

Beware the “Patent Marking Troll”

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Recent court decisions have identified a previously little used way of making money from the US patent system – suing on behalf of the US government...

You may have heard of a “patent troll”, also known in polite circles as a “non-practising entity”.

These are individuals or companies which own one or more patents, but don’t make any products. Instead, the patent troll waits for others to commit to developing products which fall within the scope of their patent portfolio, and then demands a licence fee.

US company NTP Inc are sometimes held up as the quintessential patent troll after they successfully used their patent rights to negotiate a US\$ 612 million settlement with Research in Motion Ltd (RIM), makers of the popular Blackberry handsets. NTP did not make a handset, and had no plans to do so.

A recent spate of court decisions have brought to light a new breed of litigant, dubbed the “patent marking troll” by many US commentators, who can ply their trade without even owning a patent.

In the USA, any member of the public can bring an action against a person who falsely

represents a product as being covered by a patent, even if they have not suffered any loss as a result. This type of action is called a writ of qui tam. A notable feature is that the person bringing the action gets to keep half of any fine handed down by the court.

The relevant part of the statute states that the person making the false statement shall be fined not more than \$500 “for every such offence”. In the recent case *Forest Group v The Bon Tool Company* the US Court of Appeals held that the statutory fine of up to \$500 per “offence” meant that the patentee could be fined up to \$500 for each and every item sold which was falsely marked. The court went on to decide that in this case the appropriate penalty was the entire sale price of the item in question, rather than simply the profit on the item, or some smaller amount indicative of the extra profit attributable to having falsely claimed that the product was protected by a patent.

The products at issue in the *Forest Group* case were industrial stilts, and only 38 sales were found to be in breach, meaning that the total fine was less than \$7,000. However, it is not hard to imagine cases involving far greater quantities of goods which could result in a large windfall for the party bringing the action. No doubt the patent marking claims of various prominent companies in industries such as computer hardware, software, telephonics and pharmaceuticals are now being scrutinized by a number of opportunistic individuals (or rival companies), each looking for the high value, high volume, falsely marked product which could be their path to riches.

It is important to note that the false marking provisions only apply where there is an intention to deceive the public, and so not every case of a product being advertised as patented where it actually isn't will result in a successful prosecution. In the *Forest Group* case a previous

attempt by Forest Group to sue Bon Tools for infringement over their copied product had failed, thereby conclusively demonstrating to Forest Group that its own stilts were not covered by its patent. Only the sales of falsely marked stilts subsequent to this court decision were penalised.

The US patent legislation is currently under review, and there are proposals to remove the ability of third parties to bring false marking suits where they have not suffered any consequential loss. Nevertheless, this case serves as a reminder that care must always be taken to avoid any kind of false or misleading claim in your advertising, and in particular, any false suggestion that a product is covered by a patent.

For further information on 'patent trolls' please contact [Richard Clement](#).