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Avoiding and Successfully Defending a False Patent Marking Lawsuit

The time is ripe to take action to avoid false marking liability. The recent *Forest Group, Inc. v. Bon Tool Company* decision[1] has sent plaintiffs into action searching for easy marks. After a brief summary of the statutory scheme, we provide some tips and lessons learned for avoiding a marking lawsuit (or defending a pending suit).

Section 292 of the Patent Act prohibits sellers of goods from falsely marking products or packaging with patent numbers that either do not cover the product or that have expired; a penalty of $500 per article may be assessed. The statute permits individual citizens to sue for false marking on behalf of the government (as *qui tam* plaintiffs) and to keep half of the recovery if they can show that, in falsely marking the product, the seller intended to deceive the public. Until recently, however, false marking suits were relatively rare; courts limited damages to $500 per decision to falsely mark a product – and not per falsely marked product. In the *Bon Tool* decision, however, the United States Court of Appeals for the Federal Circuit drastically changed the legal landscape by clarifying that the false marking penalty is imposed on a per article basis. Instantly false patent marking lawsuits became financially enticing for *qui tam* plaintiffs and their lawyers.

The result of the *Bon Tool* decision has been a proliferation of false patent marking lawsuits by non-competitor plaintiffs who have arguably suffered no injury. In February and March 2010 alone, over 100 new false marking cases were filed – most based on products marked with expired patent numbers, an easily avoidable pitfall. Although no product marked with an expired or inapplicable patent is safe, the most vulnerable to suit under this new statutory interpretation are products sold in large quantities, where the sales volume and per item penalty may result in a sizable penalty and plaintiff windfall. Indeed, despite the Federal Circuit's admonition that courts are empowered to use discretion to avoid penalties disproportionate with the product cost, in most of the currently pending false marking suits, the subject products are mass produced consumer goods. These include paper drinking cups, video games, pharmaceuticals, water filtration products, eyelash curlers and tape measures. Thus, both intent and penalty apportionment will likely be the focus of future jurisprudence and provide strong grounds for defending suits.

Despite ample defenses and enhanced pleading requirements[2], the 2010 boom in suits has prompted the addition of a marking provision in the pending patent reform bill.[3] If passed in its proposed form, the bill would change the patent marking statute to require *qui tam* plaintiffs to allege a competitive injury and would apply to all cases pending as of the date of enactment. In recent years, though, patent reform has often stalled.

In the meantime, companies have many available preventative measures to insulate themselves from false patent marking suits and penalties:

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[1] *Forest Group, Inc. v. Bon Tool Company*, 590 F.3d 1295 (Fed. Cir. 2009).
[2] *See Ashcroft v. Iqbal*, 129 S.Ct. 1937 (2009).
[3] Patent Reform Act of 2010, Amendment to S. 515, 111th Cong. (1st Sess. 2010), *available at* http://judiciary.senate.gov/legislation/upload/PatentReformAmendment.pdf.

- Check your products and packaging to ensure none are marked with expired patents; alter markings to remove any expired patents. Any patent with a number below 4,915,000 is probably expired as of publication of this article. Patents with higher numbers might be expired based on filing dates, fee payment, and other factors. We advise maintaining a docket with expiration dates of the patents that are marked on your products, so you can prepare in advance to remove markings. If it is cost prohibitive to remove the patent marking from the product, or if there are regulatory issues that are associated with the product, we can provide advice regarding alternatives.

- If your company disclaims or sells a patent or discontinues paying maintenance fees, or a license to the patent expires, remove the patent number from products.

- Remove markings of patents that have been declared invalid or unenforceable by any competent authority.

- Avoid marking your products with a long list of patents that may or may not cover your patent. Instead, consider obtaining an opinion as to whether the patents indeed cover the product. This can be a simple or difficult assessment. Because a false marking plaintiff must prove intent to deceive, a competent, thorough opinion letter will go far in proving lack of intent to deceive.

- If your products are redesigned or change in any meaningful way, ensure that the patent marking on the product is still appropriate. It might be necessary to obtain an updated opinion from your counsel.

- When licensing patents, if the licensor demands products be marked, shift the risk of a false marking suit onto the licensor.

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