

## VII. Patent

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### VII.A. Overview of Patent

Unlike copyright and trademark infringement, there are no criminal penalties for committing patent infringement. *Dowling v. United States*, 473 U.S. 207, 227 (1985) (noting that "[d]espite its undoubted power to do so," Congress has not provided criminal penalties for patent infringement). Congress instead has relied on provisions affording owners a civil cause of action for patent infringement. *Id.* at 227 n.19. As set forth more fully below, however, Congress has provided for two criminal provisions relating to patents: forgery of letters patent, and false marking of patents.

As a threshold matter, it is worth revisiting the differences between patents and copyrights. Patent rights are available to anyone who invents "any new and useful process, machine, manufacture, or composition of matter, or any new or useful improvement thereof." 35 U.S.C. § 101. A patent grants an inventor the right to exclude others from making, using, offering for sale, or selling devices that embody the patented invention. *See* 35 U.S.C. § 271(a); *Eldred v. Ashcroft*, 537 U.S. 190, 216 (2003). The federal government's authority to grant patents stems from U.S. Const. art. I, § 8, known as the Intellectual Property or Copyright and Patent Clause, which authorizes Congress to enact statutes that "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Congress first exercised this authority to grant patents in 1790, when Congress empowered the federal government to issue letters patent. Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109. Like their modern counterparts, "letters patent" contain a short title of the invention and a "grant" to the

patent owner ("patentee"), and his or her heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States. *See Eldred*, 537 U.S. at 216; 35 U.S.C. § 154(a)(1). Currently, a patent grant lasts for a term beginning on the date the U.S. Patent and Trademark Office issues the patent and ending 20 years from the date on which the patentee filed his or her application for a patent grant. 35 U.S.C. § 154(a)(2).

Although patents and copyrights share a common constitutional source (and the concomitant requirement that these exclusive rights are for "limited times"), they differ in several meaningful respects. First, copyrights grant an author the right to exclude certain uses of the author's expression of an idea contained in an "original work of authorship," whereas patents grant an author the right to exclude others from making, using, and selling devices or processes that embody the claimed invention. Second, in exchange for granting the patentee this right to exclude, the patentee must publicly disclose the invention. *Eldred*, 537 U.S. at 216. "For the author seeking copyright protection, in contrast, disclosure is the desired objective, not something exacted from the author in exchange for the copyright." *Id.* at 216. Third, a copyright gives the holder no monopoly on any knowledge or idea; a reader of an author's writing may make full use of any fact or idea acquired by reading the writing. *See* 17 U.S.C. § 102(b). A patent, on the other hand, gives the patentee a monopoly on his invention to prevent the full use by others of the knowledge embodied in the patent. *Eldred*, 537 U.S. at 217.

It is also worth considering the difference between a patent and a trade secret. The first difference is naturally that trade secret information is protected only if it is secret (see Section IV.B.3.a.v. of this Manual), whereas a patent is protected even after disclosure. During the patent process, a trade secret contained in a patent application may lose its trade-secret protection through disclosure only to gain patent protection. (See Section IV.B.3.a.vi. of this Manual). Second, a patent gives its owner an exclusive right to his invention, even against another who discovered the patented invention independently, whereas a trade secret, like a copyright, gives its owner no protection against independent discovery. *Confold Pac., Inc. v. Polaris Indus.*, 433 F.3d 952, 958-59 (7th Cir. 2006) (Posner, J.).

## **VII.B. Forgery of Letters Patent— 18 U.S.C. § 497**

18 U.S.C. § 497 prohibits forging "letters patent" (described above), as well as knowingly passing off counterfeit letters patent:

Whoever falsely makes, forges, counterfeits, or alters any letters patent granted or purporting to have been granted by the President of the United States; or Whoever passes, utters, or publishes, or attempts to pass, utter, or publish as genuine, any such letters patent, knowing the same to be forged, counterfeited or falsely altered—Shall be fined under this title or imprisoned not more than ten years, or both.

As of this writing, no published opinions reported an applicable offense under this provision.

## **VII.C. False Marking of Patent— 35 U.S.C. § 292**

To protect patent holders and the public, Congress enacted the false marking provision, 35 U.S.C. § 292, which provides for both criminal and civil actions against a defendant for false marking. Section 292 creates a financial punishment for three types of improper marking: (1) representing that an article is patented when the patent is in fact held by another; (2) marking as patented an article that is not patented; and (3) falsely claiming that a patent application has been made or is pending.

Congress prohibits false marking in part because a properly marked patented article provides the public with "a ready means of discerning the status of intellectual property embodied in an article of manufacture or design." *Bonito Boats, Inc. v. Adkins*, 489 U.S. 141, 162 (1989). This is consistent with federal patent policy, which recognizes 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." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). False marking harms that public interest because it "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." *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1356-57 (Fed. Cir. 2005) (footnote omitted).

Section 292(a)'s first prohibition protects patent holders by prohibiting an individual, without a patent holder's consent, from marking or using in advertising for a product:

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.

35 U.S.C. § 292(a).

Section 292(a)'s second and third paragraphs protect the public from false or misleading patent claims. The second paragraph prohibits individuals from marking or using in advertising the word "patent" in connection with any "unpatented article" for the purpose of deceiving the public. *Clontech*, 406 F.3d at 1352. For § 292 to apply, the mismarked article must "actually exist" and "be completed." *Lang v. Pacific Marine & Supply Co.*, 895 F.2d 761, 765 (Fed. Cir. 1990). Although not defined in the statute, courts have held that the phrase "unpatented article" means that "the article in question is not covered by at least one claim of each patent with which the article is marked. Thus, in order to determine if an article is 'unpatented' for purposes of section 292, it must be first determined whether the claims of a patent cover the article in question." *Clontech*, 406 F.3d at 1352. Furthermore, "the omission of 'applicable patents' from a label listing patents purporting to cover the contents of a box of course cannot, in itself, be a violation of the false marking statute." *Arcadia Mach. & Tool v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986) (emphasis in original); cf. *Genlyte Thomas Group LLC v. National Servs. Indus.*, 262 F. Supp. 2d 753, 756 (W.D. Ky. 2003) (noting that courts consistently find no violation of § 292 "by a patentee who marks patented articles with more patents than actually cover the item") (internal citations and quotations omitted).

In the same vein as § 292(a)'s second paragraph, the third paragraph prohibits individuals from marking or using in advertising the words "patent applied for" or "patent pending" for the purpose of deceiving the public when a patent application has neither been made nor is pending. 35 U.S.C. § 292(a).

Section 292(a) imposes a fine of not more than \$500 for every criminal offense. 35 U.S.C. § 292(a). Because it is a criminal fine for an infraction, that fine is increased by 18 U.S.C. § 3571 to a maximum of \$5,000 for individuals (\$10,000 for corporations) or twice the monetary gain or loss. See 18 U.S.C. § 3571(b)(2), (b)(7), (c)(2), (c)(7), (d).

Section 292(b) also provides for a civil *qui tam* remedy, which enables any person to sue for the statutory penalty and retain one-half of the recovery, leaving the other half "to the use of the United States." 35 U.S.C. § 292(b); *Boyd v. Schildkraudt Giftware Corp.*, 936 F.2d 76, 79 (2d Cir. 1991); *Filmon Process Corp. v. Spell-Right Corp.*, 404 F.2d 1351, 1355 (D.C. Cir. 1968) (holding that "§ 292(b), while penal, is not a criminal statute"). "The patentee is given this remedy to protect his patent position, and as a practical matter, the patentee is the only likely enforcer of it, as recovery requires proof that the statements were made without his consent." *Filmon*, 404 F.2d at 1355.

Although criminal prosecutions pursuant to § 292 are rare, several reported private enforcement actions provide helpful authority for interpreting the false marking statute in criminal cases. Consistent with the express language of the statute, courts have held that 35 U.S.C. § 292(a) requires the government to prove that the defendant intended to deceive or counterfeit. *See Arcadia*, 786 F.2d at 1125 (affirming holding that false marking statute was not violated where there was no evidence of intent to deceive). Thus, accidental or unintentional mismarking is not a violation. *London v. Everett H. Dunbar Corp.*, 179 F. 506, 510 (1st Cir. 1910) (holding that interpreting patent claims is not an exact science, and hence where one "has an honest, though mistaken, belief that upon a proper construction of the patent it covers the article which he marks," the requisite intent to deceive would not be shown); *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 768-69 (5th Cir. 1972) (same).

By the same token, a defendant's "mere assertion" that he did not intend to deceive will not allow him to escape statutory liability when he knew of falsehood. *Clontech*, 406 F.3d at 1352, 1353 n.2 (noting that "the inference of intent to deceive cannot be defeated with blind assertions of good faith where the patentee has knowledge of mismarking"). "Intent to deceive is a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true." *Id.* at 1352 (citing *Seven Cases v. United States*, 239 U.S. 510, 517-18 (1916)). Using "objective standards," the prosecution may establish the requisite intent to deceive where the government proves both (1) the fact of misrepresentation and that (2) the party making it had knowledge of its falsity. *See id.* (citing *Norton v. Curtis*, 433 F.2d 779, 795-96 (C.C.P.A. 1970)). "Where the article marked is obviously very remote from the patent referred to in justification of the marking, this difference alone may be sufficient to show an intention to deceive; but where the difference is slight, and the question of the breadth of the invention or of the claims is

so close as to permit of an honest difference of opinion," then proof of such intent is more difficult. *London*, 179 F. at 510. Hence, to show knowledge of the misrepresentation, the government must show beyond a reasonable doubt that the articles in question were in fact mismarked, and that defendant did not have a reasonable belief that the articles were properly marked (i.e., covered by a patent or patent application). *Cf. Clontech*, 406 F.3d at 1352-53.

#### **VII.D. No Prosecution for Interstate Transportation or Receipt of Stolen Property—18 U.S.C. §§ 2314, 2315**

The interstate transportation of stolen property statute, 18 U.S.C. § 2314, does not allow prosecution of a person for the interstate distribution of patent-infringing goods when the only theory for the property's being stolen is that it infringes a patent. *See Dowling v. United States*, 473 U.S. 207, 227 (1985) (dicta). The same dicta would likely apply to the interstate receipt of stolen property (18 U.S.C. § 2315).