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Pa-'trolling' the False Marking Frontier: Giving Section 292 the Proper Makeover in Wake of the America Invents Act

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Pa-‘Trolling’ the False Marking Frontier: Giving Section 292 the Proper Makeover in Wake of the America Invents Act

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I. INTRODUCTION

Joe is strolling down the hygiene products aisle at his local supermarket. While attempting to grab a container of shaving cream from a nearby shelf, Joe accidentally knocks a plastic bottle of aftershave onto the floor, sending the cap of the bottle bouncing down the aisle. Slightly startled, he hurriedly grabs the cap to put it back onto the item and is relieved to find that the bottle was further sealed and did not spill. In replacing what Joe finds to be somewhat of a unique bottle cap, he notices the word “patent” followed by a fairly long number pressed onto the bottle’s side in tiny print. Drifting back to his younger days, Joe recalls a unique liquid dispenser cap that he and his friend Bill created in one of their high school science classes. Snapping out of his daze and thinking nothing of it, Joe returns the bottle to its shelf and continues his shopping endeavor.

What Joe discovered on that bottle of aftershave is a product patent number. Generally, these are placed on products to give notice to the public, product competitors, and manufacturers that the maker of this item or its design has certain patent rights.¹ What Joe and many other similarly situated people do not know is that if Joe had discovered that this patent was expired, he may have been able to file a false marking claim against the manufacturer of the product as of just a few months ago before a recent change in the law.²

Over the last few years, the Court of Appeals for the Federal Circuit has handed down a number of decisions³ regarding the False Marking Act

1. See *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1302 (Fed. Cir. 2009) (“The marking and false marking statutes exist to give the public notice of patent rights.”).

2. See *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1362 (Fed. Cir. 2010) (finding that expired patents qualified as “unpatented articles” under the False Marking Act).

3. See *infra* Part II.B.

(FMA)⁴ that have jump-started what became known as a new “cottage industry”⁵ of “marking trolls.”⁶ Based on these decisions and the *qui tam* provision found within the FMA,⁷ thousands of false marking claims were filed against product manufacturers, resulting in a slew of complex patent litigation and millions of dollars being dished out in settlement money, court costs, and damages.⁸ In order to combat this expensive litigation, defendants in these actions put forth a variety of defenses, calling into question the validity and constitutionality of the statute’s provisions.⁹

As this “cottage industry” began to develop, members of the United States Congress heard the cry of the patent industry and manufacturers; for years, Congress pushed to amend the FMA to calm the storm.¹⁰ After several failed attempts, Congress managed to formulate and pass the Leahy-Smith America Invents Act (America Invents Act),¹¹ which radically changed the FMA.

4. 35 U.S.C. § 292 (2006).

5. The term “cottage industry” was first used by the defendant in *Bon Tool* and was discussed by the Federal Circuit in its opinion. *Bon Tool*, 590 F.3d at 1303. Many commentators on the recent false marking issues have used this term to refer to the influx of *qui tam* litigants filing false marking claims that have not suffered any injury. See, e.g., Eric Schlichter & Robert Calico, *Avoiding the False Marking “Cottage Industry”*; *Recent Changes by the CAFC Present a Case for Periodic Review of Patent Portfolios*, INTELL. PROP. TODAY, 16 (June 2010), <http://www.iptoday.com/issues/2010/06/avoiding-false-marking-ucottage-industry-u.asp>.

6. The term “marking trolls” was also discussed by the Federal Circuit in *Bon Tool*, 590 F.3d at 1303, and many commentators widely used this term to label false marking *qui tam* relators. See, e.g., Mark H. Anania & Carissa L. Rodrigue, *Combating the Rise of False Marking Trolls*, INTELL. PROP. & TECH. L.J., Sept. 2011, at 3, 6. The term is an offshoot of “patent trolls,” which refers to persons or entities that gain patents on inventions with “no intention of commercializing” by accusing companies of infringement and filing lawsuits against them. Maxwell J. Petersen, *Patent Law Reform: Highlights of the Leahy-Smith America Invents Act*, NW. SUBURBAN B. ASS’N NEWSBRIEFS, Nov. 2011, at 8, 9.

7. 35 U.S.C. § 292(b) (2006) (“Any person may sue for the penalty . . .”). Stated well by the Supreme Court: “*Qui tam* is short for the Latin phrase *qui tam pro domino rege quam pro se ipso in hac parte sequitur*, which means ‘who pursues this action on our Lord the King’s behalf as well as his own.’” *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 769 n.1 (2000). *Qui tam* provisions allow for a private person, also known as the “relator,” to bring a civil action both for that person and for the U.S. Government against a violator of a statute “in the name of the Government.” *Id.* at 769.

8. See generally Kirsten R. Rydstrom et al., *Burning Down the Courthouse: Qui Tam Actions Under Section 292 of the False Marking Statute*, 11 U. PITT. J. TECH. L. & POL’Y, Spring 2011, at 1; see also *infra* Part II.B.

9. See, e.g., Anania & Rodrigue, *supra* note 6, at 5.

10. The many attempts to modify Section 292 go back to early 2009 with the Patent Reform Act of 2009. See Patent Reform Act of 2009, S. 515, 111th Cong. (2009); see also *infra* Part IV.A.

11. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified at 35 U.S.C. § 292).

To begin, this Comment will provide background on false marking claims and recap how this “cottage industry” recently came about. This Comment will then analyze the constitutionality of the FMA before it was recently amended and argue that the Federal Circuit and the Supreme Court would have found it constitutional under Article II of the United States Constitution.¹² Next, this piece will analyze the newly passed America Invents Act by discussing its changes to Section 292 and highlighting its possible shortcomings regarding the purpose of the FMA. Finally, this Comment will provide possible fixes to the statute that will address further prevention of future “troll” problems while still preserving the original purpose of the FMA.

II. FALSE MARKING HISTORY: A BREEDING GROUND FOR THE FALSE MARKING TROLLS

The concept of false marking and its alleged public harms are not, by any means, new. The FMA dates back to the Patent Act of 1842, which fined persons that labeled unpatented articles with an intent to deceive the general public.¹³ A few decades later, Congress extended the definition of false marking in the Patent Act of 1870 to objects that were labeled with the word “patent” or “any word of like import, with intent to imitate or counterfeit the mark or device of the patentee . . . for the purpose of deceiving the public.”¹⁴ In 1952, Congress made sweeping changes to the Patent Act and codified the false marking provision as 35 U.S.C. § 292 (Section 292).¹⁵ The revisions maintained most aspects of the Patent Act but increased the

12. The applicable section and clause of the Constitution states that the President is to “take Care that the Laws be faithfully executed,” U.S. CONST. art. II, § 3, and “shall appoint . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law.” U.S. CONST. art. II, § 2, cl. 2.

13. Patent Act of 1842, ch. 263, § 5, 5 Stat. 543; *see also* Laura N. Arneson, Comment, *Defining Unpatented Article: Why Labeling Products with Expired Patent Numbers Should Not Be False Marking*, 95 MINN. L. REV. 650, 653-54 (2010).

14. Patent Act of 1870, ch. 230, 16 Stat. 198-217; Arneson, *supra* note 13, at 654. The Patent Act continues, stating, in relevant part, that a false marker:
[S]hall be liable for every such offense to a penalty of not less than one hundred dollars, with costs; one moiety of said penalty to the person who shall sue for the same, and the other to the use of the United States, to be recovered by suit in any district court of the United States within whose jurisdiction such offense may have been committed.

Patent Act of 1870, ch. 230, 16 Stat. 198-217.

15. S. REP. NO. 82-1979, at 9 (1952), *reprinted in* U.S.C.C.A.N. 2394, 2403, *available at* http://ipmall.info/hosted_resources/lipa/patents/Senate_Report_No_1979.pdf.

maximum fine to \$500 (from \$100) and made the statute “an ordinary criminal action” and “an informer action.”¹⁶

A. SECTION 292 AND ITS PURPOSE

Not too long ago, subsection (a) of Section 292 prohibited marking or affixing to any article “patent” or a similar term when no such patent existed “for the purpose of deceiving the public,” and tendered a fine of “not more than \$500 for every such offense.”¹⁷ Subsection (b) included a *qui tam* provision, stating that “[a]ny 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.”¹⁸ These provisions alone did not necessarily change the effectiveness or the original purpose of the FMA, and few cases or controversies arose subsequent to the FMA’s codification.¹⁹

16. *Id.* at 22. An “informer action” is typically “synonymous with a *qui tam* law.” *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 721 (E.D. Va. 2009), *vacated in part on other grounds*, 608 F.3d 1356 (Fed. Cir. 2010).

17. 35 U.S.C. § 292(a) (2006). The section read in full:

Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words “patent,” “patentee,” or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word “patent” or any word or number importing that the same is patented for the purpose of deceiving the public; or 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.

Id.

18. 35 U.S.C. § 292(b) (2006). The Federal Circuit reaffirmed that this was a *qui tam* provision in *Solo Cup*, 608 F.3d at 1359, and subsequently held that *qui tam* relators under Section 292 had Article III standing to sue. *Stauffer v. Brooks Bros. Inc.*, 619 F.3d 1321, 1327-28 (Fed. Cir. 2010). For more discussion on this point, see *infra* Part II.B.

19. See *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1351 (Fed. Cir. 2005) (stating, when referring to the FMA, that “[t]he case law of this circuit on the statute in suit is sparse”); see also Adam H. Charnes & Chad D. Hansen, “*False Patent Marking: Qui Tam Lawsuits Are Constitutionally Suspect*,” LEGAL BACKGROUNDER, 1 (Dec. 17, 2010), http://www.wlf.org/Upload/legalstudies/legalbackgrounder/12-17-10Charnes_LegalBackgrounder.pdf. (“For more than 150 years, the false marking statute was virtually dormant, with only a handful of decisions addressing the claim.”).

Section 292 worked hand in hand with 35 U.S.C. § 287 (Section 287), and to understand the purpose of the FMA, it is important to recognize the principles behind Section 287.²⁰ Section 287 generally puts forth the instructions and methods by which an article may be marked in order to provide the public notice of its patented status and avoid a violation of Section 292.²¹ In order to incentivize this marking obligation, “Congress designed § 287 so that a patentee can only recover damages for infringing sales that occurred after it gave notice of its patent rights.”²² Specifically, Section 287 provides that patentees cannot recover for any damages they have accrued against an infringer for the time period “that predates the accused infringer receiving actual notice from the patentee of the accused infringement.”²³

Although the purposes of Section 287 are similar to those of Section 292, the latter provision was created to avoid abuse of the former.²⁴ Ever since its original enactment, courts have recognized that Section 292 was intended “to prevent deception on the public” and guard the public’s right to “use such articles” that are not actually patented.²⁵ The Federal Circuit more recently articulated some of the main purposes of the FMA in *Forest Group v. Bon Tool Co.*²⁶ Section 292 encourages manufacturers to give the public “notice of patent rights” so as not to “deter innovation and stifle competition in the marketplace.”²⁷ False marking may also deter scientific research and initiate “unnecessary investment in design around or costs incurred to analyze the validity or enforceability of a patent.”²⁸ A manufacturer can then “reap” the benefits “of perceived quality without actually

20. Section 287 was also amended under the America Invents Act, but any significant changes will be addressed in Part IV.B.3.

21. Bonnie Grant, *Deficiencies and Proposed Recommendations to the False Marking Statute: Controlling Use of the Term “Patent Pending,”* 12 J. INTEL. PROP. L. 283, 285-87 (2004).

22. Arneson, *supra* note 13, at 673.

23. Schlichter & Calico, *supra* note 5. Because Section 287 “does not expressly define what is required to comply with the marking statute,” courts have generally required marking to be “consistent and continuous,” and those that neglect to mark some articles or stop marking articles for a period of time may also not be able to recover all infringement damages. Corey McCaffrey, Comment, *The Virtues of Virtual Marking in Patent Reform*, 105 NW. U. L. REV. 367, 373-74 (2011).

24. See McCaffrey, *supra* note 23, at 374.

25. *Nichols v. Newell*, 18 F. Cas. 199, 199-200 (C.C.D. Mass. 1853) (No. 10,245) (“To guard the public right to use such articles as have not been patented—to prevent deception on the public, by assertions that articles, not entitled to this privilege, have been patented . . . [t]his being the purpose of the law . . .”).

26. *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1302-03 (Fed. Cir. 2009).

27. *Id.* at 1302.

28. *Id.* at 1303.

hav[ing] a patent,”²⁹ while the public essentially loses out on competition leaving an “undeserved monopoly on the product for the false marker.”³⁰

B. “FALSE MARKING TROLLS” ON THE MARCH

Over its extensive existence, the FMA was seldom used and false marking was rarely litigated.³¹ As of mid-September 2011, Section 292 was actually one of only a handful of *qui tam* statutes left on the books, three of which were still active.³² It was not until *Arcadia Machine & Tool, Inc. v. Sturm, Ruger & Co.*³³ and twenty years later in *Clontech Labs., Inc. v. Invitrogen Corp.*³⁴ that Section 292 received any attention at all. *Clontech* promulgated the fairly simple elements of false marking,³⁵ but *qui tam* relators did not yet seem to pay much attention.³⁶ Only a few dozen suits were

29. Grant, *supra* note 21, at 289.

30. Christopher G. Granaghan, Note, *Off the Mark: Fixing the False Marking Statute*, 89 TEX. L. REV. 477, 480 (2010). Granaghan notes that “monopolies tend to increase prices and decrease output, so the public will pay more” overall and be further harmed. *Id.* at 481. More on the purposes and the importance of the FMA will be discussed in Parts IV and V.

31. Arneson, *supra* note 13, at 660; *see also* Paul W. Garrity & Amanda Zablocki, *High Tide for False Patent Marking Claims?*, METROPOLITAN CORP. COUNS., 33 (July 2010), <http://www.metrocorp.counsel.com/current.php?artType=view&artMonth=July&artYear=2011&EntryNo=12433> (characterizing Section 292 as a “long-dormant statute”).

32. CHARLES DOYLE, CONG. RESEARCH SERV., R40785, QUI TAM: THE FALSE CLAIMS ACT AND RELATED FEDERAL STATUTES 1 (2009), *available at* <http://www.fas.org/sgp/crs/misc/R40785.pdf> (listing the False Claims Act, the False Marking Act, and the Indian protection provisions of 25 U.S.C. § 201 as active *qui tam* statutes). The Supreme Court in *Vermont Agency of Natural Resources v. United States ex rel. Stevens*, 529 U.S. 765, 769 n.1 (2000), when discussing the False Claims Act (31 U.S.C. §§ 3729-3733) conveniently listed the other *qui tam* provisions that were still in existence as of May 2000: 25 U.S.C. § 81 and § 201 (protecting Indians), 35 U.S.C. § 292(b) (False Marking), 18 U.S.C. § 962 (regarding arming vessels against friendly nations), and 46 U.S.C. § 723 (removing undersea treasure from the Florida coast).

33. *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986) (granting summary judgment to the defendant because Arcadia could not “produce any evidence of intent to deceive the public”).

34. *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1350, 1359 (Fed. Cir. 2005) (affirming in part, reversing in part, vacating in part, and remanding a complex marking case in which Clontech Labs alleged that Invitrogen falsely marked their “RNase H deficient Reverse Transcriptase [] polypeptides” and their “cDNA library products”).

35. *Clontech*, 406 F.3d at 1352 (“[W]hen an unpatented article is marked with the word ‘patent’ or any word or number that imports that the article is patented, and such marking is for the purpose of deceiving the public, the fine is invoked.”).

36. *See* M. Andrew Holtman et. al., *Stemming the Tide of False Marking Cases*, BLOOMBERG LAW REP. (May 16, 2011), <http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=9e84a78e-3cd7-4065-abf3-13837afc3dbb> (stating that only about thirty lawsuits were filed under Section 292 in 2009); *see also* Michael R. O’Neill, *False Patent Marking Claims: The New Threat to Busi-*

filed under Section 292 in the years following *Clontech*, and most of them came after an important case, *Pequignot v. Solo Cup Co.*,³⁷ was filed in the Eastern District of Virginia.³⁸

The Federal Circuit effectively unleashed the trolls in December of 2009 with the *Bon Tool* decision.³⁹ In *Bon Tool*, the court, reading the plain language of Section 292, held that the penalty under Section 292 should “be imposed for every offense of marking any unpatented article” and on “a per article basis.”⁴⁰ Because the chances of a competitor seeing a falsely marked article that deters his efforts to compete with the product would increase with every article, the court reasoned that those injuries to the public that the FMA was designed to prevent occurred each time an article was falsely marked and put into the public domain.⁴¹ To limit the possible wind-fall judgments that may result from this interpretation of the FMA, the court also included that district courts would have discretion in assessing “the per article fine at any amount up to \$500 per article,” even if it meant awarding a fraction of a penny per offense.⁴² Ironically, the court also discussed the possibility that its decision could create “a new cottage industry of false marking litigation” by “marking trolls” that could bring Section 292 claims solely for personal gain.⁴³

Six months later in *Pequignot v. Solo Cup*, the Federal Circuit threw another bone under the bridge to the trolls.⁴⁴ The court held that articles that were imprinted with a “now-expired patent” were also “unpatented” because it was difficult for the public to determine the validity of the patent, which therefore continued to impose costs on the public.⁴⁵ The court also stated that false statements and knowledge that such statements were false created a “rebuttable presumption of intent to deceive the public,” but limited this by noting that this presumption was weaker with articles with ex-

ness, 8 INTELL. PROP. & TECH. L.J. 22, 22 (2010) (“Before the *Bon Tool* decision, very few people had ever heard of § 292 of the Patent Act or false patent marking claims.”).

37. *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714 (E.D. Va. 2009), *vacated in part on other grounds*, 608 F.3d 1356 (Fed. Cir. 2010).

38. See McDonnell Boehnen Hulbert & Berghoff LLP, *False Patent Marking: District Court*, <http://www.falsemarking.net/district.php> (last visited Oct. 3, 2011) (*Solo Cup* was filed on Sept. 5, 2007).

39. *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1305 (Fed. Cir. 2009) (affirming the district court’s finding of requisite knowledge to allege a violation of Section 292, but vacating its award of damages and remanding for a recalculation of fines under the FMA). The vast majority of commentators label the *Bon Tool* decision as the starting point of the “flood” of litigation under Section 292. See, e.g., Granaghan, *supra* note 30, at 477.

40. *Bon Tool*, 590 F.3d at 1301.

41. *Id.* at 1303.

42. *Id.* at 1302, 1304.

43. *Id.* at 1303 (internal quotation marks omitted).

44. See, e.g., *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010)

45. *Id.* at 1361-62.

pired patents and could be negated by “a good faith belief that an action [i.e., continuing to mark products with expired patent numbers] is appropriate.”⁴⁶ Ultimately, this decision allowed for the “average Joe” (like the Joe in the Introduction *supra*) to grab products off the grocery shelf with expired patent numbers and file a claim under Section 292 if he could prove the necessary intent.⁴⁷

The Federal Circuit essentially affirmed that the average Joe could do just that a month and a half later in *Stauffer v. Brooks Bros.*⁴⁸ Applying the Supreme Court’s “injury-in-fact” test in *Lujan v. Defenders of Wildlife*⁴⁹ and citing the Supreme Court’s recent decision in *Vermont Agency of Natural Resources v. United States ex rel. Stevens*,⁵⁰ the court held that even if *qui tam* relators do not suffer a personal injury, they nonetheless have standing under Section 292’s *qui tam* provision because Section 292 “operates as a statutory assignment of the United States’ rights.”⁵¹ Because any violation of the statute constituted an injury to the United States, and these individuals were given by Congress the right to half of the statutory penalty, these assignees automatically had “standing to assert the injury in fact suffered by the assignor.”⁵²

The result of these three decisions was disastrous for manufacturers, and by the time the Federal Circuit had its next opportunity to offer an opinion regarding Section 292, the march of the trolls was in full swing.⁵³ “In

46. *Id.* at 1362-64. The court ultimately found that *Solo Cup* adequately rebutted this presumption with its good faith reliance on its counsel’s advice regarding the disputed marking. *Id.* at 1364-65.

47. See, e.g., *S.F. Tech. v. Reckitt Benkiser Inc.*, No. 5:10-cv-04989-JF/PSG, 2011 U.S. Dist. LEXIS 32333, at *11 (N.D. Cal. Mar. 17, 2011) (dismissing SF Tech’s Section 292 claim because its allegations only suggested “that Reckitt may have been negligent in keeping products with expired patents on the shelf”).

48. *Stauffer v. Brooks Bros.*, 619 F.3d 1321, 1327-28 (Fed. Cir. 2010) (reversing and remanding the district court’s decision that denied standing to the plaintiff Stauffer and denied the U.S. government’s right to intervene).

49. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992). To show injury under Article III, the injury must be “concrete and particularized” and “actual or imminent, not ‘conjectural’ or ‘hypothetical’”; there has to be “a causal connection between the injury and the conduct complained of”; and, it must also be “‘likely’ . . . that the injury will be ‘redressed by a favorable decision.’” *Id.*

50. *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 777-78 (2000) (using the long history of *qui tam* claims and the theoretical justifications for such claims to find that the False Claims Act’s *qui tam* provision was constitutional under Article III).

51. *Stauffer*, 619 F.3d at 1325.

52. *Id.* at 1327-28 (“Stauffer’s standing arises from his status as ‘any person,’ and he need not allege more for jurisdictional purposes.”).

53. See Kelsey I. Nix & Laurie N. Stempler, *Federal Circuit Ignites Interest in False Patent Marking Lawsuits*, METROPOLITAN CORP. COUNS, Oct. 2010, at 35, available at

2010 alone, almost 800 false marking claims were filed,⁵⁴ many by *qui tam* relators.⁵⁵ In the first quarter of 2011, over 200 more of these suits were filed.⁵⁶ Hundreds more were filed after that,⁵⁷ and it appeared that the end was nowhere in sight. According to the United States Department of Justice, over \$3.4 million in settlement money was paid to the federal government from Section 292 claims in 2010 alone, meaning that a total of more than \$6.8 million was paid out by companies and manufacturers in settlements that year.⁵⁸ This number had been surpassed by the end of September 2011, when the government had received over \$7.5 million in settlement money, and companies had dished out a total of more than \$15 million.⁵⁹

Nearly 1300 total cases had been filed⁶⁰ before the Federal Circuit's decision in *In re BP Lubricants USA Inc.*⁶¹ in March of 2011, which ultimately involved the circuit's last important interpretation of Section 292 before effective congressional action. In *In re BP*, the court reaffirmed that the particular pleading requirements of Rule 9(b) of the Federal Rules of Civil Procedure (FRCP) applied to Section 292 in order to show intent to defraud or deceive the public.⁶² In order to "assure that only viable claims alleging fraud or mistake are allowed to proceed to discovery," a false

<http://www.metrocorp.counsel.com/pdf/2010/October/35.pdf> (reporting that, just in the first nine months of 2010, false marking claims accounted for fifteen percent of all patent cases).

54. Holtman et al., *supra* note 36 (gathering statistics from <http://www.falsemarking.net/district.php>); *see also* Charnes & Hansen, *supra* note 19, at 1 ("By the end of October 2010, the number of false marking suits filed in 2010 exceeded 500."). This is in stark contrast to the previous years; no false marking claims were filed in 2007, four were filed on 2008, and seventeen were filed in 2009. O'Neill, *supra* note 36, at 28.

55. One of the more notorious *qui tam* relators was Thomas Simonian, who was reported as filing at least twenty-seven different false marking suits involving expired patents in one day (February 26, 2010). Matthew Marquardt, *A New Breed of Patent Troll? False Patent Marking in the United States*, CANADIAN BRIEFINGS, Sept. 2010, at S4.

56. Holtman et al., *supra* note 36 (gathering statistics from <http://www.grayonclaims.com/false-marking-case-information/>).

57. *See* Justin E. Gray, *False Marking Case Information*, GRAY ON CLAIMS, <http://www.grayonclaims.com/false-marking-case-information/>. (last updated Dec. 20, 2011).

58. *Settlement Payments Received for Section 292 Cases—2010*, U.S. DEP'T OF JUST., 8, <http://www.justice.gov/civil/common/elecread/2010/292%20Payment%20Chart%202010%20through%20Dec%2031%202010.pdf>. (last visited Oct. 3, 2011).

59. *Settlement Payments Received for Section 292 Cases—2011*, U.S. DEP'T OF JUST., 25, 27, <http://www.justice.gov/civil/common/elecread/2011/FalsePatent%20Marking%20Summary%202011.pdf>. (last visited Oct. 3, 2011).

60. Rydstrom et al., *supra* note 8, at 1.

61. *In re BP Lubricants USA Inc.*, 637 F.3d 1307 (Fed. Cir. 2011) (granting a writ of mandamus to address the pleading requirements under Section 292).

62. *Id.* at 1309, 1312.

marking complaint must “provide some objective indication to reasonably infer that the defendant was aware that the patent expired” and could not merely put forth conclusory statements of the requisite intent.⁶³ There is evidence that the *In re BP* decision might have slightly calmed the false marking storm,⁶⁴ but the trolls remained on the march.

“By filing claims, relators place false markers between a rock and [a] hard place; they must decide between costly litigation with the risk of colossal penalties or forking over settlement cash to make the claim go away.”⁶⁵ To avoid the high cost of patent litigation and settlement, defendant manufacturers raised a plethora of defenses and maintained other strategies to avoid Section 292’s fines including: challenging Article III standing, filing 12(b)(6) motions to dismiss and for summary judgments in failure to plead fraudulent intent,⁶⁶ filing motions to transfer under 28 U.S.C. § 1404(a),⁶⁷ and even filing declaratory judgment actions.⁶⁸ The most promising and most recent defense that defendants put forth was challenging the constitutionality of Section 292 under Article II’s “Take Care Clause” and “Appointments Clause.”⁶⁹ Generally, defendants argued that Section 292 infringed on the executive branch’s power to take care that the laws be faithfully executed and to appoint officers by not providing sufficient government control over false marking claims.⁷⁰

With the exception of two district courts,⁷¹ the overwhelming majority of courts found Section 292 constitutional under both clauses.⁷² As of the

63. *Id.* at 1301-11.

64. Garrity & Zablocki, *supra* note 31 (noting that the average settlement in 2011 was about one-third less than that of 2010 and alleging that the false marking surge was “rapidly losing momentum”).

65. Rydstrom et al., *supra* note 8, at 4.

66. *Id.* at 5.

67. Anania & Rodrigue, *supra* note 6, at 4.

68. Nilay Choksi & Timothy R. Holbrook, *2009-2010 Year in Review of Patent Law*, in 1 PAT. LITIG. 2010 251, 271 (2010).

69. Holtman et al., *supra* note 36 (“Constitutional challenges have primarily focused on the “Take Care” and “Appointments” Clauses of Article II of the U.S. Constitution.”). *See, e.g.*, *Hollander v. Ranbaxy Labs. Inc.*, 804 F. Supp. 2d 344, 346 (E.D. Pa. 2011) (“The Court is now faced with the latest challenge to the False Marking Statute— whether § 292(b) violates the Take Care Clause of Article II . . .”).

70. *See, e.g.*, *Hy Cite Corp. v. Regal Ware, Inc.*, No. 10-cv-168-wmc, 2011 U.S. Dist. LEXIS 55011, at *11-12 (W.D. Wis. Mar. 15, 2011) (“Defendants contend that plaintiff cannot pursue its false markings claim under § 292(b) because the statute violates both the ‘Take Care’ and ‘Appointments’ clauses of the Constitution by failing to provide the federal government with any control over litigation brought under this *qui tam* provision. In other words, the statute does not give the government enough, if any, control of a person’s false patent marking action to comply with the above clauses.”).

71. The two cases are *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 765 F. Supp. 2d 997 (N.D. Ohio), *vacated as moot* by *Unique Prod. Solutions, Ltd. v. Hy-Grade*

beginning of September 2011, there were two pending cases in the Federal Circuit, both of which raised the issue of Section 292's constitutionality under Article II.⁷³ The court heard oral arguments in July 2011 on the first case⁷⁴ and was expected to rule on the issues in that case as early as the end of 2011, but both were eventually dismissed as moot due to the retroactive application of the America Invents Act.⁷⁵

III. THE CONSTITUTIONALITY OF *QUI TAM* ACTIONS UNDER ARTICLE II

District courts have dealt with the constitutionality of Section 292 in a variety of ways. Courts were reluctant to stay their proceedings in the hope that the Federal Circuit would soon decide the issue with the pending appeals,⁷⁶ and a few districts managed to bypass the complex problem.⁷⁷ The

Valve, Inc., 462 F. App'x 967 (Fed. Cir. 2012), and *Rogers v. Tristar Products, Inc.*, 793 F. Supp. 2d 711 (E.D. Pa. 2011). They will be discussed further in Part III.

72. See *Emmert Second Ltd. P'ship v. Marshalltown Co.*, CIV-10-12-C, 2011 U.S. Dist. LEXIS 103537, at *12 (W.D. Okla. Sept. 12, 2011) (When faced with whether § 292(b) violates the Take Care Clause, the majority of courts have found that the provision does not violate the Constitution."). This Comment will focus on the Take Care Clause as every court that has assessed both the False Claims Act (FCA) and the FMA under the Appointments clause has found them constitutional under that clause. See, e.g., *United States ex rel. Taxpayers Against Fraud v. Gen. Electric Co.*, 41 F.3d 1032, 1041 (6th Cir. 1994) ("[T]he relator's 'position is without tenure, duration, continuing emolument, or continuous duties.' Therefore, the relator is not an 'officer' within the meaning of the Appointments Clause." (citation omitted) (quoting *Auffmordt v. Hedden*, 137 U.S. 310, 327 (1890))).

73. These two cases were *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 813 F. Supp. 2d 854, 857-58 (N.D. Ohio 2011) (finding Section 292 unconstitutional), *vacated as moot* by *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App'x 967 (Fed. Cir. 2012), and *United States ex rel. FLFMC, LLC v. Wham-O, Inc.*, No. 10cv0435, 2010 U.S. Dist. LEXIS 78253 (W.D. Pa. Aug. 3, 2010) (dismissing plaintiff's complaint for lack of standing), *vacated as moot* by No. 2011-1067, 2011 U.S. App. LEXIS 21224, at *3 (Fed. Cir. Oct. 19, 2011). The plaintiff in *Wham-O* had appealed the dismissal of its complaint, and *Wham-O* had raised the argument that Section 292 violated Article II as a defense. *Garrity & Zablocki*, *supra* note 31.

74. *Rogers v. Tristar Prods., Inc.*, 793 F. Supp. 2d 711, 719 n.9 (E.D. Pa. 2011) ("The constitutionality of section 292(b) is also before the Federal Circuit in *United States ex rel. FLFMC, LLC v. Wham-O, Inc.* . . . and oral argument is currently set for July 7, 2011.").

75. See *Anania & Rodrigue*, *supra* note 6, at 5 ("A decision by the Federal Circuit in *Wham-O* is expected in late 2011 or early 2012."); *supra* note 73.

76. See, e.g., *Seirus Innovative Accessories, Inc. v. Cabela's Inc.*, No. 09-CV-102-H (WMC), 2011 WL 3268080, at *2 (S.D. Cal. July 29, 2011) (finding that a stay was not warranted because a Federal Circuit decision in *Wham-O* may not apply to the current litigation and trial was less than four months away); *Battenfeld Techs., Inc. v. Birchwood Labs., Inc.*, No. 2:11-cv-04099-NKL, 2011 WL 4088901, at *5 (W.D. Mo. Sept. 14, 2011) (denying a motion to stay because "the timing and decision of the Federal Circuit is only speculative at this moment and . . . the interest in judicial efficiency and allowing litigants access to

vast majority of districts that have ruled on the issue, however, found that Section 292's provisions were clearly constitutional under Article II for different reasons.⁷⁸

A. DISTRICT COURT APPROACHES

1. *Pequignot v. Solo Cup*

Section 292's constitutionality under Article II was first challenged by the defendant in *Solo Cup* while the case was still at the district court level.⁷⁹ When discussing the widespread agreement among the circuits regarding the constitutionality of the False Claims Act (FCA) under Article II and Justice John Paul Stevens's dissent in *Vermont Agency of Natural Resources* (which was joined by Justice David Souter), the district court found that the long history of *qui tam* statutes in America and the case law analyzing the FCA affirmed that such provisions were likely constitutional.⁸⁰ The court stated that Section 292 was a civil action, as opposed to a criminal one, and therefore did not go to "the heart of the Executive's constitutional duty to take care that the laws are faithfully executed."⁸¹ This constitutional obligation could then "be satisfied with a significantly lesser degree of control" than what was required in *Morrison v. Olson*,⁸² as promulgated by the Supreme Court.⁸³ The district court then, following the appropriate circuit court case law, applied the "sufficient control" test from *Morrison* to the

the court outweighs the potential simplification of the issue that a Federal Circuit ruling could bring").

77. See, e.g., *S.F. Tech. v. Reckitt Benkiser Inc.*, No. 5:10-cv-04989-JF/PSG, 2011 U.S. Dist. LEXIS 32333, at *6 (N.D. Cal. Mar. 17, 2011) (declining to decide the constitutional issue because the plaintiff's complaint was dismissed on other grounds); *Turek v. Merck & Co.*, No. 3:10-cv-00907-MJR, 2011 U.S. Dist. LEXIS 64946, at *10 (S.D. Ill. June 20, 2011) (declining to address the constitutional challenge until after the plaintiff had filed an amended complaint).

78. See, e.g., *Simonian v. Allergan, Inc.*, No. 10-2414, 2011 WL 1599292, at *12 (N.D. Ill. Apr. 28, 2011) ("*Unique Product Solutions* is contrary to the overwhelming weight of case law, which holds that Section 292(b) is constitutional.>").

79. *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 752 (E.D. Va. 2009), *vacated in part on other grounds*, 608 F.3d 1356 (Fed. Cir. 2010) ("Solo argues that if Pequignot is found to have standing to sue under § 292(b) as a *qui tam* relator, maintenance of this action would violate the constitutional separation of powers doctrine, specifically the Take Care clause of Article II, § 3.>").

80. *Id.* at 724-26.

81. *Id.* at 726-27 (quoting *Riley v. St. Luke's Episcopal Hosp.*, 252 F.3d 749, 755 (5th Cir. 2001)).

82. *Morrison v. Olson*, 487 U.S. 654, 696 (1988).

83. *Solo Cup*, 640 F. Supp. 2d at 727.

FMA, found that the statute provided sufficient government control under the test, and held that the FMA was constitutional.⁸⁴

2. *Other District Courts Finding Section 292 Constitutional*

Solo Cup's reasoning was used to affirm Section 292's constitutional validity in at least one case⁸⁵ before the Northern District of Ohio's decision in *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*⁸⁶ In *Hy Cite Corp. v. Regal Ware, Inc.*,⁸⁷ published after the *Unique* decision but without discussing it, the Western District of Wisconsin followed the reasoning of *Solo Cup* in concluding that Section 292 was not "invoking the executive's core function" and there was sufficient government control over *qui tam* false marking claims.⁸⁸ The court in *Regal Ware* also held that because *qui tam* litigators were essentially assignees of a government claim for false patent marking they were not officers of the United States under Article II.⁸⁹

In *Public Patent Foundation, Inc. v. GlaxoSmithKline Consumer Healthcare, L.P.*,⁹⁰ a district court in New York, also citing *Solo Cup*, found sufficient safeguards built into the FMA to find it constitutional.⁹¹ The court

84. *Id.* at 728-29 (noting that the fact that the executive branch intervened in the case and supported the *qui tam* action was illustrative of the government's sufficient control over the litigation).

85. See *Shizzle Pop, LLC v. Wham-O, Inc.*, No. 10 CV 03491, 2010 WL 3063066, at *3 (C.D. Cal. Aug. 2, 2010) (finding the district court's reasoning in *Solo Cup* regarding Section 292's constitutionality persuasive). In *Shizzle Pop*, the court also disposed of an argument regarding the Appointments Clause in citing the Ninth Circuit's decision in *United States ex rel. Kelly v. Boeing Co.*, 9 F.3d 743, 758 (9th Cir. 1993), which found that *qui tam* relators did "not exercise enough authority to be considered an officer who must be appointed by the President." *Id.* at *3.

86. *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 765 F. Supp. 2d 997 (N.D. Ohio 2011), *vacated as moot by* *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App'x 967 (Fed. Cir. 2012).

87. *Hy Cite Corp. v. Regal Ware, Inc.*, No. 10-cv-168-wmc, 2011 WL 1206768 (W.D. Wis. Mar. 15, 2011).

88. *Id.* at *4-5.

89. *Id.* at *5. As noted earlier, every court that has assessed the FCA and Section 292 under the Appointments Clause has found them constitutional, typically citing the Supreme Court in *Auffmordt* noted above or *United States v. Germaine*, 99 U.S. 508, 511-12 (1878). This Comment will therefore limit the rest of the discussion to the Take Care Clause question. See, e.g., *United States ex rel. Stone v. Rockwell Int'l Corp.*, 265 F.3d 1157, 1174 (10th Cir. 2001) ("Relators are not entitled to the benefits of officeholders, such as drawing a government salary. [Their position does not] 'embrace[] the ideas of tenure, duration, emolument, and duties, and the latter were continuing and permanent, not occasional or temporary.'" (quoting *Germaine*, 99 U.S. at 511-512)).

90. *Pub. Patent Found., Inc. v. GlaxoSmithKline Consumer Healthcare, L.P.*, No. 09 CV 5881, 2011 WL 1142917 (S.D.N.Y. Mar. 22, 2011).

91. *Id.* at *3.

discussed and distinguished the *Unique* court’s holding by finding that Section 292 claims were civil in form, even though they arose under a criminal statute.⁹² With a more substantial analysis, the Northern District of Illinois in *Luka v. Procter & Gamble Co.*⁹³ agreed with the New York court and *Solo Cup*, holding that the FMA was not a “criminal action,” and *Morrison* did not apply with much force.⁹⁴ This same reasoning was used again by the Northern District of Illinois in *Simonian v. Allergan, Inc.*⁹⁵ The *Luka* court also highlighted that “[i]t is commonplace for federal statutes, even criminal statutes, to contain civil enforcement mechanisms that permit private parties to sue to enforce statutory prohibitions,” that *qui tam* relators fell under this rationale as assignees of a government claim, and that the Supreme Court expressly held this constitutional in *Vermont Agency of Natural Resources*.⁹⁶

The Southern District of Illinois, which ultimately sidestepped the constitutional issue, noted that the *Unique* court followed the lead of Sixth Circuit case law in applying *Morrison*, a requirement that was not necessary in the Seventh Circuit.⁹⁷ The court further stated that the Federal Circuit was likely to find the FMA constitutional regardless.⁹⁸

In early June 2011, the Eastern District of Pennsylvania in *Rogers v. Tristar Products, Inc.* followed the *Unique* court’s decision and reasoning.⁹⁹ However, more recent district court decisions still affirmed *Solo Cup*’s reasoning and were able to distinguish both *Rogers* and *Unique* using the Southern District of Illinois’s reasoning as stated above.¹⁰⁰

92. *Id.* at *4.

93. *Luka v. Procter & Gamble Co.*, 785 F. Supp. 2d 712, 722 (N.D. Ill. 2011).

94. *Id.* at 720-22.

95. *Simonian v. Allergan, Inc.*, No. 10 C 02414, 2011 WL 1599292, at *4 (N.D. Ill. Apr. 28, 2011) (finding that even if the direct-control test in *Morrison* does apply, the FMA has sufficient safeguards allowing for government control).

96. *Luka*, 785 F. Supp. 2d at 719.

97. *See Ford v. Hubbell, Inc.*, No. 10 CV 513, 2011 WL 1259707, at *3 (S.D. Ill. Mar. 28, 2011) (discussing how the *Unique* court was applying the “sufficient control” test from *Morrison* because it was used by the Sixth Circuit in *United States ex. rel. Taxpayers Against Fraud v. Gen. Electric Co.*, 41 F.3d 1032, 1041 (6th Cir. 1994), and because the Federal Circuit had not rejected the application of *Morrison* to Section 292).

98. *Id.*; *see also* Buehlhorn v. Universal Valve Co., Inc., No. 10-559-GPM, 2011 WL 1259712, at *4 (S.D. Ill. Mar. 31, 2011) (using the same analysis as in *Ford*, 2011 WL 1259707, at *3).

99. *Rogers v. Tristar Prods., Inc.*, 793 F. Supp. 2d 711, 724-25 (E.D. Pa. 2011).

100. *See* *Emmert Second Ltd. P’ship v. Marshalltown Co.*, CIV-10-12-C, 2011 U.S. Dist. LEXIS 102409, at *13-15 (W.D. Okla. Sept. 9, 2011); *Emmert Second Ltd. P’ship v. Marshalltown Co.*, CIV-10-12-C, 2011 U.S. Dist. LEXIS 103537, at *13-17 (W.D. Okla. Sept. 12, 2011); *Hollander v. Ranbaxy Labs. Inc.*, 804 F. Supp. 2d 344, 353-56 (E.D. Pa. 2011).

3. Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc. *and* Rogers v. Tristar

As mentioned above, there were only two courts that found Section 292 unconstitutional under Article II, and they used generally the same reasoning.¹⁰¹ The *Unique* court stated that it saw no difference between a relator filing a claim on behalf of the government and the government filing a complaint itself.¹⁰² After concluding that Section 292 was criminal, partly using Federal Circuit interpretation,¹⁰³ the court followed the Sixth Circuit in applying *Morrison* to the fullest extent.¹⁰⁴ The *Unique* court summarized its findings as such:

Any private entity . . . can file a criminal lawsuit in the name of the United States, without getting approval from or even notifying the Department of Justice. The case can be litigated without any control or oversight by the Department of Justice. The government has no statutory right to intervene nor does it have a right to limit the participation of the relator. The government does not have the right to stay discovery which may interfere with the government's criminal or civil investigations. The government may not dismiss the action. Finally, the relator may settle the case and bind the government without any involvement or approval by the Department of Justice.¹⁰⁵

After the court vacated this decision to allow the government to intervene, the *Unique* court stood by its previous decision and stated that even if Section 292 was considered a "civil-criminal hybrid," it would still find the statute unconstitutional under the *Morrison* test.¹⁰⁶ The court further stated that because the Federal Circuit had not yet "rejected the application of *Morrison* to the False Marking Statute," it had to "follow the Sixth Circuit's application of the *Morrison* analysis."¹⁰⁷

101. See, e.g., *Rogers v. Tristar Prods., Inc.*, 793 F. Supp. 2d 711, 723-25 (E.D. Pa. 2011) (agreeing with *Unique* that the *Morrison* test does apply because Section 292's *qui tam* provision "represents the very delegation of criminal law enforcement authority that *Morrison*'s test was designed to assess").

102. *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 765 F. Supp. 2d 997, 1004 (N.D. Ohio 2011), *vacated as moot by Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App'x 967 (Fed. Cir. 2012).

103. *Unique*, 765 F. Supp. 2d at 1004 (referencing the Federal Circuit dicta in *Solo Cup* that Section 292 was a criminal statute).

104. *Id.* at 1005.

105. *Id.*

106. *Unique*, 813 F. Supp. 2d at 858.

107. *Id.* at 848.

Rogers followed the *Unique* court’s lead in finding that the FMA was criminal, citing its amendment history,¹⁰⁸ and further noted the FMA’s lack of government controls in relation to the FCA.¹⁰⁹ “The what, when, where, and how of the litigation remain subject to the whims of whomever sees fit to bring the suit. . . . And given the available financial penalties under [*Bon Tool*], this lack of control is all the more troubling.”¹¹⁰

B. *MORRISON V. OLSON*

It is with this background in mind that this Comment turns to the constitutionality of Section 292 before the America Invents Act. It is appropriate to first briefly look at *Morrison* and how the federal circuits have attempted to analyze the FCA¹¹¹ in the same context. Then, we must decide whether the *Morrison* test applies at all and to what degree.

1. *Applying Morrison*

In *Morrison*, the Supreme Court assessed the constitutionality (under Articles II and III of the Constitution) of Title VI of the Ethics in Government Act, which granted an independent counsel the authority to investigate high-ranking officials for criminal acts.¹¹² Because the attorney general retained certain controls over the counsel’s prosecution, including removing the counsel for good cause and initiating the investigation, and the counsel had limited jurisdiction and certain policy constraints, the Court concluded that the executive branch maintained “sufficient control over the independent counsel to ensure that the President is able to perform his constitutionally assigned duties.”¹¹³

The application of *Morrison* in circuit case law to the FCA is demonstrative of how an appellate court would analyze Section 292 under an Article II and III constitutional framework. For example, just a few years after *Morrison*, without even mentioning the case, the Second Circuit found the FCA’s *qui tam* provisions constitutional under Article III: “[T]he FCA *qui tam* provisions do not usurp the executive branch’s litigating function be-

108. See *Rogers v. Tristar Prods., Inc.*, 793 F. Supp. 2d 711, 717, 724-26 (E.D. Pa. 2011) (“The 1952 amendment made the statute a criminal one that could be enforced by either the United States or by *qui tam* relators.”).

109. *Id.* at 724.

110. *Id.* at 724-25 (citation omitted).

111. The FCA (31 U.S.C. §§ 3729-3733) generally provides for *qui tam* relators to file civil actions against persons and organizations that have filed fraudulent claims for payment from the federal government. *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 768-69 (2000).

112. *Morrison v. Olson*, 487 U.S. 654, 660 (1988).

113. *Id.* at 696.

cause the statute gives the executive branch substantial control over the litigation.”¹¹⁴ That same year, the Ninth Circuit came across similar challenges to the FCA under Articles II and III, but the court *did* apply *Morrison* to find that “the FCA permits a degree of executive control sufficient to satisfy the *Morrison* standard.”¹¹⁵ The court highlighted that “an independent counsel exercises broader investigative authority, prosecutorial discretion, and authority to use the resources of the U.S. Government than does a *qui tam* relator.”¹¹⁶ It recognized that the FCA’s *qui tam* provision diminished the executive’s control over the claims to some degree but still maintained that this control was at least as equivalent as the government’s control over independent counsels.¹¹⁷

The Sixth Circuit in *United States ex rel. Taxpayers Against Fraud v. General Electric Co.*, the case that the *Unique* court relied on in applying *Morrison*, characterized *qui tam* statutes “as encouraging whistleblowers to act as private attorneys-general . . . in pursuit of an important public policy.”¹¹⁸ In applying *Morrison*, the court went on to list the safeguards that the FCA has in place to allow for sufficient government control over *qui tam* claims.¹¹⁹

Several years later, the Fifth Circuit in *Riley v. St. Luke’s Episcopal Hospital*¹²⁰ addressed the issue in a slightly different manner. Before discussing *Morrison*, the court pointed out that the Take Care Clause “does not require Congress to prescribe litigation by the Executive as the *exclusive* means of enforcing federal law.”¹²¹ The court found that *Morrison* did *not* apply to the FCA analysis because the independent counsel was granted authority to act as the United States itself (as opposed to *qui tam* relators who litigate in the name of the government) and *qui tam* plaintiffs were “simply civil litigants” and not criminally prosecuting defendants.¹²² Although *Riley* did not discuss the FCA safeguards in depth, it did hint that they might be sufficient to pass *Morrison* anyway: “Any intrusion by the

114. *United States ex rel. Kreindler & Kreindler v. United Tech. Corp.*, 985 F.2d 1148, 1155 (2d Cir. 1993).

115. *United States ex rel. Kelly v. Boeing Co.*, 9 F.3d 743, 751-52 (9th Cir. 1993).

116. *Id.* at 752-53.

117. *Id.* at 754-55.

118. *United States ex rel. Taxpayers Against Fraud v. Gen. Electric Co.*, 41 F.3d 1032, 1041-42 (6th Cir. 1994) (internal quotations marks omitted).

119. *Id.* at 1041. These FCA safeguards included the government’s ability to “require the relator to inform it of developments” in the litigation, “intervene later upon a showing of good cause,” and “move to have the relator’s litigation role significantly restricted”; the statute also requires “the relator’s filings to be sealed for at least sixty days, and for much longer if the government can show the need.” *Id.*

120. *Riley v. St. Luke’s Episcopal Hospital*, 252 F.3d 749 (5th Cir. 2001).

121. *Id.* at 753.

122. *Id.* at 754-55.

qui tam relator in the executive’s Article II power is comparatively modest, especially given the control mechanisms inherent in the FCA to mitigate such an intrusion”¹²³

The Tenth Circuit subsequently agreed with the FCA analysis from the Fifth, Sixth, and Ninth Circuits when it held “that at least where the Government intervenes, the *qui tam* provisions of the FCA do not violate the separation of powers by transgression of the Take Care Clause.”¹²⁴

In the middle of this FCA litigation by *qui tam* plaintiffs in the circuit courts, the Supreme Court handed down its decision in *Vermont Agency of Natural Resources* that affirmed that the circuits were on the right track regarding the FCA.¹²⁵ In that case, the Court, using the long history and importance of *qui tam* statutes through American and English history and the fact that these plaintiff relators were assignees of government claims, found that the FCA’s *qui tam* provision was constitutional under Article III.¹²⁶ Although the Court expressed no opinion regarding the FCA’s constitutionality under Article II, there is evidence that the result would be similar.¹²⁷

2. Section 292(b) Is a Criminal-Civil Hybrid Statute at Best

The primary reason that the *Rogers* and *Unique* courts found Section 292 unconstitutional and applied *Morrison* is because they found the FMA to be a criminal statute.¹²⁸ This conclusion, however, is contrary to the

123. *Id.* at 757.

124. *United States ex rel. Stone v. Rockwell Int’l Corp.*, 265 F.3d 1157, 1176 (10th Cir. 2001); *see also Ridenour v. Kaiser-Hill Co.*, 397 F.3d 925, 934-35 (10th Cir. 2005) (reaffirming the reasoning in *Stone*).

125. *See* *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 787-88 (2000) (“We hold that a private individual has standing to bring suit in federal court on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-3733, but that the False Claims Act does not subject a State (or state agency) to liability in such actions.”).

126. *Id.* at 777-78.

127. *Id.* at 778 n.8 (“In so concluding, we express no view on the question whether *qui tam* suits violate Article II, in particular the Appointments Clause of § 2 and the ‘Take Care’ Clause of § 3.”).

128. *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 765 F. Supp. 2d 997, 1003 (N.D. Ohio 2011) (“Thus, as the False Marking Statute is criminal, the Court is bound by *Morrison* and its ‘sufficient control’ analysis”), *vacated as moot* by *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App’x 967 (Fed. Cir. 2012); *Rogers v. Tristar Prods., Inc.*, 793 F. Supp. 2d 711, 723 (E.D. Pa. 2011) (“[T]he Court agrees with the *Unique* court that section 292(b) represents the very delegation of criminal law enforcement authority that *Morrison*’s test was designed to assess.”). But see the *Unique* court’s opinion reaffirming the dismissal: “even if the False Marking Statute is considered to be civil or a civil-criminal hybrid governed by the Federal Rules of Civil Procedure, the Court would still find the statute unconstitutional under the *Morrison* sufficient control analysis.” *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 813 F. Supp. 2d 854, 858 (N.D. Ohio

weight of authority¹²⁹ and is not necessarily supported by the sources that these two courts cite. Although Section 292, as Professor Elizabeth Winston stated, “is the closest statute to a criminal section found in patent law,”¹³⁰ courts looking at both this section and the FCA have characterized *qui tam* plaintiffs under these provisions as merely “civil litigants” filing civil actions.¹³¹ Three compelling arguments arise that support the contention that Section 292 is not *completely* criminal in nature.

First, and most convincing, the burden of proof needed for proving the elements of a false marking claim is too low to be criminal. The Federal Circuit in *Solo Cup* reaffirmed the circuit’s practice since *Clontech* that “the burden of proof of intent for false marking is a preponderance of the evidence.”¹³² This is completely inconsistent with the higher burden of proof, however, necessary for criminal prosecution. The Supreme Court has held that the Due Process Clause of the Fourteenth Amendment protects an accused “against conviction except upon proof beyond a reasonable doubt,” and this indispensable principle is rooted in our national history, the history of Supreme Court precedent, and the “American scheme of criminal procedure.”¹³³ The necessity of proving every element of a crime beyond a reasonable doubt for criminal liability has been repeatedly reaffirmed by the Supreme Court, as it is also crucial to a defendant’s Sixth Amendment rights.¹³⁴ Specifically, using this lower burden also would violate a defend-

2011), *vacated as moot by* Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc., 462 F. App’x 967 (Fed. Cir. 2012).

129. See, e.g., *Simonian v. Allergan, Inc.*, No. 10 C02414, 2011 WL 1599292, at *444 (N.D. Ill. Apr. 28, 2011) (“*Unique Product Solutions, Ltd.* is contrary to the overwhelming weight of case law, which holds that Section 292(b) is constitutional.”).

130. Elizabeth I. Winston, *The Flawed Nature of the False Marking Act*, 77 TENN. L. REV. 111, 121 (2009).

131. See, e.g., *Riley v. St. Luke’s Episcopal Hosp.*, 252 F.3d 749, 755 (5th Cir. 2001) (“[R]elators are simply civil litigants.”); *Luka v. Procter & Gamble Co.*, 785 F. Supp. 2d 712, 719-20 (N.D. Ill. 2011) (agreeing with *Riley* that *qui tam* relators are “simply civil litigants” (quoting *Riley*, 252 F.3d at 755)); *Simonian*, 2011 WL 1599292, at *4 (“[T]he direct-control test espoused by the Supreme Court in *Morrison* does not apply to the same degree in this setting, which involves a civil action . . .”).

132. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1363 (Fed. Cir. 2010).

133. *In re Winship*, 397 U.S. 358, 361-65 (1970).

134. See, e.g., *United States v. Booker*, 543 U.S. 220, 230 (2005) (“It has been settled throughout our history that the Constitution protects every criminal defendant ‘against conviction except upon proof beyond a reasonable doubt of every fact necessary to constitute the crime with which he is charged.’” (quoting *In re Winship*, 397 U.S. at 364)); *Pepper v. United States*, 131 S. Ct. 1229, 1241 (2011) (citing *Booker* when discussing “the Sixth Amendment right of criminal defendants to be tried by a jury and to have every element of an offense proved by the Government beyond a reasonable doubt”).

ant's Fifth Amendment Due Process rights.¹³⁵ Courts cannot claim the FMA is criminal and then apply this low burden of proof for essentially a criminal prosecution;¹³⁶ they cannot have it both ways.

Second, if the FMA is purely criminal, courts have been using the wrong procedural rules for years.¹³⁷ The Federal Rules of Criminal Procedure, as opposed to the Federal Rules of Civil Procedure, would then have to be followed, and courts are bound to use them appropriately.¹³⁸ The Federal Rules of Criminal Procedure afford criminal defendants specific procedural rights, some of which are not found in the Rules of Civil Procedure,¹³⁹ in order to be consistent with a defendant's constitutional protections.¹⁴⁰ This again runs afoul of a defendant's procedural Due Process rights.¹⁴¹ The *Luka* court summed up this peculiarity quite nicely:

In this Court's view, the fact that Section 292 is a criminal statute does not make a *qui tam* suit under section 292(b) "a criminal action." Indeed, if it was, the Rules of Civil Procedure would not even apply—including Rule 9(b), which the Federal Circuit specifically held in *BP Lubricants USA* applies in false marking cases.¹⁴²

Third, just because the statute is penal in nature does not make the FMA a criminal act. Several courts, including the Federal Circuit, have

135. See Caroline Ayres Teichner, Note, *Markedly Low: An Argument to Raise the Burden of Proof for Patent False Marking*, 86 CHI.-KENT L. REV. 1389, 1416 (2011) (setting forth a compelling argument to raise the burden of proof in false marking cases).

136. See *Luka*, 785 F. Supp. 2d at 721 n.5 ("If a false marking case were truly a 'criminal action,' as the court in *Unique Product Solutions* stated, the burden of proof would not be the preponderance-of-the-evidence standard that the Federal Circuit has held applies.").

137. See *id.* ("Indeed, if it was, the Rules of Civil Procedure would not even apply . . ."); see also Grant, *supra* note 21, at 301-02.

138. See, e.g., *Chambers v. NASCO, Inc.*, 501 U.S. 32, 66 (1991) ("Like the Federal Rules of Criminal Procedure, the Federal Rules of Civil Procedure are as binding as any statute duly enacted by Congress, and federal courts have no more discretion to disregard the Rule[s]' mandate than they do to disregard constitutional or statutory provisions." (internal quotation marks omitted)).

139. See, e.g., *United States v. Munoz-Dela Rosa*, 495 F.2d 253, 256 (9th Cir. 1974) (providing some examples of express rights given to criminal defendants in the Federal Rules of Criminal Procedure, such as the "defendant's right to be present at the time of sentencing" and "to speak on his own behalf").

140. See *Hicks ex rel. Feiock v. Feiock*, 485 U.S. 624, 632 (1988) (recognizing that there is a "fundamental proposition that criminal penalties may not be imposed on someone who has not been afforded the protections that the Constitution requires of such criminal proceedings, including the requirement that the offense be proved beyond a reasonable doubt").

141. Teichner, *supra* note 135, at 1415-16.

142. *Luka*, 785 F. Supp. 2d at 721.

characterized the FMA as “penal” in nature,¹⁴³ but the Federal Circuit has also recognized that Section 292 imposes a “civil fine” on violators and is “civil in nature.”¹⁴⁴ As Professor Winston points out, “the mere fact that a statute authorizes monetary damages does not imply that the statute is penal. For example, violation of the Lanham Act can result in monetary damages, and it is not penal.”¹⁴⁵

For example, the court in *Sippit Cups, Inc. v. Michael’s Creations, Inc.* discussed this very issue shortly after Section 292 was amended and concluded “that there is a clear distinction between the word ‘penal’ as so used, and the word ‘criminal.’”¹⁴⁶ The *Sippit* court, agreeing with the rationale of a Supreme Court opinion from 1892, found that Section 292 was not a “criminal cause” because it allowed for a private action that gave a civil remedy.¹⁴⁷

Further, what little legislative history there is regarding the 1952 amendments to Section 292 does not clear up the issue.¹⁴⁸ The Senate report states that these amendments made Section 292 “an ordinary criminal action as well as an informer action as in the present statute.”¹⁴⁹ The *Unique* and the *Rogers* courts especially relied on this language in concluding that Section 292 was criminal.¹⁵⁰ On the other hand, *Solo Cup*, for example, used the exact same language to find that the statute was still primarily civil

143. *E.g.*, *Proportion-Air, Inc. v. Buzmatics, Inc.*, No. 94-1426, 1995 U.S. App. LEXIS 25871, at *7 (Fed. Cir. June 14, 1995) (“[T]he false marking statute is penal in nature and must be strictly construed”); *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763, 765 (5th Cir. 1972) (“Brose’s failure to prove *any one* of the above elements would have proved fatal to his cause since the [FMA] is penal in nature and must be strictly construed.”); *Filmon Process Corp. v. Spell-Right Corp.*, 404 F.2d 1351, 1355 (D.C. Cir. 1968) (“We are in agreement with the judicial pronouncements that 35 U.S.C. § 292(b), while penal, is not a criminal statute.”).

144. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1363 (Fed. Cir. 2010) (“[T]he false marking statute [Section 292] is a criminal one, despite being punishable only with a civil fine. . . . A *qui tam* action is civil in form, even though it arises under a criminal statute.”).

145. *Grant*, *supra* note 21, at 302.

146. *Sippit Cups, Inc. v. Michael’s Creations, Inc.*, 180 F. Supp. 58, 61 (E.D.N.Y. 1960).

147. *Id.* The Supreme Court case was *Huntington v. Attrill*, 146 U.S. 657, 665 (1892) (“But laws which, while imposing a duty, at the same time confer a right upon the citizens to claim damages for its nonperformance, are not criminal.”).

148. S. REP. NO. 82-1979, at 22 (1952), *reprinted in* 1952 U.S.C.C.A.N. 2394, 2424 (“This is a criminal provision.”).

149. *Id.* at 2403.

150. *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 765 F. Supp. 2d 997, 1004 (N.D. Ohio 2011), *vacated as moot by Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App’x 967 (Fed. Cir. 2012); *Rogers v. Tristar Prods., Inc.*, 793 F. Supp. 2d 711, 717 (E.D. Pa. 2011).

in nature.¹⁵¹ A number of criteria that the Supreme Court has set forth in two separate cases point to Section 292 being criminal as well,¹⁵² but this conclusion is countered by the fact that civil actions are filed by private plaintiffs and not the government.¹⁵³

A very recent case, *Hollander v. Ranbaxy Laboratories Inc.*,¹⁵⁴ illustrated the problem by relying on the language of congressional reports and committee notes regarding Section 292, especially when construing and defining the word “fine”:

A “fine” relates to a “pecuniary punishment or civil penalty payable to the public treasury,” and a civil penalty is a type of fine assessed for violation of a statute or regulation. Further, many courts use the terms civil penalty and fine interchangeably. Thus, use of the term “fine” does not necessarily mean a statute is criminal.¹⁵⁵

The confusion over the nature of Section 292 and even congressional language has been troubling courts since the 1952 amendment.¹⁵⁶ Even the *Unique* court stated that the statute resembled a “civil-criminal hybrid.”¹⁵⁷ Another commentator, who found that Section 292 was primarily *criminal*, also conceded that “[p]erhaps the best solution is to classify § 292 as a quasi-criminal provision, given its hybrid nature.”¹⁵⁸ Then again, looking at what is needed constitutionally to be considered a criminal statute, it appears that Section 292, when it maintained a *qui tam* provision with a civil penalty, did not invoke “the executive’s core function of criminal prosecu-

151. *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 727 n.17 (E.D. Va. 2009) (“This interpretation is consistent with a 1952 Senate Report stating that the statute is ‘an ordinary criminal action as well as an informer action.’”).

152. A two-factor test was laid out in *United States v. Ward*, 448 U.S. 242, 248-49 (1980) (finding that the nature of the statute is “a matter of statutory construction”). A more extensive test was outlined in *Kennedy v. Mendoza-Martinez*, 372 U.S. 144, 168-69 (1963) (discussing the criminal nature of the Nationality Act of 1940 and the Immigration and Nationality Act of 1952). But a comprehensive application of these factors to the FMA is beyond the scope of this Comment.

153. Teichner, *supra* note 135, at 1414.

154. *Hollander v. Ranbaxy Labs. Inc.*, 804 F. Supp. 2d 344, 355 (E.D. Pa. 2011) (“I am unwilling to give *Morrison* much weight in determining whether § 292(b) is constitutional.”).

155. *Id.* at 348 n.7 (citations omitted) (referencing *Black’s Law Dictionary*).

156. *Compare, e.g.*, *Huston v. Buckeye Bait Corp.*, 145 F. Supp. 600 (S.D. Ohio 1955) (finding the section criminal), *with Trabon Eng’g Co. v. Eaton Mfg. Co.*, 37 F.R.D. 51 (N.D. Ohio 1964) (finding the section civil in nature).

157. *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 813 F. Supp. 2d 854, 858 (N.D. Ohio 2011), *vacated as moot by Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App’x 967 (Fed. Cir. 2012).

158. Teichner, *supra* note 135, at 1414.

tion,”¹⁵⁹ or at least not to the extent that the statute in *Morrison* did. Reiterating the *Luka* court’s statement, “[i]t is commonplace for federal statutes, even criminal statutes, to contain civil enforcement mechanisms that permit private parties to sue to enforce statutory prohibitions.”¹⁶⁰ Does this mean that all “informer actions” could be subject to the constitutional ax?¹⁶¹

3. *Section 292 Did Provide Sufficient Safeguards for Proper Executive Control*

Several courts have already pointed out that when applying *Morrison* to somewhat of a lesser degree, Section 292 yielded sufficient executive safeguards.¹⁶² Through various measures, the government has three main outlets for this control: notice of the suit, a right to intervene, and a right to control the litigation to an extent when admitted into the suit.

First, the executive branch, through the Patent and Trademark Office, is made aware of Section 292 suits because all patent suits under Title 35 are required to be reported to them by law.¹⁶³ The mandate of 35 U.S.C. § 290 is that notice must be given within one month of the filing of the suit along with “the names and addresses of the parties, the name of the inventor, and the designating number of the patent upon which the relator has brought the action.”¹⁶⁴ However, as the *Unique* court pointed out, this notice is given only to the Patent Office (not the Department of Justice) and is not required to include the statute under which the claim is filed.¹⁶⁵ This is not to say that the government is likely to ignore the suit or necessarily less likely to intervene to protect its interests.¹⁶⁶ Considering that Section 292

159. *Hy Cite Corp. v. Regal Ware, Inc.*, No. 10-cv-168-wmc, 2011 WL 1206768, at *4 (W.D. Wis. Mar. 15, 2011).

160. *Luka v. Procter & Gamble Co.*, 785 F. Supp. 2d 712, 719 (N.D. Ill. 2011).

161. Informer actions are a common tool in statutory enforcement. For just one example, see 26 U.S.C. § 7623 regarding the incentives for whistleblowers (“informers”) exposing tax fraud.

162. *See, e.g., Regal*, 2011 WL 1206768, at *5 (“[T]he United States’ government retains the authority and ability to exercise involvement and control over this § 292 *qui tam* lawsuit if needed.”).

163. *Simonian v. Allergan, Inc.*, No. 10-2414, 2011 WL 1599292, at *5 (N.D. Ill. Apr. 28, 2011) (citing 35 U.S.C. § 290).

164. *Id.*

165. *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 765 F. Supp. 2d 997, 1004-05 (N.D. Ohio 2011), *vacated as moot by Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App’x 967 (Fed. Cir. 2012).

166. *See Luka*, 785 F. Supp. 2d at 721 (“And if the government, having received notice, chooses not to intervene (as is frequently the case in False Claims Act *qui tam* suits), one may fairly infer that the executive itself sees no need to do so and thus perceives no impingement on the exercise of its law enforcement authority.”). This is further illustrated by the substantial amount of false marking cases that the government has intervened in,

was one of only three active *qui tam* statutes¹⁶⁷ (the only one concerning patents), how much of a burden would it be for a clerk in the patent office to add the section under which it was filed?

Second, the government has options to enter into a *qui tam* lawsuit under the FMA in order to overlook the action.¹⁶⁸ Other sections, like 28 U.S.C. §§ 517 and 518, allow for the government to send officers to lawsuits and appealed claims that involve an interest of the United States.¹⁶⁹ The government also has the right to intervene in such actions pursuant to Federal Rule of Civil Procedure 24 (and 5.1(c) for constitutional issues), a right that a court has to give in Section 292 cases, according to the Federal Circuit.¹⁷⁰

The *Unique* court argued that notice and this possibility of intervention could come too late and bind the government to an unwanted settlement, citing the abundant intervention protections of the FCA that Section 292 lacked.¹⁷¹ One should be careful in comparing the FMA to the FCA in this respect, however, as it is composed very differently and is protecting somewhat of a different governmental interest.¹⁷² Whereas the government may have an interest in enforcing its laws and preventing harm of false marking on the public, the government arguably has a greater interest in FCA litigation because these claims involve fraud *against the government*.¹⁷³

Third, if the government does intervene in a false marking action, it can bar a plaintiff (relator or not) from dropping the case without their vol-

many of which did not include a constitutional issue. *See, e.g.*, *Stauffer v. Brooks Bros. Inc.*, 619 F.3d 1321, 1323 (Fed. Cir. 2010) (deciding a case where the government attempted to intervene in a Section 292 action when no constitutional issue was at hand).

167. DOYLE, *supra* note 32, at 1.

168. *See, e.g.*, *Simonian*, 2011 WL 1599292, at *5 (“[T]he government maintains a sufficient level of control over *qui tam* actions brought under Section 292(b).”).

169. *Hollander v. Ranbaxy Labs. Inc.*, 804 F. Supp. 2d 344, 352 (E.D. Pa. 2011).

170. *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 727 (E.D. Va. 2009) (“The United States may intervene in a *qui tam* action, either as of right, *see* FED. R. CIV. P. 24(a)(2), or with a court’s permission, *see* FED. R. CIV. P. 24(b).”); *Stauffer*, 619 F.3d at 1328 (“[T]he government has an interest in enforcement of its laws and in one half the fine that *Stauffer* claims, disposing of the action would as a practical matter impair or impede the [government’s] ability to protect its interest, and *Stauffer* may not adequately represent that interest.” (internal quotation marks omitted)).

171. *Unique*, 765 F. Supp. 2d at 1005.

172. *See Hollander*, 804 F. Supp. 2d 344, 355 (E.D. Pa. 2011) (“[Section] 292 also differs from the False Claims Act, which creates a standalone [sic] civil action with a separately codified criminal companion.”).

173. The FCA’s purpose, unlike Section 292, was to allow for claims to redress fraud committed against the government. *See generally* Elletta Sangrey Callahan & Terry Morehead Dworkin, *Do Good and Get Rich: Financial Incentives for Whistleblowing and the False Claims Act*, 37 VILL. L. REV. 273 (1992).

untary consent under Federal Rule of Civil Procedure 41(a)(1)(A)(ii).¹⁷⁴ This right is furthered by rule 26(c) of the FRCP, which allows the United States to apply for a protective order if the plaintiff's actions interfere with its prosecution or investigation into the matter.¹⁷⁵ When one combines these procedures, it appears that the government does retain a fair amount of control over Section 292 proceedings.¹⁷⁶

Further, it must be understood that the reason why the FCA currently contains more stringent government control options has nothing to do with an attempt to stay within the bounds of Article II. Congress amended the FCA in 1943 after *United States ex rel. Marcus v. Hess*,¹⁷⁷ when there was a clear indication of abuse of the FCA's *qui tam* provisions.¹⁷⁸ These amendments essentially increased the notice requirements of the statute to inform the government of *qui tam* actions in addition to increasing the options for government intervention.¹⁷⁹

4. *The Federal Circuit and Supreme Court Have Hinted that Section 292 Is Constitutional*

In one recent case, the Federal Circuit refused to address the constitutionality of the FMA *sua sponte* because the parties did not raise or argue the issue on appeal.¹⁸⁰ For at least one court, this action was presumed to indicate that the Federal Circuit indirectly accepted the FMA's constitutional validity.¹⁸¹ As the Ninth and Tenth Circuits stated when assessing the FCA's constitutionality, federal courts are supposed to "interpret statutes in

174. See, e.g., *Solo Cup*, 640 F. Supp. 2d at 727-28 ("If the United States intervenes and the *qui tam* relator attempts to voluntarily dismiss the case, it cannot do so without a court order if the United States does not consent.").

175. *Id.* at 728.

176. See, e.g., *Luka v. Procter & Gamble Co.*, 785 F. Supp. 2d 712, 720-22 (N.D. Ill. 2011) (finding that Section 292 did retain sufficient safeguards and the FCA's strict safeguards were not needed).

177. *United States ex rel. Marcus v. Hess*, 317 U.S. 537 (1943) (considering whether a *qui tam* plaintiff can also recover from an FCA claim when the defendant had already been indicted for the same offense, which originally informed the *qui tam* plaintiff of the fraudulent conduct).

178. J. Randy Beck, *The False Claims Act and the English Eradication of Qui Tam Legislation*, 78 N.C. L. REV. 539, 556 (2000).

179. *Id.* at 560.

180. *Stauffer v. Brooks Bros. Inc.*, 619 F.3d 1321, 1327 (Fed. Cir. 2010) ("[W]e will not decide its constitutionality without the issue having been raised or argued by the parties.").

181. E.g., *Zojo Solutions, Inc. v. Stanley Works*, 712 F. Supp. 2d 756, 758 (N.D. Ill. 2010) ("[The Federal Circuit's] failure to speak of any potential problem of unconstitutionality could be viewed as confirming the validity of the statute. In any event, this Court will leave that task to the Federal Circuit if this action gives rise to an appeal.").

a manner that renders them constitutionally valid”¹⁸² and “should invalidate an act of Congress only ‘for the most compelling constitutional reasons.’”¹⁸³ Considering the Federal Circuit is merely an appellate court,¹⁸⁴ it is likely that it would have not only followed this precedent but would have taken the view that these constitutional issues “are more appropriately voiced to Congress [as] the proper forum to effect the changes” that defendant manufacturers seek.¹⁸⁵

The long history of such *qui tam* claims, recently discussed in *Vermont Agency of Natural Resources*, and their congressional purpose signal that the Federal Circuit may be reluctant to find Section 292 unconstitutional.¹⁸⁶ As the court in *Hollander* said, “[t]he social value of the *qui tam* mechanism has been proven over and over again, and it is not necessary . . . for a . . . court to upset and declare unconstitutional such a long-existing and well-working mechanism that Congress has approved and has not changed.”¹⁸⁷ As Professor Evan Caminker wrote years ago when he was clerking for Justice William Brennan and discussing the constitutionality of *qui tam* provisions, “*qui tam* actions have been authorized by Congress and adjudicated by courts for over two hundred years in this country.”¹⁸⁸ He continued, stating that “Congress may also ultimately determine relative enforcement levels of statutes more indirectly by supplementing executive efforts with citizens’ suits, and *qui tam* suits pose no greater constraint on executive discretion to determine the relative importance of enforcing specific statutes than does the more conventional mode of dual enforcement.”¹⁸⁹ It is unlikely that the Federal Circuit would have disturbed this long-standing practice under all the circumstances.¹⁹⁰

Over the last few terms, the Federal Circuit has been given less deference on patent issues and has been finding itself reviewed more frequently

182. *Ridenour v. Kaiser-Hill Co.*, 397 F.3d 925, 934 (10th Cir. 2005) (citing *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001)).

183. *United States ex rel. Kelly v. Boeing Co.*, 9 F.3d 743, 747 (9th Cir. 1993) (quoting *Mistretta v. United States*, 488 U.S. 361, 384 (1989)).

184. Gregory A. Castanias et al., *2010 Patent Law Decisions of the Federal Circuit: “The Advent of the Radar Court,”* 60 AM. U. L. REV. 845, 849 (2011).

185. *Hollander v. Ranbaxy Labs. Inc.*, 804 F. Supp. 2d 344, 355-56 (E.D. Pa. 2011).

186. *See Ford v. Hubbell, Inc.*, No. 10 CV 513, 2011 WL 1259707, at *3 (S.D. Ill. Mar. 28, 2011) (“This Court believes that if and when the Federal Circuit does address the issue, it will find the statute constitutional.”).

187. *Hollander*, 804 F. Supp. 2d at 355.

188. Evan Caminker, *The Constitutionality of Qui Tam Actions*, 99 YALE L.J. 341, 357 (1989).

189. *Id.* at 360. Professor Caminker states later in the paper that “self-selection of litigants does not in any significant sense hamper the executive’s ability to ‘take Care’ that congressional goals are fulfilled through execution of the law; indeed, self-selection is designed specifically to ensure fulfillment of congressionally defined objectives.” *Id.* at 377.

190. *See Ford*, 2011 WL 1259707, at *3.

by the Supreme Court.¹⁹¹ Over the last ten years Supreme Court review typically meant a reversal of the circuit's decision, but over the last term it has meant the exact opposite.¹⁹² This tends to show that if the Federal Circuit did issue a constitutional decision regarding Section 292, there is a good chance that it would be reviewed by the Supreme Court, especially with a matter related to the decision in *Vermont Agency of Natural Resources*.¹⁹³

Although a majority of the Court in *Vermont Agency of Natural Resources* stated that they would not address the issue regarding *qui tam* relators and Article II, there is still an indication as to how they would rule on the issue.¹⁹⁴ From the opinion itself, it is undisputed that the Court recognizes the long history of *qui tam* statutes in the United States, congressional authority to pass *qui tam* statutes, and the purpose of *qui tam* provisions.¹⁹⁵ Justice John Paul Stevens and Justice David Souter in their dissent found that this evidence was enough for the Court to resolve, and presumably find constitutional, the Article II question.¹⁹⁶ As a matter of fact, a couple of courts found the Justices' statements persuasive as to the constitutionality of Section 292.¹⁹⁷ The district court in *Solo Cup* summed up this argument nicely: "It is unlikely that the framers would have written a Constitution that outlawed this practice, and then immediately passed several *qui tam* laws that unconstitutionally encroached on Executive Branch power before the ink on the Constitution was even dry."¹⁹⁸

191. Castanias et al., *supra* note 184, at 849-50.

192. Steven Seidenber, *A Comeback for the Federal Circuit: This Term, the Supreme Court is No Longer the 'Court of Correction,'* A.B.A. J., Sept. 2011, at 17, 17, available at http://www.abajournal.com/magazine/article/A_comeback_for_the_federal_circuit_this_term_supreme_court_is_no_longer/.

193. *See id.*

194. *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 778 n.8 (2000) ("[W]e express no view on the question whether *qui tam* suits violate Article II, in particular the Appointments Clause of § 2 and the 'take Care' Clause of § 3.")

195. *Id.* at 776-78.

196. *Id.* at 801 (Stevens and Souter, JJ., dissenting) ("That evidence, together with the evidence that private prosecutions were commonplace in the 19th century is also sufficient to resolve the Article II question . . ." (citation omitted)).

197. *Hy Cite Corp. v. Regal Ware, Inc.*, No. 10-cv-168-wmc, 2011 U.S. Dist. LEXIS 65978, at *4 (W.D. Wis. Mar. 15, 2011); *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 726 (E.D. Va. 2009).

198. *Solo Cup*, 640 F. Supp. 2d at 726.

5. *The Constitutional Fight May Not Be Over*

Although Congress just amended Section 292 with the America Invents Act, and it was subsequently signed,¹⁹⁹ these constitutional issues may still surface in the coming years under the amended FMA. For example, defendants may still challenge the constitutionality of Section 292's civil enforcement mechanism, even though it requires a competitive injury by a plaintiff, arguing that its burden of proof and court procedural rules deny them Due Process rights because the statute is criminal in nature.²⁰⁰ Although unsuccessful, several plaintiffs have already tried a similar route, claiming that the new amendments are unconstitutional under the Due Process and Takings Clauses.²⁰¹ As at least one commentator on the subject explained, many current plaintiffs may plead and argue that they are competitively harmed as researchers, future competitors, or as a member of the general public.²⁰²

Recently, the Federal Circuit dismissed *United States ex rel. FLMC, LLC v. Wham-O*, and *Unique Product Solutions, Ltd.* based on the parties' agreement that the appeal and standing issue were moot.²⁰³ Ultimately, the

199. Press Release, U.S. Office of the Press Sec'y, *President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs* (Sept. 16, 2011), available at <http://www.whitehouse.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim> [hereinafter Obama Press Release].

200. See Teichner, *supra* note 135, at 1412-20.

201. See *Seirus Innovative Accessories, Inc. v. Cabela's Inc.*, No. 09-CV-102 H(WMC), 2011 WL 6400630, at *2, *4 (S.D. Cal. Oct. 19, 2011) (rejecting both constitutional arguments and further asserting that the relator did not plead a competitive injury); *Brooks v. Dunlop Mfg. Inc.*, No. C 10-04341 CRB, 2011 WL 6140912, at *5-6 (N.D. Cal. Dec. 9, 2011) (rejecting similar constitutional arguments by a *qui tam* plaintiff because the government had, "by eliminating the *qui tam* provision in § 292, rationally furthered a legitimate legislative purpose by comprehensively reducing the costs and inefficiencies associated with the 'cottage industry' of false marking litigation," and the plaintiff did not have a vested property interest in the false marking claim); *Rogers v. Conair Corp.*, No. 10-1497, 2012 U.S. Dist. LEXIS 58110, at *9-10, *12-13 (E.D. Pa. Apr. 25, 2012) (rejecting a Due Process challenge because "Congress passed the Amendment pursuant to a legitimate legislative purpose" of quelling expensive *qui tam* litigation and rejecting a Takings Clause challenge because *qui tam* litigants as members of the general public had no vested property interest in the litigation until judgment). At the time of the submission of this article, the plaintiff's appeal in the *Brooks* case was still pending in the Federal Circuit. *Brooks v. Dunlop Mfg. Inc.*, No. C 10-04341 CRB, 2011 WL 6140912 (N.D. Cal. Dec. 9, 2011), *appeal docketed*, No. 2012-1164 (Fed. Cir. Jan. 19, 2012).

202. Granaghan, *supra* note 30, at 496-97. This is unlikely now in wake of the more recent decisions cited in the previous footnote.

203. *United States ex rel. FLMC, LLC v. Wham-O, Inc.*, No.01-CV-2435, 2011 U.S. App. LEXIS 21224, at *3 (Fed. Cir. Oct. 19, 2011); *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App'x 967 (Fed. Cir. 2012). The Federal Circuit also dismissed at least one other similar appeal after the America Invents Act was passed. *Rogers v. Tristar*

court never touched the constitutional issues regarding both the former and the newly amended FMA.²⁰⁴ Further, if Congress does amend Section 292 in the future to require a mere “injury” to have standing²⁰⁵ or reinstate the *qui tam* provision, this constitutional analysis would still apply. Keep in mind that some false marking claims could still be pending and there is no telling what plaintiffs and defendants will do to continue or dismiss these claims.²⁰⁶

IV. THE AMERICAN INVENTS ACT AND ITS SECTION 292 AMENDMENTS

A. PREVIOUS LEGISLATION

Several changes to the FMA were proposed in the last couple years but none were passed successfully.²⁰⁷ Most of these amendments were a reaction to the rulings of the Federal Circuit and the rise of false marking trolls.²⁰⁸ Senator Patrick Leahy introduced one of the first amendments via the Patent Reform Act of 2009 (S. 515), which limited plaintiffs under Section 292(b) who suffered a competitive injury to receiving compensatory damages.²⁰⁹ Both the House and Senate the following year continued recommending changes to the FMA, with H.R. 4954, H.R. 6352,²¹⁰ and

Prods., Inc., 793 F. Supp. 2d 711 (E.D. Pa. 2011), *vacated as moot* by Nos. 2011–1494, 2011–149, 449 Fed. Appx. 921 (Fed. Cir. Nov. 16, 2011), *motion for reconsideration denied* by Nos. 2011–1494, 2011–1495, 2012 WL 1660604 (Fed. Cir. May 2, 2012) (rejecting a *qui tam* plaintiff’s arguments that the retroactive application of the Leahy-Smith America Invents Act’s “competitive injury” requirement violated the Fifth Amendment).

204. *Wham-O*, 2011 U.S. App. LEXIS 21224, at *4 n.1; *see also* Rydstrom et al., *supra* note 8, at 18 (“Although the enactment of any amendment would have a drastic effect on Section 292 actions, legislative action could discourage the Federal Circuit from deciding the matter.”).

205. *See infra* Part V.A.2.

206. *See generally* Gray, *supra* note 57.

207. *See, e.g.*, Joshua M. Dalton & Lawrence T. Stanley Jr., *The New Normal: How Recent Decisions Will Change Our Daily Practices*, in *THE IMPACT OF RECENT PATENT LAW CASES AND DEVELOPMENTS: LEADING LAWYERS ON NAVIGATING CHANGING LEGAL STANDARDS, ANALYZING HIGH-PROFILE DECISIONS, AND DEVELOPING NEW CLIENT STRATEGIES* 15 (2011) (“Of course, there has been a ‘patent reform act’ of some kind before Congress each year for several years, none of which has passed.”).

208. *See, e.g.*, Phong D. Nguyen, *A Survey of Patent Law in Cyberspace*, 66 *BUS. LAW.* 197, 200 (2010).

209. Thomas J. Daly & Daniel R. Kimbell, *Bad Marks: A Recent Federal Circuit Decision Has Greatly Raised the Stakes in False Patent Marking Litigation*, 34 *L.A. LAW.*, July/Aug. 2011, at 30, 33, *available at* <http://www.lacba.org/Files/LAL/Vol34No5/2833.pdf>.

210. Beth Kublin, Comment, *Reformation of the False Marking Statute Is Necessary; Elimination of the Qui Tam Provision Is Not*, 21 *FED. CIR. B.J.* 69, 85 (2011). H.R. 6352 (The Patent Lawsuit Reform Act of 2010) was the precursor to H.R. 243, and their changes to Section 292 were identical. *Id.*

amendments to S. 515, again eliminating the *qui tam* provision by requiring competitive injuries.²¹¹

The push for an amendment continued in 2011 in the House with the Patent Lawsuit Reform Act of 2011 (H.R. 243) and the Patent Continuing Disclosure Act (H.R. 1056).²¹² The Patent Lawsuit Reform Act would have also limited such actions to those who had suffered a competitive injury and limited recovery to \$500 in the aggregate.²¹³ The Patent Continuing Disclosure Act, instead of requiring a competitive injury, granted certain exceptions to expired patents and allowed for manufacturers to inform the public and competitors that the patent had expired.²¹⁴ None of these attempts were successful.

B. THE AMERICA INVENTS ACT

On March 8, 2011, the Senate passed S. 23, the Senate version of the American Invents Act, and the legislation looked promising in the Spring of 2011.²¹⁵ Essentially, the bill would have limited a cause of action for \$500 penalties under Section 292(a) to the United States, and it again would have only allowed competitors to sue for compensable damages rather than the full \$500 penalty.²¹⁶ After the Senate passed S. 23, the House version of the bill, H.R. 1249, was introduced and passed on June 23, 2011.²¹⁷ As commentators highlighted, this bill makes similar changes to Section 292,²¹⁸ but as this Comment will demonstrate, this bill does so much more (good and bad). H.R. 1249 passed without amendment by the Senate on September 8 and was signed by President Barack Obama on September 16, 2011.²¹⁹

The Leahy-Smith America Invents Act sets forth a number of changes to Section 292, and this section will analyze them in relation to the original purpose of the FMA by breaking up the discussion into five parts. First, this

211. See Richard D. Milone & S. Mahmood Ahmad, *False Patent Marking Litigation: The Present Landscape and Mitigating Its Risks*, METROPOLITAN CORP. COUNS. (June 2010),

http://www.kelleydrye.com/publications/articles/1369/_res/id=Files/index=0/False%20Patent%20Marketing%20Litigation%20The%20Present%20Landscape%20And%20Mitigating%20Its%20Risks.pdf; Kelsey I. Nix & Laurie N. Stempler, *Federal Circuit Ignites Interest in False Patent Marking Lawsuits*, METROPOLITAN CORP. COUNS., 35 (October 2010), <http://www.metrocorpcounsel.com/pdf/2010/October/35.pdf>.

212. Rydstrom et al., *supra* note 8, at 16-17.

213. John Deming, *The Current False Patent Marking Landscape*, IP MONETIZATION, May 2011, at 197, 209.

214. Rydstrom et al., *supra* note 8, at 17-18.

215. See *id.* at 17.

216. Anania & Rodrigue, *supra* note 6, at 6.

217. *Id.*

218. *Id.*

219. Obama Press Release, *supra* note 199.

section will underline concerns regarding the replacement of the *qui tam* provision. It will then turn to the language of the America Invents Act that effectively changes the Federal Circuit's definition and application of "unpatented article."²²⁰ Next, it will discuss the limitation of damages available to plaintiffs under the new law. Then the section will take a look at the provisions of the America Invents Act that allow for virtual marking. Finally, in analyzing the effective date of the America Invents Act, the section will conclude with the application of these changes to pending false marking cases.

1. Replacing the *Qui Tam* Provision

After the amendments, Section 292(b) reads: "A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury."²²¹ As is clear, this language differs substantially from the "any person" language of the previous text and effectively eliminates the *qui tam* provision. Consequently, this change may hinder the effectiveness of the FMA, as there were clear reasons why the *qui tam* provision was in place.²²²

Qui tam provisions, as the Supreme Court found in *Vermont Agency of Natural Resources* and the Federal Circuit stated in *Stauffer*, "allow individuals to stand in the government's stead, as assignees of the government's own claims."²²³ Their adoption has been rooted in the American and English legal tradition, and historically, Congress has had the power to proscribe their application to enforce legislation.²²⁴ As the Federal Circuit noted in *Bon Tool*, "Congress' interest in preventing false marking was so great that it enacted a statute, which sought to encourage third parties to bring *qui tam* suits to enforce the statute."²²⁵ Members of the general public

220. See *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005) ("[W]hen an unpatented article is marked with the word 'patent' or any word or number that imports that the article is patented, and such marking is for the purpose of deceiving the public, the fine is invoked.").

221. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 16(b)(2), 125 Stat. 284, 329 (2011) (to be codified at 35 U.S.C. § 292).

222. See, e.g., *Nichols v. Newell*, 18 F. Cas. 199, 199-200 (C.C.D. Mass. 1853) (No. 10,245) ("To guard the public right to use such articles as have not been patented—to prevent deception on the public, by assertions that articles, not entitled to this privilege, have been patented . . . [t]his being the purpose of the law . . .").

223. *Stauffer v. Brooks Bros. Inc.*, 619 F.3d 1321, 1326 (Fed. Cir. 2010); *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 774 (2000).

224. *Vt. Agency of Natural Res.*, 529 U.S. at 776-77; see generally Caminker, *supra* note 188, at 354-59.

225. *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1303 (Fed. Cir. 2009).

could sue on behalf of the government in order to help control false marking.²²⁶

Qui tam provisions were originally initiated to fill a gap of the “underenforcement of the law by local officials.”²²⁷ *Qui tam* actions were also widely “seen as a way to promote efficient government use of resources.”²²⁸ These provisions were used to “enable the government to ‘enlist the aid of private individuals’ in its prosecution efforts by incentivizing the latter with monetary awards, which thereby ‘alleviat[ed] the government’s need to pursue’ these actions alone.”²²⁹ As with the FCA, the FMA’s *qui tam* provision also allowed for relators to introduce “private knowledge of public harm,” which “can be both difficult and expensive for the public [or the government] to obtain.”²³⁰

Just like the FCA, it is probably safe to say that an underlying reason for the *qui tam* provision in Section 292 was the lack of government resources and inability to prosecute false marking cases.²³¹ Eliminating the provision under Section 292’s new amendments may not only do away with the benefits of more possible plaintiffs and conservation of government resources,²³² it could also revert the statute back to its dormant position prior to the *Bon Tool* decision.²³³ The judiciary saw a similar result with the FCA; after Congress placed heavy restrictions on the FCA in 1943,²³⁴ overall claims significantly dropped the following decades.²³⁵ We must keep in

226. *See id.* at 1303-04.

227. Granaghan, *supra* note 30, at 489.

228. Craig Deutsch, Note, *Restoring Truth: An Argument to Remove the Qui Tam Provision from the False Marking Statute of the Patent Act*, 11 MINN. J.L. SCI. & TECH. 829, 833 (2010).

229. Teichner, *supra* note 135, at 1395 (internal quotation marks omitted).

230. Granaghan, *supra* note 30, at 489.

231. *See Callahan & Dworkin, supra* note 173, at 304 (“[T]his amendment would encourage ‘private attorneys general’ who would help enforce the laws and protect the treasury by prosecuting wrongdoers that the government does not have the adequate resources to pursue.”).

232. *See Arneson, supra* note 13, at 670 (“The increased number of potential plaintiffs decreases the burden on the government to enforce proper marking.”). Some experts point out that the government may not have the resources to prosecute such marking claims (hence the *qui tam* provision) and note that the government has never filed false marking suits in the past. *See* Ryan Davis, *Joyous Lawyers Bid Adieu to False Patent Marking Suits*, LAW360 (Sept. 14, 2011), <http://www.mayerbrown.com/news/article.asp?id=11569&nid=5>.

233. Charnes & Hansen, *supra* note 19, at 1. To avoid this public injury and the flood of false marking trolls, while still maintaining proper enforcement, one commentator has actually proposed a persuasive argument to amend Section 292 to adopt a system that utilizes the principles of public nuisance actions. Richard A. Crudo, Note, *A Patently Public Concern: Using Public Nuisance Law to Fix the False Patent Marking Statute After the Leahy-Smith America Invents Act*, 80 GEO. WASH. L. REV. 568 *passim* (2012).

234. Beck, *supra* note 178, at 560-61.

235. Teichner, *supra* note 135, at 1406-07.

mind that the FMA tries to prevent deceiving the *public*, to protect the *public's* right “to use such articles as have not been patented,”²³⁶ and to give adequate notice to the *public* about a product’s patent rights.²³⁷ It is not far-fetched to think that enforcing fraudulent marking may be best done by, of course, *the public*.

2. *Eliminating Expired Patents from the “Unpatented Articles” List*

The new amendments to Section 292 add a subsection (c) that reads: “The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section.”²³⁸ This language clearly creates an exception for expired patent numbers under Section 292, which is contrary to the Federal Circuit’s ruling in *Solo Cup*.²³⁹ A few concerns arise here regarding the original purpose of the FMA.

As the Federal Circuit pointed out in *Solo Cup*, and the Supreme Court stated in *Sears, Roebuck & Co. v. Stiffel Co.*,²⁴⁰ “[a]n unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so.”²⁴¹ The fact that unpatented articles are in the public domain opens up the possibility that the public and competitors will be deceived of an article’s patent rights each time that article is seen.²⁴² Not only is the FMA designed to give notice to the public of these rights, its purpose also rests on stimulating competition in the product’s market, innovation and research, and avoiding the high cost of designing around an unpatented article and checking the validity of the patent.²⁴³ There is still the possibility, as explained below, that competitors will be dissuaded from entering the market and that the public will be deceived.²⁴⁴ The Federal Circuit highlighted some of this problem when it addressed the inherent costs and possible confusion in looking up expired patents, considering that the patent number’s validity “depends on the date it was filed[,] . . . whether there are patent term adjustments, and whether

236. *Nichols v. Newell*, 18 F. Cas. 199, 200 (C.C.D. Mass. 1853) (No. 10,245).

237. *Id.*

238. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 16(b)(3), 125 Stat. 284, 329 (2011) (to be codified at 35 U.S.C. § 292).

239. *See Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1361-62 (Fed. Cir. 2010).

240. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964).

241. *See Solo Cup*, 608 F.3d at 1361.

242. *See Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1303 (Fed. Cir. 2009) (“The more articles that are falsely marked the greater the chance that competitors will see the falsely marked article and be deterred from competing.”).

243. *See id.* at 1302-03.

244. *See id.*

the particular patent owner has paid maintenance fees.”²⁴⁵ It seems logical that “an article that is no longer protected by a patent is not ‘patented,’ . . . [and] the public need not fear an infringement suit any more than if it were never patented.”²⁴⁶

What also must be noted here is the absence of a date requirement in Section 292 before and after the new amendments, unlike under the original Act.²⁴⁷ Under the original provisions, the public was given the date that the patent was issued and could easily figure out when it would expire, assuming an individual had knowledge of the United States’ patent term.²⁴⁸ To avoid this whole expired patent issue altogether, it may even be argued that it is possible for manufacturers to put the dates of either issuance or expiration on these articles.²⁴⁹ In any case, expired patents still impose some cost on the public because “the interested party must now research every patent number marked, which harms the public notice function of the marking without aiding the public in acquiring useful knowledge.”²⁵⁰ Adding an exception for expired patents lets manufacturers continue to impose that cost, while allowing them to mask a lack of current patent rights.²⁵¹

3. Damages Available Under the New Provisions

In addition to the language stated above offering only compensable damages to competitors, the new changes also amend the end of subsection (a) to read: “Only the United States may sue for the penalty authorized by this subsection.”²⁵² The combination of these changes dismantles the Federal Circuit’s decisions in both *Stauffer* and *Bon Tool*. Obviously, *qui tam* plaintiffs will be barred from filing actions under the amendments, but

245. *Solo Cup*, 608 F.3d at 1362.

246. *Id.* at 1361.

247. See Winston, *supra* note 130, at 127 (“The original marking statute required patentees to mark all goods with ‘the word “Patented” together with the day and year the patent was granted.’”).

248. See *id.*

249. See *id.* at 128 (“It is neither difficult nor expensive to provide the information about those patents that currently cover the innovation.”); see also Daly & Kimbell, *supra* note 209, at 33 (“One option is to include expected expiration dates next to patent numbers. A date gives clear notice that the patent is no longer in effect, and thereby thwarts an assertion of deceit.”).

250. Winston, *supra* note 130, at 127.

251. Daniel Ravicher, the executive director of the Public Patent Foundation, claims that the new amendments “essentially allow[] companies to lie about which patents cover their products and to say their products are covered by patents even if they aren’t.” See Davis, *supra* note 232.

252. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 16(b)(1), 125 Stat. 284, 329 (2011) (to be codified at 35 U.S.C. § 292).

some concerns also arise out of the limitation of compensable damages to plaintiffs.²⁵³

Keep in mind, as stated above, that each time an article is falsely marked in any way, it increases the chances that a competitor *or member of the public* will see the marking, be negatively influenced by its existence, and therefore suffer a legal harm.²⁵⁴ Not only does false marking injure competitors, it also injures members of the general public,²⁵⁵ who could have brought an action for such harm before the recent amendments.²⁵⁶ The new amendments allow for compensation to a competitor but not the public, unless an action is brought by the government in order to receive a per article fine from the manufacturer.²⁵⁷ Why is this a problem? If a competitor brings a false marking action and recovers *X* amount of damages regarding an injury to them and the government does not intervene, the government will be subsequently barred from bringing another action for the same conduct for damages under subsection (a) on a per article basis via *res judicata*.²⁵⁸ Coupled with the *qui tam* provision elimination, limiting civil actions to only injured competitors will limit the pool of plaintiffs (whose purpose was to deter wrongful markings) who could file claims on behalf of the government to address *public* harm.²⁵⁹ Even those scholars that advocate for a compensatory system for recovery under the FMA, acknowledge that this “social harm” should be considered when allocating compensatory damages.²⁶⁰

253. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 16(b)(2), 125 Stat. 284, 329 (2011) (to be codified at 35 U.S.C. § 292) (“A person *who has suffered a competitive injury as a result of a violation of this section* may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.” (emphasis added)).

254. See *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1303 (Fed. Cir. 2009).

255. See *id.* at 1302-03.

256. See 35 U.S.C. § 292(b) (2006) (“Any person may sue for the penalty . . .”).

257. See § 16(b), 125 Stat. at 329.

258. *Stauffer v. Brooks Bros. Inc.*, 619 F.3d 1321, 1329 (Fed. Cir. 2010) (“[T]he government would not be able to recover a fine from Brooks Brothers if Stauffer loses, as *res judicata* would attach to claims against Brooks Brothers for the particular markings at issue.”).

259. See Granaghan, *supra* note 30, at 490 (“The goal of the statute is less about raising money than it is about deterring false marking and protecting the public from deception.”). Granaghan actually advocates for compensatory recovery under the FMA, lowering the standard to negligence, and allowing for treble damages when purposeful intent is found. *Id.* at 498.

260. Thomas F. Cotter, *Optimal Fines for False Patent Marking*, 17 MICH. TELECOMM. & TECH. L. REV. 181, 191 (2010) (“The minimum penalty that would serve this purpose would be one that is precisely equal to the social harm/private gain, though perhaps in some cases (for example, where the probability of detection and enforcement is less than one) a multiplier might be necessary to achieve optimal deterrence.”).

Further, eliminating per article recovery for civil litigants will likely decrease the incentive for these litigants to file suit, even if they are injured competitors.²⁶¹ The Federal Circuit highlighted this point in *Bon Tool*, and even stated that a “per decision” construction of the statute “would render the statute completely ineffective.”²⁶² This change may once again bring the FMA back to its dormant stage prior to *Bon Tool*.²⁶³ Recall that this sort of change initiated a dormant FCA after the 1943 amendments, which turned around substantially after Congress expanded and restored the pool of potential plaintiffs again in 1986.²⁶⁴ Moreover, competitors will have to assess the risk of filing an expensive false marking suit, considering there is little indication now as to how compensatory damages would be calculated by a court.²⁶⁵ Professor Thomas Cotter and common sense suggest that such an injury would not be easily calculable.²⁶⁶

4. *A New Age of Virtual Marking?*

The America Invents Act contains a significant amendment to Section 287(a) allowing for what is termed “virtual marking.”²⁶⁷ Essentially, it

261. See *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1304 (Fed. Cir. 2009) (“Penalizing false marking on a per decision basis would not provide sufficient financial motivation for plaintiffs . . . to bring suit.”).

262. *Id.*; see also Steve Williams & Jane Du, *Successfully Defending Against False Marking Claims*, 9 NW. J. TECH. & INTELL. PROP. 10, 15 (2010), available at <http://www.law.northwestern.edu/journals/njtip/v9/n1/2/Williams.pdf> (“[A] single fine per continuous act of false marking has little deterrent effect on the wrongdoer and would render the statute ineffective.”); O’Neill, *supra* note 36, at 22 (“Thus, even those parties that suffered some actual injury as a result of a competitor’s false patent marking had little incentive to file suit and incur the fees and costs associated with litigation. Those parties that suffered no actual injury at all had no real incentive to sue.”).

263. Crudo, *supra* note 233, at 587 (“The consequence of the AIA will be similar to the effect of the 1943 amendment to the False Claims Act (“FCA”) which reduced the award that a plaintiff could recover under the statute.”); Davis, *supra* note 232 (highlighting practitioner’s arguments that the new amendments, especially those requiring a competitive injury and limiting damages, will make it unattractive and difficult for *anyone* to bring false marking claims in the future).

264. Callahan & Dworkin, *supra* note 173, at 305 (discussing throughout the article how financial incentives are key to the FCA’s purpose of whistle-blowing and the high recoveries for the government but concluding that there are still fairly high costs associated with the idea).

265. Cotter, *supra* note 260, at 188 n.29 (“Alternatively, if Congress were to enact the Patent Reform Act proposal that courts award actual damages, courts would have to struggle with the question of how to calculate those damages.”).

266. See *id.* These potential problems just touch the surface of the injury confusion. See Granaghan, *supra* note 30, at 496-97, for a more comprehensive discussion on the problem of defining “competitive injury.”

267. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 16(a)(1), 125 Stat. 284, 328 (2011) (to be codified at 35 U.S.C. § 292).

gives an option to manufacturers to affix on an article the word “patent” or “pat.” along with an internet address, accessible to the public, “that associates the patented article with the number of the patent.”²⁶⁸ The America Invents Act further makes this change effective immediately and requires the director of the United States Patent and Trademark Office to compile a report within three years detailing the effectiveness of virtual marking (as an alternative to physical marking) and any concerns that arise.²⁶⁹

Virtual marking was originally proposed by the 2009 Patent Reform Bill, which contained an almost identical provision as that inserted into Section 287(a) under the America Invents Act.²⁷⁰ This provision was incorporated into both the Senate and House versions of the currently enacted legislation, and the director’s reporting procedure was later added into the House version.²⁷¹

In the wake of the *qui tam* troll problem and the recent holding of the Federal Circuit finding that websites could also be considered expired articles (or patented articles to begin with) under Section 292,²⁷² the stage may be set for the incorporation of virtual marking, which could potentially be a landmark change. Instead of physically printing patent numbers on products, virtual marking would allow for manufacturers to mark articles “with a Uniform Resource Locator (URL), or web address” that “points to a website that lists the patent numbers” of the product.²⁷³ Considering that manufacturing is static and the equipment needed for printing is expensive, virtual marking offers a cheaper, quicker, and easier way to update patent numbers and other information.²⁷⁴

268. *Id.* Specifically the America Invents Act strikes the phrase “or when” in subsection (a) and replaces it with “or by fixing thereon the word ‘patent’ or the abbreviation ‘pat.’ together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when.” *Id.*

269. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 16(a)(2)-(3), 125 Stat. 284, 328-29 (2011) (to be codified at 35 U.S.C. § 292).

270. *See* Patent Reform Act of 2009, S. 515, 111th Cong. § 4(e) (as reported by S. Comm. on the Judiciary, Apr. 2, 2009).

271. America Invents Act, S. 23, 112th Cong. § 4(b) (as passed by Senate, Mar. 8, 2011); America Invents Act, H.R. 1249, 112th Cong. § 16(a) (as reported in the House on Mar. 30, 2011).

272. *Juniper Networks, Inc. v. Shipley*, 643 F.3d 1346, 1351 (Fed. Cir. 2011) (“Because these policy concerns apply equally to websites as to traditional articles of manufacture or design, and because websites may both embody intellectual property and contain identifying markings, this court holds that websites can qualify as unpatented articles within the scope of § 292.”).

273. McCaffrey, *supra* note 23, at 376.

274. *Id.* at 369, 375-76 (“Virtual marking would enable patentees to change their marks as quickly and easily as posting to a blog or sending an e-mail message.”).

The use of virtual marking could also greatly increase the effectiveness and the original purpose of the FMA.²⁷⁵ It allows “patentees to convey accurate and timely information to the public about pending patents, expired patents, and patents involved in litigation,” *and* provides a means to give “notice to the public that a patent’s viability may temporarily be indeterminate,” so a manufacturer will not have to worry about the notice requirements of Section 287 or Section 292.²⁷⁶ Because manufacturers are not required to put an expiration date on their products, virtual marking would not only allow for manufacturers to avoid the risk of a patent’s expiration and possible false marking liability (at least under the former Section 292), but it would also provide an outlet to give the public notice of its expiration.²⁷⁷ This could be used to essentially clear up any loose ends or confusion regarding false marking and the public and present the possibility of a manufacturer automatically updating such information regarding expiration.²⁷⁸

There remain problems with virtual marking, however, which probably should have been further addressed with additional language in the enacted legislation.²⁷⁹ For example, “patentees could abuse virtual marking by marking with an unreasonable number of patents, keeping poor records of historical changes to the marking site, failing to ensure that their site is available, or violating the privacy of visitors to the site.”²⁸⁰ Some of these problems and possible changes to Section 287’s new amendment will be addressed further below, but virtual marking may still be a distant light at the end of the tunnel for manufacturers.

5. Pending False Marking Cases

The America Invents Act adds one more important provision to the mix that makes a world of difference for both plaintiffs and defendants engaged in current litigation under the FMA “[t]he amendments made by this subsection shall apply to all cases, without exception, that are pending on,

275. *See id.* at 389 (“If the product page continued to list the patents and clearly noted that they had expired, then virtual marking would achieve the same public benefit that the court identified without raising any concern as to whether it constituted a false mark.”).

276. *See id.* at 384, 393. This may have even been the intent of Congress as section 16 of the new amendment requires that the director’s report include “an analysis of whether such virtual marking has limited or improved the ability of the general public to access information about patents.” Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 16(a)(3)(B), 125 Stat. 284, 328 (2011) (to be codified at 35 U.S.C. § 292).

277. McCaffrey, *supra* note 23, at 389-90.

278. *Id.* at 390.

279. *Id.* at 384, 398.

280. *Id.* at 384.

or commenced on or after, the date of the enactment of this Act.”²⁸¹ This could very well spell doom for almost all of the current plaintiffs with claims pending under Section 292.²⁸²

Because of the elimination of the *qui tam* provision and the requirement of a competitive injury under the amendments, most current plaintiffs (because they have not alleged any injury) will not be able to continue their suits for false marking.²⁸³ As a matter of fact, most courts have dismissed these claims on this very premise.²⁸⁴ These amendments deal a “substantial blow” to the “private false marking enforcement industry,”²⁸⁵ and some commentators even claim that they are also unconstitutional.²⁸⁶ Although it may be possible for some of these plaintiffs to either encourage those that are competitively harmed to bring suit or try to allege an actual injury to them personally due to the marking, this would be difficult and costly.²⁸⁷ The statistics show that as of the beginning of October 2011, weeks after the passage and signing of the America Invents Act, parties to false marking litigation were still settling.²⁸⁸ It appears that only time will tell how federal courts will sort out the fate of these pending claims.

281. Leahy-Smith America Invents Act, Pub. L. No. 112-29, §16(b)(4), 125 Stat. 284, 329 (2011) (to be codified at 35 U.S.C. § 292).

282. Rydstrom et al., *supra* note 8, at 16-17 (“If passed by the House and Senate, this bill would effectively eliminate all incentive and most suits for false marking.”).

283. Dalton & Stanley, *supra* note 207, at 14 (“[T]his type of plaintiff would not be able to go after companies with these allegations.”); *see also* Steven Seidenber, *A New Mother of Invention: After Years of Setbacks, Patent Reform Finally Makes It Through*, A.B.A. J., Dec. 2011, at 16-17, available at http://www.abajournal.com/magazine/article/a_new_mother_of_invention_after_years_of_setbacks_patent_reform/; Petersen, *supra* note 6, at 9, 22 (“The new law severely restricts the recoveries of patent marking trolls, to the point of their substantial elimination” and “[m]ost of the litigation for false marking under 35 U.S.C. § 292 has been eliminated.”).

284. Kilts Res. LLC v. Uniden Direct USA, Inc., No. 2:10-cv-517-TJW, 2011 WL 5320651, at *1 (E.D. Tex. Sept. 19, 2011) (dismissing a false marking claim without prejudice because the relator did not plead a competitive injury).

285. Rydstrom et al., *supra* note 8, at 17.

286. Davis, *supra* note 232 (pointing out Professor Ernest Young’s argument that the new law eliminates plaintiffs’ vested property interests in litigation and is therefore unconstitutional).

287. *Id.*; Granaghan, *supra* note 30, at 496-97 (stating that a competitive injury under false marking may “encompass” the harm to an individual in deterring their research in another industry, to those who are not yet competitors, and to the general public from the false sense of the higher quality of a product).

288. *Settlement Payments Received for Section 292 Cases—2011*, U.S. DEP’T OF JUSTICE, 25 (2011), <http://www.justice.gov/civil/common/electread/2011/FalsePatent%20Marking%20Summary%202011.pdf> (last visited Oct. 3, 2011).

V. PROPOSED STATUTORY FIXES TO SECTION 292

As illustrated above, there appear to be several concerns regarding the new amendments to Section 292. In this final section, this Comment will offer some fixes to the statute, many of which counter the new amendments, in order to try and restore the utility of the FMA while eliminating the troll problems that had recently arisen. First, while looking at the effect of the troll problems specifically, this Comment will make an argument to eliminate the *qui tam* provision, and replace the “competitive injury” language with the term “injury.” Next, this Comment will call for reverting back to the Federal Circuit’s interpretation of “unpatented article” in *Solo Cup*,²⁸⁹ which included expired patents. An analysis of the proper level of intent for a violation under the statute will follow, concluding that recklessness is the best fit. Subsequently, an argument will be made for keeping the Federal Circuit’s “per article” interpretation under *Bon Tool* with a slight twist. And lastly, after discussing the potential of virtual marking and applying it to the proposed changes, two further significant alternatives to these changes will be highlighted.

A. QUI TAM PLAINTIFFS AND COMPETITIVE INJURIES

As most commentators would agree, the primary cause of the spawning of the “cottage industry” of “false marking trolls” was Section 292’s *qui tam* provision.²⁹⁰ Once we take a look at the problems associated with this cottage industry, it will be clear that the provision as originally written should not return.

1. *The Costs of the Trolls*

Some commentators recognize that after the Federal Circuit’s decision in *In re BP* it became increasingly difficult for *qui tam* litigators to survive motions to dismiss with pleading standards under FRCP 9(b) slightly decreasing the rush of these plaintiffs.²⁹¹ One of the main problems with Section 292’s *qui tam* provision, however, was not necessarily *qui tam* post-

289. See *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1361 (Fed. Cir. 2010) (“We agree with *Pequignot* that an article covered by a now-expired patent is ‘unpatented.’”).

290. *Schlichter & Calico*, *supra* note 5 (reporting that in just the three months after the *Bon Tool* decision, over 130 lawsuits had been filed, mainly by *qui tam* plaintiffs).

291. *Rydstrom et al.*, *supra* note 8, at 1313 (“[T]he heightened standard may deter relator suits because in most cases, relators simply will not have access to information that illustrates mismarkers knew their patents had expired.”); *Garrity & Zablocki*, *supra* note 31, at 33 (“At minimum, applying a heightened pleading standard at the outset of the complaint requires plaintiffs to conduct a more rigorous pre-filing investigation, which will result in fewer false marking claims being filed.”).

trial judgments, but the clogging of the federal courts and the high cost of patent litigation for defendants, which could be passed on to consumers.

Many times *qui tam* relators do not have the public interest in mind when pursuing such suits, nor do they have the necessary incentive to keep the public interest in mind.²⁹² Not only can this mean possible secret settlements, but also “overenforcement” of the *qui tam* statute.²⁹³ In fact, *qui tam* relators, as shown clearly in the history of these informer actions in England, may instead have an incentive to file fraudulent and malicious claims against defendants in the hopes of a monetary award.²⁹⁴ As Professor Randy Beck remarked, relators, to ensure this award, would try to “eliminate the exercise of disinterested prosecutorial discretion—an important protection for both the public and the individual—and to transform law enforcement into a business pursued for the private enrichment of profit-motivated bounty hunters.”²⁹⁵

If the public was never actually harmed by a defendant’s behavior (violation of the statute or not), these lawsuits essentially mean that the public then “incur[s] substantial costs in processing and defending these lawsuits” without any real benefit to society.²⁹⁶ This cost is manifested with the additional costs and constraints on the judicial system and the higher prices for the manufacturer’s products that will result.²⁹⁷ Patent litigation is not cheap by any means,²⁹⁸ and prosecuting and defending meritless claims drives up the costs for everyone.²⁹⁹

The actions of defendants in response to the increased risk of liability brought on by the unleashing of these trolls also show how the *qui tam* provision undermined the FMA. Many defendants and intellectual property practitioners were seriously contemplating merely removing the marks on

292. Granaghan, *supra* note 30, at 489-90.

293. *Id.* at 490; *see also* Beck, *supra* note 178, at 548.

294. *See* Beck, *supra* note 178, at 581-83.

295. *Id.* at 549.

296. Granaghan, *supra* note 30, at 491. Apparently, Congress also agreed with this assertion in amending the FMA: “Congress perceived that the drastic increase in *qui tam* false marking lawsuits was forcing companies to divert resources from innovation and product creation to time-consuming and expensive litigation.” *Rogers v. Conair Corp.*, No. 10-1497, 2012 U.S. Dist. LEXIS 58110, at *9 (E.D. Pa. Apr. 25, 2012).

297. *See* Granaghan, *supra* note 30, at 491; *see also* Deutsch, *supra* note 228, at 849-50 (arguing that the public benefit of *qui tam* “prowling” is “unlikely to be worth the resulting cost to manufacturers, a cost eventually passed on to consumers in some form”).

298. *See, e.g.*, Milone & Ahmad, *supra* note 211 (“According to the American Intellectual Property Law Association Report of the Economic Survey 2009, the median costs for patent litigation range from \$650,000 to \$5,500,000.”).

299. Deutsch, *supra* note 228, at 849-50 (“There is little room for argument that potential *qui tam* relators prowling for a vulnerable false mark would spur manufacturers to honestly and accurately mark their products. But the benefit is unlikely to be worth the resulting cost to manufacturers, a cost eventually passed on to consumers in some form.”).

patented products to avoid the risk of false marking suits and liability.³⁰⁰ Quite clearly, this would undermine the very purpose of the FMA, which was to give notice to the public of patent rights.³⁰¹ Some intellectual property lawyers were advising licensors to negotiate warranties or indemnification for mismarking,³⁰² or go as far as auditing each item that is being sold to make sure marking is proper.³⁰³ Others were recommending that manufacturers hire outside counsel to execute full-scale portfolio checks³⁰⁴ or look into the possibility of insurance for false marking liability.³⁰⁵ None of these options are cheap for defendant manufacturers, which ultimately means higher product prices for the consumer and the general public.

2. Change the “Competitive Injury” Language to “Injury”

As pointed out above, requiring a plaintiff to show a competitive injury to have standing to sue under the new FMA may drain the pool of available plaintiffs to meaningfully enforce Section 292.³⁰⁶ As one commentator put it, false marking can injure those that are not direct competitors, including those that are conducting research in another industry, individuals or entities that are not *yet* competitors, and the general public (by resulting in consumers paying higher prices for what appear to be higher-quality products).³⁰⁷ This contention is likely correct and adopting a statutory “injury”

300. See, e.g., Schlichter & Calico, *supra* note 5.

301. Tony Zeuli, *Trial Lawyer’s Notebook: To Mark or Not to Mark*, INTELL. PROP. TODAY, 18 (Mar. 2010), <http://www.iptoday.com/issues/2010/03/trial-lawyers-notebook-to-mark-or-not-to-mark.asp> (“[S]ome patent owners have already determined that the risk is not worth the potential benefits of marking. Frankly, that is an unfortunate real-world result because it undermines the important public notice function of marking one’s products with patent numbers.”); see also Granaghan, *supra* note 30, at 491 (“[T]his rash of lawsuits may deter others from properly marking for fear of being sued.”); Cotter, *supra* note 260, at 186-87, 290-91 (discussing the detrimental effects of overenforcement and excessive fines under the FMA).

302. Keith R. Derrington & Jeffrey S. Whittle, *Mitigating Risks of Patent Licensing After Forest Group v. Bon Tool Co.*, 45 LES NOUVELLES 140, 145 (2010).

303. Daly & Kimbell, *supra* note 209, at 34.

304. Schlichter & Calico, *supra* note 5.

305. Michael F. Aylward, *Covering Your Tracks: Will There Be Insurance Coverage for False Marking Claims?*, LANDSLIDE, May/June 2011, at 2, available at http://www.americanbar.org/content/dam/aba/publications/landslide/landslide_june_2011/aylward_landslide_mayjune_2011.authcheckdam.pdf (“It is these potential liabilities that have prompted insureds’ interest in obtaining coverage for such claims from their liability insurers.”).

306. See Granaghan, *supra* note 30, at 497.

307. *Id.* at 496-97. At least one court has hinted that false patent marking may mislead the customer into thinking that a product is original or of a higher quality. See *Lubber, Inc. v. Optari, LLC*, No. 3:11-0042, 2011 U.S. Dist. LEXIS 116293, at *27 (M.D. Tenn. Oct. 6, 2011).

requirement would be preferred over a *qui tam* provision,³⁰⁸ but it should be applied with a definitive test already widely used in intellectual property law.

Although it is possible that the general public and researchers that are not direct competitors will be able to show an injury-in-fact, this has already proved extremely difficult for plaintiffs, even those that are market competitors.³⁰⁹ Courts would probably have to consider standing for these plaintiffs on an individual basis, but a hint as to how they might do this is found in Professor Cotter's ideas relating to "optimal fines."³¹⁰ Professor Cotter suggests that courts "approximate the social harm caused by actionable false marking" by taking into account the plaintiff's loss and the defendant's gain, "the plausibility of substantial . . . quantifiable harms to consumers and to nonparty competitors," and the risks of either "underdetering statutory violations" or "chilling patentees" from marking

308. Granaghan, *supra* note 30, at 496-97 ("Thus, the term competitive injury should merely be replaced with the term injury. If a plaintiff can show the three requirements for standing—*injury in fact*, a causal connection between the alleged injury and the defendant's conduct, and an injury that is likely to be redressed by the courts—then the plaintiff should have standing to sue for false marking.").

309. *See id.* In fact, most courts have used very high standards for finding a tangible competitive injury, and most competitor cases have been dismissed under the amended act, demonstrating how difficult it could be for legitimate plaintiffs to adequately plead a claim in the future. *See, e.g.,* Rogers v. Conair Corp., No. 10-1497, 2012 U.S. Dist. LEXIS 58110, at *16-17 (E.D. Pa. Apr. 25, 2012) (dismissing a claim under the amended act because a competitor did not plead "tangible economic loss caused by the illegal competitive means," i.e., facts from which the court could find "a plausible causal connection between any difficulty Plaintiff experienced in obtaining retail shelf space or selling his product" and defendant's marking practices); Fisher-Price, Inc. v. Kids II, Inc., No. 10-CV-00988A(F), 2011 U.S. Dist. LEXIS 146553, at *29 (W.D.N.Y. Dec. 21, 2011) (dismissing a claim because a competitor did not "plausibly establish" that, as a result of a plaintiff's mismarking of its products, "Defendant's ability to compete against Plaintiffs in the market for purchasers of such products was impaired, resulting in tangible economic loss to Defendant"); Advanced Cartridge Techs., LLC v. Lexmark Int'l, Inc., 8:10-cv-486-T-23TGW, 2011 U.S. Dist. LEXIS 146942, at *8-13 (M.D. Fla. Dec. 21, 2011) (dismissing a competitor's false marking claim because no injury-in-fact was pleaded to satisfy standing under Article III, and the competitor did not adequately plead a competitive injury for prudential standing typically used in unfair competition claims). *But see* Fasteners For Retail, Inc. v. Andersen, No. 11 C 2164, 2011 U.S. Dist. LEXIS 124937, at *15-16 (N.D. Ill. Oct. 28, 2011) (stating that Defendant adequately pleaded a competitive injury in its counterclaim for false marking by alleging that the Plaintiff's marking was "likely to, or at least has the tendency to, discourage and deter persons and companies, such as K International, from commercializing competing products and deters consumers from using competing products" (internal quotations marked omitted)). This split likely has to do with a major problem with the amended Act—it does not define what constitutes a "competitive injury"! Crudo, *supra* note 231, at 585.

310. Cotter, *supra* note 260, at 182 (discussing how courts should determine penalties under the FMA).

their products.³¹¹ The objective is to fine a violator by calculating the social harm/private gain from the false marking in order to make this type of marking unprofitable for manufacturers.³¹² This reasoning may open the door for a noncompetitor to file a false marking claim under Section 292 if they could demonstrate that the defendant’s unfair gain from the false marking and/or quantifiable harm to the public was substantial.³¹³ As one commentator pointed out, factors such as these can be used by plaintiffs to calculate the false marking’s social harm and assess the culpability of the defendant,³¹⁴ which in turn the author believes could adequately demonstrate an injury. If this public harm or wrongful private gain could be quantified, it may then be labeled an “injury” under Section 292(a) and a wider pool of plaintiffs would be able to sue.

More realistic and likely more testable, however, would be an interpretation allowing plaintiffs to assert a quantifiable “injury” as a future competitor. “Patent misuse,” although typically an affirmative defense, is used to prevent a patentee from obtaining certain market benefits beyond their patent rights and thereby stifling competition.³¹⁵ If alleged patent misuse is not per se patent misuse or specified by 35 U.S.C. § 271(d),³¹⁶ it is typically analyzed under the “rule of reason,” which is utilized when a “practice’s effect is to extend the patentee’s statutory rights and [it] does so with an anti-competitive effect.”³¹⁷ Specifically, courts could use principles from the doctrine of patent misuse to discern whether there is a “reasonable probability” that a plaintiff could enter that particular product’s market and would be subsequently deterred from entering that market based on a de-

311. *Id.*; see also Deming, *supra* note 213, at 197, 213 (adopting Cotter’s factors when calculating false marking damages).

312. *Id.* at 191-92.

313. Other interpretations, such as Professor Winston’s, also allow for this possibility. See Winston, *supra* note 130, at 148-49 (“[D]amages should reflect the culpability of the marking party, taking into account various factors, including whether the public was deceived, the materiality of the false marking, and the effect of the false marking on the competition. Any other interpretation is flawed and renders ineffectual the true purpose of the false marking statute: to punish those who harm the public’s trust in the patent system.”).

314. See Kublin, *supra* note 210, at 89 (arguing that instead of eliminating the *qui tam* provision, relators should be able to bring false marking claims and receive damages based on a defendant’s culpability).

315. *Monsanto Co. v. McFarling*, 363 F.3d 1336, 1341 (Fed. Cir. 2004).

316. It may be argued, however, that false marking falls under Section 271(d)’s first specified patent misappropriation, which merely requires the defendant to “derive[] revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent” 35 U.S.C. § 271(d) (2006).

317. *Hearing Components, Inc. v. Shure, Inc.*, No. 9:07-CV-104, 2009 U.S. Dist. LEXIS 25050, at *6 (E.D. Tex. Mar. 26, 2009).

fendant's false marking.³¹⁸ Although this analysis may necessitate an application of antitrust law,³¹⁹ the concept of the "reasonable probability" of "procompetitive entry" into a market could be a way to assess whether future competitors would have likely entered a product market but for the false marking of a manufacturer.³²⁰

A short illustration, after looking at a very recent case, *Lubber, Inc. v. Optari*,³²¹ comes to mind. In *Lubber*, after the separation of two business partners, the defendants began a campaign to confuse and mislead customers regarding the tote bags that these partners previously sold together.³²² Specifically, the defendants placed "patent pending" on the bottom of the bags to lead the public to believe that the whole bag was under patent review, as opposed to merely the bag's straps.³²³ The court ultimately allowed a false marking claim against the defendants (post-America Invents Act) because the plaintiff and defendants were direct competitors,³²⁴ but would this result have been different if the plaintiff had not yet been selling his tote bags? In other words, should a false marking claim be disallowed in this same situation if the plaintiff had not yet started marketing or selling what was his original invention?³²⁵ A claim should clearly exist in this type of situation. The "reasonable probability" of this plaintiff entering the "tote bag" market is apparent here, and the harm of the defendant's actions is real, regardless of whether both parties are currently active in the market.³²⁶

As with any competitive injury, this sort of injury may not be easy for a plaintiff to prove under Section 292 in many cases, but using a mere "in-

318. See, e.g., *Princo Corp. v. ITC*, 616 F.3d 1318, 1338 (Fed. Cir. 2010) (requiring the defendant to show there was a "reasonable probability" that he "would have matured into a competitive force in" a particular market to establish an affirmative defense of patent misuse, adopting the Supreme Court's standard in *United States v. Penn-Olin Chemical Co.*, 378 U.S. 158, 175-76 (1964)).

319. *Id.* at 1351-52 ("In addressing the issue of anti-competitive effects, we look to antitrust authorities.").

320. See, e.g., *Mercantile Tex. Corp. v. Bd. of Governors of Fed. Reserve*, 638 F.2d 1255, 1268-69 (5th Cir. 1981) (recognizing the circuit split involving the "potential competition doctrine," but ultimately adopting the Second Circuit's use of the "reasonable probability" standard in assessing a future competitor's potential entrance into the marketplace). Allowing for the use of this principle should correct some of the under-inclusiveness of the FMA, which does not include future competitors. See *Crudo*, *supra* note 233, at 586.

321. *Lubber, Inc. v. Optari*, No. 3:11-0042, 2011 U.S. Dist. LEXIS 116293 (M.D. Tenn. Oct. 6, 2011).

322. See *id.* at *2-8, *23-27.

323. *Id.* at *27.

324. *Lubber, Inc. v. Optari*, No. 3:11-0042, 2011 U.S. Dist. LEXIS 116293, at *27 (M.D. Tenn. Oct. 6, 2011).

325. *Id.* at *2 (explaining how the plaintiff invented the tote bags and constructed the business).

326. See *id.*

jury” standard would better allow for such an analysis, and in turn better allow for more of those actually harmed by the marking to file suit. Therefore, the elimination of the *qui tam* provision should be offset with a mere injury requirement to file suit under Section 292.

B. CONSTRUE EXPIRED PATENTS AS “UNPATENTED ARTICLES”

Recall that the Federal Circuit in *Solo Cup* held that expired patents were “unpatented articles” under the FMA because they continued to impose costs on the general public in requiring a person to research a patent’s validity, which can be difficult.³²⁷ Explained above were the possible problems regarding expired patents and some of the reasons why eliminating the Federal Circuit’s interpretation could hurt the purpose of the FMA overall. In this section, an example of how this harm to the public results is given, and the author will address some of the arguments as to why expired patents may not violate the principles of false marking.

There are a few commentators who have argued that expired patents should not be considered “unpatented articles,” and their arguments are similar. Primarily, they contend that expired patent numbers place a substantially lighter burden on the public than false numbers because expired patent numbers direct the public and competitors or researchers to the patent’s documentation.³²⁸ A potential competitor will also validate the patent anyway if he is serious about entering the market or avoiding infringement by using this information.³²⁹ Looking at precedent and statutory language, proponents of this argument claim that unpatented articles were simply not what the statute was originally addressing, and defining the statute this broadly has actually influenced manufacturers not to mark against the obligations of Section 287.³³⁰ Further, they contend that “public policy strongly supports a holding that once patented is always patented” because consumers are “not deceived as to the article’s fitness for patenting when it is marked with an expired patent number,” nor does this number confer any special quality status for the product.³³¹ Allowing for expired patents will give the marker of the product the opportunity “to provide useful information without imposing an undue burden on the public,” prevent incentives not to mark, “avert[] exploitative litigation such as *Solo Cup*,” and

327. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1361-62 (Fed. Cir. 2010).

328. Arneson, *supra* note 13, at 669; Deutsch, *supra* note 228, at 841-42 (“If looking up a patent imposes too great a burden on a would-be inventor, perhaps the exchange of exclusive rights granted for public disclosure that the patent system is based upon needs to be recalibrated.”).

329. Deutsch, *supra* note 228, at 842.

330. Arneson, *supra* note 13, at 673-74.

331. *Id.* at 676-77.

also “limit[] the enforcement of the false marking statute to violations that have the potential to cause serious harm to the public.”³³²

Public and competitive harm can still result from the continued use of expired patents, however. Let us use an example that everyone reading this article can probably relate to. Picture this: you are scrolling through law review and journal articles to use for an article that you plan to write regarding juvenile justice. You are breezing through what seem to be credible sources and you are just looking for one more decent article on a particular point of law. You come across two articles that are on point and begin to skim them, noticing that one article is fairly long and lined with footnotes and the other is almost as long but has few footnotes. In the interest of time, you make a final decision to scrap the article with fewer footnotes and fully read the one with more footnotes, thinking that the more support that the article has, the more likely it is credible.

This is analogous to the false marking problem, at least in relation to quality and falsity.³³³ Instead of you, a student, lawyer, or professional looking for an article, pretend it is the average consumer, Jim, or a passing competitor/investor browsing the shelves of a grocery store. Jim is looking for a product to buy, and the competitor is searching for ideas to model and products to consider while avoiding copyright/patent infringement. The two law review articles above are two very similar-looking bottles of shampoo at the grocery store that the competitor and the consumer are interested in either to purchase the product or gain knowledge about its design. Both these people notice the patent number on the first bottle but also notice the absence of such a number on the second bottle. The consumer, thinking that the first product has gone through the patent process and that the manufacturer or patentee has invested the time and effort to obtain and/or maintain certain patent rights, decides to purchase the first bottle, thinking it may be of greater quality. The competitor (or possibly future competitor or investor) notices how close the design is for both bottles and decides that it is too risky to copy or model his future product on either due to the patent number. He decides to either design around the two bottles or move to the next row to see if he can find another bottle that is not patented to help generate

332. *Id.* at 678-79.

A patent confers no government endorsement as to the quality of the invention or suitability for a particular purpose. A patent merely recognizes that an invention is new, useful, non-obvious, and disclosed in compliance with a number of statutory requirements. That the patent marking was never intended to confer special status on the patentee in the marketplace indicates the patentee is not losing anything they were entitled to in the first place.

Deutsch, *supra* note 228, at 843.

333. Grant, *supra* note 21, at 289-91; Granaghan, *supra* note 30, at 481.

ideas. Both of their decisions were fairly quick, and both times the mere existence of the patent number influenced their ultimate decisions regarding the bottles.

Going back to the original example, just the existence of footnotes implies that the article may have some greater quality.³³⁴ The situation is even more complicated and deceitful when the footnote has authority that may be wrong, misleading, or (in the case of legal research) no longer good or applicable law.³³⁵ Expired patent numbers may not be as deceitful as those that never existed as a legitimate patent number for a particular product.³³⁶ However, expired patent numbers can still influence the decisions of consumers in the marketplace and may even influence the decisions of competitors that stumble upon the product and do not bother to look up the patent.³³⁷ Thus, some harm of deceit (and disadvantage to competitors) can result from expired patents, and this type of harm should accordingly fall

334. No authority has been given to back up this assertion. However, if you did not make it to the footnotes (analogous to looking up the patent), you would have never discovered this. You, as the reader, may think that the assertion is well-founded because it has a footnote. How often do we check the footnotes for journals, books, law reviews, magazine articles, and so forth to see if what they are saying has any authority to back it up?

335. Jonathon Meyerson, *The False Marking Paradigm*, 344 B.S. L. REV. 126, 129 (2009). The previous footnote puts you on notice that there is no authority for that assertion. On the other hand, what if it did have authority that was wrong or inapplicable? The article just cited in this footnote, for example, is completely made up and does not exist. But did you look it up in order to see if it actually said what I asserted, or did you assume that it was a credible article because it looked good and got through the law review editing process?

336. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1364 (Fed. Cir. 2010) (agreeing with the district court that a weaker presumption of intent to deceive the public arises from expired-patent marking).

337. See Grant, *supra* note 21, at 289-92; O’Neill, *supra* note 36, at 23 (“Moreover, identifying a product as being patented may provide market credibility or a marketing advantage. Indeed, it is very common for patent owners to advertise their products as being ‘patented’ and ‘the benefits of marking a patented product can be—and often are—significant.’”). Honestly, I did not know how to look up the validity of a patent before this past summer. How many consumers actually know how to do this? See Teichner, *supra* note 135, at 1392-93, for a short discussion of the problems and costs of looking up patents in the early nineteenth century. One commentator sums up the public concerns demonstrated above quite nicely:

False marking defeats the goal of patent law because it deprives society of new technology by discouraging inventors and researchers from creating similar inventions for fear of infringing. Even if companies are not deterred from entering the market, they may unnecessarily waste resources trying to find ways to design around the falsely marked article. Companies, regardless of their sophistication, are oftentimes unwilling or unable to expend the time and resources to determine whether the patent does in fact cover the marked article because this involves interpreting seemingly intractable technical language in the patent disclosure.

Crudo, *supra* note 233, at 577-78.

under the FMA,³³⁸ even if the presumption of social harm is to a lesser degree.

Moreover, besides the fact that the public and competitors may still be harmed and deceived by expired marking, having to do unnecessary research and mistaking the marks as an indication of higher quality,³³⁹ the concerns surrounding expired patents can be resolved by new methods of marking. Problems like the high costs of remarking products, possible “exploitative litigation” involving mass-marking issues, and manufacturers simply not marking may be offset by various uses of virtual marking.³⁴⁰ Not only could virtual marking allow for a cheaper way to give the public notice of a patent mark’s status and validity, it could then provide the appropriate information to those who are interested in further reviewing the patent’s details, similar to expired patents.³⁴¹ It becomes that much easier to keep the patent information updated and encourages manufacturers to avoid all deception by simply adding the expiration date next to the patent number on a website.³⁴² These assertions and examples demonstrate that Congress should recognize *Solo Cup*’s interpretation and reinstate expired patents as violative of the FMA.

C. LOWER THE INTENT REQUIREMENT

As seen from the many examples of false marking cases that did not survive the pleading stage, the intent to deceive the public requirement under Section 292 remains a problem for many plaintiffs.³⁴³ The Federal Cir-

338. See Winston, *supra* note 130, at 126-28 (“After the change in the marking requirement, because an expired patent is unenforceable and due to the importance of the public’s ability to rely on the patent marking, if a marking of an innovation as reading on a patent when the patent has expired was done with the intent to deceive the public, the marking should be found to violate the false marking statute.”). As one commentator stated, it seems that Congress completely ignored this kind of public injury altogether when reforming Section 292. See Crudo, *supra* note 233, at 573.

339. See *Juniper Networks, Inc. v. Shipley*, 643 F.3d 1346, 1351 (Fed. Cir. 2011).

False marking can injure the public interest in full and free competition “because the act of false marking misleads the public into believing that a patentee controls the article in question (as well as like articles), externalizes the risk of error in the determination, placing it on the public rather than the manufacturer or seller of the article, and increases the cost to the public of ascertaining whether a patentee in fact controls the intellectual property embodied in an article.”

Id. (quoting *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1356-57 (Fed. Cir. 2005)).

340. See McCaffrey, *supra* note 23, at 389-90.

341. *Id.* at 389.

342. *Id.* at 390.

343. See, e.g., *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1364 (Fed. Cir. 2010) (agreeing with the district court in finding that Solo Cup did not act for the purpose of de-

cuit affirmed this requirement in *In re BP*, which then made it even more difficult for plaintiffs to pass the pleading stage because it required plaintiffs to plead particular facts alleging the fraudulent marking.³⁴⁴ This requirement is still intact after the recent amendments and will most likely continue to pose difficulties for competitors seeking damages under the new provisions.³⁴⁵ This elevated pleading requirement is inconsistent with the purpose of the FMA and should be lowered to adequately enforce the prohibition against deceiving the public.³⁴⁶

As demonstrated in the previous section, harm to competitors and the public can result from the mere existence of an expired patent on an article.³⁴⁷ Even if the FMA does allow for expired patents to constitute false marking, manufacturers would still be able to avoid liability under the FMA and reap marking benefits if they simply did not replace an expired patent number because it would remain extremely difficult for a plaintiff to prove that the continued marking was performed with an intent to deceive the public.³⁴⁸ Because finding that the defendant had knowledge of a false marking is quite difficult and the harm to the public results from the marking alone and not a defendant's intent,³⁴⁹ there has to be a balance between the requisite intent and the actual harm to the public.

The Federal Circuit discussed this scienter requirement in *Clontech*, stating that it was "a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true."³⁵⁰

ceiving the public); *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986) ("Paramount is the court's finding and conclusion that Arcadia had totally failed, after at least nine months of discovery, to produce any evidence of intent to deceive the public. Nor had it produced 'any evidence suggesting that evidence of intent could be produced at the time of trial.'").

344. *E.g.*, *Simonian v. Astellas Pharma US Inc.*, No. 10C 1539, 2011 U.S. Dist. LEXIS 32899, at *5 (N.D. Ill. Mar. 28, 2011) (dismissing the case because plaintiff "failed to sufficiently plead the requisite intent for false marking"); *see also Dalton & Stanley*, *supra* note 207, at 5 (explaining that most false marking cases after *In re BP* were being subjected to motions to dismiss for failure to plead the necessary facts under Rule 9(b)).

345. *See Kublin*, *supra* note 210, at 71.

346. *Grant*, *supra* note 21, at 300. *Grant* also points out the intent's inconsistency with the FTC's advertising standards, which has the same purpose of avoiding public deception. *Id.*; *see also Granaghan*, *supra* note 30, at 494 ("The harm that flows from mismarking does not depend on whether there was intent to deceive—the mismarking itself causes the harm.").

347. *See Grant* *supra* note 21; *supra* Part V.B.

348. *See Grant*, *supra* note 21, at 303 ("[A] lower scienter requirement would allow courts to sanction manufacturers who realize they are mismarking but nonetheless continue because of their own interests.").

349. *See Winston*, *supra* note 130, at 130; *Granaghan*, *supra* note 30, at 494.

350. *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005).

Continuing, the court then mixed a bit of negligence with knowledge to construct the defendant's necessary culpability:³⁵¹

[I]n order to establish knowledge of falsity the plaintiff must show by a preponderance of the evidence that the party accused of false marking did not have a reasonable belief that the articles were properly marked . . . absent such proof of lack of reasonable belief, no liability under the statute ensues.³⁵²

After *Solo Cup* reconstructed this standard to make knowledge of the expiration of a patent a rebuttable presumption of the requisite intent for a false marking claim, it has posed some difficulty for courts.³⁵³

Consequently, commentators and scholars have proposed lowering the minimum intent requirement for a violation of the statute. At least one has argued that as soon as a defendant receives knowledge that a patent number does not cover an article and continues to mark, liability under the statute should kick in.³⁵⁴ This "knowledge" intent requirement "would allow courts to sanction manufacturers who realize they are mismarking but nonetheless continue because of their own interests."³⁵⁵ Another commentator argues that a plaintiff should only need to show a defendant lacked "a reasonable belief that the patent reads on the marked product" correctly for the requisite intent to deceive the public.³⁵⁶ A negligence standard, he argues, would address the harm in the market that inevitably results from false marking when the manufacturer does not intend to deceive the public or market competitors.³⁵⁷

Because of the difficulty of showing fraudulent intent and the harm that results from false marking regardless of manufacturers' or patentees'

351. As a matter of fact, at least one commentator has characterized the intent requirement from *Clontech* as similar to negligence, but after *In re BP*, it is fairly clear that more than mere negligence must be pled and discovered. O'Neill, *supra* note 36, at 24 ("The § 292 standard arguably is more akin to the standard required to establish a common law negligent misrepresentation claim, namely, that the defendant made a representation that it knew or should have known would mislead the public.").

352. *Id.* at 1352-53.

353. See Winston, *supra* note 130, at 132-32; Kublin, *supra* note 210, at 76-77.

354. See generally Grant, *supra* note 21, at 302-03.

355. *Id.* at 303.

356. Granaghan, *supra* note 30, at 493.

357. *Id.* at 494 ("[B]ecause the injury of mismarking occurs regardless of intent to deceive, a company should not be able to mark any product that it manufactures with a patent without some reasonable belief that the article covers the product, even if there is no intent to deceive. If the public is meant to endure the limited monopoly conferred by a patent, the patent holder should be expected to know (or have a reasonable belief about) what the patent covers.").

intent to defraud, the scienter requirement of Section 292 should certainly be changed. As another commentator illustrated, if the intent requirement is to remain high (e.g., knowledge), the burden of proof under Section 292 should be elevated to match that of fraud (i.e., a clear and convincing evidence standard as opposed to a preponderance standard).³⁵⁸ The heightened pleading standard under FRCP 9(b), which now applies to false marking cases after *In re BP*, is primarily used in common-law fraud cases.³⁵⁹ Likewise, if the scienter requirement were lowered to as low as negligence, applying a preponderance standard would continue to make sense, but the Federal Circuit would have to seriously consider going back to general pleading standards under FRCP 8(c). It appears that the way the statute reads now is inconsistent and not retainable.³⁶⁰

Accordingly, we must find and apply the middle ground, which is reckless intent. A knowledge requirement is too high, not only because it fails to address the harm that results from those that unintentionally falsely mark items,³⁶¹ but also because it could also encourage manufacturers to purposely look the other way when marking items and claim lack of knowledge. On the other hand, a negligence standard is too low because it would encourage competitors and others to continue to scour grocery store shelves to find products with expired patents to file suit and would essentially continue the march of the marking trolls. These new trolls could argue that such sophisticated manufacturers should have known that their product’s patent numbers had expired, a technique that *qui tam* relators had already started using.³⁶²

If the statute’s purpose is to avoid deceit on the public and not just punish the fraudulent intent of manufacturers and patentees, then the best option would be to keep the preponderance standard, lower the scienter requirement to recklessness (a conscious disregard),³⁶³ and instate a basic

358. See generally Teichner, *supra* note 135, at 1398, 1409-12.

359. *Id.* at 1410.

360. See generally Kublin, *supra* note 210, at 71-72 (arguing that Section 292’s *qui tam* provision should remain but the pleading standard should be lowered and damages should be based on a defendant’s culpability).

361. Granaghan, *supra* note 30, at 493.

362. See, e.g., *Kirkwood Florist, Inc. v. Hi-Float, Inc.*, 812 F. Supp. 2d 1000, 1006 (E.D. Mo. 2011). In *Kirkwood*, a relator argued that the defendant should have had knowledge of the expiration of its patents because it was a company that was familiar with intellectual property and the procurement of patents and had a “sophisticated intellectual property counsel.” *Id.*; see also Granaghan, *supra* note 30, at 494 (“Because of the enormous benefit of a patent, a patent holder should be required to obtain a reasonable belief, likely by consulting with a patent attorney, that its product is indeed covered by its patent.”).

363. Reckless intent would also utilize the concept of “conscious disregard” and would resemble the Model Penal Code’s culpability standards in Section 2.02:

A person acts recklessly with respect to a material element of an offense when he consciously disregards a substantial and unjustifiable risk that

pleading standard under FRCP 8(c). Piecing together the factors that the commentators and scholars mentioned above have presented to determine damages, social harm, and the culpability of a false marker, the courts should look to four main factors on a case-by-case basis when determining gross negligence or recklessness of a defendant. They would include the likelihood of discovery or knowledge of the false marking or expiration of the patent at issue; the length of time the falsely marked product has been on the market; the resulting social harm from the marking taking into account materiality, competitive harm, and public harm; and the sophistication of the manufacturer or patentee and their access to intellectual property legal counsel.

This new scienter element should closely resemble the fraudulent intent requirement that federal courts have applied to securities fraud cases under Section 10b-5 of the Security Exchange Act of 1934.³⁶⁴ Under 10b-5 (if knowledge of falsity was not present), a defendant must have made a material misstatement with “conscious or reckless disregard of its falsity.” Reckless disregard is typically shown by circumstantial evidence or by establishing a motive and opportunity to commit fraud.³⁶⁵ Reckless conduct in this regard is behavior that is “an extreme departure from the standards of ordinary care, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it.”³⁶⁶ The new recklessness standard for false marking should resemble that of false and misleading statements under federal securities law because they look at relatively similar factors in deciding a defendant’s culpability (e.g., materiality, circumstantial evidence, social

the material element exists or will result from his conduct. The risk must be of such a nature and degree that, considering the nature and purpose of the actor’s conduct and the circumstances known to him, its disregard involves a gross deviation from the standard of conduct that a law-abiding person would observe in the actor’s situation.

MODEL PENAL CODE § 2.02(2)(c).

364. Section 10b-5 of the SEC Security Exchange Rules states:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange,

- a. To employ any device, scheme, or artifice to defraud,
 - b. To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
 - c. To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,
- in connection with the purchase or sale of any security.

17 C.F.R. § 240.10b-5.

365. *In re ATI Techs., Inc., Sec. Litig.*, 216 F. Supp. 2d 418, 428 (E.D. Pa. 2002).

366. *Sundstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7th Cir. 1977).

harm), and 10b-5 was similarly created to protect members of the public (investors) from deceit and fraudulent activity in the marketplace.³⁶⁷ The appropriateness of this new minimum intent requirement is furthered by the fact that the FCA already partially defines “knowing” or “knowingly” as “acts in *reckless disregard* of the truth or falsity of the information.”³⁶⁸

In applying this new standard, the rebuttable presumption of intent to deceive the public with expired patents under *Solo Cup* would be substantially similar, except that the false marking alone would create the presumption, and to rebut, a defendant would have to show by a preponderance that he did not falsely mark the product in a reckless manner.³⁶⁹ Thus, we would presume that a defendant intended to deceive the public by merely marking items falsely, while the provision would still supply a safe harbor for those that honestly, but unreasonably, forgot to update a patent number, or simply made a mistake while marking an article.³⁷⁰ As a result, the change could work as a good incentive for manufactures to keep updated patent portfolios, and would not allow manufacturers and patentees to consciously ignore Section 292.

Under this new system requiring a plaintiff to show some form of “injury” (through high defendant culpability, a quantifiable social harm, or a competitive injury) while proving a reckless intent by the defendant to mark items falsely, “it may be difficult for individual consumers to show actual damages” or present a meritorious claim.³⁷¹ Then again, after instating some form of compensatory system, lowering the scienter requirement of the FMA this way and relaxing the pleading standards could make survival of

367. To adequately plead under Rule 10b-5, a plaintiff must claim “(1) a specific false or misleading statement in connection with the purchase or sale of a security (2) of a material fact (3) with the intention that it should be acted upon, (4) upon which plaintiff relied (5) to plaintiff’s detriment.” *Klebanow v. NUI Corp. (In re NUI Sec. Litig.)*, 314 F. Supp. 2d 388, 398 (D. N.J. 2004); *see also Basic Inc. v. Levinson*, 485 U.S. 224, 247 (1988) (“An investor who buys or sells stock at the price set by the market does so in reliance on the integrity of that price. Because most publicly available information is reflected in market price, an investor’s reliance on any public material misrepresentations, therefore, may be presumed for purposes of a Rule 10b-5 action.”).

368. 31 U.S.C. § 3729(b)(1)(A)(iii) (emphasis added).

369. *See Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1362-64 (Fed. Cir. 2010) (“[T]he combination of a false statement and knowledge that the statement was false creates a rebuttable presumption of intent to deceive the public . . . [t]hus, Solo’s burden of proof is to show by a preponderance of the evidence that it did not have the requisite purpose to deceive.”).

370. *See Winston, supra* note 130, at 131 (“Intent is absent if the false marking is an inadvertent oversight or mistake on the part of the patentee.”).

371. *See Granaghan, supra* note 30, at 497-98 (arguing further that “[i]f a consumer can show an adequate injury, there is no reason why that person should not be allowed recovery,” and such suits “may be amenable to class actions”).

frivolous claims more difficult while allowing for meritorious claims to have a better chance of pushing through.³⁷²

D. KEEP THE “PER ARTICLE” INTERPRETATION OF *BON TOOL* BUT ALLOW COMPENSATORY DAMAGES

As the Federal Circuit highlighted in *Bon Tool*, a \$500 aggregate fine for violations of Section 292 is not “sufficient financial motivation for plaintiffs” to file claims under the FMA and would render it ineffective.³⁷³ Therefore, it is essential that the core of this decision remains intact for all plaintiffs,³⁷⁴ but the question still remains as to how allocating damages would work under this Comment’s proposed fixes.

As Professor Cotter correctly proposed well before the passage of the new Section 292 amendments, a compensatory system is essential to the effectiveness of the FMA in approximating the social harm of false marking while avoiding excessive fines.³⁷⁵ The threat of excessive fines was a primary concern for courts that found Section 292 unconstitutional,³⁷⁶ and, as seen from recent experience with the false marking trolls, excessive fines could be counterproductive by “chilling” patentees from marking products altogether.³⁷⁷ The solution would be to allow for a compensatory system under the term “injury” in this Comment’s reformulated FMA, but add other remedies into the calculation of damages that depend on who is bringing the claim and the type of injury that the defendant caused. To better understand the concepts and their application, let us look to three categories of plaintiffs that would be able to file a false marking claim under the proposed changes: members of the general public, future competitors, and present competitors.

Direct competitors would clearly have the easiest avenue in collecting damages while pursuing a false marking claim. But as Cotter points out, not only should we look to lost profits and actual competitive harm, we should also assess damages based on social harm in relation to the false marking in

372. See Kublin, *supra* note 210, at 90.

373. *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1302 (Fed. Cir. 2009).

374. Kublin, *supra* note 210, at 85 (“[T]he five hundred dollar maximum total recovery would discourage almost all plaintiffs from bringing suit because expected costs would far exceed expected damages.”).

375. Cotter, *supra* note 260, at 182.

376. See *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 765 F. Supp. 2d 997, 1005-06 (N.D. Ohio 2011), *vacated as moot by Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, 462 F. App’x 967 (Fed. Cir. 2012); *Rogers v. Tristar Prods., Inc.*, 793 F. Supp. 2d 711, 724-25 (E.D. Pa. 2011).

377. Cotter, *supra* note 260, at 182, 191-92.

order to remain consistent with the FMA's purpose.³⁷⁸ He sets out specific factors that courts should consider in calculating this social harm:

(1) the plaintiff's loss (if any) and the defendant's gain (if any) attributable to the false marking at issue; (2) the plausibility of substantial but less easily quantifiable harms to consumers and to nonparty competitors; and (3) the risks, on the one hand, of underdetering statutory violations if the penalty is too small and, on the other, of chilling patentees from lawfully marking their products if the risk of liability is too great.³⁷⁹

The "optimal fine," according to Cotter, "would be one that forces patentees to internalize the net social costs of false marking, or . . . one that makes false marking unprofitable to the *faux* patentee."³⁸⁰ Cotter suggests that this is achieved when the fine is "equal to the social harm/private gain."³⁸¹ Cotter's argument and framework are convincing and could be used by courts to determine additional fines in excess of profit attributed to the false marking. Because this Comment proposes lowering the intent requirement, however, it would be best to limit any damages based on social harm to instances where a defendant had a high level of culpability to avoid any chilling effect on marking by overcompensating plaintiffs.³⁸² For example, Cotter raises the possibility of disgorging profits received by the defendant *if* the marking was done "willfully or in bad faith."³⁸³ Under this Comment's new framework, the defendant would, similar to the law of trademark remedies, have the burden of showing the portion of profits not attributable to the false marking.³⁸⁴ Without proof of high culpability, competitor plaintiffs

378. *Id.* at 191-92.

379. *Id.* at 182.

380. *Id.* at 191.

381. *Id.*

382. *See* Winston, *supra* note 130, at 148 ("A balance must be struck between providing notice to the public and reward to the relator and recognizing the culpability of the party who has falsely marked its innovation."); Cotter, *supra* note 260, at 191-92.

383. Cotter, *supra* note 260, at 193; *see also* Granaghan, *supra* note 30, at 497 ("Thus, in cases of fraudulent intent, it may be appropriate to award treble damages, in the same way that damages for willful infringement can also be enhanced.").

384. Cotter, *supra* note 260, at 193. Cotter likens this compensatory scheme to that of damages under the Copyright Act, and presents similar factors that courts take into account when calculating infringement damages:

(1) the expenses saved and the profits reaped; (2) the revenues lost by the plaintiff; (3) the value of the copyright; (4) the deterrent effect on others beside the defendant; (5) whether the defendant's conduct was innocent or wilful; (6) whether a defendant has cooperated in providing particular records from which to assess the value of the infringing material produced; and (7) the potential for discouraging the defendant.

would only be able to seek damages from actual competitive harm resulting from the marking and not disgorgement or treble damages.³⁸⁵

Members of the general public would find it much more difficult to seek damages under this framework, but it would certainly be possible. Essentially, they would have to show either that the false marking by the defendant was willful or in bad faith, or that the quantifiable harm to the public was substantial.³⁸⁶ An assessment of damages related to substantial social harm would rest on the second factor in Cotter's list above, while the damages available from a defendant's high culpability in false marking would consider the factors that Professor Winston provides: "whether the public was deceived, the materiality of the false marking, and the effect of the false marking on the competition."³⁸⁷ A clear example where a substantial quantifiable harm may be found and/or high culpability could probably be proven would be when a manufacturer explicitly advertises the product as patented.³⁸⁸ For example, a defendant advertises that his product or design is the "real thing" or is superior in quality to his competitors' products or designs because he has maintained a patent for his product/design or has one pending. If that patent is nonexistent or has expired and the manufacturer is selling its product at a premium price, it would be relatively easy to calculate damages based on the resulting profits over other competitors, and it is also easy to see how this practice is highly deceptive to the public.

Future or potential competitors would find similar difficulties in seeking damages under the proposed rule for damages, but again, it would still be possible. If a court finds that an entity or claimant retains a "reasonable probability" of entering a defendant's product market and becoming successful, there is a possibility that competitive damages can be shown.³⁸⁹ These future competitors would similarly have the opportunity to prove high culpability or substantial quantifiable harm like the general public and

Id. at 193-94.

385. *See id.* at 197.

386. *See id.* at 195 (alluding that plaintiffs would have to show quantifiable social harm or otherwise get nominal damages); Kublin, *supra* note 210, at 89 ("[T]he amount of damages should reflect the culpability of the infringer."); Winston, *supra* note 130, at 148 (same). This is slightly more expansive than the proposal to use public nuisance law to enforce false marking, which would limit causes of action to those that experienced an injury that is unique from that suffered by the public at large. *See Crudo, supra* note 233, at 573-74.

387. Winston, *supra* note 130, at 148; Kublin, *supra* note 210, at 89 (agreeing with Winston's analysis).

388. Grant, *supra* note 21, at 289.

389. *See* 35 U.S.C. § 284 ("Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer . . .").

direct competitors,³⁹⁰ but could also attempt to demonstrate that the defendant's conduct stifled their particular attempts at entering that product's market and selling products profitably or dissuaded other future competitors from doing the same.³⁹¹ If potential or future competitors could show this, without even demonstrating a higher culpability of the defendant, an acceptable monetary remedy may look something like reasonable royalties under trademark if an injunction is not possible or requested.³⁹²

How would this all coincide with "per article" penalties? According to some commentators, the "per article" interpretation of the original statute in *Bon Tool* should be dropped to allow for only damages based on a defendant's culpability.³⁹³ As shown above, however, false marking is harmful to the public regardless of a defendant's culpability, and if some quantifiable harm to the public can be shown, damages should be awarded.³⁹⁴ This would stay consistent with the punitive nature of the statute.³⁹⁵ Further, it is best not to return to the stagnant FMA pre-*Bon Tool* and allow for such harmful false marking to continue.³⁹⁶ Instead, courts should use the flexibility that *Bon Tool* offers by considering the various factors above to determine what fraction of the \$500 penalty would appropriately penalize defendants with a greater degree of culpability when the harm is not merely compensable.³⁹⁷

390. See, e.g., *Presidio Components, Inc. v. Am. Technical Ceramics Corp.*, 723 F. Supp. 2d 1284, 1329 (S.D. Cal. 2010) (explaining how enhanced damages can be awarded for willful infringement).

391. See *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) ("A patentee need not negate every possibility that the purchaser might not have purchased a product other than its own, absent the infringement. The patentee need only show that there was a reasonable probability that the sales would have been made 'but for' the infringement.").

392. See *Cotter*, *supra* note 260, at 193; *Presidio*, 56 F.3d at 1338.

393. Kublin, *supra* note 210, at 89 ("Rather than a remedy based on the number of mismarked articles, the amount of damages should reflect the culpability of the infringer. That way, *qui tam* plaintiffs would have a financial incentive to bring suit against those individuals causing the most social harm. This is consistent with the original intention of the false marking statute, which was to protect society from the harms of false markings by encouraging *qui tam* litigation against injurious defendants.").

394. See *supra* Part V.C.; Granaghan, *supra* note 30, at 497-98.

395. Teichner, *supra* note 135, at 1414 ("Finally, § 292 penalties do not compensate the government for damages it suffered directly as a result of the defendant's alleged acts of false marking, which further supports the punitive nature of this statute.").

396. O'Neill, *supra* note 36, at 26.

397. See *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1304 (Fed. Cir. 2009) ("By allowing a range of penalties, the statute provides district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities. In the case of inexpensive mass-produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty.").

As a matter of fact, courts were in the midst of utilizing this flexibility to penalize defendants on a per article basis, typically considering many of the factors above.³⁹⁸ For example, the district court in *Bon Tool*, on remand, found that the proper penalty per falsely marked product was \$180, the highest price at which the product had originally been sold.³⁹⁹ Whereas, the district court in *Presidio Components, Inc. v. American Technical Ceramics Corp.* used the penalty recommended by the defendant's expert: 32% of the product's average sale price.⁴⁰⁰ In both cases, the court noted that the penalty amount was high enough to deter future false marking by the defendants, consistent with the public policy "embodied" in Section 292, but not so high as to impose disproportionate liability.⁴⁰¹ Just these two examples demonstrate the workability of the *Bon Tool* per article liability interpretation, which can be used in situations where false marking is accompanied by greater culpability or more substantial public harm.

E. VIRTUAL MARKING AND POSSIBLE ALTERNATIVES

1. *Virtual Marking and Its Concerns*

As illustrated above, virtual marking offers a promising outlet for manufacturers to mark products and avoid false marking litigation.⁴⁰² As also given above, though, virtual marking presents a few unique problems,⁴⁰³ and these in particular should be addressed in any future amendments to the FMA regardless of this Comment's proposed changes. This section continues to advocate for utilizing virtual marking in the future while additionally presenting a few caveats.

As the lone commentator on this new marking has explained, there are a few major problems that may arise from using this marking type: an overwhelming amount of patent numbers on a website could potentially mislead or misinform the public; broken links and a lack of updated patent

398. See O'Neill, *supra* note 36, at 28. The factors that O'Neill offers in making a determination of per article penalties are surprisingly similar to Professor Cotter's and Winston's given above and include: "the extent of falsely marked advertising, the duration of the false marking," the resulting profits on the falsely marked products, the penalty's impact on a defendant's business, the strength of the evidence of culpability, "whether any competitors or potential competitors incurred any actual harm as a result of the false marketing," and whether the public was actually deceived. *Id.* at 28-29.

399. *Forest Grp. v. Bon Tool Co.*, No. H-05-4127, 2010 WL 1708433, at *2 (S.D. Tex. Apr. 27, 2010).

400. *Presidio Components, Inc. v. Am. Technical Ceramics Corp.*, 723 F. Supp. 2d 1284, 1335 (S.D. Cal. 2010).

401. *Id.* at 1334-35; *Bon Tool*, 2010 WL 1708433, at *2.

402. See *supra* Part IV.B.4.

403. McCaffrey, *supra* note 23, at 384.

information could frustrate the FMA's purpose of availability of public information; website access could open the door for collecting private information from individuals; and a lack of relevant information on a website may continue to misinform the public and be as useless as no marking at all.⁴⁰⁴ It is therefore essential that Congress (or federal courts going forward) provide some sort of virtual marking standards in order to supply sufficient public notice under Sections 287 and 292.⁴⁰⁵ For example, a standard virtual marking website or a "public virtual marking product registry" could be created to allow for a solution to some of these concerns.⁴⁰⁶

In analyzing the benefits of the virtual marking medium and in trying to avoid similar problems of mismarking as those experienced in the recent past, this "lone commentator" generally has it right. If Congress were to amend Section 287 or 292 in the near future, it should seriously consider providing limits on the amount of patent numbers per website, requiring minimum site maintenance, supplying website accuracy requirements, and providing specific privacy guidelines.⁴⁰⁷ Although a solution like a public registry may be expensive to taxpayers and the alternative (such as private websites) may be burdensome on manufacturers,⁴⁰⁸ it may very well be worth it if it can help alleviate another surge of false marking trolls in the future or at least easily provide the public useful patent information.

2. *Tacking on Sufficient Executive Branch Safeguards*

Moving back to the constitutional discussion in Part II of this Comment, it is clear that the primary problem regarding the constitutionality of *qui tam* actions is the amount of executive control needed to satisfy *Morrison* and the Take Care Clause of Article II.⁴⁰⁹ As an alternative to this Comment's proposed changes, or if Congress ever reinstates the *qui tam*, the constitutional question (and quite possibly the troll problem) may be

404. See generally *id.* at 394-97.

405. See *id.* at 394.

406. *Id.*

407. See *id.* at 398. Specifically, McCaffrey proposes adding the following provisions to Section 287:

(1) the Internet posting shall be restricted to a reasonable number of patent numbers, (2) the Internet host shall take reasonable measures to guarantee reasonable uptime for the posting, (3) the Internet host shall maintain accurate records of all revisions to the posting, and (4) the Internet host shall not collect information about the public for accessing the address.

Id.

408. McCaffrey, *supra* note 23, at 399-400.

409. See *supra* Part II.B.

solved by merely adding executive branch control options regarding false marking claims.⁴¹⁰

As many of the federal circuits have held, the FCA already has these control mechanisms in place,⁴¹¹ and since the FCA was amended in 1986 to encourage more *qui tam* litigation, it has been relatively successful.⁴¹² As mentioned previously, the FCA requires that notice of the suit be given to the Department of Justice immediately, and the government has sixty days to decide whether to intervene in the suit and take over the litigation.⁴¹³ Hypothetically, Congress could amend Section 292 to provide for the same government option (after reinstating the *qui tam* provision of course) while continuing to provide other incentives to *qui tam* relators to enforce Section 292.⁴¹⁴ For example, Congress amended the FCA by increasing its monetary incentives for relators, lowering its intent requirement for liability, and lessening its jurisdictional requirements, but Congress did not change the amount of government control over FCA claims, which prevented the troll problem that the courts recently saw with false marking claims.⁴¹⁵ If Congress and federal courts are hesitant to reinstate the *qui tam* provision in the FMA because of this marking troll problem or the constitutionality problem, amending the FMA to provide for greater executive branch control may be one possible answer.

3. *The Lanham Act*

As at least one commentator has pointed out, the Lanham Act may be another option for plaintiffs that wish to dispel false marking from the marketplace.⁴¹⁶ A few courts have allowed for Lanham Act claims alongside false marking claims;⁴¹⁷ however, the Federal Circuit has stated that false

410. See Deming, *supra* note 213, at 215 (suggesting Congress could amend the FMA to give the government a right to intervene in false marking cases and the power to dismiss them).

411. See *supra* Part II.B.1.

412. By 2009, \$8.4 billion had been recovered by the government from over 4,700 *qui tam* cases. Winston, *supra* note 130, at 141.

413. Callahan & Dworkin, *supra* note 173, at 304.

414. See, e.g., Beck, *supra* note 178, at 561-62 (discussing the 1986 incentives for *qui tam* litigants under the FCA).

415. *Id.*; Callahan & Dworkin, *supra* note 173, at 325-26. Callahan & Dworkin, in particular, explain that the government can challenge claims that may not have any merit and, upon a finding of a frivolous claim, a relator could be assessed the defendant's court costs and attorney's fees. *Id.*

416. See Grant, *supra* note 21, at 296.

417. See, e.g., Blank v. Pollack, 916 F. Supp. 165, 172 (N.D.N.Y. 1996) (finding that false marking claims fall within the scope of the Lanham Act).

patent marking “is not a per se violation of the Lanham Act.”⁴¹⁸ Some commentators are perplexed by the fact that more plaintiffs have not utilized the correlation of the two acts,⁴¹⁹ but there are a couple of good reasons why this might be.

The purpose of the Lanham Act is similar to the FMA in that it tries to prevent consumer deception in the marketplace by eliminating false advertising.⁴²⁰ Falsely marking items as patented is similar to false advertising in that it also sends a message to a potential purchaser that the marked product has some exclusive feature that it actually does not.⁴²¹ Generally, the Lanham Act requires several elements to be met that center on proving harm by a person’s materially false or misleading advertising statement that is likely to influence a consumer’s purchasing decision.⁴²²

Some see these requirements as a lower burden of proof for Lanham liability than Section 292, especially because only a likelihood of damage or consumer deception is needed.⁴²³

But it must also be noted that the Lanham Act places similar and additional barriers on a plaintiff seeking damages such as actually proving some level of harm, demonstrating the marking was material, and showing a higher level of causation of the harm.⁴²⁴ Courts recently have also been requiring a showing of “bad faith” on the part of a defendant.⁴²⁵ Problems of preemption and higher pleading standards under *Bell Atlantic Corp. v.*

418. *Proportion-Air, Inc. v. Buzmatics, Inc.*, No. 94-1426, 1995 U.S. App. LEXIS 25871, at *7 (Fed. Cir. June 14, 1995).

419. See Cotter, *supra* note 260, at 197-98.

420. See Grant, *supra* note 21, at 301; Deutsch, *supra* note 228, at 851. Additionally, see the provisions of section 43(a) of the Lanham Act (15 U.S.C. § 1125), which pertain to civil actions for violations.

421. Deutsch, *supra* note 228, at 851.

422. See *id.* Specifically, a plaintiff must prove that:

- 1) the defendant has made false or misleading statements of fact concerning his own product or another’s;
- 2) the statement actually deceives or tends to deceive a substantial portion of the intended audience;
- 3) the statement is material in that it will likely influence the deceived consumer’s purchasing decisions;
- 4) the advertisements were introduced into interstate commerce; and
- 5) there is some causal link between the challenged statements and harm to the plaintiff.

Id. (quoting *Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606, 613 (6th Cir. 1999).

423. See Grant, *supra* note 21, at 298.

424. Deutsch, *supra* note 228, at 851-52.

425. See, e.g., *DP Wagner Mfg. v. Pro Patch Sys.*, 434 F. Supp. 2d 445, 461 (S.D. Tex. 2006) (“To impose state law or Lanham Act liability on a patentholder for less than bad faith mismarking would penalize patentholders for engaging in conduct that the Patent Act does not proscribe and would therefore impermissibly conflict with federal patent law.”).

*Twombly*⁴²⁶ also play into the mix, further demonstrating that the Lanham Act may not be the strongest route to limit false marking.⁴²⁷

VI. CONCLUSION

There is little doubt that the false marking troll problem has been getting out of hand.⁴²⁸ Although it could have been argued that this was a sign that the *qui tam* provision was working, these relators might have actually been doing more harm to the general public than good in filing these false marking claims.⁴²⁹ Defendant manufacturers put considerable time, money, and resources into trying to calm the storm and avoiding expensive patent litigation.⁴³⁰ With limited victories in the Federal Circuit and in the wake of *Vermont Agency of Natural Resources*, it appeared that both the Federal Circuit and the Supreme Court would not offer much of a helping hand to potential false markers by deeming Section 292 unconstitutional.⁴³¹ The Leahy-Smith America Invents Act spelled relief for those combating the new “cottage industry” of trolls, but its many shortcomings may prove more detrimental to Section 292, and subsequently to the public good, than an onslaught of *qui tam* false marking suits.⁴³²

This Comment’s proposed changes offer some solutions to the shortcomings of the America Invents Act regarding Section 292, while still preventing a resurgence of the trolls. These fixes, like the recent amendments, will likely solve the constitutional problems of the FMA by requiring some feasible injury of plaintiffs that is not merely hypothetical.⁴³³ Lowering Section 292’s intent requirement to dissolve the fraudulent intent barrier that plaintiffs have struggled with for decades would be more consistent with the public policy purpose of the FMA and would allow some flexibility in determining damages.⁴³⁴ Further amending Section 292 to allow for compensable damages and a form of punitive damages on a per article basis would also provide flexibility for courts in assessing damages without unintentionally subjecting the statute to dormancy, which plagued much of the

426. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007).

427. *See, e.g., Champion Labs., Inc. v. Parker-Hannifin Corp.*, 10-CV-02371-OWW-DLB, 2011 U.S. Dist. LEXIS 52853, at *44-45, *49 (E.D. Cal. May 17, 2011) (dismissing a Lanham claim because it was based solely on false marking and was therefore preempted, and because the complaint failed to adequately plead facts showing the defendant’s bad faith and consumer reliance under the requisite pleading standards).

428. *See supra* Part II.B; Part V.A.1.

429. *See supra* Part V.A.1.

430. *See supra* Part II.B.

431. *See supra* Part III.B.4.

432. *See generally supra* Part IV.

433. *See supra* Part V.A.2.

434. *See supra* Part V.C.

statute's long history.⁴³⁵ In turn, more flexible damages would create enough incentive for competitors and non-competitors alike to enforce the FMA without defendants necessarily worrying about excessive awards based solely on a "per article" basis.⁴³⁶ Ultimately, these changes would shield defendants from harassment and frivolous lawsuits by requiring plaintiffs to prove a form of injury, but still offer enough incentives for competitors to file suit and compel manufacturers to keep their patents updated for the public interest.⁴³⁷ By making the appropriate statutory changes and encouraging virtual marking in the present virtual age, it is possible to make the False Marking Act as effective as its partner, the False Claims Act, without the threat of patent trolls scouring local supermarket shelves.

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435. See *supra* Part V.D.

436. See generally *supra* Part V.D.

437. See generally *supra* Part V.D.

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