

## Litigation Alert

*Decision in Pequignot v. Solo Cup Company*

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Yesterday the Federal Circuit issued a decision in *Pequignot v. Solo Cup Company*, No. 2009-1547 (Fed. Cir. Jun. 10, 2010), providing some much needed guidance on avoiding liability under the “false marking” statute, 35 U.S.C. § 292. Although it did find that marking of products with expired patent numbers could give rise to a violation of the false marking statute, the Federal Circuit found Solo Cup was not liable for its marking of products with expired patent numbers or conditional patent coverage notices because such false marking was not made with the requisite intent to deceive the public.

Yesterday’s *Pequignot* decision is of particular importance given the recent surge in “false marking” suits brought under 35 U.S.C. § 292. Section 292 provides monetary penalties against any person that marks an “unpatented article” with any word or number indicating that the article is patented, if the marks are made with the intent to deceive the public. Following the Federal Circuit’s ruling last December that penalties in false marking actions should be imposed on a per article basis, case filings exploded. *Forest Group, Incorporated v. Bon Tool Company*, 590 F.3d 1295 (Fed. Cir. 2009). The Forest Group ruling caused significant concern for manufacturers who are now potentially exposed to large fines for inaccurately marked goods produced in large volumes.

The *Pequignot* decision, however, provides a few guiding principles that will be useful for managing the risk of liability for false marking by developing appropriate product marking policies. In particular, the Court made clear that, while a presumption of intent to deceive the public does arise when a manufacturer marks its products with knowledge that the marks are inaccurate, that presumption can be rebutted with evidence of good faith efforts to evaluate and avoid false marking – thus emphasizing the importance of development and adherence to policies and procedures for auditing patent markings and for removing inaccurate markings when feasible.

The *Pequignot* case dealt with allegations that the Solo Cup Company improperly failed to remove patent markings from its products after the patents expired and

improperly marked other products with conditional marks that read “This product may be covered by one or more U.S. or foreign pending or issued patents,” when the products were not covered by any pending or issued patents.

In its decision, the Court first clarified that it is indeed improper to mark an article with the number of an expired patent. Such a marking is improper even if the article was covered or described by the patent before the patent expired. Once the patent is expired, the technology is in the public domain, and marking with the patent number is inappropriate. The Court did not specifically weigh in on when or if conditional patent markings, along the lines of “[t]his product may be covered by one or more U.S. or foreign pending or issued patents,” could ever be proper, but instead dealt with this category of marking in its discussion of intent.

Next, the Court dealt with the requirement that the marker act “for the purpose of deceiving the public.” 35 U.S.C. § 292(a). *Pequignot*, the patent attorney who brought the qui tam action, had argued that an improper mark, coupled with knowledge that the mark is false, conclusively established intent. The Court disagreed. The Court instead ruled that the combination of a false mark and knowledge of falsity only establishes an inference of intent, which can be rebutted by credible evidence that the marker did not intend the mark to deceive.

Noting that the “bar for proving deceptive intent here is particularly high,” the Court found that though Solo Cup’s markings were in fact knowingly inaccurate, Solo Cup was not liable because it rebutted the presumption of intent with evidence that its continued inaccurate markings were not made with the requisite purpose to deceive.

Regarding marking with expired patent numbers, the Court found that Solo Cup had shown that it acted “not for the purpose of deceiving the public, but in good faith reliance on the advice of counsel and out of a desire to reduce costs and business disruption.” Solo Cup

had been advised by counsel that the best case scenario was to remove the expired patent numbers, but it established through deposition testimony that wholesale replacement of the molds that made the marked lids would have been costly and burdensome. Instead, under advice of outside counsel, Solo Cup developed, implemented and followed a policy under which worn or damaged marked mold cavities would be replaced with unmarked ones. The Court agreed that this evidence established that Solo Cup's true intent was to reduce costs and business disruption. It pointed out that Pequignot had no evidence to suggest that Solo Cup ever ignored advice of counsel or manifested any actual deceptive intent.

With regard to the conditional "may be covered" language, the Court found that the language of the marking was truthful: the contents of some of the marked packages were patented, and others were not. The Court again found no intent to deceive, though it noted that the marking would not have been effective under 35 U.S.C. § 287 because relevant patent numbers were not listed. The Court found that Solo Cup had rebutted the presumption of intent, in that the marking had been added at the suggestion of outside counsel, that the marking was meant to give notice of actual, valid patents that covered some of the contents, and that it would have been "inconvenient from a logistical and financial perspective" to have separate packaging for different articles. The Court also went further, stating that "it is highly questionable whether such a [conditional] statement could be made 'for the purpose of deceiving the public,' when the public would not reasonably be deceived into believing the products were definitely covered by a patent."

Finally, the Court noted approvingly that Solo Cup's marking provided a website that gave the consumer "an easy way to verify whether a specific product was covered." Easy access to such information on patent coverage helps fulfill a policy inherent in the false marking rule, which is that a patent mark should not impose on the public the cost of determining whether the patent involved is valid and enforceable.

In sum, *Pequignot* indicates that manufacturers may prudently work with counsel to develop appropriate marking language to reflect the patent coverage status of products, and to develop policies and procedures for auditing patent markings for expired, invalidated, and unenforceable patents, or patents that no longer apply

to the product, and for removing such markings when feasible. Careful development and adherence to such policies may be useful evidence of lack of deceptive intent that a manufacturer may need if faced with a false marking claim. Providing further information, such as a website or by other means, that can provide the public with easy access to additional, specific, and/or up-to-date information on actual patent coverage of products may also be useful evidence that a manufacturer's intent was not to deceive the public regarding the patent status of a product.

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