

Federal Circuit Clarifies Liability for False Patent Marking

June 11, 2010

On June 10, the Court of Appeals for the Federal Circuit affirmed the district court's summary judgment that Solo Cup Company was not liable for the false marking of unpatented articles. In its decision in *Pequignot v. Solo Cup Co.*, No 2009-1547, slip op. (Fed. Cir. June 10, 2010), the Federal Circuit clarified the standard for the liability for false patent marking and provided insight for companies on how to avoid such liability.

Background

Pursuant to 35 U.S.C. § 292, a manufacturer who marks an "unpatented article" as being covered by a patent can be fined up to \$500 for each such offense, if the false marking was done "for the purpose of deceiving the public." "Any person" may bring suit to recover the penalty for false marking, with the United States government receiving half the amount recovered in such a qui tam proceeding.

Approximately three years ago, Matthew Pequignot, a licensed patent attorney, filed suit under Section 292 against Solo Cup Company (Solo). Mr. Pequignot alleged that Solo had falsely marked as patented more than 27 billion unpatented articles. He asked for the maximum fine of \$500 per offense, which would have resulted in a fine of more than \$10 trillion.

Solo argued that the articles in question were not "unpatented" because they were marked with the numbers of patents that, although they had expired many years earlier, had *once* covered the products in question. The district court rejected the argument, and held that a product marked with an expired patent was indeed "unpatented."

Solo also claimed that it had not acted "for the purpose of deceiving the public." In this regard, Solo relied primarily on advice it had received from its outside counsel when the false marking issue had first come to its attention. Solo's attorney had advised that, because it was expensive and cumbersome to change the molds containing the expired patent numbers, it would be permissible for Solo to continue using the molds until the next time they were being replaced in the ordinary course of business. The district court accepted the argument and dismissed the case because Pequignot came forward with no evidence to rebut Solo's evidence of good-faith reliance on advice of counsel.

The Federal Circuit Decision

On appeal, the Federal Circuit first addressed the issue of whether a product covered by a patent becomes "unpatented" when the patent expires. The court examined the policy considerations underlying Section 292 and concluded that, "as with a never-patented article, an article marked with an

expired patent number imposes on the public ‘the cost of determining whether the involved patents are valid and enforceable.’” The court thus “agree[d] with Pequignot and the district court that articles marked with expired patent numbers are falsely marked.”

The court next moved onto the more significant issue of deceptive intent. Initially, the court noted that “the combination of a false statement and knowledge that the statement was false creates a rebuttable presumption of intent to deceive the public, rather than irrebuttably proving such intent.” The court also noted that “[t]he bar for proving deceptive intent here is particularly high, given the false marking statute is a criminal one, despite being punishable only with a civil fine. . . . Thus, mere knowledge that a marking is false is insufficient to prove intent if Solo can prove that it did not consciously desire the result that the public be deceived.” The court concluded that “a good faith belief that an action is appropriate, especially when it is taken for a purpose other than deceiving the public, can negate the inference of a purpose of deceiving the public.”

With respect to the specific facts of the case, the court “agree[d] with the district court that Solo has provided sufficient evidence that its purpose was not to deceive the public, and that Pequignot has provided no credible contrary evidence.” The court found that Solo did more than rely on “blind assertions of good faith” because it “cited the specific advice of its counsel, along with evidence as to its true intent, to reduce costs and business disruption.” The court also relied on the fact that “Solo took the good faith step of replacing worn out molds with unmarked molds.” Because Solo produced evidence that it had an intent other than to deceive the public, and Pequignot offered no contrary evidence, the Federal Circuit affirmed the district court’s dismissal of the claims—and the requested \$10 trillion fine.

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