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False Patent Marking Litigation *What Every Company Needs To Know*

There has been a marked rise in the filing of false patent marking litigation in 2010, with over 125 such cases having been filed since the beginning of the year. Small and large companies alike have found themselves in the crosshairs of such lawsuits, leaving many others wondering whether they can avoid becoming the next target.

Section 292 of the United States Patent Act provides, in part, that a person may be found liable for false patent marking if he or she, for the purpose of deceiving the public, (1) marks upon any unpatented article the word “patent” or any word or number importing that the same is patented, or (2) marks upon any article the words “patent applied for,” “patent pending,” or any word importing that an application for patent has been made, when no such application has been made or is pending. *See* 35 U.S.C. § 292. The statute further provides that persons found liable for false patent marking “[s]hall be fined not more than \$500 for every such offense,” and that any person may sue for the penalty—with one-half of the penalties going to the person bringing suit, and the other half going to the United States.

In its recent decision, *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), the Federal Circuit interpreted the false patent marking statute as requiring that penalties be imposed on a per article basis. The Court explicitly rejected the notion that the statute imposes only a single fine for each decision to falsely mark, reasoning that such a limited reading of the statute would be insufficient to deter false markers, and would not provide sufficient financial motivation for members of the public to bring suit on behalf of the United States Government.

Not surprisingly, the legal industry has witnessed a steady increase in the filing of false marking suits since the *Forest Group* decision late last year. Many of these suits have been filed by plaintiffs that have not suffered any direct harm, and that may have been formed for the sole purpose of pursuing such litigation and the significantly higher damages that now may be available.

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Legislation has been proposed and is currently being considered that may curb the filing of such suits, and may retroactively limit the damages that are available in pending suits. On the House side, H.R. 4954 would help protect companies by requiring that plaintiffs show competitive injury, and by instituting compensatory damages, as opposed to statutory damages. On the Senate side, similar provisions have been included in S. 515, The Patent Reform Act of 2009. Whether and when such legislation will be passed is still uncertain. The Patent Reform Act appears to be gaining momentum in the Senate, after the unveiling of a new compromise bill in early March, although it still contains a number of controversial provisions opposed by several stakeholder groups.

In the interim, companies should evaluate their patent marking practices, and take steps to limit their exposure to false marking claims and penalties. In particular, companies should consider conducting an audit to ensure that:

- products marked with a patent number or other patent information practice at least one claim of the patent; that the patent has not expired; that the patent has not been invalidated by any court or administrative decision; and that the patent has not been found to be unenforceable; and
- products marked with patent application information or “patent pending” practice at least one claim of the pending patent application; and that the patent application remains pending before the Patent Office.

Importantly, companies should reevaluate whether a product has been properly marked any time (i) the claims of the patent are construed during litigation, or the patent holder proffers constructions during litigation; (ii) the scope of the patent claims changes upon reissue, during reexamination, or during prosecution of the original pending application; and (iii) the design or functionality of the marked product changes such that it may no longer be covered by the patent or the pending application. In addition, patent markings for expired patents and abandoned applications should be promptly removed from products, product packaging, and associated advertising.

If you wish to discuss the false marking statute, any impact it may have on your company, how to audit your patent marking practices, and how to limit your exposure, please contact Natasha Moffitt, Suzanne Johnson, or any King & Spalding lawyer with whom you have a relationship. If you would like to learn more about the legislation and its outlook for passage, please contact Lloyd Hand or Maria Escudero in our Washington, D.C. office.

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