

Federal Circuit Issues Ruling on Damages for False Marking

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In one of its last opinions of 2009, the Federal Circuit issued a panel decision in *Forest Group, Inc. v. Bon Tool Co.*, a case involving the scope of potential damages to a plaintiff bringing an action under the Patent Act's false marking statute, 35 U.S.C. §292, and what constitutes an "offense" under that statute.

The two elements of a false marking claim are (1) marking an unpatented article with (2) an intent to deceive the public. If both are shown, the defendant shall be fined up to \$500 "per offense."

In *Bon Tool*, the Federal Circuit held the "offense" for which a plaintiff may recover up to \$500 is for each unpatented item that is falsely marked, setting aside case law going back more than one hundred years that the "offense" constituted each independent decision to falsely mark a product and that multiple markings pursuant to that decision constituted a continuous, but single offense (for example, where a falsely marked product was mass produced). Earlier decisions rationalized that falsely marking one large, expensive machine should not be punished differently than falsely marking many small, inexpensive items as long as there was only a single decision to do so. The Federal Circuit distinguished this earlier case law, noting that the statute at the time of many of the earlier decisions imposed a minimum fine of \$100, while the current statute imposes a maximum fine of \$500.

The Federal Circuit panel stressed that despite the significant change in how this statute would be construed going forward, it did not mean that a court must fine those guilty of false marking that maximum \$500 per article marked. While it did not offer much guidance on how a proper penalty should be determined, it stated that by allowing a range of penalties, district courts should exercise discretion that strikes a balance between encouraging enforcement to discourage false marking and imposing disproportionately large penalties, and specifically noted a court could determine that a fraction of a penny per article is a proper penalty. In a recent decision on remand from the federal circuit's ruling, the trial judge imposed a fine of \$180 for each of the 38 falsely marked articles, representing a forfeiture of all of the revenue earned on these products. The appellate court's decision seems to have given trial judges little guidance and much discretion in the evolving area of the law.

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