



Client Alert

September 2, 2010

Federal Circuit Reverses Ruling that *Qui Tam* Relator did not have Standing Under the False Patent Marking Statute

On August 31, 2010, the United States Court of Appeals for the Federal Circuit issued a decision in a *qui tam* action under the "False Marking" statute (35 U.S.C. § 292). In *Stauffer v. Brooks Bros, Inc.*, 2009-1428, -1430, -1453 (Fed. Cir. August 31, 2010), the Federal Circuit reversed the decision of the United States District Court for the Southern District of New York, which dismissed Stauffer's false marking *qui tam* action for lack of standing, and denied the government's motion to intervene. *Stauffer v. Brooks Bros., Inc.*, 615 F.Supp. 2d 248 (S.D.N.Y. 2009); *Stauffer v. Brooks Bros., Inc.*, No. 08-cv-10369, 2009 U.S. Dist. Lexis 51166 (S.D.N.Y. June 15, 2009).

Background

Brooks Brothers, Inc. manufactures and sells men's bow ties. Some of Brooks Brothers' bow ties are marked with patent numbers which expired in the 1950s. Stauffer purchased some of the marked bow ties, and brought a *qui tam* action under 35 U.S.C. § 292 alleging that Brooks Brothers had falsely marked its bow ties. A penalty of up to \$500 applies to each individual article that is wrongly marked.

Brooks Brothers moved to dismiss Stauffer's complaint pursuant to Federal Rule of Civil Procedure 12(b)(1) for lack of standing, and 12(b)(6) for failure to allege an intent to deceive the public with sufficient specificity to meet the heightened pleading requirements for claims of fraud. The district court granted Brooks Brothers' motion pursuant to Rule 12(b)(1), concluding that Stauffer lacked standing. After the court's decision regarding Stauffer's standing, the government moved to intervene. The court denied the motion.

Stauffer's Standing

The Federal Circuit held that Stauffer, as the government's assignee, has standing to enforce Section 292. The court explained that Congress has, by enacting Section 292, defined an injury in fact to the United States--violation of that statute inherently constitutes an injury to the United States.

This ruling means that the hundreds of lawsuits filed by *qui tam* relators in recent months will proceed. Many of these cases have been stayed pending the outcome of this *Stauffer* ruling. Others have been dismissed for lack of standing. This definitive ruling finding standing for *qui tam* relators under Section 292 puts this issue to rest.

Government's Right to Intervene

Next, the Federal Circuit held that the government's motion to intervene should not have been denied. The court explained that "the government has an interest in enforcement of its laws and in one half the fine that Stauffer claims, disposing of the action would...impair or impede the government's ability to protect its interest, and Stauffer may not adequately represent that interest."

This ruling means that the U.S. Government cannot be denied the right to intervene in a Section 292 case. Whether the U.S. Government will exercise that right by intervening in the hundreds of pending cases remains uncertain.

Issues Not Addressed

The court did not address several key issues affecting Section 292 cases including: (1) whether Stauffer adequately alleged an intent to deceive the public--a critical element of a Section 292 claim--with sufficient specificity to meet the heightened pleading requirements for claims of fraud imposed by Rule 9(b) under Rule 12(b)(6); and (2) the constitutionality of Section 292 under the "Take Care" Clause of the U.S. Constitution.

Because these key issues remain open following the *Stauffer* decision, the vitality of Section 292 suits around the country is still unsettled. For today, *qui tam* plaintiffs and their lawyers can rest easy that their cases will not be dismissed for lack of standing.

If your company faces a false patent marking lawsuit or you have questions about marking your products property, the Intellectual Property Services Group at Armstrong Teasdale LLP invites you to contact:

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