



Client Alert

March 17, 2011

Federal Circuit Elevates Burden on False Marking Plaintiffs

Companies being sued for false patent marking won an important victory on March 15, 2011, when the United States Court of Appeals for the Federal Circuit ruled that plaintiffs must meet heightened pleading standards in their cases. This opinion assists defendants challenging false patent marking actions at the earliest stage of litigation.

The Federal Circuit held in the opinion, *In re BP Lubricants USA, Inc.*, --- F.3d ---, 2011 WL 873147 (Fed. Cir. 2011), that allegations under the false patent marking statute (35 U.S.C. § 292) must be pled with particularity under Rule 9(b) as opposed to the more lenient pleading requirements of Rule 8(a)(2). Under the false patent marking statute, anyone can sue on behalf of the government to enforce violations of its provisions. That plaintiff may collect half of the penalty of up to \$500 for each individual product that is wrongly marked. Prior to this ruling, many plaintiffs have been able to plead their claims under the more lenient rule.

BP Lubricants USA, Inc. ("BP") manufactures oil products such as CASTROL, which are distributed in a patented bottle design. Thomas Simonian brought suit against BP in the United States District Court for the Northern District of Illinois alleging that BP wrongly marked its bottles with expired patent numbers. Simonian's complaint mostly alleged "upon information and belief," that (1) BP knew or should have known that the patent expired; (2) BP is a sophisticated company and has experience applying for, obtaining, and litigating patents; and (3) BP marked the CASTROL products with the patent numbers for the purpose of deceiving the public and its competitors into believing that something contained or embodied in the products is covered or protected by the expired patent.

Although the District Court held that the pleading had set forth sufficient facts to state an intent to deceive, the Federal Circuit reversed. It stated that the District Court's application of its holding in *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009) was "clearly incorrect." Instead, the appeals panel said that a "plaintiff is not empowered under the Rules to plead the bare elements of his cause of action, affix the label 'general allegation,' and expect his complaint to survive a motion to dismiss." The panel further explained that a complaint relying on Section 292 must "provide some objective indication to reasonably infer that the defendant was aware that the patent expired."

The Federal Circuit noted that under the False Claims Act complaints must meet the stringent requirements of Rule 9(b) because it is intended to condemn fraud "but not negligent errors or omissions." Simonian's complaint failed to meet those requirements because it provided only generalized allegations rather than specific underlying facts from which intent could be inferred, the appeals panel said. Accordingly, the Federal Circuit directed the District Court to dismiss Simonian's Complaint with leave to amend.

In view of the Federal Circuit's ruling in *BP Lubricants*, it is likely that many defendants in false patent marking cases across the country will have strong support for a dismissal because the complaints fail to meet the particularity requirements of Rule 9(b).

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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