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THE ASSAULT ON FALSE PATENT MARKING CONTINUES: FEDERAL CIRCUIT GRANTS BP LUBRICANTS' PETITION FOR A WRIT OF MANDAMUS HOLDING THAT FED. R. CIV. P. RULE 9(B)'S PARTICULARITY REQUIREMENT APPLIES TO 35 U.S.C. § 292 FALSE MARKING CLAIMS

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On March 15, 2011, the Federal Circuit issued its long-awaited opinion in BP Lubricants' Petition for Writ of Mandamus. That Petition asked the Federal Circuit to order the Northern District of Illinois to grant BP Lubricants' motion to dismiss Thomas Simonian's false patent marking complaint for failing to sufficiently plead the intent to deceive element of the statute under the heightened pleading standard. BP Lubricants pointed out the complaint asserted only conclusory allegations in this regard, such as the defendant is a "sophisticated company" and "knew or should have known" the patent expired.

The Federal Circuit granted the petition directing the district court to dismiss the complaint with leave to amend, reasoning that Fed. R. Civ. P. 9(b)'s particularity requirement is applicable to false marking claims and that a complaint alleging conclusory allegations, but lacking particularized factual bases of a defendant's alleged intent to deceive the public does not satisfy the Rule.

The Federal Circuit analogized the false marking statute with other cases sounding in fraud and mistake, such as cases brought under the False Claims Act. Specifically, the Court saw no reason to treat false patent marking actions any differently than False Claims Actions when both act to prevent fraud not negligence. The Federal Circuit further explained that Rule 9(b) acts to prevent non-viable claims alleging fraud or mistake from proceeding to discovery, in order to prevent "fishing expeditions".



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Applying its opinion on proper pleading from another fraud-based realm, inequitable conduct, the Federal Circuit noted that while "knowledge" and "intent" may be averred generally, the "pleadings [must] allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind." *Exergen Corp v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 (Fed. Cir. 2009). Under this standard the Federal Circuit found that the Northern District of Illinois' reliance on general allegations that BP knew or should have known that the patent expired were "clearly incorrect". The Federal Circuit also noted that false marking, itself, does not inherently show the requisite scienter. On the other hand, the Federal Circuit noted that there are other ways to set forth facts to reasonably infer intent to deceive besides naming specific individuals as suggested in *Exergen*.

The responses of the false patent marking plaintiffs following the serious blow *BP Lubricants* visits on their pleadings will be telling. For instance, it will be interesting to see whether the plaintiffs even try to replead the intent prong of false patent marking. However, those plaintiffs may adopt a wait-and-see approach or face additional concerns.

For instance, the Federal Circuit's opinion follows closely on the heels of the Northern District of Ohio's opinion in *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.* of February 23, 2011, holding that the qui tam provision of the false patent marking statute is unconstitutional because the Executive Branch "lacks sufficient control to enable the President to 'take Care that the Laws be faithfully executed.'" *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, No. 5:10-cv-1912, 2011 U.S. Dist. LEXIS 18237 (N.D. Ohio Feb. 23, 2011). This holding in *Unique Product* picked up on the Federal Circuit's



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invitation in its September 2010 Brooks Brothers opinion for courts to consider the constitutionality of the statute under the "take care" clause.

In a further potential blow to the future of false patent marking claims, on March 8th the Senate passed its version of the patent reform bill (America Invents Act, S. 23) including amendments that would retroactively limit standing in false patent marking claims essentially to competitors and even then further limit the potential damages. While the House version of the bill is still pending, many hope that this may finally be the year of its enactment.

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