

Federal Circuit Rules in Favor of Broad Standing for False Patent Marking Claims

August 31, 2010

Earlier today, the Court of Appeals for the Federal Circuit reversed the district court's dismissal of the relator's claims in *Stauffer v. Brooks Bros., Inc.*, No. 2009-1428. In doing so, the Federal Circuit established broad standing for private individuals seeking to pursue *qui tam* actions for false patent marking on behalf of the United States.

Pursuant to 35 U.S.C. § 292, a person or entity that 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." According to the statute, "any person" may bring suit to recover the penalty for false marking, with the U.S. government receiving half the amount recovered in such a *qui tam* proceeding. In the recent wave of cases filed under section 292, there has been increasing debate about the standing requirements in such cases. The Federal Circuit appears to have answered those questions in the *Stauffer* decision.

Because section 292 is a *qui tam* provision, the court began by noting that "a *qui tam* plaintiff, or relator, can establish standing based on the United States' implicit partial assignment of its damages claim . . . to 'any person.' . . . In other words, even though a relator may suffer no injury himself, a *qui tam* provision operates as a statutory assignment of the United States' rights, and 'the assignee of a claim has standing to assert the injury in fact suffered by the assignor.'"

The court held that a relator must allege that the United States has suffered an injury in fact, but then found that "Congress has, by enacting section 292, defined an injury in fact to the United States. In other words, a violation of that statute inherently constitutes an injury to the United States. . . . Because the government would have standing to enforce its own law, *Stauffer*, as the government's assignee, also has standing to enforce section 292." The court concluded that "*Stauffer's* standing arises from his status as 'any person,' and he need not allege more for jurisdictional purposes."

There was one significant issue that the court noted but expressly declined to address. CIBA Vision Corp., one of the amicus curiae in the case, challenged the constitutionality of section 292 on the grounds that "the government cannot constitutionally assign any claim without retaining control over the relator's actions." The court did not reach this issue because "the district court did not decide, and the parties did not appeal, the constitutionality of section 292."

If you have any questions or would like more information on any of the issues discussed in this

LawFlash, please contact any of the following Morgan Lewis attorneys:

Philadelphia

Louis W. Beardell, Jr.	215.963.5067	lbeardell@morganlewis.com
Kell M. Damsgaard	215.963.5592	kdamsgaard@morganlewis.com
Kenneth J. Davis	215.963.5392	kdavis@morganlewis.com
John V. Gorman	215.963.5157	jgorman@morganlewis.com
Christopher I. Halliday	215.963.5337	challiday@morganlewis.com
Thomas B. Kenworthy	215.963.5702	tkenworthy@morganlewis.com
Eric Kraeutler	215.963.4840	ekraeutler@morganlewis.com

Wilmington

Colm F. Connolly	302.574.7290	cconnolly@morganlewis.com
David W. Marston Jr.	302.574.7290	dmarston@morganlewis.com

Houston

Winn D. Carter, Jr.	713.890.5140	wcarter@morganlewis.com
Lucas T. Elliot	713.890.5185	lelliot@morganlewis.com
C. Erik Hawes	713.890.5165	ehawes@morganlewis.com
Paul E. Krieger	713.890.5160	pkrieger@morganlewis.com
David J. Levy	713.890.5170	dlevy@morganlewis.com
Rick L. Rambo	713.890.5175	rrambo@morganlewis.com

San Francisco

Daniel Johnson, Jr.	415.442.1392	djohnson@morganlewis.com
Victor E. Johnson	415.442.1124	victor.johnson@morganlewis.com
Jeffrey S. Mann	415.442.1119	jmann@morganlewis.com
Brett M. Schuman	415.442.1024	bschuman@morganlewis.com
Robin M. Silva	415.442.1379	rsilva@morganlewis.com

Palo Alto

Robert B. Beyers	650.843.7528	rbeyers@morganlewis.com
Dion M. Bregman	650.843.7519	dbregman@morganlewis.com
Douglas J. Crisman	650.843.7508	dcrisman@morganlewis.com
Andrew J. Gray	650.843.7575	agray@morganlewis.com
Michael J. Lyons	650.843.7507	mlyons@morganlewis.com
Gary S. Williams	650.843.7501	gwilliams@morganlewis.com

Washington, D.C.

Robert W. Busby	202.739.5970	rbusby@morganlewis.com
J. Kevin Fee	202.739.5353	jkfee@morganlewis.com
Robert J. Gaybrick	202.739.5501	rgaybrick@morganlewis.com
W. Jack Matney, Jr.	202.739.5759	jmatney@morganlewis.com
Collin W. Park	202.739.5516	cpark@morganlewis.com
Anthony C. Roth	202.739.5188	aroth@morganlewis.com
Robert Smyth	202.739.5139	rsmyth@morganlewis.com
John D. Zele	202.739.5418	jzele@morganlewis.com

About Morgan Lewis's Intellectual Property Practice

Morgan Lewis's Intellectual Property Practice consists of more than 150 intellectual property professionals. We represent and advise clients concerning all aspects of intellectual property: patents, trademarks, and copyrights; intellectual property litigation; intellectual property licensing; intellectual property enforcement programs; trade secret protection; related matters involving franchises, the Internet, advertising, and unfair competition; outsourcing and managed services; and the full range of intellectual property issues that arise in business transactions.

About Morgan, Lewis & Bockius LLP

With 23 offices in the United States, Europe, and Asia, Morgan Lewis provides comprehensive transactional, litigation, labor and employment, regulatory, and intellectual property legal services to clients of all sizes—from global Fortune 100 companies to just-conceived startups—across all major industries. Our international team of attorneys, patent agents, employee benefits advisors, regulatory scientists, and other specialists—nearly 3,000 professionals total—serves clients from locations in Beijing, Boston, Brussels, Chicago, Dallas, Frankfurt, Harrisburg, Houston, Irvine, London, Los Angeles, Miami, Minneapolis, New York, Palo Alto, Paris, Philadelphia, Pittsburgh, Princeton, San Francisco, Tokyo, Washington, D.C., and Wilmington. For more information about Morgan Lewis or its practices, please visit us online at www.morganlewis.com.

This LawFlash is provided as a general informational service to clients and friends of Morgan, Lewis & Bockius LLP. It should not be construed as, and does not constitute, legal advice on any specific matter, nor does this message create an attorney-client relationship. These materials may be considered **Attorney Advertising** in some states.
Please note that the prior results discussed in the material do not guarantee similar outcomes.

© 2010 Morgan, Lewis & Bockius LLP. All Rights Reserved.