

Watch Out For False Marking Lawsuits

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Recently several private parties have sued on behalf of the U.S. government against patent owners for "false marking." They are asserting that the patent owners put a patent number on products that are not covered by the patent. These suits may be lucrative because the maximum damages are \$500 per item (not per patent) with the private party receiving half of the damage award.

The law on how to address these suits is not presently settled so the private parties and the defendants should consider the following issues when litigating false patent marking cases.

Venue:

Where do you sue? If you sue the defendant outside their hometown, you should expect a motion to transfer the case to where the defendant is located. Alternative locations for the suit are possible if there is proof that important witnesses are located elsewhere, if the decision to mark the products happened elsewhere, or maybe at a place where the actual marking of the products or packaging happened.

Pleading standards:

Some defendants are trying to dismiss false marking complaints under Rule 9 for failure to plead "fraud" with specificity. Some plaintiffs are successfully countering that the more lenient pleading standards of Rule 8 apply instead of Rule 9.

Expired Patents:

Arguably, marking a product with the number of an expired patent is "false marking" in that the public is misled to believe that the product is presently protected by the expired patent. On the other hand, the marking may only mean that the product is the invention mentioned in that patent. Either way, false marking cases need proof of deceptive intent to survive.

Constitutional Challenge:

Recently, Wham-O, manufacturer of the Frisbee, was hit by a false marking lawsuit. Although the case has settled, Wham-O did propose a constitutional challenge to false marking suits. Basing its challenge on Article 2, Section 3, which states that the U.S. President "shall take Care that the Laws be faithfully executed", Wham-O asserted that all qui tam

actions require government initiative except for the false patent marking statute which only requires that the plaintiff act as a "relator" without needing government cooperation. In effect, Wham-O was saying that the President must have the ability to choose whether to act or not act regarding the false patent marking. The future will tell if other defendants will find this constitutional challenge feasible.

Unenforceability:

Some cases feature differing opinions as to whether marking a product with the patent number of an unenforceable patent is "false marking". Perhaps cases in which the patentee is aware of inequitable conduct would be closer to "false marking" than instances when the patentee may at least plausibly deny knowledge of the patent's unenforceability.

Parallel Cases:

Some defendants are finding themselves being sued for false marking by more than one relator in separate lawsuits, sometimes in different courts. In at least one case in Marshall, Texas a court declined to dismiss a false marking suit although the same defendant was concurrently litigating a different false marking suit involving the same facts. The court did state that the defendant would not be liable for any duplication of damages. Another concern is the situation when a relator sues a defendant for the same false marking in which a previous case settled. Does the defendant need to settle up with every relator that comes along on behalf of the U.S.? That question might seem elementary, but no ruling has been published yet on this issue.

Does the Patent Cover the Product?

Essentially, "false patent marking" of a product entails marking a product with a patent number that does not cover that product. Aside from validity issues, expiration issues, and unenforceability issues, litigants may dispute whether the referenced patent covers the marked product. In such a situation, the court may schedule a claim construction hearing ("Markman hearing") unless the parties can rely on the "plain, ordinary meaning" of the claim terms.

Jury Decisions

Some matters may be decided by a jury. For example, a court may submit to a jury the factual issue on whether the patent covers the product and whether the patentee had an intent to deceive when false marking.

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