January 22, 2010

Recent Federal Circuit Decision
Dramatically Increases Exposure for “False Marking”

Your patent’s finally been issued by the USPTO, and you’ve received your official “Letters Patent” with the US patent number printed in the upper right-hand corner. What now? Do you just file it away and wait to pull it out when you find an infringer? Not so fast. If you want to maximize your recovery of damages from an infringement, you may have to put that patent number on your products. And, after that, you’ll have to keep an eye on that patent to make sure someone doesn’t come after you for putting the patent number on the product when it no longer belongs there. With real consequences in either case, the topic of “patent marking” should be at the top of any patent owner’s list of priorities for 2010.

US patent law restricts the damages recoverable for patent infringement unless substantially all articles comprehended by a patent are “marked” with the word “patent” (or the abbreviation “pat.”) and the number of that patent. See 35 USC Sec. 287. Patentees thus have a strong incentive to ensure that their patented articles are appropriately marked.

But what happens when the patent expires? Or when the patent is construed in litigation to cover less than what the patentee believed? Should the patent marking then be removed?

Just as Section 287 provides strong incentive to mark patented articles, Section 292 gives strong reason not to falsely mark. Relative to patent owners in particular, Section 292 states that 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 that the same is patented, for the purpose of deceiving the public....” 35 USC Sec. 292. The penalty for such false marking is defined as “not more than $500 for every such offense,” and an action to enforce Section 292 can by “any person.”

At first blush, Section 292 might not seem to extend to patent owners. After all, the statutory language speaks of an intent to deceive the public. Surely there can’t be an intent to deceive when, for instance, a patent owner complies with the marking statute during the patent term and simply doesn’t stop marking when the patent expires? Not necessarily.

The party asserting a violation has only to show “by a preponderance of the evidence that the accused party did not have a reasonable belief that the articles were properly marked.” See

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Clontech Labs. Inc. v. Invitrogen Corp., 406 F.3d 1347, 1352 (Fed. Cir. 2005)(emphasis added). For the "[i]ntent to deceive is a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true." Id. And, as such, "an assertion by a party that it did not intend to deceive, standing alone, 'is worthless as proof of no intent to deceive where there is knowledge of falsehood.'" Forest Group, Inc. v. Bon Tool Co., 2009-1044 (Fed. Cir. 2009)(quoting Clontech Labs. Inc., 406 F.3d at 1352).

The recent decision by the Court of Appeals for the Federal Circuit in Forest Group, Inc. v. Bon Tool Co. is illustrative of the reach of Section 292. In that case, Forest Group, the patentee, sold products to a reseller, Bon Tool. Forest had been marking its own products in compliance with Section 282. When Bon Tool stopped buying the products from Forest Group and turned to another supplier, Forest Group sued Bon Tool for patent infringement. Bon Tool counterclaimed for, among other things, false marking under Section 292.

Some years before Forest sued Bon Tool, it accused another competitor, Warner Manufacturing, of infringing the same patent. Warner sued Forest, seeking a declaratory judgment of non-infringement. While the Bon Tool litigation was pending, the district court in the other lawsuit granted Warner summary judgment of non-infringement, finding that its accused products were not covered by Forest's patent. By the time of that determination, Forest hired new patent counsel who informed it that its own products were not covered by the patent for the same reason that the Warner products did not infringe.

Based on this knowledge by Forest about the scope of its patent, the district court in the Bon Tool litigation found that Forest had falsely marked its products with the number of that patent from the time the court in the Warner lawsuit had determined that Warner's products were non-infringing. Though Forest's false marking comprehended a large number of individual products, the penalty assessed was $500 on the grounds that the products resulted from a single purchase order and, so, represented a single "offense" under Section 292.

On appeal, the Federal Circuit unequivocally held that the fines of Section 292 are imposed on a per article basis: "The plain language of the statute does not support the district court's penalty of $500 for a decision to mark multiple articles. Instead, the statute's plain language requires the penalty to be imposed on a per article basis." Forest Group, Inc., 2009-1044 at p. 8.

Particularly in respect of the calculation of damages, the Forest Group decision represents a departure from precedent with significant implications for the owners of US patents. While the appellate court did point out that the amount of damages under Section 292 is discretionary, such that "[i]n 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, Inc., 2009-1044 at p. 13, even these relatively smaller fines can quickly add up where production volumes are high.

Proper marking requires vigilance to ensure satisfactory compliance with Section 287, thereby preserving damages for infringement, while avoiding running afoul of Section 292's prohibitions and its now considerable penalties. Given especially the ability for virtually any third party to bring suit under the false marking statute, the Forest Group decision is a clear alarm call for prudent patent owners to audit their marking practices now before a possible violation of the false marking statute reveals itself through expensive litigation.

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The Lessons of Forest Group and Section 287

- Make sure your products are properly marked with the numbers of all applicable patents
- Regularly audit your patents to determine which are expired, and adjust your product marking practices accordingly
- Monitor litigated patents closely for judicial modification to claim scope, and adjust your product marking practices accordingly

Butzel Long's attorneys can help guide you through the process of ensuring that your patent marking activities maximize your recoverable damages while not exposing your business to risk of collateral attack for false marking. For answers to your questions, please contact any of the following Butzel Long attorneys:

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