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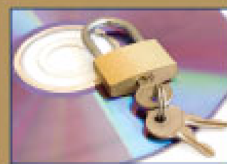

UPDATE
Intellectual Property and Trade Secrets Litigation

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Patent Marking Audits:
Shield Yourself From the Next Wave of Patent Troll Suits

With the Federal Circuit's recent opinion in *Forrest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), a new wave of potential patent suits is likely. The Federal Circuit even acknowledged that its decision could spawn a new cottage industry of patent marking litigation by plaintiffs who have not suffered any direct harm. *Id*. at 1303. Indeed, during the first two months of 2010, *Forrest Group* has given rise to dozens of false marking suits. Additional suits are expected.

Accordingly, patent owners should be careful to avoid liability to patent trolls looking to make use of *Forrest Group* to extract monetary fines. Depending on how you react to the decision, this litigation wave could either impact you like a tsunami or a mere ripple.

Section 292 of the patent statute, 35 U.S.C. § 292, provides that a person who falsely marks as patented an unpatented article "shall be fined not more than $500 for every such offense." The statute allows *qui tam* actions in which private citizens can enforce the statute and split the recovery with the federal government. For over a hundred years, Section 292 was viewed as creating only limited liability because a continuous production run of an erroneously marked product was viewed by most courts as a single offense; however, *Forrest Group* treats each article or product as a separate offense. The court held that Section 292 "requires courts to impose penalties for false marking on a per article basis." 590 F.3d at 1304. As a consequence, the penalty or fine can, in the trial court's discretion, now be set anyw from a fraction of a penny to $500 per falsely marked article, creating the potential for significant damages.

For patent owners, that is the bad news. The good news is that liability is not absolute. To succeed under Section 292, both false marking and deceptive intent must be proved. If the patentee had a reasonable belief that the product was patented, it can avoid liability. Given that requirement, a corporation can take proactive steps to insulate itself from a possible finding of deceptive intent.

Although false patent marking can occur in different ways, t are two primary areas of exposure. The first is in the case of expired patents. This area is the easiest path for a potential troll in that a patent's expiration date can be readily ascertained. The second area is the case of inapplicable patents, i.e., w the product in question does not meet the claims of the patent marked on the product or package. This type of case is less likely because any troll would be taking on a far greater burden of proof and, t ore, a more expensive undertaking. That said, such suits are still possible, particularly if a product is clearly missing a critical element of the claims of the patented invention or w a product continues to be marked after a patent has been invalidated in court or as a consequence of a reexam. To continue marking a product as patented after such a ruling runs the risk of liability under Section 292. That was the situation in *Forrest Group*.

How, then, can you minimize the risks in this area? You can take a number of simple steps.

- First, you should conduct an audit of your patent portfolio and create a calendaring system for tracking expiration dates and notifying the production/packaging personnel of the expiration of patents as they expire. Periodic audits should be conducted to update the calendaring system.
- Second, you should document the reasons or justifications for the marking of particular products, t y creating evidence of a party's good faith basis for the marking in question and to counter any assertion of an intent to deceive. Depending on the product, this may entail conducting an analysis of the product, as actually manufactured, to determine whether it meets the elements of one or more of the claims of the patent in question.
- Third, companies should revisit usage of the common practice of marking products as "may be covered by one or more of the following patents." Such conditional statements have been recognized as potentially misleading. See Pequignot v. Solo Cup Co., 540 F. Supp.2d 649, 654 (E.D. Va. 2008). Such markups might be viewed as deceptive if a company has not conducted a good faith analysis as to whether the product in question is covered by at least one claim of each of the listed patents. See Clontech Laboratories, Inc. v. Invitrogen Corporation, 406 F.3d 1347, 1352 (Fed. Cir. 2005).

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