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alert

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District Court Finds Qui Tam Provision of Patent Marking Statute Unconstitutional, Casting Doubt on Viability of Claim

In the latest high-profile development on the false patent marking front, Judge Dan Polster of the Northern District of Ohio has held that the *qui tam* provision of the patent marking statute, 35 U.S.C. § 292(b), is unconstitutional. *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, No. 5:10-CV-01912, 2011 WL 649998 (N.D. Ohio Feb. 23, 2011).

Background

The patent marking statute, 35 U.S.C. § 292, prohibits falsely marking an article with a patent number for the purpose of deceiving the public. It further imposes a fine of "not more than $500 for every such offense," and, in the controversial *qui tam* provision, states 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." Since the Federal Circuit held in *Forest Group, Inc. v. Bon Tool Company*, 590 F.3d 1295 (Fed. Cir. 2009), that the fine applies per each individual item falsely marked, many hundreds of cases have been filed by *qui tam* relators seeking to cash in. Various challenges have been made to the patent marking statute, and the proposed Patent Reform Act of 2011 (S. 23) would eliminate the *qui tam* provision altogether, allowing suit only by the government for penalties or by a competitor for damages.

Decision

Hy-Grade involved a *qui tam* relator who had brought many false marking suits, including more than two dozen in the Northern District of Ohio alone. At the court's suggestion, the parties briefed the issue of whether the patent marking statute comports with the Take Care Clause of the U.S. Constitution; the Department of Justice was notified but did not intervene. Judge Polster held that the *qui tam* provision does violate the Take Care Clause, which provides that the president "shall take Care that the Laws be faithfully executed." U.S. Const. Art. II § 3. Unlike the enforcement provision of the False Claims Act, a *qui tam* act that has withstood repeated challenge, Judge Polster held that the patent marking statute fails to give the government sufficient control over the prosecution of false

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marking claims brought in its name, because they can be filed without any approval from or notice to the Department of Justice and in fact can be settled before the U.S. Patent Office is even notified that a patent suit has been filed. Reasoning that the *qui tam* provision of the statute "essentially represents a wholesale delegation of criminal law enforcement power to private entities, with no control exercised by the Department of Justice," the court dismissed the case with prejudice.

What This Means for You

The rise of a "cottage industry" of false marking suits foretold by the Federal Circuit in *Bon Tool* has met resistance, both in the courts, where cases have largely stalled or failed, and in the Congress, where there are ongoing efforts to change the law. Unless and until the floodgates are firmly closed, either by the courts or by Congress, *qui tam* relators are likely to continue to bring false marking claims. There is, however, a case already pending before the Federal Circuit, *United States ex rel. FLFMC, LLC v. Wham-O, Inc.*, No. 2011-1067, in which Wham-O is challenging the constitutionality of the patent marking statute under the Take Care Clause, which was not decided by the district court. The outcome of that case may resolve the issue more quickly than any appeal of *Hy-Grade*. In the meantime, the decision in the *Hy-Grade* case is likely to slow considerably the pace of litigation, and more potential plaintiffs may choose to wait until the threshold constitutional question is resolved. While the *Hy-Grade* decision is not binding on other federal courts, it may make judges more receptive to the constitutional challenge. Alternatively, however, many courts may simply choose to stay false marking cases in anticipation of the Federal Circuit's resolution of the constitutional issue, just as they did in anticipation of that court's decision on a constitutional standing question in *Stauffer v. Brooks Brothers, Inc.*, 619 F.3d 1321 (Fed. Cir. 2010). While all this uncertainty continues, the best approach remains to take appropriate advice to ensure compliance with the patent marking statute in the first place.

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