Armstrong Teasdale

Client Alert

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Federal Circuit Affirms Ruling for Defendant in New False Patent Marking Decision

On June 10, 2010, the United States Court of Appeals for the Federal Circuit issued a noteworthy decision in a *qui tam* action under the "False Marking" statute (25 U.S.C. § 292). In *Matthew A. Pequignot v. Solo Cup Company,* No. 09-1547 (Fed. Cir. June 10, 2010), the Federal Circuit confirmed that marking products with expired patent numbers can be false marking, but, more importantly, that providing "credible evidence that [the] purpose was not to deceive the public" can rebut the presumption of deceptive intent. As a result, false marking plaintiffs are now unlikely to prevail based solely upon showing a defendant knew its patents had expired. Defendants who can establish a good faith belief that their actions were legitimate by relying on advice of counsel and avoiding undue costs and business interruptions are likely to avoid liability under § 292.

False Marking Actions on the Rise - Until relatively recently, the "False Marking" statute was a rarely litigated relic. However, the Federal Circuit's recent ruling in *The Forest Group, Inc. v. Bon Tool Co.*, No. 09-1044 (Fed. Cir. Dec. 28, 2009) opened the gates for a flood of false marking lawsuits by ruling that a penalty of up to $500 applies to each individual article that is wrongly marked. This created the prospect of significant penalties against companies that mass-produce articles incorrectly marked with a patent number. Since the *Bon Tool* decision, hundreds of new false marking cases have been filed across the country.

Solo Cup Company faced such a *qui tam* action, asserting that it falsely marked over 21 billion cup lids with expired patent numbers. Pequignot, a registered patent attorney, sought the maximum statutory penalty of $500 per article (or about $10.8 trillion), alleging Solo Cup marked an unpatented article with the intent to deceive the public. Solo Cup admitted it knowingly continued marking the cup lids after the patent expired but argued that the articles were not "unpatented" and that it did not have the requisite intent to deceive the public.

Expired Patents Are within § 292 - With respect to whether the articles were "unpatented" within the meaning of § 292, Solo Cup argued that because its products were previously protected by patents, albeit now expired, they cannot be "unpatented." As somewhat expected, the Federal Circuit agreed with Pequignot that "articles marked with expired patent numbers are falsely marked." In other words, once a patent expires, a product marked with the expired patent number is deemed an "unpatented article" within § 292.

Rebutting the Presumption of Intent to Deceive - With respect to the intent to deceive the public element, the Federal Circuit first affirmed that knowingly marking an unpatented article creates a rebuttable presumption of intent to deceive the public. Because Solo Cup marked its cup lids with patents it knew were expired, Solo Cup had to rebut the presumption of intent to deceive the public. The Federal Circuit concluded that evidence of Solo Cup's knowledge of the expired patent markings was "insufficient." Solo Cup's leaving the expired patent numbers on its products after the patents had expired, even knowingly, did not show a purpose of deceiving the public.

Moreover, the Federal Circuit affirmed the district court's ruling that Solo Cup did not act for the purpose of deceiving the public but in good faith reliance on advice of its counsel and for business reasons (i.e., reducing costs and avoiding business disruption). The Federal Circuit found that "a good faith belief that an action is appropriate, especially when it is taken for a purpose other than deceiving the public, can negate the inference of a purpose of deceiving the public."

"May Be Covered" Language Cited with Approval - In addition to marking articles with expired patent numbers, Solo Cup marked a number of articles with the following phrase: "This product may be covered by one or more U.S. or foreign pending or issued patents. For details, contact www.solocup.com." The Federal Circuit held this "may be covered" language also rebutted the presumption of intent to deceive. Solo showed that it relied, in good faith on the advice of their outside counsel and that the language was added to all packaging for logistical and financial reasons. In addition, the Federal Circuit indicated that without

listing a patent number the language used by Solo could not meet the requirements of the marking statute and, in listing its webpage, provided an easy way for consumers to determine what, if any, patents cover the product.

If your company faces a false patent marking lawsuit or you have doubts about whether your own products are properly marked, the Intellectual Property Services Group at Armstrong Teasdale LLP invites you to contact one of the following attorneys:

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