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ENHANCED PLEADING REQUIREMENTS APPLY IN PATENT MARKING CASES

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Allegations that a party falsely marked unpatented articles with a U.S. patent number must include facts from which a court may reasonably infer that the party acted with intent to deceive the public. So held a three-judge panel of the Court of Appeals for the Federal Circuit in granting a relatively rare interlocutory writ of mandamus, ordering the corresponding district court to grant a motion to dismiss. *In re BP Lubricants USA Inc.*, Misc. Docket No. 960 (Fed. Cir., 15 March 2011). The Court's decision appears at this [link](#).

This decision clarifies the law regarding patent marking and may facilitate resolution of some of the recent flurry of lawsuits alleging false-marking violations.

The U.S. patent statutes provide for marking of patented articles as an often-convenient and cost effective manner of providing required notice of the patent to accused infringers. The patent statutes also include a prohibition against making false and deceptive representations that an article is patented (35 U.S.C. 292). The false-marking statute includes a scienter requirement, meaning that it is applicable only if the false marking was done "for the purpose of deceiving the public."

Within the past 18 months, the number of new false-marking lawsuits has increased tremendously. This growth was likely driven by several recent judicial decisions perceived to enhance potential monetary awards to litigants, to clarify that the filer need not have suffered actual damage, and to broaden the scope of marking actionable under the statute.

BP Lubricants USA Inc. ("BP") sold products in a package that was marked with an expired patent number. The suit was initiated by a plaintiff who alleged that BP is a sophisticated company experienced in obtaining and enforcing patents, and that BP's intent can therefore be inferred from the fact that BP "knew or should have known" that its patent had expired when it marked its products.

Before the trial court, BP asserted that the plaintiff's allegation regarding BP's intent must be measured against the heightened pleading requirements of Rule 9(b) of the Federal Rules of Civil Procedure. Rule 9(b) is routinely applied to pleadings that alleged "fraud" but had not previously been held applicable to pleadings made in patent marking cases. BP moved the trial court to dismiss the plaintiff's complaint for failure to comply with Rule 9(b), but its motion was denied and the trial was set to proceed.

Ordinarily, motions to dismiss cannot be appealed until a final decision issues in a patent marking case. However, in an unusual move, the Federal Circuit heard and granted BP's petition for a writ of mandamus prior to resolution of the trial. The Court explained its decision to issue the interlocutory writ by pointing to the novelty of the legal issue presented and disagreement among lower courts

regarding how it should be decided. Although not mentioned by the Court, its decision on BP's petition might also be reasonably be understood as a reaction to the recent up-tick in false-marking litigation.

In the BP Lubricants decision, the Federal Circuit panel recognized that plaintiffs alleging false marking are akin to *qui tam* relators in claims brought under the Federal False Claims Act (FCA). In FCA suits, a relator suing on behalf of the U.S. must allege that a defendant has defrauded the federal government by making a false claim against government funds. U.S. courts universally hold that FCA claimants must satisfy the pleading-fraud-with-particularity requirements of Rule 9(b).

Analogizing that the false-marking provision of the patent statutes similarly includes fraud as a necessary element, the panel held that one alleging false marking must plead such fraud with the specificity that Rule 9(b) requires – such as by specifying the “who, what, when, where, and how” of the alleged fraud.

Applying the requirements of Rule 9(b) to the complaint, the panel held that the plaintiff's allegation that BP is a “sophisticated” company regarding patent issues was insufficiently specific to the fraud alleged, and that the plaintiff's mere allegation that BP “knew or should have known” that its patent had expired prior to marking the product does not satisfy Rule 9(b). The Federal Circuit held that the plaintiff's complaint provided no other facts from which the court could reasonably infer deceptive intent on BP's part and ordered the district court to dismiss the plaintiff's complaint.

The BP Lubricants decision may curtail future false-marking filings and lead to quick resolution of many pending suits. The decision also provides a standard that false-marking filers must keep in mind when preparing complaints.

Tactics and strategies relating to patent marking and patent litigation are highly fact-specific, and you should consider consulting a qualified attorney to discuss them.

Dilworth Paxson attorneys are highly experienced in patent marking and litigation matters, having worked with a variety of clients in a broad spectrum of industries. Please contact any of our attorneys if you would like more information about the information discussed in this document, or if we can be of assistance in any other way.