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Federal Circuit Interprets the False Marking Statute to Impose Fines on a “Per Article” Basis

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Key Points

- The Federal Circuit has, for the first time, interpreted the false patent marking statute, 35 U.S.C. § 292, to require courts to impose a penalty of up to $500 for *each* individual product falsely marked or advertised as being protected by a U.S. patent.
- While the Federal Circuit’s decision significantly increases the amount of penalties courts may assess those found liable for falsely marking products, the decision also made clear that “[t]his does not mean that a court must fine those guilty of false marking $500 per article marked.” “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.”
- Companies who mark their products as being covered by patents should consult with their patent counsel for guidance on whether or not their products are properly marked.

Introduction

On December 28, 2009, the Federal Circuit held that the plain language of the false patent marking statute, 35 U.S.C. § 292, requires courts to impose penalties for false patent marking on a “per article” basis. *Forest Group, Inc. v. Bon Tool Co.*, No. 2009-1044. Prior to this Federal Circuit decision, many district courts had interpreted the false marking statute to impose a single fine or penalty for each “decision” to falsely mark products, irrespective of the number of articles manufactured as a result of that decision.

The False Marking Statute

Under 35 U.S.C. § 292, fines may be imposed on those who falsely mark or advertise products for the purpose of deceiving the public as being covered by a United States patent or patent application. The statute states in part:

> 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 that the same is patented, for the purposes of deceiving the public or whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words “patent applied for,” or “patent pending,” or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public shall be fined not more than $500 for every such offense.

Congress enacted this statute to penalize those who mark or advertise a product as being protected by a patent or patent application when such individuals do not have a reasonable or justified belief that the patent or patent application actually covers the product.

The Federal Circuit Decision

The patent at issue in *Forest Group, Inc. v. Bon Tool Co.* related to stilts used by construction workers. Forest Group, the patent owner, had previously sued another competitor on the same patent and was aware from a decision in the earlier litigation that its products, marked with the patent number, were not covered by the patent claims. In its case against Bon Tool, the U.S. District Court for the Southern District of Texas found that Forest Group’s placement of an order to a manufacturer for stilts including the patent number after the decision issued in the earlier litigation evidenced Forest Group’s intent to deceive the public, and assessed Forest Group a $500 fine for a single offense of false marking. Bon Tool appealed the penalty award to the Federal Circuit.

The Federal Circuit, after concurring with the district court that Forest Group had the requisite intent to deceive the public by falsely marking its products, vacated the court's holding that the penalty allowed under the false marking statute was merely $500. Declining to apply the holding of a 1910 First Circuit case, *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910), the Federal Circuit determined that the plain meaning of the current statute requires "the penalty to be imposed on a per article basis."

In rendering its decision, the Federal Circuit dismissed Forest Group's argument "that interpreting the fine of § 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," stating this "is what the clear language of the statute allows." To that end, the Federal Circuit noted "the possible rise of 'marking trolls' who bring litigation purely for personal gain."

The Federal Circuit made clear that its holding "does not mean that a court must fine those guilty of false marking $500 per article marked." Rather, the Federal Circuit reasoned that the statutes' recitation of "not more than $500 for every such offense" allowed district courts 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." For example, in the case of "inexpensive mass-produced articles," the Federal Circuit stated that "a court has the discretion to determine that a fraction of a penny per article is a proper penalty.

What's Next?

As of the date of this publication, it is not known if Forest Group will seek Supreme Court review. Also, we likely have not heard the last from the Federal Circuit on false patent marking. There are at least two cases (*Pequignot v. Solo Cup* and *Stauffer v. Brooks Brothers*) involving the false patent marking statute currently on appeal before the Federal Circuit.

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