ARE Patent Law Alert:
Federal District Courts in Texas Have Begun to See The First of What Could Be a Wave of Lawsuits Alleging False Patent Marking in Violation of 35 U.S.C Â§ 292

February 25, 2010

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(February 25, 2010) As discussed in our January 6, 2010 ARE Patent Law Alert (see www.arelaw.com/publications), the Federal Circuit's Decision in *The Forest Group, Inc. v. Bon-Ton Tool Co.*, No. 2009-1044 (Fed. Cir. 2009) confirmed that the false marking statute requires the assessment of a penalty of up $500 for each unit sold that has been falsely marked with a patent number. Under the statute, a third party may file a what is referred to as a *qui tam* suit on behalf of the federal government and split any recovery with the government 50-50.

The Federal Circuit's decision, which corrected prior interpretations of the statute holding that the $500 fine was available for each offense and not for each individually marked good, opened the door to third parties looking to capitalize on the availability of these large fines and we predicted that courts would soon begin to see more of these cases. In the past week, two such cases have been filed.

In *Patent Compliance Group, Inc. v. Activision Publishing, Inc.*, No. 3-10 CV0288 (N.D. Tex. filed Feb. 22, 2010), Patent Compliance Group, a Texas Corporation, is alleging that Activision falsely marked numerous products in the Guitar Hero product line with ten different patents, including one design patent. Patent Compliance Group alleges that Activision had knowledge that these patents do not cover the marked products and intended to deceive the public by marking them with these patent numbers.

In *Yarbough, v. S.C. Johnson & Son, Inc.*, et al., No. 10-cv-00096 (E.D. Tex. filed Feb.19, 2010), Arthur Yarbough, a resident of the Eastern District of Texas filed an action against S.C. Johnson alleging a violation of § 292 based upon S.C. Johnson's marking of certain canisters of shaving gel with an expired patent number. Yarbough alleges that S.C. Johnson "did not have and could not have had, a reasonable belief that its products were properly marked, given that the claimed patent expired years ago." Yarbough is seeking to recover not only a $500-per-unit fine under § 292, but an injunction prohibiting the defendants from "committing new acts of false patent marking" and ordering the defendants to cease all existing false patent marking within 90 days.

These two cases filed in the past week are likely to be merely the first in a wave of lawsuits

that will be filed by so-called “marking trolls,” as the Federal Circuit phrased it. As the Federal Circuit suggested in *The Forest Group*, a reasonable belief that the goods were properly marked can be a defense to a claim of false marking under § 292.

Please feel free to contact us to discuss how to minimize the risk of your company being burdened with a false marking claim.

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