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## Litigation Risk and Liability Danger from False Patent Marking in View of *Forest Group, Inc. v. Bon Tool Co.*

In a case arising from the Southern District of Texas, the Federal Circuit recently issued an opinion that highlights the risks associated with marking products with patent numbers. See *Forest Group, Inc. v. Bon Tool Co.*, No. 2009-1044 (Fed. Cir. Dec. 28, 2009) (slip opinion). The *Forest Group* case involves 35 USC § 287(a), a patent statute that encourages the marking of products with patent numbers:

Patentees [involved in selling a patented article] 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 ... 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.

Absent product marking, a patentee of a patented product may only be able to recover damages accruing after *actual* notice to the accused infringer. Marking, however, can establish constructive notice, and thus is a significant tool against an infringer. Because damages can accrue up to six years prior to filing a patent infringement lawsuit, failing to mark a product could significantly decrease a patentee's potential recovery. These considerations provide a strong incentive to mark patented products. *Forest Group* now addresses the opposite boundary—damages for mis-marking or falsely marking a product. After the *Forest Group* opinion, marking a product incorrectly carries with it the risk of liability or expensive litigation to defend such accusations of mis-marking.

To protect against false marking of a product not covered by a patent, 35 U.S.C. § 292(a) provides a fine for deceitful product marking:

Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article the word "patent" or any word or number importing the same is patented, for the purpose of deceiving the public ... [s]hall be fined not more than \$500 for every such offense.

Depending upon the interpretation of "every such offense" and the relevant facts, a patentee could face large cumulative penalties for falsely marking mass produced products. Furthermore, the false marking statute allows "any person" to sue for the penalty and split the award with the federal government in a *qui tam* action. See 35 U.S.C. § 292(b).

When faced with interpreting this statute, some district courts had previously followed century-old First Circuit precedent found in *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910) to limit false marking awards. For example, rather than imposing a fine of \$500 for each article falsely marked, some courts found a single offense for each product line continuously manufactured, while others found a single offense for each day that false marking occurred. See *Forest Group, Inc.*, slip opinion at 8-11 (*discussing London* and other relevant district court cases).

But in *Forest Group*, the Federal Circuit expressly disapproved of this precedent and held that the plain language of the statute, legislative history, and public policy of 35 U.S.C. § 292(a) requires courts to impose false marking penalties on a per article basis. *Forest Group, Inc.*, slip opinion at 8-14. This eye-opening precedent will likely embolden

enterprising claimants to scrub through products, packaging, websites, and their corresponding listed patents, seeking opportunities to sue for huge damage penalties.

The decision in *Forest Group* likely raises the stakes for all false marking issues, including, for example, what constitutes a falsely marked “unpatented article.” The Federal Circuit previously stated that an “unpatented article” within the meaning of the statute is one not covered by at least one claim “of each patent with which the article is marked.” *Clontech Labs. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005). *Clontech Labs* calls into question a patentee’s ability to avoid false marking liability by simply using conditional language such as, “[T]his product may be covered by one or more of the following patents.”

Another potentially high stakes issue is whether the “per article” fines authorized by *Forest Group* can be imposed if the product was once covered by a patent claim, but the patent has now expired. The Federal Circuit has yet to address the issue of whether knowingly continuing to mark a product with an expired patent number would necessarily be “for the purpose of deceiving the public,” as required for the false marking penalty to apply. But a district court has already addressed this issue in *Pequignot v. Solo Cup Co.*, 540 F. Supp.2d 649, 653 (E.D. Va. 2008). The *Pequignot* court found that drink cup products previously covered by a patent were “unpatented articles” within the meaning of the false marking statute and thus could serve as a basis for liability. *Id.* The district court in *Pequignot*, however, granted the defendant summary judgment based on pre-litigation attorney advice to gradually replace the incorrectly-marked products with corrected marking during the manufacturer’s regular retooling operations. See *Pequignot v. Solo Cup Co.*, No. 1:07cv897-LMB/TCB (E.D. Va. Aug. 25, 2009) (memorandum opinion). After extensively reviewing the evidence, the district court concluded the defendant had effectively rebutted the plaintiff’s claim that the incorrect marking was intended to deceive the public.

Together, *Forest Group* and the fact-intensive *Pequignot* opinions illustrate the potentially high stakes involved in proper product marking and the wisdom of taking proactive steps to avoid false marking claims. Defending a *qui tam* lawsuit that seeks cumulative fines totaling potentially millions of dollars would likely cost far more than a few simple steps to ensure that product marking is accurate and up to date.

In this regard, there are at least two proactive steps recommended for most companies to help protect against false patent marking liability. First, a company can implement a regular audit of its patent portfolio, related products, and marking protocols. The audit can be coupled with a calendaring system designed to remind those responsible for product marking to implement reasonably prompt changes when patent coverage is expected to change or does change. One substantial advantage to this activity is that it can simplify patent portfolio management by providing better information on whether a patent is protecting a core product or even any product. If not, and the patent is not hindering any competitors, the unused patent might be abandoned and the maintenance fees reapplied towards new research and development or protecting newly developed products or services. Second, a patentee should consider documenting the reasons for its marking protocol and establish evidence that the marking is not intended to deceive. Such an analysis and express rationale could help minimize any imprecise conditional language used in marking, such as “one or more of the following patents.” With such forward-looking steps, a company may well avoid, or at least minimize damages or even defeat an expensive *qui tam* lawsuit by an opportunistic plaintiff.

If you have any questions about strategic intellectual property needs or this Alert, please contact one of the [patent lawyers](#) at Haynes and Boone, LLP.

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