

Mark with Care

The Forest Group, Inc. v Bon Tool Co.

A recent decision of the United States Court of Appeals for the Federal Circuit (CAFC) (*The Forest Group, Inc. v Bon Tool Co.*, No. 2009-1044, 2009 WL 5064353) has opened the way to a spate of actions against patent holders for “falsely marking” their products with U.S. patent numbers. **Any person** (i.e., not just a competitor or other affected party) may bring such an action, and may take a half share in any resulting fines, with the U.S. Government taking the other half. In *The Forest Group*, the court stated that the fine for false marking is \$US500 **per article** that is improperly marked. This is in contrast to previous decisions, which imposed fines of \$US500 **per decision** to falsely mark. The financial incentive for plaintiffs to bring such actions has therefore been greatly increased under most circumstances.

A further decision of the CAFC (*Pequignot v Solo Cup Company*, No. 2009-1547) has firstly confirmed that “false marking” includes marking with numbers corresponding to expired

patents, and marking never-patented products with “may be covered” language. Secondly, the CAFC noted that for liability to exist, there must be an “intent to deceive the public”. The defendant, Solo, successfully rebutted the presumption of intent created by Solo’s knowledge of the falsity of its markings with “evidence that it had relied in good faith on the advice of counsel and acted out of a desire to reduce costs and business disruption”. The evidence showed that Solo took the “good faith step”, on the advice of counsel, to replace its “marking” moulds as they wore out with “non-marking” moulds.

Australian exporters and other parties who mark products and associated literature with U.S. patent numbers, or with “Patent Pending”, would therefore be wise to review their marking procedures. False marking includes marking with numbers corresponding to patents that do not cover the marked article, or have expired, or (if

the marking is “patent pending”) are no longer pending. In particular, products and associated literature should not be marked:

- » With numbers of patents that do not cover the product;
- » With expired patent numbers;
- » As “patent pending” once the corresponding patent application has issued or been abandoned;
- » Using indefinite language such as “may be covered by one or more of the following patents”.

Spruson & Ferguson recommend that clients having any concerns in this regard seek specific advice from their patent attorney.



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terms – they may be able to structure the project in a way that avoids some of the restrictions. For example, when relying on OSS code, it may be possible to merely link to such code so as to avoid certain restrictions rather than incorporating it into the project and thereby resulting in a derivative work.

- » Maintain an accurate and up to date log of all code incorporated into the project, including details of when and by whom the code was included and where it originated from (with references to, and copies of, all applicable licence terms), as well as all modifications made to the original code. This is ideally done for all code on a line-by-line basis.
- » Consider carefully whether to use OSS in ‘proprietary’ software development, particularly where the commercial pathway is distribution of the finished product to other parties.

What to do when it seems too late

Once a business realises that OSS code used for an in-house project is subject to licence terms which do not allow the software to be used as required, there may still be scope to remedy the situation:

- » Check whether the OSS code can be replaced with other third party code (either OSS or proprietary) which is subject to more favourable licence terms.
- » Consider whether the required functionality could be achieved with code written in-house (either by employees or contractors), and the time and effort required to do so.
- » If use of the OSS code is essential, consider approaching the owner who may be prepared to allow use of the code on less restrictive or ‘commercial’ terms, possibly in return for a fee.



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