

Patent Marking: Is Forest Group a Solo or the Start of a Flood?

*Forest Group v. Bon Tool Co.
and Pequignot v. Solo Cup Company*

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In the United States, damages for patent infringement may not be obtained “except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.”² The patent marking statute does not require marking within a particular time after issuance of a patent.³ However, marking provides constructive notice of the existence of a patent. The Court of Appeals for the Federal Circuit has explained that the patent marking statute serves three purposes:

(1) helping to avoid innocent infringement ... ; (2) encouraging patentees to give notice to the public that the article is patented ... ; and (3) aiding the public to identify whether an article is patented⁴ ...

The United States patent statutes make false marking a crime, punishable by imposition of a civil fine. The false marking statute, 35 U.S.C. § 292, provides:

(a) . . . Whoever marks upon . . . in connection with any unpatented article, the word “patent” or any word or number importing that the same is patented, for the purpose of deceiving the public; . . . Shall be fined not more than \$ 500 for every such offense.

(b) 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.

Similar features exist in the Indian Patent Act of 1970, as amended. Section 111 of the Patent Act limits the award of damages in patent cases when a defendant is able to prove that he or she was

² See 35 U.S.C. § 287(a), which provides: “Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word “patent” or the abbreviation “pat.”, together with the number of the patent, or when, from the character of the article, this cannot be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.”

³ “[U]nless and until the patentee marks his patent or serves actual notice upon an alleged infringer he can recover no damages, but ... nothing in the statute require[s] marking or notice within any period after issue as a condition for recovery of damages for infringement.... [T]he penalty for failure to do either [is] limited to denial of damages for infringement at any time prior to compliance with the requirements of the statute.” *Wm. Bros. Boiler & Manufacturing Co. v. Gibson-Stewart Co.*, 312 F.2d 385, 136 USPQ 239 (6th Cir.1963), quoted with approval in *American Medical Systems v. Medical Eng'g Corp.*, 6 F.3d 1523, 28 USPQ2d 1321 (Fed.Cir.1993). In *American Medical Systems*, the court also said: “The law is clear that the notice provisions of section 287 do not apply where the patent is directed to a process or method”, and commented on its prior decision in *Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062, 3 USPQ2d 1288 (Fed.Cir.1987), which held that “where there are both product and method claims being claimed infringed, the patentee must mark the product.” *Id.*, 794 F.Supp. at 1391, 26 USPQ2d at 1095. When a patent is directed to a process or method there is nothing to mark. *American Med. Sys., Inc.*, 6 F.3d at 1538.

⁴ See *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437 (Fed. Cir. 1998), citing (1) *Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 395, 56 S.Ct. 528, 530, 80 L.Ed. 736 (1936); *Motorola, Inc. v. United States*, 729 F.2d 765, 772, 221 USPQ 297, 302 (Fed.Cir.1984); (2) *Amsted Industries v. Buckeye Steel Castings*, 24 F.3d 178, 185, 30 USPQ2d 1462, 1468 (Fed.Cir.1994); *American Medical Systems*, supra, 6 F.3d at 1537, 28 USPQ2d at 1331; and (3) *Bonito Boats Inc. v. Thunder Craft Boats Inc.*, 489 U.S. 141, 162, 109 S.Ct. 971, 983, 103 L.Ed.2d 118, 9 USPQ2d 1847, 1856 (1989).

unaware of the patent-in-suit. However, the Patent Act effectively reverses this allocation of the burden of proof in cases where an article is marked with the word “patent” and a patent number. The Patent Act provides that

In a suit for infringement of a patent, damages or an account of profits shall not be granted against the defendant who proves that at the date of the infringement he was not aware and had no reasonable grounds for believing that the patent existed

Explanation.—A person shall not be deemed to have been aware or to have had reasonable grounds for believing that a patent exists by reason only of the application to an article of the word “patent”, “patented” or any word or words expressing or implying that a patent has been obtained for the article, unless the number of the patent accompanies the word or words in question.⁵

Like its United States counterpart, the Indian Patent Act makes false patent marking a criminal offense:

If any person falsely represents that any article sold by him is patented in India or is the subject of an application for a patent in India, he shall be punishable with fine which may extend to five hundred rupees.⁶

Unlike the United States law, the Patent Act does not explicitly create a *qui tam* action to enable civil enforcement of the false marking prohibition. Whether Indian courts would imply such a private cause of action is beyond the scope of this paper. Hence, it is unclear whether the Indian courts may be flooded with litigation, like that recently filed in the United States under our false patent marking statute.

As a result of the statutory scheme promoting the marking of articles in the United States with reference to patents that cover the article, we have for years become accustomed to seeing “Patent Pending” or a citation of a United States Patent on objects as common as the “Sweet’N Low” package,⁷ cosmetics, pharmaceutical products and electric light bulbs.

⁵ Indian Patent Act of 1970, Section 111 (as amended).

⁶ Indian Patent Act of 1970, Section 120 (as amended). The Explanations following this provision state, *inter alia*, *Explanation 1.*—For the purposes of this section, a person shall be deemed to represent—

(a) that an article is patented in India if there is stamped, engraved or impressed on, or otherwise applied to, the article the word “patent” or “patented” or some other word expressing or implying that a patent for the article has been obtained in India;

(b) that an article is the subject of an application for a patent in India, if there are stamped, engraved or impressed on, or otherwise applied to, the article the words “patent applied for”, “patent pending”, or some other words implying that an application for a patent for the article has been made in India.

⁷ The “Sweet’N Low” package that I recently used in my coffee. The little pink sweetener package bears a marking “Pat. No. 3,625,711.” That patent, titled “Cyclamate-Free Artificial Sweetener” was issued on December 7, 1971, and expired in 1991. Although I am not deceived by the inclusion of that mark on the package and, indeed, have never looked for it before recently using it in my coffee enterprising “marking trolls” may come out of the woods and argue that someone in the public was deceived, or that it should be presumed that Cumberland Packing Corp.,

In December 2009, in *Forest Group v. Bon Tool Co.*,⁸ the Court of Appeals for the Federal Circuit overturned the century-old notion in United States law that “continuous false marking of multiple articles should constitute a single offense subject to a distinct penalty.”⁹ Rejecting this formulation for calculation of damages for false patent marking under 35 U.S.C. § 292, the relevant statute, the court held that the plain language of the law “requires courts to impose penalties for false marking on a per article basis.”¹⁰ The difference in approach is potentially enormous.

Recognizing that the statute provides for a fine of not more than \$500 for each false patent marking “offense,” the court noted that “the statute provides district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities.” It explicitly noted that “[i]n 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.”¹¹

Under the rationale of *Forest Group*, if it may be proven that inclusion of a marking that refers to an expired patent, was “for the purpose of deceiving the public,” the court would permit an award of damages for each and every item made, used or sold since the date of the patent’s expiration. Even at a “fraction of a penny per article,” the risk to could be significant. At \$500 per packet, the result is catastrophic.¹²

The *Forest Group* decision considered and rejected the argument advanced by the appellant that “interpreting the fine of § 292 to apply on a per article basis would encourage ‘a new cottage industry’ of false marking litigation by plaintiffs who have not suffered any direct harm,” and that this could not have been the intended result of enactment of the false patent marking statute. Indeed, the statute clearly permits “[a]ny person to sue for the penalty,” and provides that, one-half of any penalty “shall go to the person suing and the other to the use of the United States.”¹³

the Brooklyn, New York enterprise that distributes “Sweet”N Low,” intended to deceive the public by marking each package of that product with “Pat. No. 3,625,711” ever since that patent expired. After *Solo Cup*, as set forth below, they are now required to prove by a preponderance of the evidence that such marking meets the statute’s requirement that it be “for the purpose of deceiving the public.”

⁸ 590 F.3d 1295 (Fed. Cir. 2009),

⁹ *Id.* at 1301, (citing *London v. Everett H. Dunbar.*, 179 F. 506 (1st Cir. 1910)).

¹⁰ *Id.* at 1304.

¹¹ *Id.*

¹² In *Pequignot v. Solo Cup Company*, No. 09-1547 (Fed. Cir., June 10, 2010), for example, the marking at issue was on disposable plastic drink cup lids. The plaintiff, an enterprising patent lawyer, claimed the patents identified in the markings had expired, or that the lids were marked with a legend that indicated that these articles “may be covered” by patents when, in fact, they were not. The plaintiff “accused Solo of falsely marking at least 21,757,893,672 articles ... and sought an award of \$500 per article, one half of which would be shared with the United States,” an award which the court noted would amount to “approximately \$5.4 trillion, would be sufficient to pay back 42% of the ... total national debt [of the United States government].” Op. at 5 and note 1.

¹³ 35 U.S.C. §292(b).

The court found that this “is what the clear language of the statute allows.” It noted that “an amicus brief was filed in this case by an individual who created a holding company to bring *qui tam* actions in false marking cases. Commentators have discussed a surge of such actions in recent years, noting the possible rise of ‘marking trolls’ who bring litigation purely for personal gain.” Accepting the proposition that its decision might result in a new “cottage industry,” the court continued:

Rather than discourage such activities, the false marking statute explicitly permits *qui tam* actions. By permitting members of the public to sue on behalf of the government, Congress allowed individuals to help control false marking. The fact that the statute provides for *qui tam* actions further supports the per article construction. Penalizing false marking on a per decision basis would not provide sufficient financial motivation for plaintiffs—who would share in the penalty—to bring suit.¹⁴

The “cottage industry” envisioned by the court in *Forest Group* has sprung to life. According to one patent-law blog,¹⁵ in the first two months of 2010, at least 68 new lawsuits alleging false patent marking were filed by 22 plaintiffs against some 100 companies. Many more have been filed since those statistics were published.¹⁶

Questions remained after *Forest Group*, concerning the intent required for liability. In *Clontech Laboratories. v. Invitrogen Corp.*, the court interpreted the requirement that false marking be “for the purpose of deceiving the public” to require objective proof by a preponderance of the evidence that a defendant “did not have an honest good faith belief in marking its products.”¹⁷ Some plaintiffs argued that “when a party marks a product as patented, knowing that it is not protected by a valid, unexpired patent, the party necessarily acts with intent to deceive,” and that, in such cases, intent to deceive should be presumed.¹⁸

Six months after *Forest Group*, the Federal Circuit decided *Solo Cup*. In the *Solo Cup* case, the manufacturer continued to mark products for 12 years after the applicable patents expired. In 2000, long before *Forest Group*, the company then asked its outside counsel for advice about the marking. Thereafter, Solo Cup “developed a policy under which, when mold cavities needed to be replaced due to wear or damage, the new molds would not include the expired patent marking,” but “continued to use molds that imprinted the expired patent numbers, at least until the date of the district court’s

¹⁴ *Forest Group*, 590 F.3d at 1303 - 04.

¹⁵ See <http://www.grayonclaims.com/false-marking-case-information/>

¹⁶ See <http://www.grayonclaims.com/storage/False%20Marking%20Cases.pdf>. One of those cases, incidentally, was a suit that accused Cumberland Packing Corp., the Brooklyn, New York enterprise that distributes “Sweet’N Low,” see Note 7, *supra*, of falsely marking packages of “Sweet ‘N Low” with a reference to expired United States Patent No. 3,625,711. See *Seely v. Cumberland Packing Corp.*, Case No. 3:10-cv-02019 (N.D. Cal. May 11, 2010).

¹⁷ 406 F.3d 1347, 1355 (Fed. Cir. 2005).

¹⁸ See, e.g., *Pequignot v. Solo Cup Co.*, 646 F. Supp.2d 790 (E.D. Va. 2009) (denying motion for summary judgment and finding that “a false marking made with knowledge of falsity creates a rebuttable presumption of intent to deceive”).

decision.” Further, based upon the advice received from its outside counsel, Solo Cup began to include on its products the following legend: “This product may be covered by one or more U.S. or foreign pending or issued patents. For details, contact www.solocup.com.” The plaintiffs’ lawsuit challenged both the continued marking after patent expiration, even for these business purposes, and the new attorney-generated legend.¹⁹

First, rejecting Solo Cup’s arguments based upon the legislative history of the false patent marking statute, first enacted in 1860, the Court of Appeals agreed that “an article covered by a now-expired patent is ‘unpatented.’”²⁰

Second, stating that the “bar for proving deceptive intent here is particularly high, given that the false marking statute is a criminal one,” the court agreed with Solo Cup, that

... [U]nder *Clontech* and under Supreme Court precedent, the combination of a false statement and knowledge that the statement was false creates a *rebuttable presumption* of intent to deceive the public, rather than irrebuttably proving such intent. *Cf. Sandstrom v. Montana*, 442 U.S. 510, 513–14 (1979) (holding conclusive presumption regarding intent in the criminal context unconstitutional). As we stated in *Clontech*, “the fact of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the *inference* that there was a fraudulent intent.” 406 F.3d at 1352 (emphasis added) (quoting *Norton v. Curtiss*, 433 F.2d 779, 795–96 (CCPA 1970)). Although the presumption cannot be rebutted by “the mere assertion by a party that it did not intend to deceive,” *id.*, *Clontech* does not stand for the proposition that the presumption is irrebuttable. Indeed, as the district court stated, “to hold, as Pequignot suggests, that a party that knowingly made false patent markings is precluded from even offering evidence that it did not intend to deceive would be inconsistent with the high bar that is set for proving deceptive intent. ...”²¹

¹⁹ Op. at 4 – 5.

²⁰ Op. at 9-11 (“Solo’s argument is unavailing, however, as we need not resort to legislative history when a statute is unambiguous. See *Connecticut Nat’l Bank v. Germain*, 503 U.S. 249, 254 (1992) (rejecting consideration of legislative history because statutory language was unambiguous).” ***** [A]s with a never-patented article, an article marked with an expired patent number imposes on the public “the cost of determining whether the involved patents are valid and enforceable.” *Clontech*, 406 F.3d at 1357 n.6. Solo’s products that were once covered by now-expired patents are therefore “un-patented” within the meaning of the statute.”)

²¹ Op. at 11 – 13. The court noted the difference between *knowledge* and *purpose*, since the false marking statute requires that the false marking be “for the purpose of deceiving the public,” stating:

As the Supreme Court has explained in distinguishing the mental states of “purpose” and “knowledge” in criminal statutes, “a person who causes a particular result is said to act purposefully if he consciously desires that result, whatever the likelihood of that result happening from his conduct, while he is said to act knowingly if he is aware that that result is practically certain to follow from his conduct, whatever his desire may be as to that result.” *United States v. Bailey*, 444 U.S. 394, 404 (1980) (quotation marks omitted). Thus, mere knowledge that a marking is false is insufficient to prove intent if Solo can prove that it did not consciously desire the result that the public be deceived.

The *Solo Cup* decision reviewed the facts and agreed that the defendant, Solo Cup, had “provided credible evidence that its purpose was not to deceive the public with either the expired patent markings or the ‘may be covered’ language,” and had “successfully rebutted the presumption.” Citing its own decision in *Forest Group*, the court reiterated its holding that, even though the false patent marking statute is criminal in nature, in a civil *qui tam* action under the statute “the burden of proof of intent for false marking is a preponderance of the evidence.” Rebutting the presumption of intent, the court continued, “should have no higher a burden of proof than was needed to create the presumption.” Thus, “Solo’s burden of proof,” the court said, “is to show by a preponderance of the evidence that it did not have the requisite purpose to deceive.”

The Federal Circuit affirmed the trial court’s grant of summary judgment in favor of Solo Cup, agreeing with the trial court’s “conclusion that there was no genuine issue of material fact that “Solo acted not for the purpose of deceiving the public, but in good faith reliance on the advice of counsel and out of a desire to reduce costs and business disruption,” and that “[a] party’s good faith belief is relevant to determining whether it acted with intent to deceive.”²²

Solo Cup did not resolve all questions of intent under the false patent marking statute. Although the “high bar” for proof of intent set by *Solo Cup* might deter some prospective plaintiffs, the decision recognized that “the combination of a false statement and knowledge that the statement was false creates a *rebuttable presumption* of intent to deceive the public,” and that the burden of proof in such cases is merely by a preponderance of the evidence. Hence, in future cases, plaintiffs may still plead actions under the false patent marking statute, as did the plaintiff in *Solo Cup*, relying upon the marking of an article with an expired patent and upon the rebuttable presumption that such marking creates. Whether such actions will survive factual inquiry will depend upon the facts or each case. The defendant in *Solo Cup* had consulted with an attorney, had good faith business reasons for continuing marking until equipment replacement, and had acted in accordance with the attorney’s advice and those business purposes. Other defendants may not have such proof available.

Resolution of future cases may require the Federal Circuit to consider application of principles stated in its recent decision in *SEB. v. Montgomery Ward & Co.*, 594 F.3d 1360, (Fed. Cir. 2010). In *SEB*, the Federal Circuit held that intent to actively induce another to infringe a patent may be based upon a showing of deliberate indifference to the existence of a patent. Transmogrifying this reasoning, it may be enough, in a false patent marking case, to show “deliberate indifference” to the validity or continued existence of a patent marked on an article.

Questions remain about the proper measure of damages that ought to be applied by courts after *Forest Group*, and *Solo Cup*, even though the statute provides a superficial limitation on damages (\$500 per article).²³ Courts have broad judicial discretion for damages awards in false marking cases.

²² Op. at 14.

²³ Although invited to do so, the panel that decided *Solo Cup* did not revisit the decision in *Forest* and held that the question raised on appeal concerning the meaning of the word “offense” in 35 U.S.C. § 292, was moot. Op. at 16 – 17.

In measuring damages after *Forest Group*, a court may apply standards for damage quantification developed and known in other arenas, such as those applicable in disgorgement of profits cases, punitive damage cases and even other *qui tam* litigation. In disgorgement cases, restitution is awarded equal to the “net profit attributable to the underlying wrong,” in order to “eliminate any profit from wrongdoing while avoiding, so far as possible, the imposition of a penalty.”²⁴

If the “underlying wrong” is the marking itself, a court may be called upon to decide whether the “net profit” attributable to that “wrong” is the full “net profit” earned from the sale of each offending article, or simply the “net profit” that results solely from the false marking. In some jurisdictions, punitive damages are based upon consideration of deterrent effects, a defendant’s ability to pay a punitive damages award, and a number of other factors.²⁵ Consideration of the cost of the falsely marked product, the profit earned from its sale, the potential deterrence to other competitors that resulted from the false marking, the harm to the public – consumers, the sophistication of potential purchasers, and a number of other factors may all bear upon the exercise of judicial discretion in awarding damages under the false patent marking statute.

These questions may be answered or reconfigured by Congress. The recently introduced Patent Reform Act of 2010 contains an amendment to the false marking statute that would limit standing to those who have suffered “competitive injury” by reason of a proven false marking.

While *Forest Group* and *Solo Cup* decision may have answered some questions about the false patent marking statute, it leaves many other questions to be addressed. Given the large number of cases that have been filed since *Forest Group*, it is likely that some of these questions will soon be answered.

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²⁴ Restatement (Third) of Restitution & Unjust Enrichment § 51 (T.D. No. 5, 2007).

²⁵ See e.g., *Bowden v. Caldor*, 350 Md. 4, 710 A.2d 267 (1998).