

## False Marking Statute's Qui Tam Provision Ruled Unconstitutional

A U.S. District Court judge recently ruled that the qui tam provision of the False Marking Statute (35 U.S.C. § 292) is unconstitutional. In *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, No. 5:10-cv-1912 (N.D. Ohio Feb. 23, 2011), Judge Polster of the U.S. District Court for the Northern District of Ohio held that the statute, which allows private citizens to bring false marking claims, does not provide for sufficient controls by the Executive Branch and thus runs afoul of the Take Care Clause of the U.S. Constitution.

### Background

A false marking offense occurs when, with the intent to deceive the public, a person or entity marks patent numbers on unpatented articles or uses patent numbers in advertising in connection with unpatented articles. 35 U.S.C. § 292(a). A person or entity found to have violated the False Marking Statute is liable to pay a fine of not more than \$500 for every false marking offense. *Id.* This fine is split evenly between the plaintiff and the United States. 35 U.S.C. § 292(b). In *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), the Federal Circuit ruled that the fine is to be assessed on a per-article basis. Previous decisions had imposed the fine on each decision to mark, regardless of the number of articles marked. Thus, *Forest Group* increased the potential fine a false marking plaintiff could expect to receive. Not surprisingly, a large number of false marking suits were filed in the wake of *Forest Group*.

The False Marking Statute is a qui tam statute, meaning that “any person” may bring a false marking claim. 35 U.S.C. § 292(b). The Federal Circuit has clarified that the plaintiff need not have suffered an injury to have standing. *Stauffer v. Brooks Brothers, Inc.*, 619 F.3d 1321 (Fed. Cir. 2010). The court reasoned that a qui tam plaintiff brings a claim on behalf of the United States, and the United States is injured when its laws are not obeyed. *Id.* at 1326.

### The District Court Decision

In *Unique Product*, the plaintiff alleged violations of the False Marking Statute based on the defendant's marking of products with an expired patent and the defendant's use of the same patent in advertising. *Unique Product*, slip op. at 1. After the court solicited briefing on the constitutionality of the qui tam provision of the False Marking Statute, the defendant filed a motion to dismiss, arguing that allowing private citizens to bring false marking claims violates both the Take Care Clause and the Appointments Clause of the Constitution. *Id.* at 2. The Take Care Clause provides that the President “shall take Care that the Laws be faithfully executed.” U.S. Const. art. II, § 3.

Judge Polster analyzed the statute under the “sufficient control” framework of *Morrison v. Olson*, 487 U.S. 654 (1988). Accordingly, the issue presented was “whether the *qui tam* provision of the False Marking Statute provides the Executive Branch sufficient control to ensure that the President is able to perform his constitutionally assigned duty to ‘take Care that the Laws be faithfully executed.’” *Unique Product*, slip op. at 10.

Judge Polster held that it did not. Instead, according to Judge Polster, “The False Marking statute essentially represents a wholesale delegation of criminal law enforcement power to private entities with no control exercised by the Department of Justice.” *Id.* at 13. He cited the following reasons for that conclusion: (1) Anyone may bring a false marking claim without getting approval from or notifying the Department of Justice, (2) the Department of Justice does not control or oversee the litigation, (3) the government has no statutory right to intervene, (4) the government has no right to limit the participation of the *qui tam* plaintiff, (5) the government may not stay discovery, (6) the government may not dismiss the action, and (7) the *qui tam* plaintiff may settle the case (and thereby bind the government) without the involvement or approval of the Department of Justice. *Id.* Judge Polster concluded that the False Marking Statute did not pass constitutional muster under the *Morrison* “sufficient control” standard. *Id.*

Judge Polster buttressed his holding by discussing the policy considerations that counsel against the “uncontrolled privatization of law enforcement.” *Id.* at 14. Judge Polster opined that it is essential that the government have control over the decisions to institute an action and how such actions are settled. *Id.*

Accordingly, Judge Polster granted the defendant’s motion to dismiss and held that the *qui tam* provision of the False Marking Statute is unconstitutional under the Take Care Clause of the U.S. Constitution. *Id.* at 14–15. Having ruled the *qui tam* provision unconstitutional on this ground, it was unnecessary for the court to rule on the Appointments Clause issue. *Id.* at 14, n.8.

## **Analysis**

The *Unique Product* decision shows that the Take Care Clause may provide a defendant with a means to dismiss a false marking case brought by a *qui tam* plaintiff. The extent to which *Unique Product* will be followed by other courts remains to be seen. The conclusion in *Unique Product* rested in part on Judge Polster’s holding that *Morrison* provides the proper analytical framework. Other courts, however, have rejected the idea that *Morrison* should be applied to *qui tam* statutes. *Riley v. St. Luke’s Episcopal Hospital*, 252 F.3d 749 (5th Cir. 2001); *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714 (E.D. Va. 2009). Courts that do not apply the relatively stringent *Morrison* standard may uphold the constitutionality of the *qui tam* provision.

The Federal Circuit may soon have an opportunity to consider this issue. Similar to the defendant in *Unique Product*, the defendant in *United States ex rel. FLFMC, LLC v. Wham-O, Inc.*, No. 2:10cv00435, 2010 WL 3156162 (W.D. Pa. Aug. 3, 2010), argued that the False Marking Statute violates the Take Care Clause. The court did not decide the Take Care Clause challenge, instead dismissing the action for a lack of standing because the plaintiff had not suffered “any concrete injury-in-fact, and the government cannot assign its ‘sovereign injury’ to a private plaintiff.” *Id.* at \*2. This case has been appealed and is currently being briefed before the Federal Circuit. *FLFMC, LLC v. Wham-O, Inc.* (Appeal No. 2011-1067).

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