Federal Circuit Applies Heightened Pleading Standard Of Fed. R. Civ. P. 9(b) To False Marking Claims

On March 15, 2011, the Court of Appeals for the Federal Circuit issued a ruling in *In re BP Lubricants,* No. M960 (Fed. Cir. Mar. 15, 2011), holding that the heightened pleading standard of Fed. R. Civ. P. 9(b) applies to false marking claims. The opinion, authored by Judge Linn, forces false marking *qui tam* plaintiffs to plead their 35 U.S.C. § 292 claims with particularity and increases the likelihood for defendants of prevailing on motions to dismiss premised on the sufficiency of the pleadings.

The Court began its analysis with the recognition that Rule 9(b) "acts as a safety valve to assure that only viable claims alleging fraud or mistake are allowed to proceed to discovery." The Court concluded that Rule 9(b)'s "gatekeeping function" is necessary in false marking actions to "prevent[] relators using discovery as a fishing expedition" with claims "that do little more than speculate that the defendant engages in more than negligent action." The Court then confirmed that applying Rule 9(b) means that allegations of false marking, just like allegations of inequitable conduct, must comply with the requirements set forth *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 (Fed. Cir. 2009): the complaint must state the "who, what, when, where and how" of the alleged fraud, including "sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind." Simply reiterating the elements of the claim without more is not enough.

The Court then turned its focus to the complaint at issue. Like many false marking complaints that have been filed to date, the complaint against BP alleged that: (1) BP is a sophisticated company that has experience applying for, obtaining, and litigating patents; (2) BP knew or should have known that its patents expired; and (3) BP marked its products with expired patents for the purpose of deceiving the public. The Federal Circuit found these allegations insufficient, stating that "a complaint alleging false marking is insufficient when it only asserts conclusory allegations that a defendant is a 'sophisticated company' and 'knew or should have known' that the patent expired." Instead, "a complaint must in the § 292 context provide some objective indication to reasonably infer that the defendant was aware that the patent expired."

The Court also clarified the significance of the rebuttable presumption set forth in its decision in *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010) in determining whether the requirements of Rule 9(b) have been met. Even if a relator pleads the facts necessary to activate the *Pequignot* presumption of intent to deceive (*e.g.*, a false statement and knowledge that the statement was false), the inquiry under Rule 9(b) is not over. The presumption is only one factor in determining whether Rule 9(b) has been satisfied; it is not determinative. Finally, the Court offered guidance regarding the types of allegations that might pass muster under Rule 9(b). These include allegations such as "that the defendant sued a third party for infringement of the patent after the patent expired or made multiple revisions of the marking after expiration."

To find out how the decision in *In re BP Lubricants* affects your interests, please contact your usual Ropes & Gray attorney or one of the following Ropes & Gray IP attorneys:

Jesse J. Jenner
Bradford J. Badke
Jeanne C. Curtis