

NEW JERSEY TECHNEWS

Caveat Patentee: Let the Patentee Beware Some Limitations on Collecting Patent Damages

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A patent owner's ability to collect damages in a legal action is not unfettered, once patent infringement in a legal action is proven. A finding of infringement will generally lead a court to restrain an infringer from the violating acts. However, there are limitations on one's ability to collect damages to compensate for past encroachments. Besides a time limitation, and court doctrine on distinguishing multiple acts of infringement versus continuing acts of infringement, the United States patent laws impose a notice requirement on a patent holder. There are different considerations regarding the notice requirement, depending on whether or not a patent has been issued. This article is intended to identify some of those issues, but is not a full statement of the law.

Post-Issuance Notice Concerns

The grant of a patent is not an authorization to make a product, but rather a limited monopoly enabling the patent holder to stop others from making, using, selling, offering to sell, or importing the patented invention. In the interest of public policy and fairness, courts and Congress have determined that a patent holder's monopoly must be offset by the need to advise competitors that a product

cannot be freely copied. As a result, a notice requirement has been developed whereby a patentee has the burden of informing competitors of any issued patents covering a particular item.

Under law, notice of an issued patent may be constructive or actual. Constructive notice may be obtained by marking a patented article with the word "patent" or the abbreviation "pat." together with the patent number. If the patented article cannot be so marked, a label containing an equivalent notice may be attached to the product or to the product's packaging. As stated by the law, "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." In other words, if constructive notice is not given to an accused infringer by marking the product properly, damages can only be collected where the accused infringer is outright and directly informed of its infringing activity, with damages being collectible from the time of this actual notice.

There are some exceptions to the

patent marking requirement; for example, articles prepared by a patented process need not be marked with the process patent number (although it would not be improper to do so).

Pre-Issuance Notice Concerns

U.S. patent practice has been dramatically changed fairly recently: U.S. patent applications having counterparts filed abroad are now published and open to public inspection. Previously, all U.S. patent applications were maintained in secrecy.

Along with the publication requirement, Congress established a new remedy of provisional rights. Historically, a patent holder could only seek damages prospectively from the issue date of the patent. With provisional rights, a patent holder may be able to collect damages (in the form of a reasonable royalty) retroactively from a patent's issuance up to as early as the date of the underlying patent application's publication. There are generally three requirements to obtain provisional rights: a) infringement occurred between the time of publication and issuance; b) the claimed invention of the published application is "substantially identical" to the claimed invention of the issued patent; and c) actual notice of

the published patent application was given to the infringer.

It must be noted that provisional rights can only be enforced after a patent's issuance. However, the third requirement of actual notice must be satisfied while the patent application is pending (which is before the patent issues). As with actual notice discussed above, pre-issuance actual notice requires directly informing an accused infringer of the published patent application's existence and an explanation of what acts are perceived to be infringements.

Recommendations

In view of the effect of the notice requirements on the ability to collect damages, a party participating in the patent process should take two precautions. First, efforts should be made to ensure articles are properly marked. Second, commercial marketplaces should be policed to identify infringers. Once an infringer is uncovered, consideration should be given to providing actual notice to the perceived infringer. This policing action should not wait until the issuance of a patent, but should be conducted throughout the patent applica-

tion process. By doing so, not only will the ability to establish provisional rights be improved, but also additional thought may be given to strengthen a patent's claims in view of the infringer during the application process.

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