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Patent Alert
January 2010

Higher Fines for False Patent Marking

The Federal Circuit holds that the fine for false patent marking applies to each article so marked. *The Forest Group v. Bon Tool Co. et al.*, Fed. Cir. No. 2009-1044 (Dec 28, 2009).

By John J. Marshall and Matthew S. Bodenstein

The Court of Appeals for the Federal Circuit has held that falsely marking individual articles constitutes a separate offense for each article, making the marking of each article subject to a statutory fine under 35 U.S.C. §292.[1] This decision overrules decades of district court decisions that had limited the imposition of fines for false marking to each decision to mark, or to discrete time intervals during which the false marking occurred.

The Court of Appeals based its opinion on the plain language of 35 U.S.C. Section 292, established by the Patent Act of 1952, and attributed contrary prior decisions of the district courts to an erroneous reliance on a 1910 opinion of the First Circuit Court of Appeals[2] that was decided upon a similar, but differently worded, section from the Patent Act of 1870.

The Federal Circuit rejected a policy-based argument that applying the fine to each article would give rise to a "new cottage industry" of plaintiffs who have suffered no direct harm from the false marking.[3] The opinion expressly approves such litigation, stating that the public interest is served by encouraging *qui tam* enforcement and that a per-article fine will provide a sufficient reward to encourage *qui tam* actions, where a more restrictive interpretation of "each offense" would not.

The opinion dismissed the argument that a per-article fine would result in a disproportionately large penalty for false marking on small, inexpensive items that are sold in great quantity, noting that a district court has discretion to award even "a fraction of a penny per article" up to the maximum of $500. Given the opinion's emphasis on encouraging section 292 litigation for the benefit of the public, however, a district court will no doubt feel obligated to make the award at least profitable for a *qui tam* plaintiff.

[1] *The Forest Group v. Bon Tool Co. et al.*, 2009-1044 (Fed. Cir. 2009).

[2] *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910).

[3] An *Amicus* brief was filed on behalf of a patent attorney who in 2008 formed a holding company for the purpose of bringing *qui tam* actions against companies for marking products with expired patents. The points made in the *Amicus* brief were closely paralleled in the Court of Appeals' opinion.

As a consequence of the *Forest Group* opinion, we can expect to see section 292 violations pleaded as a counterclaim in patent litigation where the plaintiff placed patent markings on its own products for which it had no reasonable belief that they were covered by the patent (as in the *Forest Group* case), as well as an increase in *qui tam* cases over products marked with patents that have expired.

The *Forest Group* opinion leaves open a few important questions that may soon be answered by other cases pending in the Federal Circuit:

Is the "intent to deceive" requirement satisfied where an expired patent did cover the product and its marking continued through simple neglect?

The *Forest Group* opinion states two potentially conflicting standards. It quotes an earlier Federal Circuit opinion that: "Intent to deceive is a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true."[4] This standard might exonerate a patent owner who believed in the truth of the marking at its origin and made the omission of not stopping when the patent expired. The opinion, however, also expresses a different standard, supposedly gleaned from the same prior opinion, that false marking is established through showing "that the accused party did not have a reasonable belief that the articles were properly marked." This statement may place an affirmative duty on the patent holder at the time of each marking. This issue should be answered by the Federal Circuit in a case currently on appeal, *Pequignot v. Solo Cup.*, Dk. No. 09-1547.

Does a mass merchandiser have liability under section 292 for selling and advertising products bearing a false patent marking placed by a vendor?

Although section 292 includes the term "uses in advertising in connection with any unpatented article" as one of the acts of false marking, the district court for the Northern District of New York dismissed a claim against Target Corporation on the grounds that use in advertising requires more than showing that the retailer advertised a product that is falsely marked – the plaintiff must show that the retailer's advertisement specifically draws intention to the marked patent. This case is also currently on appeal. *Inventorprise Inc. v. Target Corp. et al.*, Dk. No. 10-1130.

What You Should Do Now

Review all patent markings for accuracy. Marking should be done, as it is an important prerequisite to obtaining damages for infringement occurring prior to filing a complaint for patent infringement. As the *Forest Group* case demonstrates, however, the same diligence must be applied to determine when to cease marking.

The obvious times for such review are when:

- a patent expires;
- a decision is made to not pay a maintenance fee;
- a court renders a claim construction that you do not intend to appeal; or
- a significant revision is made in the product design.

[4] Citing from *Clontech Labs. Inc. v. Invitrogen Corp.*, 406 F.3d. 1347,1352 (Fed. Cir. 2005)

If a review following a claim construction or product redesign confirms that you continue to have a reasonable belief that the patent marking is true, you should document the basis for that belief.

For more information about patent marking or this Alert, contact John Marshall at John.Marshall@dbr.com or (610) 993-2274, or your regular patent law contact at Drinker Biddle.

For more information about *qui tam* litigation, contact Mike McManus at Michael.McManus@dbr.com or (202) 230-8830, or Jeff Lopez at Jeffery.Lopez@dbr.com or (202) 230-8866.

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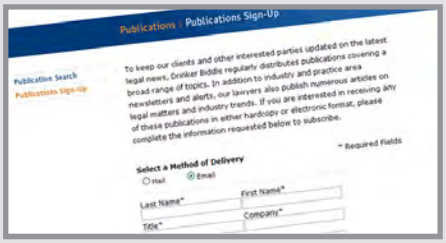

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