

WSGR ALERT

MARCH 2010

GUARDING AGAINST LAWSUITS FOR FALSE PATENT MARKING IN THE WAKE OF *FOREST GROUP, INC. V. BON TOOL CO.*

Companies that improperly mark their products with inapplicable or expired patent numbers are exposed to greater financial liability than ever before. On December 28, 2009, the U.S. Court of Appeals for the Federal Circuit held in *Forest Group, Inc. v. Bon Tool Company*, 590 F.3d 1295 (Fed. Cir. 2009), that a company can be liable for a fine of up to \$500 **per article** (i.e., per unit) for false patent marking. Relying on the plain statutory language, congressional intent, and policy considerations, the court overruled decades of legal precedents that previously limited the penalty for such offense.

Potential liability under the false marking statute can arise under a variety of scenarios. For example, a company could face liability when it marks a product with a patent number ("Patented U.S. X,XXX,XXX") knowing that such patent either does not exist or does not cover the product. Another scenario for potential liability arises when an article is marked with a relevant patent number, but the patent in fact has expired. A false marking claim also could be made when the article is marked with a "laundry list" of patent numbers, but not all are relevant or actually cover the article.

The potential for \$500-per-unit liability is particularly concerning for mass producers of

goods, where the assessed penalty could be millions of dollars. Even if only pennies are awarded per unit, this could lead to huge penalties, and in some cases awards could amount to even more than the total revenues attributable to such goods. Because this recent decision does not provide any practical framework to guide district courts in determining how to set the amount of the penalty, individuals may file questionable lawsuits to bank on this uncertainty, hoping to harass or intimidate companies into settling. This is enabled by the fact that false marking lawsuits can be brought by *any person*, suing on behalf of the government, with the plaintiff able to collect one half of any monetary awards.

The *Forest Group* decision has generated an explosion of false patent marking lawsuits filed since December 2009. In order to guard against such litigation, companies that mark their products with patent numbers should implement safeguards and reevaluate their internal procedures to ensure compliance with the statute and minimize their exposure. Companies currently marking or making future plans to mark patent numbers on their products should consult patent counsel for guidance in light of this increased potential exposure.

Further Guidance

For further guidance on how to evaluate your internal procedures and compliance with the patent marking statute, please contact Michael Levin, Peter Eng, or one of the other attorneys in the intellectual property practice at Wilson Sonsini Goodrich & Rosati.



Wilson Sonsini Goodrich & Rosati
PROFESSIONAL CORPORATION

This WSGR Alert was sent to our clients and interested parties via email on March 22, 2010. To receive future WSGR Alerts and newsletters via email, please contact Marketing at wsgr_resource@wsgr.com and ask to be added to our mailing list.

This communication is provided for your information only and is not intended to constitute professional advice as to any particular situation. We would be pleased to provide you with specific advice about particular situations, if desired. Do not hesitate to contact us.

650 Page Mill Road
Palo Alto, CA 94304-1050
Tel: (650) 493-9300 Fax: (650) 493-6811
email: wsgr_resource@wsgr.com

www.wsgr.com

© 2010 Wilson Sonsini Goodrich & Rosati,
Professional Corporation
All rights reserved.