

Forest Group v. Bon Tool: The Federal Circuit on False Marking

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On December 28, 2009, the Federal Circuit overturned an opinion issued by the United States District Court for the Southern District of Texas that had interpreted the false marking statute, 35 U.S.C. § 292, consistently with certain district court decisions dating back over the past 100 years. *Forest Group, Inc. v. Bon Tool Co.*, No. 2009-1044, 2009 U.S. App. LEXIS 28380, at *21 (Fed. Cir. Dec. 28, 2009). In particular, the Federal Circuit overturned the district court's interpretation of the false marking statute to provide a penalty based on each decision to falsely mark rather than on a per article basis. *Id.* at *9-10.

The false marking statute provides a civil penalty for falsely marking goods and states in part:

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 the same is patented, for the purpose of deceiving the public . . . Shall be fined not more than \$500 for every such offense.

35 U.S.C. § 292 (a) (2006).

At the district court level, Forest brought suit against Bon Tool for patent infringement and Bon Tool raised a false marking counterclaim under § 292 against Forest Group. *Forest Group, Inc. v. Bon Tool Co.*, No. H-05-4127, 2008 U.S. Dist LEXIS 57134, at *1 (S.D. Tex. July 29, 2008). Forest's patent infringement claim was dismissed on summary judgment for lack of infringement and the district court was left with the false marking claim to decide. *Id.* at *2. With respect

to one order for falsely marked products, in this case stilts, the district court found that the false marking elements were met, i.e., that there was 1) a false marking of an article and 2) intent to deceive the public. *Id.* at *17-18.

During the damages calculation, the district court heard arguments from both parties regarding what constitutes an "offense" for purposes of the § 292 penalty. The district court rejected Bon Tool's argument that a separate penalty should be imposed for each article that was falsely marked. *Id.* at *18. Instead, the district court awarded only \$500, reasoning that the penalty should be based on each decision to mark and that Forest had only made one factory order of the falsely marked products after Forest was deemed to have knowledge that the products were not covered by the listed patent. *Id.* at *22.

The interpretation of an "offense" was one of the issues that Bon Tool raised on appeal to the Federal Circuit, which conducted a de novo review of the interpretation of the false marking statute by first examining the plain language of the statute. *Forest Group*, 2009 U.S. App. LEXIS 28380 at *9-10. The Federal Circuit stated that the "statute prohibits false marking of 'any unpatented article,' and it imposes a fine for 'every such offense.'" *Id.* Consequently, the Federal Circuit concluded that "the statute's plain language requires the penalty to be imposed on a per article basis." *Id.*

The Federal Circuit also discussed various policy considerations to support its holding. In particular, the Federal Circuit emphasized the harm to the public caused by false marking and recognized that the statute was

intended to deter false marking and that "a single \$500 fine for each decision to falsely mark—would render the statute completely ineffective." *Id.* at *14-16.

Forest raised its own public policy argument that interpreting the penalty of § 292 to apply on a per article basis would cause harm to the public by encouraging the rise of "a new cottage industry" of false marking claims by plaintiffs who have not suffered any direct harm. *Id.* at *16-17. In response, the Federal Circuit stated that "[t]his, however, is what the clear language of the statute allows." *Id.* at *17. Further stating that "[r]ather than discourage such activities, the false marking statute explicitly permits qui tam actions" and that "[p]enalizing false marking on a per decision basis would not provide sufficient financial motivation for plaintiffs—who would share in the penalty—to bring suit." *Id.* at *17-18.

In addition, the Federal Circuit distinguished the current statute with its maximum \$500 penalty per offense from a prior version of the statute that imposed a minimum penalty of \$100 per offense. *Id.* at *10-12. Such distinction was important because prior courts had interpreted the false marking statute to impose a single fine for continuous false marking in order to avoid seemingly disproportionate penalties that would be required by the \$100 minimum penalty per offense. *Id.* In contrast, the Federal Court noted the current statute with its maximum \$500 penalty allows a range of penalties that "provides district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing

disproportionately large penalties.” *Id.*
at *18.

Based on the above reasoning, the Federal Circuit overturned the district court’s interpretation of the false marking statute and ruled that “35 U.S.C. § 292 requires courts to impose penalties for false marking on a per article basis.” *Id.* at *19. Consequently, the Federal Circuit vacated the \$500 fine imposed by the district court and remanded the case for the district court to determine the number of falsely marked articles and the amount of penalty to be assessed per article. *Id.*

As a result of the Federal Circuit’s decision in *Forest Group v. Bon Tool*, the teeth have been put back into the false marking statute, which is now able to fulfill its purpose of deterring companies and individuals from falsely marking their goods and of providing a reasonable motivation to members of the public to aid in the enforcement of the statute.

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