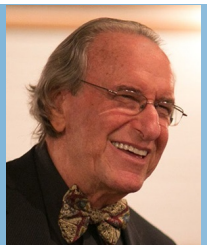
AVOID FALSE PATENT MARKING PITFALLS



Paul J. Sutton
Sutton Magidoff LLP

False marking: While marking a product with a patent number entitles a US patent owner under 35 USC §287 to seek damages for infringement without giving actual notice of the patent, incorrect or false patent marking will expose a patentee to significant liability. False patent marking has become an increasingly popular 'bounty hunting' basis for US litigation. The targets of such false lawsuits face huge legal fees and potentially huge monetary judgments. Manufacturers, facing fines of as much as $500 for every offence of false patent marking, are wisely becoming more diligent than ever in confirming the propriety of the patent numbers marked on products.

Benefits of patent marking: It is highly desirable for a patentee to be able to recover damages for past infringements. This is especially so where infringement has occurred prior to its discovery by the patentee. Months or years of undetected infringing sales can yield recovery of significant damages. It is for this reason that patentees who market a patented product will take advantage of the patent marking provisions of 35 USC §287, by properly marking each patented product with the appropriate patent number. Where marking of the product itself is not possible (such as for very small products), the packaging may be marked with the patent number. Shipment of a product marked with the correct patent number will trigger a patentee's ability to recover damages thereafter, even from much later detected infringements. With US legal costs associated with patent enforcement being as high as they are, every dollar in damages recovered is helpful.

Recent court decisions: The Federal Circuit on August 31, 2010 reversed a district court dismissal of a false marking case, in which the venerable clothier Brooks Brothers was the target of a *qui tam* lawsuit brought under 35 USC §292 by a *pro se* patent attorney, Raymond Stauffer. The suit claimed a deceptive practice of marking bow ties with patents that had expired more than 50 years previously. The plaintiff asked for a $500 penalty per bow tie sold. The Stauffer Federal Circuit decision is significant in that the court found that Mr Stauffer had standing to sue under Section 292 as a *qui tam* plaintiff. *Qui tam* actions are those brought under a statute that allows a private person to sue for a penalty, part of which the government or some specified public institution will receive. If ultimately successful, a *qui tam* plaintiff may share in penalties awarded.

False patent marking liability requires proof of 'intent' to deceive. The Federal Circuit on June 10, 2010 affirmed a district court summary judgment in favour of defendant Solo Cup Co, which had received a patent covering its lids for cups and which had embedded the patent number in the molds for making the cup lids. After the patent expired,

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Solo did not alter the molds, whose manufacturing life extended beyond the expiration date of the patent. However, while Solo indeed continued to mark its 'unpatented article' cup lids with the expired patent number, it was able to rebut the presumption of an intent to deceive, based upon an opinion of legal counsel that it had relied upon. The Federal Circuit held that Solo's conduct was based not upon an intent to deceive, but legal advice that encouraged the company to reduce costs and business disruption.

District courts have seen a marked rise in false patent marking lawsuits being filed, with some 175 new cases filed in the third quarter of 2010 alone, according to Public Access to Court Electronic Records. None were filed during the same period last year. On March 1, 2010, it was reported in *Mayer Brown, Legal Update-Intellectual Property* that in the previous week, more than 20 new false patent marking lawsuits were filed in the US District Court for the Northern District of Illinois. Plaintiffs are encouraged by the Federal Circuit's 2009 decision in *The Forest Group, Inc v. Bon Tool Co*, in which the court imposed a fine on a per article basis, as opposed to a per marking decision basis.

Conclusion: Simple precautions, including seeking the benefit of experienced IP counselling, will enable patentees to avoid the false patent marking pitfall. Development of a sound patent marking policy will reduce or eliminate such liability.

Paul J. Sutton is a founding partner of Sutton Magidoff LLP. He can be contacted at: paul@suttonmagidoff.com