UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

FLFMC, LLC,

Plaintiff-Appellant,

v.

WHAM-O, INC.,

Defendant-Appellee,

v.

UNITED STATES,

Intervenor.

On Appeal from the United States District Court
for the Western District of Pennsylvania, No. 10-CV-0435
Before the Honorable Judge Arthur J. Schwab

BRIEF FOR THE CATO INSTITUTE AND WALTER OLSON AS *AMICI CURIAE* IN SUPPORT OF DEFENDANT-APPELLEE AND AFFIRMANCE

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February 25, 2011

CERTIFICATE OF INTEREST

Counsel for *amici curiae* Cato Institute and Walter Olson certifies the following:

1. The full name of every party or amicus represented in this appeal is:

Cato Institute and Walter Olson

2. The names of the real parties in interest represented in this appeal are:

None

3. The names of all parent corporations and any publicly held companies that own 10 percent of the party represented are:

None

4. The names of all law firms and the partners associates that appeared for the party or *amicus* now represented by me in the trial court or agency or are expected to appear in this court are:

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STATEMENT OF RELATED CASES

The following case, pending before this Court, is potentially a "related case" under Federal Circuit Rule 47.5(b): *In re BP Lubricants USA Inc.*, Misc. Docket No. 2010-960. In that false marking case, the defendant has filed a petition for mandamus which "presents the question whether general allegations of intent to deceive based upon information and belief and supported by little more than the allegation of a patent's expiration are sufficient to survive a motion to dismiss." *Id.* (Pet. for Writ of Mandamus, filed Sept. 14, 2010, at 1).

STATEMENT OF INTEREST OF *AMICI CURIAE*[1]

The Cato Institute believes that sound public policy requires, as the Framers understood, a limited federal government composed of properly divided branches. Cato was established in 1977 as a nonpartisan public policy research foundation dedicated to advancing the principles of individual liberty, free markets, and limited government. Cato's Center for Constitutional Studies was established in 1989 to help restore the principles of limited constitutional government that are the foundation of liberty. Toward those ends, Cato produces books and studies, conducts conferences, publishes the annual *Cato Supreme Court Review*, and files

[1] All parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution to fund its preparation or submission to the Court. No person other than *amici*, their members, and their counsel made a monetary contribution to the preparation or submission of this brief.

amicus briefs with the courts. This case is of central concern to Cato because it implicates the core constitutional structure—the separation of powers—that secures our liberty.

Walter Olson is a senior fellow at the Cato Institute's Center for Constitutional Studies, where he specializes in civil justice issues. Before joining Cato, Olson was a senior fellow at the Manhattan Institute. Olson is the author of several widely discussed books on the American legal system focusing in particular on the problem of excessive litigation, including *The Litigation Explosion* and *The Rule of Lawyers*. At his popular weblog Overlawyered.com, widely cited as the oldest blog about law, Olson writes regularly about the issue of litigation carried on for lawyers' benefit, and has frequently taken note of developments in patent marking disputes.

SUMMARY OF ARGUMENT

Separation of powers lies "at the heart" of the governmental structure created by the Constitution. *Buckley v. Valeo*, 424 U.S. 1, 119 (1976). But this concept is not a matter of mere form. "The Framers recognized … [that] structural protections against abuse of power [are] critical to preserving liberty." *Bowsher v. Synar*, 478 U.S. 714, 730 (1986). In dividing the powers of the federal government among its three branches, the Framers "consciously decide[d] to vest Executive authority in one person rather than several." *Clinton v. Jones*, 520 U.S. 681, 712

(1997) (Breyer, J., concurring in the judgment). This constitutional design was a wise way to ensure that enforcement of the laws, which carries an enormous potential for overreaching and abuse, would be in the hands of responsible officials who are accountable to the people. The Framers thus understood that the President's "most important constitutional duty" is to "'take Care that the Laws be faithfully executed.'" *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 577 (1992) (quoting U.S. Const. art. II, § 3). That duty includes the responsibility to initiate litigation as the "ultimate remedy for a breach of the law." *Buckley*, 424 U.S. at 138.

Separation of powers prohibits one branch of government from intruding on the constitutionally granted powers of another. *See Humphrey's Executor v. United States*, 295 U.S. 602, 629-630 (1935). It is violated when one branch aggrandizes itself at the expense of another, *see Clinton*, 520 U.S. at 701, *or* when one branch "impermissibly undermine[s]" another's constitutionally granted powers, *see Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 856 (1986). Congressional delegation of the President's law enforcement authority, therefore, is permissible only when the Executive retains "sufficient control over the [party with power to enforce the law] to ensure that the President is able to perform his constitutionally assigned duties" under the Take Care Clause. *See Morrison v. Olson*, 487 U.S. 654, 696 (1988).

The False Marking Statute, 35 U.S.C. § 292, fails to give the President the constitutionally necessary authority over the enforcement of federal law. Instead, it outsources the enforcement of a federal penal statute to private persons with no obligation to heed the public interest nor accountability to the public at large. Enforcement of the statute, moreover, has potentially draconian consequences. Under the False Marking Statute, it is unlawful, for example, to mark an unpatented product with a patent number, or to use a patent number in advertising in connection with products that are not patented. 35 U.S.C. § 292(a). The penalty for violating the statute is a fine of "not more than $500 for every such offense." *Id.* "Any person," the statute states, "may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States." *Id.* § 292(b).

But the statute says nothing about the Executive's enforcement role. Indeed, by its own terms, the statute precludes the government, which is not a "person," from suing for the penalty. *See infra* pp. 14-15, 24. Instead of "ensur[ing] that the President is able to perform his constitutionally assigned duties" to take care that the False Marking Statute is faithfully executed, it obstructs the President from fulfilling these obligations. By depriving the President of both effective notice of false marking suits brought by qui tam relators and the power to control the initiation, prosecution, or termination of such suits, the False Marking Statute

empowers false marking relators at the same time that it incapacitates the President.

This result doubly offends separation of powers:

First, the President's inability to control false marking litigation creates incentives virtually certain to encourage false marking relators to bring suits in their personal self-interest rather than public's. The potential for gargantuan statutory penalties as a result of recent case law only exacerbates this potential. *See Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

Second, the nature of false marking litigation creates an environment where the necessity for the President's traditional constitutional role is particularly critical. Unlike other qui tam statutes, such as the False Claims Act (FCA), 31 U.S.C. §§ 3729-3733, the False Marking Statute empowers the relator to enforce a penal statute, usurping the core of the President's Take Care Clause obligations. And the FCA allows relators to bring qui tam suits without the need to demonstrate even a modicum of personal stake in the litigation, because the relator's Article III standing can be derived solely from his status as a partial assignee of the government. *See Stauffer v. Brooks Bros., Inc.*, 619 F.3d 1321, 1325 (Fed. Cir. 2010). Because this empowerment of the qui tam relator precludes the President from engaging in his constitutional duties, it violates separation of powers. "The President cannot 'take Care that the Laws be faithfully executed' if he cannot

oversee the faithfulness of the officers who execute them." *Free Enter. Fund v. Public Co. Accounting Oversight Bd.*, 130 S. Ct. 3138, 3147 (2010).

ARGUMENT

I. THE PRESIDENT'S INABILITY TO CONTROL FALSE MARKING LITIGATION CREATES INCENTIVES VIRTUALLY CERTAIN TO AGGRANDIZE "MARKING TROLLS" AT THE EXPENSE OF THE PUBLIC INTEREST

A. Enforcement of the False Marking Statute Carries an Enormous Potential for Overreaching and Abuse

The lack of Executive control over false marking litigation is not simply a formal or technical violation of the Constitution's required separation of powers. Rather, the structure of the statute makes its enforcement highly likely to have disastrous effects on the public. Because each mismarked article constitutes a separate "offense," subject to up to a $500 fine, *see Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1302 (Fed. Cir. 2009), there are enormous incentives for private persons to sue any company that marks products. A defendant charged with falsely marking 100,000 products, for example, can be liable for up to $50,000,000. False marking relators can seek astronomical statutory penalties and then offer to settle for a fraction of the enormous potential patent litigation costs—still a hefty sum.

As has long been recognized in the class action context, a false marking complaint "can put considerable pressure on the defendant to settle, even when the plaintiff's probability of success on the merits is slight." *See Blair v. Equifax*

Check Servs., Inc., 181 F.3d 832, 834 (7th Cir. 1999) (Easterbrook, J.) (discussing rationale for interlocutory review under Rule 23(f)). Responsible corporate executives facing exorbitant awards that threaten the company with catastrophe, or even bankruptcy, are likely to be "unwilling to bet their company that they are in the right in big-stakes litigation." *See id.* This is especially true in the context of § 292, because mass production of marked products can propel the stakes of a false marking suit into the stratosphere. *Cf. In re Rhone-Poulenc Rorer Inc.*, 51 F.3d 1293, 1298 (7th Cir. 1995) (Posner, J.) (noting concern that defendants face settlements induced by a small probability of an immense judgment is "legitimate" "[j]udicial concern"). Like class action lawsuits, false marking suits may "produce recoveries that would ruin innocent stockholders," but they are even "more likely [to] produce blackmail settlements." *See* Friendly, *Federal Jurisdiction: A General View* 120 (1973).

Although the potentially catastrophic consequences of false marking suits were not much noted until recently, this Court's decision in *Bon Tool* smashed open the floodgates to false marking litigation. Two hundred and forty claims were filed in the first four months following the decision. *See* O'Neill, *False Patent Marking Claims: The New Threat To Business*, 22 No. 8 Intell. Prop. & Tech. L.J. 22, 22-23 (2010) ("This amounts to multiple new claims being filed every court day and represents more than a 1,100 percent increase over the false

patent marking claims being filed in the previous three years combined."). In the 14 months since the Court's decision in *Bon Tool*, relators who are in no way accountable to the public initiated approximately 800 false marking suits against over 1000 defendants. *See* McDonnell Boehnen Hulbert & Berghoff LLP, False Patent Marking, Cases, District Court, http://www.falsemarking.net/district.php (last visited Feb. 16, 2011). Many of the suits asserted claims for colossal statutory fines. *See, e.g., Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1359 n.1 (Fed. Cir. 2010) (noting, of false marking suit seeking approximately $10.8 trillion, that "such an award to the United States, of approximately $5.4 trillion, would be sufficient to pay back 42% of the country's total national debt").

In *Bon Tool*, this Court did note the possibility that false marking suits could lead to such negative consequences for the public, but nonetheless concluded that its reading of § 292(b) was compelled by the statutory text and purpose. *See Bon Tool*, 590 F.3d at 1302-1304. But even if this reading reflects Congress's true intent, the "fact that a given law or procedure is efficient, convenient, and useful in facilitating functions of government, standing alone, will not save it if it is contrary to the Constitution, for convenience and efficiency are not the primary objectives—or the hallmarks—of democratic government." *Free Enter. Fund v. Public Co. Accounting Oversight Bd.*, 130 S. Ct. 3138, 3156 (2010) (internal

quotation marks, alterations, and citations omitted).[2] This Court's high-stakes interpretation of § 292(b) makes it all the more essential that control of false marking litigation be firmly in the hands of the Executive Branch—and if the statute does not allow it to be so controlled (as it does not), then the statute must be held unconstitutional.

B. The False Marking Statute Makes No Provision for Executive Control

When enforcement of other federal statutes carries the possibility for such overreaching and abuse, the Executive's control limits the devastation that can be wreaked on defendants and the public generally. These controls serve not only to fulfill the President's constitutional obligations, but also to protect the public from private interests selfishly brandishing the public sword. As one court recently

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[2] Over-deterrence of patent marking caused by the *in terrorem* effect of lawsuits brought by false marking trolls was likely not Congress's intent. The law, in other respects, encourages good-faith patent marking. A patent owner who marks its patented products, thereby providing constructive notice of its patent, has the potential to recover damages for infringement that occurred both before and after it provides the infringer with actual notice. *See Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1219-1220 (Fed. Cir. 2002); *American Med. Sys., Inc. v. Medical Eng'g Corp.*, 6 F.3d 1523, 1534-1538 (Fed. Cir. 1993). A patent owner who fails to properly mark its products, by contrast, may be limited to recovering damages for infringement that occurred only after it provides the infringer with actual notice. *See* 35 U.S.C. § 287(a). Making competitors aware of patents that the patent marker actually believes cover the marked products, moreover, has important social benefits—*e.g.*, it can "prevent[] unintentional and unknowing infringements, which avoids costly and unnecessary patent litigation." Donoghue, *How False Patent Marking Cases And The Recession Have Drastically Changed Intellectual Property Litigation*, 2010 WL 4745692, at *2 (Aspatore, Nov. 2010).

noted in holding that the False Marking Statute violates the Take Care Clause, "[t]here are very practical policy reasons why the Take Care Clause vests federal law enforcement power in the hands of the President, and why delegation of that power to a private entity must be sufficiently controlled by the Attorney General." *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, No. 5:10-cv-1912, 2011 WL 649998, at *6 (N.D. Ohio Feb. 23, 2011). For public prosecutors, with the tremendous power of representing the sovereign interest—in a criminal or a civil case—comes the responsibility to use it for the public good, which involves determining "whether or not a particular enforcement action is fully supported by the law and the facts, … whether it is in the public interest to initiate it," and how any enforcement will affect the system as a whole and the administration of justice. *Id.* Those determinations inform a prosecutor's decisions about whether and how to conduct a case. *See id.*

The Supreme Court fully understood the importance of these responsibilities in *Morrison v. Olson*. The Ethics in Government Act of 1978 (EGA) at issue in that case allowed appointment of an independent counsel to "investigate and, if appropriate, prosecute certain high-ranking Government officials for violations of federal criminal laws." 487 U.S. at 660. Critically, that statute prescribed "several means of supervising or controlling the prosecutorial powers that may be wielded by an independent counsel" that satisfied the Executive's constitutional obligation

to maintain sufficient control over the prosecution. *Id.* at 696. First, the Attorney General maintained control over the independent counsel by "retain[ing] the power to remove the counsel for 'good cause.'" *Id.* Second, the Attorney General maintained control over the initiation of the investigation by having unreviewable discretion "not to request appointment if he finds 'no reasonable grounds to believe that further investigation is warranted.'" *Id.* Third, the Attorney General maintained control over the scope of the litigation because "the jurisdiction of the independent counsel [was] defined with reference to the facts submitted by the Attorney General." *Id.* Finally, the Attorney General maintained control over ensuring that the prosecution was pursued in the public interest by requiring the independent counsel to "abide by Justice Department policy" whenever possible. *Id.*

Like the EGA, the False Claims Act (FCA), 31 U.S.C. §§ 3729-3733 (the False Marking Statute's better known qui tam cousin), contains numerous provisions designed to ensure Executive Branch control over litigation initiated by a third party—there, the qui tam relator. Applying the *Morrison* "sufficient control" standard to consider Take Care Clause challenges to the FCA, the courts of appeals to address the question have rejected such challenges on the basis that the FCA contains several specific provisions allowing the Executive Branch to curtail litigation abuses by relators. *See, e.g., United States ex rel. Taxpayers*

Against Fraud v. General Elec. Co., 41 F.3d 1032, 1041 (6th Cir. 1994); *United States ex rel. Kelly v. Boeing Co.*, 9 F.3d 743, 755 (9th Cir. 1993); *United States ex rel. Kreindler & Kreindler v. United Techs. Corp.*, 985 F.2d 1148, 1155 (2d Cir. 1993). *Cf. Riley v. St. Luke's Episcopal Hosp.*, 252 F.3d 749, 752-752, 757 (5th Cir. 2001) (en banc) (concluding, on other grounds, that "[a]ny intrusion by the qui tam relator on the Executive's Article II power is comparatively modest, especially given the control mechanisms inherent in the FCA to mitigate such an intrusion and the civil context in which qui tam suits are pursued").

These controls include (1) the government's right to be notified of the case before the defendant is served, 31 U.S.C § 3730(b)(2); (2) the right to intervene in the action within 60 days of the commencement of the action, *id.*, or for "good cause" thereafter, *id.* § 3730(c)(3); (3) the obligation to take primary responsibility for prosecuting the action if it intervenes and the right to not be bound by the relator's actions, *id.* § 3730(c)(1); (4) the right to limit the relator's discovery, *id.* § 3730(c)(4), and participation in the suit, § 3730(c)(2)(C); and (5) the right to be served with all papers even if it chooses not to intervene, § 3730(c)(3). In addition, the Executive enjoys the right to seek dismissal or settlement of the action over the objection of the relator, *id.* § 3730(c)(2)(A), (B), as well as the right to prevent dismissal of the action by the relator, *id.* § 3730(b)(1). As a result of these protections, although the FCA permits a relator to initiate litigation, the Executive

retains significant control over the initiation and prosecution of the suit. Together, these powers ensure that the Executive can take care that the FCA is faithfully executed and that FCA litigation is pursued in the public interest.

The government possesses no similar controls over qui tam litigation under the False Marking Statute. The text of the statute omits any mention of Executive involvement. The statute does not even require that the Executive receive notice of false marking cases, an essential first step to exerting influence over a litigation. Nor does it provide the Executive with any means of controlling the initiation, prosecution, or termination of such cases. By preventing the Executive from maintaining control over false marking cases and thus "accomplishing its constitutionally assigned functions," the statute "disrupts the proper balance between the coordinate branches," *Nixon v. Administrator of General Servs.*, 433 U.S. 425, 443 (1977).

Contrary to the government's arguments, putative protections from other sources of law do not provide the controls that the statute itself lacks. For example, although 35 U.S.C. § 290 requires courts to give the U.S. Patent and Trade Office (PTO) notice of all patent cases within one month of filing, that does not afford the Executive with notice that a pending case is a *false marking* suit, inform the proper agency—the Department of Justice—that is responsible for representing the United States in patent cases in the district courts, or give the

Executive sufficient time to act promptly to affect the suit. The PTO would be hard pressed to determine in short order which patent suits involved false-marking claims; even if the government examined each patent file to locate notices of suit sent by the district court clerk, the notice would not tell the government whether it referenced a false marking suit or a suit for infringement. The failure of § 290 to provide effective notice to the government "presents a unique problem with False Marking *qui tam* actions because relators are likely to be interested in a quick settlement without the delay and expense of protracted litigation. Thus, without even being notified of the *qui tam* action brought on its own behalf, the government may be bound by a settlement and will likely [be] precluded from bringing its own suit under the doctrine of res judicata." *Hy-Grade Valve*, 2011 WL 649998, at *5. The FCA, by stark contrast, affords the government the right to be notified of the case before the defendant is even served, 31 U.S.C § 3730(b)(2), and gives the Executive time to consider whether to "(A) proceed with the action, in which case the action shall be conducted by the Government; or (B) notify the court that it declines to take over the action, in which case the person bringing the action shall have the right to conduct the action," *id.* § 3730(b)(4)(A) & (B). *See Hy-Grade Valve*, 2011 WL 649998, at *5.

In addition, the False Marking Statute deprives the Executive of any ability to initiate a false marking suit. The statute empowers "[a]ny *person*" to "sue for

the penalty, in which event one-half shall go to the person suing and the other to the use of the United States." 35 U.S.C. § 292(b) (emphasis added). But it is a "longstanding interpretive presumption that 'person'" in federal legislation "does not include the sovereign." *Vermont Agency of Nat. Res. v. United States ex rel. Stevens*, 529 U.S. 765, 780-781 (2000). And the False Marking Statute has consistently been interpreted to exclude the government from bringing suit under § 292(b).[3] *See United States v. Morris*, 2 Bond 23, 26 F. Cas. 1321 (S.D. Ohio 1866) (dismissing § 292(b) action brought by the United States because the United States is not a "person"); Roberts, *Actions Qui Tam Under The Patent Statutes Of The United States*, 10 Harv. L. Rev. 265, 266 (1896) ("[O]nly a person can be an informer under the statute. Even the United States, which as a collateral party is interested in a suit to recover penalties under the act to the extent of one half the sum recovered, cannot through its attorney be an informer."). Once again, the FCA provides a sharp counterpoint against which to evaluate the FCA's constitutionally fatal shortcomings. The FCA authorizes the Attorney General to bring a civil action against a person he finds has violated the FCA. 31 U.S.C. § 3730(a) ("If the Attorney General finds that a person has violated or is violating

[3] The government may be able to bring a separate criminal action pursuant to 35 U.S.C. § 292(a). *See Winner v. United States*, 33 F.2d 507, 508 (7th Cir. 1929) (per curiam) (upholding indictment where false marking offense was object of charged conspiracy).

section 3729 [of the FCA], the Attorney General may bring a civil action under this section against the person.").

The False Marking Statute further deprives the government of the option to control the conduct of the action. At most, the government may seek to intervene under Rule 24 of the Federal Rules of Civil Procedure[4]—but that opportunity is inadequate to satisfy the Executive's control obligations. As the *Hy-Grade Valve* court noted, "Rule 24 … fails to sufficiently protect the government because it does not require that the government actually be served with a False Marking complaint or any relevant pleadings." 2011 WL 649998, at *5. Moreover, the government's ability to intervene—just like any other party's—would be (a) shackled by the need for court approval, a timely motion, and a finding that the relator cannot adequately represent the interests of the United States, *see* Fed. R. Civ. P. 24(a)(2), and (b) far more limited than the special intervenor rights granted to the Executive by the FCA or the controls the Executive enjoyed over the independent counsel in *Morrison*. For example, the ability of an ordinary intervenor to veto a settlement by withholding its consent to a voluntary dismissal, *see* Fed. R. Civ. P. 41(a)(1)(A)(ii), does not guarantee the Executive the power to seek dismissal or settlement of the relator's action over the relator's objection, 31

[4] This Court has upheld the Government's right to intervene in a false marking suit. *Stauffer v. Brooks Bros., Inc.*, 619 F.3d 1321, 1328-1329 (Fed. Cir. 2010).

U.S.C. § 3730(c)(2)(A), (B); to take primary responsibility over the litigation, *id.* § 3730(c)(1); or to seek to limit the relator's discovery § 3730(c)(4)—all rights that the government enjoys under the FCA. *See Hy-Grade Valve*, 2011 WL 649998, at *5. Nor may an ordinary intervenor remove a relator under any circumstances, or determine the scope of the relator's complaint, in contrast to the Attorney General's powers under the EGA at issue in *Morrison*.

More generally, an intervenor plays on the original plaintiff's turf; it usually has no power to enlarge the scope of the suit or alter the terms of the game. *See Vinson v. Washington Gas Light Co.*, 321 U.S. 489, 498 (1944) ("an intervenor is admitted to the proceeding as it stands"). And the role of an ordinary intervenor can be circumscribed in the district court's discretion. *See, e.g.*, *Beauregard, Inc. v. Sword Servs. L.L.C.*, 107 F.3d 351, 354 n.9 (5th Cir. 1997) ("In some cases a district court has granted an intervenor as of right only a limited ability to participate in a case. For example, the district court may limit its participation to one issue in the litigation, or may restrict the intervenor's right to discovery.").

In sum, the False Marking Statute falls far too short of guaranteeing the Executive the controls necessary to ensure that he has the power to control the initiation, prosecution, and termination of false marking suits; to protect the public from free-wheeling false-marking trolls; or to "take care that the laws [are] faithfully executed." "[U]nlike any [other] statute in the Federal Code," the False

Marking Statute represents "a wholesale delegation" of enforcement power to private persons, completely absent any control by the Department of Justice. *Hy-Grade Valve*, 2011 WL 649998, at *6. A false marking relator may bring suit without even notifying the Department of Justice. As he litigates the case without any Executive oversight, the Executive's ability to intervene is limited to that of any ordinary party, subject to the discretion of the district court, and devoid of any power to limit the relator's participation. The government has no right "to stay discovery[,] which may interfere with the government's criminal or civil investigations," or to dismiss the action. *Id.* And, again without even notifying the Department of Justice, the relator may settle the case and bind the government. *Id.* This regime cannot survive constitutional scrutiny.

II. EXECUTIVE CONTROLS ARE PARTICULARLY CRUCIAL TO CONTAIN FALSE MARKING RELATORS' OTHERWISE UNBRIDLED ABILITY TO BRING SELF-SERVING SUITS

By constitutional design and mandate, the Executive must maintain control over litigation brought on behalf of the government. "As Madison stated on the floor of the First Congress, 'if any power whatsoever is in its nature Executive, it is the power of appointing, overseeing, *and controlling* those who execute the laws.'" *Free Enter. Fund*, 130 S. Ct. at 3151 (quoting 1 Annals of Cong. 463 (1789)) (emphasis added). This requirement is not only critical to the guarantee of our constitutional design; it also represents wise policy—a private citizen wielding

sovereign power can be hazardous to the public if not kept in check by the President.

Perhaps even more than in the ordinary case, the False Marking Statute calls out for Presidential supervision for two important reasons. First, the false marking relator asserts *only* the government's assigned sovereign interest; he vindicates neither an additional remedial interest nor any individualized personal interest. *Cf. Vermont Agency*, 529 U.S. at 772. In such circumstances, the need for Executive control over litigation has long been recognized as essential. Second, there is virtually no limit to who can bring a false marking complaint because a relator need not demonstrate Article III standing based on injury to himself. *See Brooks Bros.*, 619 F.3d at 1325. Such unfettered license to bring suit begs to be abused, and Executive control is therefore all the more crucial to the preservation of the constitutional order and the public welfare.

A. Presidential Control Is Particularly Important Because the Relator Asserts Only the Government's Sovereign Interest

In a suit under the FCA, qui tam relators seek to vindicate *both* "the injury to [U.S.] sovereignty arising from violation of its laws" *and* the Government's "proprietary injury resulting from the alleged fraud." *Brooks Bros.*, 619 F.3d at 1326. But because "the false marking statute is a criminal one, despite being punishable only with a civil fine," *Pequignot*, 608 F.3d at 1363, the *only* interest

vindicated by a false marking suit is the Government's sovereign interest.[5] *Vermont Agency*, 529 U.S. at 771 (for the Government, "the injury to its sovereignty arising from violation of its laws" "suffices to support [any] criminal lawsuit" it brings.). *Cf. Brooks Bros.*, 619 F.3d at 1326 (expressing "no view as to whether section 292 addresses a proprietary or a sovereign injury of the United States, or both").

The Executive's ability to control the initiation, prosecution, and termination of actions brought to vindicate the government's purely sovereign interest is particularly essential. As four Supreme Court justices recently noted, where a "private party act[s] on behalf of the sovereign, seeking to vindicate a public wrong," the sovereign—"entrusted with the constitutional responsibility for law enforcement"—must have the authority to "halt the prosecution." *See Robertson v. United States ex rel. Watson*, 130 S. Ct. 2184, 2188 (2010) (Roberts, C.J., dissenting from dismissal of writ as improvidently granted). This power is crucial to ensuring that the government's partial assignee, acting on the Executive's behalf, does not overstep the boundaries of the public interest he is entrusted to vindicate.

[5] This distinction calls into serious question the constitutionality of the False Marking Statute under Article III, an issue that Wham-O has preserved for appeal.

Where the President lacks the power to terminate as well as any other attendant controls sufficient to satisfy his constitutional obligations, and the private party has no independent obligation to further the public interest, it is merely semantics to say that the relator is acting *on behalf of* the sovereign; he, in effect, replaces the sovereign. Our constitutional design never intended for this to occur. Although they purport to pursue the government's sovereign interest in ensuring the laws are followed (the only basis for a "case or controversy"), false marking relators have no public accountability and pursue their litigations solely for their own self-interest. If left unchecked by the President, many false marking relators will inevitably place their personal interests over those of the public and prey on innocent defendants. Even if the Executive would not opt to terminate a suit, a qui tam relator, acting alone, may easily pursue the litigation too aggressively, or too haphazardly, to properly champion the government interest while balancing the public good. Unlike the independent prosecutor in *Morrison*, the false marking relator has no obligation to follow Department of Justice policy or to confine the litigation to the scope of facts defined by the Attorney General. The result is a classic example of the need for Executive oversight, in accordance with constitutional mandate. The False Marking Statute, however, fails to accommodate this gaping need.

B. There Is Virtually No Limit on Who Can Assume the Role of Sovereign-Interest Enforcer When Pursuing Purely Self-Interested Gain

Ordinarily, Article III standing requirements contain the range of plaintiffs who can bring legal claims. And historically, practical matters effectively limited the proliferation of false marking litigation. Because courts previously considered a false marking suit to be able to generate, at most, a $500 fine to be split with the government, false marking relators were typically competitors seeking to vindicate an interest beyond receiving monetary relief. *See* O'Neill, *False Patent Marking Claims: The New Threat To Business*, 22 No. 8 Intell. Prop. & Tech. L.J. 22, 22 (2010); *see, e.g.*, *Filmon Process Corp. v. Spell-Right Corp.*, 404 F.2d 1351, 1355 (D.C. Cir. 1968) ("as a practical matter, the patentee is the only likely" party to bring suit alleging another product is falsely marked with his patent); Roberts, 10 Harv. L. Rev. at 274 ("It is clear, after a consideration of the cases under this statute, that the strictness of construction adopted by the courts, the heavy burden of proof which is imposed upon the informer, and the obvious difficulty of proving a fraudulent intent on the part of a defendant, combine to dissuade a person from undertaking the expense and trouble of litigation merely for the sake of plunder.").

An essential element of the Executive's control over litigation on behalf of the sovereign, moreover, is the power to control the identity of the assignee. The Executive in *Morrison* could remove the independent counsel for good cause,

487 U.S. at 696, and the Executive in an FCA litigation can step in and replace the qui tam relator with a government agent, 31 U.S.C. § 3730(c)(1). The President has no such controls over the false marking relator. What is more, there are virtually no limits whatsoever on who may appoint himself a false marking relator. Today the Federal Circuit recognizes that all false marking relators have Article III standing by virtue of the False Marking Statute partially assigning the government's interest in enforcing that law to any and all "person[s]." *See Brooks Bros.*, 619 F.3d at 1325. This understanding excuses relators from the requirement to demonstrate any individual "injury in fact." *Id.*

This expansive assignment of sovereign authority offered to all comers makes Executive controls all the more crucial for keeping in check the breadth of that assignment, which has enormous capacity for abuse. In a world where plaintiffs need not even allege harm to themselves to bring suit, motivations other than personal injury will inevitably drive many persons to the courthouse. As noted, this Court recognized this proclivity and saw the False Marking Statute as seeking to take advantage of it. *See Bon Tool*, 590 F.3d at 1302-1304; *supra* p. 8. But a congressional desire to channel this energy towards combating false marking cannot forgive the excessive diminution of the Executive's control authority. Regardless of whether it was Congress's intent to empower relators to bring false marking suits indiscriminately without Executive supervision, such a statute

unmistakably "impermissibly undermine[s]" the Executive's constitutionally granted powers, *see Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 856 (1986).

Moreover, the government has the ability neither to step into the relator's shoes once suit is filed, nor to beat the relator to the courthouse. Only private "person[s]" can bring a civil suit to enforce the False Marking Statute; the President, in an unusual twist of legislation, has no such authority. *See supra*, pp. 14-15; *United States v. Morris*, 2 Bond 23, 26 F. Cas. 1321 (S.D. Ohio 1866); Roberts, 10 Harv. L. Rev. at 266. Accordingly, the President's role in "tak[ing] care" that *this law* is faithfully executed would rest entirely in his control over the qui tam litigation—if the False Marking Statute had *any* of the control attributes of, for example, the FCA. But it has none. By depriving the President of his critical constitutional role, the False Marking Statute runs afoul of the separation of powers so critical to the proper functioning of our Constitution.

CONCLUSION

As follows from the above discussion, *amici* urge the Court to affirm the decision below on the grounds that the False Marking Statute violates the Take Care Clause of the Constitution.

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CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of February, 2011, I caused two copies of the foregoing Brief for the Cato Institute and Walter Olson as *Amici Curiae* Supporting Defendant-Appellee and Affirmance to be served via overnight courier at the following addresses:

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CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(C), the undersigned hereby certifies that this brief complies with the type-volume limitation of Fed. R. App. P. 29(d), 32(a)(7)(B) and Circuit Rule 32(b).

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