

False Patent Marking: Innocent Mistake – or Patent Lie?

Federal Court Decision Targets False Patent Marking

The U.S. Court of Appeals for the Federal Circuit, the court that hears patent appeals, has held that false patent marking will bring a fine of as much as \$500 per article that is falsely marked. The decision, *Forest Group Inc. v. Bon Tool Co.*, changes previous interpretations of the U.S. law, 35 U.S.C. § 292. Until now, courts usually fined a company for each decision to place false patent marking on their products. Sometimes the fines were assessed by time periods, which increased companies' liability, but only rarely had a court fined a company for each falsely marked article – and never for the full \$500 per article maximum. **The *Forest Group* case has changed all that:**

***Forest Group*, the owner of a patent for stilts used in construction, falsely marked the stilts with intent to deceive the public. The court found that the false marking was intentional because the patent owner had been on notice after a 2007 decision by a different court that the stilts were not covered by *Forest Group's* patent. Yet *Forest Group* had placed a new order for the stilts after the 2007 decision – with the patent marking that it now knew to be false. The appeals court held that the public suffers harm each time a product is falsely marked. The court explained that false marking hurts competition by deterring competitors from entering the market and inventors from conducting research. Even where a competitor or inventor decides to proceed, the false marking leads to unnecessary costs of investigating whether or not the patent is valid. And a single \$500 fine is such a low penalty that it makes the existing law ineffective. Thus, the court held that the law requires that a \$500 maximum fine be assessed per falsely marked article.**

Intent To Deceive the Public

The law does require that the patent owner have intended to deceive the public – but a court will presume intent to deceive if the patent owner had reason to know (or actually knew) that the patent marking was false. One patent owner overcame that presumption by showing that it had relied in good faith on the advice of counsel (to remove the false marking “if possible”) and changed its molds bearing the markings as they wore out to save costs.

To make matters more difficult for patent owners, the law provides that anyone – not only a competitor – may sue a company for false patent marking (sharing the fine with the U.S. government – a provision that is extremely rare in federal law). In the wake of the *Forest Group* decision, plaintiffs have filed a plethora of cases, likely orchestrated by predatory counsel. False marking suits have recently targeted *Blestex*, *Bunn-O-Matic*, *Oreck*, *Pfizer*, *Weber-Stephen*, *3M*, *BP* and *Novartis* and other large companies. Although these cases have not reached decision yet, it is certain that the cost merely of defending such lawsuits will be formidable.

Dear Lackebach Siegel Clients:

We strongly advise that as soon as possible you attempt to avoid or at least limit your liability for false patent marking by undertaking a careful review of your patent marking policy – for example, to determine whether any patents have expired and that unexpired patents cover the product in its present construction. If you have reason to know that your patent marking may be false, the law will presume intent to deceive the public. You may be able to limit your liability by taking steps now to ensure that your practices are correct, for example, by seeking advice of counsel and documenting a through review of all patent notices on labels, products and packaging.

PATENT PROBLEM!



Consider The Following: KEY POINTS:

- Under a recent decision of the Federal Circuit, false patent marking will bring a fine of as much as \$500 per article.
- The new law has created a rash of blood-thirsty litigants, which need not be a commercial competitor, seeking to benefit from the new damages provisions.
- Federal law provides severe penalties because false patent marking hurts competition and hinders innovation.
- A court will presume the patent owner's intent to deceive the public if the patent owner knew or ignored obvious facts that the patent marking is false or outdated.
- The presumption of intent to deceive may be rebutted by evidence of good-faith reliance on advice of counsel or other commercial factors underlying a marking decision, for example.
- Any patented article should be marked with the applicable patent number, hence the need for a careful review of your company's products and patents.
- A groundswell of predatory patent marking suits has occurred. Be aware and alert to the changes in longstanding prior law, and make a patent marking internal audit a first priority.
- To discuss patent marking, please contact Howard Aronson, HAronson@Lackebach.com or Eileen DeVries, EDevries@Lackebach.com

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