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False Patent Marking: The Federal Circuit Provides Some Clarity

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INTRODUCTION

Last week, in its highly-awaited *Pequignot v. Solo Cup Co.* case (No. 2009-1547), the Federal Circuit provided some much-needed clarity to patent false marking law. We note that the court's decision favored false marking plaintiffs on a significant issue, but aided false marking defendants in other ways.

35 U.S.C. section 292 prohibits the use of a patent mark (e.g., "Protected by U.S. Patent X,XXX, XXX") on an "unpatented article" (or its associated packaging or advertising) with the intent to deceive the public. Since the start of 2010, more than 130 false patent marking lawsuits have been filed nationwide. This surge of false marking suits was prompted in large part by the Federal Circuit's December 2009 *Forest Group* decision, in which the court held that each mismarked product – not just each decision to mark, but each mismarked product – could result in a \$500 penalty if the necessary intent to deceive the public were shown, with half of that penalty going to the plaintiff. See *The Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1301 (Fed. Cir. 2009).

However, *Forest Group* left numerous key questions about false marking unanswered, including the following:

1. Is a product covered by a now-expired patent "unpatented" for purposes of the false marking statute?
2. Are an expired patent marking and a defendant's knowledge of that expired marking conclusive evidence of intent to deceive under section 292?
3. What evidence is relevant in showing no intent to deceive, and what burden of proof is required?
4. Does conditional language in patent markings (e.g., "This product may be covered by one or more patents") demonstrate an intent to deceive the public?

On June 10, the Federal Circuit answered these four questions in *Solo Cup*.

FACTS OF SOLO CUP

Solo Cup makes disposable cups, bowls, plates, and utensils. In particular, it makes plastic cup lids using special mold cavities that are expensive to replace and can last 15 to 20 years. Solo Cup uses the mold cavities to stamp its patent markings onto each cup lid.

In June 2000, Solo Cup asked outside counsel about an expired patent that was still part of the patent marking on its cup lids. After discussions with counsel, and after considerations of cost and business disruption, Solo Cup created and followed the following policy: until the mold cavity needed replacement for other reasons, expired patent numbers would not be removed from the marking, but at the time of replacement, expired patents would be dropped.

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In 2004, Solo Cup's counsel advised it to include the following conditional language as part of its patent marking used on packaging: "This product may be covered by one or more U.S. or foreign pending or issued patents. For details, contact www.solocup.com." Solo Cup followed its counsel's advice and changed its packaging accordingly.

In 2007, Matthew Pequignot, a patent attorney, brought an action in the Eastern District of Virginia, claiming that Solo Cup had violated section 292 by falsely marking its cup lids and packaging with the intent of deceiving the public. Pequignot accused Solo Cup of mismarking almost 22 *billion* articles and sought an award of \$500 per article, half of which (about \$5.4 *trillion*) would go to the federal government and half to him.

In March 2008, the district court denied Solo Cup's motion to dismiss, holding that "both marking with an expired patent number and marking with the 'may be covered' language could legally constitute false marking." (Slip op. at 6.) In August 2009, the district court granted summary judgment to Solo Cup, holding that Solo Cup rebutted any inference of intent to deceive the public. Pequignot then appealed to the Federal Circuit.

WHAT THE FEDERAL CIRCUIT HELD

The Federal Circuit affirmed the district court's grant of summary judgment to Solo Cup, holding that there was no evidence that would permit a reasonable jury to find Solo Cup meant to deceive the public with its expired patent numbers and conditional language in its patent markings. In particular, the court relied upon evidence that: a) Solo Cup asked its counsel for advice, and followed that advice; and b) it would be very expensive and disruptive to change patent markings for its cup lids immediately upon expiration of a listed patent. (Slip op. at 13-16.)

The court also answered each of the four questions posed above:

First, the Federal Circuit held that "an article covered by a now-expired patent is 'unpatented'" for purposes of the false marking statute. (Slip op. at 9.) It did so by analogizing products that were "once protected by a now-expired patent" to products that "never [have] received protection from a patent": both are in the public domain and both cannot support an infringement suit. (*Id.*) It also stated that because it is not easy for the public to determine whether a patent has expired, given the complex rules that govern patent issuance, patent term adjustment, and maintenance fees, it makes sense to characterize products marked with expired patents as "unpatented articles" for false marking purposes. (Slip op. at 10-11.)

Second, the court held that "the combination of a false statement and knowledge that the statement was false creates a *rebuttable presumption* of intent to deceive the public, rather than irrebuttably proving such intent." (Slip op. at 11 (emphasis added).) A defendant can escape liability, even if the patent marked on the product has expired, if it "can prove that it did not consciously desire the result that the public be deceived." (Slip op. at 13.) This high standard is appropriate, said the court, because the false marking statute is a criminal statute. (Slip op. at 12.)

Third, the court held that reliance on advice of counsel was permissible to illustrate a defendant's good-faith belief that it was not trying to deceive the public; in fact, the court approved Solo Cup's reliance on its counsel's advice as powerful evidence rebutting an intent to deceive. Slip op. at 13-14.) Other relevant evidence could be facts showing a company's desire to mark products properly and accurately, taking into account cost and business disruption issues. (Slip op. at 15.) A defendant need only show by a preponderance of the evidence that it lacked the intent to deceive the public in order to fully rebut the presumption of intent from a known, expired patent marking. (Slip op. at 13-14.)

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Fourth, the court stated that it was “highly questionable” whether conditional patent marking language that actually is true – e.g., “This product may be covered by one or more U.S. or foreign pending or issued patents” – “could be made ‘for the purpose of deceiving the public.’” (Slip op. at 16.) This was because “the public would not reasonably be deceived into believing that the products were definitely covered by a patent.” (*Id.*)

CONCLUSION

The *Solo Cup* decision certainly helps false marking plaintiffs with its holding that articles bearing expired patent markings are “unpatented” articles for false marking purposes. The decision’s other holdings, however, greatly assist false marking defendants. For instance, the Federal Circuit permitted defendants to rebut the presumption of intent arising from knowledge of an expired patent, and to use a broad range of evidence in doing so. The court also erected a relatively low burden of proof on defendants to rebut the presumption. Lastly, the court signaled that conditional language in patent markings normally would not constitute false marking. That the *Solo Cup* court upheld a grant of summary judgment of no intent to deceive also will help defendants in other false marking cases.

The case also should remind companies of the importance of creating a strong record concerning marking decisions. Having a documented, good-faith, non-privileged basis for listing each patent in a patent marking, or for not removing expired patents from the patent marking immediately, will help explain to a jury why the company had no intent to deceive the public. In addition, companies should consider adding a section to their website that would allow a consumer “an easy way to verify whether a specific product was covered,” slip op. at 16, and then include a reference to that website in their patent marking.

We close by noting that another important Federal Circuit decision on false marking is on the horizon. *Stauffer v. Brooks Brothers* (No. 2009-1428), will decide – probably by late 2010 or early 2011 – whether non-competitor plaintiffs have constitutional standing to bring false marking claims. If the court were to hold that such plaintiffs lack standing, then the current wave of false marking cases would crash quickly because virtually all of the recent lawsuits have been brought by non-competitors.

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