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False Patent Marking Defendants Gear Up For Round 2

By **Ryan Davis**

Law360, New York (January 31, 2011) -- The past year saw a frenzy of new false patent marking actions and a ruling that gave anyone standing to bring the suits, but defense attorneys are optimistic that constitutional challenges and new legislation in the works in 2011 will bring an end to the suits in their current incarnation.

The U.S. Court of Appeals for the Federal Circuit ruled in late December 2009 that companies can face penalties under the statute for each product falsely marked with an expired patent, not each decision to mark, setting off a wave of false marking suits that shows little sign of subsiding.

In previous years, only a handful of suits were filed under the once-obscure false marking statute, but the number of filings soared to 752 in 2010 given the new potential for significant recovery for plaintiffs and the fact that under the law, such suits are not the exclusive domain of a defendant's competitors.

That fact was clarified on Aug. 3, when the Federal Circuit held in Stauffer v. Brooks Brothers Inc. that any person has standing to bring suit.

According to statistics compiled by Gray On Claims, a patent blog run by Foley & Lardner LLP attorney Justin E. Gray, the rate of new false marking filings appears to be holding fairly steady. A total of 66 false marking suits were filed in March, as the phenomenon was first getting underway, and 83 were filed in December.

"One year later, there seems to be a steady drumbeat of these cases, and a growing list of new plaintiffs," said Richard Assmus, a partner at Mayer Brown LLP. "I was a little surprised it has continued like this. I would have thought the low-hanging fruit of allegedly expired patents would have been exhausted by now."

If some lawmakers and attorneys critical of false marking suits get their way, however, the statute may not be long for this world in its current form.

A handful of bills were introduced in Congress last year that would cripple the false marking statute and stanch the flow of suits, but none of them were passed. In January, new legislation was introduced to take aim at the law.

A new version of the patent reform bill introduced in the Senate on Jan. 25 would eliminate the qui tam provision of the false marking statute, allowing only a company's competitors or the U.S. to bring the suits.

A separate bill introduced earlier in January aims to eliminate the financial incentive for false marking suits by mandating that the penalty be limited to a fine of up to $500 per occurrence, rather than up to $500 per item, as the courts have held.

According to Assmus, either provision "would effectively end false marking suits."

"I don't know who's going to be opposing the legislation, apart from the false marking trolls," said Roderick Thompson, a partner at Farella Braun & Martel LLP.

Daniel B. Ravicher, executive director of the Public Patent Foundation, a nonprofit legal services organization that has filed several false marking suits, said he was not surprised that lawmakers were seeking to end false marking suits.

"Congress is completely corrupt. They've been paid off by the lying corporations," said Ravicher, a lecturer at Benjamin N. Cardozo School of Law. "That's what lying companies do. When they get caught lying, they go to Congress to try to change the law."

When the country is strapped for cash, he added, it makes no sense to deprive the government of the ability to collect fines from companies that break the false marking law.

While Congress is mulling action on false marking, defendants in several cases are seeking to severely weaken the law in the courts, by arguing that pleading standards should be tightened or that the law is unconstitutional on its face.

The constitutionality argument, put forth in a case now before the Federal Circuit, maintains that the law violates the "take care" clause of the Constitution because it does not allow the government to have adequate supervision of the qui tam plaintiffs bringing the suits. The U.S. has intervened in that case to defend the law.

In another case now pending at the Federal Circuit, the defendant has asked the court to require false marking plaintiffs to make specific factual allegations about the defendant's intent to deceive.

"The defendants argue that if you're going to accuse companies of deceiving the public, you need to come forward with evidence," said Jason White, a partner at Howrey LLP. "You can't just throw out allegations willy-nilly and hope to get discovery where maybe you can dig something up."

"I see two ways false marking suits could end, either through legislation or the courts declaring the statute unconstitutional," said James Morando, a partner at Farella Braun & Martel. "If both of those fail, we're going to see more and more of these suits."

Since emerging last year as a major concern for the patent bar, false marking suits have stirred some spirited debate among attorneys about how worthwhile they are.

"In the view of the defense bar, these cases are almost always meritless," Assmus said. "The central problem is that there is a fiction that anyone is actually confused by false marking."

Assmus said he expected most consumers pay no attention to patents and noted that in many marking cases, the allegedly false patents are not used prominently in marketing and may be buried in an instruction manual.

"There are a lot better ways to deceive consumers than marking products with expired patents," he said. "It's not an effective way to get people to buy a product. The premise is all wrong."

Ravicher, the plaintiffs attorney, strongly disputed the claim that because consumers aren't confused, the suits are baseless.

"When someone lies under oath, that's still a crime, even if no one is confused," he said. "Lying will mislead people and it should be against the law. The law says that if you make a false statement, that's a crime."

According to Ravicher, false marking suits are an important method for protecting the public from deceitful statements and keeping companies honest about their products.

"Yes, I file false marking suits and I'm not ashamed of it one bit. I would be ashamed to be defending these companies," he said. "I don't know how the defense attorneys sleep at night. They make all their money defending corporations that lie to the American people and use it to buy houses in the Hamptons."

If companies make an innocent mistake in marking a product with an expired patent, he said, they should have nothing to fear under the law, which targets intentional deception.

The suits he has filed target companies that are clearly attempting to mislead the public, Ravicher said, pointing to a case the foundation has filed against GlaxoSmithKline PLC over the laxative Citrucel.

According to the suit, the product is marked with patents that expired in 2005, but the false marking could not possibly be an oversight because the company filed an infringement suit over the patents shortly before they expired.

"They knew they would expire," Ravicher said. "It was a conscious decision to mark with expired patents."

Without a change to the law, the suits will likely continue into the foreseeable future, Thompson said, because patents will continue to expire, giving rise to new false marking claims.

"Patents expire every day, so there are going to be more products with expired patents," he said.

Ravicher argued that as companies become aware that false marking has consequences, they will become more conscientious about marking their products, causing the number of incidences and lawsuits to decline.

"These cases will be a mere blip on the screen," he said.