KRATZ, QUINTOS & HANSON, LLP

IP NEWSLETTER

FEDERAL JUDGE RULES THAT U.S. PATENT MARKING LAW IS UNCONSTITUTIONAL

Written by Darren Crew

Volume V, Issue No. 2

In a major recent development that may have a significant impact on patent marking lawsuits, a federal judge held that the U.S. Patent Marking Law is unconstitutional. *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 5:10-cv-01912 (N.D. Ohio Feb. 23, 2011).

The U.S. Patent Marking Law (also known as the False Marking Statute) indicates that any person may sue a company for a penalty of up to $500 per article when that company places expired patent numbers on those articles, under certain conditions. 35 U.S.C.§292. Hundreds of lawsuits have been filed recently against companies, alleging that expired patent numbers have been affixed to merchandise. This is an area of concern for many companies, because the total penalty could potentially be millions of dollars when an expired patent number is placed on a large number of items.

On February 23, 2011, in the *Unique Product Solutions* case, United States District Judge Polster held the *qui tam* provision of the False Marking Statute unconstitutional under the Take Care Clause of the U.S. Constitution. The *qui tam* provision is as follows: "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).

In the *Unique Product Solutions* case, the plaintiff alleged that defendant affixed U.S. Patent No. 4,605,041 onto valve products in August 2010, even though that patent had expired in 2005. The plaintiff requested that the Court order the defendant to pay a monetary fine of up to $500 per false marking violation. Judge Polster granted the defendant's motion to dismiss the case, and noted that the statute "is unlike any statute in the Federal Code with which this Court is familiar. Any private entity that believes someone is using an expired or invalid patent can file a criminal lawsuit in the name of the United States, without getting approval from or even notifying the Department of Justice."

The *Unique Product Solutions* case is the first case in which a defendant successfully challenged the constitutionality of the False Marking Statute.

Background: Three Important Cases Pertaining to the False Marking Statute

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

On December 28, 2009, in the *Forest Group* case, the Court of Appeals for the Federal Circuit held that the False Marking Statute applies on a per article basis, allowing for up to a $500 penalty for each offense. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). Prior to this holding, many people believed that a penalty under the Statute would be applied on a per decision basis and not on a per article basis.

For example, if a person decided to produce and sell a batch of one million tools, with each tool marked with an expired patent number, the maximum penalty was previously thought to be $500 because it was just one decision to mark that group of tools. However, as a result of the *Forest Group* case, the maximum penalty could be much higher because there may potentially be a $500 penalty for each individual tool marked with an expired patent number. After the decision in the *Forest Group* case, a large number of lawsuits were filed against companies, alleging violations of the False Marking Statute.

2. *Pequignot v. Solo Cup Co.*

On June 10, 2010, in the *Solo Cup* case, the Court of Appeals for the Federal Circuit held that a violation of the False Marking Statute can be established when it is demonstrated that the defendant marked an "unpatented article" with intent to deceive the public. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010). An "unpatented article" can be a product that bears an expired patent number which previously covered that product. In order for there to be a violation of the False Marking Statute, intent to deceive the public is required.

3. *Stauffer v. Brooks Brothers, Inc.*

On August 31, 2010, in the *Stauffer* case, the Court of Appeals for the Federal Circuit held that the plaintiff, Mr. Raymond Stauffer, had standing to sue the defendant Brooks Brothers for false marking because it was demonstrated that the United States suffered an injury in fact. *Stauffer v. Brooks Brothers, Inc.*, No. 2009-1428, -1430, -1453 (Fed. Cir. Aug. 31, 2010). The Court held that, even though Mr. Stauffer might not have suffered an injury himself, what must be established is that the U.S. has suffered an injury in fact. The government of the U.S. would have standing to enforce this law. In this case, Mr. Stauffer was acting as the government's assignee, and accordingly he also has standing to enforce this law.

Next: The Future of the False Marking Statute

It is expected that the Court of Appeals for the Federal Circuit will consider the constitutionality of the False Marking Statute in an upcoming case, perhaps in late 2011 or early 2012. If that Court rules that the Statute is unconstitutional, as did the District Judge in the *Unique Product Solutions* case, then motions to dismiss filed in dozens of false marking lawsuits might be granted soon thereafter.

The language in the False Marking Statute could be amended in 2011 by a Patent Reform Bill, to increase the likelihood that the Statute will be later ruled constitutional. The Patent Reform Bill will require approval of the U.S. Congress and the U.S. President.

Washington D.C. Office:
4th Floor
1420 K Street, N.W.
Washington, DC 20005
U.S.A
Tel: 202.659.2930
Fax: 202.887.0357
www.kqhpatentlaw.com

Tokyo Liaison Office:
Tokyo Banker's Club Building
15th Floor
1-3-1 Marunouchi, Chiyoda-ku
Tokyo 100-0005
JAPAN
Tel: 03.3216.7200
Fax: 03.3216.7210

Pittsburgh Office:
Greater Beneficial Union of
Pittsburgh Bldg., Ste. 308
4232 Brownsville Road
Pittsburgh, PA 15227
U.S.A.
Tel: 412.881.8450
Fax: 412.881.8570