

The Law of Marking and Notice Further Developed By
The Federal Circuit: The Amsted Case

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Recently, the Court of Appeals for the Federal Circuit (the "Federal Circuit") decided another in a line of cases bearing on the marking statute, 35 U.S.C. § 287(a). The case, Amsted v. Buckeye, produced two important holdings. First, the Federal Circuit held that a patentee selling a key component of its patented product, which component has no substantial use except as a part of the patented product, constitutes a making of a "patented article" under section 287(a) and the patentee must either mark that component or require its customers to mark the completed product for damages to commence with respect to an alleged infringer. Second, the Federal Circuit held that, absent proper marking, a proper notice of infringement to an alleged infringer must affirmatively communicate a specific charge of infringement by a specific accused product or device in order for damages to commence. Amsted Industries, Inc. v. Buckeye Steel Castings Co., ___ F.3d ___, 30 USPQ2d 1462 (Fed. Cir. 1994).

Before discussing the Federal Circuit's decision in Amsted, this article will first present the legal background of the case. Next, this article presents the relevant facts of the case and summarizes the district court decision which was appealed to the Federal Circuit.

Legal Background

Since 1952, the Patent Law has included the following provision relating to patent marking:

Patentees, and persons making or selling any patented article for or under them 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 when, from the character of the article, this cannot 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 to so 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.

35 U.S.C. § 287(a) (hereinafter, "the marking statute").¹

¹The remainder of 35 U.S.C. § 287 relates to the giving of notice of infringement of a patent on a method of manufacture, and does not concern patent marking. 35 U.S.C. § 287(b).

Recent case law has confirmed that the marking statute provides the patentee with an option - mark its products with the patent number or forego damages until actual notice of infringement is provided to the infringer. American Medical Systems, Inc. v. Medical Engineering Corp., 6 F.3d 1523 (Fed. Cir. 1993) (rehearing *en banc* declined). In American Medical, the Federal Circuit held that damages for infringement of a product claim are recoverable only from earlier of the date when the accused infringer received actual notice of the infringement from the patentee, and the date when the patentee begins to consistently and continuously mark its products with the patent number.

As will be developed below, there are two doctrines of the Patent Law which are important to the Federal Circuit's holding. These are the laws of implied license and contributory infringement. The first, implied license, is relevant where a patentee (or its licensees) sells an item which is itself patented or which is used in a patented device or for a patented method. The second, contributory infringement, is relevant where a party (which is not the patentee or a licensee) sells an item which is not patented, but which is used in a patented device or for a patented method.

There is a two part test used to determine if a customer has an implied license.² First, the product sold by the patentee must have no substantial noninfringing use. Products which are incorporated into or are modified to become the patented product might pass this test, but devices which are used to manufacture the patented product might not.³ Second, the circumstances of the sale must plainly indicate that the grant of a license should be inferred.⁴

The test for contributory infringement is quite similar to that for implied license.⁵ First, the

²See Met-Coil Systems Corp. v. Korner's Unltd., Inc., 803 F.2d 684, 686 (Fed. Cir. 1986).

³See Bandag, Inc. v. Al Bolser's Tire Stores, Inc., 750 F.2d 903, 924 (Fed.Cir. 1984) (device for recapping tires could be broken down and sold as replacement parts).

⁴See Met-Coil Systems Corp. v. Korner's Unltd., Inc., 803 F.2d 684, 687 (Fed. Cir. 1986) (notices sent by patentee after sale do not negate an implied license).

⁵The statute states:

Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

35 U.S.C. § 271(c). See Preemption Devices, Inc. v. Minnesota Mining & Mfg. Co., 803

product sold by the accused party must be a material part of the claimed invention. Second, the accused party must know that the combination was patented and that its customer was not licensed to make the patented product. Third, the product must be other than a staple article and have no substantial noninfringing use.

Relevant Facts and the District Court's Decision

Amsted, the patentee, brought suit against Buckeye, its competitor, for infringement of Amsted's U.S. Patent No. 3,664,269 (the "'269 patent").⁶ Amsted Indust., Inc. v. Buckeye Steel Castings Co., 28 USPQ2d 1352, 1353 (N.D.Ill. 1993). The '269 patent is generally directed to railroad cars. The claims of the '269 patent are directed to a particular center plate in combination with several other components to form a railroad car under frame structure. The '269 patent does not have any claims directed to the center plate alone.

Both Amsted and Buckeye sold center plates. These center plates were assembled by their respective customers, rail car builders, into the patented combination. Neither Amsted nor Buckeye manufactured or sold the patented combination. It appears that Amsted did not mark its center plates in any way, and Amsted's customers did not mark the completed rail cars.

After a jury trial, Buckeye was found liable for contributory infringement,⁷ and the infringement was found to be willful. The '269 patent was found to be not invalid. The jury found that Buckeye damaged Amsted in the amount of \$1,452,512 before the '269 patent expired and \$44,720 after the patent expired.

Both Amsted and Buckeye filed post-trial motions. Amsted's motion sought a ruling that the marking statute was inapplicable because Amsted did not make the "patented article."⁸ Buckeye's motion sought to limit Amsted's damages to the date when Amsted clearly accused Buckeye of infringing the '269 patent, as set forth in the marking statute.

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F.2d 1170, 1174 (Fed. Cir. 1986); C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc., 911 F.2d 670, 674 (Fed. Cir. 1990); and Trell v. Marlee Electronics Corp., 912 F.2d 1443, 1447-48 (Fed. Cir. 1990).

⁶Buckeye counterclaimed for infringement of a Buckeye patent, but lost before the jury on the counterclaim. Amsted, 28 USPQ2d at 1353.

⁷It is implicit in this holding that the only substantial use of the center plates was through their inclusion in the patented device. Otherwise, there could be no contributory infringement.

⁸The district court denied Amsted's motion on procedural grounds, but nevertheless resolved the issue presented by Amsted's motion as a threshold matter to the resolution of Buckeye's motion. Amsted, 28 USPQ2d at 1354.

On the marking issue, the district court held that either Amsted or its customers should have marked their products. Amsted argued that there was no authority that implied licensees such as its customers must mark. The district court stated:

Amsted sold one element of the '269 patent with the expectation that customers would use it to make and sell the patented article. The distribution and manufacturing arrangement of a patentee, unilaterally chosen by the patentee, cannot be allowed to relieve the patentee of its duty to mark under Section 287; the patentee's own choice cannot nullify Section 287. Either Amsted or its customers as implied licensees was required to comply with Section 287 before Amsted may recover.

Id. at 1354.

This result appears to conflict with two earlier district court decisions cited by Amsted, Abington Textile Machinery Works v. Carding Specialists (Canada) Ltd., 249 F.Supp. 823 (D.D.C. 1965);⁹ and Analytical Controls v. American Hospital Supply Corp., 217 USPQ 1004 (S.D.Ind. 1981).¹⁰ However, the district court differentiated both Abington and Analytical Controls, because in neither of these cases was the patentee's customer an implied licensee.

On the notice issue, the district court found in Amsted's favor. Long before filing the suit against Buckeye, in 1986, Amsted had sent notice letters to several companies in the industry notifying them of the patent. However, a specific charge of infringement against Buckeye was not made by Amsted until three years later, in a letter sent to Buckeye in 1989. The 1986 letter stated:

This is to advise you that AMSTED Industries Incorporated, ASF Division, has acquired a number of properties of the Dresser Industries Inc., Transportation Equipment Division, including [the '269 patent], which deals

⁹In Abington, the patentee and its American licensee had sold one element of the patented product. The court found that selling this one element was not a sale of the "patented article," and held the marking statute inapplicable. It is unclear from the decision whether the element sold by the patentee was a staple article or if it was useful only in the patented article. Therefore, it is unclear whether the patentee's customers were implied licensees.

¹⁰In Analytical Controls, the patentee had sold its patented product in bulk form and in marked packages. The patentee's customer, which was not a licensee, repackaged the bulk material, presumably into smaller packages. The court found the customer was not selling the patented article "under" the patentee. The customer was probably not an implied licensee because it purchased the patented product, not one component, from the patentee.

with a unique center filler plate structure. . .

It is our understanding that Dresser Industries actively sought to enforce its patent and other rights to the LOW PROFILE center filler plate and those rights have been heretofore respected in the industry. AMSTED-ASF expects to continue to enforce those rights which it has acquired and similarly expects our industry to respect its patents.

Accordingly, you should acquaint yourself with the above-mentioned patents and refrain from supplying or offering to supply component parts which would infringe or contribute to the infringement of the patents. You should not offer to supply items which are copies of or designed to replace our LOW PROFILE center plate.

The court noted that Buckeye's attorney had drawn Buckeye's attention to the word "infringement" in the 1986 letter, and that Buckeye had established an escrow account to pay potential infringement damages. The court further noted that Dresser had declined to license Buckeye, and that Dresser specifically informed Buckeye that selling the center plate would be considered an act of infringement. The court found from this that the jury had substantial evidence upon which it could conclude that Buckeye understood the earlier letter to be a notice of infringement. Thus, the court declined to overturn the jury verdict.

Buckeye appealed the notice ruling, and Amsted cross-appealed the marking ruling.

The Federal Circuit Decision

On appeal, the Federal Circuit ruled against Amsted on both marking and notice. With respect to marking, the Federal Circuit narrowed the issue to a legal determination of the scope of the phrase "for or under" as used in the marking statute.¹¹ The Federal Circuit began by restating the rule that a licensee who makes or sells a patented article does so "for or under" the patentee. The Federal Circuit then recited the policy of the marking statute, as stated in American Medical: "to encourage the patentee to give notice to the public of the patent." The Federal Circuit then concluded that, "there is no reason why section 287 should only apply to express licensees and not to implied licensees."

Refusing Amsted's arguments, the court declined to expand the holdings in Abington and Analytical Controls, discussed above. Instead, the court noted with approval two other cases in which the patentee's licensees and implied licensees failed to mark, and the patentee's recovery was denied until the time when it gave actual notice to the infringer.¹²

¹¹"Patentees, and persons making or selling any patented article for or under them . . ." 35 U.S.C. § 287(a).

¹²These cases are In re Yarn Processing Patent Validity Litigation, 602 F.Supp. 159

Amsted argued that marking its center plates with the required notice would have been a violation of the false marking statute, 35 U.S.C. § 292. However, the Federal Circuit declined to accept Amsted's narrow view, and suggested two ways that Amsted could have satisfied the marking statute. First, the court stated that it would have been sufficient if Amsted had marked its center plates, "for use under U.S. Patent No. 3,664,269." Second, the court stated that Amsted could have required its customers-licensees to mark the complete product.

Interestingly, there is no suggestion in the case law for either of these methods of marking. In one case, the patentee required its licensees, which purchased the patentee's semi-finished product, to mark the finished product. Butterfield v. Oculus Contact Lens Co., 332 F.Supp. 750 (N.D.Ill. 1971). The patentee supplied a rubber stamp to each licensee so that the licensee could stamp the container of the finished product. However, in that case, it appears that the customers were all express licensees. Furthermore, there was insufficient proof of whether the licensees marked.

The Federal Circuit's suggestion that Amsted mark the center plates is unprecedented. Before Amsted, it was questionable whether the Federal Circuit would have accepted marking of unfinished products as sufficient under the marking statute. Hence, it seems likely that had Amsted marked its center plates as suggested by the Federal Circuit, this marking may have nonetheless been found to be insufficient.

The Federal Circuit's suggestion that Amsted require its customers to mark constitutes an additional burden on patentees. Rather than expanding the ability of a patentee to recover for infringement, the Federal Circuit has expanded the patentee's obligations if it is to recover damages.

It is interesting to review the two ways that the Federal Circuit suggested for marking. The marking statute provides that the patentee may mark its products with the patent number to "give notice to the public." It seems unlikely that markings of any kind on either the center plates or the completed rail car under frame would be recognized or even observed by members of the general public. Putting a patent number on the center plates or the completed under frames would also have little impact on most purchasers of these products. In contrast, one would expect that potential copyists would examine both the center plate and the completed under frame. Considering that the Federal Circuit held that marking the center plate or the under frame would have been sufficient, it seems clear that the Federal Circuit interpreted the term "public" to mean "potential copyists."

This interpretation fairly agrees with that suggested by the Supreme Court:

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(W.D.N.C. 1984); and Butterfield v. Oculus Contact Lens Co., 332 F.Supp. 750 (N.D.Ill. 1971), aff'd 177 USPQ 33 (7th Cir. 1973).

[Marking] provides a ready means of discerning the status of the intellectual property embodied in an article of manufacture or design. The public may rely upon the lack of notice in exploiting shapes and designs accessible to all.

Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 162, 103 L.Ed.2d 118, 141 (1989). Patent markings should alert the potential copyist that at least some aspect of the product is patented. Patent marking therefore encourages the potential copyist to investigate the patent before copying.¹³

Another Supreme Court decision provided the inspiration for the Federal Circuit decision on the notice issue. In a decision on the predecessor provision to the current marking statute, the Supreme Court stated that notice "is an affirmative act, and something to be done by [the patentee]." Dunlap v. Scholfield, 152 U.S. 244 (1894). The Federal Circuit interpreted the Dunlap decision as establishing that "notice must be an affirmative act on the part of the patentee which informs the defendant of his infringement."

In reviewing Amsted's 1986 letter, the Federal Circuit found it insufficient as a matter of law. Amsted's 1986 letter failed to provide notice under the marking statute because it was not of "the infringement." The Federal Circuit stated, "Actual notice requires the affirmative communication of a specific charge of infringement by a specific accused product or device." Thus, the accused infringer's mere knowledge of the patent was held to be irrelevant.

The Federal Circuit determined that Amsted's 1986 letter was informational, not threatening. Amsted's 1986 letter provided general information regarding the existence and ownership of the patent, but did not specifically charge Buckeye with infringement or specify any infringing device. The Federal Circuit stated, "The 1986 letter was merely informational, of the kind that companies often send to others without intending to charge infringement. Just as such letters tend not to be threats sufficient to justify a declaratory judgment action, they also are not charges of infringement for 'notice' purposes."

The Federal Circuit further held in a footnote that the lower court's decision was clearly erroneous in holding that Buckeye acknowledged the 1986 letter as a notice of infringement. Keeping the focus on the acts of the patentee, the Federal Circuit pointed out that there was nothing in the record to support a finding that Buckeye acknowledged

¹³If a potential copyist does this investigation, then there is some likelihood that the potential copyist will either gather prior art references which support invalidation of the patent, or that the potential copyist will design around the claims of the patent. Invalidation serves the public interest by unburdening the public of a patent monopoly. Design-arounds serve the public interest by providing the benefits of the claimed invention from an alternative source. Design-arounds also often advance the state of the art.

the 1986 letter as a notice of Amsted's belief that Buckeye was infringing. It is implicit in the Federal Circuit's decision that any acknowledgement by Buckeye should have been to Amsted. Absent actions by the accused infringer which would lead the patentee to believe that the accused infringer understood an otherwise unclear notice to be a notice of infringement, the patentee could not consider the notice to be actual notice under the marking statute.