

**Keywords:** false marking; 35 U.S.C. § 292; unpatented article; intent to deceive; offense

**General:** The Federal Circuit holds that (a) products marked with expired patent numbers are “unpatented” articles under 35 U.S.C. § 292 and therefore falsely marked, and (b) such marking with knowledge that the patent is expired creates a rebuttable presumption of “intent to deceive the public.” However, this presumption is “weak” and can be easily rebutted.

*Pequignot v. Solo Cup*

No. 2009-1547 (Fed. Cir. June 10, 2010)

**I. Facts**

Two patents owned by Solo Cup were at issue: a 1976 patent for a plastic cold drink cup lid (the ‘797 patent), and a 1986 patent covering a plastic hot drink cup lid (the ‘569 patent). Solo marked both products with their respective patent numbers. The ‘797 patent expired in 1988, and the ‘569 patent expired in 2003.

The patent numbers were added to the mold cavities in the thermoforming stamping machines that produce the cup lids. The machines produce a new lid every 4-6 seconds, and each lid has the respective number stamped on it. The molds can last 15-20 years, and sometimes longer.

The “false marking” statute, 35 U.S.C. § 292 provides:

(a) . . . 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 the same is patented, *for the purpose of deceiving the public* . . . [s]hall be fined not more than \$500 *for every such offense*.

(b) Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.

In 2000, Solo became aware it was marking its lids with an expired patent number, the ‘797 patent. Solo consulted outside counsel who responded with the following:

When a patent expires you don’t have to take the old number off. . . . However, it appears [false marking] liability hinges on “intent to deceive the public.” Best case scenario is to remove the number, if possible. If not, it is important that Solo not further any unintentional falsity in product literature or the like. If you want to discuss, please give me a call.

Based on this advice, Solo decided that when the mold cavities needed replacement due to wear or damage, the new molds would not include the expired patent marking. Solo indicated to its attorneys that a wholesale replacement of the mold cavities would be costly and burdensome. Solo’s attorneys concluded that Solo’s policy was permissible under § 292. Solo continued to use the molds with the expired patent numbers up until at least the date of the district court decision (August 2009).

In 2004, based on outside counsel advice, Solo added the following language to some of its packaging: “This product may be covered by one or more U.S. or foreign pending or issued patents. For details, contact [www.solocup.com](http://www.solocup.com).” (hereinafter, the “may be covered” language). The outside attorneys were concerned that Solo was not giving adequate notice to potential

infringers pursuant to the marking statute. This language was placed on packaging for patented and not patented products. Solo's attorney testified that she believed this language was not false marking even if placed on packaging for unpatented products. During the pendency of the case, Solo removed the language because they were reaping no benefits from it and wanted to avoid further lawsuits.

In 2007, Pequignot, a licensed patent attorney, brought a *qui tam* action under § 292 in the Eastern District of Virginia alleging: a) Solo had falsely marked its products with the '797 and '569 patent number for the purpose of deceiving the public; and b) Solo marked its packages with the "may be covered" language despite knowing that the products were not covered by any pending or issued patents. Pequignot accused Solo of falsely making over 21 billion articles and sought \$500 per article (over \$10.5 trillion).

In March 2008, the district court denied Solo's motion to dismiss and found that the marking of expired patent numbers and marking with the "may be covered" language could legally constitute "false marking." The court reasoned that the subject matter of an expired patent was "unpatented" because it was in the public domain. The court further cited the potential harm such markings impose, such as deterring potential competition.

In August 2009, the district court granted summary judgment to Solo, finding no intent to deceive. The court relied on *Clontech Labs, Inc v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir., 2009), as holding that false marking, combined with knowledge of its falsity, creates a rebuttable presumption of intent to deceive. When the false markings at issue are expired patent numbers, the *Clontech* presumption is weaker because the possibility of actual deceit and the benefit to the false marker are diminished. The court found that Solo, relying in good faith on the advice of counsel and acting out of a desire to reduce costs and business disruption, had successfully rebutted the presumption of intent to deceive. The court similarly found Solo had rebutted the presumption with respect to the "may be covered" language, even though Solo had knowingly placed the language on products never covered by a patent. Finally, the district court granted summary judgment for Solo on the meaning of "offense" (finding only 3 "offenses") despite having already granted summary judgment of no liability.

Pequignot timely appealed.

## II. Issues

- A. Did the district court correctly determine that an item marked with an expired patent is an "unpatented article" within the meaning of the statute?
- B. Did the district court correctly determine that Solo's marking of the expired patent number or the "may be covered" language was not with the "purpose of deceiving the public"?
- C. Did the district court correctly interpret the term "offense" within the meaning of the statute?

## III. Discussion

A. Yes. The Federal Circuit held that the district court and Pequignot were correct in that an article no longer protected by a patent is not "patented," and is more aptly described as "unpatented." In this situation, the public need not fear an infringement suit any more than if the article were never patented. The appeals court found unpersuasive an argument by Solo based primarily on legislative history. Solo contended that in 1860, Congress rejected an amendment to § 292 that arguably would have made the statute apply to expired patents by changing the word "unpatented" to "not at the time secured by a patent." The appeals court dismissed this argument

because of the expansiveness of the 1860 bill and difficulty in determining the basis for Congress' rejection.

B. Yes. The Federal Circuit held that Solo successfully rebutted the presumption of intent to deceive. The presumption was created when Solo printed expired patent numbers on its products with the knowledge that the patents were expired. Pequignot argued that intent to deceive is proven if it is shown that Solo's statements were false and that Solo knew they were false. However, the appeals court agreed with Solo that the presumption of intent to deceive is not irrebuttable. It is rebuttable with evidence of good faith, such as, reliance on advice of counsel and desire to reduce costs and business disruption.

The Federal Circuit set the bar for deceptive intent with respect to false marking particularly high. Since the statute requires the false marker act for the "purpose of deceiving the public," a purpose of deceit, rather than simply knowledge that a statement is false, is required. The appeals court elaborated that the false marking statute is criminal (despite being punishable with only a civil fine) and there is a distinction criminally between the mental states of "purpose" and "knowledge." A person acts purposefully if he *consciously desires* that result, whatever the likelihood of that result happening from that conduct. A person acts knowingly if that result is practically certain to follow from his conduct, whatever his desire may be as to that result. So, mere knowledge is insufficient without a conscious desire to deceive. The court concluded that Solo provided credible evidence that its purpose was not to deceive the public with either the patent markings or the "may be covered" language.

C. No. The Federal Circuit held that each item produced was an "offense" under the statute and pointed to their previous holding in *Forest Group v. Bon Tool*, 590 F.3d 1295 (Fed. Cir. 2009), which issued after the district court granted summary judgment. *Forest Group* held that every falsely marked product constituted an "offense" under § 292. Therefore, the district court finding that there were only 3 offenses was incorrect.

#### IV. Conclusion

The Federal Circuit affirmed the district courts findings in all aspects except for the determination of what constitutes an "offense." First, a patented article is "unpatented" once the associated patents expire. Next, the Federal Circuit held that a rebuttable presumption of intent to deceive is created when a manufacturer prints expired patent numbers on its products with knowledge that the patents are expired. However, this presumption is fairly weak and can be easily rebutted. Specifically, the presumption was rebutted by good faith reliance on the advice of counsel and a desire to reduce business costs and disruption. Finally, the court reiterated a recent decision in *Forest Group* whereby each falsely marked article is an "offense" for purposes of damages under § 292.