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LEGAL ALERT

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False Patent Marking Statute Requires a per Article Penalty

On December 28, 2009, the United States Court of Appeals for the Federal Circuit interpreted the false patent marking statute, 35 U.S.C. § 292, to require a per article penalty for false marking, at the discretion of the court, which could encourage larger and more frequent awards for false marking in future cases. Proper patent marking, or actual notice to an infringer, is typically required to recover damages under 35 U.S.C. § 287.

At issue in The Forest Group, Inc. v. Bon Tool Co., No. 09-1044 (Fed. Cir. Dec. 28, 2009), was whether the false patent marking statute requires a per article penalty or a penalty assessed per each decision to mark any number of articles. The Forest Group, Inc., owner of U.S. Patent No. 5,645,515 ("the '515 patent"), filed a lawsuit in the U.S. District Court for the Southern District of Texas against Bon Tool Company for allegedly infringing the '515 patent directed toward parallelogram stilts, typically used in the construction industry. Because the stilts sold by Bon Tool did not contain a feature (a resiliently lined yoke) required by the '515 patent, summary judgment of non-infringement was granted to Bon Tool. Bon Tool also counterclaimed alleging false patent marking of the stilts sold by Forest Group because their products were marked with the patent number but also did not include the required feature.

The District Court found Forest Group liable for false marking under § 292 and assessed a $500 penalty for a single offense, reasoning that the single offense was the decision by Forest Group to mark multiple stilts manufactured in a single production run. Bon Tool appealed asserting that the District Court erred by providing only a per decision penalty for the false marking, instead of a per article penalty. In its opinion, the Federal Circuit concluded that "the plain language of the statute does not support the district court's penalty of $500 for a decision to mark multiple articles," and that "the statute clearly requires that each article that is falsely marked with intent to deceive constitutes an offense under 35 U.S.C. § 292." Forest Group, slip op. at 8.

The Federal Circuit reasoned that, without a per article penalty, certain policy concerns would not be remedied. The court explained that those policy concerns include the likelihood that false marking may unfairly dissuade potential competitors from entering a market, deter scientific research that may otherwise occur but for the perceived risk of infringement, and incur unnecessary costs in developing design-around solutions and analyzing infringement risks. Id. at 11. The more articles that are marked as patented, the greater the likelihood that competitors will unduly suffer these harms. The Federal Circuit, therefore, concluded that a single $500 penalty, as assessed by the District Court, is an insufficient deterrent and that the "per article interpretation of § 292 is consonant with the purpose behind marking and false marking." Id. at 12.

In response to the District Court and other courts' concerns regarding disproportionate penalties, the Federal Circuit explained that the statute does not require a penalty of exactly $500 per article, but the $500 maximum allows "district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in huge quantities." Id. at 13. The Federal Circuit even indicated that "a fraction of a penny per article [could be] a proper penalty." Id.

Importantly, § 292 provides the ability for any third party to bring a *qui tam* suit to enforce the false marking statute and share the assessed penalties with the U.S. government. In further support of its per article interpretation, the Federal Circuit reasoned that $500 split between the U.S. government and the

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qui tam plaintiff would not provide the intended financial motivation for bringing expensive false marking *qui tam* suits. The court noted with some approval that a potential surge of third-party plaintiffs in a cottage industry of "marking trolls" bringing false marking cases for personal profit would be consistent with public policy.

Accordingly, Forest Group clarifies that the false patent marking statute specifies a monetary penalty of up to $500 per article. Moreover, this decision incentivizes more third-party *qui tam* actions against companies for false patent marking, including marking products with inapplicable patents or expired patents. While false patent marking can result in such penalties, the failure to properly mark a patented article can preclude any recovery of damages by the patent owner. Therefore, companies would do well in the New Year to proactively update and correct any inaccurate patent markings on their products.

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If you have any questions about this alert, please feel free to contact any of the attorneys listed below or the Sutherland attorney with whom you regularly work.

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