even if the individuals were not in competition with the company being targeted and the false marking error was innocent such as forgetting to remove expired patents. The economic impact on an unfortunate defendant could be dramatic, as the former version of the statute allowed for damages to the tune of $500 per

• continued

INTELLECTUAL PROPERTY GROUP:

Burns & Levinson has a state-of-the-art practice committed to securing, protecting and enforcing our clients' intellectual property (IP) rights. Attorneys in our Intellectual Property Group have years of experience in all aspects of IP law and represent leading companies in an array of industries.

When auditing IP assets, enforcing clients' rights through IP litigation, or realizing value through licensing agreements, Burns & Levinson's Intellectual Property Group works closely with clients to help fulfill their business objectives by providing experienced legal representation.

IP Practices:

- Copyright
- Electronic Commerce
- Entertainment & Media
- Licensing
- Patent
- Privacy & Data Security
- Science & Technology
- Trademark
- Trade Secrets

CONTACT THE AUTHOR:

Howard J. Susser — Chair, Intellectual Property Litigation Practice
617.345.3738 | hsusser@burnslev.com

To learn more about our **Intellectual Property Law** practice, visit **burnslev.com**.

offense, which courts construed to mean for **every article** improperly marked.

The AIA substantially curtailed these types of suits, allowing a suit for damages only to be brought by the United States in egregious cases, or by a private party where it suffered a competitive injury as a result of such false marking. In most cases, causation of competitive injury may be quite difficult to prove.

FALSE (PATENT) ADVERTISING

In addition to the limited actions for false marking, a competitor aggrieved by false or misleading promotion about patents may also have a cause of action for false advertising under federal and state law. Under the Federal Lanham Act, there is a civil remedy for false advertising – for any "false or misleading description of fact…in connection with any goods or services," which misrepresents "the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities."[i] False advertising claims have been sustained in cases involving allegations about patent coverage. In some cases, it seems, a false advertising claim may be actionable without establishing proof of actual diverted sales solely based on the false statements; prohibited activity may be presumed where there is intentional deception/bad faith, opening the door to damages including disgorgement of profits.

So goes the battle in the case of *Bern Unlimited, Inc. v. Burton Corp.et al.*, now pending in the District Court of Massachusetts. Perhaps familiar to skiers/boarders, Bern claims to have originated a popular helmet design that has a particular rounded shape following the shape of the head, along with a short visor with a specific shape (Fig. 1 of Patent No. D572,865).

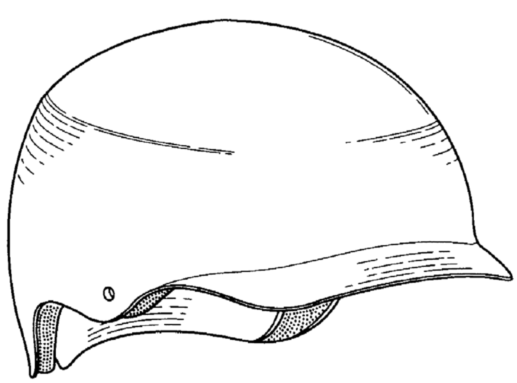

FIG. 1

Bern obtained a design patent on the helmet and heavily promoted its patent, replicating the patent's pages in its marketing, and making statements about the patent, including those about being "the Original" and about the "knock-offs" sold by its competitors. When Bern learned that competitors were allegedly copying the design, it sued them for design patent infringement. What became clear to the lawyers for Bern sometime later, it appears, was that Bern had offered to sell the patented helmet more than a year before the patent was applied for, rendering the patent invalid. Bern dropped its design patent infringement claim in favor of a trade dress claim, and formally disclaimed its design patent before the U.S. Patent & Trademark Office.

But the defendants in the lawsuit allege Bern knew of this invalidity problem before and/or during the marketing campaign touting the patent, and thus the statements about Bern's patent coverage constituted bad faith false advertising; consequently, counterclaims to that end were added to the case over Bern's opposition under the Lanham Act and the unfair competition law in Massachusetts.

Now pending before the District Court in Boston is Bern's motion for summary judgment following discovery, to dismiss the false advertising counterclaims on several grounds. One issue framed for the court is whether and to what extent false advertising claimants in such a case must prove causation and injury to connect the false patent statements with lost sales. Bern argues that its marketing statements regarding its invalid patent were not material to any purchasing decisions, and that defendants adduced no evidence of actual confusion by customers over the statements; consequently, according to Bern, there would be no proof of injury or benefit to Bern caused by the advertising, even if it was literally false.

Defendants contend that Bern engaged in a systematic campaign to divert customers with literally false statements intending to deceive, and that the law in the First Circuit is "not resolved" as to whether such alleged fraudulent and inequitable conduct may give rise to a presumption of causation and injury as to competitors, and potential damages including disgorgement of profits. Defendants ask why would Bern go through the trouble of such false advertising if it had no impact on their sales? The trial judge's views in the *Bern* case of the proper standard of proof in such cases should be resolved by the end of the 2015 ski season.

One may surmise a tension facing patent owners — walking the line between the duty to patent mark, and the risk associated with being inaccurate in marketing claims about patent validity or coverage. The federal law solves that problem by holding that there is an immunity from suit for promoting one's presumptively valid patents unless the aggrieved competitor/infringer can make a case for bad faith.[ii] What constitutes bad faith may not always be clear, and will be determined on a case by case basis.[iii] In *Bern*, the false advertising claimants were able to survive an early motion to dismiss and proceed to discovery by a pleading characterized as "thin" by the court as to bad faith, and by alleging that the patentee's statements deceived customers

• continued

resulting in increased sales for Bern and decreased sales for them.[iv]

So the lesson from this case seems to be that while it may make prudent business sense to promote your patent rights as a means of distinguishing your company and your products from those of your competitors, even post-AIA it still remains an equally important practice to police all marketing to make sure that only valid practiced patents are promoted. Without such inquiry, it may not take much for an alleged patent infringer to fire off allegations of bad faith false advertising — allegations that could be costly to remove from litigation, and threaten to turn even a legitimate infringement case around on you.

ENDNOTES

[i] To state a claim for false advertising under the Lanham Act, a complaint must allege as follows: (1) the defendant made a false or misleading description of fact or representation of fact in a commercial advertisement about his own or another's product; (2) the misrepresentation is material, in that it is likely to influence the purchasing decision; (3) the misrepresentation actually deceives or has the tendency to deceive a substantial segment of its audience; (4) the defendant placed the false or misleading statement in interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the misrepresentation, either by direct diversion of sales or by a lessening of goodwill associated with its products. C*ashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 310-11 (1st Cir. 2002).

[ii] *Zenith Electronics Corp. v. Exzec, Inc.*, 182 F.3d 1340 (Fed. Cir. 1999)("[B]efore a patentee may be held liable under § 43(a) for marketplace activity in support of its patent, and thus be deprived of the right to make statements about potential infringement of its patent, the marketplace activity must have been undertaken in bad faith. This prerequisite is a function of the interaction between the Lanham Act and patent law, and is in addition to the elements required by § 43(a) itself, as § 43(a) alone does not require bad faith.").

[iii] The Court held in *Zenith*: "Obviously, if the patentee knows that the patent is invalid, unenforceable, or not infringed, yet represents to the marketplace that a competitor is infringing the patent, a clear case of bad faith representations is made out. Furthermore, statements to the effect that a competitor is incapable of designing around the patent are inherently suspect. They are suspect not only because with sufficient effort it is likely that most patents can be designed around, but also because such a statement appears nearly impossible to confirm a priori. For these reasons, the bad faith element may be much easier to satisfy for statements of this type." 182 F.3d at 1354-55.

[iv] Bern, 25 F. Supp. 3d 170, citing *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014). Having survived the motion to dismiss stage and allowed to conduct discovery, by the summary judgment stage, Defendants came forward with considerable evidence that Bern was aware of the defects at the time it promoted the patents.

ABOUT BURNS & LEVINSON:

Burns & Levinson is a full-service law firm with more than 125 attorneys based in Boston, with additional offices in Providence and New York, as well as in the Merrimack Valley/North Shore, Metrowest and South Shore areas of Massachusetts. The firm has grown steadily and strategically throughout the years and has become a premier law firm with regional, national and international clientele. The firm has expertise in corporate law, finance, venture capital, private equity, intellectual property, labor and employment, tax, bankruptcy, real estate, design and construction, public-private partnerships, energy, environmental, business litigation, government investigations and white collar crime defense, and a large private client group, including estate planning, probate and trust litigation, divorce and other family law issues. In addition, the firm has a wholly owned subsidiary office in Montreal, Quebec, to service its Canadian clients. For more information, visit Burns & Levinson at www.burnslev.com.

OFFICE LOCATIONS:

Boston (HQ) | Andover | Hingham | New York | Providence | Waltham
MA: 617.345.3000 NY: 212.231.2237 RI: 401.831.8330

BURNS & LEVINSON LLP