

IP Bulletin

What's in Your Patent Portfolio? *Beware of Marking Trolls*

Since January 1, 2010, no fewer than 50 lawsuits have been filed by the latest menace to business: the patent marking troll.

The patent marking troll plaintiff is a *qui tam* relator. In colloquial terms, he is a private citizen that is granted the right to sue on behalf of himself and the United States for false marking actions under 35 U.S.C. § 292. Unlike most plaintiffs who must demonstrate an injury (actual or imminent), causation and redressability to establish standing in an action, a *qui tam* relator need not establish any such injury. *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714 (E.D. Va. 2009).

To date, the most prolific *qui tam* relators/patent marking trolls include Thomas A. Simonian, David O'Neill, Matthew Pequignot, Patent Compliance Group, People Protecting Patents and Heathcote Holdings Corp., Inc.

Some of their victims and the products that are alleged to have been improperly marked include:

- Pfizer (Advil® medication)
- Blistex (lip balm)
- Ciba Vision (Clear Care® contact lens solution)
- Bunn-O-Matic (coffee makers)
- Hunter Fan (thermostats)
- Kimberly-Clark (Depends® underwear; Good Nites® sleep shorts)
- Merial (canine medications)
- MeadWestvaco (envelopes)
- Weber-Stephen Products (grills)
- Oreck (vacuum cleaners)
- Fiskars Brands (scissors; cutting instruments)

- Pella (windows)
- 3M (removable poster strips)
- BP Lubricants (Castrol® lubricants)
- The Quigley Corporation (Cold-eeze® medication)
- Irwin Industrial Tool (Shur-Line® tools)
- Edgecraft Corp. (Shef's Choice® knife sharpeners)
- Novartis (Interceptor® animal heartworm medication, Prevacid® medication, Hypo Tears® eyedrops)
- Monster Cable (audio products)
- Global Instruments (Riddex® pest repellants)
- Merck (pharmaceutical medications)
- Cisco (cable and satellite boxes)
- Advanced Vision Research (TheraTears® eyedrops)
- L'Oreal (makeup)
- Playtex (Diaper Genie® diaper disposal system)
- Snap-On (tools)
- Ascan Scandipharm, Inc. (prescription pharmaceuticals)
- Astellas Pharma US, Inc. (prescription pharmaceuticals)
- Amgen (prescription pharmaceuticals)
- Abbott Laboratories (prescription pharmaceuticals)
- Allergan (prescription pharmaceuticals)

- Bausch and Lomb (prescription pharmaceuticals)
- Baxter (prescription pharmaceuticals)
- Rosche Diagnostics (Accu-Check® blood glucose monitors)
- Darex, LLC (Drill Doctor® drill bit sharpeners)
- Timex (timepieces and instruments)
- Brunswick (marine, fitness and entertainment products)
- InterDesign (housewares and home fashions)
- North States Industries (child and pet gates)
- Avid Identification Systems (pet identification systems)
- Dyson (vacuum cleaners)
- Activision (video games)
- Wright Medical Technology (orthopedic devices)
- International E-Z Up (instant shelters)
- Tweezerman International (beauty instruments)
- Fujifilm (digital imaging products)
- United Parcel Service (delivery services)
- The Clorox Company (GLAD® sandwich zipper bags)
- Arrow Fastener Company (staples, staple guns and glue guns)

Statutory Basis & Potential Damages

By way of background, the patent marking statutes of the Patent Act attempt to strike a delicate compromise between innovators and the public. On the one hand, the Patent Act permits and indeed encourages patent owners and licensees to provide notice by marking products that are covered by patents with the patent number. For instance, if a patent owner marks an article and/or the packaging for an article that is covered by a patent, then the patent owner may recover damages for infringement of the patent before the infringer is provided actual notice of infringement (e.g., by way of a letter, the complaint or otherwise). 35 U.S.C. §§ 286, 287(a). On

the other hand, the Patent Act establishes penalties for patent owners that deceptively abuse the patent marking provisions. Section 292 of the Act prohibits the use of incorrect patent marking for the purpose of deceiving the public. 35 U.S.C. § 292(a). According to the statute, violators may be subjected to a fine of “not more than \$500 for each such offense.” 35 U.S.C. § 292(b).

Prior to the Federal Circuit’s December 28, 2009 decision in *Forest Group v. Bon-Tool*, false marking actions were few and far between, in part due to a 100-year-old decision holding that a “false marking” offense meant one “continuous” act. See *London v. E.H. Dunbar Corp*, 179 F. 506 (1st Cir. 1910). In other words, a continuous act of manufacturing mass-produced articles would be worth, at most, “not more than \$500” to a person suing to enforce the statute, and from any penalty recovered one-half would go to the use of the United States. 35 U.S.C. § 292(b). As a result, there was little motivation in the way of monetary recovery for a *qui tam* relator to file suit.

Bon-Tool turned *London* on its head and is now credited with creating this new cottage industry for marking trolls looking to hit the jackpot. In *Bon-Tool*, the Federal Circuit held that a single \$500 penalty did not provide enough incentive to comply with the statute and applied the civil penalty of Section 292 to each “unpatented article” so marked. *Forest Group v. Bon-Tool*, No. 2009-1044 (Fed. Cir. 2009). According to *Bon-Tool*, the plain language of 35 U.S.C. § 292 requires courts to impose penalties *on a per-article basis*. In so holding, however, the Federal Circuit carefully explained that the statute did not require a fine of \$500 per article. Instead, the statute permits a range of penalties, giving district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities. The Court even acknowledged that, in some instances, a fraction of a penny may be the appropriate fine per article. *Bon-Tool*, at *13.

Notwithstanding the Federal Circuit’s explanation that the false marking statute permits a range of penalties not to exceed \$500 per article, a patent owner’s inattention to patent markings in his portfolio could potentially lead

to expensive lawsuits alleging liability for enormous penalties. This is the perfect storm for the marking trolls, since their endgame is a quick, large settlement, not protracted litigation. Either way, the patent owner could be on the hook for a considerable sum.

Not surprisingly, “false marking” allegations have recently also been adopted as a defensive strategy when facing patent infringement accusations, for many of the same reasons set forth above.

Elements of a False Marking Claim

In order to prevail in a false marking action, the *qui tam* relator must prove two elements: (i) mismarking an article and (ii) intent to deceive the public. Mismarking may occur when one uses the word “patent” or any word or number that suggests that the article is patented on an unpatented article or when one uses the words “patent applied for” or “patent pending” or other similar words that suggests that the article is covered by a pending patent application when no such application is pending. 35 U.S.C. § 292(a).

An “unpatented article” under the patent marking statute is an article that is not “covered” by the patent, either because the patent is expired or because the patent number marked on the article is not consistent with the claims of that patent. *Clontech Labs. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005). In order to determine whether the claims of an unexpired patent cover an article, a court must construe the claims and then determine whether the article in question has every claim element or limitation in the properly construed claim. *Id.*

Unlike patent infringement, false marking is not a strict liability tort. Instead, a violation of the patent marking statute requires either direct or circumstantial evidence of intent, i.e., proof that the accused party had knowledge of the falsity of the marking. A *qui tam* relator plaintiff may show knowledge of falsity by establishing, by a preponderance of the evidence (i.e., more than 50 percent of the evidence), that the defendant patent owner did not have a reasonable belief that the articles were properly marked. *Id.* at 1352-53; *Bon-Tool* at *6. A misrepresentation (i.e., false marking) coupled with proof that the patent owner had knowledge of its falsity gives

rise to a presumption or inference that there was fraudulent intent. Once the presumption is established, the burden shifts to the patent owner to demonstrate that he did not intend to deceive the public. Whether evidence adequately rebuts the presumption turns on a fact-specific examination of the patent owner’s conduct. *Solo Cup*, 640 F. Supp. 2d at 197. The courts are clear, however, that a mere assertion by the patent owner that it simply did not have any deceptive intent is insufficient. *Id.*; *Clontech*, 406 F.3d at 1352-53.

Types of False Marking

The cases demonstrate that the following types of mismarking are actionable, and indeed give rise to a presumption or inference of intent to deceive the public: (i) marking an article with an “out-of-scope” patent (i.e., a patent where no claims read on or cover the article in question); (ii) marking an article with an expired patent and (iii) marking articles with multiple patent numbers, where at least one patent either did not have at least one claim that covered the patent or was expired. According to at least one district court, however, the mismarking of an article with an expired patent that previously covered the marked products weakens the presumption of intent to deceive. *Solo Cup*, 646 F. Supp. 2d at 797-98.

Presently, there appears to be a “split of authority” on whether conditional marking (e.g., a notice indicating that the article is covered by at least one patent in a list of patents) may give rise to a presumption of deceptive intent. *Cf. Arcadia Machine & Tool, Inc. v. Sturm, Ruger & Co., Inc.*, 786 F.2d 1124, 1124 (Fed. Cir. 1986) (holding that a label using “may be manufactured under” language was properly found not to be deceptive in any way), with *Clontech*, 406 F.3d at 1352 (defining “unpatented article” as an article that “is not covered by at least one claim of each patent with which the article is marked”), and *Solo Cup*, 646 F. Supp. 2d at 800 (noting that use of “may be covered” language in connection with patents that do not cover the article with knowledge thereof gives rise to a presumption of deceitful intent).

The presumption or inference of deceitful intent was not rebutted in cases where the patentee either (i) admitted that he knew of the incorrect marking and purposefully marked the articles to gain an advantage

(see *DP Wagner Mfg. Inc. v. Pro Patch Sys. Inc.*, 434 F. Supp. 2d 445, 457 (S.D. (2006 Tex.)); or (ii) knew or should have known that the claims did not cover the article based on a final claim construction order in a related case and continued to mark the articles as protected by the patent (see *Bon-Tool*).

However, the courts appear willing to provide a safe harbor for patentees who act in good faith reliance on the advice of counsel even if the patentee knew that it was marking unpatented articles. For example, in *Solo Cup*, the patentee marked cup lids with expired patent numbers and packages with conditional “may be covered by” language. *Solo Cup*, 646 F. Supp. 2d at 797-800. The Eastern District of Virginia held that, although the patentee knew that some of its patents had expired, the patentee had, in good faith and in accordance with the advice of counsel, implemented a policy under which the mold cavities with expired numbers would be replaced as they wore out or were damaged so as to avoid the high costs and disruption from replacement of all mold cavities at once. *Id.* The court further held that Solo Cup’s use of the conditional “may be covered” language was suggested by its outside counsel because the alternative (i.e., using separate packaging for each unique product) was too difficult from a logistical and financial perspective and not for the purpose of deceiving the public. *Id.* Indeed, Solo Cup had procedures on its website and phone lines to handle any questions regarding patent markings. *Id.* In each instance, Solo Cup had successfully rebutted the presumption of deceitful intent.

The *qui tam* relator in *Solo Cup* has since appealed the decision of the district court to the Federal Circuit. Oral arguments are currently scheduled for April 6, 2010.

Conclusion and Recommendations

As we continue to monitor the legal landscape surrounding false marking and the *Solo Cup* appeal to the Federal Circuit, we offer the following recommendations to avoid becoming the patent marking troll’s next victim.

(1) **Know what’s in your patent portfolio.**

Before you can protect yourself from the next *qui tam* relator, you must first identify

all of your (i) pending patent applications, (ii) abandoned patent applications, (iii) active patents and (iv) expired patents. In identifying the active patents, it is critical that you also identify the date on which the patent will expire.

(2) **Identify marked products.** Identify the products that you are presently marking.

(3) **Conduct an attorney audit to avoid any problems with intent.** Because we anticipate that the Federal Circuit will uphold the Eastern District of Virginia’s finding of a safe harbor in *Solo Cup*, the only way to avoid entanglement with the false marking statute is to rely in good faith on the opinion of counsel. So get one. Specifically, have a qualified patent attorney confirm or conduct the patent portfolio survey, step (1) above, and issue a written opinion setting forth which claims of the various patent applications and unexpired patents cover the products that are currently marketed. To the extent the audit identifies any articles that include expired patent markings or improper marking, work with your attorney to devise a reasonable policy to phase out such improper markings on future articles.

(4) **Consult with a qualified attorney as new patents issue and as patent applications are filed.** As new patents issue and as new patent applications are filed, obtain an opinion of counsel confirming that at least one claim of each such patent or patent application covers an article before selling or distributing that article in commerce.

The patent attorneys at Vedder Price P.C. are qualified to conduct false marking audits and are prepared to answer any questions you may have regarding the bevy of lawsuits that are currently pending in this latest “get-rich-quick” cottage industry. ■

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