

**THE NEW PATENT MARKING POLICE:
ANSWERING *CLONTECH* AND *FOREST GROUP****

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I. OVERVIEW

In *Forest Group* and current appeals in the *Solo Cup Lid* case and *Stauffer v. Brooks Brothers*, the Federal Circuit is reshaping the face of the Middle Ages *qui tam* practice where civil actions were brought by informants to enforce punitive statutes. *Forest Group, Inc. v. Bon Tool Co.*, ___ F.3d ___, 2009 WL 5064353 (Fed. Cir. 2009)(Moore, J.); *Pequignot v. Solo Cup Co.*, Fed. Cir. App. No. 2009-1547, *opinion below*, 540 F.Supp.2d 649 (E.D. Va. 2008)(Brinkema, J.); *Stauffer v. Brooks Brothers, Inc. and the United States*, Fed. Cir. App. No. 2009-1428, *opinion below*, 615 F.Supp.2d 248 (S.D.N.Y. 2009)(Stein, J.).

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Spurred by patent challenger successes in *Clontech Laboratories, Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005) and *Forest Group*, the year 2010 will see the continued renaissance of the newly created *ad hoc* “patent marking police”. Whether styled as “trolls” or “bounty hunters”, they seek their pot of gold by identifying patent-marked goods where there either is no patent that covers such goods or where the marked patents have expired.

This paper commences with a review of the *Forest Group* case itself. See § II, *Forest Group up to \$ 500 per Article Fine*. The rich Middle Ages tradition of the action is explored, an action “*qui tam pro domino rege quam pro se ipso in hac parte sequitur*,” literally, “who pursues this action on our Lord the King's behalf as well as his own.” See § III, *The Middle Ages: Qui Tam pro domino rege*

Signs of an emerging “patent marking police” have emerged with several cases already well along the litigation pathway. See § IV, *The Patent Marking Police, Answering the Clontech Call*.

While the *Solo Cup Lid* case reprises issues from *Forest Group*, two important further issues are identified in *Stauffer v. Brooks Brothers*. See § V, *Stauffer's Twin Challenges*. Directly raised before the court is the dismissal of the private *qui tam* litigant's case for lack of standing. See § V-A, *Stauffer Lacks "Standing"*. The second issue in *Stauffer v. Brooks Brothers*, rendered moot by the dismissal, is the challenge to the Constitutionality of the *qui tam* statute. Of particular interest, here, is the early Obama Administration's attempt to intervene *in support* of the *qui tam* litigant. See § V-B, *An Unanswered Constitutional Challenge*.

Several further issues are identified that deserve further consideration. *See* § VI, *Open Questions post-Forest Group*. If several patent numbers are marked but one of them does not cover the marked product, is this actionable false marking? *See* § VI-A, *Marking Multiple Patent Numbers*. Under which conditions does *advertising* constitute false marking? *See* § VI-B, *Advertising as False Marking*. Under which circumstances is there a false marking violation for a “patent pending” scenario? *See* § VI-C, *False Marking for an Unpatented but “Patent Pending” Invention*. The Court in *Forest Products* recognizes that a \$ 500 fine is out of the question for some products, suggesting *discretion* to award fines of “a fraction of a penny per article”. For 21 billion articles as in the *Solo Cup Lid* case, this presents a damages range at a tenth of a penny an article of \$ 21,000,000.00 up to a maximum of *ten trillion* dollars. What discretion does the Court have as to upper and lower limits? *See* § VI-D, *Scope of Trial Court Discretion*.

Because of the special nature of the *qui tam* action and the Constitutional issues involved, the Obama Administration has a special role to play in shaping the future of *qui tam* enforcement actions. At a time when the positions of Under Secretary and Deputy Under Secretary were vacant, the Obama Administration strongly *supported* the *qui tam* false marking action. What position should the government take? What should Congress do with respect to *qui tam* actions within the more macroscopic picture of patent reform legislation? *See* § VII, *Obama Administration Position on Qui Tam Actions*.

While there will surely be a marked increase in the number of *qui tam* actions filed, it remains too early to tell whether in fact there will be a pot of gold to await the *qui tam* litigants which will largely be determined by the actions of the courts. *See* § VIII, *Litigation Boom or Bust*.

II. *FOREST GROUP UP TO \$ 500 PER ARTICLE FINE*

The *Forest Group* saga started with the plaintiff American construction stilt manufacturer who originally successfully marketed his product through a licensee. Seeking a way to find a cheaper source, customer Bon Tool eventually ended up switching to a knock off supplier, the Shanghai Honest Tool Co., which manufactured identical replicas of the licensee's construction stilts – but without a Forest license. Unfortunately for the patentee, the construction stilt that he *claimed* in his patent included an element that was not a part of what he sold to the market so that Forest's own construction stilts were not covered by Forest's own patent – so neither were the Shanghai Honest Tool stilts which were knock offs of the original article. After Forest lost a first infringement suit against a different customer, Forest planned to adjust its own product to include the missing element and thus come under the umbrella of its own patent. But, before the manufacturing process could be changed Forest continued to sell the original version of its *unpatented* construction stilts *which continued to be have patent markings* which subjected Forest to a \$ 500 penalty: “Whoever marks ... any unpatented article, the word ‘patent’ ... importing that the [article] is patented for the purpose of deceiving the public ... [s]hall be fined not more than \$500 for every such offense.” 35 USC § 292(a). On the basis of such false marking, Bon Ton was able to win a false marking claim against Forest Group.

What made *Forest Group* a special case was not as the first successful false marking case at the Federal Circuit because that distinction goes to *Clontech*. Instead, what makes *Forest Group* unique is its departure from *London v. Everett H. Dunbar Corp.*, 179 Fed. 506 (1st Cir. 1910). Since *London*, a false marking action had been considered a *de minimis* action because each event of false marking is capped at a small award, \$ 100 under *London* which was bumped to

\$ 500 under the 1952 Patent Act. “Under the old statute [in effect under *London*] the penalty was stated to be ‘not less than \$ 100,’ for each offense, which minimum had been interpreted as a maximum; the new statute provides a maximum fine of \$ 500 for every offense.” P.J. Federico, *Commentary on the New Patent Act*, United States Code Annotated (1954 ed.), reprinted, 75 J. Pat. & Trademark Off. Soc’y 161, 218 (1993).

Whereas *London* capped the penalty at \$ 500 for *each event* of false marketing, in *Forest Group* the penalty is capped at \$ 500 for *each marked article*. No longer *de minimis*, in the pending *Solo Cup Lid* case, a false marking penalty is alleged based upon 21 *billion* cup lids that were marked with patent numbers but sold after expiration of the patents.

(Parenthetically, it should be noted that it is difficult to understand how a *mens rea* can attach to marking an expired patent number on manufactured goods. If anything, the argument could be made that publishing an *expired* patent number on goods presents an *invitation to copy* the goods as free to the public: It is a simple matter to go to the PTO website and check the patent number and immediately determine whether the patent has expired or not. The patentee loses more than it gains through marking an expired patent number. In *Arcadia Machine*, the fact that expired patents were marked was excused: “[W]hatever errors appeared in the labels were inadvertent, the result of oversight, *or caused by patent expirations.*” *Arcadia Machine & Tool Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986)(emphasis added).)

Under the maximum penalty, this would amount to a *ten trillion* dollar award for false marking in the *Solo Cup Lid* case. The Court in *Forest Group* recognized that “a court has the discretion to determine that a fraction of a penny

per article is a proper penalty.” *Forest Group*, __ F.3d at __. But, even a fine at a penny an article in *Solo Cup Lid* would represent the tidy little sum of \$ 210,000,000.00.

The problem with a per article approach was appreciated a century ago in *London* which anticipated the nightmare scenario of the *Solo Cup Lid* case: “Patented articles are so varied in kind and in value that, if we construe the statute to make each distinct article the unit for imposing the penalty, the result may follow that the false marking of small or cheap articles in great quantities will result in the accumulation of an enormous sum of penalties, entirely out of proportion to the value of the articles, while the marking of expensive machines used in limited numbers may result in the infliction of penalties which are comparatively slight in relation to the pecuniary value of the articles.” *London* 179 Fed. at 508.

The government has never found it worthwhile to prosecute false marking claims. However, following a rich tradition of Middle Ages English tradition, *individuals* are permitted to bring a *qui tam* action to bring miscreants to court and share an award with the Crown. Translated into the \$ 500 fine for false marking this would translate into an award of \$ 250 to the successful *qui tam* plaintiff. But, with a *per article* fine, all of a sudden gold appears at the end of the *qui tam* rainbow. This was expressly acknowledged in *Forest Group* itself: “Forest argues that interpreting the fine of § 292 to apply on a per article basis would encourage ‘a new cottage industry’ of false marking litigation by plaintiffs who have not suffered any direct harm. This, however, is what the clear language of the statute allows. Section 292(b) provides 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).” *Forest Group*, __ F.3d at __.

Forest Group immediately attracted attention as soon as it was decided. E.g., see Justin E. Gray, *Federal Circuit Holds that False Marking Statute Applies on a Per Article Basis*, <http://www.grayonclaims.com/home/2009/12/28/federal-circuit-holds-that-false-marking-statute-applies-on.html> (December 28, 2009). Prior to *Forest Group*, studies by Professor Elizabeth Winston and Donald W. Rupert anticipated potential problems. Elizabeth I. Winston, *The Flawed Nature of the False Marking Statute* (June 29, 2009), available at SSRN: <http://ssrn.com/abstract=1427472>; Donald W. Rupert, *Trolling for Dollars: A New Threat to Patent Owners*, 21 Int. Prop. & Tech. L.J. 1 (2009).

III. THE MIDDLE AGES: *QUI TAM PRO DOMINO REGE ...*

To fully understand *Forest Products* we must turn the clock back *centuries* to a time before the Pilgrims when English law practice required a knowledge of Latin for such arcane proceedings as an action “*qui tam pro domino rege quam pro se ipso in hac parte sequitur*,” [or] “who pursues this action on our Lord the King's behalf as well as his own.”” *Rockwell Intern. Corp. v. United States*, 549 U.S. 457, 463 n.2. For minor crimes the King relied upon his informers to bring miscreants to justice for which an informant would share half the penalty. Hundreds of English cases dating back to the Middle Ages are housed within musty case reporters dealing with such diverse matters as an adult who fails to attend church as in *Dr Foster's Case, concerning Recusants*, 77 E.R. 1222 (King's Bench 1614), a pub owner who charges too much for beer under a statute dealing with “misdemeanors in bear-brewers, conspiracies and agreements to sell at such prizes, and the making of unwholesome beer” as in *Farrington v Caymer*, 123 E.R. 1128 (Ct. Common Pleas 1531) and usury as in *Ken's Case*, 73 E.R. 823 (King's Bench 1545), and *Whitton qui tam v. Marine*, 73 E.R. 207 (King's Bench 1553).

The colonies first and then early America relied upon *qui tam* actions for a variety of causes, whereas by the twentieth century the government essentially relied exclusively on itself to enforce its criminal actions: “Most early *qui tam* statutes have long been repealed; of those remaining, most lie essentially dormant.” Evan Caminker, *The Constitutionality of Qui Tam Actions*, 99 Yale L.J. 341, 342 (1989)(footnote omitted).

Caminker says that beyond the false marking statute, the only remaining *qui tam* statute that appears to generation any interest at all is a codification of an 1834 law said to “regulat[e] Indian trade”. Caminker at 342 n.5. Remaining in theory are codifications of an 1825 statute dealing with “forfeiture of vessels taking undersea treasure from Florida coast to foreign nations” and a 1794 provision treating the “forfeiture of vessels privately armed against friendly nations.” *Id.* In addition to the statutes identified by Caminker, the False Claims Act, 31 USC §§ 3729-30, may also be considered a similar type of action.

IV. PATENT MARKING POLICE, ANSWERING THE *CLONTECH* CALL

Forest Group is but the first of a wave of *qui tam* cases that have appeared in the wake of *Clontech*. Indeed, at least two cases should be heard by the Federal Circuit this year, the *Solo Cup Lid* case as well as *Stauffer v. Brooks Brothers*.

A new species of patent troll has emerged, a “patent marking police” that has brought a number of such *qui tam* actions. Donald W. Rupert, *Trolling for Dollars: A New Threat to Patent Owners*, 21 Int. Prop. & Tech. L.J. 1 (2009). This new practice developed even without even one single success at the Federal Circuit where the only reported case denied relief because “[the patentee]’s legal position as to the scope of the [] patent is sufficiently plausible that [the patentee] cannot be said to have acted with the deceptive purpose necessary to trigger liability under

the false marking statute[.]”. *Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro S.A. de C.V.*, 464 F.3d 1339, 1355 (Fed. Cir. 2006)(Bryson, J.)(citing *Clontech*, 406 F.3d at 1351-55).

Plaintiff-appellant’s brief in *Stauffer v. Brooks* identifies the following current cases now being litigated by the patent marking police beyond the *Solo Cup Lid* case: *Pequignot v. Gillette*, 1:2008cv00049 (E.D. Va.); *Harrington v. CIBA Vision Corp.*, 3:2008cv00251 (W.D. N.C.); *Public Patent Foundation, Inc., v. Cumberland Packing Corp.*, 1:2009cv04360 (S.D.N.Y.); *Public Patent Foundation, Inc., v. McNeil-PPC, Inc.*, 1:2009cv05471 (S.D.N.Y.); *Public Patent Foundation, Inc., v. Iovate Health Science Research, Inc.*, 1:2009cv04361 (S.D.N.Y.); *Public Patent Foundation, Inc. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 1:2009cv05881 (S.D.N.Y.).

In addition, yet another pending case is in *Brule Research Associates Team, L.L.C. v. A.O. Smith Corp.*, Case No. 08-C-1116 (E.D. Wis. 2009)(Clevert, J.).

V. STAUFFER’S TWIN CHALLENGES

A. Stauffer Lacks “Standing”

In *Stauffer v. Brooks Brothers*, the *qui tam* plaintiff was thrown out of court on the basis of a lack of standing. The case involves patents which continue to be marked but which expired more than fifty years ago:

“Brooks Brothers currently manufactures and sells more than 120 different bow ties. While the various bow ties differ in design, fabric, and style, all of them are ‘adjustable’ – that is, wearers can alter the length of the tie by using a sliding metal device to ensure that it fits comfortably around the wearer’s neck. That sliding metal device – ‘the Adjustolox’ – was at one time covered by at least two

patents: patent 2,083,106, which was issued in 1937, covered an ‘Adjustable Necktie’ and expired in 1954. Patent 2,123,620, which was issued in 1938, covered a ‘Facing Band and Multiple Band Strip’ and expired in 1955.” *Stauffer*, 615 F.Supp.2d at 251 (footnote and citations omitted).

Stauffer’s appeal brief summarizes its understanding of the facts: “The instant appeal is from an *Order & Opinion* dismissing Stauffer's *qui tam Complaint* against Brooks Brothers (for false marking under 35 U.S.C. §292) under Fed. R. Civ. P. 12(b)(1) for Stauffer's purported lack of constitutional standing, in view of the District Court's conclusion that ‘Stauffer, proceeding as a *qui tarn* plaintiff, fails to allege a cognizable injury in fact to the United States or such an injury to the public that has been assigned to him by the government[.]’ The *Complaint* was engendered by Stauffer's having purchased several *different* Brooks Brothers bow ties (from several *different* Brooks Brothers stores) having *affixed* thereto an embroidered statement to the effect that the bow ties were *covered* by *two* U.S. Patents (each *expired* since the 1950s), and by Stauffer (a member of the public), as a result of his having read the statement, having been misled into believing that a patentee (likely Brooks Brothers) controlled the article in question (as well as like articles), when in fact no patentee controlled the article.”

Stauffer states as its first issue on appeal: “In granting Brooks Brothers' motion to dismiss Stauffer's Complaint (for false patent marking) under Fed. R. Civ. P. 12(b)(1) on the issue of Stauffer's Article III standing, did the District Court apply the correct procedure and legal standard in its vetting of Stauffer's Complaint for an *injury in fact* to the public, or to the United States, assignable to Stauffer by the government?” Stauffer also asks whether the court “err[ed] in effectively requiring that an *injury in fact* to the public, or to the United States, be *proven* by Stauffer to be the *direct result* of *deceptive intent* on the part of Brooks Brothers?”

B. An Unanswered Constitutional Challenge

In the same *Stauffer* case the question as to whether the false marking *qui tam* action is *Constitutional* was rendered moot by dismissal of the case for lack of standing. Nevertheless, the government unsuccessfully sought to intervene to have the issue decided. *Stauffer v. Brooks Bros., Inc.*, 2009 Westlaw 1675397 (S.D.N.Y. 2009)(Stein, J.)(denying government intervention on Constitutional issue), *earlier proceedings dismissing case for lack of standing*, 615 F.Supp.2d 248 (2009).

In the early months of the Obama Administration when the positions of Under Secretary and Deputy Under Secretary of Commerce for Intellectual Property were vacant, the Acting United States Attorney for the Southern District of New York argued very strongly *in favor* of *qui tam* actions for false marking: “[T]he United States has a strong interest in seeing the patent statute enforced. The effect of the Court's decision here is to deny standing not only to [the *qui tam* litigant] but *also* to the United States itself because, in the Court's view, the United States has suffered no ‘economic’ injury. The United States has a strong sovereign interest in preventing the distribution of falsely marked unpatented items, and it also has a proprietary interest in half of the damages gleaned from such unlawful activity. The Court's narrow holding in this case restricts individual [*qui tam* litigants]’ and the United States' ability to bring these lawsuits. Thus, the Court should allow the United States to intervene.” *Stauffer v. Brooks Bros., Inc.*, 2009 Westlaw 1675397 (S.D.N.Y. 2009)(Stein, J.), Government Trial Memorandum, 2009 Westlaw 2337678.

C. *Brule Research* Raises the Constitutional Issue

A government motion to intervene has been granted in the previously mentioned *Brule Research* case. The government was given time to file its pleading on the Constitutional issue while the case was otherwise suspended for discovery and the case closed for administrative proceedings pending resolution of the *Solo Cup Lid* case. (The government pleading has not yet been obtained for review.)

VI. OPEN QUESTIONS POST-*FOREST GROUP*

A. Marking Multiple Patent Numbers

If a patentee marks, say, five patent numbers on an article where one of the patents does not cover that article, is there false marking? Thus, if several patent numbers are marked on an article and at least one of the marked patents does not have a claim covering the article, does this constitute false marking in violation of 35 USC § 292(a)?

Yes, according to *dictum* in the *Clontech* case: “When the statute refers to an ‘unpatented article’ the statute means that the article in question is not covered by at least one claim of each patent with which the article is marked.” Rupert at 2 (quoting *Clontech*, 406 F.3d at 1351).

At least one District Court decision has used this *dictum* for a holding of false marking. Rupert at 2, quoting *London v. Everett H. Barr Corp.*, 179 F. 506, 510 (1st Cir. 1910), and citing *Brose v. Sears, Roebuck and Co.*, 455 F.2d 763,

768-769 (5th Cir. 1972), and *Clontech*, 406 F.3d at 1352.

The *Clontech dictum* is squarely at odds with *Arcadia Machine*, where false marking was not found because of lack of intention, but in *dictum* the court had no objection to a label used for multiple products that listed thirty patents, only some applicable to each: “The [early] labels read...: ‘This Ruger firearm is manufactured under one or more of the following U.S. Patents, or under one or more Patents Pending:’ and list thirty or so patents. The [later] 1984 label reads: ‘This box is used for all models of Ruger pistols and revolvers. The firearm in this box may be manufactured under one or more of the following patents....’” *Arcadia Machine & Tool Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986).

B. Advertising as False Marking

The case law prior to the 1952 Patent Act offers no guidance on advertising as an act of false marking as it was only in the current law that advertising was added to the picture:

“The legislative history shows that there were several new changes to the false marking statute as part of the 1952 Patent Act. First, marking includes advertising, whereas the old statute required marking on the article itself.” Federico at 218.

C. False Marking for an Unpatented but “Patent Pending” Invention

False marking of a *patent pending* raises a variety of issues of first impression. Whereas false *patent* marking statutes date back to the nineteenth century, “patent pending” marking is a creation of the 1952 Patent Act. Thus, “[t]he new statute ... adds a new offense relating to false marking ... of ‘patent applied for,’ ‘patent pending’ or equivalent expressions.” Federico at 218.

In a paragraph of the false marking statute that is *not* quoted in *Clontech*, a false marking penalty is available against “[w]hoever 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[.]”

Is there a “patent pending” for an invention where there is no *claim* to that invention? What if there are only claims to embodiments mutually exclusive from the marked article as was the factual situation in *Forest Group* itself? What should be done in the case of a pending *provisional* application where there may be *no claims at all* (as claims are not required for a provisional application)? Is there a “patent pending” when a foreign applicant files a PCT application designating the United States but the “national stage” has not yet been entered?

D. Scope of Trial Court Discretion

The court in *Forest Group* recognizes that a court should in some cases aware a small fraction of the maximum penalty per article: “[A] court has the *discretion* to determine that a fraction of a penny per article is a proper penalty.” *Forest Group*, __ F.3d at __ (emphasis added).

Yet, in the actual example of the *Solo Cup Lid* case with over 21 *billion* cup lids sold with false marking, is the trial court within its discretionary power to grant a one penny per article violation – which would amount to \$ 210 *million* dollars for marking expired patents on its cup lids? Ten trillion dollars, the maximum under the Federal Circuit formula?

VII. OBAMA ADMINISTRATION POSITION ON *QUI TAM* ACTIONS

As seen from the quoted pleading in *Stauffer v. Brooks Brothers*, the Obama Administration, whether consciously from leadership in Washington, D.C., or on the initiative of the Acting United States Attorney for the Southern District of New York, has strongly *supported* the right of individual *qui tam* litigants to bring false marking suits. Clearly, neither the incumbent Under Secretary nor Deputy Under Secretary was in any way implicated in this decision to support *qui tam* actions as the event took place during vacancies in their positions. Yet, in August 2009, the government successfully intervened to have the Constitutional question considered in the *Brule Associates* case.

With the increased importance of the issue of *qui tam* actions fueled by *Forest Group* and with more gasoline being poured onto the fire by the *Solo Cup Lid* and *Stauffer v. Brooks Brothers* appeals, it is important that the Under Secretary invite the open views of the public on this important issue. Congress,

too, should consider *qui tam* actions as it continues its more macroscopic debates over patent reform.

VIII. LITIGATION BOOM OR BUST

On the one hand, it is certain that *Forest Group* signals an increased interest in filing *qui tam* actions for false marking: Even before the holding in that case that the false marking penalty is *per article* there has been a great flurry of activity generated with the *hope* if not expectation that a case such as *Forest Group* would be decided in the manner that came to pass.

On the other hand, there are many uncertainties that remain including the question of standing in *Stauffer v. Brooks Brothers*. It also remains to be seen whether courts will readily find the necessary *mens rea* to find false marking. Also unclear is what courts will do in the exercise of their discretion in terms of the size of damage awards.