

KEY IDEAS:

False Marking Statutes1

Two Elements of False Marking1

Unpatented Article1

Intent to Deceive the Public2

Applying a Civil Penalty for False Marking—The *Forest Group* Decision.....3

 The Factual and Procedural Background of *Forest Group*4

 The Federal Circuit’s Analysis and Holdings in *Forest Group*5

Forest Group on Remand6

‘Cottage Industry’ Launched and Legislative Fixes Proposed6

Conclusion6

**MUCH ADO ABOUT NOT MUCH?
FALSE MARKING AFTER FOREST GROUP, INC. V.
BON TOOL CO. (PART I)**

False marking claims may be the “fad” litigation of 2010. The Federal Circuit’s opinion in *Forest Group, Inc. v. Bon Tool Co.*¹ greatly expanded the prospect of substantial damages for such claims under 35 U.S.C. § 292(a), creating what some described as a “cottage industry” for “marking trolls.”²

Predictably, scores of eager plaintiffs filed suit seeking the proverbial pot of gold at the end of the 35 U.S.C. § 292(b) rainbow. But is there less here than meets the eye? Is the sky falling, or is this “much ado about not much?”

All quipping aside, litigation of this type still forces patent owners to deal with vexing and expensive new litigation. This month, *IpQ* offers a brief refresher on the law—old and new—relating to false marking. Next month, *IpQ* explores options for savvy patent owners to staunch this unwelcome flood of litigation. Together, these two issues will properly put false marking and 35 U.S.C. § 292(b) in perspective and should be a part of your IP IQ.

False Marking Statutes

In 35 U.S.C. § 287(a), patent owners may “give notice to the public” that their products are patented by “marking” them with the word “patent” and the patent number. “False marking,” as governed by 35 U.S.C. § 292(a) (¶2), provides,

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 purpose of deceiving the public . . . Shall be fined not more than \$500 for every such offense.

This statutory language raises issues regarding (1) the elements of a claim for false marking, and (2) the appropriate means for imposing the statutory penalty.

Two Elements of False Marking

The Federal Circuit plainly sets up a two-step test: “The two elements of a § 292 false marking claim are (1) marking an unpatented article and (2) intent to deceive the public.”³ Courts have considered (1) what is an “unpatented article,” and (2) what constitutes “intent to deceive” the public?

Unpatented Article

The Federal Circuit defines “unpatented article” this way: “When the statute refers to an ‘unpatented article,’ the statute means that the article in question is not covered by at least

Prepared by:



PETER STRAND
Washington, D.C.
(202) 783-8400
pstrand@shhb.com

Peter is a partner in the Firm’s Intellectual Property & Technology Litigation Practice. He holds an LLM in intellectual property law from the University of Houston School of Law.

1 590 F.3d 1295 (Fed. Cir. 2009).

2 See *id.* at 1303.

3 *Id.* at 1300 citing *Clontech Labs, Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005).

“An article that was once protected by a now-expired patent is no different than an article that has never received protection from a patent. Both are in the public domain.”

“The court, therefore, concluded that marking an article with an expired patent number constitutes false marking under 35 U.S.C. § 292(a).”

one claim of each patent with which the article is marked.”⁴ Thus, to determine if an article is “unpatented” for purposes of section 292, the court must first determine whether the claims of a patent cover the article in question. To make that determination, the claim must be interpreted to ascertain its correct scope, and then it must be found that the claim reads on the article in question.⁵ This seems straightforward, but this initial inquiry does not exhaust the “unpatented article” issue.

In *Pequignot v. Solo Cup Co.*,⁶ the district court faced a “question of first impression”—whether the term “unpatented article” referred (1) only to articles never patented, or (2) to any article not presently protected by a patent.⁷ Plaintiff Pequignot alleged, among other matters, that Solo failed to remove markings from its products for more than 19 years after one of its patents had expired.⁸ Solo filed a motion to dismiss that claim on the ground that marking an article with an expired patent number could not constitute a false marking under the statute.⁹ Solo said the term “unpatented article” refers to articles never patented only.¹⁰

The *Solo* court rejected this argument and denied Solo’s motion.¹¹ First, the district court construed the statute by considering its ordinary meaning. Finding that Solo’s argument contradicted black-letter patent law, the court wrote, “An article that was once protected by a now-expired patent is no different than an article that has never received protection from a patent. Both are in the public domain.”¹² Plaintiff’s argument that “unpatented article” refers to any article not currently protected by a patent is entirely consistent with this principle.¹³ The court also noted, “Going forward from the date of a patent’s expiration, the article in question is no longer considered ‘patented.’”¹⁴

The court also considered public policy to reach its decision. Initially, it observed, “There is an ‘important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.’”¹⁵ It then said,

Potential inventors and consumers would be forced to look up every patent marking to discern whether the patent was valid or expired, possibly leading some to shy away from using that article. These burdens, when considered in the aggregate, inhibit the free flow of ideas and “the benefits of the unrestricted exploitation” with respect to those articles that have entered the public domain.¹⁶

The court, therefore, concluded that marking an article with an expired patent number constitutes false marking under 35 U.S.C. § 292(a).¹⁷

Ultimately, the court denied Solo’s motion to dismiss because the inquiry as to whether the defendant affixed the false marking to deceive the public turns on a fact-specific examination of the plaintiff’s conduct.¹⁸

Intent to Deceive the Public

The courts have politely refused to condone bald-faced lying: “Intent to deceive is a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true.”¹⁹

4 *Clontech Labs, Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005).

5 *Id.*

6 540 F. Supp. 2d 649 (E.D. Va. 2008).

7 *Id.* at 652.

8 *Id.* at 650.

9 *Id.*

10 *Id.* at 652.

11 *Id.*

12 *Id.*

13 *Id.*

14 *Id.* at 653.

15 *Id.*

16 *Id.* at 654.

17 *Id.*

18 *Id.* citing *Arcadia Mach. & Tool Inc. v. Sturm, Ruger & Co., Inc.*, 786 F.2d 1124 (Fed. Cir. 1986).

19 *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1300 (Fed. Cir. 2009) (citing *Clontech Labs, Inc. v. Invit-*

“A party asserting false marking must show by a preponderance of the evidence that the accused party did not have a reasonable belief that the articles were properly marked. In fact, the mere assertion by a party that it did not intend to deceive, standing alone, ‘is worthless as proof of no intent to deceive where there is knowledge of falsehood.’”

This inquiry is dependent on a fact-specific examination of the defendant’s conduct.²⁰

A party asserting false marking must show by a preponderance of the evidence that the accused party did not have a reasonable belief that the articles were properly marked.²¹ In fact, the mere assertion by a party that it did not intend to deceive, standing alone, ‘is worthless as proof of no intent to deceive where there is knowledge of falsehood.’²²

After the court in *Pequignot v. Solo Cup Co.* denied Solo’s motion to dismiss, the parties filed cross motions for summary judgment on the issue of intent to deceive.²³ After a detailed analysis, the court granted Solo’s motion for summary judgment on the ground that it did not act with the requisite intent to deceive. A brief review of the court’s fact-based opinion is helpful in understanding this “intent to deceive” element of false marking. In its opinion, the court considered the following facts:

- Solo admittedly marked billions of plastic drink cup lids despite knowing the patent was expired.²⁴
- The lids are manufactured using thermoforming stamping machines. The molds in those machines can last for 15 to 20 years and are very expensive to replace.²⁵
- Solo was unaware for 12 years that one of its relevant patents had expired!²⁶
- Solo obtained advice from counsel on the marking issue. Based on that legal advice, and believing its conduct was permissible under the statute, Solo developed a policy to update the molds’ patent markings only when the molds needed to be replaced due to wear and tear.²⁷
- Solo provided abundant evidence that this “fiscally prudent” policy was actually implemented and carried out. No new molds with false marking were made.²⁸

Relying on *Clontech*, the *Solo* court held that a false marking made with knowledge of falsity creates a rebuttable presumption of intent to deceive.²⁹ That presumption is weaker with an expired patent, however, than when a product is marked with an unexpired patent that does not cover the product.³⁰ Noting that Solo admitted it knowingly marked lids with an expired patent, the court applied the weakened presumption.³¹

The court also found it relevant that Solo had a good faith belief that it was not acting outside of the law based, in part, on counsel’s advice.³² After examining the plaintiff’s arguments, the court concluded there was “not a scintilla of evidence” that Solo acted with the requisite intent to deceive and granted summary judgment.³³

Applying a Civil Penalty for False Marking—The *Forest Group* Decision

If false marking occurs, 35 U.S.C. § 292(b) provides, “Any person may sue for the penalty [not more than \$500 for every such offense], in which event, one-half shall go to the person suing and the other to the use of the United States.” The Federal Circuit’s December 2009 decision in *Forest Group,*

rogen Corp., 406 F.3d 1347, 1352 (Fed. Cir. 2005) (in turn citing *Seven Cases of Eckman’s Alternative v. United States*, 239 U.S. 510, 517-18 (1916)).

20 *Pequignot v. Solo Cup Co.*, 540 F. Supp. 2d 649, 654 (E.D. Va. 2008) (citing *Arcadia Mach. & Tool Inc. v. Sturm, Ruger & Co., Inc.*, 786 F.2d 1124 (Fed. Cir. 1986)).

21 *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1300.

22 *Id.* citing *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005).

23 *Pequignot v. Solo Cup Co.*, 646 F. Supp. 2d 790 (E.D. Va. 2009).

24 *Id.* at 792.

25 *Id.* at 792, 793.

26 *Id.* at 792.

27 *Id.* at 793.

28 *Id.* at 794.

29 *Id.* at 797 citing *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005).

30 *Id.* at 798.

31 *Id.*

32 *Id.*

33 *Id.* at 800.

“The court in *Warner* construed the disputed claims in a manner almost identical to the claim construction issued by the district court in *Bon Tool*.”

*Inc. v. Bon Tool Co.*³⁴ upset common wisdom on the statutory penalty's application, which led to the recent flurry of false marking suits.

The Factual and Procedural Background of *Forest Group*

The facts underlying *Forest Group* are instructive. Forest Group owned the '515 patent, which disclosed improvements to a spring-loaded parallelogram stilt of the type commonly used in construction (stilts).³⁵

In late 2005, Forest Group sued defendant Bon Tool, alleging infringement of the '515 patent. Bon Tool counterclaimed, alleging, *inter alia*, that Forest Group had falsely marked its stilts under 35 U.S.C. § 292, (*Bon Tool*).³⁶

In February 2007, the district court issued its claim construction in *Bon Tool*.³⁷ In August, based on its claims construction, the court granted summary judgment of non-infringement in favor of Bon Tool.³⁸ Paradoxically, the court's claims construction ruling meant Forest Group's own stilts were not covered by its '515 patent.

Bon Tool was not the only litigation regarding the '515 patent in which Forest Group was involved, however. Forest Group had also accused Warner Manufacturing Co. (Warner) of selling stilts that infringed Forest Group's '515 patent.³⁹ In 2005, Warner filed a counter suit against Forest Group and others in the U.S. District Court for the District of Minnesota seeking a declaration of non-infringement (*Warner*).⁴⁰

The district court in *Warner* issued its claim construction decision in March.⁴¹ The court in *Warner* construed the disputed claims in a manner almost identical to the claim construction issued by the district court in *Bon Tool*.⁴² Consequently, on November 15, 2007, the Minnesota court also issued summary judgment of non-infringement in favor of Warner and against Forest Group.⁴³

By the time Warner was granted summary judgment, Forest Group had hired new patent counsel who, recognizing Forest Group's own products were not covered by its '515 patent, advised Forest to modify its stilts to fall under the patent.⁴⁴

The court in *Bon Tool* held a bench trial on Bon Tool's counterclaim for false marking in July 2008. During that trial, Forest Group's owner, Mr. Lin, testified that, in November 2007, apparently after the *Warner* ruling on non-infringement, his new counsel advised him to modify the Forest Group stilt so it was covered by the '515 patent.⁴⁵ Lin testified that, based on this advice, he immediately ordered stilts from his manufacturer that fell under the '515 patent. He explained that, beginning in February 2008, new stilts sold by Forest Group contained the patented feature.⁴⁶ Lin also testified that he instructed his manufacturer to stop marking the older series of stilt models with the '515 patent number. Then Lin testified that the week before trial he noticed the manufacturer had failed to remove the patent marking from the original stilts.⁴⁷

34 590 F.3d 1295 (Fed. Cir. 2009).

35 *Id.* at 1298.

36 *Id.* at 1299.

37 *Forest Group, Inc. v. Bon Tool Co.*, 2007 WL 541030 (S.D. Tex., Feb. 15, 2007) (claims construction opinion); *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

38 *Forest Group, Inc. v. Bon Tool Co.*, 2007 WL 2555116 (S.D. Tex., Aug. 3, 2007) (order granting summary judgment); *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

39 *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

40 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *1 (S.D. Tex., July 29, 2008) (findings of fact and conclusions of law after bench trial); *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

41 *Warner Mfg. Co. v. Armstrong*, 504 F. Supp. 2d 589 (D. Minn., 2007); *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

42 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *2; *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

43 *Warner Mfg. Co. v. Armstrong*, 2007 WL 3521249 (D. Minn., Nov. 15, 2007); *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

44 See *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299; *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *2.

45 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *2; *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

46 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *2.

47 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *2.

“... the Federal Circuit unequivocally stated, ‘We hold that the plain language of 35 U.S.C. § 292 requires courts to impose penalties for false marking on a per article basis.’”

“... the court brushed off the possible rise of ‘marking trolls,’ who bring litigation ‘purely for personal gain, ...’”

Interestingly, the district court did not find Lin’s stilt-marking instructions testimony credible. The court noted the absence of any documents, phone records, e-mails, or letters to support Lin’s claims. The court also found it incredible that Lin would not have checked the new parts to ensure they did not contain the patent number he had instructed the manufacturer to stop marking.⁴⁸

After the trial on Bon Tool’s counter claims, the district court decided that Forest Group falsely marked its products with its ‘515 patent number after November 15, 2007, and assessed Forest Group a \$500 fine for a single offense of false marking.⁴⁹

Then the district court considered evidence relating to Forest Group’s alleged intent to deceive and found that Forest Group knew as of November 15, 2007—the date of the summary judgment of non-infringement in *Warner*—that its own stilts were not covered by the ‘515 patent.⁵⁰

Bon Tool appealed the district court’s decision, in part, on the ground that the court had erred in its interpretation of 35 U.S.C. § 292 when it determined that the statute provided for a penalty based on each decision to mark rather than on a per article basis.⁵¹

The Federal Circuit’s Analysis and Holdings in *Forest Group*

On appeal, and in a break with prior case law, the Federal Circuit unequivocally stated, “We hold that the plain language of 35 U.S.C. § 292 requires courts to impose penalties for false marking on a per article basis.”⁵²

The Federal Circuit made quick work of the statutory interpretation issue, stating:

- “The plain language of the statute does not support the district court’s penalty of \$500 for a decision to mark multiple articles. Instead, the statute’s plain language requires the penalty to be imposed on a per article basis.”⁵³
- “The statute prohibits false marking of ‘any unpatented *article*,’ and it imposes a fine for ‘every such offense.’ . . . The statute requires a fine to be imposed for every offense of marking any unpatented article.”⁵⁴
- The act of false marking is the offense punished by the statute. The phrase “for the purpose of deceiving the public” creates an additional requirement of intent but does not change the relationship between the act of marking an article and the penalty.⁵⁵

The court distinguished prior cases imposing a single fine for false marking⁵⁶ or adopting a “time-based” approach to the statute.⁵⁷ The court also examined policy-based considerations supporting its interpretation of the statute.⁵⁸ Doing so, the court brushed off the possible rise of “marking trolls,” who bring litigation “purely for personal gain,”⁵⁹ and said,

Rather than discourage such activities, the false marking statute explicitly permits *qui tam* actions. By permitting members of the public to sue on behalf of the government, Congress allowed individuals to help control false marking. The fact that the statute provides for *qui tam* actions further supports the per article construction.⁶⁰

48 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *4, n.3; *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1297, 1299, n.2.

49 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *6; *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1297, 1299.

50 *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206, *3-5; *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1299.

51 *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d at 1300.

52 *Id.* at 1304.

53 *Id.* at 1301.

54 *Id.* (citations omitted).

55 *Id.*

56 *Id.* at 1301 (distinguishing *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910)).

57 *Id.* at 1302 (distinguishing *Icon Health & Fitness, Inc. v. The Nautilus Group, Inc.*, 2006 WL 753002 (D. Utah, March 23, 2006)).

58 *Id.* at 1302-03.

59 *Id.* at 1303.

60 *Id.* at 1303-04.

ENHANCING YOUR IP IQ

Vol. II, No.5

MAY 2010

ABOUT SHB

Shook, Hardy & Bacon offers expert, efficient and innovative representation to our clients. We know that the successful resolution of intellectual property issues requires a comprehensive strategy developed in partnership with our clients.



OFFICE LOCATIONS

Geneva, Switzerland

+41-22-787-2000

Houston, Texas

+1-713-227-8008

Irvine, California

+1-949-475-1500

Kansas City, Missouri

+1-816-474-6550

London, England

+44-207-332-4500

Miami, Florida

+1-305-358-5171

San Francisco, California

+1-415-544-1900

Tampa, Florida

+1-813-202-7100

Washington, D.C.

+1-202-783-8400

Importantly, however, the Federal Circuit observed, “This does not mean that a court must fine those guilty of false marking \$500 per article marked. The statute provides a fine of *not more than* \$500 for every such offense.”⁶¹ The court acknowledged that a “range of penalties” is available so that courts can “strike a balance.”⁶² Having disposed of the issue, the Federal Circuit remanded the case to the district court for the recalculation of fines under the statute in a manner consistent with the court’s opinion.⁶³

Forest Group on Remand

On remand, Bon Tool sought to reopen discovery to obtain additional information about false marking.⁶⁴ In its discretion, the district court denied the motion.⁶⁵

The district court then calculated the appropriate fine. The court noted that the undisputed trial record counted 38 falsely-marked stilts, and Forest Group sold the falsely-marked stilts at prices between \$103.00 and \$180.00.⁶⁶ Based on this accounting, the court found that the appropriate fine was \$180.00 per article, the highest point of the price range because, “This will deprive Forest of more than it received for the falsely-marked stilts, fulfilling the deterrent goal of § 292’s fine provision.”⁶⁷ Based on the \$180.00-per-article fine for the 38 falsely-marked stilts of which there was evidence at trial, the court imposed a fine against Forest Group of \$6,840.00 and issued a final judgment in that amount.⁶⁸ Applying the provisions of § 292(b), this netted Bon Tool the grand sum of \$3,420 after an appeal to the Federal Circuit!

‘Cottage Industry’ Launched and Legislative Fixes Proposed

In wake of the *Forest Group* decision, a new cottage industry was born. As the district court in *Bon Ton* noted on remand,

It appears that *Forest’s* prediction was accurate. Between the issuance of the Federal Circuit’s decision on December 28, 2009, and April 2010, more than 139 false marking claims have been filed.⁶⁹

The spate of cases caught the attention not only of the patent bar, but also of Congress. Legislative fixes have been proposed. As the district court in *Bon Ton* tartly observed,

As a result [of the spate of litigation], and apparently inconsistent with the Federal Circuit’s belief that Congress strongly favors § 292 litigation by parties with no injury, the Senate has pending a Patent Reform Amendment, Senate Bill S.515, which is designed not only to preclude future § 292 lawsuits by parties with no competitive injury, but also would apply retroactively to bar those lawsuits that are currently pending.⁷⁰

Conclusion

With this background in mind, June’s issue of *IpQ* will explore what patent owners can do to avoid false marking claims in the first instance, and what steps they can take if they find themselves on the wrong end of a false marking claim.

61 *Id.* at 1304 (citing 35 U.S.C. § 292(a)).

62 *Id.* at 1304.

63 *Id.* at 1305.

64 *Forest Group, Inc. v. Bon Tool Co.*, 2010 WL 1708433, *2 (S.D. Tex., April 27, 2010).

65 *Id.*

66 *Id.*

67 *Id.*

68 *Id.*

69 *Id.*, at *2, n.1.

70 *Id.*