

Advisory

JULY 2010

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False Marking: A Trap for the Unwary

On June 10, 2010, the Court of Appeals for the Federal Circuit (CAFC) held in *Pequignot v. Solo Cup Co.*, Fed. Cir. No. 2009-1547, that Solo Cup had no intent to deceive the public by marking plastic cups and lids with expired patents. Although the ruling turned on the lack of intent to deceive, this case teaches that expired patents must be removed from products and product labels in order to avoid misleading the product purchaser into believing that that patent is still in force, and to avoid false marking allegations.

BACKGROUND AND COURT DECISION

Patent owners often mark their products with a patent number to put the public on notice that the product has legal protection. The marking statute, 35 USC §287, specifies that a patent owner seeking damages must give notice to an infringer that the product is subject to patent protection, so marking patented products is good practice. But when the patent covering a marked product expires or lapses, the false marking statute, 35 USC §292, comes into play. This statute provides that marking an unpatented product “with intent to deceive the public” is a criminal offense punishable by a fine of \$500 for every such offense. Thus, on the day the patent expires, the message conveyed by marking the product - “This product is protected by a patent” - is no longer accurate.

Solo Cup makes hot and cold drinking cups and lids. A patent number was molded into each article, so that the marking actually became part of the product. On advice of counsel as well as consideration of the high cost to cast new molds, Solo continued to use these molds after the patents expired to produce over 21 billion articles. Plaintiff Matthew Pequignot sued Solo in the District Court for the Eastern District of Virginia under 35 USC §292, alleging that Solo falsely marked its products for the purpose of deceiving the public, despite knowing that the patents had expired. Plaintiff argued that since each article was separately marked, each article represented one offense. At \$500 per offense, Pequignot claimed that Solo was liable for over \$5 trillion.

The District Court granted summary judgment to Solo Cup, holding that Solo had successfully rebutted any inference of intent to deceive the public. Plaintiff appealed the District Court’s decision. The Federal Circuit affirmed the District Court’s holding that articles marked with expired patent numbers are indeed falsely marked, just as if the articles had never been patented. The Court explained that the combination of a false statement (the false marking) and knowledge that the statement was false creates a rebuttable presumption of intent to deceive the public. Thus, Solo was required to rebut the presumption and show, by a preponderance of the evidence, that it did not have an intent to deceive.

Solo overcame the presumption by demonstrating that it had relied on advice of counsel that it could continue to use the old molds, since the lids previously had been covered by the patents and changing the molds would be costly and burdensome. Solo also argued that it showed good faith by adopting a policy of replacing worn out molds with unmarked molds, and that customers could contact Solo directly for more information about their patents. The Court agreed with Solo that its true intent was to reduce costs and business disruption, rather than deceive the public.

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BEST PRACTICES

In spite of this decision, a patent owner's lack of intent to deceive the public cannot be relied upon as a proper basis to ensure avoidance of liability for false marking after a patent expires or lapses. Accordingly, plans should be made in advance to address the marking issue once the patent expires. Patent owners should implement a patent expiration notification policy for its products to ensure that key employees are aware of patent expirations for their products and take appropriate action to remove patent markings from those products and labels in order to avoid false marking claims. Patent counsel can provide information to patent owners on exactly when the patents expire or are allowed to lapse. In short, a patent owner learning from Solo's experience will put a lid on false marking liability by having a plan, ready to implement on the expiration date, for removing its product marking.

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