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Litigation On The Mark

Patent owners should diligently monitor portfolios to avoid lawsuits

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The Patent Act includes several sections that govern marking of articles with a patent number. *See* 35 U.S.C. §§ 154(d), 287, and 292. While there is no requirement to mark products covered by a patent or application, there are certain benefits to marking.

Marking with an issued patent number maximizes the period during which damages may be recovered.

An infringer is liable for patent damages—a reasonable royalty or loss profits—starting from the date it received notice of infringement, such as when a product is marked with a patent number. The damages period begins on the patent issue date if products are continuously marked from that date. In the absence of marking, the damages period begins on the date the infringer receives actual notice of the patent.

Marking with patent pending for an application has no legal effect, but puts others on notice of the pending application.

Patent marking may also have some commercial appeal by promoting the ingenuity of the product.

The Patent Act also prohibits a person from suggesting a product is patented when it is not. Recent cases have dramatically increased the exposure for falsely marking a product. In view of these cases, patent owners should carefully monitor their marking practices. Further, it is worth re-evaluating the potential risks and benefits associated with patent marking.

False Marking

The patent law expressly prohibits so-called "false marking," which includes marking "unpatented articles," or falsely indicating that a patent is pending, with the intent to deceive the public. 35 U.S.C. § 292(a).

The false marking statute deputizes citizens as private attorneys general to enforce the marking statutes. Section 292 provides for *qui tam* ("who as well") lawsuits by private individuals. Essentially anyone can bring a false marking lawsuit provided they are willing to split half of any proceeds with the federal government. *Stauffer v. Brooks Bros. Inc.*, — F.3d —, 2010 WL 3397419 (Fed. Cir. Aug. 31, 2010).

The two elements of a § 292 false marking claim are (1) marking an unpatented article and (2) intent to deceive the public. Recent cases have made these false marking lawsuits much more attractive to plaintiffs. First, the definition of an unpatented article was broadened. Second, the potential damages available to a plaintiff was increased almost exponentially.

However, the courts have made clear that proof of the required intent to deceive will be a difficult hurdle for a plaintiff to overcome.

An "unpatented article" is an article that is not covered by at least one claim of each patent with which the article is marked. These include an article that was correctly marked but now is no longer covered by a patent. For example, the article may no longer be covered due to modifications made to the article. More recently, the courts have held that a patent owner may be liable for false marking if it continues to mark a product with a patent number after the patent has expired. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1361 (Fed. Cir. 2010).

Section 292 states that anyone who falsely marks "shall be fined not more than $500 for every such offense." For a century, the false marking statute has been interpreted to impose a single fine for continuous false marking. *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910). That is, the "offense" was the decision to falsely mark an article rather than each instance of the falsely marked article.


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The $500 fine was not much of a deterrent to patent owners nor much of an incentive to *qui tam* plaintiffs (who would pocket only $250 with half going to the federal government).

In 2009, the Federal Circuit held in *Forest Group, Inc. v. Bon Tool Co.* that § 292 imposed a maximum fine of $500 per article. The court held that § 292 had not been re-evaluated after the 1952 amendments to the false marking statute and the rest of the Patent Act.

First, the statutory fine at issue in *Lon-*

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don was a minimum fine of $100. Because the fine was a minimum, there would be a penalty of $100 for each mismarked article. The 1st Circuit concluded that "[i]t can hardly have been the intent of Congress that penalties should accumulate as fast as a printing press or stamping machine might operate."

In 1952, Congress changed the $100 minimum fine to a maximum fine of $500 with the explanation that courts had been interpreting the $100 as a maximum fine.

The *Forest Group* court held that both the statutory language and the underlying policy rationale supporting the *London* court's interpretation changed after the 1952 amendments.

The *Forest Group* court further held that the policy considerations required that the fine act as a deterrent against false marking and an incentive for *qui tam* plaintiffs to bring suit.

Interpreting § 292 to impose a single $500 fine for false marking on many occasions "would eviscerate the statute." The Federal Circuit also held that the amount of the fine is determined at the discretion of the district court: "In the case of inexpensive mass-produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty."

Forest Group did not provide any guidance on how a district court should exercise this discretion.

The change from $500 for a continuous marking offense to $500 per article obviously provides a huge incentive to bring false marking suits. In *Solo Cup*, the plaintiff accused Solo Cup of falsely marking at least 21,757,893,672 articles, and sought an award of $500 per article, one half of which would be shared with the United States. The Federal Circuit noted: "Incidentally, such an award to the United States, of approximately $5.4 trillion, would be sufficient to pay back 42% of the country's total national debt." *Solo Cup*, 608 F.3d at 1359 n.1.

Intent To Deceive

In *Solo Cup*, the plaintiff, a patent attorney, brought a false marking case against the Solo Cup Company for marking lids, used with plastic and paper cups, with patents that had expired. The patents had covered the lids prior to their expiration.

The court found that once the patents expired, the lids became "unpatented articles" and subject to the false marking statute. However, the Federal Circuit held the company's improper marking was not done "for the purpose of deceiving the public."

Solo had relied on an attorney's advice (erroneous, as it turned out) that continuing to mark with an expired patent was not false marking. The attorney did caution that the patent number should be removed, if possible.

Shortly thereafter, Solo developed a policy under which it would eliminate marking of expired patents only when mold cavities needed to be replaced due to wear or damage. Because the molds can last many years, Solo continued to use molds that imprinted the expired patent numbers.

Solo's true intent was not to deceive but instead to reduce the cost and burden of replacing the mold cavities. Given Solo's good faith, the Federal Circuit affirmed the district court's dismissal on summary judgment of no violation of the false marking statute.

Conclusion

Despite the high standard for proving the intent to deceive element of a false marking claim, we expect to see cases filed at a higher frequency.

Patent owners should monitor their patent portfolios for patent expiration dates and patents that have lapsed due to failure to pay maintenance fees. Patent owners also should review whether a product remains covered by a particular patent after any changes or modifications to the product. And they should ensure there is a current, updated list of active patent numbers whenever replacement molds are ordered.

Patent owners should exercise vigilance knowing that a successful false marking suit could result in a windfall for the plaintiff. Finally, patent owners should consider whether the expected benefit of an increased damages period outweighs the risk of false marking suits. ■

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