DAVIS | KUELTHAU
attorneys at law

CLIENT ALERT

Using Expired Patent Numbers with Your Products Could Lead to Devastating Financial Losses

Businesses now face potentially devastating financial penalties for false patent marking of mass produced products thanks to a 2009 U.S. Court of Appeals decision. Under this decision, businesses that falsely mark an unpatented product can be liable for up to $500 per item.

Even worse, professional patent plaintiffs are now aggressively pursuing businesses they suspect of false patent marking, and using this court decision (and the threat of costly litigation) to extract lucrative settlements for these types of violations.

The good news, however, is that risk for this type of liability can be reduced or eliminated by having a usually quick and inexpensive legal patent review performed.

What is False Patent Marking?

Section 292 of the Patent Act defines false marking as marking a product "patented" if no patent ever issued or if an issued patent expired, or marking a product "patent pending" or the like when no patent application has been filed, or, if filed, has been abandoned. For example, if through failure to pay maintenance fees, a patent expires, the patentee may no longer mark the product as patented.
Why is this a big deal now?

Until last year, the penalty for false-marking was limited to a single fine for a continuous period of false marking. Late last year, in *Forest Group, Inc. v. Bon Tool Company* the Court of Appeals for the Federal Circuit analyzed the more recently enacted false marking statute and rejected that approach, holding that a plaintiff may collect up to $500 for each falsely-marked product distributed under the Section 292.

Even more potentially devastating is that Section 292 provides that "[a]ny person may sue for the penalty, in which event one-half shall go to the person suing and the other to the United States." As a result, any opportunistic third party can, upon review of a product that has been mismarked, sue for false marking.

What does this mean for my business?

The *Forest Group* decision is important to your business because it opens the door to large monetary judgments in false-marking cases. Obviously, a fine of up to $500 fine per product for mass produced products could be extremely damaging. Since the *Forest Group* decision, dozens of false marking law-

suits have been filed in an attempt to capitalize on the financial opportunity created by the decision.

In response to the *Forest Group* case, there are bills pending in both the House and Senate to amend Section 292. One bill would require that a plaintiff sustain competitive injury as a result of the false marking and limit damages to a sum adequate to compensate for the injury caused by the false marking. However, no such amendment has passed and, in view of the current gridlock in Congress, passage may be unlikely.

What should my business do?

Anyone who marks their products as patented or patent pending should have their patent lawyer immediately review those markings to ensure that the product being marked falls within the scope of the listed patent and that the patent continues to be valid and enforceable. We have performed many of these types of reviews on behalf of D&K business clients, and they usually can be performed quickly and inexpensively.

We continue to monitor the legislation as it makes its way through Congress as well as pertinent litigation. If you would like to discuss whether and how your products should be marked, or if you would like us perform a patent review for you, please feel free to contact your Davis & Kuelthau attorney or one of our IP Practice Group attorneys listed below.

Patrick M. Bergin 414.225.7563 or pbergin@dkattorneys.com.
Joseph S. Heino 414.225.1452 or jheino@dkattorneys.com.