

Merchant & Gould

An Intellectual Property Law Firm

FALSE MARKING ALERT

The Federal Circuit recently held in *Forest Group, Inc. v. Bon Tool Co.*ⁱ that the penalty for false marking under 35 U.S.C. §292 is up to \$500 for *each* falsely marked article, in other words, up to \$500 for *every* widget falsely marked. This is a change from previous constructions of §292, which did not apply the penalty on a per-article basis. This change, combined with §292's provision that allows anyone to sue for false marking and split the penalty with the government, will likely bring scrutiny to companies' marking schemes and potential lawsuits to recover the penalty. Patent holders need to be aware of this change and need to make sure their products are not falsely marked with patents that do not cover the product or have expired.

The Law on False Marking

A person violates §292 when they, with the intent to deceive the public, mark a product as patented that is not, or mark a product as patented without the patentee's consent with the intent to deceive the public into believing that the product is made by or with the consent of the patentee.ⁱⁱ The penalty for each "offense" of false marking is a fine of up to \$ 500, and "any person" may sue to recover this penalty, keeping half and giving half to the United States.ⁱⁱⁱ

Federal District Courts have found that the following activities constitute false marking under §292: (1) falsely implying that a product is covered by a patent,^{iv} (2) marking a product with a patent that did not cover the product,^v (3) marking a product with an expired patent,^{vi} and (4) labeling a product with "patent pending" when no application has been filed.^{vii}

Before 2005, there was some thought that patent holders could avoid liability for false marking by indicating that a product was covered by "one or more of" a number of patents so long as at least one patent covered the product. In 2005, however, the Federal Circuit clarified that a product is falsely marked unless it is covered "by at least one claim of each patent with which the [product] is marked."^{viii} So simply listing a number of patents with the hope that one of them covers the product may not be proper marking under §292.

However, incorrectly marking a product is not a strict liability offense.^{ix} Section 292 only punishes false marking that is intended to deceive the public.^x However, the Federal Circuit has held that marking a product with knowledge that the product is not covered by an enforceable patent is enough to warrant in inference of deceptive intent.^{xi} Going even further, the Federal Circuit has suggested that a patent holder acts with an intent to deceive where it marks a product without a reasonable belief that the product is properly marked.^{xii}

Prior to *Forest Group*, it was unclear whether the \$500 penalty for false marking was a "per decision" penalty—i.e. the maximum penalty was \$500 regardless of the number of falsely marked products sold—or a maximum per-product penalty. The Federal Circuit clarified in *Forest Group* that the penalty is a per-product penalty.

The Impact of *Forest Group*

After *Forest Group*, it is clear that the \$500 maximum penalty attaches to each individual product that is falsely marked.^{xiii} Though the Federal Circuit clarifies that this penalty is a ceiling,^{xiv} and the actual per-product penalty could be as low as a fraction of a penny,^{xv} the penalty must be sufficiently large that potential false-marking

plaintiffs will be motivated to bring such cases.^{xvi} The penalty must also be substantial enough to discourage the competition-stifling effects that false marking creates.^{xvii} The Federal Circuit notes that this interpretation of §292 may create a cottage industry of “marking trolls” bringing numerous false-marking lawsuits, but also notes that this is the intention of §292.^{xviii} Even before *Forest Group*, individuals were bringing false-marking claims to recover half the fine required by §292.^{xix}

Given that patent-related cases cost millions of dollars to litigate and that the Federal Circuit has held that total penalties under §292 must be substantial enough to encourage individuals to incur the expenses of bringing their cases, there is potential for penalties as high as several million dollars. Now more than ever, patent holders marking their products must take this risk seriously and properly mark their products.

Avoiding False-Marking Penalties

Given that false marking suits may become more prevalent and the penalty more severe, patent holders should take steps now to ensure that their products are properly marked. This may also avoid a costly lawsuit, a negative claim construction or finding that a product is not covered by a particular patent. We recommend taking the following steps to avoid any issues.

Review of marked products to remove patents that have expired, been found invalid, or declared unenforceable from the patent marking labels.

Ensuring that all listed patents include at least one claim that under a reasonable construction covers the marked product. This step can be performed by technical employees, but obtaining an opinion from patent counsel may be the best option in close cases. Patent counsel is best situated to interpret the claims of a patent and determine whether they cover a product. Further, if a patent holder has gone through the trouble and expense of getting an opinion of counsel, it will be more difficult for a court to find that it intended to deceive the public.

Develop a system and process for periodically reviewing patent markings to ensure they remain correct. While the initial determination that all patents listed on a product are enforceable and cover the product, that is not enough. Patent holders must be diligent in reviewing their patent markings, maybe once a year, to make sure all listed patents are *still* valid, enforceable, and covers the product.

Carefully consider whether and when licensees must mark under patent license or settlement agreements. A requirement to mark a patent number that is expired, invalid or too narrow to cover the licensee’s products may create issues for licensee and patent holder alike.

If a patent holder follows each of these steps, it goes a long way towards protecting itself from potentially expensive false-marking suits and penalties. We encourage all of our clients to follow these guidelines. Should anyone have questions regarding this Alert or the steps listed above, feel free to get in touch with your counsel at Merchant & Gould.

ⁱ No. 2009-1044 (Fed. Cir. Dec. 28, 2009).

ⁱⁱ 35 U.S.C. § 292(a).

ⁱⁱⁱ 35 U.S.C. § 292.

^{iv} *Cornick v. Stry-Lenkoff Co.*, 134 F. Supp. 126, 131-32 (D. Ky. 1955).

- ^v *DP Wagner Mfg. Inc. v. Pro Patch Sys.* 434 F. Supp. 2d 445, 455-56 (S.D. Tex. 2006).
- ^{vi} *Id.* at 452, 56.
- ^{vii} *Magic Foam Sales Corp. v. Mystic Foam Corp.*, 98 NE2d 439, 440 (C.P. Ct. Ohio 1050).
- ^{viii} *Clontech Labs, Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005).
- ^{ix} *Id.*
- ^x 35 U.S.C. § 292(a).
- ^{xi} *Clonotech*, 406 F.3d at 1352.
- ^{xii} *Id.* at 1353.
- ^{xiii} *Forest Group*, slip op. at 8.
- ^{xiv} *Id.* at 13.
- ^{xv} *Id.*
- ^{xvi} *Id.*
- ^{xvii} *Id.* at 11.
- ^{xviii} *Id.* at 12-13.
- ^{xix} *See, e.g., Pequignot v. Solo Cup Co.*, 540 F. Supp. 2d 649 (E.D. Va. 2008).