

This article was originally published in *Intellectual Property Today* on October 6, 2009. For more information, visit www.iptoday.com.

Author

Joseph A. Farco
646-217-7967
jfarco@lockelord.com

www.lockelord.com

This brochure is provided solely for educational and informational purposes. It is not intended to constitute legal advice or to create an attorney-client relationship. Readers should obtain legal advice specific to their enterprise and circumstances in connection with each of the topics addressed.

If you would like to be removed from our mailing list, please contact us at either unsubscribe@lockelord.com or Locke Lord Bissell & Liddell LLP, 111 South Wacker Drive, Chicago, Illinois 60606, Attention: Marketing. If we are not so advised, you will continue to receive brochures.

Attorney Advertising

© 2009 Locke Lord Bissell & Liddell LLP

I. Introduction

Very soon, the Federal Circuit will be asked to decide the meaning of the penalty provision of the patent false-marking statute, 35 U.S.C. § 292.¹ This provision has been the focus of several recent false-marking cases, the issue being whether the provision should impose nominal or more substantial fines to companies whose technologies are not covered by their patents and were deceptively marked as such. Historically, the penalties for false marking have been relatively small (in the order of a few \$1000 on average).² A thorough analysis of this penalty provision makes it clear, however, that the possible implications of false marking under the statute can result in massive fines.³

II. Discussion

A. The Patent False-Marking Statute Generally

The current false-marking statute, 35 U.S.C. § 292, is unique among other patent laws in Title 35 because it is criminal in nature, *e.g.*, it penalizes the actor rather than compensate for any injury.⁴ It recites:

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 ... [or] 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.⁵

Thus, a Section 292 penalty is assessed for deceiving the public, and may be brought by a member of the public, the *qui tam* relator or informer, who shares in half of any financial penalty from a victorious suit under § 292.⁶ While the statutory penalty is meant to deter false-marking behavior, it simultaneously doubles as a reward to vigilant informers. The mechanism that achieves both these ends is the statute's penalty provision.

B. The Pre-1952 Penalty Provision Of The Patent False-Marking Statute

1. The Patent Act of 1842

As part of its enactment of a general marking statute dealing with patentee marking of patented products, Congress enacted a false marking provision that provided a \$100 penalty for improperly marking goods as patented with an intent to deceive the public. It recited in pertinent part:

...[I]f any person or persons shall...mark or affix ... "patent," or the words "letters patent," or the word "patentee," or any other word or words of the 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 ... of like import, on any unpatented article, for the pur-

pose 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...**⁷

In its second session of August 6, 1842, Congress stated that the above section "defends the patentees in their rights, by attaching a penalty of \$100 and costs for a violation of such rights, to be recovered on action in the United States district and circuit courts; one-half to go to the patent fund, and the other half to the person suing."⁸ From this enactment, Congress would later carve a separate patent false-marking statute that would stand on its own to enforce the policies of its predecessor.

2. The 1870 Statute

In its consolidated patent act of July 8, 1870, Congress enacted 35 U.S.C.A. § 50, R.S. § 4901, a statute granting recovery for falsely marking an unpatented product as being protected by the patent laws:⁹

...[I]f any person shall ... in any manner mark upon or affix to any unpatented article the word "patent," or any word importing that the same is patented, for the purpose of deceiving the public, he shall be **liable for every such offense to a penalty of not less than one hundred dollars**, with costs; one-half of said penalty to the person who shall sue for the same, and the other to the use of the United States ...¹⁰

While the statute mandated \$100 per offense of marking or affixing to an unpatented article a mark suggesting the same was actually patent protected, courts were reluctant to interpret the penalty in such a broad fashion. The language of the 1870 statute prevented broad judicial reading of the penalty provision. On one hand, there had to be at least a \$100 penalty for every such offense, regardless of the value of the falsely marked article. On the other hand, the penalty provision's language could not be construed to impose unjust punishments.¹¹ The question became whether a court could strictly follow the 35 U.S.C.A. § 50 penalty provision while also ensuring that the punishment fit the offense. Though the issue had been touched upon by late 19th century judicial opinions, that question was not conclusively resolved until the 1910 decision, *London v. Everett H. Dunbar Corporation*.

3. The London Decision: A Single, Continuous Act Of False-Marking Is One Offense Under The Patent False-Marking Statute

The First Circuit panel in *London* was asked to determine whether 100 counts of false-marking under R.S. § 4901 warranted a penalty of \$10,000 (\$100 per each falsely marked article).¹² This accounting issue depended on what the court considered an "offense" under the 1870 statute. The question of whether the court should penalize the marking of each individual article or the continuous marking of several articles was resolved "in favor of a construction which will avoid imposing very unequal pecuniary punishment for the

same offense.”¹³ The panel posited that imposing a \$100 penalty on falsely marked “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... .” Alternatively, a \$100 penalty per article for “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.”¹⁴ The First Circuit held that the 1870 statute only penalized each “single, continuous act” of falsely marking articles.¹⁵ While the panel acknowledged its adherence to precedent,¹⁶ the decision represented a judicial balancing act between strict interpretation of the 1870 statute’s penalty provision language and the policy concerns of potentially enormous punishments should such interpretations be followed. Like those courts having already decided this issue, the First Circuit unanimously favored the latter approach in construing the provision.

This reading of the penalty provision is not coincidental. The R.S. § 4901 cases cited in the *London* decision all involved parties advocating for very significant monetary penalties in comparison to the actual value of the falsely-marked goods:

Case Cited in <i>London</i>	Total Value of Falsely-Marked Goods	Requested Penalty Value Penalty ¹⁷	Approximate Dollar Value Of Requested Penalty in 2008 ^{18, 19}
<i>Hotchkiss</i> (1891)	(unavailable)	\$40,000 ²⁰	\$976,430
<i>Hoyt</i> (1899)	\$4,275 ²¹	\$150,000	\$4,016,847

The *Condensed Milk* case on which the First Circuit’s policy reasoning in *London* was based, did not involve patents or R.S. § 4901. That case involved a domestic commerce law penalizing the buying, selling or possession of milk cans belonging to another in the amount of \$50 “for every such violation.”²² Similar to *Hotchkiss* and *Hoyt*, the advocated penalty in *Condensed Milk* was also significant:

Case Cited in <i>London</i>	Total Value of Falsely-Marked Goods	Requested Penalty Value Penalty	Approximate Dollar Value Of Requested Penalty in 2008
<i>Condensed Milk</i> (1906)	\$11.16 ²³	\$4,650 ²⁴	\$114,811

Not surprisingly, the holdings of *Hotchkiss*, *Hoyt* and *Condensed Milk* hinged on court disapproval of per item penalties because of the “excessive” punishments that would result.²⁵ The *London* opinion focused on the same concern and by incorporating these cases’ holdings into its own, it acquiesced in the sentiment that there were dramatic penal consequences of a \$100 per item

penalty. Recognizing what it deemed a potential inequitable result from reading R.S. § 4901 to provide a per item penalty, the First Circuit fashioned a holding that would avoid a financial avalanche upon intentional false-markers:

[A] plaintiff, in order to recover more than a single penalty, must go further than to prove the marking of a number of unpatented articles. The proof must be sufficiently specific as to time and circumstances to show a number of distinct offenses, and to negative the possibility that the marking of the different articles was in the course of a single and continuous act.

This holding in *London* remains the majority rule when determining penalties according to the false-marking statute.²⁶

III. The Penalty Provision of 35 U.S.C. § 292

There is a presumption favoring continuation of judge-made law, but “if Congress intends for legislation to change the interpretation of a judicially created concept, it makes that intent specific.”²⁷ That is what happened in 1952, when the 82nd Congress amended R.S. § 4901 into 35 U.S.C. § 292.²⁸ The statute no longer penalized false-marking in an amount “not less than one hundred dollars.” Under Section 292, a false-marker “[s]hall be fined not more than \$500 for every such offense.”²⁹ The legislative commentary accompanying the amendment explained that Congress intentionally changed the wording to conform to prior judicial treatment of the earlier statute as a maximum fine amount:

“The minimum fine, which has been interpreted by the courts as a maximum, is replaced by a higher maximum.”

2 U.S.C.C.A.N. 2424 (1952).

Although nothing was said of the new minimum fine imposable under Section 292, the language of the statute grants a court discretion in awarding a minimum penalty (technically as low as a \$0 penalty) per offense. In the wake of its amendments, the current penalty provision of 35 U.S.C. § 292 eliminates any possibility of abusive fines and unjust punishments.

A. The Antiquated Construction of “Offense” Under 35 U.S.C. § 292

The majority of un-amended § 292 terms have received some clarity or treatment by case law after the 1952 statutory amendments.³⁰ However, the term “offense” under the amended penalty provision of § 292 is still interpreted

according to the *London* decision.³¹ Unlike the penalty provision before the *London* court in 1910, 35 U.S.C. § 292 does not mandate a minimum fine and grants courts the discretion to award penalties for patent false-marking.³² The current language can allow multiple offenses without concern for extravagant penalties because courts could alter the penalty as they see fit.³³ The *London* holding construed the 1910 statute’s penalty language based on policy concerns that a mandatory minimum penalty would result in unjust and excessive punishments on the false-marker.³⁴ Since 35 U.S.C. § 292 does not mandate a minimum penalty for patent false-marking, the precedent set forth in *London* no longer applies.

B. Construing The Term “Offense” Under 35 U.S.C. § 292

Though *London* has been relied upon for almost a century, accepted canons of statutory interpretation³⁵ suggest the penalty provision carries a much broader interpretation.

1. The Plain Language of the Statute

The starting point in statutory construction is the language of the statute itself. Focusing primarily on the plain language of § 292(a), the meaning of “offense” can be ascertained by reference to the rest of the statute’s language. Starting with the beginning of the statute’s language, there is a description of a list of acts that when expanded grammatically, recite the following:

“Whoever marks upon [any article], or affixes to [any article], 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... .”³⁶

Thus, the types of conduct in the statute are:

- a mark upon any article that includes words importing patent protection knowing the same is false
- an affixing to any article of words importing patent protection knowing the same is false
- a use in advertising in connection with any article of words importing patent protection knowing the same is false

The subsequent language of § 292(a) recites:

“Shall be fined not more than \$500 for every such offense.”³⁷

The word “such” preceding the word “offense” connotes that the offense is of the kind that has just been mentioned earlier in the statute.³⁸ Therefore, the plain language of the statute suggests that an offense takes place whenever a person marks, affixes to or uses in advertising an article as being protected by the patent laws when it is known that the article is not protected by the patent laws.

2. Statutory Purpose

The statute was meant to remedy a type of abuse to the public that occurs when one defrauds the public with illusions that they have been endowed with exclusionary rights by the patent laws. Clearly, the legislative canvas of § 292 indicates that Congress created a strong statute to deter a severe offense. Congress would have been remiss to intend there only be a mere \$500 penalty for a series of perpetrated frauds on the public.³⁹

A legitimate patentee has exclusionary rights under the patent laws over the making, using, selling and offering to sell that which its patent covers.⁴⁰ Each time a legitimate patentee makes, uses, sells or offers to sell a properly marked product, the patentee publicizes its enjoyment of its exclusionary rights.⁴¹ The properly marked product is an exemplar of that which the claims cover and that which can be made, used and sold to the exclusion of all other members of the public. The properly marked product symbolizes the fruits of innovation made manifest in the public domain.

The product that is falsely marked as protected by the patent laws secretly encumbers the public domain with a false sense of exclusion from entering the market where realistically none exists. Making, using, selling or offering for sale a single falsely marked product is an unconscionable act upon the public.⁴² At the minimum, each falsely marked article casts the illusion that it is protected by a patent whose holder is poised to take legal action against anyone whose article bears even the slightest resemblance. Further still, “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. ... The falsehood is a badge of fraud.”⁴³ This badge of fraud is worn by the falsely marked product wherever it goes.

If the badge of fraud adorns each falsely-marked product received into the public domain, then the penalty should not be limited to the single act that brought that product to the public. Rather, it is the amount of times that product perpetrates the fraud

that a patent monopoly exists over the product, giving benefit to the false-marker. Therefore, an offense under § 292 exists in each public enjoyment of a fraudulent patent monopoly: making or using a falsely-marked product or selling or offering to sell a falsely-marked product.

C. 35 U.S.C. § 292 Construed

The construction of the statute urged herein captures the strict language of the statute as well as the statutory purpose it was meant to serve. Making a falsely-marked product refers to the first two types of conduct enumerated in § 292: “marking” or “affixing to.” This is because a falsely-marked product is not “made” until the fraudulent mark is placed on the product. Selling or offering to sell a falsely-marked product refers to the third type of conduct enumerated in § 292: “use in advertising in connection with.” Per this construction, a single falsely-marked product could perpetrate multiple offenses.⁴⁴ However, the present construction of the statute permits a court to use its discretion in assigning the appropriate penalty for multiple offenses. One proposed methodology would have a court resolve multiple offenses as one unitary offense where the false-marker’s intent to inject the falsely marked article into the stream of commerce proximately causes the fraud on members of the public.⁴⁵

After proving the number of offenses, the penalty provision will require courts to weigh certain factors in assessing the appropriate penalty per offense:

1. How many falsely-marked products were distributed and the extent of their distribution
2. The egregiousness of the false-marking (e.g., how much time had passed since the patent covering the product expired, how long did it take for a patent application to actually be “pending” as the marking stated, the extent of investigation on whether the patent claims covered the product, the false-marker’s intent to deceive, etc.)
3. Cost to the society (e.g., evidence of profit losses from competitors, consumer surveys that the patent marking affected purchase, R&D expenses by competitors to design around, etc.)
4. The assertion of the same patents falsely marked upon articles against third parties.
5. How many offenses occurred during distribution of the falsely marked article/product.

The listing is by no means exhaustive, and it is conceivable that there may be other factors that may weigh in on the court’s setting the penalty amount (i.e., the false marking misled stock holders in believing in the superiority of the product, the false-marking was a form of counterfeiting, etc.).

Manufacturers of products should be aware of the ramifications under such a new reading of 35 U.S.C. § 292 and the impact it could have on business and shareholder relations. To avoid the vast fines that may await under this new reading of 35 U.S.C. § 292, companies should set aside funds for legal inspection of patent claims to ensure they cover the products on which they are marked, either at product launch and/or periodically in the product distribution/development life-cycle.

IV. Conclusion

The construction at which this paper arrives finally places the patent false-marking statute in conformity with the remainder of Title 35. Based on the plain meaning of its language, the legislative history of the statute and the purpose which it serves in the law of patents, “offense” under 35 U.S.C. § 292(a) should take place whenever one makes, uses, sells or offers to sell a falsely-marked article. The ease of bringing a false-marking claim as a *qui tam* plaintiff coupled with the potential for massive fines for false-marking are more than enough reason for companies to start taking legal action to tackle this new potential threat in the intellectual property arena.

About the Author

Joe Farco is an associate at the New York Office at Locke Lord Bissell & Liddell LLP and specializes in all aspects of patent litigation and prosecution. For questions or comments about the subject matter of this article or related matters, Joe may be reached at (646) 217-7967 or by way of e-mail at JFarco@lockelord.com. Joe would like to thank Bob McAughan, a Partner at the Houston Office at Locke Lord Bissell & Liddell LLP, for the addition of his practical experience related to this issue.

Endnotes

- 1 See *Forest Group, Inc. v. Bon Tool Co.*, Appeal No. 2009-1044 (Fed. Cir. filed Oct. 29, 2008).
- 2 *Forest Group, Inc. v. Bon Tool Co.*, Appeal No. 2009-1044 (Fed. Cir. filed Oct. 29, 2008); Brief for Paul Hletko as Amici Curiae Supporting Defendant-Appellant, *Forest Group, Inc. v. Bon Tool Co.*, 2008 WL 2962206 (S.D. Tex., Sept. 22, 2008) (No. 4:05-cv-04127).
- 3 While the amicus brief cited *supra* touches upon some similar generalities presented in this article, its analysis lacks the depth that provides a thorough and complete determination of the meaning of this statute via accepted canons of statutory construction side-by-side with acknowledgement of the statute’s legislative and judicial history.
- 4 2 U.S.C.A.N. 2424 (1952) (“This [§ 292] is a criminal provision.”). That judgments in favor of the false-marker under § 292 are appealable (i.e., no double jeopardy) suggests that the statute is not a criminal statute but one that penalizes rather than returns another to status quo ante. See *Filmon Process Corp. v. Spell-Right Corp.*, 404 F.2d 1351, 1355 (D.C. Cir. 1968). Thus, the “criminal” aspect of § 292 speaks to its statutory purpose to deter proscribed conduct, viz., falsely marking unpatented products as protected by the patent laws. There is no suggestion that the legislature intended § 292 to operate as a criminal statute, and courts have not interpreted it as such. *Id.*
- 5 The omitted portions of the statute refer to unlicensed marking

- of product with another's patent or patent application and counterfeiting, neither of which are pertinent subjects of this paper.
- 6 Section (b) of the statute recites: "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." This clause of the statute confers standing on any person to sue a party acting according to §292(a), provided that any recovery by the private party is divided evenly with the United States. See *Pequignot v. Solo Cup Co.*, 1:07cv897, 2009 WL 874488, *2 (E.D. Va. Mar. 27, 2009). 2 U.S.C.C.A.N. at 2424 ("The informer action is included as additional to an ordinary criminal action.") A *qui tam* statute authorizes a private person to sue on behalf of the government and to share in the financial recovery. See *Pequignot*, 2009 WL 874488 at *4. The language of the 1870 enactment provided for a "moiety of said penalty," which translates into an equal apportionment of the financial reward obtained from a patent false-marking claim. See 16 Stat. at 108, § 39.
- 7 See 5 Stat. 543 (1842). The omitted portions of the statute discuss the partition of costs recovered from successful suits under the statute.
- 8 See 27th Congress, 2nd Session, 11 Cong. Globe 833 (1842). This early Congressional record demonstrated the understanding by the government that patent false-marking could pose a serious threat. Thus, a serious penalty had to be made to fit the offense. Further, the severity of stopping false-marking as soon as it was noticed prompted the Congress to permit anyone who came across such transgressions to bring suit to remedy the same (the *qui tam* informer).
- 9 See Patent Act of 1870, Ch. 230, 16 Stat. 108, § 39 (July 8, 1870).
- 10 35 U.S.C.A. § 50, R.S. § 4901 (1870) (emphasis added). As stated *infra* at note 2, portions of the statute not pertinent to this paper's discussion were omitted.
- 11 *United States v. Inn Foods, Inc.*, 560 F.3d 1338, 1347 (Fed. Cir. 2009) (pre-amended version of statute penalizing fraudulent entry of goods into United States interpreted to mitigate unreasonable penalty according to court).
- 12 *London v. Everrett H. Dunbar Corp.*, 179 F. 506, 507 (1st Cir. 1910).
- 13 *Id.* at 508.
- 14 *Id.*
- 15 *Id.* at 507.
- 16 *Hotchkiss v. Samuel Cupples Wooden Ware Co.*, 53 F. 1018-1021 (E.D. Mo. 1891) (single, continuous act of marking 25 to 30 articles constituted single offense); *Hoyt v. Computing Scale Co.*, 96 F. 250 (S.D. Ohio 1899) (whether false marking of 1,500 scales should result in \$150,000 judgment resolved by interpreting multiple markings in a day amount to only one offense). See also *U.S. Condensed Milk Co. v. Smith*, 116 App. Div. 15, 18-19 (3d Dept. 1906) ("It can hardly have been the intent of Congress that penalties should accumulate as fast as a printing press or stamping machine might operate").
- 17 The advocated penalty values were all the absolute minimum penalty a party could seek since R.S. § 4901 mandated each penalty be "not less than \$100."
- 18 This metric allows the reader to get a sense of the monetary significance of the requested penalty during the time period in which it was requested.
- 19 See Lawrence H. Officer and Samuel H. Williamson, "Six Ways to Compute the Relative Value of a U.S. Dollar Amount, 1790 to Present," *MeasuringWorth*, 2008, <http://www.measuringworth.com/uscompare/> (Last Visited, June 24, 2009).
- 20 See *supra* at note 16 (400 falsely marked articles at \$100 per article results in \$40,000 penalty).
- 21 Approximate cost of food scales in 1897 was around \$2.85 per scale. *Sears, Roebuck & Co., Inc.*, p. 47 of 1897 catalogue (Chicago).
- 22 *Condensed Milk*, 116 App. Div. at 16.
- 23 Approximate cost of condensed milk cans in 1906 was \$0.12 per can. *Daily Record*, Vol. 6, no. 169, January 13, 1906, p. 1 (Morristown NJ)
- 24 *Id.* (defendant's possession of 93-milk cans at \$50 per milk-can violation).
- 25 As shown, the penalties that would have followed from strict adherence to the statute were far beyond reasonable for the respective time periods in which they were requested. See *Hotchkiss*, 53 F. at 1021-22 citing *Taft v. Lithographing Co.*, 38 F. 28, 29 (E.D. MI 1889) (finding "amount prayed for [was] excessive" because 10,000 falsely marked copies could not each be the basis for a separate \$100 fine); *Hoyt*, 96 F. at 251 citing *Taft*, 38 F. at 29 (same); *Condensed Milk*, 116 App. Div. at 19 ("the changed conditions of modern life of great cities render modification [of the penalty] imperative" to avoid "aggregate penalties ... amount[ing] to enormous and well-nigh appalling sums...")
- 26 See *Juniper Networks v. Shipley*, No. C 09-0696 SBA, 2009 WL 1381873, *6 (N.D. Cal. May 14, 2009) (the "[false marking] statute does not prescribe a distinct penalty for each individual article marked, but merely a penalty for the offense of marking..."); *Forest Group, Inc. v. Bon Tool Co.*, No. 4:05-cv-04127, 2008 W.L. 4376346, *3 (S.D. Tex., Sept. 22, 2008) ("...the First Circuit case is well-reasoned and persuasive"); *Bibow v. American Saw and Mfg. Co.*, 490 F. Supp. 2d 128, 129 (D. Mass. 2007) (a per mark calculation of damages in the amount of \$200 million raises doubts "that the statute ever intended to create such a lucrative game of gotcha!"); *Icon Health & Fitness, Inc. v. Nautilus Group, Inc.*, No. 1:02 CV 109 TC, 2006 WL 753002, *5 (D. Utah, Mar. 23, 2006) (given the breadth of marking, "such a fine [per false marking advertisement] would be nothing short of astronomical."); *Sadler-Cisar, Inc. v. Commercial Sales Network, Inc.*, 786 F. Supp. 1287, 1296 (N.D. Ohio 1991) ("continuous markings over a given time constitute a single offense.").
- 27 *Midlantic Nat'l Bank v. New Jersey Dep't of Env't'l Protection*, 474 U.S. 494, 501 (1986) (quoting *Edmonds v. Compagnie Generale Transatlantique*, 443 U.S. 256, 266-67 (1979)).
- 28 See *supra* at II.A.
- 29 See 35 U.S.C. § 292(a).
- 30 An "unpatented article" is one not covered by at least one claim of each patent with which the article is marked. *Clonetech Labs. v. Invitrogen Corp.*, 406 F.3d 1347, 1351 (Fed. Cir. 2005). That "any person may sue for the penalty" makes § 292 a *qui tam* statute and the person bringing such suit a *qui tam* relator. *Vermont Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 768 n.1 (2000). To show there was "deceiving the public," there must be a showing "by a preponderance of the evidence that the party accused of false marking did not have a reasonable belief that the articles were properly marked (i.e., covered by a patent when marked "patented," a patent application was in fact pending when marked "patent pending")." *Clonetech*, 406 F.3d at 1353, see *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co., Inc.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986) (deceptive intent, not mere innocent oversight, critical to § 292).
- 31 See *supra*, note 26.
- 32 See *Inn Foods*, 560 F.3d at 1347 ("[i]n large part the revision of [the statute] was driven by Congress's desire to ameliorate the provision's unduly harsh mandatory penalty.")
- 33 For example, one million falsely marked articles may only result in \$100,000 in penalties because a court could fashion a penalty of \$0.10 per offense instead of the maximum \$500.
- 34 See *supra* at II.B.3.
- 35 "Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Engine Mfrs. Assn. v. South Coast Air Quality Management Dist.*, 541 U.S. 246, 252 (2004) (internal quotation marks omitted). Observance of the legislative history is equally as relevant in understanding a statutory provision. See *Vermont Agency of Nat. Res. v. U.S.*, 529 U.S. 765, 774 (2000) (history of *qui tam* statutes "leaves no room for doubt that a *qui tam* relator...has Article III standing.")
- 36 See 35 U.S.C. § 292(a) (emphasis added).
- 37 *Id.*
- 38 See Merriam Webster's Dictionary (2009).
- 39 Given the current costs of litigation, \$500 provides little incentive to the public to individually seek out and stop patent false-marking. This same penalty also carries little or no deterrent capabilities to future acts of patent false-marking. A penalty amount of such meager proportions is petty compared to other damages and fines assessed in the legal system. Further, a true patent monopoly arguably is worth millions for the value it places into the society. It would seem reasonable that a fraudulent patent monopoly detracts from that same society in amounts greater than \$500. Reading "offense" as a \$500 fine for any and all conduct renders the statute useless for its intended purposes.
- 40 See 35 U.S.C. § 271(a).
- 41 This statement does not suggest that patent rights grant a patentee any affirmative rights through its patent. The patent right is a negative right, it affords no one any affirmative right to practice what is claimed in the instrument. Thus, when permissible, the patentee can technically enjoy its exclusionary rights without fear of suit of practicing its own inventions.
- 42 The false marker becomes liable for each activity that publicizes its non-existent exclusionary right. It is that publication that works the fraud on the unwary public.
- 43 *Oliphant v. Salem Flouring Mills Co.*, 18 F. 647 (D. Or. 1878).
- 44 A product is falsely marked at the plant ("making" offense), the false marking is used in advertising and marketing ("used" offense) and eventually sold to a wholesaler, retailer or consumer ("sold" offense).
- 45 Akin to a proximate cause theory, whatever acts the false marker intends be done with its falsely-marked products subjects the false-marker to liability. To illustrate the point, suppose manufacturer M makes a falsely marked product with the intent it be sold to customer C. M may be liable for two offenses for making the falsely marked article and selling it to C. The manufacture, knowing that the customer C is a wholesaler and will further sell its falsely-marked product to retailer R, would be liable for three offenses (making, selling to C and the sale to R). Once the falsely-marked article is placed into the stream of commerce, the false-marker becomes liable for any additional offenses occurring during the intended distribution of its product.