

Weathering The Storm Of False Marking Claims

Law360, New York (June 11, 2010) -- Since January, hundreds of companies have been sued for false patent marking, with one individual alone suing over 40 companies ranging from CIBA Vision to Bunn-O-Matic. A court decision last December triggered this land rush by changing the manner of assessing statutory false marking fines, from per-product line to per-article — up to \$1,000,000.00 for just 2,000 unit sales. The plaintiffs, who need not own patents or even prove any particular harm, keep half of the fines awarded.

Marking patented products with the word “patent” and the patent number is often critical to recovering damages for patent infringement. But while permitting such marking, the patent statute prohibits false marking. The false marking provision, largely unchanged since 1952, prohibits affixing the word “patent” or any similar mark to “any unpatented article.”

Plaintiffs in the current genre of false marking suits contend that continuing use of a mold or label bearing an expired patent number runs afoul of this provision. While silent as to expired patents, the statute specifically prohibits use of “patent pending” when an application is made but “is not pending” (i.e., abandoned or expired). And a recent appellate decision stated that “[a]n article that was once protected by a now-expired patent is no different [from] an article that has never received protection from a patent. Both are in the public domain.”

Proposed legislation limits false marking recoveries to entities that actually suffer a competitive injury due to the marking, and will apply to all then-pending suits if passed. A recent appellate decision



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holds that very little is needed to establish the absence of any intent to deceive, a requisite element of false marking under the statute. However, targeted companies still face at least their defense costs. Companies can immediately take three steps to mitigate exposure:

First, check existing patent markings for expired or lapsed patents. The statute requires that false marking be undertaken “for the purpose of deceiving the public,” so intent is a relevant factor. Mere neglect in failure to change markings upon expiration of patent is unlikely to be sufficient to negate intent. However, prompt corrective action upon learning that a product carries an expired patent number has been successfully relied upon in defeating a false marking claim.

Second, review marking policy to determine whether the potential benefit from marking is worth the risk. Many companies do not mark their products at all, having decided that the prospect of ever recovering patent infringement damages is too remote to warrant the expense. Others restrict their use of marking to key patents and product lines, with fewer marks lowering the chances of marking issues. Patent licensing provisions imposing an obligation to mark should be reconsidered, since the party marking — not necessarily the patent owner — would most likely be targeted for false marking claims.

Third, obtain legal advice on the manner in which products are marked. Reliance on advice of counsel was a significant factor in avoiding liability for false marking in one recent decision. Simply putting “patent” and the patent number(s) on the product or label is sufficient under the statute to recover damages, and requires the least space. Moreover, qualified markings indicating that a product “may be covered” by one or more patents can be portrayed as evidence of deceptive intent — or at least callous disregard for whether the marking was accurate.

Finally, plan for the future — companies that mark should establish procedures to track and review or audit product markings. A simple spreadsheet of products marked, by patent number (including third-party patents), simplifies the task of determining which products are impacted by changes in status for a given patent. Patent expiration can be docketed in the same manner as maintenance fees, simplifying planning for mold or label changes. Marking review should also be triggered by a maintenance fee deadline, particularly decisions not to pay a maintenance fee. Other events not related to expiration or lapse of the patent should also prompt reconsideration, such as an unfavorable claim construction ruling or summary judgment of non-infringement during enforcement.

Like most legal trends, the current swell of false marking claims will eventually abate. Weathering the storm, however, requires thought and effort.

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