Patentees Beware: Federal Circuit Decision Makes it Easier for False Marksmen to Troll for Dollars

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Patent marking is a practice often neglected by patent holders, sometimes at great cost. The traditional reason to mark patented products is to provide constructive notice to would-be infringers so the patentee is eligible for monetary damages in an infringement suit.

Now a new breed of patent trolls is upping the ante. Taking advantage of a heretofore obscure provision of patent law and a recent Federal Circuit decision interpreting that provision, an increasing number of individuals and small companies are filing lawsuits targeting unsuspecting patentees for false marking.

The basis of these lawsuits is Section 292 of the Patent Act, which provides that whoever engages in false marking by indicating that an unpatented article is patented with the intent to deceive the public can be fined up to $500 "for every such offense." Section 292 is an example of a "qui tam" statute that allows anyone to enforce the provision and split the damages 50-50 with the federal government.

Thanks to a recent appellate decision, the potential liability for patentees in false marking suits can be astronomical. In *The Forest Group, Inc. v. Bon Tool Company*, the Court of Appeals for the Federal Circuit held that each article falsely marked with intent to deceive constitutes an offense under Section 292.

Thus, a patentee found to have falsely marked a product that sold just 10,000 units could be liable for $5 million in damages, irrespective of the sale price of the product. If the patentee sold 100,000 units (of even a 99-cent item), the potential damages would be a whopping $50 million.

Not surprisingly, the number of patent false marking cases has spiked in recent months. Some of the notable patentees hauled into court for alleged Section 292 offenses include Adobe Systems, Fujifilm, UPS, Energizer, Ortho-McNeil-Janssen Pharmaceuticals, Activision Publishing and S.C. Johnson & Son.

How does a patentee avoid false marking liability? One fairly simple step is to monitor any patent marked on a product to determine if and when that patent expires. Patents typically expire 20 years from the filing date of the patent application, but older patents - the ones easily targeted by false marksmen trolls - expire 17 years from the patent's issue date. Marking a product with an expired patent makes a patentee an easy target for a Section 292 false marking action.

A more complex, but necessary, step to ensure proper patent marking is to determine which patents, if any, apply to the product. This requires a detailed analysis of whether a product, or its components or features, embody the claims of one or more patents.

Now, more than ever, patentees should closely monitor their patent marking procedures. The costs of complacency couldn't be higher.