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Federal Circuit Applies Heightened Pleading Requirements To False Patent Marking Claims

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Today, the Federal Circuit issued its decision in *In re BP Lubricants USA Inc.*, Misc. Dkt. No. 960 (Fed. Cir. 2011), holding that the heightened pleading requirements for fraud and mistake apply to false patent marking claims. In particular, the court found that "Rule 9(b)'s particularity requirement applies to false marking claims and that a complaint alleging false marking is insufficient when it only asserts conclusory allegations that a defendant is a 'sophisticated company' and 'knew or should have known' that the patent expired." *BP Lubricants*, slip op. at 2.

Background

The false patent marking statute, 35 U.S.C. § 292(a), provides, in part, "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 . . . [s]hall be fined not more than $500 for every such offense." In *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), the Federal Circuit interpreted this statute to mean that the penalty of up to $500 could be assessed on a "per article" basis.

In *BP Lubricants*, Thomas A. Simonian filed a complaint in the Northern District of Illinois against BP Lubricants USA Inc. alleging false marking of its motor oil products with an expired patent. *BP Lubricants*, slip op. at 3. The complaint alleged that (1) BP knew or should have known that the patent expired; (2) BP is a sophisticated company and has experience applying for, obtaining, and litigating patents; and (3) BP marked its products with the patent numbers for the purpose of deceiving the public and its competitors into believing that something contained or embodied in the products is covered or protected by the expired patent. *Id.*

BP moved to dismiss the complaint, claiming that it did not meet the requirements of Fed. R. Civ. P. 9(b), which requires, "In alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake." The district court denied BP's motion to dismiss, finding that the complaint complied with Rule 9(b). *Id.* at 4. BP, in turn, petitioned the Federal Circuit for a writ of mandamus directing the district court to grant its motion to dismiss. *Id.* at 2.

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The Federal Circuit first addressed the threshold question of whether Rule 9(b)'s particularity requirement applies to false patent marking claims, an issue of first impression. *Id.* at 5. Here, the Federal Circuit noted that Rule 9(b) applies to "all cases sounding in fraud or mistake." The Court also

noted that other courts had applied Rule 9(b) for analogous claims brought under the False Claims Act. *Id.* at 5-6. Accordingly, the Federal Circuit saw "no sound reason to treat [false patent marking] actions any differently." *Id.* at 6.

Next, the Federal Circuit addressed the appropriate standard for the heightened pleading requirements of Rule 9(b). Here, the court rejected the district court's reliance on the general allegation that "BP knew or should have known that the patent had expired," and stated that, for cases involving fraud or mistake, "'our precedent, like that of several regional circuits, 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.'" *Id.* at 7 (quoting *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009)). Although *Exergen* had dealt with the pleading requirements for inequitable conduct, the court now held that "Exergen's pleading requirements apply to ***all*** claims under Rule 9(b)." *Id.* (emphasis added).

Applying the heightened pleading requirements to the case at bar, the court found the complaint to be deficient "[b]ecause [it] provided only generalized allegations rather than specific underlying facts from which we can reasonably infer the requisite intent[]." *Id.* at 8. Here, the court rejected Simonian's arguments that (1) asserting "BP is a 'sophisticated company and has experience applying for, obtaining, and litigating patents' is enough under Rule 9(b);" (2) "false marking inherently shows scienter;" and (3) "false marking is 'anonymous' and is not an individualized fraud." *Id.* at 8-9. Accordingly, the Federal Circuit granted, in part, the petition for a writ of mandamus and directed the district court to dismiss the complaint with leave to amend. *Id.* at 11.

False Patent Marking Legislation

Currently, anyone can sue a company for false patent marking on behalf of the U.S. *See* 35 U.S.C. § 292. However, Congress is considering patent reform legislation that includes a revision of the false patent marking statute. In particular, the bill establishing the America Invents Act, which the Senate passed on March 8, 2011, contains language that would limit false patent marking claims to being brought by the United States and also limits private causes of action to someone "who has suffered a competitive injury" from false marking. S. 23, 112th Cong. § 2 (2011). For the complete text of this bill, click here.

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