



# IP Innovations

The Changing Landscape of False Marking  
and Inequitable Conduct Defenses

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# Recent Developments Concerning False Patent Marking



- **35 U.S.C. § 287** addresses marking, encourages public notice of patent rights -- patentee must mark to establish right to damages, absent actual notice to an infringer.
- **35 U.S.C. § 292** addresses false marking, penalizes deceptive notification – imposes fines for inaccurate marking that is intended to deceive the public.

## 35 U.S.C. § 287

- **(a) Patentees . . . may give notice to the public that [patented article] is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice . . .**

## Marking under § 287 – establishing a right to damages:

- Mark the article – if not feasible, mark packaging or affixed label.
- Legible, accessible
- Substantially all, consistently, continuously
- “Patent pending” is insufficient.
- “Conditional language” may suffice.
- Mark “tangible item” with nexus to method (or system) patent.



**35 U.S.C. § 292**

**a) . . .**

**Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words "patent applied for," "patent pending," or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—**

**Shall be fined not more than \$ 500 for every such offense.**

**b) 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.**



## Marking that is potentially “false” under § 292:

- Conditional language is unacceptable, unless article is within at least one claim of every listed patent.
- “Patent pending” can be “false marking.”
- Sporadic marking can be “false marking.”
- Marking a “tangible item” associated with method or system claim can be “false marking” if suggests that item itself is covered.
- Marking with expired patent number can be “false marking.”



## 2009 was a Big Year –

- Until recently, relatively scant false marking precedent.
- Recent increase in numbers of false marking claims – “boom” for “bounty hunters”
- Hot issues:
  - Standing / constitutionality of statute
  - Proof of intent
  - Definition of offense for which penalty may be levied

Is the false marking statute's qui tam provision constitutional?

- Article III requires concrete injury-in-fact, abstract harm will not suffice.
- Article II (“Take Care” clause) requires sufficient control by Executive Branch.



## The Standing Issue (Stauffer):

- Qui tam plaintiff – must show injury to self? to defendant’s competitors? to public? to government?
- Is injury to government’s “sovereign interest” in having law followed (as assigned to qui tam plaintiff) sufficiently “concrete” to satisfy standing requirements?

The Forest Group, Inc. v. Bon Tool Company  
Southern District of Texas

- District Court reasoned that punishable offense was marking with intent to deceive the public and therefore, decision to mark falsely was what should be fined. One decision = one penalty.
- District Court relied on long-standing precedent holding that punishable offenses should not be calculated on basis of how many items were marked.

The Forest Group, Inc. v. Bon Tool Company  
Federal Circuit (December 28, 2009)

- One offense = one marked article
- Intent requirement is simply an element of false marking -- does not make punishable act a decision, rather than a marking.
- Plain language of statute
- 1952 amendment

## Open season for false marking bounty hunters?

- Federal Circuit acknowledged possible rise of “new cottage industry” (“marking trolls”) and says **that’s OK.**
- Congress thought it so important to police and discourage false marking -- deputized any plaintiff and provided the incentive / reward of half of any penalty.
- Calculating penalties on “per decision” basis would not provide “sufficient financial motivation.”

## Where does this leave a patentee?

- We have already seen “surge” of false marking cases (after Bon Tool, likely to reappear with renewed vigor).
- Why? Prospect of large recovery – even at a tenth of a cent per product, and taking half of total amount, penalties can add up fast.
- From patentee’s perspective, bad enough to have potential exposure to one penalty per product, but what about advertising? Bon Tool reasoning would support imposing penalties on “per copy” basis.



## Patentees can take some comfort in specific intent requirement

- Proof of mismarking, with proof it is known to be inaccurate, warrants rebuttable inference of intent to deceive.
- Federal Circuit has equated intent to deceive with lack of good faith belief that what is marked is covered by the patent.
- Recent case law stresses necessity of proving intent, but some disagreement about burden shifting.

## How to minimize risk of false marking claims, while preserving a right to damages?

- Examine all current marking – accurate? expired patents? expirations approaching?
  - May be prudent to have patent counsel “sign off.”
- **Establish and document policies and procedures** for ensuring marking is correct and periodically updated (expirations and product changes).
- On notice of erroneous marking, take immediate steps to address (investigate feasibility of change, document the when, why, and how of correction).



# Pleading and Opposing Inequitable Conduct Claims Post-*Exergen*

## The Standard for Inequitable Conduct Pleadings

- Federal Circuit long has believed too many frivolous inequitable conduct claims
  - *Burlington Indus* (1988) (“an absolute plague”)
  - *Larson* (2009) (“the time has come for us to review . . . en banc”)
- Fed. R. Civ. P. 9(b) previously held to apply to inequitable conduct pleadings
  - “The circumstances constituting fraud or mistake shall be stated with particularity.” *Ferguson Beauregard v. Mega Sys. LLC*, 350 F. 3d 1327, 1343 (Fed. Cir. 2003).

## The Standard for Inequitable Conduct Pleadings

- *Exergen* clarified that Rule 9(b) requires that:
  - *Who, what, when, where, and how* be pleaded with specificity regarding materiality of alleged misrepresentation or omission.
  - “Pleadings must allege sufficient underlying facts from which a court may reasonably infer that a party” intended to deceive the PTO.

## Why was pleading in *Exergen* deficient?

### No “Who.”

- The wrong way:
  - Pleading identified only “Exergen, its agents and/or attorney” as individuals who committed inequitable conduct.
- A better way:
  - Name individuals who knew of the material information.
  - Identify facts sufficient to support inference that same individuals intentionally misrepresented or withheld material information.

## Why was pleading in *Exergen* deficient?

### No “What” or “Where.”

- The wrong way:
  - Pleading did not identify a single claim or limitation that was taught by the omitted reference.
  - Nor did it illustrate where the claim or limitation could be found in the omitted reference.
- A better way:
  - Identify the claims *and* limitations that the withheld or misrepresented reference teaches.
  - Specifically identify where the material information is located in the reference.



## Why was pleading in *Exergen* deficient?

### No “Why” or “How.”

- The wrong way:
  - Pleading conclusorily stated withheld reference was “material” and “not cumulative to the information already of record.”
- A better way:
  - Identify the particular claims and limitations that are missing from the prior art of record.
  - Explain specifically why withheld reference is material and not cumulative and how examiner would have used it to reject claims.

## Why was pleading in *Exergen* deficient?

### Intent

- Must allege that individual who knew of “specific information that is alleged to be material” intentionally withheld it from PTO.
  - Single most reasonable inference to be drawn from facts alleged must be intent to deceive
  - Not sufficient to allege that unnamed individual knew of prior art due to prosecution of related application without alleging facts that would show that inventors or others involved in application at issue knew of it but withheld with intent to deceive.

## Strategy Considerations

- Increasing number of challenges to inequitable conduct pleadings based on *Exergen*.
- May be beneficial to take discovery on inequitable conduct issues before pleading claim.
  - Many courts permit amendments even after deadlines where critical evidence of intent obtained in depositions
  - Potential for patent owner to use Attorney-Client Privilege as a shield from producing relevant documents and testimony.

## Pleading Inequitable Conduct Post-*Exergen*

### **Give as much detail as possible:**

- Name those involved in alleged deception.
  - Not just “the party, its agents and attorneys.”
- Specify which references were withheld or misrepresented.
- Specify which claims and/or limitations not taught in prior art of record and where those claims and/or limitations taught in withheld references.
- Identify when alleged misrepresentation occurred.
- Identify facts that lead to inference that named individuals knew information was material but intentionally withheld it.

## Pleading Inequitable Conduct Post-*Exergen*

### **Be as specific as possible.**

- Example recent case – *California Institute of Technology v. Canon U.S.A. et al.*, Civ. Action No. 2:08-cv-8637 (C.D. Cal. 2009).
  - Court held that the inequitable conduct pleadings should be taken as a whole.
  - To the extent that certain facts are not available at the time of pleading (even after discovery), set forth all facts that are available.
  - The absence of one fact or allegation may not preclude the court from finding a sufficiently pled claim.

## Challenging Inequitable Conduct Claims

- Challenges Post-*Exergen*
  - Anecdotal evidence of much more frequent challenges to inequitable conduct claims
  - Absence of even one of required “who, what, where, when, why, how” supports motion as to materiality
  - Intent: Analogize to “scienter” in securities fraud actions
  - Attach patent, file history to motions
  - Beware of conversion to MSJ



# Questions?

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