Brief. MINTZ LEVIN PATENT LITIGATION GROUP (MLPG) NEWSLETTER

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False Marking Claims Run Amok

BY PAUL J. HAYES

- The *qui tam* false marking problem was created by the judiciary and must be solved by the judiciary.
- In initiating a *qui tam* false marking action, the plaintiff must be held responsible for its actions and take an associated economic risk.

In the February issue of *Brief*, Dean Bostock reported on a cause for concern due to a recent change in the patent law holding that each instance of false marking may precipitate a fine of up to $500. *See Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). Mr. Bostock's clairvoyant observation that a cottage industry might emerge to exploit this change in the law has come to fruition. Since the February publication, a plethora of *qui tam* suits (80+) against numerous manufacturers of consumer products have been filed, each attempting to capitalize on the *Forest Group* decision.

The false marking statute in question is 35 U.S.C. §292. Historically, courts have treated this provision as penal in nature and, accordingly, have found that such provision must be strictly construed. *See Mayview Corp. v. Rodstein*, 620 F.2d 1347, 1359 (9th Cir. 1980). As early as 1983, Judge Nelson of U.S. District Court for the District of Massachusetts, in finding for the defendant after trial, held that a requisite element for establishing a violation of the statute is proof of an intent to deceive the public. *See Roman Research, Inc. v. Caflon Company, Inc.*, 210 U.S.P.Q. 633, 634 (D. Mass. 1980). The court found that plaintiff had not met its burden of proof despite the fact that a patent had not been issued and the number placed on the product advertisement was not even remotely a legitimate patent number. *Id.* at 633. Since that time the Federal Circuit has repeatedly made it clear that proof of an intent to deceive is a very heavy burden that, accordingly, must be plead with particularity. *See Exergen Corp. v. Wal-Mart Stores, Inc.* 575 F.3d 1312, 1327-29 (Fed. Cir. 2009)

The vast majority of the *qui tam* actions which attempt to economically benefit

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from the *Forest Group* decision are based upon the continued marking of a consumer product with an expired patent number. Apparently, all a creative counsel needs in order to find these cases is a computer, access to the Patent Office database, and a titular plaintiff with a shopping cart at Home Depot.

The mere failure of a corporation to remove a patent number from its product after expiration of the patent is hardly proof of a specific intent to deceive the public. Gross negligence, negligence, ignorance, or mere stupidity have never, as a matter of law, translated into proof of a specific intent to deceive. Thus, false marking claims are often facially deficient and should be readily dismissed, absent specific facts demonstrating an intent to deceive. *See Exergen Corp.* 572 F.3d at 1327-29.

The educated *qui tam* plaintiff, however, knows full well that the targeted corporate defendant has two options in responding to a false marking complaint. First, the defendant can simply capitulate, pay the requested ransom, and avoid the legal fees associated with discovery, summary judgment, trial, appeal, etc. Alternatively, the defendant can contest the lawsuit, pay its esteemed counsel's legal fees, bear the burden of doing business in the United States, put its future in the hands of a lay jury and risk the loss of millions of dollars. Although the choice to fight the lawsuit appears simple, the plaintiff's suit is typically predicated upon a quick settlement at a number well below the cost of litigation, making it difficult for the CFO to economically justify the battle when the risks and costs are weighed in accordance with the wisdom conferred upon him or her at business school.

The present *qui tam* problem is transitory. In choosing to fight a false marking *qui tam* action, the defendant corporation takes an economic risk. In initiating a *qui tam* false marking lawsuit the plaintiff must be held responsible for his or her actions and likewise take an economic risk. The problem was created by the judiciary, *see Forest Group, Inc.,* 590 F.3d at 1295, and must be solved by the judiciary. The solution is simple.

As a matter of law, a *qui tam* action for false marking must allege an intent to deceive the public. The complaint must identify specific facts demonstrating that the actions of the defendant were done with an intent to deceive the public. Notice pleadings with general allegations are insufficient. *See Exergen Corp.,* 575 F.3d at 1327-29; *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007). Accordingly, any *qui tam* false marking plaintiff who in the original complaint does not identify specific facts evidencing an intent to deceive or does not identify such facts in an amended complaint, should not only suffer the dismissal of his or her action, but also pursuant to Fed. R. Civ. P. 11, pay defendant's attorney's fees and all other costs associated with the defense of the litigation.

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