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Client Alert

Intellectual Property Practice Group

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The Federal Circuit Requires that False Patent Marking Claims be Pled with Particularity

On March 15, 2011, the U.S. Court of Appeals for the Federal Circuit issued a significant decision that the heightened pleading requirements of Rule 9(b), Fed. R. Civ. P., as interpreted by the Federal Circuit in a prior decision, apply to false patent marking claims brought under the False Marking Statute, 35 U.S.C. § 292. The case is *In re BP Lubricants USA, Inc.*, Misc. Dkt. No. 960 (March 15, 2011). The Federal Circuit took the rare step of granting a writ of mandamus directing the district court to dismiss the complaint with leave to amend. This decision likely will reduce the number of future false marking suits.

The decision concerns a complaint filed by a *qui tam* relator in district court alleging that BP has violated the False Marking Statute by continuing to mark CASTROL motor oil bottles with a design patent that expired in 2005. The complaint alleges, mostly on information and belief, that (1) BP knew or should have known that the patent expired; (2) BP is a sophisticated company and has experience applying for, obtaining, and litigating patents; and (3) BP marked the CASTROL products with the patent number for the purpose of deceiving the public and its competitors into believing that something contained or embodied in the products is covered or protected by the expired patent. Slip Op. at 3. The district court found that the complaint satisfied the heightened pleading requirements of Rule 9(b) because it alleges that BP knew or should have known the patent expired, and that:

> BP (the "who") had deliberately and falsely marked (the "how") at least one line of its motor oil products (the "what") with an expired patent and continues to falsely mark its products (the "when") throughout the Northern District of Illinois and the rest of the United States (the "where") with the intent to deceive its competitors and the public.

Id. at 4.

The Federal Circuit, however, rejected the district court's conclusion. The Court held, as a threshold matter, that Rule 9(b)'s heightened pleading requirements apply to false marking claims under Section 292, noting that false marking claims should not be treated any differently than claims brought under the False Claims Act, which must meet the requirements of Rule 9(b). *See id.* at 5-6.

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The Federal Circuit then considered the sufficiency of the complaint in light of its earlier opinion in *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009), which held that a pleading alleging inequitable conduct must meet the heightened pleading requirements of Rule 9(b), and does not if it merely avers the substantive elements of a fraud claim, without providing the particularized factual bases for the allegations, or if it fails to allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind. *See* Slip Op. at 6-7 (*citing Exergen*, 575 F.3d at 1326-27).

The Court held, *inter alia*, that a false marking complaint must provide "some objective indication to reasonably infer that the defendant was aware that the patent expired," and that generalized allegations are not enough. Slip Op. at 7. The relator argued that its allegation that BP was a "sophisticated company" with experience in patents was enough to meet the standard; that a false marking inherently shows scienter; and that scienter in a case of false marking can be determined through the use of a rebuttable presumption, if knowledge of falsity is shown, under *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1362-63 (Fed. Cir. 2010). The Federal Circuit rejected each of these arguments, as well as the argument that false marking is an anonymous fraud, such that naming responsible individuals should not be required. The Court noted there are other ways to set forth facts from which intent to deceive can be inferred and cited examples in the government's brief, such as allegations "that the defendant sued a third party for infringement of the patent after the patent expired or made multiple revisions of the marking after expiration." Slip Op. at 9.

Noting that the Court had not previously addressed the application of Rule 9(b) to false marking claims and that the district courts have rendered inconsistent decisions, the Court granted the writ of mandamus and directed the district court to dismiss the complaint with leave to amend, in accordance with the pleading requirements set forth in the decision. *See* Slip Op. 8-10.