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THE FLAWED NATURE OF THE FALSE MARKING STATUTE

ELIZABETH I. WINSTON*

In 2005, the United States Court of Appeals for the Federal Circuit rendered a decision on an “issue of first impression” interpreting a one hundred sixty-three year old provision of the United States Code—the “false marking” statute embodied in 35 U.S.C. § 292. It is false marking to mark as patented an unpatented article if done with the intent to deceive the public and, as such, is a fineable offense. The false marking statute remains one of only a handful of qui tam actions left intact from a rich history of varied incentives provided by the government for private enforcement. Enacted to protect patentees and viewed as a blend of public and private resources, the false marking statute has failed to work as intended. This failure is due to the interpretation of the statute given by the courts, eviscerating the penal nature and leaving us with an interpretation that is both false and flawed. Unduly emphasizing the fact that the false marking statute requires neither privity nor injury on the part of the party bringing suit, the courts’ interpretation ignores the culpability of the party who has falsely marked its innovation—harming both the patent system and the public. A party who falsely marks its innovation as patented, and does so with objective recklessness, should be presumed to have done so with the intent to deceive the public, and the burden should rest on the marker to prove that it lacked such intent. Furthermore, the penalty should reflect the culpability of the marking party, taking into account various factors, including whether the public was actually deceived, the materiality of the marking, and the harm to competitors caused by the marking. Only then can the false marking statute ring true as the effective and economically efficient vehicle it was designed to be.

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* Assistant Professor of Law, Catholic University of America. A version of this paper was presented at the 2008 Works in Progress Intellectual Property Colloquium. Thank you to the participants for their comments and suggestions. Much appreciation is extended to R. Whitney Winston and Thomas J. Madden for their helpful comments.

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I. INTRODUCTION

In 1842, Congress made it a fineable offense to mark an unpatented article as patented with the intent to deceive the public.¹ In 2005, the United States Court of Appeals for the Federal Circuit decided an issue of first impression interpreting the false marking statute, now codified at 35 U.S.C. § 292.² The statute has the ability to be a powerful weapon in the arsenal of a patent litigator³—not requiring the litigator to have either injury or privity to bring the action, while providing for damages of “not more than \$500” for every false marking offense.⁴ Neither the public nor the parties to such a suit can deny the economic advantages of receiving \$500 for every article falsely marked.⁵

1. Patent Act of 1842, ch. 263 § 5, 5 Stat. 543, 544, (1842) (codified as amended at 35 U.S.C. § 292 (2006)).

2. *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1351–52 (Fed. Cir. 2005) (“The case law of this circuit on the statute in suit is sparse. In fact, only one precedent has substantively addressed the statute, and in that case, we affirmed, without discussion of the text of the statute. . . . Consequently, this case presents us with virtually an issue of first impression.”).

3. *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 766 n.3 (5th Cir. 1972).

4. *See* 35 U.S.C. § 292 (2006).

5. *See, e.g., Pequignot v. Solo Cup*, 540 F. Supp. 2d 649 (E.D. Va. 2008). In 2008, over a dozen actions named the false marking statute as a count including: *Attic Tent, Inc. v. Copeland*, 627 F. Supp. 2d 635 (W.D.N.C. 2008); *Mohawk Indus., Inc. v. Interface, Inc.*, No. 4:07-CV-0212-HLM, 2008 WL 5210420 (N.D. Ga. Dec. 3, 2008); *Vantage Trailers, Inc. v. Beall Corp.*, No. H-08-0361, 2008 WL 4746288 (S.D. Tex. Oct. 27, 2008); *Forest Group, Inc. v. Bon Tool Co.*, No. H-05-4127, 2008 WL 4376346 (S.D. Tex. Sept. 22, 2008); *TASER Intern., Inc. v. Stinger Sys., Inc.*, No. 07-042-PHX-MHM, 2008 WL 4183019 (D. Ariz. Sept. 8, 2008); *Harrington v. Ciba Vision Corp.*, No. 3:08-cv-0051-FDW, 2008 WL 2893098 (W.D.N.C. July 23, 2008); *Mukai v. A.G. Design Assocs., LLC*, No. C07-5158RBL, 2008 WL 1929901 (W.D. Wash. Apr. 25, 2008); *Astec Am., Inc. v. Power-One, Inc.*, No. 6:07-cv-464, 2008 WL 1734833 (E.D. Tex. Apr. 11, 2008); *Vanguard Prods. Group v. Merch. Techs., Inc.*, No. 07-CV-1405-BR, 2008 WL 939041 (D. Or. Apr. 3, 2008); *Pequignot v. Solo Cup Co.*, 540 F. Supp. 2d 649 (E.D. Va. 2008); *Haynes v. R.H. Dyck, Inc.*, No. 2:06-CV-02944-MCE-EFB, 2008 WL 80749 (E.D. Cal. Jan. 7, 2008); *Wacom Co., v. Hanvon Corp.*, No. C06-5701RJB,

Despite these advantages, however, false marking counts have rarely been ruled upon by the courts, and much of the limited controlling law is flawed in its interpretation of the false marking statute.⁶ The penal nature of the statute has been eviscerated⁷ and parties bringing false marking *qui tam* action seeking riches find themselves quickly disillusioned upon analysis of prior decisions as damages awarded for false marking rarely exceed \$500.⁸ Unduly emphasizing the fact that the false marking statute can enrich the party bringing suit, who may have neither privity nor injury,⁹ ignores the culpability of the party who has falsely marked its innovation with objective recklessness and, in so doing, harms both the patent system and the public.

The false marking statute remains one of only a few *qui tam* actions left intact from a rich history of varied incentives provided by the government for private enforcement.¹⁰ It was enacted to protect patentees and the public by providing for an efficient utilization of government resources in penalizing a fraud, perpetrated by false markers, on the patent system and on the public at large.¹¹ The statute has failed to work as intended because the flawed

2008 WL 65086 (W.D. Wash. Jan. 3, 2008).

6. Eleven published circuit court decisions address the false marking act: *Forest Group, Inc. v. Bon Tool Co.*, 2009 WL 5064353 (Fed.Cir. Dec 28, 2009); *Clontech*, 406 F.3d 1347; *Boyd v. Schildkraut Giftware Corp.*, 936 F.2d 76 (2d Cir. 1991); *Arcadia Mach. & Tool Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124 (Fed. Cir. 1986); *Mayview Corp. v. Rodstein*, 620 F.2d 1347 (9th Cir. 1980); *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763 (5th Cir. 1972); *Filmon Process Corp. v. Spell-Right Corp.*, 404 F.2d 1351 (D.C. Cir. 1968); *Santa Anita Mfg. Corp. v. Lugash*, 369 F.2d 964 (9th Cir. 1966); *G. Leblanc Corp. v. H. & A. Selmer, Inc.*, 310 F.2d 449 (7th Cir. 1962); *Graffius v. Weather-Seal*, 165 F.2d 782 (6th Cir. 1948); *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910).

7. *See Icon Health & Fitness, Inc. v. Nautilus Group, Inc.*, No. 1:02 CV 109 TC, 2006 WL 753002, at *5 (D. Utah Mar. 23, 2006) (“An interpretation of the false-marking statute that imposes such a minimal fine on a company that has engaged in prohibited conduct on many occasions over the course of many years would *eviscerate* the statute and must be rejected”).

8. The rationale behind this is described below in Section IX and its discussion of the various judicial attempts to define “offense.” *See infra* text accompanying notes 180–248.

9. *See United States ex rel. Marcus v. Hess*, 127 F.2d 233, 235 (3d Cir. 1942), *rev’d* 317 U.S. 537 (1943).

10. *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 768 n.1 (2000); *see also* 17 U.S.C. § 1326 (2006) (falsely marking as copyrighted); 25 U.S.C. § 201 (2006) (actions for unlawfully contracting with an Indian); False Claims Act, 31 U.S.C. §§ 3729–3733 (2006); 35 U.S.C. § 292. There are two other statutes that are similar in concept but which do not allow the informer to bring a cause of action—“18 U.S.C. § 962 (providing for forfeiture to informer of share of vessels privately armed against friendly nations, but not expressly authorizing suit by informer); 46 U.S.C. § 723 (providing for forfeiture to informer of share of vessels removing undersea treasure from the Florida coast to foreign nations, but not expressly authorizing suit by informer).” *Vt. Agency*, 529 U.S. at 769 n.1.

11. *See* CONG. GLOBE, 27th Cong., 2d Sess. 833 (1842) (“[T]he bill was intended to . . . protect the rights of patentees.”); *See also Nichols v. Newell*, 18 F. Cas. 199, 199–200 (C.C.D. Mass. 1853) (No. 10,245) (“To guard the public right to use such articles as have not been patented—to prevent deception on the public, by assertions that articles, not entitled to this

interpretation of the statute has rendered its application false and its utilization economically inefficient.

Violation of the false marking statute requires evidence of three separate elements.¹² Parties bringing suit must show that the item was marked, that the marking was false, and that the marking was done with the intent to deceive the public.¹³

First, it must be proven that the item or its packaging has been marked with “the word ‘patent’ or any word or number importing that the same is patented” or “the words ‘patent applied for,’ ‘patent pending,’ or any word importing that an application for patent has been made.”¹⁴

Second, it must be proven that the marking was false at the time the item was marked.¹⁵ There are a number of different scenarios that can lead to this finding. The item may never have been patented, or the patent listed on the item may not cover the item itself.¹⁶ The item may be marked as “patent pending” prior to the filing of a patent,¹⁷ or the patent may have expired before it was marked as patented.¹⁸ The item may be the product of a patented method but may itself not be patented,¹⁹ or the marker may have been overzealous in marking an innovation with the patent number of every patent owned by the patentee, whether every patent reads on the innovation or not.²⁰

Finally, it must be proven that the marking party intended to deceive the public.²¹ Given its subjective nature, this is the most controversial and often litigated of the three factors.²² It is also one of the central flaws in the judicial interpretation of the false marking statute. Courts have required the party charging false marking to prove the false marker’s intent.²³ Such intent is not

privilege, have been patented . . . [t]his being the purpose of the law . . .”).

12. See 35 U.S.C. § 292.

13. *Id.*; *Nichols*, 18 F. Cas. at 200.

14. *Nichols*, 18 F. Cas. at 200. It is also false marking if the only use of the phrase is in advertising connected with the product. *Id.*

15. See *id.*; see also *A.G. Design & Assocs., LLC v. Trainman Lantern Co.*, No. C07–5158RBL, 2009 WL 168544 (W.D. Wash. Jan. 23, 2009); *Eng’d Prods. Co. v. Donaldson Co.*, 313 F. Supp. 2d 951, 996 (N.D. Iowa 2004).

16. See, e.g., *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 766 (5th Cir. 1972).

17. See, e.g., *A.G. Design & Assocs.*, 2009 WL 168544, at *3.

18. See, e.g., *Eng’d Prods. Co.*, 313 F. Supp. 2d at 996.

19. See, e.g., *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1357 (Fed. Cir. 2005).

20. See, e.g., *Astec Am., Inc. v. Power-One, Inc.*, No. 6:07-cv-464, 2008 WL 1734833, at *10–11 (E.D. Tex. Apr. 11, 2008).

21. 35 U.S.C. § 292.

22. See *infra* note 123.

23. See, e.g., *Astec*, 2008 WL 1734833, at *11 (“The issue of whether Power-One’s practice of marking its products with the ‘one or more’ language constitutes false marking therefore turns on whether Astec can show that Power-One implemented this marking practice with the intent to deceive the public.”).

presumed from the mere act of falsely marking.²⁴ This is counter-intuitive. If a party marks an innovation as patented with objective recklessness, such as marking an item patented when no patent application has been filed, the reason for such marking should be presumed to deceive the public. The presumption should be a rebuttable one. If there truly was no intent to deceive the public and the marking party was under the misapprehension that a patent on the item had in fact issued, the marking party is in the best position to rebut any presumption of intent to deceive the public. The ability of the party initiating the suit to gain evidence of this intent from the marking party constrains the successful suit for false marking and hinders any legislative intent to protect the patent system and shield the public from harm caused by this fraud.

False marking hurts the patent system by perpetrating fraud on the public. Articles bearing the term “patent” or “patent pending” are presumed to be novel, non-obvious, useful, and innovative.²⁵ To erode the public notice function that accompanies this belief hurts the patent system as a whole by allowing the public benefit of a patent to attach to an unpatented article which has not gone through the patent examination procedure, and has not resulted in a balance between public disclosure and the grant of the negative right associated with a patent. False marking perpetrates a fraud on the public and on the patent system.²⁶

Enforcement of the statute has limited the statute’s punitive effect by rarely assessing damages in excess of \$500. Assessing damages is always a complicated process, but the assessment of damages should not begin with the determination of how many offenses occurred. Once the number and nature of the offenses has been determined and a maximum award has been calculated, the courts should then turn to the issue of the fairness of damages and should evaluate the culpability of the party who has committed the offense. If the falsely marking party can show that there was no harm to the competitors caused by the false marking, that the false marking did not in fact deceive the public, despite having been intended to, and that the false marking had no impact on the purchasing decisions, then the damages should be so limited.²⁷ The assessment should not start with a determination by the court that the maximum damages will be \$500, no matter how many products were so marked.

24. See, e.g., *A.G. Design & Assocs.*, 2009 WL 168544, at *2 (“Defendants must show evidence which . . . shows deceitful intent . . .”).

25. See 35 U.S.C. §§ 101–103 (2006).

26. See *Oliphant v. Salem Flouring Mills Co.*, 18 F. Cas. 647, 648 (D. Or. 1878) (No. 10,486) (“The impression which the fact ordinarily makes upon the mind is, that the article marked ‘patent’ is in some respects more useful or desirable than articles of the same general kind or use which are not so marked. If, then, a person marks an unpatented article with the word ‘patent,’ the public are thereby liable to be deceived as to the character and value of the article. The act is a species of counterfeiting.”).

27. 35 U.S.C. § 292 (2006).

The flawed interpretation of the false marking statute has rendered its purpose ineffectual. The penal nature of the statute has been eviscerated as courts have all but read the statute into non-existence simply because of the potential economic benefits to the parties initiating qui tam suits under the false marking statute.²⁸ Unduly emphasizing the potential benefits to the party bringing suit ignores the culpability of the party who has falsely marked its innovation and the harm to both the patent system and the public. Parties who falsely mark their innovations with objective recklessness should be presumed to have done so with the intent to deceive the public, and the burden should rest on the marker to prove lack of such intent. Furthermore, the penalty should reflect the culpability of the marking party, taking into account various factors, including whether the public was actually deceived, the materiality of the marking, and the harm to competitors caused by the marking. Only then can the false marking statute ring true as the effective and economically efficient vehicle it was designed to be.

II. WHY DO WE HAVE A QUI TAM ACTION FOR FALSE MARKING?

“*Qui tam* is short for the Latin phrase *qui tam pro domino rege quam pro se ipso in hac parte sequitur*, which means ‘who pursues this action on our Lord the King’s behalf as well as his own.’”²⁹ Qui tam actions are deeply rooted in Anglo-American law,³⁰ and statutes permitting filing of such “have been in existence . . . in this country ever since the foundation of our Government.”³¹ Today, the false marking statute is one of only a few qui tam actions left intact from a rich history of varied incentives provided by the government for private enforcement.³²

Qui tam actions are quite different from the traditional model of litigation.³³ The instigator of the action, the relator, does not need to show either injury or privity,³⁴ and the reasons for bringing the actions often have more to do with

28. *Icon Health & Fitness*, 2006 WL 753002, at *5.

29. *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 768 n.1 (2006).

30. For a detailed history of qui tam statutes, see generally J. Randy Beck, *The False Claims Act and the English Eradication of Qui Tam Legislation*, 78 N.C. L. REV. 539, 548–49 (2000).

31. *United States ex rel. Marcus v. Hess*, 317 U.S. 537, 541 n.4 (1943) (quoting *Marvin v. Trout*, 199 U.S. 212, 225 (1905)).

32. See *supra* note 10.

33. Jill E. Fisch, *Class Action Reform, Qui Tam, and the Role of the Plaintiff*, 60 LAW & CONTEMP. PROBS., 167, 169 (1997) (“The traditional model of litigation is based on the theory that private litigants file suit because they have information leading them to believe they have a claim, they have suffered an injury compensable through litigation, and the damages they expect to receive exceed their expected litigation costs.”).

34. Qui tam actions authorize litigants to “file suit on behalf of the government for collection of statutory forfeiture.” Beck, *supra* note 30, at 539; see also *Vt. Agency*, 529 U.S. at 775.

enriching the relator than they do with compensating an injured party for the damages wrought upon them.³⁵ These actions represent a hybrid between private and public investigations.³⁶ Qui tam actions promote efficient use of government resources by granting rewards to those who sue on behalf of the government.³⁷ The limitations of government resources place restrictions on what public investigations can be carried out, reserving these investigations, out of necessity, for those offenses most likely to harm the public and most easily detectable by the government.³⁸ Private investigations are undertaken because a private party's interest is affected, and that party has the ability to seek and use the relevant information to prosecute the offense.³⁹ Qui tam actions exist in-between the two.⁴⁰ Although the public is being harmed, the harm is either not so great as to be deserving of a publicly-funded investigation or the harm is one that a private party has a greater interest and ability to investigate than the government. The most utilized and well known of all qui tam actions is the False Claims Act,⁴¹ allowing private parties to file suit against government contractors on behalf of the government, charging the contractors with defrauding the government.⁴² The public harm is reflected in the fraud, yet information about the fraud may be difficult for the government to obtain, while being readily accessible to private parties,⁴³ often employees of the very contractor charged with fraud. Qui tam actions supplement "governmental efforts to enforce the law against corporate defendants whose wrongdoing results in widespread societal harm."⁴⁴

35. Success in the suit allows the private party to recover a share of the judgment. For example, under the false marking statute, "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." 35 U.S.C. § 292(b) (2006).

36. Fisch, *supra* note 33, at 169, 185.

37. See Beck, *supra* note 30, at 556 n.64 (quoting CONG. GLOBE, 37th Cong., 3d Sess. 955-56 (1863) (statement of Sen. Howard) ("I have based the [qui tam provision] upon the old-fashioned idea of holding out a temptation, and 'setting a rogue to catch a rogue,' which is the safest and most expeditious way I have ever discovered of bringing rogues to justice." (alteration in original))).

38. See Fisch, *supra* note 33, at 185-86.

39. See, e.g., Pequignot v. Solo Cup Co., 540 F. Supp. 2d 649, 650 (E.D. Va. 2008) (suit brought pro se by licensed patent attorney); Hayenes v. R.H. Dyck, Inc., No.2:06-CV-02944-MCE-EFB, 2008 WL 80749, at *1 (E.D. Cal. Jan. 7, 2008) (suit brought by estate of woman allegedly holding the patent falsely marked on defendant's product).

40. See Fisch, *supra* note 33, at 185.

41. Vt. Agency of Natural Res. v. United States *ex rel.* Stevens, 529 U.S. 765, 768 (2000).

42. 31 U.S.C. §§ 3729-3733 (2006).

43. The private party is often referred to as the "relator" in a qui tam suit. *Vt. Agency*, 529 U.S. at 769.

44. Fisch, *supra* note 33, at 175 (discussing how class suits supplement these same efforts).

The peculiar nature of *qui tam* actions⁴⁵ renders them particularly subject to abuse⁴⁶ by parties who seek to profit from *qui tam* actions—whether financially⁴⁷ or competitively, by using such actions to harass competitors “on behalf of the government.”⁴⁸ As a result, in 1951, England repealed all *qui tam* actions, eliminating any possibility of their abuse.⁴⁹ The United States has continued its use of *qui tam* actions, albeit in a severely limited fashion.⁵⁰ Today, only a few *qui tam* actions remain intact, and only the Federal False Claims Act is effectively utilized.⁵¹

Despite this, it makes sense to have a *qui tam* action in patent law. *Qui tam* actions have a rich and storied history in intellectual property, dating back to the Licensing Act of 1662 and the Statute of Anne,⁵² “which gave standing to anyone to sue an infringer of copyright.”⁵³ Integrated into these early statutes was a *qui tam* action for copyright infringement because “the government had reason to encourage citizens to sue copyright infringers.”⁵⁴ In 1842, the U.S.

45. In an analogous discussion of class action suits, Professor Jill Fisch describes the tensions innate to *qui tam* and to class action suits: they represent a “struggle to combine the monetary incentives provided by plaintiff compensation with the societal interest in enforcement and deterrence.” *Id.* at 169.

46. *See Vt. Agency*, 529 U.S. at 775.

47. Frivolous suits in traditional litigation are limited by two factors—the party bringing suit must have been injured and must have a basis on which he or she believes he or she will succeed—otherwise there is no reward in the suit. *See Fisch, supra* note 33, at 170–71. Professional *qui tam* filers could be viewed similarly to those who specialize in class action litigation, essentially “entrepreneurs” who seek to further private interest over public good. *Id.* at 169.

48. Beck, *supra* note 30, at 548–49 (“[F]or centuries, *qui tam* legislation produced significant and recurring problems in England, such as widespread extortion of secret settlements and fraudulent or malicious prosecution of innocent defendants. As a result, common informers became one of the most vilified groups in England and were repeated targets of mob violence. With the development of alternative means of statutory enforcement, Parliament moved away from *qui tam* legislation in the nineteenth century, finally opting in 1951 to abolish all remaining English *qui tam* statutes.”).

49. *Id.*; *see also Vt. Agency*, 529 U.S. at 776 (“[L]aws allowing *qui tam* suits by informers continued to exist in England until 1951, when all of the remaining ones were repealed.”).

50. For instance, in 1986, the Federal False Claims Act, 31 U.S.C. §§ 3729–3733, was amended to increase recovery for relators, resulting in the subsequent recovery of \$8.4 billion on 4,704 *qui tam* suits by September 30, 2004. Christina Orsini Broderick, Note, *Qui Tam Provisions and the Public Interest: An Empirical Analysis*, 107 COLUM. L. REV. 949, 954–55 (2007); *see also Industry Scan: Qui Tam Lawsuits Recover \$2.9 Billion*, HEALTHCARE FIN. MGMT., Oct., 2000, at 20, 21 (noting a recovery of over \$2.9 billion based on almost 3,000 *qui tam* cases by the year 2000).

51. *See supra* notes 10, 50.

52. *See L. Ray Patterson & Craig Joyce, Copyright in 1791: An Essay Concerning the Founders’ View of the Copyright Power Granted to Congress in Article I, Section 8, Clause 8 of the U.S. Constitution*, 52 EMORY L.J. 909, 913–23 n.28 (2003).

53. *Id.* at 920–21 n.28.

54. *Id.*

Congress first recognized the benefit of utilizing public resources to bring suit against those who falsely marked their products as patented when it enacted the predecessor to today's false marking statute.⁵⁵

III. THE MARKING REQUIREMENT

Neither the public nor the government had an easy time recognizing when an article was falsely marked in 1842.⁵⁶ There was no requirement that patented articles be marked, and a determination of whether an article was patented or not involved a patent search, which in the nineteenth century involved a trip to the Patent Office itself, an expensive proposition.⁵⁷ Companies were loathe to perform a patent search before proceeding with research and development with the accompanying possibility of a lawsuit for patent infringement.⁵⁸ Further impeding innovation was the fact that many manufacturers claimed that their articles were patented as a marketing strategy, regardless of whether the article was covered by a valid patent.⁵⁹ As one satirist of the age said, "No wonder then in this great Town in such a polished age . . . [w]hen art and genius are combined that patents are the rage . . . [o]ur Clothes our physic and our Food, with many queer utensils, [m]ust all be marked with Patent Stamps like warming Pans and Pencils."⁶⁰ The dual threats to innovation posed by the potential of infringing another's patent and the difficulty of determining whether such infringement was occurring, absent actual knowledge of the

55. Patent Act of 1842, ch. 236 § 5, 5 Stat. 543, 544 (1842). As one modern court has noted, "the penalty, and the division thereof, provides an incentive to private parties to prosecute false marking, thus alleviating the government's need to pursue such actions." *Haynes v. R.H. Dyck, Inc.*, No. 2:06-CV-02944-MCE-EFB, 2007 WL 3010574, at *3 (E.D. Cal. Oct. 15, 2007).

56. See generally KENNETH W. DOBYNS, *A HISTORY OF THE EARLY PATENT OFFICE: THE PATENT OFFICE PONY 97–100* (Sergeant Kirkland's 1997) (1994) (discussing the reorganization of the early Patent Office).

57. *Id.* at 97, 100 ("It was a common practice for an inventor to travel to Washington from a great distance, expecting to apply for a patent and carry the issued patent home with him.")

58. See Rick Weiss, *The 'Patent Pending' Problem*, *BOSTON GLOBE*, Feb. 9, 2009, at A13. A patent grants the patentee the right to prevent others from making, using, offering for sale or selling "any patented invention during the term of the patent." 28 U.S.C. § 271 (2006). Infringement occurs when another party violates this negative right, without permission of the patentee, whether the infringer is aware of the patent or not. *Id.*

59. See DOBYNS, *supra* note 56, at 98 ("The issuance of patents to pirates was a common occurrence, and indeed the Patent Office furnished every facility to aid them. . . . Even when an applicant was told that his invention was a direct copy of a previous invention, as had happened the previous week, he demanded and obtained his patent for the same invention. With the Great Seal and the signature of the President on his pirated patent, the pirate patentee could sell state, town and county rights all over the country to people who thought that the Great Seal and the signature of the President actually meant that the patent was valid.")

60. James Payne, *Patents All the Rage* (Apr. 20, 1798), <http://www.myoutbox.net/popchmi.htm> (a comic song sung at the Theatre Royal Covent Garden).

patent, brought about the enactment by Congress of a “marking requirement”⁶¹—requiring patentees to mark patented inventions as such.⁶²

The marking requirement has undergone significant changes since it was initially enacted, while maintaining its purpose of providing notice that an article is patented.⁶³ Initially, every article patented was required to be so marked, but marking is no longer required.⁶⁴ Now the marking statute limits damages recoverable by the patentee to those damages incurred after notice is provided to the infringer.⁶⁵ This allows the marking party to perform a cost-benefit analysis of marking the product based on the likelihood of infringement, the costs of marking, and the economic recovery possible from an infringement suit before marking a product.

IV. THE FALSE MARKING REQUIREMENT

In 1842, Congress extended the notice requirement, rendering it an offense to mark an unpatented article as patented.⁶⁶ Codifying the offense, Congress established a *qui tam* action for false marking, assessing “a penalty of not less than one hundred dollars, with costs. . . . [O]ne half of which penalty, as recovered, shall be paid to the patent fund, and the other half” to the instigator

61. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998). By 1861, the marking statute was eliminated and replaced by a statute rendering failure to mark as a limitation on the damages recoverable by the patentee in a suit for infringement. Act of Mar. 2, 1861, ch. 88 § 13, 12 Stat. 249 (repealed 1870) (current version at 35 U.S.C. § 287 (2006)).

62. *Nike*, 138 F.3d at 1443.

63. *Id.*

64. *See supra* note 61.

65. 35 U.S.C. § 287.

66. Patent Act of 1842, ch. 263 § 5, 5 Stat. 543, 544 (1842) (“*And be it further enacted*, That if any person or persons shall paint or print, or mould, cast, carve, or engrave, or stamp, upon any thing made, used, or sold, by him, for the sole making or selling which he hath not or shall not have obtained letters patent, the name or any imitation of the name of any other person who hath or shall have obtained letters patent for the sole making and vending of such thing, without consent of such patentee, or his assigns or legal representatives; or if any person, upon any such thing not having been purchased, from the patentee, or some person who purchased it from or under such patentee, or not having the license or consent of such patentee, or his assigns or legal representatives, shall write, paint, print, mould, cast, carve, engrave, stamp, or otherwise make or affix the word ‘patent,’ or the words ‘letters patent,’ or the word ‘patentee,’ or any word or words of like kind, meaning, or import, with the view or intent of imitating or counterfeiting the stamp, mark, or other device of the patentee, or shall affix the same or any word, stamp, or device, of like import, on any unpatented article, for the purpose of deceiving the public, he, she, or they, so offending, shall be liable for such offence, to a penalty of not less than one hundred dollars, with costs, to be recovered by action in any of the circuit courts of the United States, or in any of the district courts of the United States, having the powers and jurisdiction of a circuit court; one half of which penalty, as recovered, shall be paid to the patent fund, and the other half to any person or persons who shall sue for the same.”).

of a suit against a third party for falsely marking an item as patented.⁶⁷ By encouraging private citizens with the resources to perform patent searches to bring suit against false markers, this act was intended to “bring additional revenue into the patent department, and to protect the rights of patentees.”⁶⁸

The *qui tam* action, in the current embodiment of the false marking statute, is written in language that has changed little since 1842—with assessment of damages representing the only significant changes.⁶⁹ It is a unique statute as the only *qui tam* action available under the patent code, and with its punitive basis, it is the closest statute to a criminal section found in patent law.⁷⁰ It is not a criminal section because “there is a clear distinction between the word ‘penal’ as so used, and the word ‘criminal,’”⁷¹ but it is “penal in nature and must be strictly construed.”⁷² The statute has been described as “a highly penal one” to be “construed strictly; . . . not to be extended to acts which do not clearly come within the plain meaning and ordinary acceptance of the words used.”⁷³

In order to prove false marking, the relator must first show that the innovation is marked by the patentee or marked under the control of the patentee.⁷⁴ To mark an item, notice must be given to the public that an

67. *Id.*

68. CONG. GLOBE, 27th Cong., 2d Sess. 833 (1842).

69. 35 U.S.C. § 292 (2006) (“(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words ‘patent,’ ‘patentee,’ or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or Whoever marks upon, or affixes to, or uses in advertising 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; or Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words ‘patent applied for,’ ‘patent pending,’ or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, 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.”).

70. *Haynes v. R.H. Dyck, Inc.*, NO. 2:06-CV-02944-MCE-EFB, 2007 WL 3010574, at *2 (E.D. Cal. Oct. 15, 2007) (“The 1952 Revision Notes to section 292 state that it is a criminal provision, however, the Federal Circuit has found that “[t]he statute supplies a civil fine for false marking of articles.” (alteration in the original) (citing *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005)).

71. *Sippit Cups, Inc. v. Michael’s Creations, Inc.*, 180 F. Supp. 58, 61 (D.C.N.Y. 1960).

72. *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 765 (E.D.N.Y. 1960).

73. *Pentlarge v. Kirby*, 19 F. 501, 503 (S.D.N.Y. 1884).

74. *See Nichols v. Newell*, 18 F. Cas. 199, 200 (C.C.D. Mass. 1853) (No. 10,245); *see, e.g., Rainworks Ltd. v. Mill-Rose Co.*, 609 F. Supp. 2d 732, 739 (N.D. Ohio 2009) (“Because marking the outer packaging, when marking the product could be done, is insufficient for the notice requirements of 35 U.S.C. § 287(a), the actions . . . are equally insufficient for false marking liability . . .”).

invention “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 can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice.”⁷⁵ There are two main caveats to this marking requirement. First, it is not enough that “the word ‘patent’ [be] put on in any way,”⁷⁶ rather the mark must be placed on the article itself or otherwise clearly communicated to the public.⁷⁷ Second, the marking with the word patent must communicate the idea that the article is patented.⁷⁸

In an early case, a vendor selling wooden dishes marked the crates in which the dishes were shipped with false information about the patent status of the dishes.⁷⁹ The dishes themselves could have easily been marked but were not.⁸⁰ The public was not aware of the marking because the plates were sold individually, not by the crate, and the false information that the dishes were patented was never communicated to the public.⁸¹ Any benefit that might have accrued to the false marker was lost, given this lack of notice, and the court found that the marking on the crates fell outside of the reach of the statute because the marking did not provide the requisite notice to the public.⁸² In a more recent case involving the sale of firearms, the court entertained an action where the firearms were “packaged in boxes having labels indicating that the contents of each box [was] covered by one or more patents or applications.”⁸³ Again, it seems that the rifles could have been easily marked but were not.⁸⁴ However, the facts in this case dictate that each firearm was individually packaged in a box; the public would receive the package along with the rifle,

75. 35 U.S.C. § 287 (2006); see also Preston Moore & Jackie Nakamura, *The United States Patent Marking and Notice Statute*, 22 AIPLA Q. J. 85, 89 (1994) (“[P]ackage marking has satisfied section 287(a) when: (1) the article was too small to be marked; (2) the article would be defaced by direct marking; (3) the custom of the trade was to mark only the product packaging; and (4) the expense of marking directly was prohibitive.”).

76. *Nichols*, 18 F. Cas. at 200–01 (proposing that “affixing the words ‘Newell’s patent, 1832’” to the article suffices for “affixing the word ‘patent’” as required under the Act).

77. See, e.g., *Smith v. Walton*, 51 F. 17, 19 (S.D.N.Y. 1892).

78. See *Schwebel v. Bothe*, 40 F. 478, 479 (E.D. Mo. 1889) (“The inhibition against the use of the word ‘patent’ is, in my judgment, aimed at the use of the word in such manner as to import that an article is then and there protected by letters patent. If not so sued as to convey to the public that idea, no offense is committed.”).

79. *Smith*, 51 F. at 17.

80. *Id.* at 19.

81. *Id.*

82. *Id.*

83. *Arcadia Mach. & Tool Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986) (“The 1984 label reads: ‘This box is used for all models of Ruger pistols and revolvers. The firearm in this box may be manufactured under one or more of the following patents.’ . . . The 1984 label, which was changed to read ‘may be manufactured under,’ was properly found by the district court not to be deceptive in any way.”).

84. See *id.*

and each box was marked with a patent number.⁸⁵ The marker could expect to accrue any benefit associated with providing notice to the public of the patent, and therefore, if the marking had been found false, the court likely would have found that a penalty would have been the appropriate remedy.⁸⁶

The relator must next show that the party charged with false marking either physically marked the items themselves or controlled the marking of those items.⁸⁷ Strict construction of the statute shows that the offense is only the “actual stamping or engraving of the patent markings” on the unpatented articles and not the resale of the same.⁸⁸ The charge of false marking is leveled “against the one who does the actual marking and affixing,”⁸⁹ and it is clear that the fine is for the party who commits the “act of stamping or affixing in any manner the word ‘patent’ on an unpatented article.”⁹⁰

Once the relator has shown that the marking of the item provided notice to the public that the item was patented and that the marking was done by the party so charged, the next step in making a case of false marking requires the relator to show that the party accused of false marking did not have a patent covering the relevant item.⁹¹ There are many scenarios that could result in this finding: the item was never patented; the patent application was rejected; the patent has expired; the patent is not enforceable; the method is patented but not the product; or the invention is not covered by every patent listed on the marking. Each of these scenarios is analyzed in greater depth below.

A. Item Not Patented

Marking an article as patented when no patent reads on the article or indicating that a patent is pending when no patent application has been filed are the strongest mismarking scenarios.⁹² Once it is shown that an article is

85. *Id.*

86. The court held that the mark was not false and so issued no fine. *Id.*

87. *See Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 765 n.3 (5th Cir. 1972) (“Without so deciding we think Sears cannot so blithely escape the charge that it ‘marked’ the device. While actually manufactured for it by [the marking party] it was, as is so common in today’s chain store retail merchandising, packed as a ‘Sears’ product. . . . Sears cannot disavow what [the marking party] did in its name even though Sears was uninformed about what its indemnitor was doing.”).

88. *Felt for Use of U.S. v. Ronson Art Metal Works*, 107 F. Supp. 84, 86 (D. Minn. 1952).

89. *Id.* at 87.

90. *Id.* at 86.

91. *Nichols v. Newell*, 18 F. Cas. 199, 200 (C.C.D. Mass. 1853) (No. 10,245) (“In the next place, you are to be satisfied that the defendants had no patent . . .”).

92. *See, e.g., Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005) (“Thus, in order to determine if an article is ‘unpatented’ for purposes of section 292, it must be first determined whether the claims of a patent cover the article in question. To make that determination, the claim in question must be interpreted to ascertain its correct scope, and then it must be ascertained if the claim reads on the article in question.”); *Brose v. Sears*,

mismarked, if intent to deceive the public can be proven, then a case for false marking exists.⁹³ Indicating that an item is patented when no patent has issued represents the clearest example of harm to the public and to the patent system. The mismarking party sees a benefit to marking an item as patented or patent pending; as one journalist wrote, it is a way of saying, “Our product is so special, we’re in line to win a patent!”⁹⁴ Any such benefit exists because of the patent process, a complicated and expensive process the mismarker has not partaken in. This is the classic scenario that the false marking act seeks to prevent.

Akin to this, marking an innovation as patented when the patent does not read on the innovation is mismarking.⁹⁵ The interpretation of a patent claim is complex, and an article may be mismarked as patented with a good faith belief that it is covered by a patent, a belief that may even be supported by legal advice.⁹⁶ If a court later interprets the patent to not read on the article, but the article was marked as patented in good faith, then no violation of the false marking statute has occurred.⁹⁷ As an early commentator stated: “If therefore the article marked by the defendant and the thing purported to be secured by his patent can be fairly judged to be akin to each other, he cannot be found

Roebuck & Co., 455 F.2d 763, 766 (5th Cir. 1972) (“The mismarking comes not from the fact that the kit bears the true legend ‘licensed under U.S. Patent [Kraly] 3,095,342.’ Rather, it is because Egan (Sears) although licensed by Patentee Kraly under 3,095,342, does not in the kit make a device which ‘reads on’ the claims of the cited patent. For the purposes of a § 292 suit this means that since the marketed device is not the one covered by the cited patent it is as though there was no patent at all and the marker (Sears through Egan) had put such a description on an admittedly unpatented article.”); *Sadler-Cisar, Inc. v. Commercial Sales Network, Inc.*, 786 F. Supp. 1287, 1296 (N.D. Ohio 1991) (“Defendants marked the AccuTRAK product with the designation ‘patent pending’ and offered it for sale when no patent application was in fact pending. This mismarking could not have been solely the result of inadvertence.”).

93. 35 U.S.C. § 292 (2006).

94. Weiss, *supra* note 58, at A13.

95. *See, e.g., Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Solutions, P.C.*, No. CV-00-2430-VEH, 2006 WL 4448613, at *25 (N.D. Ala. Jan. 13, 2006) (“We can assume that if a device claimed to be covered by license of a cited patent is so obviously not revealed by it as the patentese world would view it, the use of such a legend would be mismarking. . . . But this presupposes that the private attorney general has established that the device is not within the patent. Only at that time does the good faith purpose or motive of the marker of a license to a cited patent come into question.”).

96. *Id.* (“The fact that the label was untrue does not preclude the defendant from showing that he had adequate reason to believe that it was true, and that he had taken competent and authoritative advice upon the subject.”).

97. *Id.* (“But where the device is within the specific field covered by the patent and uses materials and methods similar to the technical patent disclosures, the licensee’s use in good faith reliance on the license is not to be transmuted into an evil purpose to deceive the public merely on proof and finding that for one or more or all of the reasons skilled patent advocates could think up, the embodiment in question does ‘not read on’ or is not an ‘infringement’ of the cited patent.”).

guilty.”⁹⁸ On the other hand, if an item is marked with objective recklessness as patented—such as the scenario where a party chose to continue to mark an article as patented after two different court orders construed the patent to not read on the article—that should rise to the level of false marking, and again, the intent to deceive the public must be presumed from such behavior.⁹⁹

B. *Patented vs. Patent Pending*

When an article is marked as patented before the patent issues, that article is mismarked.¹⁰⁰ However, the specific inclusion in the statute of “patent pending” markings as false marking represents a major departure from the original False Marking Statute, which imposed no penalty on an article marked as “patent pending” even if no patent application had been made.¹⁰¹ This modern approach more closely tracks the intent of the statute. Marking an article as the subject of a pending patent has much the same impact on innovation that marking an article as the subject of a patent does: “During the years that it remains unclear whether a patent will issue—and exactly what it will embrace—other inventors steer clear of the field for fear they might eventually be accused of infringement. Innovation slows.”¹⁰²

The determination of whether an article is falsely marked occurs at the time the article is marked, not at the time it is distributed.¹⁰³ As discussed below, this

98. Odin B. Roberts, *Actions Qui Tam Under the Patent Statutes of the United States*, 10 HARV. L. REV. 265, 270 (1897). Furthermore, “[e]ven if the court upon which devolves the matter of interpreting and determining the scope of the defendant’s patent is of opinion that the defendant was wrong in believing that the articles marked fell within the operative scope of his patent, this does not fasten upon him the guilty intent.” *Id.*

99. *Forest Group, Inc. v. Bon Tool Co.*, No. H-05-4127, 2008 WL 4376346, at *2 n.2 (S.D. Tex. Sept. 22, 2008).

100. 35 U.S.C. § 292 (2006); *see, e.g.*, *A.G. Design & Assocs. LLC v. Trainman Lantern Co.*, No. C07-5158RBL, 2009 WL 168544, at *3 (W.D. Wash. Jan. 23, 2009) (“A.G. Design began marking their lanterns as ‘patent pending’ as early as 1999, prior to actually applying for a patent in 2004. This fact is sufficient to support the inference that the A.G. Design had knowledge of the mislabeling as early as 1999.”); *Undersea Breathing Sys., Inc. v. Nitrox Techs., Inc.*, 985 F. Supp. 752, 782 (N.D. Ill. 1997) (“‘Patented’ may be a loose way of describing the act of applying for a patent, but in the context of the flyer it unmistakably deceives the public. . . . The Court finds that the Open house invitation violates 35 U.S.C. § 292 because its use of the word ‘patented’ deceives and leads the public to conclude that the system had already been patented.”); *Nichols v. Newell*, 18 F. Cas. 199, 200–01 (C.C.D. Mass. 1853) (No. 10,245) (“[T]here is no controversy that, at the time it was done, they had no patent—for the Newell patent, which they had, according to the proof, was granted to them in October, 1853,” and the relevant “sales were made in January and February” of 1853.).

101. Patent Act of 1842, ch. 263 § 5, 5 Stat. 543, 544 (1842); *see also* *Schwebel v. Bothe*, 40 F. 478, 479 (E.D. Mo. 1889) (The innovation was falsely marked “Patent Applied For,” but there was no offense in doing so.).

102. Weiss, *supra* note 58, at A13.

103. *See Republic Molding Corp. v. B. W. Photo Utils.*, 319 F.2d 347, 349 (9th Cir. 1963)

protects parties whose patents have expired but can hurt an over-eager early marker.¹⁰⁴ If, however, it cannot be proved that the early marker intended to deceive the public, the early marker will not be subject to a penalty under the false marking act. So, if the early marker can show that he or she deliberately did not distribute the product, for instance, until after the patent issued, or that they did not understand the date of issuance, then no false marking claim can be made, even though he or she knowingly mismarked the article.¹⁰⁵

C. Patent Expired

The marking statute provides notice to the public and to competitors of the patent status of an article. If an innovation is marked with the number of an expired patent, even one that reads on the innovation, the marking function changes from indicating which patents cover an innovation to telling the public where to look for more information about the innovation instead.¹⁰⁶ The courts are divided on whether this is false marking or not.¹⁰⁷

If the marking is clear that the patent has expired, it is not false marking to indicate that an innovation was the subject of a now-expired patent.¹⁰⁸ Furthermore, the false marking offense must occur at the time of marking—rendering it not a fineable offense to sell an item marked as patented after the patent has expired if the marking occurred before the time of expiration.¹⁰⁹ Expiration does not mandate a recall of all outstanding marked items. This may

(“Although plaintiff was aware of the provisions of the patent statute, 35 USC § 292, which provides that it is unlawful for anyone, for the purpose of deception, to advertise to the effect that an application for patent has been filed or is pending on an article when in fact such patent application has not been filed and is not pending, plaintiff falsely advertised, for a continuous period of over six months before it filed an application for patent on said receptacle, and, prior to the filing of the complaint herein, that an application for patent had been filed and was pending on said receptacle.”).

104. See Weiss, *supra* note 58, at A13 (“So common is the phrase ‘patent pending’ on US goods that Americans can be forgiven if they interpret it as a proud proclamation of success.”).

105. See Nichols v. Newell, 18 F. Cas. 199, 201 (C.C.D. Mass. 1853) (No. 10,245) (stating that a party must have intended to deceive in order to be guilty of false marking).

106. See *infra* note 111.

107. See *infra* notes 108–117.

108. Schwebel v. Bothe, 40 F. 478, 479 (E.D. Mo. 1889) (“If not so used as to convey to the public that idea, no offense is committed. Suppose a manufacturer should brand or stencil on an article the words following: ‘A patent was heretofore obtained on this machine, but it has expired.’ Would it be pretended that the use of the word ‘patent’ in that connection was an offense for which a penalty might be imposed? I think not.”).

109. See, e.g., Eng’d Prods. Co. v. Donaldson Co., 313 F. Supp. 2d 951, 998 n.3 (N.D. Iowa 2004) (“[T]here is absolutely no evidence thus far cited by Donaldson to establish that the Filter Minder that its employee purchased in April 2004 was manufactured after the ‘728 and ‘456 patents expired. Plainly, a replacement part in inventory at a GM dealership could have been on the shelf for a considerable time.”).

be confusing to the consumer, but it is not the offense that the false marking statute is designed to prevent.

However, if an innovation is marked as patented after the patent has expired, it is unclear whether that is a false marking offense. The original marking statute required patentees to mark all goods with “the word ‘Patented’ together with the day and year the patent was granted.”¹¹⁰ As a result it was not an offense to mark “goods with the date and number of an expired patent” since the public is provided with the date of the patent grant and is “presumed to know the term of United States patents.”¹¹¹ The marking statute no longer requires the marking of patented articles but now limits damages in the absence of marking.¹¹² In addition, the current marking statute does not require that the date of the issuance of the patent be marked on each item but only the patent number and the term “patent” or “pat.”¹¹³ Therefore, to learn whether an article marked as patented is covered by a current or an expired patent, the interested party must now research every patent number marked, which harms the public notice function of the marking without aiding the public in acquiring useful knowledge.¹¹⁴

After the change in the marking requirement, because an expired patent is unenforceable and due to the importance of the public’s ability to rely on the

110. *Wilson v. Singer Mfg. Co.*, 30 F. Cas. 223, 223–24 (N.D. Ill. 1879) (No. 17,836) (“The law makes it the duty of the manufacturer of a patented article, during the time the patent is in force, to give notice to the public that the same is patented, by fixing thereon the word ‘Patented’ with the day and year the patent was granted, and I do not see anything in the spirit of this clause of the law which prevents the manufacturer from continuing to affix such word and date after the expiration of the patent.”).

111. *Roberts*, *supra* note 98, at 271; *see also Wilson*, 30 F. Cas. at 224, *aff’d*, 12 F. 57 (C.C.N.D. Ill. 1882) (“The mischief which this statute was intended to punish, can hardly be stated more concisely than in the words of the law itself: ‘The purpose of deceiving the public,’ that is, stating falsely that an article is then the subject-matter of a patent. And can it be said that the public is deceived by the notice inscribed upon, or affixed to, a manufactured article, that has been patented, and that the patent has expired? The ‘public’ is presumed to know the law as well as the patentee—to know that a patent issued on the 9th day of October, 1855, had expired on the 1st day of November, 1876. If, therefore, the inscription be true in fact, as it is conceded to have been in this case, I am of opinion that it does not subject the defendant to the penalty of this statute. It may be valuable information to the public to be told that a machine offered for sale is made in accordance with a patent which has been granted, but which has expired. So that purchasers instead of being deceived, have only desirable or important facts imparted to them, and are able to act more intelligently in dealing with the manufacturer or vendor.”).

112. 35 U.S.C. § 287 (2006).

113. *Id.*

114. *Pequignot v. Solo Cup Co.*, 540 F. Supp. 2d 649, 654 (E.D. Va. 2008) (“The public could no longer assume ‘the status of the intellectual property’ by the simple presence of a ‘Patent No. XXX’ marking. Potential inventors and consumers would be forced to look up every patent marking to discern whether the patent was valid or expired, possibly leading some to shy away from using that article. These burdens, when considered in the aggregate, inhibit the free flow of ideas and ‘the benefits of the unrestricted exploitation’ with respect to those articles that have entered the public domain.”) (emphasis in original).

patent marking, if a marking of an innovation as reading on a patent when the patent has expired was done with the intent to deceive the public, the marking should be found to violate the false marking statute. Despite this, a recent decision held that the patentee could mark an article with an expired patent number and no notice of the patent's expiration "to inform the public of where to acquire the informational and teaching *quid pro quo* that underlies the granting of patent protection."¹¹⁵ Presumably this is based on the ready access the public has to information about the validity of patents, but it seems to read against a strict construction of the statute. It is neither difficult nor expensive to provide the information about those patents that currently cover the innovation.

D. Method Is Patented but Not the Product

A method can be patented even if the product of the method is not.¹¹⁶ It is mismarking to mark the non-patented product as patented if only the method is patented, which when combined with public notice and the intent to deceive the public can rise to the level of a fineable offense.¹¹⁷ It appears that it is not false marking to indicate that a product is the result of a patented method.¹¹⁸ A recent decision hinted that marking the innovation clearly as "the product of patent number X," or words to that effect, would render a more favorable result for the marker than if it was simply marked as "subject to patent."¹¹⁹ Any perceived benefit a patent may give a product would inure to the product without deceiving the public by falsely claiming an unpatented article as patented.

115. *FMC Corp. v. Control Solutions, Inc.*, 369 F. Supp. 2d 539, 584 (E.D. Pa. 2005).

116. See Tim Hsieh, *The Adequacy of the Mark: Raising the Standard Under 35 U.S.C. § 287(a) for Patented Online Software Methods*, 48 IDEA 69, 86 (2007).

117. One of the more interesting areas of false marking arises from patented methods, be they methods of producing seed or software, business methods, or methods of administering medical exams. If there is no tangible patented product, there is no requirement under 35 U.S.C. § 287 that the product be marked. See Hsieh, *supra* note 116, at 87, 89; see also *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993). However, if the patent does cover a tangible product as well as a method, damages can only be incurred from the time the product is marked or notice is given to the infringer. *Am. Med. Sys., Inc.*, 6 F.3d at 1538–39. The marking requirement states that if the product cannot be marked, then marking should be attached to the packaging if possible. See Hsieh, *supra* note 116, at 90. The result of this brings up many questions—for instance: Is a website packaging for a software method? See Hsieh, *supra* note 116, at 111–13.

118. *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1357 (Fed. Cir. 2005) (implying that had the marking clearly stated that the products were made by a patented method, there may not have been a false marking claim). "This is not a case where the . . . products were marked with language stating that the products were made by the 'methods' of any patents. Rather, the record shows that the marking language included the statement: 'This product is the subject of U.S. Patent No. 5,668,005.'" *Id.*

119. *Id.*

E. Extraneous Patents Listed

It is a common practice for patentees to mark their products as covered by a number of patents.¹²⁰ If any one of these patents does not cover the product so marked—whether the patent is for a different product, has expired, or is for a method of making the product rather than for the product itself—and the marking is done with the intent to deceive the public, this is false marking.¹²¹ It is not false marking, however, simply to state that an article is covered by “one or more patents, domestic or international,” even if the product is only covered by one of the listed patents and even if the only patent is a foreign patent.¹²²

V. PUBLIC DECEIT AND FALSE MARKING

The final prong of the false marking test, the requirement that the marking be done for the purpose of deceiving the public, is often the most contentious due to its subjective nature.¹²³ The intent of the false marking statute is to protect patentees, whose interest, presumably, is harmed by the false marking, whatever the intent behind the marking.¹²⁴ There are some scenarios, however,

120. An example can be found in Roundup Ready® seed; one may see the following information marking the patented seed: “Seeds containing the Roundup Ready® trait are protected under numerous United States patents including Patent Nos.: 4,940,835; 5,188,642; 5,352,605; 5,530,196; 5,717,084; 5,728,925; 5,804,425; RE 39,247.” Garst: Changing the Landscape, Patent Protection Offers Growers Value, <http://www.garstseedco.com/GarstClient/Stewardship/patentprotection.aspx> (last visited Jan. 15, 2010).

121. *Astec Am., Inc. v. Power-One, Inc.*, NO. 6:07-cv-464, 2008 WL 1734833, at *10–11 (E.D. Tex. Apr. 11, 2008) (Marking a product as “protected by one or more of the following U.S. patents” when not all of the patents cover the product constitutes false marking “when the patentee practices this form of marking with an intent to deceive the public.”).

122. *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986) (The phrase “may be” was used and the Federal Circuit held that as long as the invention was covered by a patent, foreign or domestic, then the marking was not false.); *Mass. Inst. of Tech. v. Abacus Software, Inc.*, No. 5:01cv344, 2004 WL 5268123, at *20 (E.D. Tex. Aug. 4, 2004) (dicta) (“For example, the statute has been interpreted to permit a listing of multiple patents with a statement that the article is covered by ‘one or more’ of those patents, and doing so does not constitute false marking under § 292 even though fewer than all of the listed patents actually cover the article.”).

123. *See, e.g., A.G. Design & Assocs., LLC v. Trainman Lantern Co.*, No. C07-5158RBL, 2009 WL 168544, at *2 (W.D. Wash. Jan. 23, 2009) (“Only the fourth element, deceitful intent, is disputed by the parties.”); *Astec*, 2008 WL 1734833, at *11 (“The issue of whether Power-One’s practice of marking its products with the ‘one or more’ language constitutes false marking therefore turns on whether Astec can show that Power-One implemented this marking practice with the intent to deceive the public.”); *Mohawk Indus., Inc. v. Interface, Inc.*, No. 4:07-CV-212-HLM, 2008 WL 5210418, at *6 (N.D. Ga. Nov. 6, 2008) (“Here, Defendant does not deny that it marked non-covered tiles with the ‘656 patent number. Defendant denies, however, that it marked non-covered tiles with the intent to deceive the public. The Court therefore focuses its analysis on authority discussing § 292’s intent requirement.”).

124. *Oliphant v. Salem Flouring Mills Co.*, 18 F. Cas. 657, 648 (D. Or. 1878) (No. 10,486)

where the false marking could truly be innocent, for instance if the marking is false solely because of a typographical error.¹²⁵ The intent prong of the test balances the harm to the patent system with the harm of punishing parties for an innocent false marking. Inherent in this determination, however, is the issue of determining whether the marker intended to deceive the public.¹²⁶

Rarely is deceptive intent proven by direct evidence.¹²⁷ Rather, it is generally “found as a matter of inference from circumstantial evidence.”¹²⁸ The Federal Circuit has set forth some objective guidelines stating that “[i]ntent to deceive is a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true.”¹²⁹ If a misrepresentation was made with the knowledge of its falsity then that is “enough to warrant drawing the inference that there was a fraudulent intent.”¹³⁰ Intent may also be

(“The [false marking] statute is made for the protection of the public, and is intended to prevent unscrupulous persons from imposing upon the community by the unauthorized and false use of the word ‘patent.’ But it must also appear that the article was so falsely marked with intent to deceive the public. Cases may arise in which it is apparent that the marking was done on unpatented articles in jest or ridicule, or as a mere fancy or caprice, under such circumstances that it is not possible that any one could be misled or deceived by it. A person might mark his dog or horse with the word ‘patent,’ but hardly with the intention to make the public believe that either was of any more use or value than any other like animal. And in such an extreme case the court might be able to say on demurrer to the complaint that there could not by any possibility have been any intention to deceive.”).

125. See, e.g., *D.O.C.C. Inc. v. Spintech Inc.*, No. 93 Civ 4679 (RPP), 1994 WL 872025, at *3 (S.D.N.Y. Aug. 15, 1994) (“Spintech’s alleged mismarking was caused by a typographical error, wherein Spintech, U.S. Patent No. 5,078,924 was unintentionally listed as U.S. Patent No. 5,078,928 on a Spintech product brochure.”).

126. *Nichols v. Newell*, 18 F. Cas. 199, 201 (C.C.D. Mass. 1853) (No. 10,245) (“[W]hen we are ascertaining the intent or purpose of a man, we ascertain it by his acts. The general rule is, that a man is to be held to intend that which is the necessary consequence of his acts, or what he infers will be the consequence of his acts. It is not, for example, for a man to fire a loaded market at another, and say he did not intend to hurt him. He must be held to know that that, being a dangerous weapon, and fired at another person, will do him injury, and he must be held to intend that consequence. And thus all criminal law is administered; a man is supposed to intend what he knows to be the natural consequence of his acts.”).

127. See *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1354 (Fed. Cir. 2005). Proof of deceit, while not easily made, is based on objective facts, and if there exists a misrepresentation that was made with the knowledge of its falsity, that is “enough to warrant drawing the inference that there was a fraudulent intent.” *Id.* at 1352 (quoting *Norton v. Curtiss*, 433 F.2d 779, 795–96 (C.C.P.A. 1970)).

128. *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 882 F.2d 1556, 1562 (Fed. Cir. 1989) (discussing intent to mislead in finding inequitable conduct).

129. *Clontech*, 406 F.3d at 1352 (citing *Seven Cases of Eckman’s Alternative v. United States*, 239 U.S. 510, 517–18 (1916)).

130. *Id.* (quoting *Norton v. Curtiss*, 433 F.2d 779, 795–96 (C.C.P.A. 1970)).

[I]n order to establish knowledge of falsity the plaintiff must show by a preponderance of the evidence that the party accused of false marking did not have a reasonable belief that

shown if the physical disparity between the item marked as patented and the patent are so gross that it must be concluded that the marking party “deliberately intended to palm off the device as a patented one.”¹³¹ Intent is absent if the false marking is an inadvertent oversight or mistake on the part of the patentee.¹³²

The question remains, how does a relator prove that a false marking was made with knowledge of the falsity.¹³³ The difficulties inherent in this determination are tremendous since any “evidence of good faith . . . may rebut a showing of actual intent to deceive the public.”¹³⁴ In deciding this issue, courts have interpreted this prong strictly,¹³⁵ placing a heavy burden on the relator to show “that [the accused] acted with the specific intent to deceive the public.”¹³⁶ Furthermore, “if any portion of the articles complained of were marked innocently, and if the plaintiff has not clearly distinguished between the innocent and guilty acts, then it shall be presumed that all the articles complained of were marked innocently.”¹³⁷ However, once the relator has shown “that the party accused of false marking did not have a reasonable belief that the articles were properly marked,” it is not enough for the false marker to merely state that they lacked such intent, and intent will be found.¹³⁸ “Thus, while a defendant who owns a patent is given the benefit of any reasonable

the articles were properly marked (i.e., covered by a patent). Absent such proof of lack of reasonable belief, no liability under the statute ensues.

Id. at 1352–53.

131. *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 768 (5th Cir. 1972) (“Brose . . . contends that the physical disparity between the device sold in the kit and that described in the patent claims is so gross that Sears had to know of this, and knowing this, deliberately intended to palm off the device as a patented one.”).

132. *Bibow v. Am. Saw & Mfg. Co.*, 490 F. Supp. 2d 128, 129 (D. Mass. 2007) (A “press release included an erroneous statement that patents had been obtained, [and] the reference slipped past review. All the employees have indicated that the incorrect information resulted from an oversight and that there was never any intent to mislead anyone.”). As the First Circuit explained “The statute does not extend to one who has an honest, though mistaken, belief that upon a proper construction of the patent it covers the article which he marks.” *London v. Everett H. Dunbar Corp.*, 179 F. 506, 509–10 (1st Cir. 1910).

133. *See Clontech*, 406 F.3d at 1352.

134. *Sadler-Cisar, Inc. v. Commercial Sales Network, Inc.*, 786 F. Supp. 1287, 1296 (N.D. Ohio 1991).

135. *See id.* The interpretation has become stricter over time. One early court instructed that recklessness on the part of a defendant by marking an item patented without any knowledge of the patent status is sufficient to establish guilt. *Tompkins v. Butterfield*, 25 F. 556, 560 (C.C.D. Mass. 1885).

136. *Sadler-Cisar*, 786 F. Supp. at 1296.

137. *Roberts*, *supra* note 98, at 269. “After taking all the evidence together, if it can be reasonably and fairly reconciled with defendants’ innocence, then they are not proved to be guilty, although it may be fairly and easily reconciled with the supposition that they committed the acts charged.” *Id.* (quoting *Nichols v. Newell*, 18 F. Cas. 199, 203 (C.C.D. Mass. 1835) (No. 10,245)).

138. *Clontech*, 406 F.3d at 1352–53.

doubt, and permitted to hold any plausible opinion that the articles marked by him do in fact fall within the descriptions of his patent, there is a limit to the excusable elasticity of his imagination."¹³⁹ It still remains very difficult, however, to determine just what those limits are.

VI. WHY IS FALSE MARKING HARMFUL?

"The statute is made for the protection of the public, and is intended to prevent unscrupulous persons from imposing upon the community by the unauthorized and false use of the word 'patent.'"¹⁴⁰ Promoting innovation through providing the public with accurate notice of the existence of the patents, the statute limits marking to those products actually patented.¹⁴¹ False marking hurts both patentees and the public alike, and enforcement of the statute protects the public and the government against fraud¹⁴² while encouraging "people to do the honest thing."¹⁴³

Requiring marks on patented articles is for the "information of the public" and "provides protection against deception by unmarked patented articles."¹⁴⁴ Falsely marking innovations as patented deceives the public, commits fraud on the beholder and on the government as the exclusive grantor of patent rights, leads "some to shy away from using that article,"¹⁴⁵ and inhibits innovation as competitors may be wary of infringement claims.¹⁴⁶

Recognizing the fact that an invention labeled as patented is marked "in effect, [with] a 'no trespassing' sign,"¹⁴⁷ this marking opens the door to abuse by those who seek to falsely claim that their products are patented. When an item is marked as patented, "[w]ould-be inventors and consumers justifiably rely on such marks to assume that the patent holder retains control over how the article can be used, displayed, modified, or licensed."¹⁴⁸ Therefore, rather than

139. Roberts, *supra* note 98, at 269.

140. *Oliphant v. Salem Flouring Mills Co.*, 18 F. Cas. 657, 648 (D. Or. 1878) (No. 10,486).

141. 35 U.S.C. § 292 (2006); *Clontech*, 406 F.3d at 1357 n.6 ("In each instance where it is represented that an article is patented, a member of the public desiring to participate in the market for the marked article must incur the cost of determining whether the involved patents are valid and enforceable. Failure to take on the costs of a reasonably competent search for information necessary to interpret each patent, investigation into prior art and other information bearing on the quality of the patents, and analysis thereof can result in a finding of willful infringement, which may treble the damages an infringer would otherwise have to pay.")

142. See *Tompkins v. Butterfield*, 25 F. 556, 557 (C.C.D. Mass. 1885).

143. F. Paul Bland, *Why 'Qui Tam' is Necessary*, NAT'L L. J., Nov. 4, 1991, at 13, 14 (discussing qui tam litigation in the context of the False Claims Act, 31 U.S.C. §§ 3729-3733 (2006)).

144. *Wine Ry. Appliance Co. v. Enter. Ry. Equip. Co.*, 297 U.S. 387, 397-98 (1936).

145. *Pequignot v. Solo Cup Co.*, 540 F. Supp. 2d 649, 654 (E.D. Va. 2008).

146. See *supra* text accompanying note 94.

147. *Pequignot*, 540 F. Supp. 2d at 654.

148. *Id.*

force individuals to perform a patent search every time they wish to move forward with an idea and to justify that reliance, it is a fineable offense to falsely mark an invention as patented with the intent to deceive the public.¹⁴⁹

There is at least a segment of the public that thinks of patents as an imprimatur of the U.S. government indicating something special about a device so marked, which provides an intangible benefit to the marker.¹⁵⁰ That benefit, evidenced by the number of patents issued every year and the number of patent applications filed annually, entices some parties into false marking, undermining the public's trust in the notice provided by a correctly marked patented innovation.¹⁵¹ The marking statute provides notice of the fact that there is something innovative about a product correctly marked.¹⁵² It protects "not only patentees but also other members of the public who trade in unpatented goods from false representations regarding the status of a product and to prevent false markings from improperly discouraging competition in the marketplace."¹⁵³

Even more than the public notice factor, there is a broad governmental interest in preventing the deceit associated with false marking and protecting the interest of other patentees, while promoting innovation and the negative

149. See 35 U.S.C. § 292 (2006).

150. *Mohawk Indus., Inc. v. Interface, Inc.*, No. 4:07-CV-212-HLM, 2008 WL 5210418, at *8 (N.D. Ga. Dec. 3, 2008) ("[S]everal of Defendant's representatives testified that there was great anticipation among Defendant's employees that the issuance of the '656 patent would give Defendant a competitive edge in the marketplace. Defendant also marketed several of its products as patent pending. Finally, Plaintiffs have presented expert testimony that details the competitive rewards that can inure to a manufacturer who is able to present an image to the public that it is the sole legal retailer of a patented product.").

151. *Oliphant v. Salem Flouring Mills Co.*, 18 F. Cas. 647, 647-648 (D. Or. 1878) (No. 10,486) ("The [false marking statute is] evidently intended to protect the patentee of a patented article against the fraudulent use of his name or device upon a spurious article, and . . . to protect the public against the fraudulent use of the word patent. What art, machine, composition, process, or result may be patented is largely a question of fact, which in most cases lies beyond the knowledge or observation of the mass of mankind, the public. To say whether an article is both novel and useful, and has 'a sufficiency of invention' to entitle it to be patented, is often a difficult question, and one which in most cases requires the skill and research of experts to determine. It may be useful but not new, or the reverse, and in neither case is it patentable. But the word 'patent' upon an article is prima facie an assertion that it has some peculiar value or merit sufficient to induce the government, upon a thorough examination of the subject, to give the inventor the exclusive right to make and vend the same. The impression which the fact ordinarily makes upon the mind is, that the article marked 'patent' is in some respects more useful or desirable than articles of the same general kind or use which are not so marked. If, then, a person marks an unpatented article with the word 'patent,' the public are thereby liable to be deceived as to the character and value of the article. The act is a species of counterfeiting. This being so, the presumption is, until the contrary appears, that the mark was placed on the article with the intention to deceive. The falsehood is a badge of fraud.").

152. See *id.*

153. *Accent Designs, Inc. v. Jan Jewelry Designs, Inc.*, 827 F. Supp. 957, 969 (S.D.N.Y. 1993).

rights associated with patent law. It can be expensive for a company to protect itself against a frivolous charge of false marking, but when compared to the fraud on the public practiced by those who falsely mark,¹⁵⁴ the economic harm to competitors,¹⁵⁵ and the requirement that false markers have an intent to deceive the public,¹⁵⁶ such harm must be found tolerable. The fundamental fact is that false marking hinders, rather than promotes, progress, and the essence of patent law is to “promote the Progress of Science and useful Arts.”¹⁵⁷

VII. THE LIMITATIONS OF THE FALSE MARKING ACTION

Information relating to the veracity of marking is equally available to the public and the government.¹⁵⁸ Government resources are very limited, and qui tam actions, as discussed above, promote efficient use of government resources.¹⁵⁹ The cost of researching every patent listed on every marked product would be astronomical. Government resources are not best utilized in policing the marking of every product, and indeed, the statutory language of the marking provision suggests that this is not contemplated.¹⁶⁰ Rather than making it a crime to not mark patented products, or even making it a non-criminal requirement that patented products be marked, the statute instead limits the damages recoverable by a patentee to such time as the public has notice from the marking.¹⁶¹ Similarly, allowing for qui tam actions for false marking allows the public to identify which patents are valuable enough to necessitate a determination of whether the marking is false before deciding to bring a false marking claim.¹⁶²

Given the harm to the public and the government and the fraud inherent in false marking, it is clear that the statute has value, but that value can only be

154. See *supra* note 151.

155. See *supra* note 150.

156. See *supra* notes 22–139 and accompanying text.

157. U.S. CONST. art. I, § 8, cl. 8.

158. See 35 U.S.C. § 122(b)(1)(A) (2006).

159. See *supra* note 37.

160. See 35 U.S.C. § 292 (2006).

161. See 35 U.S.C. § 287 (2006). This allows parties to decide whether a product is valuable enough (likely to be infringed upon) to spend the money to mark it, placing the financial decision in the hands of the patentees and taking it out of the control of the government.

162. The value is more than a monetary one. It may instead simply be a reflection of products that the public has an interest in, thereby increasing the public notice function. If the product that is falsely marked was only manufactured once and in limited quantities, then even if the marking is false, the likelihood of harm to the public is limited. If, on the other hand, the product is the lid for a paper cup, manufactured by the billions, the harm of a false marking increases, as does the interest of the public in prosecuting a charge of false marking against the manufacturer. *But cf.* Beck, *supra* note 30, at 609–11 (arguing that qui tam actions eliminate prosecutorial discretion because they ignore public interest and are motivated solely by pecuniary gain).

recognized if false marking claims are brought and prosecuted. The government has the ability to bring false marking actions,¹⁶³ but its resources are limited, and its focus is not on this fraud. The power of the qui tam action is that the public can act on behalf of the government. Yet, in the one hundred sixty-seven years of existence of the false marking qui tam action, only eleven circuit court decisions have addressed the statute.¹⁶⁴ The claims are not being prosecuted. The statute is underutilized, and the government and the public are both being harmed. The false marking statute is not working—due neither to a lack of information nor to a lack of potential relators, but rather due to the flawed nature of the judicial interpretation of the statute itself.¹⁶⁵

Under-enforcement of the law is a recurring theme throughout the history of qui tam actions,¹⁶⁶ as is a deep suspicion of the relators initiating qui tam actions.¹⁶⁷ The underutilization of the false marking statute was duly noted by one district court: “Case law addressing what exactly constitutes a false-marking ‘offense’ is scant.”¹⁶⁸ In order for the statute to deter the fraud inherent in a false marking, the statute must be used efficiently. Allowing qui tam actions minimizes the costs of the enforcement process and maximizes the likelihood that the false marking statute will be enforced against the conduct that the statute aims to deter for the benefit of the common good. The statute must become a tool to promote public information, allowing for the benefits of patentability to inure to patentees and protecting the public from fraud.

There are two main stumbling blocks to maximizing the efficient utilization of the false marking statute, each of which will be discussed in greater detail below. The first major stumbling block is directly related to the “quasi criminal character of the statute” requiring strict construction of the statute.¹⁶⁹ No

163. See 35 U.S.C. § 292.

164. See *supra* note 6.

165. The information is readily available, both information about what patents are labeled and information about the status of those patents. Moreover, the potential relators are out there, from solo practitioners interested in the potential financial reward from filing suit, to competitors involved in patent infringement suits who can utilize the false marking statute as one more weapon in their arsenal to be used in patent litigation.

166. Beck, *supra* note 30, at 576–77 (“Reliance upon qui tam legislation was perhaps a matter of necessity given the shortage of police, prosecutors, and other regulatory officials in Tudor England. If the laws were to be enforced, someone had to bring violations to the attention of the courts. Without the inducement of the statutory reward, there could be no assurance that enough enforcement actions would be filed to produce the desired deterrent effect.” (footnote omitted)).

167. *Id.* at 577–79 (“Such professional informers quickly developed an unsavory reputation. They were described as ‘vartlets,’ ‘lewde,’ and ‘evil.’” (footnotes omitted)); see also 483 PARL. DEB., H.C. (5th ser.) (1951) 2113–14; Roberts, *supra* note 98, at 268 (“Doubtless many such actions have been brought for the sake of intimidation, not to say blackmail, in cases where the facts did not warrant an information.”).

168. *Icon Health & Fitness*, 2006 WL 753002, at *3.

169. See *Schwebel v. Bothe*, 40 F. 478, 478 (E.D. Mo. 1889); *French v. Foley*, 11 F. 801, 804 (S.D.N.Y. 1882).

penalty can be imposed “unless the act complained of is within the language of the statute, and also clearly within the prohibition intended to be imposed by the law-maker.”¹⁷⁰ The language of the statute requires that the marker intend to deceive the public with the mismarking, before a violation of the statute can be found.¹⁷¹ The courts have interpreted this to place an almost insurmountable burden on the relator, requiring the relator to prove that the marking party intended to deceive the public, rather than requiring the marking party to prove that they did not intend to deceive the public.¹⁷² The second stumbling block involves the incentives to bring false marking actions and the application of the penalty to the misdirected party.

VIII. RENDERING THE FALSE MARKING STATUTE EFFECTIVE

In order to be a finable offense, 35 U.S.C. § 292 requires that any marking must have been made “for the purpose of deceiving the public.”¹⁷³ As discussed above, this has become the most litigated of all aspects of 35 U.S.C. § 292, and the courts’ interpretation has been that the relator must prove such intent.¹⁷⁴ Requiring the relator to bear the burden of showing a subjective intent on the part of the marker is a virtually insurmountable task.¹⁷⁵

The statute does not require the relator to carry this burden of proof,¹⁷⁶ and indeed, the inquiry is better made on the part of the marker: Why was the

170. *Schwebel*, 40 F. at 478–79.

171. *See* 35 U.S.C. § 292 (2006); *see also supra* text accompanying note 123.

172. *See supra* notes 133–139 and accompanying text.

173. 35 U.S.C. § 292(a).

174. The difficulty of this task can be seen throughout the body of caselaw on false marking. *See, e.g.,* *Roman Research, Inc. v. Caflon Co.*, 210 U.S.P.Q. 633, 633–34 (D. Mass. 1980) (“The plaintiff maintained that Caflon did intend to deceive the public in its use of the incorrect notations. Notwithstanding the Schiffman affidavit, which states that use of the incorrect notations was a result of mistake and inadvertence, the plaintiff offered no evidence on the issue of intent. Rather, the plaintiff maintained that intent to deceive can and should be inferred here. The plaintiff argued that such an inference is essential in a case like this, suggesting that the effectiveness of 35 U.S.C. § 292 would otherwise be nullified, for an admission of intent to deceive by the defendant—an unrealistic prospect—would be the only other proof available to a plaintiff. While reasonable inferences may properly be drawn from established facts in order to prove intent to deceive in this context, as in many other areas of the law, such an inference is not beyond refutation. In light of the Schiffman affidavit refuting Caflon’s intent to deceive, and the weight given to it by the Court, the facts are inadequate to support an inference conclusive of the contrary.”).

175. Clearly, if one has a document stating that the false marking is being done with the intent to deceive the public, the burden can easily be met, but a perusal of the case law would suggest that either such documents are few and far between or that the presence of such documents leads to an out of court settlement before the action proceeds to a written decision. *See Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 769 (5th Cir. 1972); *Roman Research*, 210 U.S.P.Q. at 633–34.

176. *See* 35 U.S.C. § 292 (2006).

product falsely marked in the first place?¹⁷⁷ The chances of successful prosecution of false marking claims would be considerably higher if the courts would interpret the statute as imposing a burden to prove deceptive intent that the relator could shift to the marker.¹⁷⁸ If the relator can show that the marking party acted with objective recklessness, showing by “clear and convincing evidence that the [false marker] acted despite an objectively high likelihood that its actions constituted” false marking, then the burden should shift to the party that mismarked the product.¹⁷⁹ The relator or the government would still have the burden of proving knowledge and the timing of the decision, but these are both objective tests and ones for which proof is accessible. Intent, on the other hand, is a subjective test and a burden much harder for the relator to prove or disprove. However, the marking party presumably has ready access to the information necessary to show lack of intent.

IX. RENDERING THE FALSE MARKING STATUTE ECONOMICALLY EFFICIENT

Generally, litigation is brought because a party has “suffered an injury compensable through litigation, and the damages they expect to receive exceed their expected litigation costs.”¹⁸⁰ In a *qui tam* action, however, the relator does

177. *Nichols v. Newell*, 18 F. Cas. 199, 201 (C.C.D. Mass. 1853) (No. 10,245) (“[T]he inquiry here still is, what was the purpose as to those articles? . . . ‘Why did these defendants, having no patent, and knowing that they had no patent at the time, put the words ‘Newell’s patent, 1852’ upon an article?’ It is false at the time it is put there, as the plaintiff alleges, and it must be so; it is in fact false, because there was no patent. It imports that that article is a patented article. Those words put upon it are so understood, and they import to all who see them, who are not otherwise informed, that that article is then a patented article.”).

178. The “intent to deceive” prong of 35 U.S.C. § 292 exists to protect companies against technical violations of the false marking statute that are not against the spirit of the law—for instance typographical errors—and against the possibility that relators may bring claims of false marking for pure harassment reasons against competitors. *See supra* notes 124–125; *see also* 482 Parl. Deb., H.C. (5th ser.) (1951) 2113–14. Therefore, it does not make sense to go as far as one court did and suggest that “until the contrary appears, that the mark was placed on the article with the intention to deceive.” *Krieger v. Colby*, 106 F. Supp. 124, 130 (S.D. Cal. 1952) (citing *Oliphant v. Salem Flouring Mills Co.*, 18 F. Cas. 647, 648 (D. Or. 1878) (No. 10,486)).

179. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007). In a recent case discussing willful infringement, infringement of a patent when the infringer is aware of the patent, the Federal Circuit set a new standard of proof for the charge. *Id.* Under this standard, “The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.” *Id.* To find false marking, clearly the intent of the party does matter—it is codified in the language of the statute. However, a similar standard should be adopted where proving that the false marker acted with objective recklessness in marking the product would create a rebuttable presumption that the relator intended to deceive the public.

180. *Fisch, supra* note 33, at 170.

not need to show either injury or privity to bring suit, which focuses the litigation decision solely on the question of whether the expected damages exceed the expected costs.¹⁸¹

The principal objection to increasing the reward for filing a qui tam action is the concern that people will become professional relators, choosing to harass patentees by filing qui tam actions rather than to help patentees by using the qui tam action only when the false marking hurts the public's image of the patent system.¹⁸² In other words, the relator would only be bringing the "informer's suit with the hope of astronomical awards,"¹⁸³ and the interest of the relator¹⁸⁴ would be placed above the interest of the public.¹⁸⁵

False marking hurts the public and the government. The ineffectiveness of the statute downplays the seriousness of false marking, and this seriousness must outweigh any concerns that the primary impact of the statute may be to motivate relators "by prospects of monetary reward rather than the public good."¹⁸⁶ There remains a justifiable cost to enforcing parties' honesty, and that is not a cost the government can bear by itself in the false marking arena. The imbalance between the costs associated with bringing a qui tam action for false marking and the recovery awarded by the courts in such actions¹⁸⁷ renders the

181. *Id.* at 183.

182. *See, e.g., Beck, supra* note 30, at 581–82 ("An unprincipled informer who hit a dry spell on meritorious cases might be tempted to pursue false or unfounded accusations in hopes of misleading the court or intimidating the defendant into a settlement.")

183. *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 766 (5th Cir. 1972). "In colloquy below Brose replied to the Judge's inquiry on the number of 'offenses' . . . that 'there are at least' 70,000 'of the Sears kits involved.' His share adds up to a tidy 17 1/2 million dollars although on one basis or another—limiting it to each day or week or month—a Court would find a way to prevent such a result." *Id.* at 766 n.4. A later court described this as "suggesting that a court can tie the number of false-marking offenses to a reasonable increment of time—finding one offense for each week false-marking statements are used, for example." *Icon Health & Fitness*, 2006 WL 753002, at *3(citing *Brose*, 455 F.2d at 766 n.4).

184. *See, e.g., Beck, supra* note 30, at 607–08 ("Proceedings of this kind may be brought out of spite, or purely for private gain or for even sheer egotism. . . . A person may in fact bring these proceedings purely and simply to do an ill-turn to a rival or competitor; and, what makes it even worse, it may have as its lever nothing more or less than pure blackmail." (quoting 483 PARL. DEB., H.C. (5th ser.) 2113–14 (1951) (statement of Mr. Turner-Samuels))).

185. *See, e.g., Beck, supra* note 30, at 584–85 ("Another example of a common informer's disinclination to consider the public good appears in a letter from the Privy Council to the Lord Treasurer. The letter concerned a complaint by East Indies merchants about an information filed in the Court of Exchequer under a statute for the 'garblinge,' or sifting of spices. The merchants argued that the necessities of their trade made it difficult to comply with the literal terms of the statute, but that they did comply with its intent. Perhaps because the spice trade was important to the national economy, the Council endorsed the merchants' position, ordering a stay of the informer's case in the Exchequer and punishment of the informer for his presumptuousness.") (footnotes omitted).

186. *Hughes Aircraft Co. v. United States ex rel. Schumer*, 520 U.S. 939, 949 (1997).

187. The damages recoverable for a false marking qui tam action are a maximum of \$500 per offense, which must be split with the federal government. 35 U.S.C. § 292 (2006). In other

false marking statute inefficient, removes any punitive impact of the false marking statute, provides an incentive for settlement, and illustrates one reason why false marking qui tam actions are not filed more often.¹⁸⁸ Qui tam actions prove their value when the public benefits from private knowledge of public harm, but privately held knowledge can be both difficult and expensive for the public to obtain. The benefit of qui tam actions can best be seen as arising from “the socially useful function of deterring undesirable conduct” and allowing the public to access that privately held knowledge through the relator.¹⁸⁹

In order for the statute to operate effectively and for lawyers to help the government eradicate fraud in the patent system, 35 U.S.C. § 292 must be made economically efficient. The statute imposes a fine of “not more than \$500 for every such offense” without defining what constitutes a false marking offense.¹⁹⁰ The Federal Circuit has recently held that “each article that is falsely marked with intent to deceive constitutes an offense.”¹⁹¹ The statute is not compensatory but penal in nature—raising doubts as to “whether it was the intent of Congress to make the marking of each individual article a separate offense subject to a distinct penalty, or to provide that a continuous marking of several articles at the same time should constitute but a single offense.”¹⁹² Prior to the Federal Circuit’s decision, courts had narrowly construed the statute and in many cases limited the damages to a single offense of false marking, no matter how many products were actually falsely marked, essentially redefining the statute to mean a fine of not more than \$500.¹⁹³

The statute does not limit the fine available under the statute to \$500, and by so doing all penal aspects of the statute are removed, and the charge is simply one more “weapon in the arsenal of patent litigation.”¹⁹⁴ As one judge stated:

words, the relator can receive no more than \$250 an offense, which must be balanced with the fact that the median hourly billing rate for law firm partners specializing in intellectual property is \$340. *See* AIPLA, *REPORT OF THE ECONOMIC SURVEY*, at I-34 (2009) (In 2008, the median hourly billing rate for private firm partners/shareholders was \$447 and ranged from \$300 (for those with five to six years IP experience) to \$472 (for those with 25–34 years IP experience).

188. *See* Roberts, *supra* note 98, at 273.

189. John C. Coffee, Jr., *Understanding the Plaintiff’s Attorney: The Implications of Economic Theory for Private Enforcement of Law Through Class and Derivative Actions*, 86 *COLUM. L. REV.* 669, 678 (1986).

190. 35 U.S.C. § 292(a) (2006).

191. *Forest Group, Inc.*, 2009 WL 5064353, at *8.

192. *London v. Everett H. Dunbar Corp.*, 179 F. 506, 508 (1st Cir. 1910).

193. *See Icon Health & Fitness*, 2006 WL 753002, at *5.

194. *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 766 (5th Cir. 1972) (“As is true in nearly all of the relatively few qui tam informer actions brought in the past one and a quarter century this one is used as a weapon in the arsenal of patent litigation—a factor which the Judge was entitled to regard with unusual significance not simply as a situation in which there was direct interest in the outcome of the apparently collateral patent controversy but in the prospect of high awards in the informer’s suit itself, quite independent of the outcome of the underlying skirmish on patents.”).

[I]f any person contemplating bringing an information under [the qui tam statute] became acquainted with the decisions of the courts on the subject, any preconceived impression that wealth was easily to be obtained by the process would be dispelled. The reported cases are not numerous, but each one seems to impose a restriction upon the operation of the statute in addition to those imposed by its forerunner.¹⁹⁵

The penalties are minimal, and the argument has been made that:

[T]he false marking of small or cheap articles in great quantities will result in the accumulation of an enormous sum of penalties, entirely out of proportion to the value of the articles, while the marking of expensive machines used in limited numbers may result in the infliction of penalties which are comparatively slight in relation to the pecuniary value of the articles.¹⁹⁶

The problem is that treating the number of offenses in such a way as to minimize the grief to the false marker limits the infliction of penalties on all articles—whether they are disposable cup lids¹⁹⁷ or expensive pieces of exercise equipment.¹⁹⁸

By defining “offense” as the marking of each individual item as the Federal Circuit has held, however, can lead relators to ignore public good altogether and chase after those instances of false marking that are the most lucrative, where the number of offenses can rise into the millions,¹⁹⁹ regardless of the actual harm to the public. Clearly, there has to be a line between the evisceration of the penal aspects of the statute and the elevation of profit over public interest.²⁰⁰ If the intent of the statute is to penalize parties who falsely mark items for the harm caused, penalties relative to the actual harm suffered must be assessed. The penalty determination should be based on an evaluation of the harm to the public interest and not just the number of items falsely marked.²⁰¹

The False Claims Act,²⁰² the most vibrant and dominant of all qui tam actions available in the United States today, dynamically illustrates the correlation between increase in reward and increase in qui tam litigation.²⁰³

195. Roberts, *supra* note 98, at 268.

196. *London*, 179 F. at 508.

197. *Pequignot v. Solo Cup Co.*, 540 F. Supp. 2d 649, 650 (E.D. Va. 2008).

198. *Icon Health & Fitness*, 2006 WL 753002, at *2.

199. *See, e.g., Brose*, 455 F.2d at 766 n.4; *Icon Health & Fitness*, 2006 WL 753002, at *5 n.3; *Pequignot*, 540 F. Supp. 2d at 650.

200. *See Icon Health & Fitness*, 2006 WL 753002, at *5–6.

201. *See id.* at *5 (warning that certain approaches to defining “offense” may elevate “technicalities of form over substance and turn[] a blind eye to the extent of Nautilus’s false-marking behavior.”).

202. False Claims Act, 31 U.S.C. §§ 3729–3733 (2006).

203. *See Broderick, supra* note 50, at 954–55 (“It was not until 1986, when Congress again amended the [False Claims Act (“FCA”)], that citizens began to actively use the qui tam

Enacted in 1863, it “imposed a forfeiture of \$2000 for each violation plus double the government’s actual damages,” with the relator receiving “half the total recovery.”²⁰⁴ Like the false marking statute, the False Claims Act was under-utilized and therefore not as efficient or beneficial as it could be.²⁰⁵ Recognizing this, in 1986 Congress amended the False Claims Act to increase the potential reward for relators.²⁰⁶ These amendments led to a direct and dramatic increase in actions brought under the False Claims Act,²⁰⁷ and since the change in the reward structure in 1986, \$8.4 billion dollars has been recovered for the government based on over 4,700 qui tam cases.²⁰⁸ As a Senator from North Dakota once said: “What harm can there be if 10,000 lawyers in America are assisting the Attorney General of the United States in digging up war frauds?”²⁰⁹

No change in legislation is needed to render the false marking statute more economically efficient. Instead, an exercise in statutory interpretation must take place. The statute provides for damages to be assessed at a rate of “not more than \$500 for every [false marking] offense.”²¹⁰ However, the proper statutory interpretation is complicated by the “variety of approaches that courts have taken when determining the number of false-marking offenses that a party has committed.”²¹¹ Simple formulas have been used by some courts to render

provision of the FCA. This change was caused by three significant incentives the amendment created for relators to bring qui tam actions. First, it increased a relator’s ability to recover under the FCA. The amendment granted that prior government knowledge of the allegations does not automatically prevent a relator from filing a qui tam action. More importantly, the 1986 amendment provided that even if the government joins the lawsuit and has ‘primary responsibility for prosecuting the action,’ the relator ‘shall have the right to continue as a party to the action.’ Second, it increased a relator’s recovery for a successful suit to a maximum of 30% if the government does not intervene, and to a maximum of 25% if it does, and increased the overall damages and penalties that can be imposed on a defendant from double to treble damages. Finally, the 1986 amendment protected a relator from retaliatory actions by employers, making it safer for an individual to bring qui tam actions by adding whistleblower protection language to the statute.” (footnotes omitted)). *See also* *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 768 (2000).

204. Beck, *supra* note 30, at 555–56.

205. *See* Broderick, *supra* note 50, at 953–54.

206. *Id.* at 954; *see also* *United States ex rel. Springfield Terminal Ry. Co. v. Quinn*, 14 F.3d 645, 651 (D.C. Cir. 1994) (describing changes made by 1986 amendments to encourage citizen enforcement actions); Beck, *supra* note 30, at 561–62.

207. Broderick, *supra* note 50, at 955 (“In 1987, only 32 qui tam suits were filed and they did not result in any recoveries. By 1997, the number of such suits filed reached 533, with \$629.9 million recovered for the government.”).

208. *Id.*

209. Beck, *supra* note 30, at 541 (quoting 89 Cong. Rec. 7606 (1943) (statement of Sen. Langer)).

210. 35 U.S.C. § 292(a) (2006).

211. *Icon Health & Fitness, Inc. v. Nautilus Group, Inc.*, No. 1:02 CV 109 TC, 2006 WL 753002, at *3 (D. Utah Mar. 23, 2006). When advertising is at issue, some courts have held that the number of publications containing the false marking is equal to the number of offenses. *See*,

damage decisions: one decision was made to mark as patented, therefore one offense occurred,²¹² there were at least three products falsely marked, so we will award damages for three offenses;²¹³ all the products were marked in a certain time period, therefore only one offense occurred.²¹⁴ Other courts have essentially turned the marking issue into a single offense statute by requiring a showing in the pleading of every offense claimed.²¹⁵ So, if a party is claiming that every product manufactured during a certain time period was falsely marked, the party must give the date and the number of products marked on each date, clearly and distinctly, since each product is a separate count.²¹⁶ On the other hand, if the offense claimed is the overall marking of the products, the particulars must only be given of the actual marking of all the products—an

e.g., *Precision Dynamics Corp. v. Am. Hosp. Supply Corp.*, 241 F. Supp. 436, 447 (S.D. Cal. 1965). Other cases have held that each marking is a distinct offense, based on the time of marking, so that if all publications were produced on the same day, then there should only be one offense. *See, e.g.*, *Krieger v. Colby*, 106 F. Supp. 124, 131 (S.D. Cal. 1952) (“[T]he proof must be sufficiently specific as to time and place and circumstances to show a number of distinct offenses of marking, although it need not show the specific date of each.”). Another approach is a “campaign approach” “whereby one advertising campaign, regardless of the number of advertisements or the type of media used, would constitute only one offense” or where each type of media would represent a single media campaign and one offense, no matter how many advertisements were made using that type of media. *Icon Health & Fitness*, 2006 WL 753002, at *5.

212. *See, e.g.*, *Forest Group, Inc. v. Bon Tool Co*, No. H-05-4127, 2008 WL 2962206, at *6 (S.D. Tex. July 29, 2008) (“Forest made a single decision to mark its non-conforming stilts after it had adequate information from which to know that the stilts did not meet the claims of the ‘515 Patent. That single decision constitutes a single offense for purposes of calculating damages under § 292. The Court assesses a penalty in the amount of \$500.00 against Forest pursuant to § 292(b).”). The Federal Circuit overturned the Southern District of Texas, holding that the district court misinterpreted the statute in finding only a single offense, and that “the statute clearly requires that each article that is falsely marked with intent to deceive constitutes an offense.” *Forest Group, Inc.*, 2009 WL 5064353, at *7.

213. *Cf. Mainland Indus., Inc. v. Standal’s Patents Ltd.*, No. Civ. 81-928-BE, 1985 WL 6021, at *5 (D. Or. 1985) (“I have discretion under 35 U.S.C. § 292(a) to assess a fine of not more than \$500 for each offense. Under the circumstances of this case, I find that Mainland shall be fined a total of \$1500, of which half shall be paid to the defendant, and the other half to the United States.”).

214. *See Icon Health & Fitness*, 2006 WL 753002, at *4 (An “offense” is defined as “a single continuous act.”); *see also A.G. Design & Assocs., LLC v. Trainman Lantern Co.*, No. C07-5158RBL, 2009 WL 168544, at *3 (W.D. Wash. Jan. 23, 2009) (“While there is no binding precedent on this Court, the Plaintiff argues persuasively that only one continuous offense, if any, occurred. Plaintiff contends that while the ‘patent pending’ label was affixed to at most 15,000 lanterns between the dates in question, the ‘offense’ occurred only one time as a single continuous offense.”).

215. *See e.g.*, *Klein v. Debway Hats, Inc.*, 2 F.R.D. 356, 356-57 (S.D.N.Y. 1942) (instructing a plaintiff to list each date a mark was affixed and the number of articles marked on each date).

216. *Id.*

easier pleading to draft and prosecute.²¹⁷ These interpretations eviscerate the punitive aspects of the statute,²¹⁸ and therefore, are flawed in their statutory interpretation. Granted, it is “doubtful that the [false marking] statute ever intended [awards of over \$200 million resulting in] a lucrative game of ‘gotcha!’”²¹⁹ Despite that, courts should not construe substantive provisions of a statute narrowly simply because they disapprove of the statutory enforcement mechanisms.²²⁰ If the risk outweighs the benefits, companies have the option of choosing not to mark their products or to only mark them with a single patent—the patent most likely to be infringed. The more a company’s intellectual property is worth, the more a company should be willing to invest in ensuring that its intellectual property is not only protected, but also that proper notice of such protections is provided.²²¹

This debate parallels the debate about the purpose of *qui tam* actions. The main argument against *qui tam* actions, and the reason that England eliminated the last of its *qui tam* actions in the 1950s, has always been the possibility for abuse.²²² Abuse that, theoretically, would be absent if the choice of whether to bring an action was left to an unbiased public official basing the decision on the protection of the public good and not left to a relator who may be primarily economically motivated.²²³ However, “[q]ui tam actions . . . [exist to] redress a wrong to the public, as well as to the individual.”²²⁴ The recovery under a *qui tam* action is a penalty, which

contemplate[s] only the deceit of the public and the public wrong; and it accordingly makes the penalty recoverable “by the person who shall sue for the same” one half for his benefit, and the other half to the use of the United States, without distinction whether the suitor be the patentee or an informer.²²⁵

Therefore, rather than judging the relator, the focus should be on penalizing the false marker. After all, “Congress has enacted both the Patent Act and the Trademark Act, and it is not seen to be the office of a court to minimize the

217. *Krieger v. Colby*, 106 F. Supp. 124, 131 (S.D. Cal. 1952) (“The section does not prescribe a distinct penalty for each individual article marked, but merely for the offense of marking; and to authorize the recovery of more than a single penalty the proof must be sufficiently specific as to time and place and circumstances to show a number of distinct offenses of marking, although it need not show the specific date of each.”).

218. *Icon Health & Fitness*, 2006 WL 753002, at *5.

219. *Bibow v. Am. Saw & Mfg. Co.*, 490 F. Supp. 2d 128, 129 n.1 (D. Mass. 2007).

220. *United States ex rel. Marcus v. Hess*, 317 U.S. 537, 541–42 (1943).

221. *See supra* note 183.

222. *See Beck, supra* note 30, at 605–08.

223. *See id.* at 609–11.

224. *Newgold v. Am. Elec. Novelty & Mfg. Co.*, 108 F. 341, 344 (S.D.N.Y. 1901).

225. *Id.*

operation of the sections of the [qui tam] statutes here involved, by adopting a construction designed to defeat their purposes.”²²⁶

To balance the harm to the public against the grief incurred by the false marker and fix the false marking statute, the statute must be given the meaning Congress intended and the statute must be rendered punitive. To do this, each falsely marked item must constitute an offense as the Federal Circuit has recently held since “the plain language of 35 USC 292 requires courts to impose penalties for false marking on a per article basis.”²²⁷ Granted, the “theft of one thousand dollar bills from a man’s wallet would only constitute a single offense of theft,” but the offense in a false marking case is “the affixing of the . . . label.”²²⁸ Even though such offenses “accumulate as fast as a printing press or stamping machine might operate,”²²⁹ the punitive impact of the statute must be revived.

However, in order to balance this out and to ensure that the public good is served as well as the economic self-interest of the relator, the rest of the language in the statute must be considered limiting the damages to “not more than \$500 for every such offense.”²³⁰ Applying the traditional normative justifications for assessing penalties can help determine what the harm to the public is, and therefore, the amount of the damages that should be assessed.²³¹ To do so, the culpability of the party accused of false marking ought to be assessed:

- Did the false marking actually deceive the public or is it likely to deceive the public?
- Was the false marking material?
- Did the false marking result in harm to competitors?

A. Was the Public Deceived?

The first question to ask in determining whether the damage assessment is excessive is whether the intended audience was actually deceived by the false marking. In other words, did the intended audience believe that the innovation was patented, when it was not? 35 U.S.C. § 292 requires that the false marker intended to deceive the public,²³² but to balance out that inquiry, the second question must be whether the public was, in fact, so deceived.

This factor is already reflected, to a certain extent, in the marking requirement as incorporated into the false marking statute, but its impact on

226. *Sippit Cups, Inc. v. Michael’s Creations, Inc.*, 180 F. Supp. 58, 63 (E.D.N.Y. 1960).

227. *Forest Group, Inc.*, 2009 WL 5064353, at *7.

228. *A.G. Design & Assocs., LLC v. Trainman Lantern Co.*, No. C07-5158RBL, 2009 WL 168544, at *3 (W.D. Wash. Jan. 23, 2009).

229. *London v. Everett H. Dunbar Corp.*, 179 F. 506, 508 (1st Cir. 1910).

230. 35 U.S.C. § 292(a) (2006).

231. *See Icon Health & Fitness, Inc. v. Nautilus Group, Inc.*, No. 1:02 CV 109 TC, 2006 WL 753002, at *5 n.3 (D. Utah Mar. 23, 2006).

232. 35 U.S.C. § 292 (2006).

damages has not been taken into account by the courts. The cases discussed above regarding whether the product is marked or not also illustrate this point.²³³ Marking a crate of dishes, when the unpatented dishes were sold without the crates, could not have deceived the public since the intended audience was not the retailer but the consumer, who would never see the marking.²³⁴ Similarly, marking the inside of a computer chip, not seen by the intended audience, would not have any effect on whether the article was viewed as innovative because of the patent, and thus, there is no false marking offense.²³⁵ In the same vein, if the mismarking was a typographical error—for example, a patented light marked with a patent for a method of playing bridge, instead of the correct patent for the light²³⁶—then no harm to the intended audience has occurred. Even if they bought the product because of the patent marking, they still have not been harmed because the product is indeed patented. In each of these scenarios, damages should be lowered correspondingly since the impact on the public is minimal. Rather than separating it out and looking at this as a factor used to assess damages, which would better serve the intent of the statute, the courts have chosen to incorporate this factor throughout the false marking inquiry.

The strongest case to be made for incorporating this factor into the damages assessment is exemplified when a product was knowingly falsely marked with the intent to deceive the public, but the false marker is able to show that he or she was not successful in his or her intent and that no public deception, in fact, occurred.²³⁷ At that point, any damages assessed should be minimal. It is true that fraud can still occur when no one is deceived, but a primary goal of all *qui tam* actions is to protect the public interest and to minimize the grief to the false marker in a situation where the public is not actually harmed.²³⁸ Accounting for

233. See *supra* notes 56–90 and accompanying text.

234. *Smith v. Walton*, 51 F. 17, 19 (S.D.N.Y. 1892).

235. *Symbol Techs., Inc. v. Proxim Inc.*, No. Civ.A.01-801-SLR, 2002 WL 1459476, at *1 (D. Del. June 25, 2002) (“[P]laintiff argues in response that the label it attaches to the circuit board inside of the sealed housing of some of its IEEE 802.11b PC cards is not the kind of act prohibited by § 292 because the offending labels are not visible to the public and, therefore, are not “markings” at all. The court agrees. . . . [T]he purpose of § 292 is to protect patentees from the fraudulent use of their name and devices and to protect the general public from false representations that articles are patented when they are not.”).

236. See *Genlyte Thomas Group LLC v. Nat’l Serv. Indus., Inc.*, 262 F. Supp. 2d 753, 755 (W.D. Ky. 2003) (involving a typographical error whereby the mismarking party affixed a patent for “an assembly to demonstrate and teach the game of bridge” to its “recessed lighting fixture.”).

237. See, e.g., *Pequignot v. Solo Cup Co.*, 540 F. Supp. 2d 649, 650 (E.D. Va. 2008) (discussing ongoing litigation in which disposable cup lids were marked with a number of patents, several of which expired prior to the marking). Because this was simply a denial of a motion to dismiss, the issues of intent are still being litigated, but the intended deceit on the public practiced by the manufacturer of the lids must have a minimal effect. *Id.* The lids are covered by valid U.S. Patents, just not every patent marked on the product. *Id.*

238. See *Nichols v. Newell*, 18 F. Cas. 199, 199–200 (C.C.D. Mass. 1853) (No. 10,245)

this situation would allow the courts to balance these factors and prevent the use of qui tam actions merely to harass competitors.

B. Was the False Marking Material?

In order to extrapolate the impact of the false marking, the courts must do more than look at whether the public was deceived by the marking. The court must also look at the context of the marking and its impact on the purchasing decisions of the intended audience because “not all deceptions affect consumer decisions.”²³⁹ This factor has not been evaluated by the courts, but when a product is falsely marked for a protracted time²⁴⁰ or when the marking continues even after a court finds the patent invalid, there must arise a presumption that the public has been deceived to the benefit of the false marker. The culpability of the marker must increase with the materiality of the deceit, and the damages should be assessed at a corresponding rate. This is perhaps the most significant factor. If the false marking had no impact on the public’s purchasing decisions, there was no economic benefit to one who falsely marked, and the penalty should be limited by this lack of impact. However, this factor may also be the hardest to prove or deny. How does one show that the presence of the words “patented” or “patent pending” caused an increase in sales? An economic study may show this, as may testimony from marketing experts. Also, looking at the mark as it is related to the item as a whole may indicate the perceived benefit. If the mark is in a position that is difficult to see and in the same color as the package to which it is attached, the deception’s materiality may decrease; whereas if the mark is prominently placed on the item in a bright eye-catching color, the impact on the consumer’s purchasing decision may increase. The impact on the purchasing decision is also directly related to the role the mark plays in advertising. Again, the more prominence given the mark by the false marker, the greater the impact the mark will have on the purchaser. If the mark can be shown to have only a de minimis impact on the purchasing decision, the damages should be decreased.

(“To guard the public right to use such articles as have not been patented—to prevent deception on the public, by assertions that articles, not entitled to this privilege, have been patented . . . [t]his being the purpose of the law . . .”).

239. *Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, 299 F.3d 1242, 1250 (11th Cir. 2002).

240. *Icon Health & Fitness, Inc. v. Nautilus Group, Inc.*, No. 1:02 CV 109 TC, 2006 WL 753002, at *1 (D. Utah Mar. 23, 2006) (determining the number of false-marking offenses committed where, for over ten years, promotional materials on a product included false information on the patent status of the product).

C. Were Competitors Harmed by the Marking?

After evaluating the false marking's impact on the public, the next question is what was the impact of the false marking on competitors.²⁴¹ This is perhaps the most important factor in assessing damages. It is also the most objective of the questions to be addressed and requires a careful weighing of the evidence. It certainly cannot be enough merely to allege that a party falsely marked its products as patented in order to induce its competitors to abandon the relevant market.²⁴² If the competitors left the market for other reasons, then the false marking did not impact the competition, and the assessment of damages should be diminished in light of the lowered culpability of the false marker.²⁴³

If the relator can show that the false marker captured a larger share of the market with the false marking and that the larger market share was not simply due to the competitor's marketing skills or quality of the competitor's product, the public has been deceived.²⁴⁴ If such fraud occurred with the intent of the marker to deceive the public, the level of damages assessed should reflect this analysis, and any limitation on the penalty assessed should be correspondingly restricted.

Even stronger are the cases where the relator can show abuse of the patent system itself. In one case, the defendant was accused of falsely marking with the intention of "intimidat[ing] and dissuad[ing] competitors in the replacement

241. There is no impact on the competitors if the first time "that competitors discovered the markings [was] after taking apart the product." *Symbol Techs., Inc. v. Proxim Inc.*, No. Civ.A.01-801-SLR, 2002 WL 1459476, at *1 (D. Del. June 25, 2002) (stating that this is "not the kind of conduct meant to be protected under § 292" as there is no public deception).

242. See *Clontech Labs., Inc. v. Invitrogen Corp.*, 263 F. Supp. 2d 780, 793-94 (D. Del. 2003).

243. *Id.* at 794 (discussing false marking in the context of the Sherman Act) ("Although plaintiff asserts that defendant's alleged false marking forced competitors out of the market, the evidence shows that it was defendant's enforcement of its patent rights that convinced its competitors to leave the market. There is no evidence that it was the marking of defendant's products that convinced any of LTI's competitors to cease producing HRT in the United States. . . . Each of the parties against whom LTI asserted its patent rights had the opportunity to challenge LTI's patents in court and chose not to do so. It was the strategic decisions of LTI's competitors that prompted them to leave the HRT market, not the marking of LTI's products.").

244. See *Mohawk Indus., Inc. v. Interface, Inc.*, No. 4:07-CV-0212-HLM, 2008 WL 5210537, at *3 (N.D. Ga. Nov. 6, 2008) (discussing injury to competitors in the context of establishing standing in an infringement suit) ("Plaintiffs argue, and have submitted evidence indicating, that Defendant's activities allowed it to realize a competitive advantage in the market for non-directional carpet tiles. Plaintiffs are direct competitors of Defendant in the market for non-directional carpet tiles. Plaintiffs' expert report states that Defendant's actions allowed it to capture a larger portion of the market for carpet tiles—a portion that, presumably, otherwise would have been captured by one of Defendant's competitors. Under those circumstances, the Court finds that Plaintiffs have produced sufficient evidence to demonstrate that they have suffered an injury, and, therefore, will prosecute this case with the diligence necessary to ensure an adequate outcome.").

market for consumables” from “attempting to copy the products or undertake a design-around of them.”²⁴⁵ The patent system exists to promote innovation through design arounds and early, complete, and public disclosures of the invention.²⁴⁶ The various requirements for a patent lead to the public’s reliance on the validity of a patent and lead directly to the idea that an item marked as patented is “more innovative, exclusive, and desirable” than an unpatented article.²⁴⁷ Allowing a party to benefit from the public perception that patents are innovative, while circumventing the safeguards put in place to protect this perception, harms both the system and the public. In another case, a manufacturer falsely marked a product and then sent letters to the competitor’s customers threatening litigation based on the false marking.²⁴⁸ Each of these scenarios represents a high level of culpability on the part of the marker, and the damages should reflect this heightened level of culpability.

X. CONCLUSION

False marking harms both the public and the government. It is a statute particularly well situated for *qui tam* actions, allowing the public to determine which products are valuable enough to warrant the prosecution of those who falsely mark such products. However, the flawed interpretation of the false marking statute has rendered its purpose ineffectual.

A balance must be struck between providing notice to the public and reward to the relator and recognizing the culpability of the party who has falsely marked its innovation. No such balance exists today, rendering the false marking statute economically inefficient and ineffective as interpreted. To render the statute effective, the burden of proving deceptive intent must be shifted. It should be a rebuttable presumption that if an item is falsely marked with objective recklessness, then the intent of the marking party was to deceive the public. To render the statute economically efficient, the reward must be increased. Damages should not be capped at a maximum of \$500; rather, damages should reflect the culpability of the marking party, taking into account various factors, including whether the public was deceived, the materiality of the false marking, and the effect of the false marking on the competition. Any other interpretation is flawed and renders ineffectual the true purpose of the

245. *Hypertherm, Inc. v. Am. Torch Tip Co.*, No. 05-cv-373-JD, 2007 WL 2695323, at *7 (D.N.H. Sept. 11, 2007).

246. See *Nichols v. Newell*, 18 F. Cas. 199, 199 (C.C.D. Mass. 1853) (No. 10,245).

247. *Hypertherm, Inc.*, 2007 WL 2695323, at *7 (“The mismarking could also have been for the purpose and with the intent of leaving the false impression with potential customers of Hypertherm’s products, that Hypertherm’s products are protected by many patents, indeed many more than those of any of its competitors, and, therefore, its products must be more innovative, exclusive, and desirable as a result.”).

248. *M. Eagles Tool Warehouse, Inc. v. Fisher Tooling Co.*, 68 F. Supp. 2d 494, 507 (D.N.J. 1999).

false marking statute: to punish those who harm the public's trust in the patent system.

Over 100 years ago the *Harvard Law Review* published an article opining that "It is more than likely, therefore, that actions *qui tam* under the patent statutes will continue to be a rarity in the Federal Courts."²⁴⁹ That opinion rings as true today as it did in 1896. Despite the continuing use of the statute, the strict construction placed on the statute, the difficulty of proving intent to deceive the public, and the limitations placed on the reward render the statute ineffective and allow the public deception innate in false marking to continue with few checks. Without the changes suggested herein, the statute rings as false as the claims made under it.

249. Roberts, *supra* note 98, at 274.

