

The Expansion and Possible Contraction of False Marking Cases

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I. Introduction

Following the Federal Circuit's 2009 *Forest Group* decision,¹ and continuing after *Stauffer v. Brooks Brothers, Inc.*,² the number of false marking complaints under 35 U.S.C. § 292 vastly increased.³ Some predicted this trend, for even the Federal Circuit acknowledged that a "cottage industry" might result following its expansive interpretation that § 292 authorizes fines up to \$500 for every falsely marked article.⁴

This expansion, however, has been met by corresponding efforts—by the courts and Congress—to curb the number of false marking complaints. In particular, challenges to the constitutionality of § 292, such as that raised in the Northern District of Ohio's decision in *Unique Product Solutions*,⁵ as well as proposed Congressional amendments and the recent Federal Circuit decision in *In re BP Lubricants USA Inc.*,⁶ may result in a contraction of these actions. Whether any judicial change or potential congressional alteration impacts the trend has yet to be seen.⁷

II. Background

Title 35, United States Code, § 292 provides in relevant part:

(a) . . . Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word "patent" or any word or number importing that the same is patented, for the purpose of deceiving the public . . . [s]hall be fined not more than \$500 for every such offense.

(b) Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.⁸

Section 292(b) is a federal *qui tam* provision, *i.e.*, "a statute that authorizes someone to pursue an action on behalf of the government as well as himself."⁹ Underlying a *qui tam* action is the premise that a violation of law harms the government.¹⁰ "The

two elements of a § 292 false marking claim are (1) marking an unpatented article and (2) intent to deceive the public."¹¹

III. The Federal Circuit Expands False Marking Cases

As noted above, the Federal Circuit's *Forest Group* decision interpreted § 292 as authorizing a penalty for each and every falsely marked article.¹² Prior to *Forest Group*, the penalty for false marking was often assessed on a per decision basis to falsely mark or as a continuous act of false marking, whether it was a single article that was marked or millions of articles.¹³

In *Stauffer v. Brooks Brothers, Inc.*, the Federal Circuit reaffirmed its expansive interpretation of claims under § 292, holding that a relator can establish standing based on the United States' implicit assignment of its damages claim to "any person."¹⁴ In other words, a complainant need not suffer a personal injury to bring a false marking complaint.¹⁵ Thus, the door was now open to any potential plaintiff seeking damages based on every article allegedly falsely marked.

IV. Judicial and Congressional Attempts to Restrict False Marking Claims

A recent decision by the Federal Circuit, however, indicates that the court is willing to put some limitations on the ability of complainants to assert false marking claims. In *In re BP Lubricants*, the Federal Circuit held that Fed. R. Civ. P. 9(b)'s particularity requirement applies to false marking claims and that a complaint must provide "some objective indication to reasonably infer that the defendant was aware that the patent expired."¹⁶ Following *In re BP Lubricants*, the majority of district courts considering motions to dismiss false marking complaints under Rule 9(b) granted the motions without prejudice.¹⁷

In *Unique Product Solutions*, the Northern District of Ohio held that the *qui tam* provision of 25 U.S.C. § 292(b) was unconstitutional because it violates the Take Care Clause of the U.S. Constitution. Specifically, the court held that "the government lacks sufficient control to enable the President to 'take Care that the Laws be faithfully executed.'"¹⁸ In reaching that result, the district court rejected the rationale from *Pequignot v. Solo Cup Co.*,¹⁹ in which the U.S. District Court for the Eastern District of Virginia upheld the constitutionality of § 292 under the Take Care Clause. As such, *Unique Product Solutions* created a split among the district courts with respect to the constitutionality of § 292.²⁰ *Unique Product Solutions* is currently pending before the Federal Circuit and a decision on § 292's constitutionality under the Take Care Clause should be forthcoming.²¹

Beyond the courts, members of Congress, whether out of concern for the constitutionality of § 292(b) or motivated by the increased volume of *qui tam* false marking suits, have also voiced their concerns. Both the U.S. Senate and House of Representatives have proposed changes to § 292 that may reduce the number of false marking complaints.²² Accordingly, it may be a race between the Federal Circuit and Congress in deciding § 292's fate.

V. Conclusion

Thus, while the Federal Circuit's *Forest Group* and *Stauffer* decisions resulted in a dramatic increase of false marking complaints, its recent decision in *In re BP Lubricants* along with the unconstitutionality holding in *Unique Product Solutions* may ultimately stem the tide of false marking complaints. Many are also watching the proposed congressional changes with heightened interest because the proposed changes not only affect § 292, but U.S. patent law on a much broader scale. Whether the statute may be the subject of Congressional amendments or whether the Federal Circuit will consider the constitutional question first, only time will tell.

Endnotes

¹ *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

² 619 F.3d 1321 (Fed. Cir. 2010).

³ In 2010 alone, almost 800 new false marking suits were filed. This contrasts with the roughly 30 suits filed in 2009. See <http://www.falsemarking.net/district.php>. The trend continues, with approximately 200 new cases filed in the first quarter of 2011. See *id.*; see also <http://www.grayonclaims.com/false-marking-case-information/>.

⁴ *Forest Group*, 590 F.3d at 1304.

⁵ *Unique Prod. Solutions, Ltd. v. Hi-Grade Valve, Inc.*, No. 5:10-CV-1912, 2011 WL 924341 (N.D. Ohio, Mar. 14, 2011).

⁶ 637 F.3d 1307 (Fed. Cir. Mar. 15, 2011).

⁷ In March 2011, there were approximately 58 new false marking cases as compared to only 11 in April. See <http://www.grayonclaims.com/false-marking-case-information/> (as updated on May 18, 2011).

⁸ 35 U.S.C. § 292 (2006).

⁹ *Stauffer*, 619 F.3d at 1325 (internal quotation marks omitted). Section 292 is one of only a handful of Federal *qui tam* provisions.

¹⁰ See *SKF USA, Inc. v. U.S. Customs & Border Prot.*, 556 F.3d 1337, 1379 (Fed. Cir. 2009).

¹¹ *Forest Group*, 590 F.3d at 1300 (citing *Clontech Labs. Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005)).

¹² The Federal Circuit's recent decision in *Juniper Networks v. Shipley*, arguably continues that expansion by holding that "websites can qualify as unpatented articles within the scope of § 292." *Juniper Networks, Inc. v. Shipley*, — F.3d —, No. 10–1327, 2011 WL 1601995, at *4 (Fed. Cir. Apr. 29, 2011) (ultimately affirming the district court's dismissal of the false marking claim because the complaint failed to allege the marking of an "unpatented article").

¹³ See *id.* at 1301-04.

¹⁴ *Stauffer*, 619 F.3d at 1325.

¹⁵ See *id.* (citing *See Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 773 (2000)).

¹⁶ *In re BP Lubricants*, 637 F.3d at 1311 (emphasis added).

¹⁷ It is instructive to consider the objective indicia that district courts have found sufficient, in light of *In re BP Lubricants*, to support a reasonable inference that a defendant was aware that its patent had expired and to survive a Rule 9(b) motion to dismiss. See *Luka v. Procter & Gamble Co.*, No. 10-CV-2511, 2011 WL 1118689 (N.D. Ill. Mar. 28, 2011) (patents allegedly falsely marked were identified in a license agreement that listed their expiration dates and placed an affirmative obligation on the licensee to comply with the patent marking law); *Public Patent Found., Inc. v. GlaxoSmithKline Consumer Healthcare, L.P.*, No. 09-CV-5881, 2011 WL 1142917 (S.D.N.Y. Mar. 22, 2011) (patent were the subject of litigation close in time to their expiration dates and articles were marked after patent expiration); *Hollander v. Ortho-McNeil-Janssen Pharms., Inc.*, No. 10-CV-836, 2011 WL 1288676 (E.D. Pa. Apr. 5, 2011) (generic drug applications referred to patent expiration dates as dates of intended market entry).

¹⁸ *Unique Prod. Solutions, Ltd. v. Hi-Grade Valve, Inc.*, No. 10-CV-1912, 2011 WL 649998, at *6 (N.D. Ohio Feb. 23, 2011), *vacated by but incorporated by reference in Unique Prod. Solutions, Ltd. v. Hi-Grade Valve, Inc.*, No. 10-CV-1912, 2011 WL 924341, at *4

(N.D. Ohio Mar. 14, 2011).

¹⁹ 640 F. Supp. 2d 714 (E.D. Va. 2009).

²⁰ Recently, the U.S. District Courts for the Northern District of Illinois and the Southern District of New York indicated their disagreement with the *Unique Product Solutions* decision, choosing instead to uphold the constitutionality of § 292 under the Take Care Clause. See *Public Patent Found., Inc. v. GlaxoSmithKline Consumer Healthcare, L.P.*, No. 09-CV-5881, 2011 WL 1142917 (S.D.N.Y. Mar. 22, 2011); *Luke v. Procter & Gamble Co.*, No. 10-CV-2511, 2011 WL 111 8689 (N.D. Ill. Mar. 28, 2011).

²¹ At the date this article was written, PACER indicates that Unique Product Solution's corrected appeal brief is due May 31, 2011. See *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, Nos. 11-1254, -1284 (includes a cross-appeal by the United States).

²² See Patent Reform Act of 2011 (S. 23, Section 2, Subsection (k)); H.R. 1249, Sec. 15 (b).

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