

February 17, 2010

On December 28, 2009, the United States Court of Appeals for the Federal Circuit decided *Forest Group, Inc. v. Bon Tool Company*.<sup>1</sup> *Forest Group* held that the patent false marking statute, 35 U.S.C. § 292, requires courts to assess fines for false marking on a *per article* basis.<sup>2</sup> Violations of Section 292 are subject to a five year limitations period, so a company found liable for false marking could now be assessed fines of up to \$500 for every falsely-marked article that it manufactured over the last five-years.<sup>3</sup> As we discuss in more detail below, it is unlikely that most companies who mark their products with patent numbers will ever be accused of false marking, but it is nevertheless prudent to take a few commonsense steps to help ensure compliance with the statute.

## Case background

*Forest Group* involved a patent covering spring-loaded parallelogram stilts.<sup>4</sup> A key claim limitation in *Forest Group*'s patent required a "resiliently lined yoke" for attaching a leg support to a wearer's leg to stabilize the stilt.<sup>5</sup> In December 2005, *Forest Group* sued *Bon Tool* for patent infringement, and *Bon Tool* asserted counterclaims for false marking and invalidity.<sup>6</sup> In February 2007, the district court construed the term "resiliently lined yoke" to mean "a yoke or clamp lined with a material that is capable of being elastically or reversibly deformed," and concluded that the claim term required a lining distinct from the yoke itself.<sup>7</sup> A month later, in an unrelated patent infringement litigation against the Warner Manufacturing Company involving the same patent, a different district court construed the term "resiliently lined yoke" in a nearly identical manner.<sup>8</sup> Later that year, on November 15, 2007, the court granted Warner summary judgment of non-infringement because its stilts did not have a resiliently lined yoke as defined by the court.<sup>9</sup>

Based on the foregoing evidentiary record, the district court in *Forest Group* found that by November 15, 2007, when summary judgment of non-infringement was granted in Warner Manufacturing Company's favor, *Forest* knew that its stilts were not covered by its patents.<sup>10</sup> The district court also found that *Forest* engaged in false marking after November 15, 2007 because it placed at least one order for an additional shipment of stilts marked with its patent number, even though its stilts did not have a resiliently lined yoke as that term had been construed by the two district courts.<sup>11</sup> The district court fined *Forest Group* \$500 for a single instance of false marking.<sup>12</sup>

On appeal, the Federal Circuit concluded that the text of the false marking statute requires the imposition of a fine of not more than \$500 for each article that is falsely marked, reversed the district court's judgment as clearly erroneous, and remanded the case for recalculation of damages.<sup>13</sup>

*Forest Group* clarified Section 292 by holding that the statutory penalty for false marking of up to \$500 per offense applies on a *per-article* basis. The court's holding turned on the meaning of the phrase "for every such offense" in 35 U.S.C. 292(a):

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.<sup>14</sup>

Until *Forest Group* was decided, the majority of courts interpreted Section 292 to require a single fine of up to \$500 for each

continuous course of false marking—regardless how many articles had been falsely marked.<sup>15</sup> The Federal Circuit rejected these earlier decisions because they were based on a prior version of the statute, and concluded that the statutory text in effect today requires fines to be assessed on a per article basis to ensure that Section 292 has the deterrent effect Congress intended.<sup>16</sup>

### **Potential ramifications**

*Forest Group* could expand liability for false marking because a company found liable under Section 292 must now be assessed a fine of not more than \$500 for each and every article that it falsely marked over the preceding five-year period.<sup>17</sup>

*Forest Group's* holding must be viewed in light of the fact that Section 292 is a *qui tam* act that allows any person to sue on behalf of the government for false marking and recover half of any fines that are assessed.<sup>18</sup> The possibility therefore arises that *Forest Group* will motivate bounty hunters to become more prolific in filing lawsuits alleging violations of Section 292. But when *Forest Group* is viewed in context of the Federal Circuit's other decisions, this scenario seems far-fetched.

First, in *Clontech Laboratories, Inc. v. Invitrogen Corporation*, the Federal Circuit confirmed that to establish a violation of the false marking statute, the plaintiff must prove that the party making the misrepresentation intended to deceive the public.<sup>19</sup> Proving intent to deceive the public has long been required for establishing a false marking claim, so *Clontech's* holding was not new.<sup>20</sup> But proving specific intent to deceive the public is difficult, and numerous cases alleging violations of Section 292 have been dismissed because the plaintiff failed to plead facts concerning intent with sufficient particularity, or muster evidence proving that the patent owner acted with specific intent to deceive the public.<sup>21</sup>

Courts have lightened plaintiffs' burden of proving deceptive intent somewhat by allowing the trier of fact to presume intent where the patent owner had actual knowledge that its marking was false.<sup>22</sup> But this presumption only applies if the plaintiff has evidence that the patent owner accused of false marking did not have a reasonable belief that the articles in question were properly marked.<sup>23</sup> Absent such proof of lack of reasonable belief, no liability under the statute ensues.<sup>24</sup> And even if the plaintiff makes a *prima facie* showing of intent, the patent owner may still rebut the plaintiff's evidence by offering proof of the reasonableness of its behavior. For example, in *Pequignot v. Solo Cup Company*, Solo obtained summary judgment of no liability under Section 292 even though it admitted that it had knowingly allowed its products to be marked with an expired patent number.<sup>25</sup> The court found that Solo overcame a rebuttable presumption of deceptive intent by offering evidence that its decision to replace cup lid stamping dies that included an expired patent number as they wore out was reasonable considering the high replacement costs and business disruption associated with replacing the dies.<sup>26</sup>

Second, the Federal Circuit emphasized in *Forest Group* that because Section 292 allows a range of penalties of up to \$500 for each offense, courts can guard against imposing disproportionately large penalties by assessing fines that may only be a "fraction of a penny per article."<sup>27</sup> The Federal Circuit's reminder will likely deter many fortune seekers from filing false marking lawsuits because there is no assurance that a court will assess a large per-article fine for false marking.

In short, the threat that companies will face \$500 per article fines for false marking is blunted by the requirement that plaintiffs must prove specific intent to deceive the public through false marking, and the statutory "escape clause" that provides courts broad discretion to fashion remedies that do not disproportionately penalize false marking.

### **Commonsense steps for complying with the statute**

Although it seems unlikely that lawsuits alleging violations of Section 292 will become commonplace, companies who mark their products with patent numbers should implement a few commonsense safeguards to help ensure compliance with the statute. We offer three recommendations below.

**1. Adopt Policies and Procedures for Determining Patent Coverage.** Adoption and compliance with policies and procedures for determining whether your patents cover your products provides strong evidence that your company has a good faith basis for believing that marked products are patented. Patent coverage reviews should occur when a patent first issues to ensure that allowed claims were not narrowed to exclude your product, and after any substantial product re-design.

**2. Adopt Policies and Procedures for Removing Expired Patent Numbers.** Policies and procedures that require timely removal of patent numbers from products after patents expire are just as important as rules for determining patent coverage before marking begins. In some recent Section 292 complaints, plaintiffs alleged false marking after companies failed to remove expired patent numbers from a product.

**3. Reconsider Product Coverage if the Patent is Litigated or Reexamined.** The facts of *Forest Group* provide a sharp reminder of the importance of reconsidering whether your patents cover your products after patent claim construction, reexamination, or reissue proceedings. Each of these proceedings could result in patent claims that are narrower than you first believed them to be when the patent issued.

If your company consistently follows these three commonsense steps, your patent marking program should be immune to claims of false marking. The attorneys listed on this *Cooley Alert* are available to discuss the latest information and strategies related to your patent marking program. n

## Notes

1 No. 2009-1044, 2009 WL 5064353 (Fed. Cir. Dec. 28, 2009).

2 *Id.* at \*3-6.

3 *Arcadia Mach. & Tool Inc. v. Sturm, Ruger & Co., Inc.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986).

4 *Forest Group*, 2009 WL 5064353 at \*1.

5 *Id.*

6 *Id.*

7 *Id.*

8 *Id.* at \*2.

9 *Id.*

10 *Id.*

11 *Id.*

12 *Id.*

13 *Id.* at \*7.

14 35 U.S.C. § 292(a) (2006).

15 *Forest Group*, 2009 WL 5064353 at \*4-5.

16 *Id.* at \*4-5.

17 *Id.* at \*7.

18 *Forest Group*, 2009 WL 5064353 at \*6.

19 406 F.3d 1347, 1352-53 (Fed. Cir. 2005).

20 For example, in *London v. Everett H. Dunbar Corporation*, 179 F. 506, 510 (1st Cir. 1910), the court interpreted an earlier version of the false marking statute to include an intent element.

21 See, e.g., *Juniper Networks v. Shipley*, No. 09-CV-0696 SBA, 2009 WL 1381873, at \*4 (N.D. Cal. May 14, 2009) (dismissing Section 292 claim for failure to sufficiently plead intent to deceive under 292(a)); *Allied Erecting and Dismantling Co., Inc. v. Genesis Equipment & Mfg, Inc.*, 649 F. Supp. 2d 702, 728 (N.D. Ohio 2009) (granting summary judgment of no liability under Section 292 because Allied could not carry its burden of producing any evidence to show Genesis's intent to deceive the public).

22 *Clontech*, 406 F.3d at 1352.

23 *Id.* at 1353.

24 *Id.*

25 646 F. Supp. 2d 790, 798-99 (E.D. Va. 2009).

26 *Id.*

27 *Forest Group*, 2009 WL 5064353 at \*6.

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