Patent Qui Tam Actions Clarified

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Last December, Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295, 93 U.S.P.Q.2d 1097 (Fed. Cir. 2009), corrected a long standing misinterpretation of section 292(a) of the 1952 Act . The second paragraph, key in the context of that case, provides, “Whoever marks upon, or affixes to… any unpatented article, the word ‘patent’ …, for the purpose of deceiving the public... [s]hall be fined *not more than* $ 500 for every such offense.” (Emphasis added.)

The court’s focus was the meaning of “such offense,” but driving the need for definition is section 292(b). It provides, “Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.” As *Forest Group* notes, a party would be unlikely to vindicate the public interest in truthful marking merely, “to split a $500 fine with the government.” 590 F.3d at 1304.

The equivalent provision before 1952 set “a penalty of *not less than* one hundred dollars” for every such offense (emphasis added). *Id*. at 1301-02.

Despite the reference to “unpatented article,” the leading case, London v. Everett H. Dunbar Corp., 179 F. 506, 508 (1st Cir.1910), had found that a *minimum* penalty of $100 per unit would be unduly harsh if the number of “offenses” were determined by the number of “articles” produced.

Since 1952, when the statute set a ceiling rather than a floor for penalties, the risk of being overly harsh has essentially disappeared. Apparently wishing not to be unduly lenient instead of unduly harsh, all courts prior to this, save one, had imposed penalties as a function of the duration of mismarking. *Forest Group*, 590 F.3d at 1302.

"[T]his time-based approach does not find support in the plain language of § 292," however; *id.* Given the section's reference to "patented article," the court therefore turns to the number of articles sold; *id.* The court also points out that flexibility necessary to match penalties to the seriousness of the infraction is retained. "[T]he statute provides district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties…. In the case of inexpensive mass-produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty." *Id.* at 1304.

Nothing suggests that Forest's false marking deterred competitors who were sued for infringement in this and another action. The court nevertheless endorses the notion that "potential competitors may be dissuaded from entering the same market. False marks may also deter scientific research…. False marking can also cause unnecessary investment in design around or costs incurred to analyze the validity or enforceability of a patent…. These injuries occur each time an article is falsely marked. The more articles that are falsely marked the greater the chance that competitors will see the falsely marked article and be deterred." *Id.* at 1303 (citations omitted). In such ways, the opinion may forestall emerging criticism of private attorneys general such as one who had set up a holding company merely to bring section 292 actions. *Id.*

Patentees obligated to provide notice under section 287(a) may feel that they are on the horns of a dilemma. Yet more than mere falsity is required. Intent to deceive must be established. *See* Clontech Labs. Inc. v. Invitrogen Corp., 406 F.3d 1347, 1352-53 (Fed.Cir. 2005) (plaintiff must show that the defendant lacked reason to believe that its goods were properly marked).

Current consequences of false marking, although potentially painful, seem smaller than those suffered when the Supreme Court found a patent void for overreaching in Evans v. Eaton, 20 U.S. 356, 435 (1822). According to Justice Story, the result was designed to take "from the inventor the means of practising upon the credulity or the fears of other persons, by pretending that his invention is more than what it really is, or different from its ostensible objects." *Id.* at 434.

Moreover, patentees may derive some solace from knowing that, under the 1998 Vessel Hull Design Act, 17 U.S.C. § 1306, false marking is forbidden in exactly the same way, again with "any person," being able to sue and recover half of any penalties thereby awarded, the other half going to the United States. If and when courts are called upon to interpret that provision, they are likely to be influenced by the well-reasoned analysis in *Forest Group.*

Finally, it deserves mention that "any person who, with fraudulent intent, places on any article a notice of copyright… know[n] to be false… shall be fined not more than $2,500." 17 U.S.C. § 506(c). Although the penalty is five times as large, and claims to copyright in reprinted public domain works are often dubious at best, qui tam actions are not available. Thus, absent truly outrageous circumstances, the likelihood of infractions being pursued seems small.

(I was unaware of the qui tam provision in the Vessel Hull Design Act and appreciate its being called to my attention by David J. Connaughton, Jr., 2010 J.D. candidate.)