



Beware The New Patent Trolls:

False Patent Marking Claims after  
*Forest Group v. Bon Tool*

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## Strong Incentive for Patent Marking

- Constitutes constructive notice under 35 U.S.C. § 287(a)
- Maximizes the period during which infringement damages may be recovered
- Arguably deters competitors from making or selling similar products
- Arguably adds credibility.

## 35 U.S.C. § 292(a)

(a). . .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 that 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.

## “Qui Tam” Action

“(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(b)

## Old Rule -- No Financial Incentive

Ongoing or continuing acts of false marking constitute a single "offense."

*London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910)

## *Forest Group, Inc. v. Bon Tool Co.*

Federal Circuit holds that penalty imposed by § 292 must be assessed on a per article basis.

*Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009)

## What Does This Mean?

- Consider *Pequignot v. Solo Cup Co*
- It is estimated Solo Cup sold over 20 *billion* of the alleged falsely-marked individual articles.
- At that volume, a penalty of just 1¢ per article results in a fine of \$200 million!

## “Patent Marking Trolls”

- Since January 1, 2010, plaintiffs have filed over *three hundred* false patent marking lawsuits (<http://www.grayonclaims.com/false-marking-case-information>)
- “Cottage Industry”
  - *Perfection Product Management LLC*
  - *Patent Compliance Group, Inc., etc.*

## What Will We Cover?

- Basic Elements of a False Patent Marking Claim
- What Constitutes an “Intent to Deceive”?
- Heightened Rule 9(b) Pleading Standard?
- What is an “Unpatented Article”?

## What Will We Cover? (cont.)

- Standing Issues
- Settlement Concerns
- Conditional Language – “May be Covered”
- Assessing an Appropriate Fine

## What Will We Cover? (cont.)

- Pending Legislation
- Best Practices
- Questions & Discussion

## False Patent Marking Claim

The basic elements of a false patent marking claim remain unchanged:

- (1) marking an unpatented article; and
- (2) intent to deceive the public.

*Clontech Labs. Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005)

## “Intent to Deceive”

“A state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true.”

*Clontech Labs. Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005)

## *Solo Cup Facts*

- Solo Cup continued to mark its products with patents despite knowing the patents had expired years earlier.
- Eliminating the expired patents required modifying the applicable manufacturing molds.
- Solo Cup obtained and relied on advice of counsel that it was acceptable to continue to list the expired patents rather than incur the cost and business disruption associated with modifying the molds.
- Solo Cup adhered to advice of counsel and eliminated expired patent numbers when new molds were obtained.

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

- Such false marking made with knowledge of falsity creates a *rebuttable presumption* of intent to deceive.
- Such presumption can be rebutted by the presentation of evidence.
- Solo required to show by the civil “preponderance of the evidence” standard that it did not have the requisite intent to deceive.

## Federal Circuit *Solo Cup* Decision

- A good faith belief that an action is appropriate, especially when taken for a purpose other than deceiving the public, can negate the presumption.
- Solo Cup's reliance on the advice of counsel and business justification rebutted the presumption.
- Summary judgment dismissal on the issue of "intent to deceive" affirmed.

## Heightened Rule 9(b) Pleading Standard?

- Several District Courts have dismissed false patent marking claims for failing to plead “intent to deceive” with requisite particularity.
- Other District Courts have declined to apply the Rule 9(b) heightened pleading standard.

## What is Enough?

- Large sophisticated company with in-house intellectual property attorneys having “decades” of experience obtaining and litigating patents
- Certain patents identified were expired
- Packaging updated more than once after expiration

*Brinkmeier v. BIC Corp.*  
(D. Del. Filed Aug. 25, 2010)

- Case dismissed for failing to meet Rule 9(b) standard
- Expired patents not enough
- “Large sophisticated company *should have known*” allegations not enough
- Updating packaging without removing expired patents not enough

## What is Enough?

- Invalidated patent?
- Changed product design?
- Prior statements and/or admissions?

## What is an “Unpatented Article”?

- Is a product that was covered by a now-expired patent an “unpatented article”?
- Much discussion of influence on “consumers” and “competition.”
  - Pros: Educates competitors and consumers on invention disclosed in expired patent.
  - Cons: Misleads competitors and consumers into believing patentee remains the exclusive provider of subject technology.

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

- Article covered by expired patent is no different from an article that never received patent protection.
- Since such article is no longer protected by a patent, it is “more aptly described as ‘unpatented.’”

## Federal Circuit *Solo Cup* Decision

- Rejected argument that because “any person with basic knowledge of the patent system can look up the patent and determine its expiration date” expired patents have less potential for harm than unexpired patents.
- Determining the expiration date of a patent is *not* easy.

## Who Has Standing?

- Can private party bring false patent marking claim without having suffered any harm or damage?
- At a minimum, does the “*qui tam*” nature of the claim require showing of injury sustained by the Government?

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*Stauffer v. Brooks Bros., Inc.*,  
615 F. Supp. 2d 248 (2009)

- Dismissed claim due to absence of alleged harm to the government.
- *Qui tam* plaintiff is vindicating the interests of the U.S. and must show that the government “suffered an injury in fact causally connected to the defendant . . . .”

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*Stauffer v. Brooks Bros., Inc.*,  
\_\_\_ F.3d \_\_\_, 2010 WL 3397419 (Fed. Cir.)

- A violation of § 292 inherently constitutes an injury to the United States.
- *Qui tam* plaintiff, as the government's assignee, also has standing to enforce §292.

## “Take Care Clause”

- The “Take Care” Clause of Article II states that the President “shall take Care that the Laws be faithfully executed.”
- Solo Cup argued (at the District Court level) that allowing “any person” to commence a false patent marking claim impermissibly undermines the Executive Branch’s ability to control *qui tam* litigation.

## Settlement Issues

- Need Government Approval for Settlement?
- Res Judicata?
- Ethical issues arising from threats to commence a false patent marking claim?

## Conditional Language ("May Be Covered")

- Solo Cup language:

"This product may be covered by one or more U.S. or foreign pending or issued patents. For details, contact [www.solocup.com](http://www.solocup.com)."

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

- Solo Cup rebutted presumption of intent to deceive with respect to the “may be covered” language.
- “May be covered” language printed on the packaging was a true statement, i.e. the contents of the packaging was covered by some of the patents identified.

## “May Be Covered” (cont.)

- Solo Cup presented evidence it was costly and impractical to use multiple different markings for all its products.
- Solo Cup obtained and relied on the advice of its counsel.
- Solo Cup provided a way to verify whether a product was covered – “contact [www.solocup.com](http://www.solocup.com) for details.”

## *Markman* Overload?

- Often disputed whether or not the product in question is an embodiment of the marked patent.
- Will such cases require full-blown *Markman* procedures and hearings?
- Will the “intent to deceive” element result in a “good faith” test which obviates the need for full claim construction?

## Assessing the Fine

- § 292 does not impose an *automatic* fine of \$500 per article.
- Statute affords the court discretion.
- Federal Circuit acknowledged that a *fraction of a penny* per article might be appropriate.
- The applicable factors remain unclear.

## Examples of Fines

- The District Court in *Bon Tool* assessed a fine of \$180 for each of the 38 falsely marked articles (\$6,840.00) (\$180 amount represented the *highest* price at which the product sold.)
- Court imposed fine of approximately 32% of revenue on 651,675 falsely marked articles.
- No clear framework articulated in any of the cases.

## The “Cotter” Rule

- Courts should borrow from established false advertising law and attempt to approximate the social harm caused by actionable false marking.

## Proposed Factors:

- Plaintiff's loss
- Defendant's gain attributable to the false marking at issue
- Plausibility of substantial but less easily quantifiable harms to consumers and nonparty competitors
- The risks of under-detering statutory violations or chilling patentees from lawfully marking their products

## Moot Point?

- Proposed amendments are currently pending in both the House and the Senate which would replace “any person” with “*any person who has suffered a competitive injury.*”
- Both the Senate and the House amendments would apply to all cases pending on or after the date the legislations are passed.

## Best Practices

- Conduct regular audits to ensure accurate and correct patent marking.
- Ensure all expired patents are removed from products/packaging.
- Provide advance notice of patent expiration to allow adequate lead time to remove expired patents from products/packaging.



Questions?



Thank You!