

THE PATENT MARKING AND NOTICE STATUTE:
A QUESTION OF "FACT" OR "ACT"?

Michael J. McKeon*

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* J.D., George Washington University Law School, The National Law Center. B.S. (Mechanical Engineering and Materials Engineering), University of Connecticut. Mr. McKeon is a former Patent Examiner and is currently an associate in the Washington, D.C. office of Fish & Richardson, P.C.

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I. INTRODUCTION

In *Amsted Industries Inc. v. Buckeye Steel Castings Co.*,¹ a panel of the U.S. Court of Appeals for the Federal Circuit² permitted an infringer to willfully, purposely, and secretly infringe another's patent and extinguished the patentee's damage award of over five million dollars. Finding the seminal 1894 Supreme Court case of *Dunlap v. Schofield*³ "highly persuasive, if not controlling," on the meaning of the notice provision of the patent marking and notice statute,⁴ the Federal Circuit held that the statute requires a patentee to perform "an affirmative act"

1. 24 F.3d 178 (Fed. Cir. 1994).

2. The U.S. Court of Appeals for the Federal Circuit is the exclusive court of appeals in patent cases, see 28 U.S.C. § 1295(a) (1994), and was created for the purpose of achieving uniformity in the exposition and application of substantive patent law. See *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1437 (Fed. Cir. 1984).

3. 152 U.S. 244 (1894).

4. The patent marking and notice statute states:

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 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.

35 U.S.C. § 287(a) (1994) (emphasis added) [hereinafter "the statute" or "notice provision"]

notifying a defendant of its infringement.⁵ In its analysis of the *Dunlap* opinion, the Federal Circuit misinterpreted *Dunlap* and misquoted a critical four letter word. The *Dunlap* Court actually stated that notification under the notice provision of the statute involved "an affirmative fact" to be plead and proven by the patentee.⁶

In *Dunlap*, the Supreme Court provided the first substantive interpretation of the notice provision. Since that time, two lines of cases have emerged that provide differing interpretations of the notice provision and its requirements. The "affirmative act" interpretation permits willful infringers to escape liability during the period prior to affirmative notice by a patentee.⁷ This Article will establish that, in adopting this, the Federal Circuit reaffirms one interpretation of the notice statute that has been embroidered into the substantive law by a line of cases since the *Dunlap* opinion.⁸ This embroidered interpretation, however, is based on a general misunderstanding of the *Dunlap* holding and a specific misquote of a critical word (act instead of fact), rather than on well-thought principles and policy. This Article will then establish that another line of cases provides a different interpretation of the notice provision and suggests the correct interpretation of the notice provision: willful infringers are "notified" within the statute's meaning regardless of the independent actions of the patentee.⁹

II. THE NATURE OF THE PATENT MARKING AND NOTICE STATUTE

A. Legislative History of the Statute

In order for a patentee to recover damages from an infringer for the full period of its infringement, the statute requires a patentee to give

5. *Amsted*, 24 F.3d at 187 (quoting *Dunlap*, 152 U.S. at 248 (1894)) (internal quotations omitted, emphasis added).

6. *Dunlap*, 152 U.S. at 248 (emphasis added).

7. See *infra* part IV.

8. *Muther v. United Shoe Mach. Co.*, 21 F.2d 773 (D. Mass. 1927), began one line of cases requiring that the patentee perform "an affirmative act" in notifying the defendant of its infringement. See *infra* part IV.

9. *Warner v. Tennessee Prods. Corp.*, 57 F.2d 646 (6th Cir.), cert. denied, 287 U.S. 632 (1932) defines a second line of case maintaining that actual notice fulfills the notice requirement — regardless of whether the patentee made an affirmative act. See *infra* part IV.

notice to the public.¹⁰ A patentee provides adequate notice by marking the article or its package with the word "patent" or the abbreviation "pat." followed by the relevant patent number(s).¹¹ If the patentee fails to mark the article, the patentee may recover damages only "on proof that the infringer was notified of the infringement and continued to infringe thereafter."¹²

Early patent statutes had no notice requirement.¹³ The patents granted by the government were public records and all persons were "bound to take notice of their contents."¹⁴ The duty to mark patented products first appeared in the Patent Act of August 29, 1842.¹⁵ The Act of 1842 placed a duty on all patentees and assignees to mark each article offered for sale with "the date of the patent."¹⁶ The statute further provided that if the patentee failed to mark "each article" as required, then the patentee would be subject to the statutory penalty of not less than \$100 to be recovered by "any person or persons who shall sue for the same."¹⁷

The notice provision of the statute first appeared in the Patent Act of March 2, 1861,¹⁸ superseding Section 6 of the Act of 1842. The Act of 1861 abolished the statutory remedy and instead placed a limitation

10. Throughout this Article, the term "patentee" is utilized generally to indicate patent owners that make and sell patented articles within the meaning of the patent marking and notice statute.

11. 35 U.S.C. § 287(a) (1994).

12. *Id.* (emphasis added).

13. *See* *Boyden v. Burke*, 55 U.S. (14 How.) 575 (1853).

14. *Id.* at 582.

15. Act of August 29, 1842, ch. 263, §§ 5-6, 5 Stat. 543, 544. *See also* *Wagner v. Corn Prods. Ref. Co.*, 28 F.2d 617, 618 (D.N.J. 1928).

16. Act of August 29, 1842, ch. 263, § 6, 5 Stat. at 545.

17. *Id.* § 5, 5 Stat. at 544.

18. Act of March 2, 1861, ch. 88, § 13, 12 Stat. 246, 249. Section 13 of the Act specifically repealed Section 6 of the Act of 1842 and provided:

That in all cases where an article is made or vended by any person under the protection of letters-patent, it shall be the duty of such person to give sufficient notice to the public that said article is so patented, either by fixing thereon the word patented, together with the day and year the patent was granted; or when, from the character of the article patented, that may be impracticable, by enveloping one or more of said articles, and affixing a label to the package or otherwise attaching thereto a label on which the notice, with the date, is printed; on failure of which, in any suit for the infringement of letters-patent by the party failing so to mark the article the right to which is infringed upon, no damage shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement, and continued after such notice to make or vend the article patented.

Id.

on the patentee's right to recover damages.¹⁹ The Act provided that "any person" making or selling a patented article was deprived of the right to damages unless that person marked the article as provided or the infringer received actual notice.²⁰ For the first time, the marking statute provided that actual notice of infringement to an infringer was an alternative to marking the patented products. The legislative record, however, lacks any explanation of the notice provision, and provides no clarity with respect to its intended legislative purpose.²¹ It is the judiciary that has provided instruction on the purpose and policy of this patent marking and notice statute.

Several amendments to the Patent Act of 1861 have followed, but all have left the substance of the notice provision unchanged. The Patent Act of July 8, 1870²² superseded the Act of March 2, 1861, and mainly addressed upon whom the duty of notice fell.²³ In 1927, The Patent Act of 1870 was amended with respect to the type of mark affixed to the article.²⁴ The Act of July 19, 1952 amended the patent marking and notice statute²⁵ to provide that patentees "may give notice" instead of placing a duty on them to do so.²⁶ The provision also codified the prevailing judicial interpretation that "[f]iling of an action for infringe-

19. See *Wagner*, 28 F.2d at 618.

20. Act of March 2, 1861, ch. 88, § 13, 12 Stat. at 249. See *Wagner*, 28 F.2d at 618.

21. There is one committee report that comments on the proposed Act of March 2, 1861, ch. 80, § 13:

[Section 13] modifies the act of 1842, in regard to the labeling of patented articles, as the sixth section of that act was found to be impracticable in many cases in its execution. The change made in the present bill is believed to be absolutely necessary, if we mean that the laws on the statute book shall be enforced.

H.R. REP. NO. 178, 35th Cong., 1st Sess. 4 (1858).

22. Act of July 8, 1870, ch. 230, § 38, 16 Stat. 198, 203.

23. Section 13 of the Act of 1861 provided "that in all cases where an article is made or vended by any person under the protection of letters-patent, it shall be the duty of such person to give sufficient notice." Act of March 2, 1861, ch. 88, § 38, 12 Stat. at 249. Section 38 of the Act of 1870 specifically identified the parties who were to give notice by providing "that it shall be the duty of all patentees, and their assigns and legal representatives, and of all persons making or vending any patented article for or under them, to give sufficient notice." Act of July 8, 1870, ch. 230, § 38, 16 Stat. at 203. See *Wine Ry. Appliances Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 397 (1936); *Wagner*, 28 F.2d at 618. Section 38 of the Patent Act of 1870 subsequently became Section 4900 of the Revised Statutes. See *Wagner*, 28 F.2d at 618.

24. Act of February 7, 1927, ch. 67, 44 Stat. 1058 (providing that marking was satisfied by "fixing thereon the word 'patent,' together with the number of the patent").

25. Act of July 19, 1952, ch. 950, 66 Stat. 813 (codified at 35 U.S.C. § 287 (1994)).

26. *Id.* The provision further stated that the patentee could mark with the word "patent" or the abbreviation "pat." together with the patent number. *Id.*

ment shall constitute notice."²⁷ The patent marking and notice statute was amended in 1988 by the addition of the process patent provision.²⁸ The Uruguay Round Agreement Act last amended the statute in 1994.²⁹

*B. The Purpose and Policy of the Statute:
Preventing Innocent Infringement*

The statute provides for two kinds of notice. The first is "constructive" notice in the form of a visible mark on the patented article.³⁰ The second is actual notice to an infringer, which only becomes necessary when constructive notice has not been given.³¹ In other words, a patentee who has failed to mark in accordance with the statute may recover damages only on proof of actual notification to the infringer and only in an amount which has accrued after such notice.

Judicial opinions have spawned several statements regarding the policy of the statute. Generally, the purpose of the patent marking and notice statute is to prevent innocent infringement³² and to encourage patentees to give notice to the public of the existence of their patent.³³

27. *Id.*

28. Process Patent Amendments Act of 1988, Pub. L. 100-418, § 9004, 102 Stat. 1563, 1564-66. This reorganized the patent marking and notice statute, making former section 287 the current section 287(a).

29. Uruguay Round Agreement Act, Pub. L. 103-465, § 533(b)(5), 108 Stat. 4809, 4989 (1994) (substituting the phrase "making, offering for sale, or selling within the United States" for "making or selling" and added a provision concerning the importation of patented articles into the United States).

30. 35 U.S.C. § 287(a) (1994).

31. See *Wine Ry. Appliances Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 395 (1936).

32. See *id.* at 398 (stating that the purpose of the patent marking and notice statute is to provide "protection against deception by unmarked patented articles, and requires nothing unreasonable of patentees"); *Motorola, Inc. v. United States*, 729 F.2d 765, 772 (Fed. Cir. 1984) (stating that "a fundamental rationale supporting section 287 [is] supplying notice in order to prevent innocent infringement" (citing *Wine Ry.*, 297 U.S. at 394)); *Horvath v. McCord Radiator Mfg.*, 100 F.2d 326, 337 (6th Cir.), *cert. denied*, 308 U.S. 581 (1938).

33. See *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed. Cir. 1994); *American Medical Sys. v. Medical Eng'g Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993). But see *Wine Ry.*, 297 U.S. at 395 (stating that "[t]he purpose of the statute is not that notice may be given of the issuance and existence of a patent").

More recently, the Supreme Court has noted that the purpose of the statute is to provide information to the public concerning the status of the intellectual property embodied in an article of manufacture:

The availability of damages in an infringement action is made contingent upon affixing a notice of patent to the protected article. The notice requirement is designed "for the information of the public" . . . and provides a ready means of discerning the status of the intellectual

The policy of the statute is carried out by limiting the damages recoverable by a patentee in an infringement suit.³⁴ Specifically, "but for" the statute, a patentee who failed to provide the requisite notice could recover for all damages suffered through infringement. In encouraging the marking of patented articles (i.e., constructive notice), the statute attempts to limit the exposure of potential "innocent" infringers.

Once a patentee establishes proper marking of a patented article, actual notice to the infringer becomes irrelevant.³⁵ However, patentees must mark in accordance with the statute in order to avoid the statutory penalty of no damages prior to actual notice. That is, all those having a duty to mark³⁶ must continuously³⁷ mark all of the patented articles (or the packaging where marking the articles is not feasible³⁸) with the word "patent" or the abbreviation "pat." together with the patent number.³⁹

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. ThunderCraft Boats, Inc., 489 U.S. 141, 162 (1989) (quoting *Wine Ry.*, 297 U.S. at 397).

34. See 35 U.S.C. § 287(a) (1994). Cf. *Motorola*, 729 F.2d at 772 (being only a limitation on damages for infringement, the marking statute does not apply to suits for reasonable compensation against the United States government).

35. See *Wine Ry.*, 297 U.S. at 388.

36. Marking and notice are not required for patents directed to a process or method. See *American Medical Sys.*, 6 F.3d at 1538-39; *Bandag, Inc. v. Gerrard Tire Co.*, 704 F.2d 1578, 1581 (Fed. Cir. 1983). However, a patentee who asserts infringement of patent claims regarding both an apparatus and the method of its use must mark or provide notice in accordance with the statute. See *Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987).

37. See *American Medical Sys.*, 6 F.3d at 1537 ("We caution, however, that once marking has begun, it must be substantially consistent and continuous in order for the party to avail itself of the constructive notice provisions of the statute.").

38. See *Sessions v. Romadka*, 145 U.S. 29, 35 (1892) (holding that "something must be left to the judgement of the patentee" in deciding whether marking the article itself is feasible). More recently, other courts have strictly construed the statute to require a showing of physical or functional impossibility of marking. *Rutherford v. Trim-Tex, Inc.*, 803 F. Supp. 158, 163-64 (N.D. Ill. 1992); *Creative Pioneer Prods. Corp. v. K Mart Corp.*, 5 U.S.P.Q.2d (BNA) 1841, 1848 (S.D. Tex. 1987) ("[T]he character of the product was such that a marking on the product would have been a relatively simple matter. Therefore, marking on the package . . . is insufficient to commence the period for the recovery of damages.").

39. See 35 U.S.C. § 287(a) (1994).

C. Adequacy of the Notification of Infringement

The adequacy of actual notice is a function of timing and sufficiency. Section 287(a) explicitly requires that the infringer be "notified of [its] infringement"⁴⁰ and that such notice be given to the "infringer."⁴¹

Notice need not include a detailed statement or an explanation of infringement. The notice requirement is satisfied if the notification includes information that would be contained in a proper marking and a charge of infringement.⁴² Absent this information, however, the notice may be deemed statutorily improper, and damages will not accrue.⁴³ At least one court has held that adequate notice did not require indicating the specific patent number. Rather, notification that the patentee had a patent and the defendant was infringing that patent satisfied the notice requirement.⁴⁴ The Federal Circuit has held that the notice required by § 287 "could not have [been] established" simply because a licensee delivered the patentee's publications that bore a patent number.⁴⁵ Even

40. *Id.*

41. *Id.* The word infringer has been interpreted to mean a person associated with the infringer having the proper authority to receive notice. See *Maxwell v. J. Baker, Inc.*, 805 F. Supp. 728, 734-35 (D. Minn. 1992); *Federal Mach. & Welder Co. v. Mesta Mach. Co.*, 27 F. Supp. 747, 751 (W.D. Pa. 1939) ("The burden rested upon the plaintiff to prove that the receipt of such a notice and the communication thereof to the defendant was within the authority of the employee."), *rev'd on other grounds*, 110 F.2d 479 (3d Cir. 1940).

42. See *Armstrong v. Motorola, Inc.*, 374 F.2d 764, 775 (7th Cir.), *cert. denied*, 389 U.S. 830 (1967); *T.D. Williamson, Inc. v. Laymon*, 723 F. Supp. 587, 606 (N.D. Okla. 1989); *American Can Co. v. Dart Indus.*, 205 U.S.P.Q. (BNA) 1006, 1008 (N.D. Ill. 1979).

43. See *In re Yarn Processing Patent Validity Litigation*, 602 F. Supp. 159, 168-69 (W.D.N.C. 1984) (holding that damages were unavailable where notices failed to specify allegedly infringing products). Cf. *Konstant Prods., Inc. v. Frazier Indus. Co.*, 25 U.S.P.Q.2d (BNA) 1223, 1226-27 (N.D. Ill. 1992) (holding that an offer to license without any actual mention of infringement can constitute actual notice of infringement within the meaning of the statute). *But see Chubb Integrated Sys. v. National Bank of Washington*, 658 F. Supp. 1043, 1051 (D.D.C. 1987) (indicating that notice would have been adequate when defendant conceded understanding patentee's letter to be a charge of infringement even though the letter did not explicitly charge infringement).

44. *Ceeco Machinery Mfg. v. Intercole, Inc.*, 817 F. Supp. 979, 986-87 (D. Mass. 1992).

45. *Devices For Medicine, Inc. v. Boehl*, 822 F.2d 1062, 1066-67 & n.5 (Fed. Cir. 1987). See also *In re Yarn Processing*, 602 F. Supp. at 169 (holding that a trade journal advertisement is inadequate notice under § 287 as a matter of law).

In *Refac Electronics Corp. v. A&B Beacon Business Machines Corp.*, a patentee sent letters to the defendant listing patents and charging infringement by various devices including watches, clocks, and calculators. 695 F. Supp. 753, 755 (S.D.N.Y. 1988). The court held that these letters were insufficient notice because "even a clue that the blood pressure devices, a wholly different device, could be infringing is insufficient. Actual

oral notice can satisfy the notice provision of the statute if it contains the same information that a proper marking provides.⁴⁶

III. THE WILLFUL INFRINGER

The result in *Amsted* is rather significant. Although the jury found that Buckeye deliberately ignored Amsted's patent rights, Buckeye was not required to pay the full extent of damages, but only those accruing after receiving actual notice from Amsted.⁴⁷ Simply stated, Buckeye, a willful infringer, was granted a windfall in the form of a royalty-free license to practice Amsted's patented invention for the period prior to formal notice by Amsted.

Intent is not an element of proof in patent infringement — both innocent and willful infringers are liable.⁴⁸ An innocent infringer performs infringing acts⁴⁹ unaware of the infringement.⁵⁰ In contrast, a willful infringer deliberately copies another's patented invention without any justification. Willful infringers either completely ignore the existence of the patentee's rights or make half-hearted attempts to obtain opinions by counsel of non-infringement or patent invalidity.⁵¹

Courts utilize the patent statute to distinguish between innocent infringers and willful infringers. The patent statute authorizes a district court to "increase the damages up to three times the amount found or assessed,"⁵² or in "exceptional cases" to "award reasonable attorney fees

notice of infringement is required under section 287 when an item is not marked." *Id.*

46. See *N.Y. Pharrnical Ass'n v. Tilden*, 14 F. 740, 742 (C.C.S.D.N.Y. 1882).

47. See *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994).

48. See *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1519 (Fed. Cir. 1995), cert. granted, 116 S. Ct. 1014 (1996); *Intel Corp. v. United States Int'l Trade Comm'n*, 946 F.2d 821 (Fed. Cir. 1991) ("[T]here is no intent element to direct infringement."); *Thurber Corp. v. Fairchild Motor Corp.*, 269 F.2d 841, 845 (5th Cir. 1959) ("If the device infringes it does so without regard to the innocence or good faith of the infringer."); *Eastman Oil Well Survey Co. v. Sperry-Sun Well Surveying Co.*, 131 F.2d 884, 887 (5th Cir. 1942) ("If what the defendant is doing infringes, plaintiff should have its decree no matter whether defendant thought it up independently or got the idea from plaintiff's patent.").

49. Infringing acts include making, using, offering for sale, selling within the United States, or importing into the United States any patented invention. See 35 U.S.C. § 271 (1994).

50. *Hilton Davis*, 62 F.3d at 1519.

51. In the middle are a group of infringers who, although aware of the existence of a patent, nevertheless believe in good faith that their activity does not infringe the valid patent of another; or that although their activity infringes the patent, the patent is invalid.

52. 35 U.S.C. § 284 (1994).

to the prevailing party."⁵³ Such discretionary awards present themselves in cases where a court has found willful infringement.⁵⁴ Factors to be considered in determining whether an infringer merits such an increase in damages awarded against him include:

- (1) whether the infringer deliberately copied the ideas or design of another;
- (2) whether the infringer, knowing of the existence of the patent, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed;
- (3) the infringer's behavior as a party to the litigation;
- (4) the infringer's size and financial condition;
- (5) closeness of the case showing or tending to show willfulness;
- (6) duration of the infringer's misconduct;
- (7) remedial action by the defendant;
- (8) defendant's motivation for harm; and
- (9) whether the defendant attempted to conceal its misconduct.⁵⁵

The Federal Circuit indicates that those aware of another's patent are under a duty to exercise due care before the initiation of any possible infringing activity.⁵⁶ The court further instructs that whether the infringer sought the advice of competent counsel is a factor to consider in the willfulness determination and thus also in the determination of increased damages under the statute.⁵⁷ An increase in damages for willfulness in accordance with the statute is improper when the infringer

53. 35 U.S.C. § 285 (1994).

54. Increased damages should usually be exercised in cases of willful or wanton infringement or bad faith litigation. See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992). The Federal Circuit has noted that the purpose of increased damages is both punitive and compensatory in nature. See *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125-26 (Fed. Cir. 1987).

55. *Read Corp.*, 970 F.2d at 826-27.

56. See *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983) ("Where . . . a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. . . . Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.").

57. See *Great Northern Corp. v. Davis Core & Pad Co.*, 782 F.2d 159, 167 (Fed. Cir. 1986) (finding that the failure to obtain a validity and infringement opinion was an adequate basis for the district court to assess treble damages and attorney fees); see also *Intra Corp. v. Hamar Laser Instruments, Inc.*, 4 U.S.P.Q.2d (BNA) 1337, 1351 (E.D. Mich. 1987) (holding that defendant willfully infringed by selling products after receiving notice of another's patent rights, and failing to obtain a "carefully considered legal opinion" that its device did not infringe a valid claim of a patent). *But see Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1547 (Fed. Cir. 1987) ("Absence of an opinion of counsel does not in every case require a finding of willful infringement.").

mounts a good faith challenge to the existence of its infringement or of the validity of the patent.⁵⁸ A person cannot willfully infringe another's patent if he has no knowledge of the existence of the patent.⁵⁹ However, knowledge of the patent does not have to come from the patentee; that is, the patentee is not required to prove an affirmative act in order to establish willful infringement.⁶⁰ The Federal Circuit has held that one cannot be a willful infringer by copying a patent that has not yet been issued.⁶¹ However, continued infringement after becoming aware that a patent has issued can subject the infringer to increased damages,⁶² and pre-patent activity may be used to support a finding of willfulness.⁶³ The

58. See, e.g., *Ortho Pharmaceutical Corp. v. Smith*, 959 F.2d 936, 945 (Fed. Cir. 1992) (finding the infringement was not willful because the infringer "reasonably relied" upon opinions by its counsel); *Smith Corona Corp. v. Pelokan, Inc.*, 784 F. Supp. 452, 480 (M.D. Tenn. 1992) ("[T]he patent system profits when a party makes a good faith challenge to another's patent on the bona fide belief that the patent-in-issue is invalid.").

59. See *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510-11 (Fed. Cir. 1990) ("Whether an act is 'willful' is by definition a question of the actor's intent, the answer to which must be inferred from all the circumstances. Hence a party cannot be found to have 'willfully' infringed a patent of which the party had no knowledge"); see also *Afros S.p.A. v. Krauss-Maffei Corp.*, 671 F. Supp. 1402, 1439 (D. Del. 1987), *aff'd mem.*, 848 F.2d 1244 (Fed. Cir. 1988) ("An infringer cannot remain ignorant of a competitor's patent rights when it displays a continuing knowledge of the product, awareness of foreign patent proceedings, and concern with that product's effect on its own commercial position."). Cf. *Torin Corp. v. Phillips Indus., Inc.*, 625 F. Supp. 1077, 1087 n.1 (S.D. Ohio 1985) (holding that a widely-circulated trade journal disclosing the patented product nine years prior is not sufficient evidence that the infringer knew of the patent prior to its infringing activity).

60. In *Amsted*, for example, the notice of the patent came from Buckeye's counsel. *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 182 (Fed. Cir. 1994).

61. See *Gustafson*, 897 F.2d at 511; *American Original Corp. v. Jenkins Food Corp.*, 774 F.2d 459, 465 (Fed. Cir. 1985).

62. *Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1581 (Fed. Cir. 1992); see also *Exxon Chemical Patents Inc. v. Lubrizol Corp.*, 26 U.S.P.Q.2d (BNA) 1871, 1872-73 (S.D. Tex. 1993) ("[D]efendant was not an innocent manufacturer unaware of [the plaintiff's] forthcoming patent rights and the jury properly found willful infringement. The patent at issue was in the Patent Office for some nine years before it was granted, and [plaintiff] had previously obtained a very similar patent in the European Patent Office.").

63. *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 482 (Fed. Cir. 1985) ("Lang had knowledge of the existence of the patent the day it [was] issued. Although the infringement suit was filed nine days later, we agree with the jury's conclusion that Lang's decision to continue production after notice was clear and convincing evidence of willfulness."). But see *Gustafson*, 897 F.2d at 511 (stating that there is no "rule that to avoid willfulness one must cease manufacture of a product immediately upon learning of a patent, or upon receipt of a patentee's charge of infringement, or upon the filing of suit").

willfulness determination is generally considered in light of the "totality of the circumstances."⁶⁴

IV. ACTUAL NOTICE TO AN INFRINGER

A. *The Supreme Court's Interpretation of the Notice Provision*

In 1894, the Supreme Court set forth the first substantive interpretation of § 287's notice provision. In *Dunlap v. Schofield*,⁶⁵ the plaintiff sued for patent infringement of its rug design⁶⁶ and alleged, inter alia, that it had notified the defendant of its infringement.⁶⁷ At trial, neither party offered evidence regarding whether the rugs plaintiff sold statutorily satisfied the marking requirement or whether it met the notice of infringement requirement.⁶⁸ The defendants denied liability because the plaintiff failed to prove compliance with the patent marking and notice statute.⁶⁹ The trial court found that the patent was valid and that the defendants had infringed it by making and selling rugs substantially similar to the patented design.⁷⁰

The Supreme Court first explained the two types of notice contemplated by the statute:

The clear meaning of this section is that the patentee or his assignee, if he makes or sells the article patented, cannot recover damages against infringers of the patent, unless he

64. *Shiley, Inc. v. Bentley Laboratories, Inc.*, 794 F.2d 1561, 1568 (Fed. Cir. 1986), cert. denied, 479 U.S. 1087 (1987).

65. 152 U.S. 244 (1894). Note that the *Dunlap* Court interpreted § 4900 of the Revised Statutes. The notice provision of the present statute, 35 U.S.C. § 287(a), is essentially identical to that of § 4900; thus, cases construing the notice provision prior to 1952 (the enactment of § 287) are persuasive authority. *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 & n.3 (Fed. Cir. 1994).

66. The plaintiff's design patent was directed to a new and original design for rugs, and he alleged that the defendants made and sold rugs "substantially the same in outline." 152 U.S. at 245.

67. *Id.* The plaintiff requested an injunction and a statutory "penalty" of \$250. The plaintiff waived all rights to any further damages and to an accounting of profits in favor of the statutory penalty. The plaintiff alleged that "after the issue of the aforesaid letters patent, [it] notified the said defendants of the issue of said letters patent, of their infringement thereof, and requested them, the said defendants, to abstain and desist from any further violation thereof." *Id.*

68. *Id.* at 245-46.

69. *Id.* at 246.

70. *Id.* at 245. The trial court further held that the burden of proving the plaintiff's lack of compliance was on the defendants and that, because no evidence had been produced, the defendants did not meet that burden. *Id.* at 246.

has given notice of his right, either to the whole public by marking his article "patented", or to the particular defendant by informing them of his patent and of their infringement of it.⁷¹

The Court held that the burden of proving either form of notice lies squarely with the plaintiff:

One of these two things, marking the articles, or notice to the infringers, is made by the statute a prerequisite to the patentee's right to recover damages against them. Each is an affirmative fact, and is something to be done by him. Whether his patented articles have been duly marked or not is a matter peculiarly within his own knowledge; and if they are not duly marked, the statute expressly puts upon him the burden of proving the notice to the infringers, before he can charge them in damages. Therefore, by the elementary principles of pleading, the duty of alleging and the burden of proving either of these facts is upon the plaintiff.⁷²

In this case, the plaintiff did not allege that its goods were properly marked⁷³ and was unable to prove that the defendant was given actual notice as alleged.⁷⁴ Therefore, the Court concluded that plaintiff was statutorily barred from recovering damages.⁷⁵

The issue in *Dunlap* was straightforward: which party has the duty of pleading and the burden of proving marking and notice? The Court held that "the statute expressly puts upon [plaintiff] the burden of

71. *Id.* at 247-48. The misunderstanding of the *Dunlap* decision is no doubt based in part on the cited passage. Taken in conjunction with the Court's entire opinion, however, this statement merely reflects the types of notice contemplated by the statute (constructive or actual) without placing limitations on the permissible sources of notice. See also *Wine Ry. Appliances Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 395 (1936) (defining the two types of notice). In *Dunlap*, the plaintiffs alleged that they had notified the defendants of the patent and of their infringement of it. The Court was thus not presented with the issue of whether notice from one other than the patentee satisfied the notice provision. Moreover, the Court's subsequent discussion in the opinion of notice with respect to the statutory penalty makes clear that it is "knowledge of the patent and of [the] infringement," without regard to the source of notice, that is the essence of the notice provision. See *infra* note 78.

72. *Dunlap*, 152 U.S. at 248.

73. *Id.*

74. *Id.*

75. *Id.*

proving the notice to the infringers."⁷⁶ This decision was based on the assertion that the plaintiff is in a better position to know whether its patented articles have been marked. The Court emphasized that the statute requires either marking or notice. Each requirement is an affirmative fact that the patentee must plead (i.e., "something to be done").⁷⁷ The only act the Court's interpretation requires is the act of pleading and proving notice. Hence, *Dunlap* specified the statutory burden requirements with respect to pleading and proof, without placing limitations on the permissible sources of notice.⁷⁸

In *Coupe v. Royer*,⁷⁹ the Supreme Court considered whether or not proof of adequate notice by the plaintiff is generally a question of fact for the jury.⁸⁰ The plaintiff sued for infringement of his patent directed to an improved hide treating machine.⁸¹ As in *Dunlap*, the plaintiff did not allege or prove that the machines were marked in accordance with the statute. Unlike *Dunlap*, however, the plaintiff did produce evidence of conversations between himself and the defendant regarding notification of the defendant.⁸² The defendant denied the conversations ever took place and presented evidence that it received neither actual nor constructive notice of the patent or its infringement.⁸³ The trial court

76. *Id.*

77. *Id.*

78. This point is made even more clear upon examination of the post-*Dunlap* cases. For a detailed discussion of these early cases, see *infra* part IV(D)(1).

In the *Dunlap* opinion, the plaintiff requested a statutory penalty not covered by the marking and notice statute. The patent statute at issue that imposed the penalty required a showing that the infringer knowingly applied the patented design to its product. *Id.* at 248 (citing Act of February 4, 1887, ch. 105, 24 Stat. 387). The Court went on to explain that such a requirement was equivalent to stating: "with a knowledge of the patent and of his infringement." *Id.* at 249. The Court emphasized:

The reasons for holding the patentee to allege and prove either such knowledge, or else a notice to the public or to the defendant, from which such knowledge must necessarily be inferred, are even stronger, in a suit for such a penalty, than in a suit to recover ordinary damages only.

Id. at 249.

The Court reasoned that a showing by a patentee of marking (notice to the public) or of notice to a particular defendant, was equivalent to proving the defendant's knowledge of the patent and of its infringement. The Supreme Court's reasoning illuminates the nature of the notification requirement of 35 U.S.C. § 287(a). The emphasis on "knowledge of the patent and of his infringement" is the essence of the statutory notification requirement, independent of the manner in which such knowledge is obtained by an infringer. See *Dunlap*, 152 U.S. at 249 (emphasis added).

79. 155 U.S. 565 (1895).

80. *Id.* at 585.

81. *Id.* at 565.

82. *Id.* at 584.

83. *Id.* at 584-85.

instructed the jury that notice to the defendant was not necessary,⁸⁴ and a jury found that the defendant was liable for damages resulting from infringement of the plaintiff's patent.⁸⁵ Citing *Dunlap*, the Court reversed and remanded, holding that the trial court should have submitted the notice issue to the jury as a factual question to be decided in light of the evidence that the plaintiff presented.⁸⁶ Whether the limitations imposed by the patent marking and notice statute apply to plaintiffs who have not made, sold, or authorized others to make or sell a patented article was an issue left unresolved in *Coupe*.

Forty years later, the Supreme Court confronted the issue in *Wine Railway Appliances Co. v. Enterprise Railway Equipment Co.*⁸⁷ The Court held that patentees who do not manufacture or sell their patented articles, or authorize others to do so, are not subject to the limitations of the marking and notice statute.⁸⁸ The Court emphasized that the duty to provide actual notice to an infringer is triggered only when a patentee charged with the duty of marking fails to do so.⁸⁹ In this regard, actual

84. *Id.* at 584

85. *Id.* at 566.

86. *Id.* at 584-85. The Court stated:

As, then, in the present case, there was evidence in the form of interviews between Royer and Coupe, from which the plaintiffs sought to infer the fact of actual notice, and the defendants offered evidence tending to show that they had never received any notice, either actual or constructive, of the Royer patent, or of any infringement thereof by them, we think the court ought to have submitted that question to the jury for their decision.

Id.

87. 297 U.S. 387 (1936). In *Wine Ry.*, the plaintiff Enterprise Railway filed suit against defendant Wine Railway alleging patent infringement. *Id.* at 391. Wine Railway filed a counterclaim alleging infringement of its patents and requested damages. *Id.* Neither Wine Railway nor an authorized third party manufactured or sold an article protected by its patent. *Id.* at 393. The district court found Wine Railway's patent to be valid and infringed by Enterprise Railway. The Court of Appeals, however, held that no damages could be awarded prior to Wine Railway's counterclaim — when Enterprise Railway received actual notice. *Id.* at 392.

88. *Id.* at 398.

89. *Id.* at 395. The Court stated:

If respondent's [Enterprise Railway's] position is correct, process patents and patents under which nothing has been manufactured may be secretly infringed with impunity, notwithstanding injury to owners guilty of no neglect. Only plain language could convince us of such intent. . . . Two kinds of notice are specified — one to the public by a visible mark, another by actual advice to the infringer. The second becomes necessary only when the first has not been given; and the first can only be given in connection with some fabricated article. Penalty for failure implies opportunity to perform.

Id.

notice to an infringer becomes necessary only when marking has not given constructive notice. Of course, marking is only possible in connection with a fabricated article.⁹⁰

These early notice cases of the Supreme Court laid a foundation for defining the notice provision of the statute: (1) patentees have a duty of pleading and the burden of proving notice;⁹¹ (2) the issue of notice is a question of fact for a jury;⁹² and (3) patentees who do not manufacture or sell patented articles, or authorize others to do so, are not subject to the limitations of the marking and notice statute.⁹³ Federal courts have split on the interpretation of the early Supreme Court precedent in attempting to define the specific scope of the notice provision and the associated duty it places on patentees. As a result of that split, two lines of cases developed. One line requires patentees to perform "an affirmative act" in notifying an infringer.⁹⁴ The other line maintains that actual notice fulfills the notice requirement, regardless of whether the patentee made an affirmative act.⁹⁵

B. The Federal Circuit's Adoption of the Affirmative Act Requirement

The affirmative act requirement was first announced in *Muther v. United Shoe Machinery Co.*⁹⁶ Based on this interpretation of the notice provision, numerous federal courts have denied patentees damage awards.⁹⁷ Of course, the Federal Circuit's adoption of an affirmative act interpretation is crucial for potential litigants.⁹⁸

The Federal Circuit has directly addressed the notice provision of the statute on only two occasions.⁹⁹ In each case it has maintained that

90. *See id.* The Court proceeded to discuss the predecessor marking and notice statutes in support of its construction. *See id.* The Court concluded that the statute "provides protection against deception by unmarked patented articles, and requires nothing unreasonable of patentees." *Id.* at 398.

91. *Dunlap v. Schofield*, 152 U.S. 244 (1894).

92. *Coupe v. Royer*, 155 U.S. 565 (1895).

93. *Wine Ry. Appliances Co. v. Enterprise Ry. Equipment Co.*, 297 U.S. 387 (1936).

94. *See infra* part IV(C).

95. *See infra* part IV(D).

96. 21 F.2d 773 (D. Mass. 1927). *See infra* part IV(C).

97. *See infra* part IV(C)(2).

98. Later panels of the court must follow decisions of earlier panels of the court and only an en banc decision can overrule a decision of an earlier panel. *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563 (Fed. Cir. 1991); *Newell Cos. v. Kenney Mfg.*, 864 F.2d 757, 765 (Fed. Cir. 1988).

99. *See Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178 (Fed. Cir. 1994); *Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062 (Fed. Cir. 1987). In *Motorola, Inc. v. United States*, 729 F.2d 765 (Fed. Cir. 1984), the Federal Circuit was presented with the issue of whether the patent and marking statute applied in suits

the patentee must make an affirmative act to provide notice. In *Devices for Medicine, Inc. v. Boehl*,¹⁰⁰ the Federal Circuit held that an alleged infringer's "knowledge of the patents' is irrelevant."¹⁰¹ Rather, the actions of the patentee are dispositive.¹⁰² The court emphasized that § 287 requires "proof that the infringer was notified of the infringement."¹⁰³ The court concluded that the patentee had failed to prove the requisite notice at trial and "[i]n doing so, it failed to carry its burden of convincing the jury that it had performed affirmative acts in compliance with § 287."¹⁰⁴ The court cited no precedent to support its implicit requirement that a patentee perform "affirmative acts" in connection with actual notice.¹⁰⁵

A panel of the Federal Circuit examined the notice provision once again in *Amsted*.¹⁰⁶ The court held that notice must be to the "particular defendants by informing them of [the] patent and of their infringement of it."¹⁰⁷ The court also explicitly stated its affirmative act interpretation of the statute. Specifically, quoting *Dunlap*, the Federal Circuit stated:

[N]otice "is an affirmative act, and something to be done by him." Because the plaintiffs in *Dunlap* offered no proof in support of their allegation that they had notified the defendants of the patent and of their infringement, the Court held that they could not recover damages. *Dunlap*

against the United States government. In holding that it did not, the court correctly quoted the *Dunlap* decision and concluded that the statute was "a burden of pleading and a burden of proof provision." 729 F.2d at 770.

100. 822 F.2d 1062 (Fed. Cir. 1987)

101. *Id.* at 1066 (quoting brief for appellant).

102. *Id.*

103. *Id.* (citing 35 U.S.C. § 287(a) (1994)).

104. *Id.* at 1066 (emphasis added).

105. The discussion of the notice provision in *Devices for Medicine* was brief and without significant analysis. In a footnote in *American Medical Sys., Inc. v. Medical Eng'g Corp.*, 6 F.3d 1523 (Fed. Cir. 1993), the Federal Circuit referenced its holding in *Devices for Medicine* stating:

AMS argues that MEC was notified in August 1986 by its own counsel, Krieger, that MEC was infringing the '765 patent. This is clearly not what was intended by the marking statute. Section 287(a) requires a party asserting infringement to either provide constructive notice (through marking) or actual notice in order to avail itself of damages. The notice of infringement must therefore come from the patentee, not the infringer.

Id. at 1537 n.18.

106. 24 F.3d 178 (Fed. Cir. 1994). The court noted that the question being considered was "the proper interpretation of the statutory language 'notified of the infringement.'" *Id.* at 186.

107. *Id.* at 187 (citing *Dunlap v. Schofield*, 152 U.S. 244, 248 (1894)).

thus established that notice must be an affirmative act on the part of the patentee which informs the defendant of his infringement. We regard *Dunlap* as highly persuasive, if not controlling, on the meaning of the notice requirement of section 287. For the purpose of section 287(a), notice must be of "infringement," not merely notice of the patentee's existence or ownership. Actual notice requires the affirmative communication of a specific charge of infringement by a specific-accused product or device. . . . It is irrelevant, contrary to the district court's conclusion, whether the defendant knew of the patent or knew of his infringement. The correct approach to determining notice under section 287 must focus on the action of the patentee, not the knowledge or understanding of the infringer.¹⁰⁸

Under this interpretation, the analysis focuses on the actions of the plaintiff, while the actions of the defendant are "irrelevant."¹⁰⁹ The court's holding in *Amsted* permitted the defendant to willfully, purposely, and secretly infringe Amsted's patent for a period of approximately five years without incurring any liability.¹¹⁰

The Federal Circuit misquoted the *Dunlap* decision by stating that notice "is an affirmative act, and something to be done by [the patentee]."¹¹¹ In *Dunlap*, the Court actually stated that the statute required the plaintiff to allege and prove marking or notice,¹¹² and that the prerequisite of marking or notice was "an affirmative fact, and is something to be done by [the patentee]."¹¹³ The *Amsted* court stressed the precedential value of *Dunlap* and found it "highly persuasive, if not controlling, on the meaning of the notice requirement of section 287."¹¹⁴ In misinterpreting and misquoting the *Dunlap* decision, however, the Federal Circuit erroneously extended the holding of *Dunlap* to limit the permissible source of notification. This is an issue the *Dunlap* Court never specifically addressed.¹¹⁵ Moreover, as presented in this Article,

108. *Id.* (emphasis added) (citations omitted).

109. *Devices for Medicine*, 822 F.2d at 1066.

110. *See supra* part II.

111. *Amsted*, 24 F.3d at 187 (quoting *Dunlap*, 152 U.S. at 248).

112. *Dunlap*, 152 U.S. at 248 ("By the elementary principles of pleading, therefore, the duty of alleging, and the burden of proving, either of these facts is upon the plaintiff." (emphasis added)).

113. *Id.*

114. 24 F.3d at 187.

115. In fact, the *Dunlap* opinion actually suggests that knowledge of the patent and infringement is sufficient to satisfy the statute. *See supra* note 78.

the Federal Circuit's "affirmative act" requirement is contrary to the policy and purpose of the statute.¹¹⁶

C. Development of the "Affirmative Act Requirement" of the Notice Provision: The Muther Line of Cases

1. *Muther v. United Shoe Machinery Co.*: The Genesis of the Affirmative Act Interpretation

The Federal Circuit's misinterpretation and misquote of the *Dunlap* holding did not arise in a vacuum. Many courts have cited *Dunlap* for its literal holding that the statute requires patentees to plead and prove marking or notice.¹¹⁷ Many other courts have cited *Dunlap* and correctly quoted the "affirmative fact" language.¹¹⁸ At least two courts, other than the Federal Circuit, have misquoted the "affirmative fact" recitation in *Dunlap* as "affirmative act."¹¹⁹ The affirmative act requirement was first incorrectly stated in *Muther v. United Shoe Machinery Co.*¹²⁰ and has since become a substantive part of patent law.¹²¹

116. See *infra* part VI.

117. See *O'Nate v. Bahr*, 67 F.2d 180 (9th Cir. 1933); *Murray v. Detroit Wire Spring Co.*, 251 F. 59, 62 (6th Cir. 1918); *Gibson v. American Graphophone Co.*, 234 F. 633, 634 (2d Cir. 1916); *Ashley v. Weeks-Nunan Co.*, 220 F. 899, 904 (2d Cir. 1915); *Tuttle v. Claffin*, 76 F. 227, 236-37 (2d Cir. 1895); *Pettibone, Mulliken & Co. v. Pennsylvania Steel Co.*, 134 F. 889 (C.C.E.D. Pa. 1905); *Sprague v. Bramhall-Deane Co.*, 133 F. 738, 738 (C.C.S.D.N.Y. 1904); *Traver v. Brown*, 62 F. 933, 934 (C.C.D. Vt. 1894).

118. See *Coupe v. Royer*, 155 U.S. 565, 584 (1895); *Smith v. Dental Prods. Co.*, 140 F.2d 140, 151 (7th Cir. 1944); *Flat Slab Patents Co. v. Turner*, 285 F. 257, 267 (8th Cir. 1922); *General Elec. Co. v. George J. Hagan Co.*, 40 F.2d 505 (W.D. Pa. 1929); *Lorain Steel Co. v. New York Switch & Crossing Co.*, 153 F. 205, 207 (C.C.D.N.J. 1907); *Hogg v. Gimbel*, 94 F. 518 (C.C.E.D. Pa. 1899).

119. See *MacPike v. American Honda Motor Co.*, 29 U.S.P.Q.2d (BNA) 1526, 1531 (N.D. Fla. 1993); *Lemelson v. Fisher Price Corp.*, 545 F. Supp. 973, 976 (S.D.N.Y. 1982).

120. 21 F.2d 773, 779 (D. Mass. 1927).

121. See, e.g., *Devices For Medicine, Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987) (holding that plaintiff failed to convince the jury that it had "performed affirmative acts" in compliance with § 287 and that absent notice, the defendant's knowledge of the patents is irrelevant); *Briggs v. Wix Corp.*, 308 F. Supp. 162, 171 (N.D. Ill. 1969) (holding that the fact that defendant saw trade brochure disclosing plaintiff's patent did not constitute adequate notice); *Miller v. Daybrook-Ottawa Corp.*, 291 F. Supp. 896, 904 (N.D. Ohio 1968) (holding that defendant's awareness of the patent is not adequate notice because defendant is not required to presume that the patentee would demand relief); *International Nickel Co. v. Ford Motor Co.*, 166 F. Supp. 551, 567 (S.D.N.Y. 1958) (noting that defendant's state of mind is irrelevant as "[t]here can be no recovery for the period before the defendant is expressly notified by the patentee that it is infringing a particular patent.").

In *Muther*, the district court considered whether the plaintiff was entitled to recover damages for any period prior to filing of the complaint.¹²² The plaintiff argued that the defendant was aware of his infringement prior to filing of the complaint, and that damages should be determined from that date.¹²³ The court agreed that the defendant had knowledge of its infringement soon after the patent was granted. The plaintiff, however, failed to prove that he gave the defendant notice of infringement prior to the date of filing the complaint.¹²⁴ The court found for the defendant, stating the statute requires "some affirmative act on the part of the patentee."¹²⁵ In support of his affirmative act interpretation, Judge Brewster in *Muther* cited *Dunlap*, a Second Circuit case,¹²⁶ and two district court cases.¹²⁷ However, the cited precedent does not support the "affirmative act" interpretation of the statute nor did the *Muther* court present any policy rationale to bolster its interpretation.¹²⁸

In *Pairpoint Mfg. Co. v. Eldridge Co.*,¹²⁹ one of the district court cases relied upon in *Muther*, a plaintiff presented a witness who testified that he told the defendant he was manufacturing a handle patented by the plaintiff.¹³⁰ At the trial, the defendant denied that the conversation ever took place.¹³¹ The district court, citing *Dunlap*, found that the plaintiff did not satisfy his burden of proving that the defendant was notified of his infringing activity as required by the statute.¹³²

Similarly, in *Westinghouse Electric & Manufacturing Co. v. Condit Electrical Manufacturing*,¹³³ the district court read *Dunlap* to require that

122. See 21 F.2d at 778.

123. See *id.* at 779.

124. See *id.*

125. *Id.* (emphasis added) ("The statute requires some affirmative act on the part of the patentee. Compliance is not proved by showing that the defendant acquired knowledge of the patent, or even of the possible infringement, from some independent source.")

126. *Gibson v. American Graphophone Co.*, 234 F. 633 (2d Cir. 1916).

127. *Pairpoint Mfg. Co. v. Eldridge Co.*, 71 F. 307 (C.C.D. Conn. 1896); *Westinghouse Elec. & Mfg. Co. v. Condit Elec. Mfg.*, 159 F. 154 (C.C.S.D.N.Y. 1908).

128. It is this author's opinion that Judge Brewster, the author of the *Muther* opinion, misread the affirmative fact language in *Dunlap* as "affirmative act" in the identical manner as the Federal Circuit in *Amsted* and the district courts in *MacPike v. American Horza Motor Co.*, 29 U.S.P.Q.2d (BNA) 1526 (N.D. Fla. 1993) and *Lemelson v. Fisher Price Corp.*, 545 F. Supp. 973 (S.D.N.Y. 1982).

129. 71 F. 307 (C.C.D. Conn. 1896)

130. *Id.* at 309. The notice at issue in this case was from a third party, not the plaintiff. In this regard, the case fails to support the affirmative act interpretation on its face.

131. *Id.*

132. *Id.* The court noted: "I understand the law to be settled, since *Dunlap v. Schofield* . . ." *Id.*

133. 159 F. 154 (C.C.S.D.N.Y. 1908)

the defendant be notified of its infringement.¹³⁴ In *Westinghouse*, the complaint did not properly allege that the defendant was notified of infringement prior to commencement of the action.¹³⁵ Relying on *Dunlap*, the court concluded that, even though the defendant was notified of plaintiff's patent and rights thereunder, the statute requires notification of infringement.¹³⁶ The final case relied upon in *Muther v. Gibson v. American Graphophone*.¹³⁷ As in *Pairpoint*, the *Gibson* court was presented contrary evidence regarding notice of infringement.¹³⁸ Citing *Dunlap*, the Second Circuit affirmed the trial court's finding that the plaintiff had failed its burden of proving actual notice.¹³⁹

Both *Pairpoint* and *Gibson* involved patentees who presented evidence of notice that was denied by the defendant. In *Westinghouse*,

134. See *id.* at 156 ("If the [Supreme] [C]ourt meant what it said [in *Dunlap*], then notice of the alleged infringement was required. Such notice should be clear and explicit, and the language of the bill of complaint averring it should be clear so that the defendant may not be misled in his pleading.")

135. See *id.* The court recognized that the "bill says that the defendant has been informed of the complainant's letters patent and of its rights thereunder. The bill gives no time when this information was given, and it fails to suggest that the defendant was notified of any infringement by it prior to the commencement of the action. . . . I do not think that the bill alleges, or that the answer admits notice of infringement by defendant prior to the bringing of the suit." *Id.*

136. *Id.* Specifically, the court stated:

Defendant may have been informed in some other way of the patent and of complainant's rights thereunder, but this should not be held a compliance with the statute. In case of failure to so mark, the defendant must have been notified not of the patent and of complainant's rights simply, but of the infringement.

Id. See also *Son v. Pressed Steel Car Co.*, 21 F.2d 528, 529 (S.D.N.Y. 1927) (following the holding in *Westinghouse*, the *Pressed Steel* court stated that "[n]otice of existence of patents, which is alleged, is not notice of infringement, which is required by the statute").

137. 234 F. 633 (2d Cir. 1916).

138. See *id.* at 635. The court indicated:

Whether this notice was given depends upon whether Burns or Gibson is to be credited. There was a sharp controversy between the two men. Their testimony was taken in open court, and the trial judge had the great advantage of seeing and hearing both. He accepted the version given by Burns. Under such circumstances we think we should not reverse the conclusion so reached.

Id.

139. *Id.* In doing so, the court stated:

The complainants could have put all question on this subject beyond doubt by giving the notice required by section 4900; having failed to do so the burden was on them to prove that actual notice was given. The trial court has found that they have not sustained the burden and we think we should not disturb this finding.

Id.

the plaintiff alleged notification of his patent, but failed to allege notification of defendant's infringement. All three courts, citing *Dunlap*, held that the burden of proof was on the patentee to prove notice of both the patent and defendant's infringement. The courts made no statements regarding how the defendant was to be notified, but only that the patentee was charged with the burden of proving notification. The courts merely repeated the *Dunlap* holding regarding burden of proof, and did not mention any affirmative act requirement. The *Muther* opinion is, therefore, absent any precedent and fails to suggest a policy rationale that would support an affirmative act requirement.

2. The Infiltration of *Muther* and the Affirmative Act Interpretation into the Law

The *Muther* interpretation of the notice provision was adopted by many federal courts and ultimately by the Federal Circuit. Without explanation, the *Muther* opinion sets forth an affirmative act interpretation absent supporting precedent. This section briefly discusses several of the post-*Muther* cases in order to demonstrate the influence of the *Muther* court's holding.

In *Parker Rust Proof Co. v. Ford Motor Co.*,¹⁴⁰ the court adopted the *Muther* court's precise holding. In *Parker*, defendant Ford obtained a copy of plaintiff's patent prior to its infringing activity.¹⁴¹ At trial, Ford claimed that the patent was not infringed but declined to produce evidence of a good faith belief of non-infringement.¹⁴² Thus, the court found that Ford had "concealed from plaintiff knowledge of their infringement."¹⁴³ Accordingly, the court found that the defendant had knowledge of the patent's existence and of its infringement.¹⁴⁴ However, citing *Muther* and *Westinghouse*, the court held that the defendant's knowledge of the patent or even of its own infringement was not proof that the plaintiff notified the defendant of its infringement.¹⁴⁵ As in

140. 23 F.2d 502 (E.D. Mich. 1928).

141. *Id.* at 503.

142. *Id.*

143. *Id.*

144. *Id.*

145. *Id.* The court stated:

[T]he fact that the defendant and its predecessor had actual knowledge that it was infringing the patent in suit does not entitle plaintiff to recover damages or profits for the entire period of such knowledge. Proof is required to show that the defendant was notified by the plaintiff of the infringement, and recovery begins only from the date when plaintiff gave the notice specified in section 4900 of the Revised Statutes.

Muher, the court held that even though the defendant knew of the patent and of its own infringement, the plaintiff was not entitled to full recovery because it had failed to perform the affirmative acts required by the statute.

Shortly after *Parker Rust*, the Western District of Pennsylvania adopted the affirmative act interpretation. In *General Electric Co. v. George J. Hagan Co.*,¹⁴⁶ the defendant had previously manufactured furnaces covered by the plaintiff's patent through a license negotiated with the plaintiff.¹⁴⁷ Although the defendant's license expired and the plaintiff refused to renew, the defendant continued to manufacture infringing furnaces.¹⁴⁸ Thus, it was clear that the defendant had knowledge of the plaintiff's patent and of its infringement. Citing *Dunlap*, *Muher*, and *Parker Rust*, the court held that the plaintiff failed to notify the defendant of its infringement in accordance with the statute.¹⁴⁹

The Southern District of New York adopted the affirmative act interpretation in *International Nickel Co. v. Ford Motor Co.*,¹⁵⁰ wherein the court stated that the patentee must expressly notify the defendant of infringement.¹⁵¹ The court, however, did suggest a different result if the defendant "fraudulently concealed" its infringing activity.¹⁵² The Southern District of New York clarified its position with respect to the notice provision in *Lemelson v. Fisher Price Corp.*¹⁵³ As previously

Id. See also *Smith v. Dental Prods. Co.*, 140 F.2d 140, 152 (7th Cir. 1944) (citing *Parker Rust* with approval).

146. 40 F.2d 505 (W.D. Pa. 1929).

147. *Id.* at 507.

148. *Id.*

149. *Id.* In doing so, the court stated:

At no time did plaintiff comply with the statutory provisions of notice to the public by marking, and at no time did plaintiff either verbally or in writing, notify defendant that it was infringing the patent in suit. It follows, therefore, that plaintiff is not entitled to an accounting for profits and damages.

Id. at 506. See also *Son v. Pressed Steel Car Co.*, 21 F.2d 528 (S.D.N.Y. 1927).

150. 165 F. Supp. 551 (S.D.N.Y. 1958). For a discussion of this case, see *infra* note 192.

151. *Id.* at 567 ("There can be no recovery for the period before the defendant is expressly notified by the patentee that it is infringing a particular patent.")

152. *Id.* See also *Miller v. Daybrook-Ottawa Corp.*, 291 F. Supp. 896 (N.D. Ohio 1968) where the district court held that the defendant's knowledge of the patent is not sufficient. *Id.* at 904 (stating that the defendant "was not required to presume from his knowledge that the patentee was demanding relief from his actions"). However, the *Miller* court did suggest circumstances where affirmative acts on the part of the patentee would not be necessary. See *id.* at 903-04.

153. 545 F. Supp. 973 (S.D.N.Y. 1982)

noted, however, the *Lemelson* court misquoted the affirmative fact recitation in *Dunlap* as "affirmative act".¹⁵⁴

The holding in *Muther* was explicitly discussed recently in *Ceeco Machinery Mfg. v. Intercole, Inc.*¹⁵⁵ In evaluating the notice requirement, the District Court of Massachusetts adopted the interpretation of the notice provision presented in *Muther* and held that the patentee must act affirmatively in notifying the defendant of its infringement.¹⁵⁶

The requirement that the patentee perform affirmative acts in notifying the defendant of its infringement is prevalent throughout the *Muther* line of cases. The progression of the affirmative act interpretation is evident from the 1927 *Muther* decision to the 1994 *Amsted* opinion. *Muther* set in motion an interpretation of the statute neither required by the Supreme Court nor contemplated by the policy or purpose of the statute. In any event, the *Muther* court's affirmative act requirement, whether through error or reasoned analysis, substantially altered the course of interpretation of the notice provision. During the development and infiltration of the affirmative act interpretation, however, another line of cases emerged rejecting this requirement when a defendant knowingly and secretly infringes the patent of another.

D. An Alternative Interpretation of the Notice Provision Exemplified by Warner

I. The Basis for the Second Line of Cases Following *Dunlap*

Unlike the *Muther* line of cases, in *Dunlap*, the Supreme Court did not place limitations on the permissible sources of notice. Rather, the *Dunlap* decision addressed the nature of the burden of proof associated with the patent marking and notice statute. The early post-*Dunlap* cases expressly identified the correct interpretation of the *Dunlap* holding.

The Third Circuit addressed the notice provision in *American Caramel Co. v. Thomas Mills & Bro.*¹⁵⁷ Here, the defendant denied the

154. See *id.* at 976. Similarly, a Florida district court recently misquoted the *Dunlap* decision in *MacPike v. American Honda Motor Co.*, 29 U.S.P.Q.2d (BNA) 1526, 1531 (N.D. Fla. 1993).

155. 817 F. Supp. 979 (D. Mass. 1992).

156. *Id.* at 986 ("I adopt *Muther's* implicit holding as identifying the governing approach."). Although the court adopted the affirmative act requirement, it went on to find that the plaintiff had taken the affirmative action required by the statute. Specifically, the court found the plaintiff's prior notice to employees of the defendant sufficient. *Id.* at 987. Moreover, the court noted that the defendant's employees were aware of the plaintiff's involvement in related litigation over the same product. *Id.* at 987.

157. 162 F. 147 (3d Cir. 1907).

plaintiff's assertion of notice in accordance with the statute.¹⁵⁸ The court had little trouble concluding that because the plaintiff had the burden of proof, it had failed to prove notice as required by the statute.¹⁵⁹ The court indicated that the defendant is presumed to have acted innocently, absent marking or notice in accordance with the statute.¹⁶⁰ Citing *Dunlap*, the court noted that "compliance with the statute is required to be affirmatively shown" by the patentee in order to receive damages.¹⁶¹ Avoiding the mistake in the *Muther* line of cases, the Third Circuit recognized the import of the language in *Dunlap*. Specifically, the *American Caramel* court interpreted *Dunlap* as requiring the patentee to affirmatively show compliance with the statute by either constructive or actual notice.

Similarly, the court in *Sprague v. Bramhall-Deane Co.*¹⁶² correctly interpreted the holding in *Dunlap*. The court sustained defendant's demurrer to the complaint on the basis that marking or notice in compliance with the statute was not alleged by the plaintiff.¹⁶³ In doing so, the court indicated that patentees seeking to recover damages for infringement of a patented article must "affirmatively establish" compliance with the statute.¹⁶⁴

Therefore, the early post-*Dunlap* decisions¹⁶⁵ clarified the specific holding set forth by the Supreme Court in *Dunlap* — that the patentee must affirmatively establish constructive or actual notice to a particular defendant.

2. Warner Epitomizes the Second Line of Cases Post-*Dunlap*

The Sixth Circuit, in *Warner v. Tennessee Products Corp.*,¹⁶⁶ clarified the permissible sources of notice contemplated by the statute, holding that actual notice of infringement fulfills the notice requirement regardless of whether or not the patentee performed an affirmative act.

158. *Id.* at 148.

159. *See id.*

160. *Id.*

161. *Id.*

162. 133 F. 738 (C.C.S.D.N.Y. 1904).

163. *Id.*

164. *Id.*

165. *See also* Tuttle v. Claflin, 76 F. 227, 237 (2d Cir. 1896) (stating that *Dunlap* has settled the rules of pleading in connection with the notice provision); Gibson v. American Graphophone Co., 234 F. 633, 634 (2d Cir. 1916) (stating that the patentee has the burden of proof, and the issue of notice is a factual one for the jury); Pairpoint Mfg. Co. v. Eldridge Co., 71 F. 307, 309 (C.C.D. Conn. 1896) (noting that the law has been settled since *Dunlap*, and that the plaintiff has the burden of proving notice).

166. 57 F.2d 642 (6th Cir.), *cert. denied*, 287 U.S. 632 (1932).

In *Warner*, the plaintiff was an assignee of a patent directed to a process of making ferropherous in a blast furnace. Prior to the assignment of the patent to the plaintiff, the assignor had sued the same defendant for infringement.¹⁶⁷ In that suit, the defendant settled just prior to trial and stipulated to the validity of the patent and to its infringement.¹⁶⁸ Subsequent to the patent assignment, the defendant began practicing the patented process, and the plaintiff filed suit alleging infringement.¹⁶⁹ The defendant asserted that it was practicing a process different from that considered by the court in the previous suit, and therefore estoppel was not appropriate.¹⁷⁰ The trial court, however, found that the defendant was estopped by the previous judgement and granted an accounting for the entire period of infringement.¹⁷¹

On appeal the defendant argued that the plaintiff had failed to notify the defendant as required by the statute. The Sixth Circuit held that even if the statute applied to process patents,¹⁷² the prior lawsuit against the defendant "was sufficient notice of infringement," and that "[a]ctual notice of the issue and contents of the patent, and of the claim that a practice infringes, is sufficient regardless of the source of such notice."¹⁷³ The *Warner* decision provides a much different interpretation of the statute than the *Muther* line of cases — actual notice of infringement is sufficient, regardless of the source of notice.

Following the principles laid down in *Warner*, the court in *Abington Textile Machinery Works v. Carding Specialists (Canada) Ltd.*¹⁷⁴ held that the infringing plaintiff's knowledge of the patents during its period of infringement satisfied the notice provision of the statute. The infringing plaintiff argued that damages were not recoverable prior to June 11, 1962, "the date of the first formal notice of infringement given plaintiff by defendant subsequent to issuance of the patent in suit."¹⁷⁵ The patentee-defendant argued that, because the plaintiff knew of its infringement, damages were also recoverable for an eight-month period between the issue date of the patent and the date of the plaintiff's direct

167. *Id.* at 643.

168. *Id.*

169. *Id.*

170. *Id.*

171. *Id.*

172. The court noted, but did not decide, the issue of whether the statute applied to process patents at all. This case was decided just prior to *Wine Railway*.

173. *Warner*, 57 F.2d at 646. See also *Lemelson v. Fisher Price Corp.*, 545 F. Supp. 973, 977 n.13 (S.D.N.Y. 1982) ("Given those exceptional and equitable circumstances, the [*Warner*] court held that the first suit was sufficient notice and did not require to be given again, this time by the assignee.").

174. 249 F. Supp. 823 (D.D.C. 1965).

175. *Id.* at 849.

notice of infringement to the defendant.¹⁷⁶ The court agreed with the patentee-defendant, and held that the infringing plaintiff had notice of its infringement in the "real sense" when the patent issued and it continued to infringe.¹⁷⁷ Like *Warner, Abington* illustrates the principle that an infringing defendant cannot escape liability when it knowingly infringes another's patent.¹⁷⁸

For example, the court in *T.C. Weygandt Co. v. Van Emden*¹⁷⁹ found compliance with the notice provision when the defendant knew of the plaintiff's patent prior to engaging in the infringing activity.¹⁸⁰ The defendant was previously a salesman for the plaintiff, which distributed candy machines manufactured by a German company.¹⁸¹ The plaintiff owned the rights to the U.S. patent covering the candy machines and the defendant knew of the plaintiff's rights in the patent.¹⁸² The plaintiff's machines were not marked in precise compliance with the statute.¹⁸³ The defendant ordered and received two of the German candy machines through a foreign secondary market in order to avoid dealing with the German manufacturer. The plaintiff sent the defendant a letter indicating its ownership of a covering patent and charged the defendant with infringement.¹⁸⁴ The court noted that the defendant, "who knew that he

176. *Id.*

177. *Id.* The court emphasized the plaintiff's knowledge of its infringing activity during the full period of infringement, stating:

[T]hat the June 11, 1962 notice was the first notice of infringement given plaintiff by defendant is true, insofar as formal notices of infringement written after the issuance of a patent are concerned. But that notice was not the first notice of infringement of the patent in suit in a real sense. Plaintiff's Treasurer and General Manager Smith testified at the trial that he learned late in September 1961 that there was an allowed patent application on the Varga invention. . . . Plaintiff's General Manager also testified that he personally saw a copy of the Varga patent in suit "shortly after October 10th, 1961, when it was issued by the Patent Office." Thus, plaintiff must be considered to have had not only constructive notice but also actual notice of the existence of the patent in suit as of its issue date.

Id.

178. See also *Oil Well Improvements Co. v. Acme Foundry & Mach. Co.*, 31 F.2d 898 (8th Cir. 1929), where the plaintiff sued for infringement of its patent of an oil well casing head. *Id.* at 899. At trial, the plaintiff proved that the defendant was informed of plaintiff's patents prior to its infringement. *Id.* at 901. The Eighth Circuit held that notice to the defendant of the plaintiff's patent prior to defendant's manufacturing and sale of the infringing devices constituted proper notice. *Id.*

179. 40 F.2d 938 (S.D.N.Y. 1930).

180. *Id.* at 940.

181. *Id.*

182. *Id.*

183. *Id.*

184. *Id.*

had been infringing and saw he had been caught, stopped his infringing practices at once."¹⁸⁵ Citing *Oil Well Improvements Co. v. Acme Foundry & Machine Co.*,¹⁸⁶ the court held that the defendant had actual notice prior to the sale of the infringing devices and was therefore liable for damages covering the entire period of infringement.¹⁸⁷ The Fourth Circuit also agrees with the Warner interpretation. In *American Ornamental Bottle Corp. v. Orange-Crush Co.*,¹⁸⁸ the court held that where a defendant "boldly appropriates" the patented invention of another, the notice provision of the statute has no application at all.¹⁸⁹ The court stressed the egregious activity of the defendant including appropriating the plaintiff's invention and fraudulently applying for a patent on the invention in his own name.¹⁹⁰ The court held that the statute was designed to protect persons who might be led into believing an invention was unpatented and, therefore, that the statute had no application when an infringer boldly appropriated the patented invention of another.¹⁹¹

185. *Id.*

186. 31 F.2d 898, 900-01 (8th Cir. 1929). See discussion *supra* note 178.

187. *T.C. Weygandt*, 40 F.2d at 940. The defendant's prior notice has been held acceptable by other courts. For example, in *Nicholson v. Bailey*, the plaintiff notified defendant when he purchased certain trees that they were patented. 182 F. Supp. 509 (S.D. Fla. 1960). The court held that:

Such notice fairly informed the defendant of the fact that the two trees purchased from plaintiff were patented and that certain acts by the defendant would constitute an infringement of plaintiff's patent. It has been repeatedly held that such prior notice is sufficient to satisfy the intent of the statute.

Id. at 512-13. In *Azorjan Newman & Co. v. Richelieu Corp.*, the court found compliance with the statute where the plaintiff received notice by defendant of its patents and was aware the patents would be "vigorously enforced." 81 F. Supp. 763, 764 (S.D.N.Y. 1948).

188. 76 F.2d 969 (4th Cir. 1935).

189. *Id.* at 970-71 ("The infringer was so well aware, from the beginning, of the impropriety of its acts that the provisions for formal notice under the statute can have no application."). This case is the first to apply an equitable exception to the marking and notice statute. This Article focuses on the interpretation of the notice provision as a matter of statutory construction, not on the application of an equitable exception. It will be noted, however, that the result is identical — willful infringers in egregious fact situations are held accountable for the full period of infringement. Therefore, *American Ornamental* provides guidance on the issue of statutory intent and purpose.

190. *Id.* at 971.

191. *Id.* The Fourth Circuit emphasized the purpose of the statute and its inapplicability in egregious fact scenarios stating:

The actions of the plaintiff company from the beginning disclosed a deliberate intent to take the property of another, and we cannot suppose that Congress intended that the statute should be used to enable an infringer, guilty of such intentional wrongdoing, to continue his

The *Warner* line of cases offers a substantially different interpretation of the notice provision than the *Muther* line. The courts that follow *Warner* consider the knowledge and actions of the infringer to determine notification within the meaning of the statute.¹⁹² These courts correctly construe the *Dunlap* decision and the statute: actual notice of infringement fulfills the notice requirement, regardless of whether or not the patentee performed an affirmative act. The *Warner* line indicates that an infringer who commences infringing activity knowing of the existence of a covering patent is notified within the meaning of the statute. Therefore, willful infringers are per se notified within the meaning of the statute.

wrongful acts with impunity during the period prior to formal notice.

The right of an owner of a patent to recover damages for infringement is recognized in . . . and the limitation thereon imposed by R.S. § 4900, as amended (35 USCA § 49), was obviously designed to protect persons who might be led into infringement of a patent under mitigating circumstances. No such purpose would be served by applying the section to one who boldly appropriated the invention of another, and attempted to secure a patent thereon for himself.

Id. Compare *Chesapeake & Ohio Ry. Co. v. Kaltenbach*, 124 F.2d 375, 376-77 (4th Cir. 1941) (holding that in some circumstances equity permits the accrual of damages even prior to the issue of a patent) and *Hoeltke v. C.M. Kemp Mfg. Co.*, 80 F.2d 912, 922-23 (4th Cir.), cert. denied, 298 U.S. 376 (1936) with *Swan Carburetor Co. v. Nash Motors Co.*, 133 F.2d 562 (4th Cir.) (holding that it was proper to calculate damages from the date of notice of infringement rather than from the date on which infringement began), cert. denied, 320 U.S. 762 (1943).

192. For example, in *Livesay Window Co. v. Livesay Industries*, the Fifth Circuit, citing *Warner* with approval, indicated that the statutory notice requirement is satisfied by proof of the infringer's actual knowledge of the patentee's claim of infringement. 251 F.2d 469, 475 (5th Cir. 1958). The court concluded: "The [i]nfringer could hardly have more clearly expressed its interpretation of that suit as a claim of infringement. . . . When one acknowledges for his adversary that the adversary is claiming infringement, the law most certainly does not compel the patent owner to repeat it any more explicitly." *Id.* at 475. Similarly, in *International Nickel Co. v. Ford Motor Co.*, Ford contended that there was no evidence that it received the statutory notice prior to the institution of the suit and, therefore, damages should not accrue until that date. 166 F. Supp. 551, 566 (S.D.N.Y. 1958). *International Nickel* ("INCO") asserted that Ford knew it was infringing; therefore, damages should accrue from the day Ford began production of the infringing product. The court relied on the fact that during licensing negotiations, counsel for Ford acknowledged that Ford was "'piling up liabilities' to INCO by its indecision whether to become a licensee under the patent in suit." *Id.* at 567 (quoting testimony elicited at trial). The court concluded that this statement was an admission of the receipt of notice, thereby satisfying the requirement of the notice provision. *Id.* The court stated, "[c]oming from a trained patent counsel, who must have known that notice is necessary for the accruing of damages for infringement, such a statement was an admission of the receipt of such notice." *Id.*

V. *AMSTED INDUSTRIES INC. v. BUCKEYE STEEL CASTINGS CO.*

In *Amsted Industries Inc. v. Buckeye Steel Castings Co.*,¹⁹³ the Federal Circuit interpreted the notice provision of the patent marking and notice statute¹⁹⁴ to allow an infringer to willfully, intentionally, and in bad faith infringe another's patent for a period of five years without the imposition of damages.

The patent at issue in *Amsted* disclosed and claimed an apparatus combination for railroad car underframe structures.¹⁹⁵ Amsted manufactured a center plate component that was merely one element of the patented combination, but was itself unpatented.¹⁹⁶ Amsted in turn sold the center plate component to rail car manufacturers for assembly into the patented combination.¹⁹⁷ Amsted did not have any licensees under the patent, and neither Amsted nor the rail car manufacturers placed patent markings on their respective products. Buckeye, another manufacturer-supplier,¹⁹⁸ attempted to design around the center plate component, but failed to produce a preferable design.¹⁹⁹ Buckeye also attempted but failed to secure a license under the patent.²⁰⁰ Buckeye finally copied the center plate component manufactured by Amsted, despite the advice of counsel that such copying would likely infringe Amsted's patent.²⁰¹ Thus, Buckeye manufactured its infringing product with full awareness of Amsted's patented invention; therefore, Amsted sued Buckeye for willful²⁰² contributory infringement.²⁰³ The jury returned special verdicts finding that Buckeye had infringed Amsted's patent and that the infringement was willful.²⁰⁴

193. 24 F.3d 178 (Fed Cir. 1994). The pertinent facts of *Amsted* are also set forth in the district court decision. See *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 28 U.S.P.Q.2d (BNA) 1352 (N.D. Ill. 1993).

194. 35 U.S.C. § 287(a) (1994).

195. *Amsted*, 24 F.3d at 180.

196. *Id.*

197. *Id.*

198. *Id.*

199. *Id.*

200. *Id.*

201. *Id.*

202. See *supra* part III.

203. *Amsted*, 24 F.3d at 180.

204. *Id.* at 181. The jury found Buckeye liable for \$1,497,232 in damages that accrued after January 10, 1986 — the date Amsted allegedly notified Buckeye by letter of its infringement. *Id.* In view of Buckeye's deliberate copying, the district court ruled that "the jury's finding of willfulness should be accorded 'its full potential legal effect'" and that Amsted was entitled to treble damages as authorized by 35 U.S.C. § 284. *Amsted*, 24 F.3d at 183-84 (quoting *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 28 U.S.P.Q.2d (BNA) 1352, 1355 (N.D. Ill. 1993)). The total award of damages,

Several dates are significant in understanding the implications of the Federal Circuit's holding. Although Amsted's patent did not expire until May 23, 1989,²⁰⁵ Buckeye deliberately copied the patented invention against the advice of counsel sometime in 1984.²⁰⁶ In a letter dated January 10, 1986, Amsted notified several competitors, including Buckeye, that it had acquired rights in the patent at issue and warned them against infringement.²⁰⁷ In a letter dated January 27, 1989, Amsted specifically charged Buckeye with infringement of its patented combination.²⁰⁸ Amsted filed suit against Buckeye on February 25, 1991, thus only permitting recovery of damages that accrued after February 25, 1985 due to the statute of limitations.²⁰⁹

The Federal Circuit affirmed the finding of willful infringement and the award of enhanced damages and attorney fees to Amsted.²¹⁰ In reasoning that the "for or under" language of the statute applied to express and implied licensees, the court first held that Amsted had a duty to mark in accordance with the statute even though it did not itself manufacture the patented combination.²¹¹ The court then reversed the jury finding that Amsted's first letter dated January 10, 1986 constituted proper notice.²¹² The court determined that the first letter was not legally sufficient to satisfy the requirements of the statute.²¹³ As a matter of law, Amsted could recover damages only after Buckeye was notified of its infringement by the second letter dated January 27, 1989.²¹⁴ The court

including \$793,000.93 in pre-judgment interest, was determined to be \$5,284,696.93, plus reasonable attorney's fees. *Amsted*, 28 U.S.P.Q.2d at 1362.

205. Seventeen years from the issue date of May 23, 1972. *Amsted*, 24 F.3d at 180.

206. *Id.* at 182.

207. *Id.* at 185-86.

208. *Id.* at 186.

209. The patent statute provides for a six year statute of limitations. 35 U.S.C. § 286 (1994). The Amsted patent expired on May 23, 1989 and suit was filed on February 25, 1991. Accordingly, Amsted was only permitted to claim damages that accrued from February 25, 1985 to May 23, 1989.

210. *Amsted*, 24 F.3d at 184. As to willful infringement, the Federal Circuit found that it would have been reasonable for the jury to conclude that Buckeye's engineering director did not have a good faith belief that the patent was invalid when he made the decision to copy the patented design. *Id.* at 183.

211. *Id.* at 185. At least one commentator suggests that this interpretation of the marking provision is not practical in view of the patentee's position as a seller without contractual rights in a buyer-seller relationship. CARL G. LOVE, PATENT MANAGEMENT: PRESERVE YOUR DAMAGES BY PROPER MARKING AND INFRINGEMENT NOTICES (1994).

212. *Id.* at 187.

213. *Id.* The Federal Circuit did recognize the district court's statement of law that the notice requirement was satisfied where the infringer acknowledges a specific communication to be a notice of infringement. The Federal Circuit, however, explicitly reserved addressing this issue of law. *Id.* at 187 n.5.

214. *Id.* at 187.

then remanded the case for recalculation of damages based on the January 27, 1989 notification date.²¹⁵

This ruling resulted in a loss of millions of dollars for Amsted and permitted the recovery of only those damages that accrued from January 27, 1989 (the date of formal notice) to May 23, 1989 (the date the patent expired) — approximately a four month period. The *Amsted* decision demonstrates how the current interpretation of the notice provision impairs patent rights; damages will not be assessed against a willful infringer for any period prior to formal notice by the patentee. This Article demonstrates that such a result is not contemplated by the purpose, policy, or legislative history of the statute.

VI. THE NOTICE PROVISION AS CORRECTLY INTERPRETED: WILLFUL INFRINGERS ARE NOTIFIED AS A MATTER OF LAW

A. *The Affirmative Act Interpretation Contradicts Statutory Policy*

This Article has presented two lines of cases representing differing interpretations of the statute. The first interpretation, adopted by the Federal Circuit, requires that a patentee perform affirmative acts in notifying the defendant of its infringement; it ignores the independent knowledge and acts of the infringer. The second interpretation indicates that actual notice of the existence and infringement of a patent is sufficient, regardless of the source of such notice. This reading permits consideration of an infringer's knowledge and actions in the analysis. The position of this Article is that the second interpretation suggests the proper statutory construction: willful infringers are notified within the meaning of the statute as a matter of law.²¹⁶

215. In view of *Amsted's* virtually complete loss of damages and its obvious inability to obtain an injunction, it is not surprising that a settlement between the parties was entered on remand.

216. Willful infringement is a term of art and, if established by the plaintiff, may entitle it to increased damages. See *supra* part III. This Article suggests that when the plaintiff establishes willful infringement, the willful infringer should be considered to have been notified within the meaning of the statute. Although the cases of the *Warner* line in effect stand for this proposition, some of the cases are broader in their interpretation. For example, in *Warner*, notwithstanding the fact that the defendant might not have been a willful infringer, the court found that there had been notice. This Article proposes that the patentee must allege and prove willful infringement in order to satisfy the notice provision. Only then is the defendant notified of its infringement as required by *Dunlap*. The author believes, however, that there is some basis to conclude that actual knowledge of the patent itself may be enough to satisfy the statutory notice requirement. See *infra* note 229.

The Federal Circuit's affirmative act interpretation of the notice requirement contradicts the provision's statutory purpose and policy. First, it is based on a misunderstanding that has plagued the statute's interpretation since *Muth*.²¹⁷ Because the Federal Circuit misread the *Dunlap* decision, its analysis and holding are also necessarily flawed. Second, the affirmative act interpretation is contrary to both the policy of the statute and the dictates of statutory construction. It is axiomatic that in any exercise of statutory construction, a court must look to the object and policy rooted in a statute.²¹⁸ Moreover, courts should avoid an interpretation that, even if literally correct, is contrary to the reason of law and produces an absurd result or flagrant injustice.²¹⁹ Although the affirmative act interpretation serves one purpose of the statute (that of preventing innocent infringement), it extends its effects to cases not within the statute's purpose. Under the affirmative act standard, willful infringers who boldly infringe the patent of another will escape liability for the period prior to formalistic and redundant notice by the patentee. This interpretation actually encourages appropriation of unmarked patented products by providing incentive for infringers to secretly infringe patents covering unmarked products. This is an unjust result occurring at the expense of patentees.

The Federal Circuit's holding in *Amsted* is also inapposite to a basic tenet of patent law — encouragement of technologic innovation. In her concurring opinion in *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*,²²⁰ Judge Newman discussed the nature of patent rights and the effect of those rights on technologic innovation. In addressing the protection of investment in the context of the doctrine of equivalents, Judge Newman stated:

Most (but perhaps not all) students of technologic innovation today accept the proposition that there is a larger welfare benefit when the inventor is protected against appropriability by a competitor who did not bear the commercial risk. The cost of substantially imitating an established product, with or without improvements, is usually lower, and always less risky, than the originator's cost of creating, developing, and marketing the new product. Such a competitor can act in a shorter time than

217. See *supra* part IV(C).

218. See, e.g., *Crandon v. United States*, 494 U.S. 152, 158 (1990); *Aulston v. United States*, 915 F.2d 584, 589 (10th Cir. 1990), *cert. denied*, 500 U.S. 916 (1991).

219. See, e.g., *Sorells v. United States*, 287 U.S. 435, 446 (1932).

220. 62 F.3d 1512 (Fed. Cir. 1995), *cert. granted*, 116 S. Ct. 1014 (1996).

was needed by the patentee, and undercut the return to the patentee. . . . Because of the diminished risk-weighted incentive to the originator, it has generally been concluded that the "total welfare, but not the welfare of consumers, would be increased by making it more difficult to produce close substitutes for existing products."²²¹

Although a comprehensive discussion of the economic incentives associated with patent law protection of investment is beyond the scope of this Article, it seems clear that permitting a willful infringer to escape liability does not increase the total welfare of the nation and discourages investment-based risk. Permitting a willful infringer to escape liability effectively grants a royalty-free license to practice the patented invention and permits the willful infringer to compete with the patentee at lower cost.²²² This result fails to reward and may discourage technical innovation, weighing in on the side of the imitator, rather than the innovator.²²³

Of course, a patentee can avoid the pitfalls of the affirmative act interpretation by utilizing the constructive notice provision of the statute through the marking of its patented articles. A patentee who fails to mark does so at its own peril. However, this conclusion is short-sighted and ignores the realities of commercialization. Patentees fail to mark their products for a variety of practical reasons.²²⁴ Normally, patentees manufacture and sell products covered under an application that has not yet issued as a patent.²²⁵ Once a patent issues, immediate compliance with the marking provision is difficult.²²⁶ Shutting down manufacturing in order to retrofit product molds or packaging is cost-prohibitive in a business environment. Moreover, replacing unmarked products or packaging upon issuance of a patent would be a costly and unrealistic alternative for manufacturers. In reality, production will continue and unmarked products and packages will be delivered to the consumers until a planned and convenient opportunity to mark arises. Other

221. *Id.* at 1532 (Newman, J., concurring) (citations omitted).

222. See generally RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* § 3.3 (4th ed. 1992).

223. See *id.* at 1531 (Newman, J., concurring) ("[T]he harshness of modern competition, and the ever present need for industrial incentives . . . weigh on the side of the innovator, and thus favor a rule that tempers the rigor of literalness.").

224. But see ROBERT P. MERGES, *PATENT LAW AND POLICY: CASES AND MATERIALS* 834 (1992) (suggesting that patentees may strategically fail to mark in order to plan a "sneak-attack" upon competitors by way of injunction).

225. See, e.g., *American Medical Sys., Inc. v. Medical Eng'g Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993), *cert. denied*, 114 S. Ct. 1647 (1994).

226. See *id.*

problems accompany the manufacture of large scale machines or equipment that can have components that are embodied in hundreds of patents. It is often difficult to know what patent numbers should be marked on what machines; this problem is only aggravated by changing product designs. In some cases marking is prohibitively expensive in comparison to the manufacturing cost of the patented product. In an attempt to comply with the statute, patentees mark the packaging of products delivered in bulk shipments in order to avoid the cost of marking each consumer product. The holding in *Amsted* makes clear, however, that this attempt is futile.

B. The Correct Interpretation

By definition, a willful infringer has knowledge of the plaintiff's patent and has completely ignored (or demonstrated indifference to) the plaintiff's patent rights.²²⁷ Thus, a patentee who establishes that the defendant is a willful infringer also establishes that the defendant knew of the patent protecting the patentee's product, apparatus, or method during the period of infringement and that it knew of, or recklessly ignored, its own infringement. Under the *Amsted* court's misguided affirmative act standard, a willful infringer can escape liability if the patentee took no redundant affirmative steps to give the infringer additional notice of infringement.

The notice provision does not state who is required to provide notice to an infringer. It merely requires "proof that the infringer was notified of the infringement."²²⁸ The legislative history of the statute also fails to provide any guidance on the permissible sources of notice.²²⁹ In *Dunlap*,

227. See *supra* part III.

228. 35 U.S.C. § 287(a) (1994). The only limitation the provision requires is notification of infringement. Clearly, the term infringement as used in the provision is something less than its real and legal definition. A determination of infringement is a two-step process. First, the claims at issue must be construed, as a matter of law, to determine their proper meaning and scope. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970-71 (Fed. Cir.) (en banc), *aff'd*, 116 S. Ct. 1384 (1996). Then the properly construed claims are compared with an accused method or apparatus, as a matter of fact. *Lemelson v. General Mills Inc.*, 968 F.2d 1202, 1206 (Fed. Cir. 1992), *cert. denied*, 113 S. Ct. 976 (1993).

229. See *supra* part II(A). Though Congress gives no guidance with regard to notification in § 287(a), Congress has defined the notification requirements for the special class of process patents in § 287(b). The notification provision of § 287(b) merely requires proof that the defendant had actual knowledge of the patent. Process Patent Amendments Act of 1988, Pub. L. No. 100-418, § 9004, 102 Stat. 1564-66. Section 287(b) indicates that remedies in a 35 U.S.C. § 271(g) process patent action do not apply unless the person subject to liability had notice of infringement. 35 U.S.C. § 287(b)(2) (1994). Therefore, at least for subsection 287(b), notice of infringement

the Supreme Court clarified which party bears the burden of proving compliance with the statute.²³⁰ It did not discuss any necessary source of the notice.²³¹ Neither the literal words of the statute, the legislative history, nor the Supreme Court's *Dunlap* decision indicate who must provide notice to comply with the statutory requirement.

The purposes of the patent marking and notice statute are: (1) to prevent innocent infringement;²³² (2) to avoid deception against the public by unmarked patented articles;²³³ and (3) to give information which provides a ready means of discerning the status of the intellectual property to the public.²³⁴ The statute is intended to prevent the following sequence from happening: (1) a manufacturer is lulled into thinking that improvements in an unmarked commercial device are free for all to use; (2) the manufacturer begins to make and sell an infringing article; (3) the manufacturer is sued by a patentee seeking damages for patent infringement; and (4) the patentee obtains damages for the entire period of infringement because an infringer's claim of lack of intent or knowledge is irrelevant. The statute avoids this sequence by punishing those manufacturing patentees who fail to mark their products.²³⁵ Specifically, if a manufacturing patentee fails to mark in accordance with the statute, it may claim damages only after an alleged infringer receives actual notice of its infringement.

Notwithstanding the above, allowing a willful infringer to boldly appropriate the invention of another does not serve the purpose of the

means "actual knowledge, or receipt of a written notification, or a combination thereof, of information sufficient to persuade a reasonable person that it is likely that a product was made by a process patented in the United States." 35 U.S.C. § 287(b)(5)(A) (1994). The legislative history of § 287(b) makes clear that notice of infringement is "actual knowledge or written notification." H.R. CONF. REP. NO. 576, 100th Cong., 2d Sess. 1087 (1988).

230. Even the Federal Circuit has recognized this part of the *Dunlap* holding. See *Motorola, Inc. v. United States*, 729 F.2d 765 (Fed. Cir. 1984), where after the court correctly quoted the *Dunlap* decision, it concluded that the statute was "a burden of pleading and a burden of proof provision." *Id.* at 770.

231. See *supra* part IV(A).

232. See *Motorola*, 729 F.2d at 772 ("[A] fundamental rationale supporting section 287 — supplying notice in order to prevent innocent infringement." (citing *Wine Ry. Appliances Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 394 (1936))).

233. See *Wine Ry.*, 297 U.S. at 398 (noting that the purpose of the patent marking and notice statute is to provide "protection against deception by unmarked patented articles, and requires nothing unreasonable of patentees"); see also *American Ornamental Bottle Corp. v. Orange-Crush Co.*, 76 F.2d 969, 971 (4th Cir. 1935) (stating that the statute "was obviously designed to protect persons who might be led into infringement of a patent under mitigating circumstances").

234. See *Bonito Boats, Inc. v. ThunderCraft Boats, Inc.*, 489 U.S. 141, 162 (1989).

235. See *Wine Ry.*, 297 U.S. at 395 (noting that the patent marking and notice statute "subtracts something and creates an exception").

notice provision.²³⁶ A willful infringer is obviously not innocent in any sense of the word: a former employee appropriates a patented machine;²³⁷ a third party knowingly appropriates the invention and applies for a patent;²³⁸ a company copies a patented invention while ignoring the advice of counsel;²³⁹ a former licensee stops paying royalties but continues to infringe.²⁴⁰ None of these infringers would be able to escape liability under the correct interpretation of the statute, found in the *Warner* line of cases. This interpretation is in direct accord with the goal of preventing punishment of innocent infringement. An innocent infringer of a patent would not be held liable for damages prior to notification of infringement, since a patentee would be unable to plead and prove notice prior to the filing of the suit as required by *Dunlap*. Since innocent infringers would be shielded from liability, the purpose and policy of the statute would be served.

If the Federal Circuit interpreted the notice provision as the *Warner* line did, the result in *Amsted* would change.²⁴¹ Because *Amsted* proved that Buckeye was a willful infringer, Buckeye would be potentially liable for damages from the moment that it deliberately copied the patented invention of *Amsted* in 1984. This result is in accord with the purpose of the statute; it holds willful infringers liable for the full period of infringement, while relieving innocent infringers from damages until the provisions of the statute are satisfied. The Federal Circuit should overturn the *Amsted* decision en banc, otherwise competitors of a patentee will be permitted to continue to secretly infringe with impunity during the period before formal notice by a patentee — a result that rewards imitators and fails to promote the progress of the useful arts.²⁴²

236. See *American Ornamental*, 76 F.2d at 971.

237. See *T.C. Weygandt Co. v. Van Emden*, 40 F.2d 938 (S.D.N.Y. 1930).

238. See *American Ornamental*, 76 F.2d at 970.

239. See *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178 (Fed. Cir. 1994).

240. See *General Elec. Co. v. George J. Hagan Co.*, 40 F.2d 505 (W.D. Pa. 1929).

241. Because the patentee provided the necessary proof to establish willful infringement, a similar change in result would occur if the proposed interpretation is applied to the facts in the Federal Circuit case of *American Medical Sys. v. Medical Eng'g Corp.*, 6 F.3d 1523 (Fed. Cir. 1993), *cert. denied*, 114 S. Ct. 1647 (1994).

242. Unfortunately, the federal district courts are now following the affirmative act interpretation of the statute. See *On Command Video Corp. v. Lodgenet Entertainment Corp.*, No. C 95-546 SBA, 1995 U.S. Dist. LEXIS 20192 (N.D. Cal. 1995); *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 891 F. Supp. 751, 830 (E.D.N.Y. 1995); *Endress & Hauser, Inc. v. Hawk Measurement Sys. Pty. Ltd.*, 892 F. Supp. 1123, 1132 (S.D. Ind. 1995); *Maxwell v. K Mart Corp.*, 880 F. Supp. 1323, 1339 (D. Minn. 1995). In *Stryker*, the district court found that the defendant "willfully and deliberately copied" the patented invention and its conduct was "egregious and in bad faith." *Stryker*, 891 F. Supp. at 834. The court also found that the defendant "had actual notice of the plaintiff's

VII. CONCLUSION

The Federal Circuit's current interpretation of the patent marking and notice statute, as exemplified by *Amsted*, perpetuates the misreading of the seminal Supreme Court case of *Dunlap v. Schofield*, which spawned the *Muther* line of cases. The Federal Circuit's requirement of an affirmative act by the patentee to notify infringers is contrary to the purpose and policy of the statute and operates to reward those who secretly and willfully infringe the patents of others. The notice provision has been correctly interpreted by other federal courts subsequent to the *Dunlap* decision in the line of cases exemplified by *Warner*. These courts maintain that actual notice of the existence and infringement of a patent is sufficient to support liability, regardless of the source of such notice. Under this interpretation, willful infringers like the defendant in *Amsted* are notified within the meaning of the statute as a matter of law. Accordingly, willful parties are liable for damages during the entire period of infringement, while innocent infringers are shielded by the notice provision. This interpretation serves the purpose and policy of the statute and should be adopted by the Federal Circuit.

patent as of January 5, 1990." *Id.* On this basis, the court enhanced the damage award to double the amount (to a total of \$52,697,968) to the patentee. *Id.* However, citing *Amsted*, the court held that compliance with the statute did not occur until April 26, 1990 when the patentee performed affirmative acts in notifying the defendant. *Id.* at 830. Thus, damages that accrued between January (when the defendant became aware of the patent) and April (when the patentee performed affirmative acts in compliance with the statute) could not be awarded to the patentee (costing the patentee a total of \$1,306,622, or with double damages, \$2,613,244). Subsequently, another panel of the Federal Circuit discussed the *Amsted* holding in *Conopco, Inc. v. May Dept. Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994) (citing *Amsted*, the *Conopco* court noted: "Since Conopco did not mark its product with the '179 patent number, defendants are not liable for patent infringement damages prior to the date they had actual notice of the '179 patent"), *cert. denied*, 115 S. Ct. 1724 (1995). Presumably, actual notice translates into affirmative notice by the patentee.