Claim False Marking

Courthouse doors are open to the public to bring claims against purveyors who falsely mark a good as being patented and to potentially recover a large monetary award. So says the U.S. Court of Appeals for the Federal Circuit's Dec. 28, 2009 decision in *The Forest Group, Inc. v. Bon Tool Co.*

The court wrote that "Forest argues that interpreting the fine of [Section] 292 to apply on a per article basis would encourage 'a new cottage industry' of false marking litigation by plaintiffs who have not suffered any direct harm. This however is what the clear language of the statute allows." The court further wrote that "[t]he false marking statute explicitly permits *qui tam* actions. By permitting members of the public to sue on behalf of the government, Congress allowed individuals to help control marking."

The fine is up to $500.00 per false marked item. As can be deduced, in a day and age where goods number in high volumes, the fine can be quite significant. The fine is split evenly between the government and the plaintiff, with the plaintiff bearing the expense of the litigation.

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False marking is a prevalent practice to deceive investors, competitors and consumers. A business may have a very small patent estate covering just a single product, but marks all products as patented. In another scenario, the Patent Office only allows a narrow patent claim, which does not cover the product that the business is selling, but the product is nonetheless marked as patented. In yet another scenario, the patent marking comes out of whole cloth.

There are two elements to the cause of action. First, there must be the marking of an unpatented item as being patented. The mark must be upon, affixed to or used in advertising in connection with any unpatented article. The marking is either the word "patent" or any word or number importing the same is patented.

In *Clontech v. Invitrogen*, the Federal Circuit held that Section 292's reference to an "unpatented article" means that the article in question is not covered by at least one claim of each patent marked on the article. Thus, in order to determine if an article is "unpatented" for purposes of Section 292, it must be first determined whether the claims of a patent cover the article in question. To make that determination, 'the claim in question must be interpreted to ascertain its correct scope, and then it must be ascertained whether the claim reads on the article in question. Thus, an action for false marking involves a stripped down patent infringement action where there are no issues of patent validity, enforceability and equitable defenses.

The *Clontech* court makes clear that where a business "slaps" a block of patent numbers on a product - which gives the impression of a patent fortress - at least one claim from each and every listed patent must cover the product. It is a prevalent practice by business to send out this 'patent fortress" message, placing on a product a litany of numbers of owned patents, regardless of whether the particular product is covered by the patent.

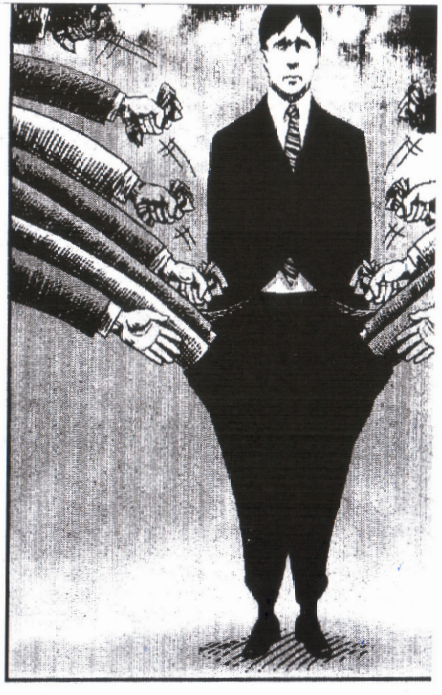
Second, there must be an intent to deceive. This state of mind is satisfied where the defendant "acts with sufficient knowledge that...saying [its product was patented] is not so." A plaintiff must show by a preponderance of the evidence that the defendant did not have a "reasonable belief" that its product was properly marked patented. An assertion by defendant of no intention to deceive "is worthless as proof of no intent to deceive where there is knowledge of falsehood.'

From the plaintiff's perspective, to establish the intent element might require sending a demand letter to cease marking with an analysis that a product is not covered by the marked patent(s). This would put the onus on the business to respond with a thoroughly reasoned opinion letter to establish that the product was covered by at least one claim of each listed patent. While "an honest, though mistaken, mismarking of an article would not trigger liability under the statute," sophistry and specious reasoning can only go so far to justify the marking as patented. According to the *Clontech* court, "[i]ntent to deceive, while subjective in nature, is established in law by objective criteria. [citation omitted] Thus, 'objective standards' control and 'the fact of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the inference that there was a fraudulent intent'."

The unascertainable risk in bringing such an action rests in the judicial discretion in the amount of the fine. *The Forest Group* court wrote, "This does not mean that a court must fine those guilty of false marking $500 per article marked. The statute provides for a fine of *'not more than* $500 for every such offense'." By allowing a range of penalties, the statute provides 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 large quantities.

There is little guidance in the case law for courts in fixing the amount of the penalty, other than it should be commensurate with the product's sales price. From the plaintiff's perspective, the risk that a court will fix a low penalty would logically go down as the sales price of the product increases.

As plaintiff attorneys win the battle in the areas of wage and hour, asbestosis, insurance bad faith and tobacco, patent false may become one of the next frontiers. Such claims are standing requirements of an unfair competition claim u 64; that a plaintiff have suffered injury in fact to bring a ample, in a securities case, the plaintiff must be a sec time of a fraud. In contrast, patent false marking claims one of the only claims where the general public has sta



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