MANUFACTURERS FACE INCREASED RISK IN FALSE PATENT MARKING CASES

Client Advisories

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Does your company mark its products with patent numbers or advertise a product's patented features? If so, recent changes in the law make it essential to review these policies immediately.

Manufacturers have historically been advised to appropriately mark their patented or patent pending articles to maximize their recovery in the event of infringement. Typically, marketing departments are eager to use patent marking as part of advertising campaigns. Unfortunately, companies often neglect to monitor their use of patent marking, unnecessarily exposing themselves to liability. This liability was broadened significantly in a recent case decision from the U.S. Court of Appeals for the Federal Circuit, *Forest Group, Inc. v. Bon Tool Company*, which determined the appropriate calculation of fines for false patent marking under Section 292 of the Patent Act.[1]

Section 292 provides that a company can be fined up to $500 for falsely marking products with patent numbers or making advertising claims based on false patent marking. In some cases, companies have been fined for indicating that something is patented when it is not, and, less obvious, when a marked article was once properly labeled but the article has since been modified such that the patent no longer reads on the article.

The *Forest Group* decision has dramatically heightened a company's exposure to damages by holding that the $500 maximum fine for false marking can be applied to *each* falsely marked product. In the past, courts normally interpreted the law to limit the fine to $500 for all units of a falsely marked product. Now, companies face fines of up to $500 multiplied by the number of units of the product sold or marketed, making the *Forest Group* decision potentially disastrous for manufacturing companies, particularly those involved with mass produced goods.

Worse yet, manufacturers and advertisers face risk not only from competitor lawsuits for false marking - the Patent Act permits "any person" to sue and share the penalty with the United States government. Indeed, in the months since the *Forest Group* decision, well over a hundred lawsuits have been filed as ordinary citizens see the opportunity for easy money.

Despite these risks, defendants in false marking suits do have defenses available to them. Most importantly, for a plaintiff to prevail, the false marking must be made for the "purpose of deceiving the public." To benefit from this defense, and thus limit their liability exposure, companies should review their use of patent marking, and promptly remove any expired, invalid or unenforceable patent numbers from their products, and review such markings on products that have been redesigned since the original patent was issued. If in doubt, companies should obtain an opinion letter from counsel to determine whether any listed patents do, in fact, properly apply to their products.

If you would like to discuss your particular use of patent marking, please contact Jason Cotter at jcotter@archerlaw.com or 856-354-3126.

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

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