The Limited Monopoly™

The America Invents Act - What's New in False Patent Marking Laws

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Patent Reform - The America Invents Act

Patent reform in the United States, known as the America Invents Act (AIA), was enacted on September 16, 2011, creating the most substantial changes to our patent laws in more than a century. Five important sections were effective as of enactment, with five more taking effect on September 16, 2012, and the "first inventor to file" provisions taking effect on March 16, 2013. This is the first in a series of articles that will discuss the changes that were effective upon enactment.

Section 16 of H.R. 1249 - MARKING

The new law regarding false marking is described in section 16 of the America Invents Act, and is entitled simply "MARKING". This section is broken into two parts - Virtual Marking and False Marking.

Virtual Marking

Virtual marking is something entirely new and essentially allows the physical marking to refer to an internet address that associates the patented article with the number of the patent, instead of the actual patent number. It is interesting to note that Section 16 also requires the Director of the United States Patent and Trademark Office to report to Congress on the effectiveness of virtual marking after 3 years.

False Patent Marking

False patent marking refers to marking an article made, used, offered for sale, or sold within the United States, or imported into the United States, with an indication that the article is protected by a patent, or is the subject of a pending patent application, when in fact it is not. False marking includes marking the article itself as well as marking advertising for the article. The false marking can be either a patent number, or more frequently, but every bit as serious, the words "patent pending[1]", "patent applied for", or "patented." Either way, such actions for the purpose of deceiving the public are against the law.

False Patent Marking Before the AIA

The false patent marking statute[2] before the America Invents Act prohibited false marking, but specified the fine for false marking to be not more than $500 for each offense. It also went on to state that any person may sue for the penalty, with one-half of any fines levied going to the person suing and the other half to the use of the United States (known as a "qui tam" action). Peculiar yes, and for nearly 100 years very few bothered to pursue the fine for a paltry amount of money. That is until late 2009 when a Federal Circuit court ruling stated that "$500 for each offense" meant for each product marked falsely, not for the entire occurrence. This created a flood of lawsuits with large sums at stake and a powerful incentive for parties to file false marking lawsuits, with some attorneys opportunistically looking for the unfortunate victim with an improperly marked product. The lawsuits also extended into products that were marked with expired patents, many of which were merely expired patent numbers that were part of the original tooling for the product, and not a conscious act of false patent marking. Solo Cup Co. fell victim, with an expired patent on their mass produced coffee cup lids and a lawsuit for $10.9 trillion dollars. It quickly became a feeding frenzy, with fines for mass produced products easily reaching into multi-millions of dollars, and the government keeping half of the bounty. Large companies saw this as harassment, and began to challenge the constitutionality of the law.

False Patent Marking After The AIA

The AIA put an end to the feeding frenzy. It was done by amending the law so that only the United States may sue for the penalty. This eliminated the "*qui tam*" actions where any person (or bounty hunter) could sue for half of the proceeds. Interesting to note that "*qui tam*" is a Latin term meaning "[he] who sues in this matter for the king as [well as] for himself," *qui tam* practice having its roots in 13th century England. The AIA also stated that marking an article with an expired patent number for that article is no longer considered false patent marking. The AIA does, however, allow a person who has suffered a competitive injury as a result of a violation of the false marking statute to file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury. What showing is required to support a claim of competitive injury is still to be determined by the courts. In addition, false patent marking with its present federal definition may also violate state consumer protection laws such as false advertising and unfair competition.

Continued Caution Required

While the AIA put an end to the onslaught of false patent marking lawsuits, falsely marking an article with a patent number or words such as "patent pending" or "patented" still carries considerable risk, and is ill advised. If these actions are shown to have caused competitive injury, a civil action and compensation for the injury are likely. A good litigator will also seek other remedies, including those available through state laws. So the result of false marking can still be extremely detrimental to the defendant, and if the United States government also decides to litigate its claims in addition to the party that was caused competitive injury, the result is in no way good. So don't be tempted to mark that next big thing with the words "patent pending" or anything similar, unless it actually is.

1. See also "The Limited Monopoly™" May 2007.
2. 35 U.S.C. §292.

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Note: This short article is intended only to provide cursory background information, and is not intended to be legal advice. No client relationship with the authors is in any way established by this article.

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