Patent Qui Tam Actions — More to Come

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The second paragraph of 35 U.S.C. § 292(a) provides, “Whoever marks upon, or affixes to… any unpatented article, the word ‘patent’ …, for the purpose of deceiving the public... [s]hall be fined not more than $ 500 for every such offense.” As explained in a previous column, a long standing misinterpretation of that section was recently corrected in Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295, 93 U.S.P.Q.2d 1097 (Fed. Cir. 2009).

That language came into play when Bon Tool, having been sued for infringement, learned that copied goods were, despite markings to the contrary, not covered by the patent in question. Bon Tool therefore tried to turn the tables by using section 292(b): “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.”

Bon Tool appears not to have been misled or to have suffered any harm. Yet section 292(b) empowers anyone who believes that mismarking “for the purpose of deceiving the public” has occurred. Absent challenges to the constitutionality of that provision, discussed briefly below, lack of injury was irrelevant and receives no attention in *Forest Group.*

Rather, the court focuses on Bon Tool’s $500 award (half belonging to the government), and carefully explains why the trial court, and others since 1952, erred by finding “offenses” to be measured other than in terms of the number of mismarked articles. 590 F.3d at 1301-03.

Echoing Clontech Laboratories, Inc. v. Invitrogen Corp., 406 F.3d 1347, 1356 (Fed. Cir. 2005), *Forest Group* stresses that consumers should not be deprived of the advantages of competition potentially forestalled by false marking. 590 F.3d at 1302-03. Beyond its definition of “offense,” *Forest Group* is notable in its support of goals

embodied in section 292. *Id.* at 1304. In that vein, the opinion adds that no one (competitor or otherwise) would be likely to vindicate the public interest in truthful marking for the reward received by Bon Tool. *Id.* On the flip side, appreciating that penalties could be very large, the court holds, "In the case of inexpensive mass-produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty." *Id.*

The opinion in Pequignot v. Solo Cup Co., 646 F.Supp.2d 790 (E.D. Va. 2009) (Pequignot III), a case resolved last August, and now on appeal, signals a very different, perhaps more typical view of those who seek to recover under section 292(b). There, the court grants summary judgment for Solo because it was unable to find deceptive intent.

Thus, "there is no need to address the meaning of 'offense,'" *id.* at 801. The court nevertheless does so at the behest of the parties — but without benefit of the analysis in *Forest Group* published four months later.

Ultimately, *Pequignot III,* at 803, quotes with approval Taft v. Stephens Lith. & Engrav. Co., 38 F. 28, 29 (E.D. Mo. 1889), "Plaintiff is not suing for the value of his services, or for injury to his property, but simply to make profit to himself out of the wrongs of others; and when a man comes in as an informer, and in that attitude alone asks to have a half million dollars put into his pocket, the courts will never strain a point to make his labors light, or his recovery easy."

Given that Pequignot, suffering no unique harm, alleged the mismarking of at least 21,757,893,672 articles, *id.* at 804 n.3, that observation surely seemed apt. Were the penalty only a hundredth of a cent per article, his recovery would still exceed $2 million.

Yet, if the district court's intent finding is upheld on appeal, its legally incorrect view of "offense" will constitute harmless error. The dim view of qui tam plaintiffs manifest in *Pequignot III* nevertheless warrants close, if not skeptical, examination of

that finding. The Federal Circuit might also consider whether, in reaching its conclusion, the district court was adequately sensitive to the idea that "false marking misleads the public into believing that a patentee controls the article in question… [and] externalizes the risk of error…, placing it on the public rather than the manufacturer or seller." *Clontech,* 406 F.3d at 1356.

Conversely, however, the circuit court might appreciate that affirming is a way to avoid difficult questions concerning the constitutionality of section 292 addressed in an earlier opinion, *Pequignot II,* 640 F.Supp.2d 714 (E.D.Va. 2009). There, the United States intervened but only to defend the statute. *Id.* at 716.

Solo posed two questions: Did Pequignot have Article III standing, *id.* at 718, and did his suit offend Article II § 3, specifically the "take Care" clause that obligates the President to enforce public laws, *id.* at 424?

Solo also initially stressed the need to avoid constitutional issues and offered a construction that limited standing to competitors, *id.* at 717. The court was, however, unable to read the statute as requested. Although "any person" in Lanham Act section 43(a), construed in the context of section 45, has been found to encompass only competitors, that outcome is found to have no bearing on section 292. *Id.*

With regard to standing, Pequignot and the government agreed that he lacks standing except as a relator who brings suit on behalf of the government and shares its recovery. *Id.* at 719. Solo, however, claimed that he lacked even that because section 292(b), for example, "does not explicitly require a relator to sue 'in the name of' the United States." *Id.* at 721.

Solo also claimed that the government's inability to control the litigation was fatal to standing, *id.* at 722. But the court finds that argument to center more on executive control. Rejecting Solo's arguments principally on historical grounds, the opinion finds that Pequignot "has Article III standing, as a partial assignee of the government's claims." *Id.* at 724.

Solo's claims of encroachment on executive control of government litigation are likewise rejected on historical grounds. The court finds the need minimal and amply met despite the lack of explicit treatment in section 292. *Id.* at 727. Indeed, that "the very entity Solo alleges has been 'impermissibly undermined,' has intervened and… supported Pequignot's action… [is found to offer] additional persuasive evidence that separation-of-powers principles have not been violated here." *Id.* at 728.

It is relatively easy to conjure up problematic scenarios, and Solo offered several. (*See, e.g., id.* at 728 n. 18, posing the specter of multiple relators seeking compensation for the same infraction.) The court refuses to consider them, however, and heeds the Court's maxim in U.S. v. Raines, 362 U.S. 17, 22 (1960), "The delicate power of pronouncing an Act of Congress unconstitutional is not to be exercised with reference to hypothetical cases." *Pequignot II,* 640 F.Supp.2d. at 728 (quoting).

Should the Federal Circuit endorse the finding that Solo was justified in not correcting its labeling more quickly, those issues will not need not be addressed. Still, pleadings in other pending cases suggest that they cannot long be avoided. It will be interesting to see how that court deals with them and whether the Supreme Court can resist.