Maximizing Patent Damages: Provisional Rights And Marking

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Law360, New York (July 18, 2017, 11:57 AM EDT) -- To justify the substantial effort and expense required to enforce a patent, a patentee often needs to be able to collect damages for past infringement. That is, obtaining a prospective injunction against infringing activity may not be enough reward to justify the incurred expense, particularly when all or most of the sales of the infringing products occurred before the patent was granted. This article suggests strategies that patent owners and practitioners can employ during prosecution and after a patent is granted to maximize potential damages awards.

Patent Damages Background

35 U.S.C. § 284 states that “the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.”[1] Damages begin accruing after: (1) actual notice of an issued patent; (2) after constructive notice of an issued patent; or, in limited circumstances, (3) after publication of a pending application which issues with substantially similar claims. Recovery of damages is statutorily limited to six years prior to the filing of the complaint or counterclaim for infringement in the action.[2]

Before Congress passed the American Inventors Protection Act of 1999 (AIPA), the U.S. Court of Appeals for the Federal Circuit held that a patentee could obtain damages only for acts of infringement that occurred after the patent was issued.[3] Patent applications were not published by the U.S. Patent and Trademark Office. During a patent application’s pendency before the USPTO, inventors bore the risk that public disclosure of their invention (e.g., by advertising or selling products embodying the invention) meant that others could copy and profit off of the invention without consequence, potentially costing those inventors significant lost profits. That risk-reward calculus changed with enactment of the AIPA, which instituted the publication of patent applications[4] and also gave applicants provisional rights under 35 U.S.C. § 154(d) in their published patent applications under certain circumstances.[5]

Actual Notice Under Section 287 Requires a Specific Affirmative Claim of Infringement

Actual notice requires the affirmative communication of a specific charge of infringement by a specific
accused product or device. The notice needs to be “sufficiently specific to support an objective understanding that the recipient may be an infringer.” The filing of an infringement action provides such notice, but the patentee cannot claim any damages prior to filing the infringement action, so it is typically a best practice to mark products covered by the patent as soon as it goes on the market.

Letters from the patentee to an infringer that refer to the patent’s existence or ownership in general or vague terms and include an admonishment not to infringe likely do not constitute actual notice. Instead, the letter must specifically identify an accused product to constitute actual notice. Sufficiency of the notice depends on the action of the patentee, not the knowledge of the infringer.

**Constructive Notice Through Marking**

Constructive notice is given when the patentee affirmatively notifies the public that the invention is patented, either (1) by fixing on the product the term “Patent” or “Pat.” followed by the number of the patent (also known as physical marking), or (2) by marking the product with a website address that is accessible to the public and associates the patented article with any relevant patent numbers (also known as virtual marking). Alternatively, when marking the product is not feasible, constructive notice can be established by including the notice in or on the packaging in which the product is sold.

Patents containing only method claims do not require marking, but patents including both method claims and apparatus claims typically do. Patentees must not only mark, but also must actually distribute the products to establish constructive notice. Finally, patentees should require any licensees to mark licensed products because the marking requirements apply to licensed products as well. If the patented product has an international market, the patentee should consult with foreign legal counsel regarding any marking requirements in jurisdictions outside of the U.S. — assuming the patentee has corresponding foreign patents.

**Provisional Rights as an Avenue for Pre-Issuance Damages**

Provisional rights, or pre-issuance damages, grant to a patentee the potential of obtaining a reasonable royalty from a third party that infringes a patent claim that is substantially the same as a claim in the published application on which the patent was granted. Under 35 U.S.C. § 154(d), this right is provided if the third party (1) has actual notice of the application, and (2) the patent issues from the application with substantially identical claims. Each of these requirements is described in detail below.

**Actual Notice Means Knowledge, Not an Affirmative Act**

Although patent owners would be well-served to provide actual notice of pending applications to potential infringers, failure to do so may not doom their provisional rights claims. In Rosebud LMS Inc. v. Adobe Systems Incorporated, the Federal Circuit concluded that the actual notice component of provisional rights does not require an affirmative act by the patentee, distinguishing Section 154(d)’s notice requirement from that of Section 287.

In Rosebud, Adobe argued that Rosebud was not entitled to pre-issuance damages because Adobe discontinued use of the accused technology 10 months prior to issuance of the patent, and Rosebud had taken no affirmative steps to notify Adobe of its published patent application. In considering Section 154(d)’s requirement that a party “[have] actual notice of the published patent application,” the court reasoned that the ordinary meaning of “actual knowledge” includes knowledge obtained without an
affirmative act of notification. Looking to the legislative history, the court refused to read in the notice requirement of 35 U.S.C. § 287(a) (requiring affirmative communication of a specific charge of infringement) into Section 154(d) where no such language was included in the statutory language.

“Section 287(a) explicitly requires an act of notification, unlike § 154(d), which merely requires ‘actual notice.’ If anything, these differences suggest that we should interpret the two statutes differently.”[18]

Rosebud argued that Adobe’s knowledge of other patents from the same family should satisfy the actual notice requirement for the patents-in-suit. The court concluded that even though the patents shared the same specification, the alleged infringer must have notice of the claims of the published patent and the fact that the applicant is seeking a patent covering those specific claims, and not just a patent with a common specification. Knowledge of related patents does not serve the function of informing the infringer of the scope of a different, but related, claimed invention, so it is legally insufficient to establish actual notice of the related published patent application.

From an offensive standpoint, the best practice therefore is to provide actual notice of potential infringement and the pending claims. Defensively, a competitor may want to monitor the pending published applications of others in its industry in order to identify potential patent claims to be avoided or designed around. However, this monitoring may support a patentee’s basis for a provisional rights claim based on actual knowledge more specific than that asserted in Rosebud.[19]

Conventional understanding is that marking a product with the phrase “patent pending” or “patent applied for” has no legal effect, because it only conveys that a patent application has been filed with the USPTO. However, a patentee may use this type of marking on its products to supplement other indicia that may indicate that an infringer was aware of the scope of the particular application, or claimed invention, thus justifying an argument for obtaining provisional rights.

Published Claims Must Be Substantially Identical to Issued Claims

The largest hurdle to a provisional rights claim is most often the substantial similarity requirement. Even after an infringer has actual notice of the patent application publication, a claim to provisional rights is not established unless the claims in the published application and the claims in the issued patent are substantially identical. No Federal Circuit decision has established what “substantially identical claims” means regarding provisional rights, but district court cases like Pandora Jewelry LLC v. Chamilia and K-TEC Inc. v. Vita-Mix Corporation help clarify how claim amendments may be interpreted when deciding whether patented claims are substantially identical to the claims in the published application.

In Pandora, the U.S. District Court for the District of Maryland stated that the standard for deciding whether the final issued patent is “substantially identical” to the published patent application is the same standard as the one applied under 35 U.S.C. § 252, the reissue statute.[20] Under Section 252, amended patent claims are substantially identical to the original claims if they are without substantive change. To see whether substantive changes have been made, the court has to determine whether the scope of the claims is identical, and not just whether the words are different. Making a narrowing amendment by substantively amending the scope of a claim to overcome a rejection by the USPTO is considered to be a substantive change. There is no per se rule that a claim amendment made to overcome a prior art rejection precludes a finding of valid provisional rights, but an amendment to a claim that substantively narrows its scope violates the “substantially identical” standard required for asserting interim rights.

In contrast, in K-TEC, the U.S. District Court for the District of Utah held that the patent’s prosecution
history supported the conclusion that two sets of claims were substantially similar.[21] The claims can still be substantially identical so long as the amendment does not narrow the scope of the claim.[22] If the claim amendment makes the claim more definite or describes the same feature without narrowing it, it may remain substantially identical to the published application. Few cases have elaborated on what it means to narrow a claim, but the court in Honeywell Int’l Inc. v. Hamilton Sundstrand Corp. held that rewriting a dependent claim in independent form could be a narrowing amendment.[23] The Honeywell decision was written in the context of prosecution history estoppel, but the reasoning very well could be applied to granting provisional rights based on the overlap in use of narrowing amendments.

Enhancing the Likelihood of Preissuance Damages

By using less common prosecution techniques, savvy practitioners can help their clients increase the likelihood that they may be able to obtain provisional rights. Utilizing the tools that are available, a practitioner may be able to lengthen the period of provisional rights and ensure that the claims published while the application is pending are similar to the claims of the granted patent.

Requesting Early Publication

The default is that the USPTO will publish a utility patent application promptly after 18 months from the earliest priority date sought for the patent application.[24] However, a patent applicant may be able to enlarge a provisional rights claim by requesting early publication.[25] The procedure is described in Section 1129 of the Manual of Patent Examination Procedure. By filing a request to publish an application early and by paying a small fee, the patent applicant can advance the date of publication. In this way, the applicant may be able to expand the window for provisional rights, thus expanding the period of time during which infringing activity may be covered, which in turn may increase the damages the patentee may be able to recover. The applicant should balance this benefit against the risk that early publication discloses the invention to the public earlier and therefore may give a competitor an earlier start on designing around or improving upon the applicant’s invention, if the applicant’s invention is not already on the market or otherwise publicly known.[26]

Requesting Republication

A patent applicant can also choose to republish its published application after the claims of the application have been amended during prosecution.[27] The procedure for republication is described in MPEP § 1130. Republishing the application with claims that are more likely to have a scope that is substantially the same as the claims expected to be granted should help to establish provisional rights. That is, republication would allow a new set of published claims to serve as the basis for the “substantial similarity” comparison.

This strategy may be useful when an applicant believes that its claims have been amended (e.g., narrowed to distinguish the prior art during prosecution, but the examiner persists with an improper rejection), which necessitates an appeal to the Patent Trial and Appeal Board. Because a decision on an appeal may take several years, the applicant should consider filing a request for republication of the amended claims while the application awaits the decision. If the applicant ultimately prevails on appeal, then the applicant may have several years of provisional rights to assert against infringers.

Courts have yet to rule on how they interpret republished claims for purposes of putting competitors on notice. However, it seems likely that they would interpret republished claims the same way as originally published claims, albeit with different effective dates of notice.
Publishing Narrow Claims Targeting Commercial Embodiments

Finally, applicants can include narrow, or “picture,” claims in their original applications as a hedge against needing to amend all published claims during prosecution. In this way, even if a broad independent claim is amended during prosecution after the claims are published (thereby negating the “substantially identical” requirement for provisional rights), the inclusion of a narrow, additional independent claim that is allowable without amendment can still meet the “substantially identical” requirement for provisional rights. Of course, such a narrower claim would still need to cover the infringing activities or products for provisional rights to be relevant to a damages calculation. This strategy can be implemented within a single patent application, or in separate, parallel patent applications — one application initially having the broader claims, and the other application initially having the narrower claims. With either approach, the practitioner’s goal is simply to publish at least one independent claim that is likely to be infringed and likely to remain unchanged in scope from the time of publication to when the patent is granted.

Proper Patent Marking Starts the Damages "Clock" Without a Cease-and-Desist Letter

Constructive notice is given when a patentee complies with the marking requirements of Section 287. Prompt and accurate marking allows a patentee to start the damages clock without sending a cease-and-desist letter.

Under the America Invents Act, a patentee can now comply with the marking requirements of the Patent Act by using virtual marking.[28] While the patentee is still required to physically mark its products, the new rules eliminate the need to list all of the relevant, valid and unexpired patent numbers on the product, and instead allows patentees to mark products with a simple reference to a website. Virtual marking allows greater flexibility for the patentee and reduces the costs associated with keeping product marking current.

Statutory Requirements for Virtual Marking

Under the new rules, a patent holder can use a free, publicly available website to provide a real-time listing of products and any associated patents where at least one claim of the patent covers the product. The patentee still must physically mark its patented products with “patent,” “pat.” or “patented,” along with its associated website or URL address.[29] The webpage has to be updated with new patent information associated with the virtually marked articles. Because virtual marking does not require updating the physical labeling to reflect changes in patent status, the costs of compliance are significantly less than the costs of retooling or remolding for physical marks.[30] As with physical marking, virtual marking needs to be substantial and continuous.

Virtual Marking Best Practices

It is important for patentees to thoughtfully implement virtual marking, especially those with large patent portfolios. Because there is no limit to the numbers of patents that could be listed on a virtual marking site, it is unclear how courts will interpret sites associating large numbers of patents with large numbers of patented articles. With a large number of patent numbers listed on a single webpage, it may be difficult to effectively associate products with the relevant patents.

In general, patentees should err on the side of providing the public with more information rather than
less to avoid potentially strict judicial application of the virtual marking requirements. As a best practice, patentees should update the webpage regularly as new products are introduced and as patents are issued or expire to keep the marking “consistent and continuous,” and should document all updates to corroborate when constructive notice was first given.

**Conclusion**

Through thoughtful implementation of the strategies discussed above, patentees can considerably increase their potential damages pool. By being mindful of the impact that decisions during prosecution can have on damages, patentees can enhance the likelihood that they may have a claim for pre-issuance provisional rights through tools like early publication, republication and even targeted claim drafting. By effectively marking products, either through physical or virtual marking, patentees can start the damages clock before ever sending a cease-and-desist letter to an infringer. These decisions, often made long before a patentee is aware of any particular infringer, can have a significant impact on any damages they ultimately collect.

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[4] Unless the applicant opts out of publication on the condition that patent protection for the invention would not be sought outside of the U.S.A. See 37 C.F.R. § 1.211(a)(4) and 37 C.F.R. § 1.213.


[8] Alana M. Fuierer, Your client has a patent; it also has a website, The Daily Record, July 16, 2013.


[17] Id. at 1072.

[18] Id.


[22] Sharick Naqi, supra note 3.


[26] Patentfile.org, “Patent Dilemma—To Publish or not to publish?”

[27] 37 C.F.R. § 1.221(a).

[28] Sharick Naqi, supra note 3.


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