



## Intellectual Property Law Alert

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### Federal Circuit Opens Door to Private Citizen Lawsuits for Falsely Marking Products

A recent federal court ruling may result in an increase in patent litigation for falsely “marking” unpatented products. In *Stauffer v. Brooks Brothers, Inc.*, Case Nos. 2009-1428, 1430, 1453 (Fed. Cir. Aug. 31, 2010), the Federal Circuit Court of Appeals held that private citizens have the right to bring suit against patent holders who mark unpatented products with patent numbers of expired or inapplicable patents. The products at issue —Brooks Brothers bow ties — were marked with the patent numbers of patents that had expired in the 1950s. The lawsuit was brought by a patent lawyer who was shopping in a Brooks Brothers store and noticed the expired patent numbers.

The *Stauffer* decision most likely will result in an increase in the number of lawsuits filed against companies for falsely marking their products with inapplicable or expired patents. In fact, one day after the Federal Circuit issued the *Stauffer* decision, *The Wall Street Journal* pronounced that the decision “could pave the way for hundreds of similar suits against major companies to move forward.” Therefore, it is important that individuals and companies that make and sell products ensure they are not marking those products with expired patents or patents that do not cover the product at issue.

Patent holders generally “mark” or label their patented products with the serial number of the patent or some other indicator that the product is patented because it makes it easier for the patent holder to recover damages in a patent-infringement action. If the product is marked, the patent holder does not have to prove that the alleged infringer had actual notice that the product was patented. While marking patented products can be beneficial to patent holders, mismarking products can be costly. This is because anyone who marks an “unpatented article” with any marking signifying that the article is patented “with the purpose of deceiving the public” can be fined as much as \$500 per offense. And every falsely marked product constitutes a separate offense. So, if a company makes one million bow ties that are falsely marked, that company risks being fined as much as \$500 million.

Until the *Stauffer* case, it was unclear whether a private individual who suffered no injury as a result of a falsely marked product had the right to bring suit (known as “standing”). The *Stauffer* decision clarifies that under the applicable law (35 U.S.C. § 292), a private individual can bring suit as an implicit assignee of the United States to recover for injury that falsely marking products inherently causes the United States. More specifically, the Federal Circuit held that Section 292 is a



“qui tam” provision, meaning that it is a statute that authorizes an individual to pursue a lawsuit on behalf of the government as well as himself. If there is a monetary recovery, one-half of that recovery goes to the United States and the other one-half goes to the person bringing suit.

While the *Stauffer* decision may have opened the door for private citizens to bring false-marking lawsuits, a Federal Circuit decision issued this past summer paradoxically made it more difficult for plaintiffs to prevail. In *Pequignot v. Solo Cup Co.*, Case No. 2009-1547 (Fed. Cir. Jun. 10, 2010), the court held that in order for a plaintiff to recover in a false-marking lawsuit, the plaintiff must prove that the defendant falsely marked the product with the intent to deceive. In order to make the intent-to-deceive showing, a plaintiff must demonstrate that the defendant falsely marked the product and that the defendant knew that the marking was false. For example, if a company marks its product with a patent number of an expired patent, that is a false marking. The plaintiff must also prove, however, that the defendant knew that the patent had expired.

A showing that a defendant knowingly made a false marking creates a rebuttable presumption of an intent to deceive the public. Because the presumption is rebuttable, though, the defendant may rebut it with evidence that the defendant did not intend to deceive the public. In *Pequignot*, for instance, the plaintiff demonstrated the defendant knew that it had marked its products with expired patent numbers, thereby creating a rebuttable presumption of an intent to deceive the public. The defendant then came forward with evidence showing it had relied on the advice of its attorney when it decided to continue marking its products with the expired patent numbers. Such evidence, the court held, sufficiently rebutted the presumption that the defendant had intended to deceive the public.

So, although more lawsuits for false marking may be on the horizon, it will be difficult for plaintiffs to prove that the defendant acted with an intent to deceive the public and thus equally difficult for the plaintiff to prevail in the lawsuit. Nevertheless, plaintiffs probably will bring these suits hoping either that they can prevail or obtain a quick settlement. Because such suits will be expensive to defend, it is important that patent holders ensure that they are properly marking their patented products. Therefore, patent holders should keep track of the expiration dates of their patents, and be sure to stop marking products with the patent numbers of expired patents. Similarly, patent holders should ensure that the products bearing patent numbers are indeed covered by the patent.

Taking these precautionary measures will help avoid false marking lawsuits. Although demonstrating intent to deceive may prove difficult, or may be rebutted by the defendant, that does not mean that patent holders will not have to defend themselves against false marking lawsuits. Therefore, it is crucial that patent holders ensure that they are properly marking their products.

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