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Client Alert

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Judge Finds False Patent Marking Provision Unconstitutional

Hundreds of companies sued for labeling products with expired patent numbers won a victory this week when a federal judge ruled that the qui tam provision of the False Patent Marking statute is unconstitutional. The February 23 decision, which is expected to be appealed, is the first successful constitutional challenge to the statute that has generated a rash of lawsuits.

In his opinion, U.S. District Judge Dan Aaron Polster of the Northern District of Ohio found that the qui tam provision of the statute violates the take care provision of the Constitution. (*Unique Product Solutions, LTD. v. Hy-Grade Valve, Inc., Civil Action No. 5:10-cv-1912*)

The False Patent Marking statute (25 U.S.C. § 292) was a rarely litigated relic until the Federal Circuit's ruling approximately one year ago in *The Forest Group, Inc. v. Bon Tool Co.*, No. 09-1044 (Fed. Cir. Dec. 28, 2009) that a penalty of up to $500 applies to each individual article that is wrongly marked. This ruling created the prospect of significant penalties against companies that mass-produce articles incorrectly marked with a patent number. Since any person may sue for the penalty, in which one half of the penalty goes to the person suing and the other half to the United States (the *qui tam* provision of the False Patent Marking statute), the Federal Circuit's ruling in *Bon Tool* opened the gates for a flood of false patent marking lawsuits and hundreds of new false patent marking cases have been filed across the country.

In one of these cases, Unique Products Solutions, Ltd. sued Hy-Grade Valve, Inc. for allegedly marking its products with an expired patent and using an expired patent in its advertising materials. Hy-Grade Valve filed a motion to dismiss challenging the constitutionality of the *qui tam* provision of the False Patent Marking statute as violating the Take Care Clause of the United States Constitution, Art. II, § 3, which provides, in part, that the Executive Branch "shall take Care that the Laws be faithfully executed."

The District Court agreed with Hy-Grade Valve. Acknowledging the Federal Circuit's ruling in *Pequinot v. Solo Cup Co.*, 608 F.3d 1356, 1363 (Fed. Cir. 2010) that "the False Patent Marking statute is a criminal one, despite being punishable only with a civil fine," the District Court held that the proper test was "whether the *qui tam* provision of the False Patent Marking statute provides the Executive Branch sufficient control to ensure that the President is able to perform his constitutionally assigned duty to 'take Care that the Laws be faithfully executed." The District Court found that the Executive Branch lacks sufficient control over actions brought by persons asserting the False Patent Marking statute to ensure that it is being faithfully executed. The District Court stated that the False Patent Marking statute "lacks any of the statutory controls necessary to pass Article II Take Care Clause muster" and that it is "a wholesale delegation of criminal law enforcement power to private entities with no control exercised by the Department of Justice."

The District Court distinguished earlier rulings by other courts upholding the constitutionality of the *qui tam* provision of the False Patent Marking statute under the Take Care Clause, such as the Eastern District of Virginia's ruling in *Pequinot v. Solo Cup Co.*, 640 F. Supp. 2d 714 (E.D. Vir. 2009), largely on the grounds that this ruling did not account for the criminal nature of the False Patent Marking statute. Based on our research this is the first ruling in the country finding the *qui tam* provision of the False Patent Marking statute unconstitutional.

In view of the District Court for the Northern District of Ohio's ruling, it is likely that more defendants throughout the country in the hundreds of pending false patent marking cases will seek dismissals on the grounds that the statute is unconstitutional. Moreover, this issue appears ripe for a decision by the Federal Circuit, which to date has yet to rule on the constitutionality of the False Patent Marking statute. This constitutional issue is being briefed in an appeal currently pending before the Federal Circuit in *United States ex rel. FLFMC, LLC v. Wham-O, Inc.* (Case No. 2011-1067), so we may see some clarity regarding the constitutionality of the False Patent Marking statute soon.

If your company faces a false patent marking lawsuit or you have doubts about whether your products

are properly marked, the Intellectual Property Services Group at Armstrong Teasdale LLP invites you to contact one of the following attorneys:

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