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CLIENT ALERT

Federal Circuit rules that each falsely marked article is separately fined under 35 U.S.C. § 292

A decision issued by the Federal Circuit on December 28, 2009 increases the potential for liability for false marking pursuant to 35 U.S.C. § 292. Section 292 provides that one who falsely marks an article with certain patent information “[s]hall be fined not more than \$500 for every such offense.” In *The Forest Group, Inc. v. Bon Tool Co.*, No. 2009-1044 (Fed. Cir. Dec. 28, 2009), the Federal Circuit answered a long-standing question and ruled that the “offense” corresponds to each falsely marked article.

35 U.S.C. § 292 provides that one who marks “shall be fined not more than \$500 for every such offense.” Until this ruling, an important question has been: what constitutes an offense? Historically, courts have disagreed, and recently several district courts ruled that “continuous markings” over time constitute a single offense. If each falsely marked article is an offense, the potential fine could be far greater than if an entire batch or product line is an offense.

In *Forest Group*, the district court ruled that a “single decision” to falsely mark a factory order of stils constituted a single offense. The Federal Circuit reversed the district court’s decision, ruling that the fine must be imposed for each article falsely marked. The Court did, however, note that the statute does not require that the fine per article be \$500—only that it be no greater than \$500, and in some cases a fine as low as a “fraction of a penny per article” may be appropriate.

Another important aspect of 35 U.S.C. § 292 is that it creates a cause of action akin to a writ of *qui tam* or a claim under the False Claims Act: “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.” This has led to the appearance of what some commentators call “patent marking trolls” that bring suits under 35 U.S.C. § 292.

The Federal Circuit recognized this aspect of § 292, noting that “the false marking statute explicitly permits *qui tam* actions.” The Court explained that “[b]y permitting members of the public to sue on behalf of the government, Congress allowed individuals to help control false marking.” This recognition combined with the ruling that each article is separately fined may further spur the growth of § 292 actions brought by parties who neither hold patents nor participate in the relevant industry.

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