

Marking Update: District Courts Assess Penalties "Per Article" in False Marking Suits

As we reported through our Fish & Richardson *Bulletin* and related webinar, the Federal Circuit's recent decision in *Forest Group, Inc. v. Bon Tool Co.* announced a new standard for imposing fines under the false marking statute, 35 U.S.C. § 292. The ruling supplanted the former "per occurrence" basis (which considered mismarking of multiple articles or an entire product line as a single statutory violation) with a "per article" rubric. Now, parties found liable for false marking face fines of up to \$500 for *each* mismarked product.

Two recent opinions implement the Federal Circuit's approach in *Bon Tool*, and a third case addresses the applicable statute of limitations.

***Forest Group, Inc. v. Bon Tool Co.*, Civil Action No. H-05-4127 (S.D. Tex. April 27, 2010) (Memorandum and Order).**

On remand from the Federal Circuit, the *Bon Tool* district court set out to recalculate false marking fines on a "per article" basis in this high-profile case. After summarily denying as speculative plaintiff's request to reopen discovery regarding the falsely-marked spring-loaded parallelogram stilts, the court imposed a fine of \$180 per mismarked article, even though the stilts were sold at a price ranging between \$103 and \$180. The resulting penalty amounts to \$6,840.

The court explained that it set the fine at \$180 per article because "[t]his will deprive [plaintiff] of more than it received for the falsely-marked stilts, fulfilling the deterrent goal of § 292's provision." *Id.* at *5. In accordance with § 292, \$3,420 will be awarded to Forest Group, as Relator, and the remaining half goes to the United States.

***Presidio Components Inc. v. American Technical Ceramics Corp.*, No. 08-CV-335-IEG (NLS), 2010 WL 1462757 (S.D. Cal. April 13, 2010).**

In a patent litigation case Presidio brought in the Southern District of California, defendant American Technical Ceramics Corp. asserted a false marking counterclaim based on Presidio's monolithic, multilayered capacitors sold for broadband application. On October 24, 2008, Presidio conceded a mistaken belief that its products embodied the inventions claimed in the patent but were, in fact, falsely marked.

The court later granted summary judgment for false marking that occurred *after* October 24, 2008, but denied summary judgment on the issue *prior* to that date. During trial in December 2009, the jury found no intent to deceive the public as to marking that occurred before October 24, 2008.

Post-trial, the court faced two issues: (1) determining the number of falsely-marked units post-October 24, 2008, and (2) determining the amount of the fine per unit.

On the first issue, the court found that Presidio shipped 651,675 units of falsely marked products during the relevant time period. This amount is based on actual and interpolated sales data pertaining to both marked and **unmarked** capacitors, as Presidio referred to the patent at issue in its advertising for all the products, thus satisfying § 292.

The court then attempted to "strike a balance" and avoid a disproportionate liability for an inexpensive, mass-produced article – "by penalizing Presidio at a rate of about 32% of Presidio's overall average sales price of \$1.07 per BB capacitor, the fine is substantial enough to enforce the public policy embodied in the statute and to deter any similar violations in the future" without "over-penalizing." *Id.* at *42. Specifically, the court adopted a fine of \$0.35 per unit, resulting in a total penalty of \$228,086.25 to be shared equally between the Relator and the United States.

***Seirus Innovative Accessories, Inc. v. Cabela's, Inc.*, 3-09-cv-00102 (S.D. Cal. April 20, 2010) (Huff, J.).**

In another case from the Southern District of California, Judge Huff applied the statute of limitations on a "per article basis" as well. Reasoning that "per article" was the correct approach for assessing the limitations period, the court rejected the argument that "because Cabela's alleges that Seirus began falsely marking more than five years ago, [the] counterclaim is time barred. ..."

Rather, the court interpreted 28 U.S.C. § 2462 to mean that a finding of false marking under § 292 "requires a fine to be imposed for every offense of marking any unpatented article." A new claim for false marking therefore accrues and resets the limitations period each time a mismarked article is sold. Accordingly, to the extent the Cabela's false marking claim is based on markings that occurred before that five-year cutoff, the claim is barred by the statute of limitations.

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