

2010-M960

United States Court of Appeals
for the
Federal Circuit

IN RE BP LUBRICANTS USA INC.,

Petitioner.

*On Petition for Writ of Mandamus to the United States District
Court for the Northern District of Illinois in Case No. 10-CV-1258,
Judge Robert W. Gettleman.*

**BRIEF OF AMICUS CURIAE INTELLECTUAL
PROPERTY OWNERS ASSOCIATION IN SUPPORT OF
PETITIONER**

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OCTOBER 1, 2010

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In re BP Lubricants USA Inc.

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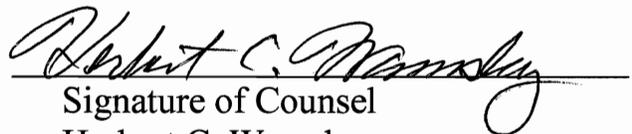
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2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: **NONE**
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of *amicus curiae* represented by me are: **NONE**
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INTEREST OF AMICUS CURIAE

Amicus curiae Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in U.S. intellectual property rights.¹ IPO's membership includes more than 200 companies and more than 11,000 individuals who are involved in the association either through their companies or as inventors, authors, executives, law firms, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before Congress and the PTO and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO's Board of Directors, which approved the filing of this brief, are listed in the Appendix.²

INTRODUCTION

The patent laws have long encouraged patent owners to give the public notice of their patent rights by marking patented articles. *See Am. Med. Sys., Inc. v.*

¹ By order dated September 24, 2010, this Court granted IPO's motion for leave to file this brief. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. BP America, which is the parent company to BP Lubricants USA, Inc., and is represented on IPO's Board of Directors, did not participate in the decision to file or the drafting of this brief.

² IPO procedures require approval of positions in briefs by a three-fourths majority of Directors present and voting. BP America did not vote on whether to file this brief.

Medical Eng'g Corp., 6 F.3d 1523, 1534-38 (Fed. Cir. 1993) (summarizing history of 35 U.S.C. § 287(a) and its predecessors). Many patent owners, including many IPO members, have advanced this policy by marking their products with patent numbers. Today, these patent owners find themselves inundated by a flood of false patent marking suits that shows no signs of receding. In hundreds of cases, relators are stretching the *qui tam* provision of the false patent marking statute, 35 U.S.C. § 292(b), beyond any semblance of its purpose to protect the public from intentionally deceptive patent marking practices.

These plaintiffs are scouring the internet and product packaging looking for references to patents that have expired. *See, e.g.,* Dionne Searcey, *New Breed of Patent Claim Bedevils Product Makers*, Wall Street Journal, (Sept. 1, 2010) (*available* *at* <http://online.wsj.com/article/SB10001424052748703467004575463843289453872.html>). Once they find such references, they file suit as relators under Section 292(b), alleging what amounts to violation of criminal law, yet without any factual support for their conclusory allegation that the defendant intended to deceive the public. Cookie-cutter allegations of deceptive intent, recycled in case after case, are based solely on the assumption that because the defendant is a sophisticated patent owner, it knew or should have known that its marked patents had expired, and thus it must have intended to deceive the public. *See Brinkmeier v. Bic Corp.*,

2010 WL 3360568 (D. Del. Aug. 25, 2010) (collecting cases). With nothing more than this nearly-naked allegation of what is an essential element of a false marking claim, plaintiffs then argue that they have triggered a presumption of an intent to deceive the public under this Court's decision in *Pequinot v. Solo Cup Co.*, 608 F.3d. 1356 (Fed. Cir. 2010).

Some district courts have held that such complaints are sufficient to state a false marking claim under Section 292(b) – in essence making marking with an expired patent a presumptively strict liability offense. Other district courts have dismissed such complaints under Rule 12(b)(6) of the Federal Rules of Civil Procedure for failure to state a claim. (*See* cases cited in Pet. for Writ of *Mandamus* at 3-6)

Patent owners are left facing an incoherent legal landscape. Depending on where the relator has chosen to file suit and what judge was randomly assigned to the case, substantially identical complaints may be dismissed or may force defendants to bear the burden and costs of proving a negative – that they had no deceptive intent. As conflicting decisions continue to issue, hundreds of defendants are faced with uncertainty and inconsistency, and patent owners face the prospect of forum shopping by plaintiffs seeking the easiest pleading requirements. This balkanization of the law of false marking pleadings is rapidly

coming to resemble the very situation this Court's formation was intended to prevent.

The Court's intervention is urgently needed to harmonize the pleading requirements sufficient to state a claim for false patent marking. There is arguably no other unsettled issue in patent law at this moment that impacts so many cases and so many parties. IPO urges the Court to take this opportunity to clarify and unify this area of patent law.

SUMMARY OF ARGUMENT

To fulfill its mandate to harmonize patent law, the Court should make clear that its law governs the pleading of false marking claims. With intent to deceive the public being an essential element of false marking, the heightened pleading requirements of Fed. R. Civ. P. 9(b) should apply. Mirroring its application of Rule 9(b) to allegations of deceptive intent as an element of inequitable conduct, so too should the Court require claims of deceptive intent in false marking cases to be pled with specific factual support for allegations of who, what, where, how, and why sufficient to support a reasonable inference that the defendant falsely marked with a conscious desire to deceive the public. *See Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1313, 1328 (Fed. Cir. 2009).

The current game of cutting and pasting virtually identical generic allegations of deceptive intent into complaints must end. The Court should make

clear that when applying Rule 9(b) in false marking claims, general allegations that a product was marked with an expired patent, the defendant is sophisticated and knows that patents expire, and therefore the defendant should have known that the marking was false, are tantamount to strict liability and should not be sufficient to state a claim for false patent marking. The Court should also make clear that even when specific facts are pled in alleged support of an inference that the defendant falsely marked with a conscious desire to deceive the public, if the allegations support an equally compelling inference that the false marking occurred due to inadvertence, or even negligence, the complaint should be dismissed.

Applying Rule 9(b) to false marking claims in this manner will unify and clarify the law while restoring balance between the dual goals of protecting the public interest and discouraging unjustified litigation. Such balance will return the *qui tam* provision of Section 292 to its intended purpose and scope.

ARGUMENT

I. FEDERAL CIRCUIT LAW APPLIES TO THE PLEADING STANDARDS IN FALSE MARKING ACTIONS, WHICH MUST MEET THE FACTUAL PARTICULARITY REQUIRED BY FED. R. CIV. P. 9(b).

In view of the conflicting results being reached by district courts around the nation, it is difficult to imagine a patent law issue more in need of the uniformity and clarity that this Court's law would provide than the pleading standards required to state a false marking *qui tam* claim under 35 U.S.C. § 292(b).

Moreover, the issue of deceptive intent in a false marking case is as unique to patent law as is the issue of deceptive intent in an inequitable conduct defense or counterclaim, where this Court's law governs the pleadings. *See Exergen*, 575 F.3d at 1326 (“[W]e apply our own law, not the law of the regional circuit, to the question of whether inequitable conduct has been pleaded with particularity under Rule 9(b)”).

In *Stauffer v. Brooks Bros., Inc.*, ___ F.3d ___, 2010 WL 3397419 (Fed. Cir. Aug. 31, 2010), this Court all but held that upon remand, Mr. Stauffer's false marking pleading must meet the specificity requirements of Rule 9(b):

We remand for the court to address the merits of the case, including Brooks Brothers' motion to dismiss pursuant to Rule 12(b)(6) “on the grounds that the complaint fails to state a plausible claim to relief because it fails to allege an ‘intent to deceive’ the public – a critical element of a section 292 claim-with sufficient specificity to meet the heightened pleading requirements for claims of fraud imposed by” Rule 9(b).

Id. at ___ F.3d ___, 2010 WL 3397419, at *6. (quoting *Stauffer v. Brooks Bros., Inc.*, 615 F.Supp.2d 248, 251 n.1 (S.D.N.Y. 2009)).

An elevated pleading standard is clearly proper, as intent to deceive, whether pled in the context of inequitable conduct or false patent marking, sounds in fraud. Just as this Court has used Rule 9(b) to curb speculative allegations of intent to deceive the PTO in inequitable conduct cases, so too should the Court apply Rule 9(b) to curtail unsupported allegations of an intent to deceive the public in false marking cases. Regardless of the nature of the claim, this Court should not allow

allegations of deceptive intent to “devolve into a ‘magic incantation to be asserted against every patentee’” *Exergen*, 575 F.3d at 1331 (quoting *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1418 (Fed. Cir. 1987)).

“The bar for proving deceptive intent [in false marking cases] is particularly high, given that the false marking statute is a criminal one, despite being punishable only with a civil fine.” *Pequinot*, 608 F.3d. at 1363. Mere knowledge that a product was mis-marked, even if a defendant was practically certain of the result that would follow, is insufficient to establish an intent to deceive. Rather, the defendant must have consciously desired the result that the public be deceived. *Id.*

This appropriately high bar is meaningless if plaintiffs may plead deceptive intent without any factual support. Mere allegations that a product was mis-marked and, based solely on its presumed knowledge of patent law, that the defendant knew or should have known of the mis-marking, employs speculation rather than reasonable inference to make the leap to a conclusion that the defendant consciously desired the result that the public be deceived. Allowing false marking cases to proceed on pure speculation presumptively invokes strict liability, requiring the defendant to prove that it did not intend to deceive the public.³

³ This presumption of strict liability is unsupportable and should be eliminated. It is akin to presuming that someone committed inequitable conduct whenever a defendant shows that any material prior art reference was not submitted to the PTO.

Not only do such speculative and conclusory allegations fail to satisfy Rule 9(b), they do not even meet the notice pleading requirements imposed by Fed. R. Civ. P. 8(a). The generalized allegations of deceptive intent appearing in hundreds of complaints around the country fail to support a plausible inference that the defendant consciously desired to deceive the public by falsely marking its products, and thus cannot survive scrutiny even under Rule 8(a). *See Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007) (Rule 8(a) pleadings require “[f]actual allegations sufficient “to raise a right to relief above the speculative level”); *Ashcroft v. Iqbal*, ___ U.S. ___, 129 S. Ct. 1937, 1949 (2009) (Rule 8(a) is not satisfied where factual allegations more likely support non-actionable inference).

II. RULE 9(b) PLEADING REQUIREMENTS SHOULD SPELL THE END OF GENERALIZED ALLEGATIONS OF INTENT TO DECEIVE THE PUBLIC IN FALSE MARKING ACTIONS.

Different district courts deciding motions to dismiss false marking actions have reached conflicting results even when they apply Rule 9(b) to essentially the same allegations. *Compare Simonian v. Oreck Corp.*, 2010 WL 3385465, at *4 (N.D. Ill., Aug. 23, 2010) (general allegations of deceptive intent satisfy Rule 9(b)) *with Brinkmeier v. BIC Corp.*, 2010 WL 3360568, at *4-*5, *6-*8 (D. Del. Aug. 25, 2010) (opposite result applying Rule 9(b) to similar allegations). By providing guidance on the proper application of Rule 9(b) to a complaint alleging false

marking, this Court will promote uniformity and clarity in the outcome of patent litigation in district courts across the nation.

To satisfy Rule 9(b) under this Court's precedent, allegations of intent to deceive must specify the underlying facts of who, what, where, how, and why. *Exergen*, 575 F.3d at 1328. In the context of false marking actions, the following specific facts must be pled with particularity.

- **“Who”** was aware that the patent-at-issue was being mis-marked, either because the patent had expired or because its claims did not cover the marked product. Although a relator cannot reasonably be expected to identify an individual by name, merely alleging knowledge by a corporation as a whole is not adequate. *Cf. Exergen*, 575 F.3d at 1329 (indicating that inequitable conduct cannot be pled simply by attributing the requisite intent to a company as a whole). Likewise, merely alleging that a sophisticated company includes persons who know or should know that patents expire fails to identify with the requisite specificity “who” was even aware that a specific patent had expired, let alone “who” knew that a specific product was marked with that expired patent and “who” consciously desired to deceive the public.
- **“What,” “Where”** and **“How”** of any alleged instances of false marking; *i.e.*, what patent markings are alleged to be false, where those patent markings appear and how specifically are they false.

- **“Why”** the alleged false marking occurred, which puts the sufficiency of any allegations of intent to deceive the public to the Rule 9(b) test. As explained above, pleadings that merely allege mis-marking by a sophisticated company fail to allege “why” sufficiently to support a plausible and non-speculative inference that anyone at the defendant consciously desired to deceive the public. Although Rule 9(b) allows state of mind such as intent to be pled generally, this Court requires that “the pleadings allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind.” *Exergen*, 575 F.3d at 1327. In false marking actions, that must include some specific factual allegations in support of the claim that someone at the defendant consciously desired to deceive the public.

False marking cases pending around the nation fall far short of these minimum pleading requirements. None of the cookie-cutter allegations that most commonly appear in such cases are based on anything but pure speculation regarding who, what, where, how, and why the alleged false marking occurred. Such insufficient factual allegations about false marking defendants include: it is a sophisticated company; it has a skilled legal department; it is familiar with patent litigation; it has mentioned the importance of patents and the impact of their expiration in SEC filings; it has people and tools to track its patents; it knew to

stop paying maintenance fees after a patent expired; it updated products, packaging or websites after the patent expired; and the like.

Such allegations are entirely consistent with inadvertence, mistake or negligence, none of which equates to intent to deceive. Even if presumed true, such allegations do not support a plausible inference that anyone at the defendant consciously desired to deceive the public by falsely marking products. Absent such specificity, a court should not infer unstated facts to create a cause of action that must be pled with particularity. *Cf. Exergen*, 575 F.3d at 1328.

III. PLEADING FALSE MARKING WITH PARTICULARITY RESTORES BALANCE BETWEEN *QUI TAM* ACTIONS AGAINST THOSE WHO MISMARK FOR THE PURPOSE OF DECEIVING THE PUBLIC AND PROTECTION OF PATENT OWNERS FROM BASELESS LAWSUITS.

Applying Rule 9(b) to false marking actions in the manner IPO suggests will curtail unjustified litigation, possibly including the vast majority of pending actions brought by *qui tam* plaintiffs. But the Rule 9(b) requirements setting the threshold required to plead any action sounding in fraud properly balances the interest of all parties and the public. False marking cases should not be an exception. Rule 9(b) properly protects defendants from speculative, costly and reputation-damaging assertions of fraud, while permitting actions to proceed where the plaintiff truly can plead specific facts demonstrating a sound basis for those assertions. Comparing harm to the public caused by false patent marking against the need to

deter a flood of unsupported, costly and time-consuming litigation accusing hundreds of U.S. companies of what amounts to criminal misconduct, Rule 9(b) strikes the appropriate balance by requiring these cases to be pled with the same particularity as any other fraud case.

CONCLUSION

For the foregoing reasons, IPO respectfully requests that the Court issue a writ of *mandamus* to the United States District Court for the Northern District of Illinois vacating the district court's denial of Petitioner's motion to dismiss and setting forth the pleading requirements necessary to state a claim for false patent marking under 35 U.S.C. § 292(b) in accordance with the views IPO has expressed.

Respectfully Submitted: 
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APPENDIX

APPENDIX¹

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**United States Court of Appeals
for the Federal Circuit**
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-----)
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October 1, 2010

