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[Federal Circuit Deals Significant Blow to False Patent Marking Complaints: The Particularity Pleading Requirement of Rule 9\(b\) Applies to False Marking claims; Alleging a Defendant is "Sophisticated" Insufficient](#)

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The Court of Appeals for the Federal Circuit ruled today that the requirement of Fed. R. Civ. P. 9(b) to plead "with particularity" certain types of claims, such as fraud, applies fully to false patent marking claims under 35 U.S.C. section 292. The Court held "Rule 9(b)'s particularity requirement applies to false marking claims and that a complaint alleging false marking is insufficient when it only asserts conclusory allegations that defendant is a 'sophisticated company' and 'knew or should have known' that the patent expired." The *In re BP Lubricants USA Inc.* opinion marks the Federal Circuit's first explicit decision regarding Rule 9(b)'s application to false marking claims under section 292. It significantly elevates the pleading hurdle, consistent with Rules 9 and 11, for such claims.

Section 292 allows any person to sue for a fine of up to \$500 per instance of marking a product or advertising materials with a patent number or indication of patent protection where no patent currently covers the product in question. Since early 2010, hundreds of false patent marking cases have been filed, primarily against companies that are alleged to have marked products with expired patent numbers. Section 292 imposes liability only where a false marking was done "for the purpose of deceiving the public" into believing the product was covered by a patent. Due to this, plaintiffs have resorted to increasingly creative theories to allege that a defendant intended to deceive the public through false marking, as opposed to merely inadvertently continuing to mark a product after a patent expired. The issue of intent, much as in a pure fraud claim, is a determinative element of proof.

The complaint against *BP Lubricants* is illustrative of many such false marking complaints. The plaintiff alleged that the defendant intended to deceive the public because: (1) the defendant knew or should have known that the patent was expired, (2) the defendant "is a sophisticated company and has experience applying for, obtaining, and litigating patents," and (3) the defendant marked products with the patent number "for the purpose of deceiving the public into believing that something contained in or embodied in the products [was] covered by or protected by the [expired] patent." The district court relied upon the Federal Circuit's decision in *Exergen Corp. v. Wal-Mart Stores, Inc.* *Exergen* addressed the pleading requirement under Rule 9(b) for an allegation of inequitable conduct in the course of obtaining a patent. The *BP Lubricants* district court, which had agreed that Rule 9(b) applied to false marking actions, found the complaint complied with the particularity requirement of the rule. The district court determined that the complaint detailed "the specific who, what, when, where, and how" of the alleged false marking. In light of the absence of Federal Circuit authority addressing the application of Rule 9(b) to false marking allegations, the Federal Circuit granted a mandamus petition to consider the "exceptional circumstance[]" created by the district court's interpretation of the effect of Rule 9 on the pleading. Invoking the All Writs Act in aid of its exclusive appellate jurisdiction over patent law claims, the Court granted the "extraordinary remedy" of a writ of mandamus to reverse the district court's decision.

The Federal Circuit held that the complaint failed as a matter of law to satisfy Rule 9(b) because the complaint provided "only generalized allegations rather than specific underlying facts from which [the Court could] reasonably infer the requisite intent." First, the Court held that Rule 9(b)'s particularity

requirement applies to false marking claims under § 292, resolving a split among the district courts on that issue. Thus, the Court determined that, as with all claims involving allegations of fraud, Rule 9(b)'s "gatekeeping function" was "necessary to assure that only viable section 292 claims reach[ed] discovery and adjudication." Forcing plaintiffs to comply with Rule 9(b)'s particularity requirement would eliminate the expense and difficulty of litigating through discovery and trial claims that merely allege in only conclusory terms. The wrongful action by a defendant. In line with this particularity requirement, the Court reasoned that a plaintiff alleging false marking under section 292 must "provide some objective indication" to allow the Court to "reasonably infer that the defendant was aware that the patent expired." The Court noted that this decision did not contradict its holding in *Exergen*; rather the requirements identified in *Exergen* must be applied in a fashion that relates to false marking claims. The Court further stated that "*Exergen*'s pleading requirements apply to all claims under Rule 9(b), not just inequitable conduct cases."

The complaint in *BP Lubricants* was insufficient because it alleged no objective, specific facts from which a Court could rationally infer the requisite intent of the defendant. The complaint presented only "generalized allegations." As the Federal Circuit observed: the "bare assertion" concerning the defendant's experience with patents was no more specific than an assertion that the defendant should have known that the patent expired; neither of which would satisfy the particularity requirement of Rule 9(b). Instead, "a complaint must in the section 292 context provide some objective indication to reasonably infer that the defendant was aware that the patent expired." The Court also rejected any presumption of scienter associated with the mere allegation of false marking to satisfy the requirement of Rule 9(b).

The Court concluded by observing that a complaint need not identify specific individuals to comply with Rule 9(b)'s particularity requirement. Rather, acts upon which intent to deceive could reasonably be inferred by the Court include: (1) the naming of specific individuals who knew the patent was expired; (2) allegations "that the defendant sued a third party for infringement of the patent after the patent expired"; or (3) multiple revisions of the marking by the defendant after expiration of the patent.

The practical consequences of this ruling are hard to exaggerate. No longer will creative lawyering with conclusory allegations surmount the hurdle of Rule 9(b)'s pleading requirement in the absence of objective, cognizable facts, alleged with the particularity that Rule 9(b) demands. This decision settles a split in the district courts as to whether Rule 9(b) applies in false marking cases. It places a significantly higher burden on plaintiffs alleging false marking claims to allege facts giving rise to an inference of intent to deceive. Plaintiffs must now plead with particularity the specific facts underlying their false marking allegations to demonstrate to the court the potential of their complaint. They cannot rely merely on the "sophistication" of a company or that the defendant "knew or should have known" that a patent expired in such pleading. As the Court stated, a complaint containing only these general allegations is "not entitled to an assumption of truth at any stage of litigation[.]" and thus should not survive a motion to dismiss. While it is likely that this ruling will have the effect of slowing the filing of new false marking cases and spur renewed motions to dismiss, the lessons of these cases should not be read to relax the need of patentees to be vigilant about their patent marking responsibilities. The value of the false patent marking statute is that it hangs, not that it drops. Patentees should accordingly understand that though this decision holds potential plaintiffs to higher standards for filing a lawsuit, that fact should not diminish the rigor with which patentees should monitor their patent portfolios and the markings their products bear.

For more information about these issues, please contact the author(s) of this Legal Alert or your existing firm contact.

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