

Keyword(s): marking, licensing, damages

General: To recover pre-suit damages for an unmarked patented article, the patentee must provide actual or constructive notice to the infringer.

Arctic Cat, Inc. v. Bombardier Recreational Products, Inc.
United States Court of Appeals for the Federal Circuit
No. 2019-1080
Decided: February 19, 2020

Detailed Summary

I. Facts

Arctic Cat, Inc. (“Arctic Cat”) owns U.S. Patents 6,793,545 (“the ’545 patent”) and 6,568,969 (“the ’969 patent”), directed to steering systems for personal watercraft (PWCs), such as a Jet Ski®. The ’545 patent issued in 2004 and the ’969 patent issued in 2003. Arctic Cat sued Bombardier Recreational Products, Inc. (“Bombardier”) for infringement of various claims of the ’545 and ’969 patents.

In 2002, before either of the patents issued, Arctic Cat entered into a licensing agreement with Honda for the ’545 and ’969 patents and stopped selling PWCs. The licensing agreement initially required Honda to mark all licensed products with appropriate patent numbers, but this provision was not included in the final licensing agreement. The final licensing agreement actually included a provision which expressly stated that Honda had no marking obligations.

Honda began manufacturing and selling unmarked PWCs. Arctic Cat failed to monitor whether Honda was properly marking the products. Honda eventually began marking the PWCs. Arctic Cat argues that the latest date Honda sold unmarked PWCs was September 6, 2013 while Bombardier alleged that Honda sold unmarked products as late as 2018.

At trial, a jury found the ’545 and ’969 patents not invalid and awarded a royalty to Arctic Cat calculated from October 16, 2008 – six years before Arctic Cat filed suit and about five years before Arctic Cat contended that Honda stopped selling unmarked PWCs. The jury also found that Bombardier’s infringement was willful.

In an earlier appeal, the federal circuit affirmed the jury’s determination of willfulness but vacated and remanded the marking issue. The federal circuit determined the district court had erred by putting the burden on Bombardier to prove that the PWCs sold by Honda practiced the asserted claims. In that opinion, the federal circuit held that “once an alleged infringer identifies products that it believes are unmarked patented articles subject to the notice requirements of § 287, the patentee bears the burden of proving that the identified products do not practice the claimed invention.”

On remand (the subject of this appeal), Arctic Cat conceded that it could not show that the Honda PWCs do not practice the asserted claims. Nonetheless, Arctic Cat moved for summary judgment that it was entitled to pre-complaint damages because § 287 “did not apply after the time that it alleges Honda stopped selling unmarked products.” Arctic Cat also argued that the jury’s willfulness determination constituted actual notice under § 287 and thus it was entitled to damages for the full six year period prior to suit allowed under § 286-including damages for the period

during which Honda was undisputedly selling unmarked products. The district court disagreed and limited damages not to include pre-complaint PWC sales.

Arctic Cat appealed the denial of pre-complaint damages.

II. Issues

Does 35 U.S.C. § 287 limit damages after a patentee or licensee ceases sales of unmarked products?

III. Discussion

Yes. 35 U.S.C. § 287 prohibits a patentee from receiving *any* damages in a subsequent action for infringement after a failure to mark, rather than merely a reduced amount of damages in proportion to the amount of time the patentee was actually practicing the asserted patent. 35 U.S.C. § 287(a) provides:

Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or by fixing thereon the word "patent" or the abbreviation "pat." together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. 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*, in which event damages may be recovered only for infringement occurring *after* such notice. *Filing of an action for infringement shall constitute such notice.*

(Emphasis added.) That is, while a patentee who does not make or sell a patented article can obtain damages for any infringing article even without notice, the patentee cannot collect damages for a patented article when they fail to mark it until the patentee either provides actual notice or sues the accused infringer. Cessation of sales of unmarked products is not sufficient to begin recovering damages.

Arctic Cat argued that because § 287 is written in the present tense, the statute only applies while a patentee is “making, offering for sale, or selling” its products. Thus, according to Arctic Cat, the statute limits damages only during those periods when the patentee is actually making, offering for sale, or selling the patented article.

The federal circuit rejected Arctic Cat’s statutory interpretation by explaining that while § 287 describes the conduct of the patentee in present terms, the consequences of failing to mark are not

limited in time. The notice requirement is not satisfied, nor removed, by merely ceasing sales of unmarked products. Indeed, as noted by the federal circuit, even after a patentee ceases sales of unmarked products, nothing precludes the patentee from resuming sales or authorizing a licensee to do so. If notice is not provided to the infringer, unmarked products remain on the market, incorrectly indicating to the public that there is no patent. Thus, when a patentee begins making and selling a patented article, the notice requirement attaches and the obligation imposed by the statute is discharged only by providing actual or constructive notice.

The federal circuit noted that this interpretation of § 287 is consistent with the purpose of the marking statute: “(1) helping to avoid innocent infringement; (2) encouraging patentees to give public notice that the article is patented; and (3) aiding the public to identify whether an article is patented,” citing *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998). Conversely, Arctic Cat’s interpretation would “undermine these objectives” by “allow[ing] a patentee to mislead others that they are free to make and sell an article that is actually patented, but nonetheless allow the patentee to recover damages without undertaking any corrective action.” The court also distinguished the present facts from those present in *Am. Med. Sys., Inc. v. Med. Eng’g Corp.*, 6 F.3d 1523 (Fed. Cir. 1993) in which § 287 was interpreted to allow a patentee who had sold unmarked products to begin recovering damages after the patentee began marking. In the present case, there were no sales of marked products, hence, Arctic Cat never complied with the notice requirement of § 287 and, therefore, the court found that Arctic Cat cannot recover damages for any period prior to the filing of its complaint.

The federal circuit also rejected Arctic Cat’s argument that a finding of willful infringement is sufficient to establish actual notice and thus Arctic Cat is entitled to recover the maximum of pre-suit damages allowed by 35 U.S.C. § 286. To the contrary, the federal circuit noted, as it held in *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994), “willfulness, as an indication that the infringer knew of a patent and of its infringement, does not serve as actual notice as contemplated by § 287. While willfulness turns on the knowledge of an infringer, § 287 is directed to the conduct of the patentee.” Thus, § 287 requires some performance by the patentee to give actual notice.

Accordingly, the federal circuit affirmed the district court’s denial of pre-complaint damages.

IV. Conclusion

For a patentee to recover damages for unmarked patented articles, the patentee must either provide actual notice to or file suit against the infringer. The burden of proof is on the patentee to show that actual notice was provided to the infringer.