

## New Patent Suit Explosion: False Patent Marking Claims

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Within the last month, dozens of lawsuits have been filed under the false patent marking statute, 35 U.S.C. §292, claiming that many well-known companies have violated the patent laws by marking their products and/or packaging with the numbers of expired patents, or with patents that do not cover their products. These actions have not been brought by competitors seeking relief, but by a new type of patent activist that is bringing the action, as permitted by statute, on behalf of the Federal Government as a *qui tam* action. Under the law, a company can be fined for violating the statute. Until very recently, it was not clear whether that fine was for each type of article falsely marked or for every single article falsely marked.

That question was answered in a December 2009 opinion (*The Forest Group v. Bon Tool*), issued by the Federal Circuit. The court held that prescribed fines shall be imposed on a per-article basis against any person found to have violated the false patent marking statute. Thus, for a company that sells thousands of marked products, the potential damages risk has now gone from a relatively toothless \$500 fine to a fine running potentially into the millions of dollars. That ruling allowing for the possibility of large damage awards has directly given rise to this new spate of patent litigation and, indeed, has given rise to an entirely new type of plaintiff. For example, one plaintiff, called the Patent Compliance Group, Inc., appears to have been formed for the specific purpose of bringing such *qui tam* actions on behalf of the Government to enforce the false patent marking statute. The statute specifically grants such individuals standing to bring suit in order to deter false marking and allows the plaintiff to keep half the recovery.

The U.S. patent laws include both a patent marking statute and a false patent marking statute. The patent marking statute exists for the laudable purpose of giving the public notice of patent rights associated with specific products. However, because the marking of a patent number can stifle competition, there is also a provision that prohibits false patent marking. Under the false marking statute, a person who falsely marks an unpatented article as being patented or patent pending “for the purpose of deceiving the public,” shall be fined on a per-article basis. Courts have discretion to determine the amount of damages that are appropriate and have discretion to fine offenders from a fraction of a penny up to the maximum \$500 per article.

In order to succeed with a claim of false patent marking, a claimant must not only prove the falsity of the marking, but also must prove that the accused company marked the article with a purpose of deceiving the public. Courts have provided some guidance as to what satisfies the “purpose of deceiving” standard. Specifically, courts require the plaintiff to show that the accused did not have a reasonable belief that the articles were properly marked; absent such proof, no liability under the statute arises. One court has stated that if a plaintiff can show actual misrepresentation coupled with proof that the party making it had knowledge of its falsity, then such a showing is enough to warrant drawing the inference that there was “fraudulent intent.” Moreover, the court went on to hold that an inference of intent to deceive, once shown, cannot be defeated with blind assertions of good faith if the accused had knowledge of the false marking.

False marking can arise in a number of situations. For example, and most notably, if a company marks an article with a patent that has already expired or has been

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abandoned, the company might be found to have been improperly marked. Likewise, an article can be found to be falsely marked if the patent claims do not actually cover the marked article. False marking can also occur when a company falsely includes patent numbers on advertising and marketing material.

There are a number of steps you can take to reduce your potential for liability for false marking. First, review your products and packaging, and make sure that the marked patents are not expired or abandoned and that at least one claim of each marked patent does, in fact, cover the marked products. Your technical employees may be able to perform this review, but, in close or important cases, you may be better off obtaining an opinion from your patent counsel.

Second, document your product review, including your evaluation practices and reasoning, so that you can show that you acted in good faith, and, therefore, lacked a purpose to deceive the public.

Third, if you have marked products, establish procedures for periodic review of patent markings and give sufficient lead time before patent termination dates so that revised packaging can be produced prior to the patent's termination. At a minimum, review should occur when:

- 1) your patent expires, or is about to expire, or you file a terminal disclaimer shortening your patent term;
- 2) you decide not to pay a maintenance fee or otherwise to abandon a patent; or
- 3) you revise your product design.

Fourth, re-evaluate your marked products after Patent Office proceedings such as reexamination, or patent litigation rulings, such as a claim construction narrowing the scope of your marked patent, or a judgment of invalidity or non-infringement, particularly if you do not plan to appeal. A false marking suit may be possible if your patent is found unenforceable due to inequitable conduct, because there will already have been a finding of intent to deceive the Patent Office.

Fifth, consider avoiding conditional language in patent markings, such as "this product is protected by one or more of ...." Courts have suggested that such qualified markings may be insufficient to prevent false patent marking liability. Instead, form a documented, good-faith belief regarding whether your patent covers your product.

Last, keep in mind that while you may be tempted to respond to this new trend of lawsuits by avoiding patent marking altogether, that would be a mistake. While such a tactic will prevent a claim of false marking, it will also limit or eliminate your ability to obtain damages against infringers. Indeed, if you choose not to mark an article with a patent which does in fact cover the article, you will be precluded from recovering damages during the period of no marking (up until a notice of infringement is provided or a lawsuit is filed).

If there is doubt regarding whether an article should be marked with a patent number, consult a patent attorney.



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