

Patent Litigation Alert

The Federal Circuit Rejects Attempt to Narrow Standing Requirements For False Patent Marking Claims under 35 U.S. C. § 292

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Yesterday, the Federal Circuit rejected a procedural attempt to stem the recent flood of “false patent marking” lawsuits. In *Stauffer v. Brooks Brothers, Inc.*, Nos. 09-1428, -1430, -1453 (Fed. Cir. Aug. 31, 2010), the Federal Circuit provided guidance on the standing requirements for pursuing false marking claims under 35 U.S. C. § 292. The Federal Circuit found that the statutory assignment of the United States’ rights in section 292(b) operates to confer standing on an individual as long as the individual alleges that the United States suffered an injury in fact, causally connected to the defendant’s conduct that is likely to be redressed by the court. Additionally, though the Court did not rule on the issue, amicus *Ciba* presented an interesting attack on the constitutionality of section 292 which may prove to be a useful defense in future false marking actions.

Yesterday’s *Stauffer* decision is part of the recent surge of false marking suits filed since Federal Circuit ruled last December that penalties in false marking actions should be imposed on a per article basis, as opposed to a single \$500 penalty for all individual examples of a falsely marked product. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). The *Forest Group* ruling caused concern for manufacturers who are now potentially exposed to large fines for inaccurately marked goods produced in large volumes. Section 292 prohibits affixing the word “patent” to an unpatented article with the purpose of deceiving the public and specifically allows individual plaintiffs to pursue claims in the government’s stead: “any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.” 35 U.S. C. § 292.

The *Stauffer* case dealt with allegations that a mechanism contained within Brooks Brothers’ bow ties were falsely marked with patent numbers that had expired in the 1950s. In its decision, the Federal Circuit first clarified that section 292’s *qui tam* provision operates to confer standing on an

individual based on the United States’ partial assignment of its damages claim to “any person”. As such, “Stauffer’s standing arises from his status as ‘any person’ and he need not allege more for jurisdictional purposes”. Therefore, an individual need only allege that the United States suffered an injury in fact causally connected to the defendant’s conduct that is likely to be redressed by the court. The individual is not required to allege injuries to himself or to the public in order to satisfy standing requirements.

The Federal Circuit also addressed the question of what constitutes sufficient injury in fact to the United States under Article III. Brooks Brothers had argued that abstract harm, such as injury to the interest in seeing that the law is obeyed, is not sufficiently concrete to meet standing. The court disagreed, accepting the government’s argument that in enacting the false marking statute, Congress determined that violation of that act is sufficient injury in fact to confer standing on the government and thus on Stauffer as the governments’ assignee.

The Court also declined to address whether Stauffer’s alleged injuries to himself or alleged injuries to competition were sufficient to give him standing, noting that “Stauffer’s standing arises from his status as ‘any person,’ and he need not allege more for jurisdictional purposes.”

Additionally, although the court did not rule on the issue, amicus *Ciba* had argued that section 292 is unconstitutional on the basis that the government cannot assign a claim to an individual without retaining control over that individual’s actions because such an assignment would constitute a violation of the “take Care” clause of Article II section 3 of the Constitution. While the Federal Circuit declined to address the question of the constitutionality of section 292 as the issue was not on appeal, the argument that the delegation of the enforcement of patent laws was

an impermissible encroachment on the executive branch by Congress may prove to be a viable defense for a business facing a challenge to its marking practices in the future.

In sum, *Stauffer* clarifies that an alleged violation of 35 U.S. C. § 292 is sufficient Article III injury to the United States to confer standing on the United States, and that section 292's assignment of the ability to sue to "any person" is sufficient to confer standing on an individual. There is no need to separately allege injury to the individual or to the public. However, as the Federal Circuit refused to address the constitutionality of section 292 as a violation of the "take Care clause," this defense remains potentially available to future patent marking defendants.

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