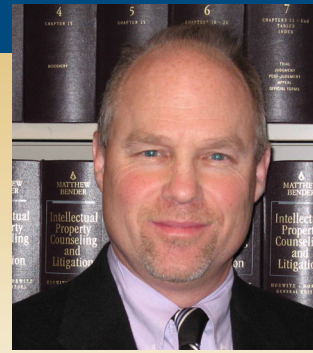


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## Beware of the Falsely Patent Marking Boogey Man

Within the past 18 months, a cottage industry has started to emerge. This disruptive industry exists to sue companies for allegedly mismarking products or packaging with expired or incorrect patent numbers. Importantly to the readers of *BONEZONE*, the reach of these “entrepreneurs” has touched the orthopaedic world, with Biomet being served with a complaint alleging that they had falsely marked some of their implants.<sup>1</sup>

Before we address false patent marking and the impact of recent Court decisions on who can sue and how much they can collect if they win, a brief review of the patent marking statute and your obligation as a patent holder is necessary.

The patent marking statute is entitled “**Limitation on Damages and Other Remedies; Marking and Notice**” and is found in §287(a) of the Patent Law. The law states that a patent holder can only recover damages *from the time* that the infringer was *given notice* of the existence of the patent. There are several recognized ways to provide such notice: the patent holder can send a letter or email to the infringer, or can file an infringement lawsuit naming the person or company as the defendant.

The most efficient way to give notice of the existence of the patent to the public and a potential infringer is to place the appropriate patent number(s) directly on the product itself from the time it is first produced. If the product cannot be marked (e.g., too small, geometry does not allow, is too complex, markings cannot be seen, etc.), then the Patent Law allows the patent holder to satisfy the notice requirement by placing on the product packing or on a label affixed to the product the patent number(s) that are relevant and cover the attributes of the product. Patent holders should be aware that many Courts have determined that placing the patent numbers on product brochures, invoices and other marketing/sales collateral may not be enough to meet the notice requirement for one to collect damages from an infringer. Therefore, a best practice would be to if the product is of a size and physical nature that would permit you to mark the patent number directly onto the product, then this should be done. The marking must be of a sufficient

size and be positioned in a location that the user can easily see and read it with the naked eye. Courts have also allowed for the patent number to be placed on the packaging or product labels, but only when a patent holder has been able to show that they would have been unduly burdened with an additional manufacturing step to mark the product that resulted in additional unforeseen production costs.

The Patent Law provides that the word “patent” or “pat.” together with the associated serial number needs to be placed on the product. Merely marking the product with the word “patented” is not enough. Products covered by multiple patents are more difficult to mark. Adequate notice for these products can be achieved by a general marking on the packaging of the product or the product itself, indicating that the product is covered by “one or more” of the following patents and then including a list of the relevant patents.

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***Marking must be of a sufficient size and be positioned in a location that the user can easily see and read it with the naked eye.***

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If your patent application has not issued yet, it is still advisable to mark your product with the words “patent pending.” The “patent pending” designation must be changed immediately once a patent is granted to include the patent number in conjunction with either of the markings “patent” or “pat.”

The patent marking provision acts as a limitation on the patent holder’s ability to recover monetary damages for infringement. Should a patent holder have forgotten to mark his product, such a defect can be cured. Once products have been properly marked, patent holders can take action to recover monetary damages for any infringement that then occurs *after* giving sufficient notice to the infringer. What this means is that you cannot collect any damages for *past* infringement acts, but can collect for infringing activity that occurs after you have marked your product or packaging with the correct patent number.

1. See *Tex Pat, LLC v. LVB Acquisition, Inc., Biomet, Inc. et al.* filed July 19, 2010.

Section 292 of the Patent Law imposes civil penalties on anyone who falsely marks products with the intent to deceive the public. The premise of the law is that false patent marking will injure the public, because such an act will mislead the public (and competitors) into believing that the patent holder has a limited monopoly with the marked product. Falsely marking products could keep potential competition at bay until the expiration of the alleged patent.

There are several categories of false markings under the law, including marking of the product without the permission of the patent holder, marking a product with a patent number when the product is not covered by a patent or an expired patent number and marking a product with the words “patent pending” when no patent application has been filed.<sup>2</sup> A person who is found guilty of false patent marking is subject to a fine of “not more than \$500 for every such offense.”<sup>3</sup> An interesting twist to the law is that “any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.”<sup>4</sup> What this means is that the law permits anyone to bring a *qui tam* action or in plain English, a whistle blower suit. The only problem is that the person must give half of whatever they collect from the suit to the Federal Government.

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***Once products have been properly marked, patent holders can take action to recover monetary damages for any infringement that then occurs after giving sufficient notice to the infringer. You cannot collect damages for past infringement acts, but can for infringing activity that occurs after you have marked your product or packaging with the correct patent number.***

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To prevail in a false marking lawsuit, the plaintiff must show first that an unpatented article/product has been marked, and second, that the defendant intentionally marked the article/product to deceive the public. Courts have provided some guidance with the first element in that an article that is marked with an expired patent is unpatented, although it was previously patented. In addition, a five year statute of limitations applies to false marking actions. Therefore, if the markings occurred longer than five years ago, no action can be brought for those particular marking incidences.

Up until late 2009, lawsuits filed based on false patent marking were rare because Courts typically would only assess a single fine of \$500 with no attention being paid to the number of mismarked products by the defendant. This all changed when the Federal Circuit Court issued its decision in the Forest Group case.<sup>5</sup> The Court stated that the appropriate penalty

under the False Patent Marking law should be applied on a *per marked* article basis as opposed to the historical application of an *each decision to mark* basis. For obvious reasons, even with the required 50/50 split with the government, the Forest Group decision spurred litigation-happy entrepreneurs to troll the marketplace to find inaccurate patent markings with the hopes of a massive windfall. Published reports have shown that in 2010, *qui tam* plaintiffs using Section 292 have filed false marking suits against over 900 defendants.<sup>6</sup>

Given the high number of *qui tam* actions, it was not surprising that a defendant challenged the standing and actual injury under a false marking *qui tam* lawsuit. The case involved a patent attorney (Stauffer) who filed a lawsuit against Brooks Brothers, claiming that the clothing manufacturer falsely marked their men’s bow ties with patents that had expired over 50 years ago. The lower court had held that Mr. Stauffer had lacked standing to bring the lawsuit, because he had not suffered an injury. In August 2010, The Federal Circuit Court reversed the lower court’s holding on the standing issue stating that, although a *qui tam* plaintiff may not have suffered an injury to themselves, the U.S. had suffered an injury and because the false marking statute operates as a statutory assignment of the U.S.’ interests, a private plaintiff (acting as the government’s assignee) has standing to enforce section 292 of the Patent Law.<sup>7</sup>

The third Federal Circuit case that impacted the landscape of the false patent marking law involved the Solo Cup Company, a maker of disposable foodware and utensils that used a stamping machine with a mold cavity to imprint patent numbers onto the plastic products. At issue was the fact that Solo had continued to mark plastic lids with expired patent numbers. When Solo became aware that this was occurring, it obtained a legal opinion from outside intellectual property counsel that Solo’s in-house policy to replace the mold cavities when they were damaged or worn out and then delete any expired patent marking was permissible, given that whole-sale replacement of the molds would be too costly and burdensome.<sup>8</sup> Another patent attorney, Mr. Pequignot, filed a *qui tam* action alleging that Solo had falsely marked at least 21,757,893,672 lids with expired patent numbers to deceive the public. Mr. Pequignot sought damages in the amount of \$500 per article which equaled approximately \$5.4 trillion dollars, or 42 percent of the U.S. total national debt.<sup>9</sup> The Federal Circuit Court agreed with the lower court and dismissed the action as to Solo, due to lack of evidence that Solo intended to deceive the public with its patent markings.

In the Solo case, the Court highlighted three important points that are helpful to the reader when understanding the scope of the false marking law. First, “an article covered by a now-expired patent is ‘unpatented.’”<sup>10</sup> The second was whether an expired patent marking and the patent holder’s awareness of that marking is enough evidence to prove that the patent holder intended to deceive the public by the false marking. The

2. See 35 U.S.C. § 292(a)

3. *Id.*

4. See 35 U.S.C. § 292(b)

5. Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295 (Fed. Cir. 2009).

6. IP Law360, New York (December 22, 2010).

7. Stauffer v. Brooks Brothers, Inc., 619 F.3d 1321 (Fed. Cir. 2010).

8. Pequignot v. Solo Cup Co., 608 F.3d 1356, 1359 (Fed. Cir. 2010).

9. *Id.* at Note 1.

10. *Id.* at 1361.

court provided a rather fuzzy answer to this question by stating that “mere knowledge that a marking is false is insufficient to prove intent” if the patent holder “can prove that it did not consciously desire the result that the public be deceived.”<sup>11</sup> The third point was what the patent holder must provide to rebut the presumption that they intended to deceive the public by knowingly falsely marking an article. The simple response to this was that a patent holder’s reliance on the advice of their attorney and that the false marking was out of desire to reduce costs was sufficient to show that there was no intent to deceive the public.

This trifecta of cases decided in 2009 and 2010 has brought this obscure part of the Patent Law to the forefront and has significantly impacted how businesses need to conduct operations from now on. It should be noted that Congress has recognized false marking law to be a problem and legislation was introduced that would have eliminated the *qui tam* provision, but unfortunately the law was not acted on by Congress and has now expired.

In summary, it is imperative for the patent holder to mark his/her product with the correct number in order to be able to sue for damages from an infringer. The patent holder must closely monitor the status of his patent to ensure that it reads on the product and to remove any such marking when the patent expires. Careful attention to these details will insulate against the risk getting hit by a massive fine as a result of a false marking law suit brought by a false marking lurking boogey man.

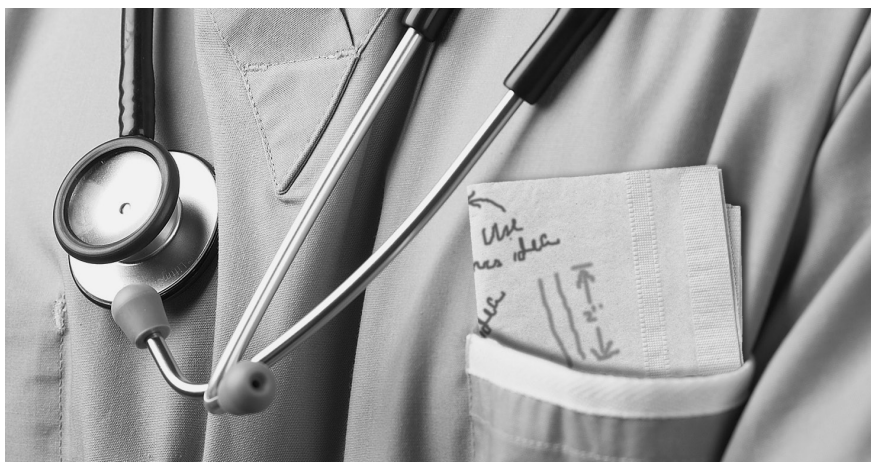
This article is not intended to be interpreted as legal advice, but is only being provided to assist and educate the reader in the various aspects of the false marking statute. If you require actual legal advice, contact your attorney.

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11. *Id.* at 1363.