

## To Mark, Or Not To Mark

By Chris L. Holm

“Patented” - everyone has seen the word. It appears on cardboard protectors around our morning cup of coffee, and in the manuals for our televisions. It is “marking.” There are benefits and risks for marking “Patented” on products. A recent Federal Circuit decision clarifies some of the risks. *Forest Group, Inc. v. Bon Tool Co.*, No. 2009-1044, 2009 WL 5064353 (Fed.Cir. Dec. 28, 2009).

One of the benefits that comes from marking products as “Patented” relates to past infringement damages. Although patent owners often ascribe prestige value to a U.S. Patent, the value lies in excluding others from practicing the patent claims. Those who practice the claims of a valid U.S. Patent without a license infringe that patent. If successfully sued, the infringer is generally liable for past infringement damages, and/or the infringer may be enjoined from future infringement.

A successful patent owner can collect infringement damages extending six years prior to the complaint filing date. 35 U.S.C. Sections 284 and 286. However, to collect for six years of past damages the infringer must have notice of infringement that also begins at least six years prior. Actual notice to the infringer is certainly sufficient. However, patent owners may not know of every infringement. Or, they may not want to provide notice to a suspected infringer because the owner is not prepared to bring an infringement action. Providing infringement notice may expose the patent owner to declaratory judgment jurisdiction.

The marking provision of the Patent Act provides a solution to some of these problems. With proper “marking,” U.S. Patent owners can effectively serve notice of their patent rights to all competitors, allowing the patent owner to collect up to six years of past damages. Under the U.S. Patent Act: “Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word ‘patent’ or the abbreviation ‘pat.,’ together with the

number of the patent, or when, from the character of the article, this cannot be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice.” 35 U.S.C. Section 287(a).

Thus, by simply affixing the word “Patented” or “Pat.” with a corresponding U.S. Patent number, the patent owner can service notice to all competitors who might make, offer for sale, sell, or import a product that infringes on the owner’s U.S. Patent.

There are financial penalties for intentionally marking products as “Patented” if the products are not actually covered by the patent claims, or the patent is invalid, or the patent has expired. Recognizing that the mere presence of the word “Patented” on a product could chill competition, Congress included a penalty provision for falsely-marking a product as “Patented.” Under the statute: “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 the same is patented, for the purpose of deceiving the public;”...“Shall be fined not more than \$500 for every such offense.” 35 U.S.C. Section 292.

Until recently, many district courts considering the penalty for false-marking interpreted the Patent Act as requiring a \$500 fine for a *single decision* to falsely-mark. Under that interpretation, even with thousands of falsely-marked products, if there was only a single decision to falsely apply a patent number to the products, the maximum penalty was limited to \$500.

Some courts recognized that a \$500 maximum fine for a single marking decision would eviscerate the statute and adopted a time-based approach to false-marking. Under such an approach, the penalty might be applied for each day, week or month that false-marking occurred. Although these time-based approaches resulted in somewhat larger penalties, they were not uniformly applied.

---

Under the *Forest Group* holding, a patent owner's potential financial penalties for false-marking are not limited to \$500 for a single decision. A penalty must be calculated on a per falsely-marked article basis. Forest Group owned a U.S. Patent on a feature used in construction stilts. Forest Group sold its own construction stilts and marked those stilts with that U.S. Patent number. Bon Tool had been purchasing construction stilts from a licensed supplier, but when Bon Tool stopped purchasing from that licensed supplier and started purchasing from an unlicensed supplier, Forest Group sued for patent infringement.

As typically happens in a patent case, there was a claim construction hearing and order. In that claim construction order, the district court interpreted the asserted claims to require a particular feature. That feature was not present in either the accused stilt products or in the Forest Group stilt products. As mentioned, Forest Group had marked their own construction stilts with the asserted patent number.

After learning that its own construction stilts did not practice the asserted patent, Forest Group placed a new construction stilt order, but those stilts continued to list the asserted patent number. The district court determined that by placing a new order after learning that the asserted patent did not cover the construction stilts, and failing to effectively remove the asserted patent number from the construction stilts in that new order, Forest Group had engaged in a single incident of false-marking. The district court assessed a \$500 fine against Forest Group for false-marking. Bon Tool appealed that decision.

In holding that the current false-marking statute of the Patent Act sets a \$500 maximum fine on a *per article basis*, the Federal Circuit in *Forest Group* looked at the history of the false-marking statute. Before a 1952 change, the false-marking statute instead required a \$100 minimum penalty. Courts interpreting that previous statute had determined that if the \$100 minimum fine was calculated on a per article basis, with many falsely-marked articles, the penalty could be inequitable, particularly for products with modest value. The 1st Circuit in *London* concluded “[i]t can hardly have been the intent of Congress that penalties should accumulate as fast as a printing press or stamping machine might operate.” *London v. Everett H. Dunbar Corp.*, 179 F. 506, 508 (1st Cir. 1910). Accordingly, under the prior statute, “the continuous

false marking of multiple articles should constitute a single offense subject to a distinct penalty.” However, although Congress changed the false-marking statute in 1952 from a minimum \$100 penalty to a maximum \$500 penalty, many courts continued to apply the earlier reasoning from the *London* holding, applying the penalty on a per marking decision basis, instead of a per article basis.

In reversing and remanding, the Federal Circuit in *Forest Group* noted the differences and changes in the statutory language and also the minimal deterrent effect that a single \$500 penalty for false-marking might have if there was only a single marking decision, but multiple articles. Under the proper analysis, the Federal Circuit in *Forest Group* held that “Section 292 clearly requires a per article fine.” However, the Federal Circuit also noted that “[b]y 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. In 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.”

So, false-marking now has a potential for increased penalties, calculated on a per article basis. However, the false-marking statute continues to require intent to falsely-mark by the patent owner. So long as the patent owner has established and maintains a good-faith basis for marking, the risk of a false-marking penalty should remain very low. However, the patent owner must remain diligent with respect to patent expiration dates, and any lapse due to non-payment of maintenance fees. Similarly, marking as patent pending could implicate false-marking penalties if the underlying patent application never issues as a patent and is abandoned, while the patent pending marking remains on the product.



*Chris L. Holm is a senior associate in the Intellectual Property Group of Milbank, Tweed, Hadley & McCloy LLP in Los Angeles. He may be contacted at [cholm@milbank.com](mailto:cholm@milbank.com).*