

INSIDE THE MINDS™

# RECENT TRENDS IN PATENT INFRINGEMENT LAWSUITS

LEADING LAWYERS ON UNDERSTANDING RECENT CASES  
AND CONSTRUCTING EFFECTIVE DEFENSE STRATEGIES

*2011 EDITION*



ASPATORE

Michael P. Bregenzer, Reed Smith LLP

Robert M. Ward, BMW Law

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I. Neel Chatterjee, Orrick, Herrington & Sutcliffe LLP

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*Inside the Minds* Project Manager, Isabel Kunkle; edited by Michaela Falls; proofread by Melanie Zimmerman

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# False Marking Claims

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## Introduction

A claim for false patent marking has existed since 1842. S. 220, 27<sup>th</sup> Cong. § 5 (2d Sess. 1842). The current false marking statute, 35 U.S.C. § 292, is set forth below in its entirety:

(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words “patent,” “patentee,” or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or

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 the same is patented, for the purpose of deceiving the public; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any article the words “patent applied for,” “patent pending,” or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public –

Shall 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.

35 U.S.C. § 292.

Notwithstanding the fact that a false marking cause of action has existed since 1842, there were relatively few cases in which such a claim was asserted. The likely reason for the lack of claims based on this statute is the language that provides for a fine of “not more than \$500 for every such offense.” Until recently, the majority of cases held that this meant \$500 for each decision to mark. See e.g., *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910); *A.G. Design & Assocs., LLC v. Trainman Lantern Co.*, No. C07-5158RBL, 2009 WL 168544, at 3 (W.D. Wash. Jan. 23, 2009); *Undersea Breathing Sys. Inc. v. Nitrox Techs. Inc.*, 985 F.Supp. 752, 782 (N.D. Ill. 1997); *Sadler-Cisar Inc. v. Commercial Sales Network Inc.*, 786 F.Supp. 1287, 1296 (N.D. Ohio 1991); *Joy Mfg. Co. v. CGM Valve & Gauge Co.*, 730 F.Supp. 1387, 1399 (S.D. Tex. 1989); *Precision Dynamics Corp. v. Am. Hosp. Supply Co.*, 241 F.Supp. 436, 447 (S.D. Cal. 1965). Given the relatively small potential recovery—\$500 per decision to mark—which would then be split with the U.S. government, there was no real incentive to bring a false marking claim.

### **Forest Group v. Bon Tools**

This all changed on December 28, 2009, with the Federal Circuit’s decision in *Forest Group v. Bon Tools*, 590 F.3d 1295 (Fed. Cir. 2009). In that case, the district court found that the defendant was liable for false marking under 35 U.S.C. § 292, but imposed a penalty of just \$500, finding that:

Forest made a single decision to mark its non-conforming stilts after it had adequate information from which to know that the stilts did not meet the claims of the ‘515 Patent. That single decision constitutes a single offense for purposes of calculating damages under § 292. The Court assesses a penalty in the amount of \$500.00 against Forest pursuant to § 292(b).

*Forest Group v. Bon Tools*, No. H-05-4127, 2008 WL 2962206, 6 (July 29, 2008). On appeal, Forest Group argued that the statute should be interpreted to provide for a fine of \$500 for each decision to mark, relying on *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910). Forest Group also advanced a policy argument that applying the fine on a per article basis would create a cottage industry of new false marking cases. The Federal Circuit Court of Appeals rejected Forest Group’s arguments and

held that “[t]he plain language of the statute does not support the district court’s penalty of \$500 for a decision to mark multiple articles. Instead, the statute’s plain language requires the penalty to be imposed on a per article basis.” *Forest Group*, 590 F.3d at 1303. The Federal Circuit then remanded with instructions to determine the number of falsely marked products and the appropriate per article penalty. *Id.* at 1304.

Since the issuance of the opinion in *Forest Group v. Bon Tools*, there have been approximately 450 false marking cases filed as of September 25, 2010. These cases have, in most instances, been filed by companies that appear to have been formed with the sole goal of bringing false marking actions. In many cases, the owners of these companies are attorneys. This flood of litigation shows little signs of subsiding, which is not surprising given the potential damages associated with a false marking claim. For example, in one false marking case, *Pequignot v. Solo Cup*, there are 21 billion products accused of false marking. At \$500 per article, this is a potential penalty of \$10 trillion.

### **Pequignot v. Solo Cup**

Two more recent Federal Circuit cases have failed to slow the filing of new false marking cases by rejecting potential defenses that would have significantly limited false marking cases. The first case was *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010). In that case, the defendant had argued in the district court “that products that were previously protected by patents, which have since expired, are not ‘unpatented articles’” under the following portion of 35 U.S.C. § 292:

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 the same is patented, for the purpose of deceiving the public... Shall be fined not more than \$500 for every such offense.

35 U.S.C. § 292(a).

Inasmuch as most of the recent false marking cases involve the allegation that the product at issue is marked with an expired patent, a finding by the

Federal Circuit that a product marked with an expired patent that had once covered the product was not false marking under 35 U.S.C. § 292 would have likely ended this wave of litigation. In support of this position, Solo Cup argued that a patent marked with an expired patent was not “unpatented” under the statute inasmuch as it was, at one time, patented. Solo Cup also argued that, in 1860, Congress refused an amendment to § 292 that arguably would have made the statute apply to expired patents by changing the word “unpatented” to “not at the time secured by a patent,” and thus the intent of Congress was not to include marking with an expired patent as a violation of § 292.

The Federal Circuit, however, rejected these arguments, holding that:

We agree with Pequignot that an article covered by a now-expired patent is “unpatented.” As the district court pointed out, “[a]n article that was once protected by a now-expired patent is no different [from] an article that has never received protection from a patent. Both are in the public domain.” Furthermore, as the court held, an article that is no longer protected by a patent is not “patented,” and is more aptly described as “unpatented.” As it is no longer patented, the public need not fear an infringement suit any more than if it were never patented.

*Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1361 (Fed. Cir. 2010).

Thus, this significant defense was no longer available to defendants who had marked their products with patents that had expired.

### **Stauffer v. Brooks Brothers**

The second Federal Circuit case that rejected yet another defense to false marking cases was *Stauffer v. Brook Brothers*, 619 F.3d 1321, 2010 WL 3397419 (Fed. Cir. Aug. 31, 2010). In *Stauffer*, the District Court dismissed plaintiff’s false marking claim because the plaintiff failed to plead the injury-in-fact required to establish standing. *Stauffer v. Brook Brothers*, 615 F. Supp. 2d 248 (S.D. N.Y. 2009). The plaintiff had attempted to establish an injury-in-fact by alleging that the defendants “wrongfully quelled competition with

respect to such bow tie products thereby causing harm to the economy of the United States” and by “wrongfully and illegally advertis[ing] patent monopolies that they do not possess,” defendants have “benefitted in at least maintaining their considerable market share... in the high-end haberdashery marketplace.” *Id.* at 254. The court found that such allegations—which are generally the same as those asserted by most plaintiffs in the recent false marking cases—were insufficient because “[a]n injury in fact must be ‘concrete and particularized’ and ‘actual or imminent,’ not conjectural or hypothetical.” *Id.* at 255, quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992). The court went on to explain that an allegation “[t]hat some competitor might somehow be injured at some point, or that some component of the United States’ economy might suffer some harm through defendants’ conduct, is purely speculative and plainly insufficient to support standing.” *Id.* at 255 citing *Summers v. Earth Island Inst.*, 129 S.Ct. 1142, 1151-1152 (2009) (“some day” harms “without any description of concrete plans, or indeed any specification of when the some day will be—do not support a finding of the ‘actual or imminent’ injury that our cases require”); and *Lujan*, 504 U.S. at 566 (“Standing is not ‘an ingenious academic exercise in the conceivable’ ... [but] requires... perceptible harm.”).

On appeal, the government, which had intervened, and Stauffer argued that *Vermont Agency of Natural Resources v. United States ex rel. Stevens*, 529 U.S. 765 (2000), which held that a *qui tam* relator has standing without an injury to itself, mandated that Stauffer, the plaintiff, had standing. The government and Stauffer also argued that by virtue of passing 35 U.S.C. § 292, Congress had determined that a violation was sufficient harm to the government to confer standing. Stauffer also argued that false marking harmed the public, creating standing. Brooks Brothers argued that standing is not automatically conferred, and that a *qui tam* relator must independently demonstrate standing, which Stauffer, by virtue of his vague allegations, had not done.

The Federal Circuit rejected Brooks Brothers’ arguments and adopted the arguments of the government and Stauffer, holding that:

[E]ven though a relator may suffer no injury himself, a *qui tam* provision operates as a statutory assignment of the United States’ rights, and “the assignee of a claim has



standing to assert the injury in fact suffered by the assignor.” Thus, in order to have standing, Stauffer must allege that the United States has suffered an injury in fact causally connected to Brooks Brothers’ conduct that is likely to be redressed by the court.

As the government points out, Congress has, by enacting section 292, defined an injury in fact to the United States. In other words, a violation of that statute inherently constitutes an injury to the United States. In passing the statute prohibiting deceptive patent mismarking, Congress determined that such conduct is harmful and should be prohibited. The parties have not cited any case in which the government has been denied standing to enforce its own law. Because the government would have standing to enforce its own law, Stauffer, as the government’s assignee, also has standing to enforce section 292.

*Stauffer*, 619 F.3d at 1325.

Thus, rather than requiring a false marking plaintiff to plead some specific harm to itself or to the United States, the Federal Circuit required merely the allegation that the defendant has violated 35 U.S.C. § 292.

### **Applicability of Federal Rule of Civil Procedure 9(b)**

While these first two liability defenses to reach the Federal Circuit Court of Appeals have been rejected, additional defenses being advanced in the district courts will likely end up before the Federal Circuit in the near future. One of these defenses is that because 35 U.S.C. § 292 expressly requires that the false patent marking be done “for the purpose of deceiving the public,” (35 U.S.C. § 292(a)), that it is a fraud-based claim subject to the pleading requirements of Federal Rule of Civil Procedure 9(b). Indeed, the Federal Circuit remanded the *Stauffer* case back to the District Court:

for the court to address the merits of the case, including Brooks Brothers’ motion to dismiss pursuant to Rule 12(b)(6) “on the grounds that the complaint fails to state a