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ALERT

FALSE MARKING STATUTE CONTINUES TO GAIN GROUND IN THE FEDERAL CIRCUIT

The "patent marking statute," 35 U.S.C. § 287(a), states that notice may be given to the public of the patented nature of an article by affixing the word "patent" or "pat." and the related patent number to the article or to its packaging. Failure to do so will prevent an award of damages for infringement of the patent unless there is "proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice." 35 U.S.C. § 287(a). Manufacturers thus have a strong incentive to mark their products, as it allows them to pull their damages calculations all the way back to the first infringing act, and would-be infringers knowledgeable of this fact are likely to think twice about competing, if doing so would carry the likelihood of infringement.

Congress recognized, however, that an improperly marked article would be equally likely to discourage otherwise legal business activities and thus provided the "false marking statute," 35 U.S.C. § 292. 35 U.S.C. § 292(a) provides that "[w]hoever marks upon, or affixes to . . . 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." Presumably to ensure enforcement of sub-section (a), Congress further provided that "[a]ny 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(b).

In 2009, the Federal Circuit gave the false marking statute significantly more bite by holding that the statutory penalty of "not more than $500 for every such offense" applied to **each falsely marked article**, rather than merely to a single offense that involved multiple articles. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1301 (Fed. Cir. 2009). Not surprisingly, manufacturers fretted that the *Forest Group* holding would lead to a flood of *qui tam* litigation, in which individuals acting as private attorney generals deputized by 35 U.S.C. § 292(b) would launch wholesale suits against any and all manufacturers that inadvertently failed to remove expired patent numbers from articles.

The Southern District of New York appeared to have found a levee to stem the rising tide of false marking suits when it held that pro se plaintiff, Raymond E. Stauffer, a patent attorney, lacked standing to bring a *qui tam* suit under 35 U.S.C. § 292(b) for Brooks Bothers, Inc.'s alleged false marking of bow-tie clasps. *Stauffer v. Brooks Bothers, Inc.*, 615 F. Supp. 2d 248, 255 (S.D.N.Y. 2009) (*Stauffer I*). The Federal Circuit has now made clear, however, that Section 292(b)'s "any person" language does indeed mean just that, thereby once again broadening the reach of the false marking statute. *Stauffer v. Brooks Bothers, Inc.*, case no. 2009-1428, slip op. at 13 (Fed. Cir. Aug. 31, 2010)(*Stauffer II*). http://www.cafc.uscourts.gov/images/stories/opinions-orders/09-1428-1430-1453.pdf.

What was fundamentally at issue in *Stauffer I* and *II* was whether the plaintiff, standing in for the United States, had to show an actual injury-in-fact to the government brought on by false marking, such as by a diminution of treasury funds, or merely a "sovereign injury," which is an injury the government experiences anytime one of its laws is broken. See *Stauffer II*, slip op.

at 10. The district court held that an injury-in-fact must be shown. *Stauffer I*, 615 F. Supp. 2d at 253-54. The Federal Circuit disagreed, stating that "the United States' sovereign injury is sufficient to confer standing upon it and therefore upon Stauffer," who stands in for the United States. *Stauffer II*, slip op. at 11. Indeed, "Stauffer's standing arises from his status as 'any person,' and he need not allege more for jurisdictional purposes." *Id*. at 13.

Although *Stauffer II* would appear to open the floodgates for *qui tam* suits under the false marking statute, the fact remains that a would-be plaintiff must further plead an "intent to deceive the public," which the Federal Circuit took pains to note is "a critical element of a section 292 claim," and must be plead with the particularity required of "heightened pleading requirements for claims of fraud . . ." *Id*. at 14 (internal quotations omitted). The Federal Circuit remanded *Stauffer II* for a determination of whether or not this heightened pleading requirement had been met, and it is here that the rubber is likely to hit the road as far as viability of *qui tam* actions go. As recently as June of this year, the Federal Circuit confirmed that a rebuttable presumption of an intent to deceive exists when a manufacturer knowingly mismarks a product, but then went on to note the presumption was weak and stated that "the bar for proving deceptive intent here is particularly high, given that the false marking statute is a criminal one, despite being punishable only with a civil fine." See *Pequignot v. Solo Cup Co*., case no. 2009-1547 (Fed. Cir. June 10, 2010). Perhaps keying on this language, at least one district court has used the heightened pleading standard to dismiss *qui tam* actions brought against two manufacturers, despite one of the patents at issue having expired as late as 2002. See *Brinkmeier v. Bic Corp.*, case no. 09-860 (D. Del. August 25, 2010).

Having expanded the scope of the false marking statute in terms of both jurisdictional reach and potential damages, the Federal Circuit may now seek to strike a reasonable balance between the public interest in enforcement of the statute and the potential avarice of a new line of *qui tam* anti-patent trolls, using the heightened pleading standards of fraud to filter out at the pleadings stages of all but the most egregious false marking cases. This hypothesis, however, awaits further testing before the Federal Circuit. Until then, manufacturers should certainly take at least as much care in tracking the expiration of their patents as they do in tracking their patent maintenance fees, and mark their products accordingly.

If you have any questions regarding the information in this alert, please contact:
Gerard Norton, chair of the Intellectual Property Department at 609.844.3020; gnorton@foxrothschild.com
Peter Butch at 609.844.3035; pbutch@foxrothschild.com
Jonathan Lagarenne at 609.896.4588; jlagarenne@foxrothschild.com
Michael Lewis at 212.878.7932; mlewis@foxrothschild.com
or visit Fox Rothschild's web site for more information on our Intellectual Property Department.