

Stop Opportunistic False Marking Lawsuits Now

S. 23, the “America Invents Act,” reforms a controversial provision (35 U.S.C. §292(b)) that allows opportunistic plaintiffs to prosecute false patent marking claims against businesses whose conduct has harmed no one. The purpose of patent marking is to inform competitors, not consumers, that a product is patented; consumers generally have little interest in the patent marking on a product.

Most of these cases have involved products where the patent has expired. The mere fact that a patentee fails to promptly remove a patent number from a product upon expiration of the patent hardly gives rise to the intentional deception of the public contemplated by §292(b). Similarly, the fact that a product may undergo manufacturing modifications during the life of a patent that may alter the product so that it is no longer covered by the precise wording of the claims of the patent also does not constitute “an intent to deceive.”¹

Following a recent decision of the Federal Circuit which suggested that plaintiffs might recover up to \$500 for each item falsely marked,² opportunistic plaintiffs have deluged federal district courts with false marking suits targeting high volume products. In the overwhelming majority of these cases, the accused businesses have done nothing more than continue to sell products bearing proper patent numbers after the expiration of one or more of the enumerated patents.

The false marking statute traces its origin to the 1870 Patent Act. For nearly 140 years, federal courts usually held that “continuous” false marking only constituted one offense under the Act. However, following the Federal Circuit’s ruling in December 2009 that the plain language of the statute “requires a per article fine,” nearly 800 *qui tam* false marking suits have been filed. Notwithstanding the Federal Circuit’s admonition that

“...by allowing a range of penalties, the statute provides district courts the discretion to strike a balance between encouraging enforcement of

¹ “[W]hatever errors appeared in the labels were inadvertent, the result of oversight, or caused by patent expirations.” *Arcadia Machine & Tool Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986).

² *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities”...

the possibility of a *qui tam* plaintiff finding a pot of gold at the end of a false marking action has proven irresistible. It has been noted, regarding the *Pequignot v. Solo Cup Co.* case,³ that the maximum penalty could amount to a ten trillion dollar award for false marking.”⁴

This unfortunate development has been described in several articles, including: “Trolling for Dollars: A New Threat to Patent Owners”⁵ and “The Flawed Nature of the False Marking Statute.”⁶ Commentators have discussed the surge of such actions, noting the possible rise of “marking trolls” who bring litigation purely for personal gain.⁷

Moreover, in the age of the Internet, it is a simple matter to go to the USPTO database and immediately determine whether or not the patent has expired. The costs incurred to determine whether a patent (whose number has been marked upon a product with which a competitor would like to compete) has expired simply do not warrant the fines *qui tam* plaintiffs are seeking under the false marking statute. It is therefore difficult to make a plausible argument that the public is harmed in this day and age by a product bearing an expired patent number, especially when the government has never found it worthwhile to prosecute a violation of the false marking statute.

If indeed there is any party that might suffer an injury, it would be the competitors of a patentee who failed to remove a patent number from a product. In line with this rationale, Representative Issa introduced H.R. 4954 in March 2010 to deter the deluge of false marking suits that have been filed in response to the new Federal Circuit standard. Representative Latta introduced similar legislation in September 2010 (H.R. 6352) and again in January 2011 (H.R. 243). S. 23, passed by the Senate on March 8, 2011, would also rein-in such false marking suits. These bills all seek to provide a measure of balance by limiting such *qui tam* actions to

³ No. 2009-1547 (Fed. Cir., June 10, 2010)

⁴ “The New Patent Marking Police: Answering Clontech and Forest Group,” Justin E. Gray & Harold C. Wegner (available at <http://www.grayonclaims.com/storage/MarkingPoliceVers4.pdf>).

⁵ Donald W. Rupert, Intellectual Property & Technology Law Journal, March 2009

⁶ Elizabeth I. Winston, paper presented at the 2008 Works in Progress Intellectual Property Colloquium (available at <http://ssrn.com/abstract=1427472>).

⁷ See “Avoiding False Patent Marking Claims,” A. Justin Poplin, IPLaw360, October 9, 2009, <http://www.law360.com/articles/116798> (“Sensing a new source of revenue, individuals have begun suing large corporations for false patent marking when an expired patent number appears on a product.”).

those who have “suffered a competitive injury” as a result of the false marking. They would allow the United States to continue to seek the penalty, but would eliminate false marking litigation initiated by unrelated, private third parties primarily for personal gain. Competitors who do suffer actual competitive injury by virtue of a falsely marked patent could bring actions to recover damages adequate to compensate for their injury.

On March 14, 2011, Representative Issa introduced another approach to end the frenzy of false marking lawsuits. This measure, H.R. 1056, would totally preclude such suits involving properly marked products after the patent expires if no change is made in the manufacturing process or, if a change is made, the word “expired” is placed before the word “patent.”

The common sense provisions in all of these bills would restore balance to the false marking statute while insuring that appropriate remedies would remain available to correct any case where false marking has harmed the public.

The revisions made by S. 23 would not only provide a fair and balanced remedial provision to correct any harm to the public from false marking, but it would also protect competitors that suffer an actual competitive injury. S. 23 should be enacted and made effective to pending and future false marking actions.