

Are You Immune From the Patent False Marking Epidemic?

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If your product is patented, you must mark the patent number on the product in most cases, or give up your right to sue infringers for past damages. But did you know that marking products with a patent number that is incorrect or expired can cost you up to \$500 per unit?

The federal false marking statute (35 U.S.C. § 292) applies when a defendant has (1) falsely affixed (2) a patent marking to (3) an unpatented product (4) with intent to deceive the public. Putting either the wrong patent number, or more typically, an expired patent number, on a product violates this statute. The statute carries a penalty of up to \$500 "for every such offense."

Before last year, claims asserting false patent marking were rarely seen. But false marking claims have skyrocketed because of two important recent court decisions. Last year, the Federal Circuit Court of Appeals clarified that the \$500 penalty applies to each unit of a product that is falsely marked, rather than to the decision whether or not to mark an entire product line. Thus, selling pencils that are marked with an incorrect or expired patent could result in a penalty of up to \$500 per pencil.

The Federal Circuit also recently found that almost anyone can sue for false marking, even if he or she has nothing to do with the defendant, its patents, or its products. Under most civil statutes, only a person who has been harmed individually by the defendant's wrongful conduct can sue. Under the false marking statute, however, a plaintiff sues on behalf of the United States government, with whom any penalties are shared. The Federal Circuit found that "any person" can bring a false marking suit, whether or not that person can show he or she had been individually harmed by the false marking.

These decisions opened a floodgate of false marking claims. As of this writing, over 675 false marking lawsuits have been filed in 2010 alone,

compared to 37 such suits filed in the previous two years combined. While most of these cases have not yet reached a final verdict, damages claims running in the six- and seven-figure-range are common. Just as importantly, these claims give accused infringers the opportunity to go on the offensive against the patent holder.

Can this epidemic be stopped? Commentators and industry groups have asked Congress to change the false marking law, and a few proposals have made it as far as an actual bill. Because patent reform has been a perennial legislative topic for nearly a decade, Congress is unlikely to do anything in the near future to change the false marking statute.

Instead of waiting for Congress to cure the system, companies with patented products should take action right now to guard against false marking claims. Most importantly, you should review your products that are marked with a patent number and ensure that 1) the patent is still active (i.e., not expired or abandoned), and 2) that the product is actually covered by the claims of the patent or patent application. Your patent marking policies, if they exist, should ensure that even if a mismarked product is inadvertently released, you can prove that it was done without any "intent to deceive the public."

Patent counsel can help you implement a cost-effective way to help protect against false marking claims. This is a disease that is much easier to prevent than to cure.

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