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### **The Federal Circuit Clarifies Liability for False Patent Marking**

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

Plaintiff Matthew Pequignot, a licensed patent attorney, filed suit under 35 U.S.C. § 292 against Solo. Pursuant to Section 292, a manufacturer 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." "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.

In the district court, 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 Solo's 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.

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 on to 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.

A copy of the opinion may be found at <http://www.cafc.uscourts.gov/opinions/09-1547.pdf>.

### **The Federal Circuit Reverses and Orders Stryker IP Suit Assigned to a New Judge**

In a recent decision, *TriMed, Inc. v. Stryker Corp.*, 2009-1423 (June 9, 2010), the Federal Circuit reversed and remanded a Central District of California court’s summary judgment ruling on the invalidity of U.S. Patent No. 5,931,839 (the ’839 patent) with an instruction to reassign the case to a new district judge. This decision marks the second time that the court overturned a summary judgment ruling in this case.

Plaintiff TriMed, Inc. (TriMed) sued Stryker Corporation (Stryker) on a patent directed to an implantable device used to set bone fractures. The district court found noninfringement and patent invalidity on summary judgment, and the Federal Circuit reversed and remanded, ruling that the lower court did not construe a claim term properly. On remand, Stryker argued that the ’839 patent was anticipated by and obvious over two prior art references. Again on summary judgment, the district court declared the patent invalid. In both instances, the district court signed Stryker’s “Uncontroverted Statement of Facts and Conclusions of Law” by crossing out the “Anticipation” section and granting summary judgment of invalidity.

On the second appeal, the Federal Circuit overturned the summary judgment because it concluded that there were many factual questions that remained in dispute in the case, including what the prior art taught. The Federal Circuit rejected Stryker’s argument that those issues were immaterial, because resolution of these questions would inform the obviousness inquiry. Stryker further contended that the patent claims were obvious since it was a common-sense solution to a known problem. Although the Federal Circuit conceded that reliance on common sense does not require a specific evidentiary basis, it emphasized that a judge must still explain in the record how he or she reached the conclusion so that the

issue may be reviewed on appeal. However, neither the order nor the record explained why the lower court rejected TriMed's evidence of secondary considerations of nonobviousness.

The Federal Circuit also addressed TriMed's request for reassignment to a new district judge on remand. The court concluded that reassignment is advisable to preserve the appearance of justice as the district court has now been reversed twice after entering summary judgment against TriMed, in both instances simply signing Stryker's proposed statement of law and facts relevant to the decided issues. In reaching its decision to reassign the case, the Federal Circuit applied the standard of the U.S. Court of Appeals for the Ninth Circuit: (1) whether the original judge would reasonably be expected upon remand to have substantial difficulty in eliminating the previously expressed views or findings determined to be erroneous; (2) whether the reassignment is advisable to preserve the appearance of justice; and (3) whether reassignment would entail waste and duplication out of proportion to any gain in preserving the appearance of fairness. Assessing these factors, the Federal Circuit found a reassignment of the case to a new judge was warranted in this case.

This case sheds light on the rare circumstances in which a party may be able to avoid a hostile judge in the lower court by seeking reassignment. Under particular circumstances, a reassignment is warranted if preservation of justice outweighs the burden on judicial resources.

A copy of the opinion may be found at <http://www.cafc.uscourts.gov/opinions/09-1423.pdf>.

### **The Federal Circuit Rules on a Motion Requesting Transfer of Venue in Eastern District of Texas**

The Federal Circuit recently issued an opinion that sheds some light on the importance of a plaintiff's recently established place of business in a transfer of venue analysis. In the case titled *In re Apple Inc.*, Misc. Dkt. 932 (May 12, 2010), the Federal Circuit considered a mandamus petition from the U.S. District Court for the Eastern District of Texas. The Eastern District of Texas judge, Judge Clark, issued an order denying the defendants' motion to transfer the case from the Eastern District of Texas to the District Court of Massachusetts.

In denying the motion to transfer venue, Judge Clark relied heavily on the following facts: (i) none of the defendants was headquartered in Massachusetts, (ii) the plaintiff was a Texas limited liability company, and (iii) most of the plaintiff's documents were located in the Eastern District of Texas. Judge Clark noted that while the plaintiff had become a Texas limited liability company only two months before the underlying action was filed, the plaintiff's presence in the Eastern District was not a "fiction." As such, the fact that several nonparty witnesses were located in Massachusetts did not outweigh the fact that the plaintiff was filing in its home state venue; therefore, according to Judge Clark, "there was a local interest in adjudicating the dispute" in the U.S. District Court for the Eastern District of Texas.

Thus, the defendants filed a petition for a writ of mandamus to the Federal Circuit. In order to prevail on its petition, the defendants had to establish that the denial of the motion to transfer was "patently erroneous." A divided panel of the Federal Circuit denied the defendants' petition, and agreed with the trial court that the defendants had not made a compelling showing that Massachusetts was a more convenient forum. However, the Federal Circuit disagreed with Judge Clark on the importance he placed on the plaintiff's domicile in this case. The Federal Circuit stated this in its opinion:

To be sure, the status of [the plaintiff], as a Texas corporation is *not* entitled to significant weight, inasmuch as the company's presence in Texas appears to be both recent and ephemeral—its office is apparently

the office of its Texas litigation counsel, and it appears not to have any employees in Texas.

(Emphasis added).

Nevertheless, the Federal Circuit concluded that Judge Clark’s denial of transfer was not “patently erroneous,” primarily because none of the defendants was domiciled in Massachusetts.

A copy of the opinion can be found at <http://www.cafc.uscourts.gov/opinions/10-M932no.pdf>.

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