False Marking in the Age of Mechanical Reproduction

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Abstract

The false marking statute, a once-obscure corner of patent law, is now in the limelight. This past year, false marking suits have increased by two orders of magnitude, largely as a result of courts interpreting the law in ways favorable to plaintiffs. This article argues that the statute, one of the few remaining examples of qui tam laws in the Anglophone world, is actually an atavism. It harnesses work on the economics of advertising to argue that recent moves to liberalize the law rest on flawed economic models, and may have anti-competitive effects. Finally, it suggests that technological changes have made the problem of “marking trolls” more dangerous, and vitiated many of the problems formerly associated with false marking. It suggests restoring the pre-2005 status quo, or in the alternative, modernizing the statute by, among other things, eliminating its qui tam nature.

I. Introduction

In September 2007, Matthew Pequignot, an intellectual property lawyer in Washington, D.C., filed suit against the Solo Cup Company.1 Unusually, Pequignot was not a competitor of Solo’s, nor was he a patent owner. Instead, he was suing Solo Cup on the seemingly trivial ground that they had marked their cups with patent numbers that had expired. This, according to Pequignot, was a violation of 35 U.S.C. § 232, which forbids “false marking.” The next year, Pequignot proceeded to file two other suits: one against Gillette and Procter & Gamble,2 and the other against Arrow Fastener,3 both alleging violations of the false marking statute.

Pequignot is circumspect about his motivations, though it’s hard to imagine that he’s motivated by the financial rewards.4 But he has sparked a veritable explosion in the number of false marking cases filed throughout the country. While Pequignot was the

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4 Cf. Brose v. Sears, Roebuck & Co., 455 F.2d 763, 766 (5th Cir. 1972) (noting that in nearly all false marking suits are “used as a weapon in the arsenal of patent litigation”); Odin B. Roberts, Actions Qui Tam Under the Patent Statutes of the United States, 10 Harv. L. Rev. 265, 268 (1897) (quoting a judge as saying that “if any person contemplating bringing [a qui tam suit] 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.”)
only filer of a false marking case in 2007, ten cases were filed in 2008.\textsuperscript{5} \textsuperscript{5} 2009, in turn, saw thirty-three cases filed, and 2010 saw a stupendous\textit{ one thousand and thirty}.\textsuperscript{6} Commentators have warned of a wave of “marking trolls,” waiting to sue corporations for false marking as soon as one of their patents expires.\textsuperscript{7} The Federal Circuit Court of Appeals has recently entered the fray, with a decision in late 2009 upending the previous system for calculating damages in false marking cases.\textsuperscript{8} Most recently, the Senate’s has considered another attempt at patent reform legislation that would modify false marking law.\textsuperscript{9}

Patent law requires that patentees mark patented articles with the number or numbers of the patents that cover them, on pain of not being able to recover damages before an infringer receives actual notice that the article is patented. But this sword is double-edged: it imposes a sanction on people who attempt to hoodwink the public by marking unpatented articles. Contrary to expectation, there is no administrative agency tasked with enforcing this provision. Instead, the statute relies upon private parties to bring suit against false markers. Even more unusually, their reward is not compensation for any loss they may have suffered, but a measly maximum fine of five hundred dollars “per offense,” to be shared equally between the private plaintiff and the government.

What is remarkable about this flurry of recent activity is that in the past, the false marking statute has been a ground for remarkably little litigation over the years,\textsuperscript{10} with only ten federal appellate courts addressing the statute. This article sets out to examine why: whether the statute is broken, whether better enforcement mechanisms are needed, and whom, exactly, the false marking statute is supposed to be protecting. Part I examines the history of the statute and the historical rise and fall of hybrid public-private causes of action, and also criticizes the approaches courts have taken in addressing various problem areas under the current law. Part II examines the economic rationale for the false marking statute recently put forward by the Federal Circuit, and sketches out an alternative model, patterned on economic analyses of false advertising law. Part III considers various options for improving false marking law, and discusses the application of the economic model to cases on the cutting edge of false marking law—especially where recent technology has drastically changed the economic calculus involved by reducing the costs of false marking to competitors. The note considers both a recent Federal Circuit decision and a recent proposal for reforming false marking law to make it easier for plaintiffs to recover damages. It argues that both overestimate the costs of false

\textsuperscript{6} See id.
\textsuperscript{8} The Forest Group, Inc. v. Bon Tool Co., 2009 WL 5064353 (Dec. 28, 2009).
\textsuperscript{9} See S. 515, 11th Cong. (2010).
\textsuperscript{10} See Brose, 455 F.2d at 766 (noting that relatively few qui tam informer actions have been brought).
marking, while overlooking the social costs of qui tam actions. In fact, the note argues, there is no pressing need for reform, and to the extent reform is desirable, the changes should be in precisely the opposite direction.

II. An Exploration of False Marking Law

A. Statute

Congress first passed a false marking statute in 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 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.11

The act was passed contemporaneously with a requirement that patented articles be marked.12 Interestingly, the false marking statute of 1842 largely contains the elements of the modern statute: the dual prohibition against counterfeiting another patentee’s mark and marking an “unpatented article” with words suggesting that it was patented, the scienter requirement, and, most distinctively, a qui tam remedy, discussed infra. By contrast, the initial marking statute differed in two important ways from its modern counterpart.13 While the modern statute treats patent marking as a form of constructive notice, and limits damages to the period after the infringer was notified of his or her infringement in the absence of a patent mark,14 the statute of 1842 imposed a positive

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12 See ch. 263 § 6, 5 Stat. at 544–45.
14 See id.
obligation to mark. The patent owner who failed to do this would be subject to the same penalty as the false marker: a fine of one hundred dollars, to be shared between the private plaintiff and the government. And perhaps even more striking is the fact that the 1842 statute required that the patented article be marked with the date of the patent (but did not require that the patent number be listed), allowing interested parties to determine when the patent would expire. This would seem to counsel against applying the false marking statute to expired patents like Solo Cup’s, and indeed, this seems to have been the rule at that time.

Both these features were discarded in the following decades. The positive requirement to mark patented articles was replaced with the modern limitation on damages in 1861. Some time later, the requirement that articles be marked with the date of patent grant was changed to the modern requirement that the mark need only include the patent number. In 1952, the statute was amended substantially into its present form. The current statute, following certain 1994 amendments stemming from the United States’ World Trade Organization obligations, runs:

(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

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15 See ch. 263, § 6, 5 Stat. at 544 (“all patentees . . . are hereby required to stamp . . . on each article vended . . . the date of the patent”).
16 See id. at 545.
17 See id. This was complicated by the fact that the Patent Act of 1836 provided for extensions of the patent term by seven years, which presumably wouldn’t be evident from the date marked on the patented article. See Act of 1836, ch. 357, § 18, 5 Stat. 117.
18 See Wilson v. Singer Mfg., 12 F. 57 (C.C.N.D. Ill. 1882) (holding that marking an article with a patent date that indicates that the patent has expired cannot constitute false marking).
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.\(^{21}\)

The 1952 amendment incorporates three changes: it extends the false marking statute to uses in advertising, adds a provision for inventions that have pending patent applications, and increases the maximum statutory fine from one hundred dollars to five hundred dollars.

B. Qui tam provisions: civil or criminal?

Qui tam statutes, which rely on private enforcers to enforce the law on behalf of the government in exchange for a share of the judgment, are the heirs of a long and storied history. Although antecedents can be found in Roman and Anglo-Saxon law,\(^{22}\) qui tam actions appear to have come into wide use in England by the thirteenth and fourteenth centuries.\(^{23}\) Common law qui tam actions quickly fell into disuse, but beginning in the fourteenth century, Parliament began enacting statutes providing for qui tam actions.\(^{24}\) Their use proliferated, and soon there were statutes authorizing qui tam suits to, among other things, prevent regulatory officials from selling regulated products,\(^{25}\) enforce laws on the length of fairs,\(^{26}\) maintain price controls on the wages of laborers following the plague,\(^{27}\) prohibit cordwainers from acting as tanners,\(^{28}\) and limit the number of lawyers in Norwich, Norfolk, and Suffolk to fourteen.\(^{29}\) This quickly led to a roaring enforcement industry, characterized both by collusion between qui tam informants and defendants\(^{30}\) and professional informants, who by the time of Elizabeth I, were responsible for bringing around three-fourths of all qui tam actions.\(^{31}\) While the number of qui tam statutes passed declined during the seventeenth century,\(^{32}\) they

\(^{24}\) Id.
\(^{25}\) See *id.* at 567–68.
\(^{26}\) See *id.* at 568.
\(^{27}\) See *id.*
\(^{28}\) See *id.*
\(^{29}\) See *id.* at 570 n.151.
\(^{30}\) See *id.* at 574 (describing process whereby colluding informants would deliberately recover very little from the defendant in order to create a *res judicata* effect on future actions).
\(^{32}\) See Beck, *supra* note 3, at 590.
experienced a marked resurgence during the reign of George III, where they were used largely to target Catholic recusants and dissenters.\textsuperscript{33}

Such actions caused widespread resentment in England,\textsuperscript{34} eventually leading to the eventual abolition of the remaining qui tam statutes in 1951.\textsuperscript{35} Interestingly, part of the impetus seems to have been the concern that qui tam informants would bring suit against a planned “Festival of Britain” for violating the eighteenth century Sunday Observance Act.\textsuperscript{36}

The colonies also passed qui tam statutes, as did the first Congress.\textsuperscript{37} At present, four federal qui tam statutes exist: (1) the False Claims Act, allowing citizens to file suit against federal contractors for fraud against the government,\textsuperscript{38} (2) 25 U.S.C. § 201, authorizing qui tam actions for enforcing laws protecting Native Americans, (3) the Vessel Hull Design Protection Act, which provides a qui tam action for false marking with a hull design notice in language closely paralleling section 292\textsuperscript{39}, and (4) the patent false marking statute.\textsuperscript{40} Of these, the first is the most widely-used,\textsuperscript{41} and provides a variety of procedural safeguards that the patent false marking statute lacks:

the private plaintiff must bring the action in the name of the United States; the action can be dismissed only with the written consent of the court and the Attorney General, but may be dismissed without the consent of the private plaintiff; before serving the complaint on the defendant, the private plaintiff must file it with the court, in camera, and disclose substantially all of the material evidence to the government. Of particular importance, the right of the private plaintiff to any recovery in the action is strictly limited; and the government may elect to proceed with—and therefore conduct—the action, or decline to do so; but even if the government elects not to proceed with the action, it retains a significant role in the way the action is conducted.\textsuperscript{42}

Moreover, basic questions as to the nature of the qui tam action authorized in section 292 remain unclear. The legislative history accompanying the 1952 revision of the false marking law explicitly noted that the provision was criminal in nature,\textsuperscript{43} echoing

\begin{itemize}
  \item \textsuperscript{33}See id. at 591–93 &
  \item \textsuperscript{34}See id. at 577–579.
  \item \textsuperscript{35}See id. at 604–607.
  \item \textsuperscript{36}See id. at 604.
  \item \textsuperscript{38}See 31 U.S.C. § 3730(b) (2006).
  \item \textsuperscript{39}See 17 U.S.C. § 1326 (2006).
  \item \textsuperscript{40}See 35 U.S.C. § 292 (2006).
  \item \textsuperscript{41}See Pequignot v. Solo Cup Co., 2009 WL 874488, at *4 (E.D. Va. 2009).
  \item \textsuperscript{42}Stalley v. Methodist Healthcare, 517 F.3d 911, 917–18 (6th Cir. 2008) (citations omitted).
  \item \textsuperscript{43}S. Rep. No. 82-1979 (1952), reprinted in 1952 U.S.C.C.A.N. 2394, 2424.
\end{itemize}
earlier decision that had interpreted the former section 50 as criminal or “quasi criminal.” At least one post-1952 court, with the imprimatur of the Sixth Circuit, has adhered to this position.

Nevertheless, the weight of modern authority seems to be contrary to this position. A 1960 decision distinguished this earlier case, holding without much explanation that the statute imposed a civil penalty. More recently, the D.C. Circuit, in considering whether the double jeopardy clause applies to false marking actions, took the view that the false marking statute is penal, but not criminal. While noting the “conceptual difficulties posed by the ostensibly non-compensatory character of the penalty,” it interpreted the language in the committee reports seemingly classifying section 292 as a criminal provision as merely permitting enforcement through a fine.

The latest Federal Circuit decision on section 292 noted in a dictum that the fine imposed for false marking is a civil penalty, seemingly indicating that the question is settled. Nevertheless, as discussed below, the D.C. Circuit was right to flag the anomaly of a civil penalty that is non-compensatory. This fact militates against justifications for the false marking law that are based on compensating the plaintiff.

Without taking a position one way or another—the question of whether the false marking statute is civil or criminal is somewhat metaphysical—what is clear is that the false marking statute is really an atavism. Unlike the False Claims Act, which was amended in 1986, apparently after deliberation in Congress, to encourage qui tam actions, the false marking statute appears to simply be a holdover from a time when statutes authorizing qui tam actions were less unusual than they are today. Unlike the English qui tam statutes, which were eventually repealed due to the widespread perception that they were abused, or the False Claims Act, which was amended because of concerns about widespread fraud, the false marking statute does not appear to have malfunctioned to such an extent as to build up pressure for reform (either by discarding its qui tam nature, or by adding teeth). In fact, until very recently it appeared to be perfectly innocuous.


45 Schwebel v. Bothe, 40 F. 478, 478 (D.C. Mo. 1889).


49 Id.

50 See id. at n.10.

51 See Clontech Labs. v. Invitrogen Corp., 406 F.3d 1347, 1352 (Fed. Cir. 2005) (noting that the statute imposes a “civil fine for false marking.”)

52 See Beck, supra note 3, at 561–65 (describing debate in Congress, which featured participants pointing to instances where the Justice Department had failed to prosecute even after being presented with evidence of misconduct).
C. Dividing up offenses

It might be thought that the penalty of $500 “per offense” specified by the statute would soon add up to a tidy sum. A product for which 100,000 advertising handbills were printed out, each carrying a false mark, would result in damages of a cool $50 million.

Until recently, courts rejected that view. There are dicta as early as 1899 suggesting that “continuous markings” would result in only a single penalty.\(^{53}\) This continued to be the majority rule, with the Fifth Circuit noting in a 1971 case with refreshing candidness that a per article penalty would add up to a $17.5 million damage figure, and admitting that “a Court would find a way to prevent such a result.”\(^{54}\) Different courts used different measures, from adopting some sort of temporal division\(^ {55}\) to simply making up a figure.\(^ {56}\) It was rare, however, for courts to award more than a few times the $500 maximum.

This state of affairs changed drastically in December of 2009, with the Federal Circuit's decision in *The Forest Group v. Bon Tool*.\(^ {57}\) The case arose as an infringement suit against Bon Tool, alleging importation of improved stilts covered by the Forest Group’s patent.\(^ {58}\) Bon Tool counterclaimed, alleging that Forest had continued to mark its own stilts with the number of the patent-in-suit even after realizing that the stilts were not covered by the patent.\(^ {59}\) Forest had been involved in another suit involving the same patent, and on November 15, 2007, had lost on summary judgment after the court in that case found that the accused products in that case lacked a “resiliently lined yoke,” as required by the patent.\(^ {60}\) Bon Tool alleged that Forest’s own S2 stilts also lacked a “resiliently lined yoke” and therefore were not covered by the patent whose number they were marked with.\(^ {61}\)

The district court found for Bon Tool on both the infringement and false marking issues, but held that Forest had committed only a single offense of false marking by placing an order for the S2 stilts after November 15, 2007. It assessed a fine of only $500.\(^ {62}\)


\(^{54}\) Brose v. Sears, Roebuck & Co., 455 F.2d 763, 766 n.4 (5th Cir. 1972); see also Salder-Cisar, Inc. v. Commercial Sales Network, 786 F. Supp. 1287, 1296 (N.D. Ohio 1991) (awarding only $500).


\(^{57}\) The Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295 (Fed. Cir. 2009).

\(^{58}\) See id. at 1298.

\(^{59}\) See id. at 1299.

\(^{60}\) See id.

\(^{61}\) See id.

\(^{62}\) See id.
On appeal, the Federal Circuit reversed the district court’s determination of the number of false marking offenses. It held that the fine should properly be calculated on a per article basis, pointing to the statute’s references to “any unpatented article” and “every such offense.” While acknowledging that this result ran contrary to a century of rulings, the court argued that previous courts had not come to terms with the 1952 amendments to the false marking statute. Previous courts had shied away from imposing the fine on a per article basis because of the 1870 Patent Act’s minimum fine of $100, which would result in punitive awards where a large number of articles were falsely marked. This concern, according to the court, no longer existed with the new $500 maximum penalty. While noting that some courts had avoided the problem with a time-based division, the Bon Tool court argued that only a per-article fine was consistent with the text of the statute.

Realizing that the decision opened the door to truly gigantic damage awards in the case of mass-produced articles, the court was careful to include the caveat that “[i]n the case of inexpensive mass-produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty.” In other words, the court vested district courts with a vast amount of discretion in setting penalties without articulating even a bare-bones standard. While the court acknowledged that its decision might facilitate a surge of “marking trolls,” who would sue large corporations for false marking as soon as their patent expired, it argued that such a result was mandated by the text of the statute, and must therefore reflect Congress’s judgment that increased false marking suits are beneficial. As seen earlier, the surge of “marking trolls” appears to have materialized, but it is less certain that the efficiencies promised by the Federal Circuit have done so as well.

D. Expired Patents

Marking products with expired patents—that is, with a patent number that was once valid and that covered the article in question—presents another largely open question in false marking law. As late as 2002, Donald Chisum noted that “[t]here is little authority on whether continued use of a patent number on an article after expiration of the patent constitutes culpable mismarking.”

63 See id. at 1301.
64 See id.
65 See id. at 1301-02.
66 See id.
67 See id.
68 See id. at 1302.
69 See id. at 1304.
70 See id. at 1303. (“Congress’ interest in preventing false marking was so great that it enacted a statute which sought to encourage third parties to bring qui tam suits to enforce the statute.”)
71 For a criticism of the Federal Circuit’s public policy rationales, see Part IV-A, infra.
72 CHISUM ON PATENTS, § 20.03[7][c][vii] (2002).
The issue of expired patents, as noted in the Introduction, *supra*, has recently risen through some prominence due to the efforts of Matthew Pequignot, a patent attorney and a non-competitor, to sue a manufacturer of paper cups for marking the cups with expired patents.\(^73\) The Eastern District of Virginia denied the manufacturer’s motion to dismiss, rejecting the idea that the Federal Circuit’s decision in *Arcadia Machine & Tool v. Sturm, Ruger & Co.*\(^74\) stood for the proposition that marking with an expired mark cannot constitute false marking. Instead, it read *Arcadia* as simply finding that the plaintiff had failed to produce any evidence of intent to deceive the public.\(^75\)

This reading is not necessarily airtight. In discussing the evidence, the court in *Arcadia* noted that “whatever errors appeared in the labels were inadvertent, the result of oversight, or caused by patent expirations.”\(^76\) This implies that certain errors were neither inadvertent nor the result of oversight, and yet that evidence was not sufficient to show intent to deceive the public, simply because those errors were caused by patent expirations.

The court’s reading of *FMC Corp. v. Control Solutions, Inc.*\(^77\) is also questionable. While the court claims that the result of that case rested on the “absence of any evidence in the record demonstrating bad faith,”\(^78\) the *FMC* court in reality appears to stake out a bolder position. After noting that little case law exists on the subject, the court declares that it can find “no reason why FMC may not display its patent number to inform the public of where to acquire the informational and teaching quid pro quo that underlies the granting of patent protection.”\(^79\) The court’s language suggests that this is a separate ground from the fact that the defendant was not shown to have acted with the purpose of deceiving the public.

The *Arcadia* court then mounts an exegesis of the term “unpatented article” in the statute, holding that this category encompasses articles for which the patents have expired.\(^80\) But while reading “unpatented” narrowly to exclude articles for which the patents have expired is a plausible interpretation of the term’s ordinary meaning and its use in the case law, it is by no means the only one suggested by the legal materials.

The Supreme Court case cited by the court deals with an article that fell foul of a statutory bar,\(^81\) and only notes in passing that it “stands in the same stead as an item for which a patent has expired or been denied.”\(^82\) The Sixth Circuit case includes a qualifier:

\(^74\) 786 F.2d 1124 (Fed. Cir. 1986).
\(^75\) *See Pequignot*, 540 F. Supp. 2d at 651.
\(^76\) *Arcadia*, 786 F.2d at 1125 (emphasis added).
\(^78\) *Pequignot*, 540 F. Supp. 2d at 651.
\(^79\) *FMC*, 259 F. Supp. 2d at 584.
\(^80\) *Pequignot*, 540 F. Supp. 2d at 652–53.
\(^82\) *Id.*
“the invention thereby becomes, for all purposes, an unpatented device.” 83 Neither case deals with the interpretation of “unpatented” in the false marking statute, and there is ample reason to believe that the meaning of the term “unpatented” in that statute differs from its ordinary language meaning.

If the term “unpatented” in section 292 merely meant what it does in ordinary language (even the ordinary language of other areas of patent law), then an article that was covered under any patent would not be “unpatented.” It follows that such an article would be impervious to a false marking suit even if it was marked with a different patent that did not cover the article. Not only is this result absurd, it also conflicts with the gloss the Federal Circuit has put on the term. 84

Such an interpretation is also in tension with the long-standing rule that section 292 and its predecessor are penal in nature, and therefore must be strictly construed. 85

Finally, the legislative history also militates against reading “unpatented article” to cover articles whose patents have expired. Congress considered and rejected a proposal to replace the term “unpatented article” with the phrase “any article . . . not at the time secured by a patent.” 86 The latter wording would clearly have excluded articles whose patents had expired, and Congress declined to adopt language that would unambiguously bring such articles within the purview of section 292.

None of these arguments are conclusive, or even necessarily superior to the ones the court gives. But they do suggest that the correct interpretation of the term is not certain, and they give courts room to choose which of the multiple readings is most consistent with public policy. What such a reading would look like is discussed below.

E. International approaches to false marking

False marking law, perhaps surprisingly, does not appear to have been harmonized either among European Union countries or worldwide. Nevertheless, surveying the false marking statutes of various countries, both similarities and differences emerge.

In the United Kingdom, marking a patented article with the word "patented" does not create constructive notice unless it is marked with the patent number. 87 The law dealing with false marking itself is straightforward. The offense consists falsely

83 Prestole Corp. v. Tinnerman Prods., 271 F.2d 146, 155 (6th Cir. 1959).
84 Clontech Labs. V. Invitrogen, 406 F.3d 1347, 1352 (Fed. Cir. 2005) (“When the statute refers to an ‘unpatented article’ the statute means that the article in question is not covered by at least one claim of each patent with which the article is marked.”)
87 See Patents Act, 1977, c. 37, § 62(1).
representing that a product that “disposed . . . for value” is patented.\textsuperscript{88} Stamping a product with the words “patent” or “patented” is taken to constitute such a representation.\textsuperscript{89} The fine is set at level 3 on the standard scale, which works out to £1,000.\textsuperscript{90} Explicit provision is made for patents that have expired.\textsuperscript{91} The law provides a grace period of a length “reasonably sufficient” to not continue to make the representation.\textsuperscript{92} It also provides a defense of due diligence.\textsuperscript{93}

In contrast, German patent law contains no requirement that patented articles be marked in order to collect damages.\textsuperscript{94} Indeed, the only provision dealing with patent marking in the Patent Law provides that anyone who marks the packaging of an article or uses a patent mark in advertising is required to give information on the patent to anyone who has “a legitimate interest in knowing the legal position.”\textsuperscript{95} False patent marking itself is regulated by the Act Against Unfair Competition, which regulates a much broader range of activities than the unfair competition laws in the United States.\textsuperscript{96} False patent marking is treated as a subset of false advertising.\textsuperscript{97}

These approaches are almost polar opposites, with U.S. law falling closer to the British end of the spectrum. Nevertheless, in one respect, U.S. law is even more extreme: it does not provide a grace period following the expiration of a patent to allow the manufacturer to remove the patent mark. Indeed, I have been unable to find any other countries that take this approach.

III. An Economic Exploration of False Advertising Law and Regulation

A. The Federal Circuit’s economic theory of false marking law

In Clontech, the Federal Circuit invoked economic language in attempting to provide a justification for false marking law:

\begin{quote}
\textit{Lear} articulates federal patent policy, recognizing an “important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.” That interest is clearly injured by false marking because
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\item \textsuperscript{88} See Patents Act, 1977, c.37, § 110(1).
\item \textsuperscript{89} See Patents Act, 1977, c.37, § 110(2).
\item \textsuperscript{90} See Patents Act, 1977, c.37, § 110(2); Criminal Justice Act, 1991, c.53, § 17(1).
\item \textsuperscript{91} See Patents Act, 1977, c.37, § 110(3).
\item \textsuperscript{92} INTELLECTUAL PROPERTY OFFICE, MANUAL OF PATENT PRACTICE, Patents Act 1977 – Section 110 (2009).
\item \textsuperscript{93} See Patents Act, 1977, c.37, § 110(4).
\item \textsuperscript{94} See Patentgesetz [Patent Act], Dec. 16, 1980 BGBl. I at 1, § 139 (F.R.G.).
\item \textsuperscript{95} Id. at § 146.
\item \textsuperscript{96} See Gesetz gegen den unlauteren Wettbewerb [UWG, Act Against Unfair Competition], July 3, 2004 BGBl. I at 1414.
\item \textsuperscript{97} Id. at § 5 (covering false advertising, including false information on intellectual property rights).
\end{itemize}
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the act of false marking misleads the public into believing that a patentee controls the article in question (as well as like articles), externalizes the risk of error in the determination, placing it on the public rather than the manufacturer or seller of the article, and increases the cost to the public of ascertaining whether a patentee in fact controls the intellectual property embodied in an article.98

The court continues:

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.99

Similar arguments were advanced by the Bon Tool court.100 As noted earlier, that court argued that the creation of “marking trolls” was actually a feature, not a bug, since a per-offense penalty would “not provide sufficient financial motivation for plaintiffs.”101 Indeed, “Congress’s interest in preventing false marking was so great that it enacted a statute which sought to encourage third parties to bring qui tam suits to enforce the statute.”102 This article argued earlier that the statute was not, in fact, a result of Congress’s considered estimation of the costs of false marking, but rather an atavistic holdover that Congress had simply failed to revisit.103 But does false marking really result in such high costs?

What is striking here is the lack of any real economic analysis in the Federal Circuit decisions, despite the presence of economistic jargon like "costs" and "externalizes." The court correctly points out that in a world without false marking law, the manufacturer externalizes cost of determining whether a patent mark is genuine, but neglects the fact that all externalities are reciprocal. The cost of correctly determining whether a given article falls within the ambit of a given patent must be borne by someone, and the court does not attempt to show that this cost is lower for the manufacturer of the article than for potential competitors.

In fact, if it is really an important federal patent policy that a potential competitor not bear the cost of determining whether their articles violate a given patent, then it seems that the patent law does a remarkably bad job of implementing it. It presumes

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99 Id. at 1357 n.6.
100 See Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295, 1302-1303 (Fed. Cir. 2009).
101 Id. at 1304.
102 Id. at 1303.
103 See Roberts, supra note 4 (noting that the courts have consistently attempted to restrict the operation of qui tam suits).
constructive notice when a patented article is marked, even when the infringer has never come upon one of the patented articles. (And if the patent claim in question covers a method, she won’t.) It also imposes no penalty for article that were manufactured and marked before the patent expired, but which might still reach the notice of potential competitors (who thus cannot be sure that the article is still patented, but will not be able to recover from the patentee if it is).

Moreover, forcing the manufacturer to determine whether the marked patent reads on the article in question only saves the potential competitor from the effort of determining whether that article falls under the marked patent, and not the entire set of articles that the patent would read on. In other words, there is a disparity in the standards required of the manufacturer and the potential competitor. This disparity means that only part of the risk is internalized: the potential competitor must still determine whether some other variation on the article would fall within the patent.

In addition, it requires only that a patentee be objectively reckless in order for the court to impose treble damages for willfulness, but calls for a showing of knowledge in order to impose liability under the false marking statute. This means that the potential competitor cannot rely on the fact that the manufacturer of the marked article has undertaken as diligent an examination as she, the competitor, would be required to in order to avoid treble damages. This disparity effectively means that both parties will have to undertake examinations, since they are held to different standards.

Finally, and perhaps most importantly, the false marking statute is non-compensatory, and this seems clearly inconsistent with any goal of internalizing the risk of error in determining whether an article falls under a given patent. Any fixed amount of damages would only match the external costs imposed by chance; otherwise it would cause the false marker either to over-invest in determining whether the article falls under the patents in question, or to under-invest. This is so because false marking does not constitute a defense to an infringement suit.

It is possible to imagine what a system that was concerned about externalizing the risk of a mistake with respect to the status of a patented item. Such a system would lack the concept of constructive notice, and instead require that in order for a patentee to obtain damages, the infringer had actual notice that their product infringed various patents.

The actual rule, of course, is that patent infringement is does not require actual notice. It isn’t difficult to figure out what the result of a rule requiring actual notice would be: potential infringers would not invest any time or energy in figuring out whether their product infringed any patents, and indeed, they would try to actively avoid coming upon such information. This is an example of the paradox of compensation, a common feature of situations involving externalities. Efficient precaution can only be achieved by having

104 In re Seagate
105 See supra, Part
106 See Republic Molding Corp. v. B.W. Photo Utilities, 319 F.2d 347, 349–51 (9th Cir. 1963)
each party bear the risk of mistake; when, as here, one party is forced to internalize that risk, the other party will not take the efficient level of precaution.107

To see what sort of theory, if any, can justify false marking law requires a more sophisticated model, which we turn to next.

B. False marking and false advertising

The subject of false marking closely parallels that of false advertising. Indeed, the false marking statute explicitly addresses uses in advertising.108 Moreover, false marking seems closely related to various types of false advertising regulated by federal law. The National Stamping Act regulates the stamping of gold and silver alloys with wording indicating a degree of fineness greater than the actual fineness, subject to certain tolerance limits.109 Cigarettes are required to be labeled with warnings from the Surgeon General.110 Advertising falsely suggesting that an institution is associated with the Federal Reserve System, the National Credit Union Administration, the Department of Housing and Urban Development, the Federal Bureau of Investigation, and several other identities is also proscribed.111

Moreover, false advertising is also extensively regulated by the Federal Trade Commission, an administrative entity. Its authority stems from Section 5 of the FTC Act, which was amended in 1938 to prohibit “unfair or deceptive acts or practices.”112 The penalty for deceptive advertising is merely a cease-and-desist order, plus of course the litigation costs and the negative publicity associated with that litigation.113

In contrast, the common law was considerably less favorable to false advertising claims. At common law, the tort of misrepresentation comes closest to offering remedies for false advertising to members of the public (i.e., non-competitors). To show misrepresentation, the plaintiff not only had to show that the defendant intended to deceive, but also had to show that the misrepresentation was material, and that he or she had justifiably relied upon it.114 Not only is this a fairly difficult showing, but the amount

107 See ROBERT COOTER, ECONOMIC ANALYSIS OF THE LAW 44–51 (Donald A. Wittman, ed.).
of damages are likely to be small, since no one plaintiff is likely to suffer much from misrepresentation by a given company.

Moreover, the common law did not allow competitors to sue on behalf of misled customers either. In a competitive industry, no company would lose a significant amount from misleading advertising by its competitors. However, the common law did provide a remedy against “passing off” one’s goods as another’s.

In their exploration of the economic rationale behind the law of false advertising, Ellen Jordan and Paul Rubin adopt a threefold classification of goods, building upon Phillip Nelson’s influential papers on non-informational advertising. In this scheme, goods are either search goods, where customers can judge the relevant characteristics before they buy the good, experience goods, where the good must be tried out after it is bought, and credence goods, where the seller cannot tell whether the product lives up to its advertisement even after consuming it. Search goods include posters, eating utensils, or sports memorabilia. Experience goods range from cartons of eggs to movie DVDs to meals at restaurants. Finally, credence goods cover items like foods that contain trans fats or (to use one of Jordan and Rubin’s examples) unnecessary car repairs. Moreover, there are likely to be goods that, sold individually, constitute credence goods, but which are experience goods in the aggregate. As a consumer buys more and more goods from the same source, the probability that they will find out that the advertiser’s claims about one of the goods is false increases.

One wouldn’t expect much deceptive advertising of search goods, since they can be evaluated before being bought. Deceptive advertising is likely to be more common among experience and credence goods—and indeed, this seems to be the case. Somewhat surprisingly, however, there is reason to believe that deceptive advertising of certain types of experience goods may not be particularly harmful.

This conclusion is suggested by an influential strain of thought that treats advertising as a form of signaling. This school, exemplified by Nelson, points out that

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116 See id. at 531.
117 See 87 C.J.S. Trade-Marks, Etc. § 19.
120 See id. at 531 n.17.
121 See id.
122 See Nelson, Advertising as Information, supra note 86, at 750 (noting that all the advertisements found deceptive by the FTC over the first part of 1965 were deceptive as to experience qualities).
in the absence of strong penalties for misrepresentation, there is little incentive for consumers to trust informative advertising. However, consumers can still evaluate the levels of advertising chosen by producers. This is useful if the amount a producer advertises is linked to the quality of the product.

This linkage stems from the fact that the value of the initial sale is higher to sellers of high-quality goods. For an experience good, like a packet of potato chips, a consumer will be able to evaluate the product after buying it. If the chips are high-quality, then they are more likely to make a repeat purchase, but if they aren’t, they’re unlikely to purchase any more. Under Nelson’s approach, firms selling high-quality products will spend more on advertising than firms selling low-quality products to attract the initial sale.

This approach not only explains how consumers might evaluate product quality in the absence of strict laws forbidding misrepresentation, but also provides an explanation for non-informative advertising. While most of the advertisements for search goods will probably be informative, we should expect non-informative advertising to be prevalent among experience goods. And this is what we do see.

The introduction of legal remedies affects the amount of misrepresentation. In the absence of any legal policing of advertising, consumers will not trust advertising, and thus, there is no incentive to misrepresent one’s products. As legal remedies are introduced, consumers will place some level of trust in advertisements and producers will have an incentive to misrepresent their products: in particular, as explained above, the experience and credence qualities of their products. Finally, at extremely high levels of enforcement, there would be no misrepresentation.

However, recall that experience goods are being advertised not for their characteristics, but for the very fact that they are being advertised. This leads to the conclusion that deceptive advertising of experience goods is not particularly harmful,

_of Product Quality_, 94 J. Pol. Econ. 796 (1986) (creating a formal model based on Nelson’s papers that incorporates signaling through both pricing and advertising).  

There are also other methods for judging quality in the absence of high levels of accuracy in advertising. Buyers can rely on intermediaries, like department stores, who have a high incentive to provide reliable information, given the fact that they sell a wide array of products.

See Nelson, _Advertising as Information_, supra note 86, at 741; Mark W. Nichols, _Advertising and Quality in the U.S. Market for Automobiles_, 64 S. Econ. J. 922 (1998) (finding strong correlation between non-informational advertising outlays and quality consistent with signaling hypothesis in market for cars).

There will still be some misleading advertising of search products, both because of there may be a nonzero cost that the consumer must pay before they can find out that there is a discrepancy between the advertised product and the actual product, and because some characteristics can’t be advertised. See Nelson, _Advertising as Information_, supra note 86, at 730.
since consumers misled into buying by extensive deceptive advertising are simply doing what they should do even if they weren’t misled!127

The argument just laid out suggests a classification of goods along another axis: price. For extremely cheap goods, consumers would be willing to buy a single good to test out the product, and cease buying if it turns out to be a dud.128 Nelson’s conclusions, which depend on the value of subsequent sales to suppliers of high-quality goods, would then come into play. On the other hand, in the case of very expensive goods, the cost to a single consumer from a falsely advertised good may well be high enough that they will have incentive enough to pursue a legal action for misrepresentation.129 It is in the mushy middle where you would expect problems to arise.130 And empirical evidence bears this out, indicating that consumers do behave as Nelson’s model predicts.131

C. Legal Regulation of False Advertising

Today, legal restrictions on false advertising are largely enforced either through the Federal Trade Commission, or through competitor suits under the Lanham Act. The success of these efforts has been widely commented on.

The FTC’s enforcement of false advertising law during the 1960’s was subject to heavy criticism. Richard Posner, writing in 1973, found that only 3–11% of the cases taken on by the FTC were appropriate.132 Posner’s book, which also examined areas like textile labeling that are arguably more similar to patent marking, argued along similar lines to the previous section that market mechanisms and reputation successfully regulated a large portion of misleading advertising.

Furthermore, stricter regulation by the FTC could act as a barrier to entry to smaller firms.133 For instance, Richard Higgins and Fred McChesney point out that if the costs of reaching the necessary level of accuracy (set by the FTC) are fixed costs, independent of the firm’s output, raising accuracy standards will result in marginal firms

127 See Nelson, Advertising as Information, supra note 86, at 751.
128 See id. at 529–530.
129 See id. at 530.
130 See id.
132 See RICHARD A. POSNER, REGULATION OF ADVERTISING BY THE FTC 18 (1973). The details of Posner’s methodology might be subject to dispute—for example, he classifies product safety cases as inappropriate, since these are subject to tort suits—but the subject is beyond the scope of this article.
133 See Jordan & Rubin, supra note 115, at 532.
exiting the market, while simultaneously creating rents for inframarginal firms.\textsuperscript{134} These inframarginal firms are likely to be firms with large market shares, who can spread the increased cost of compliance across their larger output.\textsuperscript{135} The empirical evidence they marshal does seem to indicate that larger firms were the beneficiaries (at the expense of smaller firms) of the FTC’s “advertising substantiation” doctrine, which required that firms have the burden of showing a reasonable basis for an advertising claim.\textsuperscript{136} This suggests that some segments of the regulated advertising industry might, in fact, be the beneficiaries of the regulations, and raises the possibility that they may push for inefficiently high levels of accuracy.

In later years, the FTC apparently took this criticism to heart, and remodeled its enforcement to more closely match the model suggested by the economics of information.\textsuperscript{137} An examination of 138 FTC proceedings from July 1978 to June 1988 found that 89\% of the cases either involved relatively expensive experience goods or credence goods: exactly the area where Nelson’s model predicts an FTC remedy would be appropriate.\textsuperscript{138}

An alternative means for policing false advertising was introduced by Section 43(a) of the Lanham Act, which seeks to lower the barriers to competitor lawsuits for false advertising.\textsuperscript{139} Competitor suits under the Lanham Act differ from the common law tort of misrepresentation in several respects: while it requires that the advertising be commercial, factual, disseminated to the public, and false (or in some cases, merely unsubstantiated), it drops the requirement that a particular plaintiff show that she was misled and justifiably relied on the false advertisement.\textsuperscript{140}

There is evidence that false advertising lawsuits under the Lanham Act perform worse on a variety of metrics compared to FTC regulation. First, only about seventy percent of a sample of Lanham Act lawsuits examined by Ross D. Petty challenged credence claims or expensive goods that were advertised for experience characteristics—and of these, the plaintiff only won in two-thirds of the cases.\textsuperscript{141} In other words, less than half the cases benefitted plaintiffs, if one believes that false advertising for search claims

\textsuperscript{134} See id. at 155.
\textsuperscript{135} See id.
\textsuperscript{136} See id. at 157–63.
\textsuperscript{139} See 15 U.S.C. § 1125(a).
\textsuperscript{140} See Ivan L. Preston, \textit{The Definition of Deceptiveness in Advertising and Other Commercial Speech}, 39 CATH. U. L. REV. 1035, 1049 (1990). Some courts have held that harm to consumers is presumed if the deception is willful. See, e.g., Porous Media Corp. v. Pall Corp., 110 F.3d 1329 (8th Cir. 1997); Resource Developers, Inc. v. Statue of Liberty-Ellis Island Foundation, 926 F.2d 134 (2d Cir. 1991).
or inexpensive experience goods is, in general, useless. By contrast, around ninety percent of FTC cases targeted credence claims or expensive experience goods, and the FTC prevailed in virtually all of them.\textsuperscript{142} Indeed, over half of the FTC cases dealt with credence claims, while only sixteen percent of Lanham Act cases did.\textsuperscript{143}

More worryingly, Lanham Act cases are more likely to act as barriers to entry. Twenty-five percent of the decisions examined by Professor Petty involved suits by large firms against new entrants or smaller firms, where there was little risk of significant consumer injury.\textsuperscript{144} Four percent of cases were brought by trade associations, where the plaintiff firms can reduce their individual costs while concentrating the defense costs on one single competitor.\textsuperscript{145} The poorly targeted and sometimes anticompetitive nature of these suits is probably what has singled them out for especial criticism.\textsuperscript{146}

In sum, while there are reasons to criticize past FTC enforcement of false advertising law, it seems to perform far better than suits by third parties. Inefficiently generous false advertising remedies encourage the targeting of non-harmful advertising, chill truthful advertising, and may be used by established firms to exclude new entrants. The fact that the FTC has shown itself cognizant of these risks is further reason to be skeptical of attempts to reduce the barriers to enforcement by third-party suits.

D. Application to False Marking

The application of the principles stated above to false marking might not be obvious. After all, patent marks are not (just) advertisements: they are legally presumed to provide notice just by virtue of the words and numbers used, while in the case of advertising, the law is generally only concerned with the way consumers and firms respond to the advertisement. Nevertheless, many of the concepts underlying the law of false advertising can be imported into the law of false marking.

First, a consumer or competitor’s response to a patent mark depends on the extent to which that mark is credible, which itself is a function of the legal framework. To the extent that the correctness of patent marks isn’t legally enforced, consumers will rely on other means to decide whether a given product is patented. Secondly, it is likely that the optimal level of enforcement will leave some false marking unpunished. The enforcement of correctness in patent marks has costs of its own: the cost of the legal proceedings, the risk that patentees will spend an inefficient amount of resources trying to verify that their product is marked properly, and the possibility that the law will be used as a barrier to

\textsuperscript{142} See id.
\textsuperscript{143} See id.
\textsuperscript{144} See id. at 383.
\textsuperscript{145} See id.
entry, among others. Finally, private rights of action have the potential to be wasteful in comparison with properly targeted enforcement by an administrative body.

To draw out the points of comparison between false advertising law and the law of false marking, it’s necessary to look at the reasons why a manufacturer might falsely mark. One immediate reason—and the only one relevant to consumers, as opposed to competitors—is that a patent mark is an advertisement, and firms use them to induce consumers to buy the product. A firm would use a false mark for the same reason that any firm would falsely advertise.

There are several potential reasons why a consumer might be more likely to buy a patented product. They might believe that a patent, to some extent, is an endorsement of the quality of the product. Alternatively, they might view a patent as Nelson suggests consumers view advertising of experience goods: the fact that the company invested in a patent is a way of signaling to consumers that the product in question is of high quality.

The former reason is problematic because although patents must disclose some utility in order to be granted, this bar is extremely low. Many patents are granted on inventions whose claims to actually work are extremely dubious, from baldness treatments consisting of the application of Dead Sea mud to spaceships powered by the propagation of a “gravitomagnetic field.” It thus seems unlikely that consumers are using the Patent Office as a sort of ersatz Consumer Reports.

The second reason may be closer to the mark. Nevertheless, there are a few reasons to be skeptical. First, this reason would in theory apply to foreign patents as well as American ones, but in fact, the statute only applies to U.S. patents. In addition, this reason would suggest that it would be more effective to mark a product with multiple patents than with a single one, and the law should prohibit a mixture of false and true marks. The rule is that marking with extra patents that do not cover the article does not constitute false marking, if some of the marked patents do cover the article in question. Nevertheless, the average cost of obtaining a patent ranges from $5,000 to $25,000 and it’s quite possible that this could be interpreted as a guarantee of quality.

Since in most cases, consumers aren’t in a position to look up a patent and judge whether it’s valid and covers the article in question, a false mark is probably a credence characteristic. Nevertheless, as argued above, this does not necessarily mean that regulation of false marking is justified. If there is no legal regulation of false marking, then consumers will be skeptical of claims by firms that their product is patented. This is unlikely to harm the firms, since the patent here is only being used as a means by which the firm signals its investment in the product, and that can be done just as easily

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149 See Santa Anita Mfg. Corp. v. Lugash, 369 F.2d 964, 968 (9th Cir. 1966) (finding that, regardless of patentee’s intent, marking with two patent numbers where one did not cover article did not constitute false marking).
through other methods of advertising—like, for instance, paying a celebrity $5,000 to $25,000 to endorse the product.

Additionally, a false patent mark could be used to mislead a potential competitor. In this case, of course, the mark isn’t being used to induce the competitor to buy the product, but rather to not produce a competing product.

There is some merit to this, since in general, the patentee is probably able to determine whether their patent covers the product they manufacture at lower cost than any particular competitor. But, as argued earlier, the law of marking and false marking is not structured so as to force the patentee to bear all the costs of determining whether a marked patent is correct. Any potential competitor still has to make their own determination of the metes and bounds of the claims and the validity of the patent.

Importantly, the cost of this verification has dropped precipitously. Any theory of false marking that seeks to invoke costs and benefits must take into account changes in those costs and benefits as a result of technology. And today, patents can be looked up at virtually no cost on the Internet. If the penalties for false marking were correct when they were set in 1952 were correct then, they are likely too high now.

Moreover, a false patent mark is not just a cost: patent marks, even if false, can still provide information. As noted, competitors can pull up a patent document at very low cost and determine the expiration date and assignee. One can easily imagine a company that manufactures a series of related products, each covered by a different combination out of a long list of patents. It might be optimal for both the patentee and any potential competitors to simply mark every product with all the patent numbers at issue (all the while knowing that some of the products aren’t covered by some of the patents, and thus fulfilling the law’s scienter requirement), since a competitor is probably interested in the scope of all the patents, and not just the ones that cover one of the specific product varieties. While this would be actionable under the statute, it would not be inefficient.

One subset of these cases might seem especially pernicious: marking products with a valid patent that covers the product, but which is assigned to another party that does not approve of the marking. The drafters of the false marking statute were apparently concerned enough about this that the first clause of the statute explicitly forbids it. The practice might be seen as a parallel to the common law tort of “passing off,” which Jordan and Rubin argue was justified due to the fact that the identity of the producer of a good is a prototypical example of a credence characteristic.

But this type of “passing off” does not seem to be as harmful in the case of false marking. We can think of the cases as falling into three categories. If a firm marks their own product with a patent owned by another firm that does not cover the product, then the analysis is the same as the one given above for marking with patents that do not cover


\[152 \text{ See Jordan & Rubin, supra note 115, at 538.}\]
the article in question. On the other hand, if a firm marks a product with another firm’s patent, and the product is covered by the patent, then the firm can simply bring an action for patent infringement, and there is no need for the much less generous false marking remedy. And finally, if a firm buys products from another firm, marks it with the other firm’s patent (which covers the product in question) and proceeds to resell it, it’s true that the other firm won’t be able to sue for patent infringement, since their rights will have been exhausted. But in this case, it’s hard to see where the harm is.

In short, a case for enforcement through false marking law can be made where it is clearly more costly for a competitor to determine whether a product is covered by a given patent than it is for a patentee to do so. This might be the case, for instance, where chemical assays or other hard-to-perform tests are required to find out whether a product falls within the claims. But false marking law is currently far broader than this: it gives non-competitors a right of action, prohibits marking with another patentee’s patent number, and requires no showing that the plaintiff relied upon the false mark. These problems, however, were mitigated by the lax enforcement mechanism.

E. Expired patents

Statutory revisions to the false marking statute are discussed below, but it’s worth considering how the considerations highlighted above bear on the issue of expired patents, which is before the courts right now in the Pequignot cases. As argued above, the standard legal materials don’t foreclose a finding that continuing to mark products with expired patents falls under the false marking statute. The statute already has a non-literal gloss upon it, legislative history and precedent militate against the reading, and the statute has traditionally been interpreted strictly.

The argument laid out above provides another strong reason: the expiration date of a patent is a clear example of a search characteristic, which any interested competitor can easily verify. All the factors militate against holding that marking with an expired patent violates the false marking statute. Looking up the marked patent and noting that it has expired is easy and cheap, since it only requires looking at the filing date (or, for older patents, the date of issue), and does not call for any further legal or factual determination. It is quite possible that this is cheaper for competitors than it is for the patentee to monitor their patents for expiration, and perhaps make changes in their manufacturing process to prevent further articles from being marked. And finally, the mark actually provides useful information: it directs competitors to a patent that discloses the invention in question without requiring them to seek out the patent independently or try to analyze the article directly.

In passing, this also suggests that instituting a requirement (analogous to the one in the false marking statute before 1927) that requires the date of issue of the patent to be included in the patent mark might be an improvement.

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F. Stiffer Penalties or an Administrative Regulatory Apparatus?

As mentioned above, false marking cases were, until recently, quite rare, with very little case law at the appellate level. One reason for this might have been that, if my argument is correct, there probably is not a lot of false marking going on. Another reason, however, was the fact that the damages are so low. Given the narrowness with which courts have interpreted what constitutes multiple offenses, plaintiffs weren’t likely to get more than $250—a few times that at most. This almost never made it worth the legal costs to pursue a false marking case. Under the argument here, this might well be a feature, not a bug, and the Bon Tool court’s decision to upset this regime was a mistake. A third, much more straightforward reason, is that until 2009, plaintiffs never realized how useful the false marking statute might be to them.

However, the argument above concedes that harmful false marking exists. To the extent that it makes sense to stop some of it, we might ask what the most efficient ways of doing so are. The most obvious way to do so would be to increase the damage award, or to interpret the statute as imposing a per article penalty. This was apparently the motivation behind the Bon Tool decision. As described above, the court, apparently worried about the costs of false marking, took the latter approach, but tempered its holding by allowing the district court to assess damages at very low levels per offense for mass-produced articles. The result is a shocking lack of predictability in damage awards for false marking, in which district courts are given great latitude but little guidance in setting damage awards. There is little evidence that the resulting glut of false marking suits are targeted at the most harmful types of false marking.

A similar, but more reasoned approach has been suggested by Professor Elizabeth Winston. While Professor Winston agrees that a per-offense penalty would lead to a deluge of false marking suits, many of little merit, she still believes the false marking statute is under-utilized, and advocates interpreting the statute in such a way as to make false marking suits easier to bring. Her proposal consists of retaining the Bon Tool court’s per-offense penalty, but tempering it with three other considerations. First, the per-offense penalty should be reduced if there was little or no actual deception of the public, even if the defendant intended to deceive. Second, the award should take into account the materiality of the marking on customers’ purchasing decisions. Professor Winston concedes that materiality would be difficult to show, but suggests that it could be done through economic studies or looking to whether the mark has been placed on an item in a “bright eye-catching color.” Finally, the court should look to the impact on the marker’s competitors. For all these factors, intent would be presumed if the marker acted with objective recklessness, and the marker would bear the burden of showing a

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155 See id. at 137-148.
156 See id. at 144.
157 See id. at 144-45.
158 See id. at 146.
159 See id.
160 See id. at 147-48.
lack of intent. While Professor Winston wishes to emphasize the penal nature of the statute, flipping the burden of showing scienter is rare among penal statutes.

Professor Winston wrote only shortly after the *Bon Tool* decision was announced, and her suggestions may not fully reflect the changed landscape resulting from that decision. For instance, she criticizes the cacophony of formulas used by courts to calculate the false marking penalty, described above in Part II-C, but this disagreement has presumably been resolved by *Bon Tool*. The main problem with the statute, as she sees it, is that courts have “limited the statute’s punitive effect” and “all but read the statute into non-existence.” As a result, the statute is underutilized. While Professor Winston’s proposal is more favorable to patentees than the status quo, her concerns about underutilization may be less salient as false marking suits have jumped two orders of magnitude in a single year.

The considerations laid out earlier indicate why these proposals to shift the field in favor of false marking plaintiffs are inadvisable. The false marking statute imposes no requirement that causation be shown, nor is it compensatory. There is no reason to believe that the $500 fine is anywhere near the right amount, and, even if it was when the statute was amended in 1952, changes in technology mean it almost certainly isn’t today. Moreover, as argued above, many types of activities prohibited by the false marking statute aren’t harmful—and indeed, the very lack of enforcement creates a beneficial skepticism among consumers. If penalties were raised so as to put real money at issue, then it might well create an inefficient amount of enforcement, as the data show Lanham Act suits have.

Furthermore, the qui tam nature of the statute creates further problems. As shown earlier, these statutes were unpopular and eventually abolished in England (and nearly abolished in this country), both because they provided incorrect incentives to private litigants, and because they resulted in a lively secondary industry devoted to rent seeking. This is especially dangerous in the case of the patent false marking statute, since it lacks the procedural safeguards of the False Claims Act and gives the government no choice in whether a suit is brought in a particular case.

In spite of the *Bon Tool* court’s invocation of Congress’s intent in justifying their decision, the most recent patent reform proposals before Congress have sought to shift the law in exactly the opposite direction. They would limit the right to file a false marking claim to individuals who have “suffered a competitive injury,” and eliminate standing for false marking plaintiffs who have already filed. It is telling that there is little pressure for Congress to liberalize false marking law, and further evidence that the idiosyncratic nature of the false marking statute is a sign that it is a holdover.

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161 See id. at 116.
162 See id. at 141-42.
163 Id. at 115-16.
164 See id. at 135.
166 See id. § 146(k)(1)-(2).
Were Congress to revisit the false marking statute, instead of simply restoring the pre-Clontech and Bon Tool state of affairs, a better solution would be to simply grant the FTC the power to enforce the statute, either through cease-and-desist letters (as in false advertising), or through the ability to set fines. This sort of simple, administrative remedy would bring the U.S. into line with the UK and most Anglophone countries. Furthermore, evidence from false advertising law suggests that the FTC takes into account lessons from the economics of information in making its enforcement decisions, and is thus more likely to focus its enforcement in the subset of cases identified, where it is cheaper for the patentee to verify the accuracy of their marks.

IV. Conclusion

The false marking statute has weathered the past 167 years in relative obscurity, sparingly modified and rarely litigated—until today. The recent upsurge in suits by plaintiffs is forcing the courts to confront the question of whether the legal doctrines in the area need to be changed, and if so, in which direction. The Federal Circuit has signaled that it sees the false marking penalty as a sort of Pigovian tax, collected by the courts (on the instigation of private plaintiffs) to force patentees to internalize the externalities they are imposing on consumers and competitors.

This note has challenged that view, on the grounds that the false marking statute provides a mechanism remarkably ill-suited to that sort of project. Instead, it has argued that the economics of information—and in particular, its treatment of false advertising—provides a better model for understanding false marking law, which takes into account the behavior of consumers and competitors in response to enforcement and the institutional realities of courts and private lawsuits as enforcement mechanisms. In particular, recent moves to bolster false marking suits over expired patents or to provide a penalty per article are argued to be unwise. On the contrary, technology-driven changes in the ease of checking patents militate in favor of dampening false marking suits.

While Matthew Pequignot’s idiosyncratic quest to inject life into the false marking statute may be misguided, it has focused welcome attention on perhaps the most atavistic provision in American patent law during a time when patent reform is again in the air. The way is open to a simpler, more efficient remedy.