



IP: Return of the Son of the Bride of Falsemarking-stein!

RECENT FEDERAL COURT DECISION MAY BRING BACK PATENT MARKING TROLLS

Let's start with a quiz for you horror film buffs: What do *Frankenstein*, *Bride of Frankenstein* and *Son of Frankenstein* have in common? That's right: each movie ends with the monster dying, like monsters always do at the end of a movie, only to come back for more mayhem in the next.

Unfortunately, sometimes life imitates art. If you hoped that false marking trolls were (figuratively speaking) burned up, staked through the heart and/or shot with a silver bullet following the passage of the [America Invents Act](#) (AIA) last September, don't look behind you: They might be back (with a twist), at least if a recent federal court decision gains traction.

Before we get to the case itself, let's review the three major ways in which the AIA amended 35 U.S.C. § 292 to address the [startling proliferation](#) of false marking suits following the decision in *Forest Group, Inc. v. Bon Tool Co.*:

1. The AIA amended § 292(a), which provides for fines of up to \$500 per false marking offense, such that

only the U.S. could sue under it. (Previously, 35 U.S.C. § 292(b) had provided that "any person" could sue under § 292(a) and split the take 50-50 with the federal government.)

2. Section 292(b) was amended to provide that only those who have suffered "a competitive injury" as a result of false marking could sue in federal court, and then only to recover "damages adequate to compensate for the injury."

3. The AIA enacted § 292(c), which provides that marking a product with an expired patent number does not violate § 292(a). The foregoing provisions apply to all suits pending or filed after the AIA's enactment.

Unfortunately, even though you may have thought these amendments were fire, wooden stake and silver bullet to patent marking trolls, the monsters may yet rise again in light of an order in [Sukumar v. Nautilus, Inc.](#)

In *Sukumar*, the plaintiffs (who I do not insinuate are trolls, by the way) brought false marking

allegations against Nautilus, which obtained a stay based in part on the then-pending AIA. Following its passage, the plaintiffs amended their complaint to allege bad faith on the part of Nautilus, that they had suffered a competitive injury and violations of various state false advertising and unfair competition laws. Nautilus responded with a motion to dismiss the latter on the grounds that they were preempted by federal law.

The district court treated all the state law claims similarly for purposes of the preemption analysis. After noting the general presumption against federal preemption of state law claims, the court analyzed the three types of preemption recognized by the Supreme Court—express, field and conflict—concluded that none of them applied, and so denied Nautilus's motion:

1. The court found no express preemption since there is no express preemption clause regarding false marking suits in the AIA or elsewhere in the Patent Act.

2. There was no field preemption since, the court said, Congress had not expressed an intent to completely occupy the field of false marking or unfair competition, even with the passage of the AIA (which the court found was chiefly focused on instituting the first-to-file system and, with regard to false marking, eliminating the qui tam remedy).

3. The court found no conflict preemption between state law and the federal false marking statute, either directly or indirectly. There was no direct conflict, the court reasoned, even though each state and federal law provides for “different elements and relief,” since concurrent regulation of economic activity by the states and federal government was common, and Nautilus could comply with both state and federal law. Importantly, the court noted that federal precedent barred state unfair competition claims based on false marking absent an allegation of bad faith, but that the plaintiffs had so alleged.

Nor was there indirect conflict, since the state unfair competition law claims did not present an obstacle to Congress’s intent in passing the false marking provisions of the AIA, which the court found was primarily to eliminate qui tam cases brought on the basis of expired patents (especially since the plaintiffs were competitors of Nautilus, not “unrelated, private third parties,” and did not seek

liability on expired patents).

In conclusion, to [paraphrase Mark Twain](#), the reports of the death of false marking trolls may be exaggerated. True, the reforms have eliminated the threat of fines [potentially running into the trillions of dollars](#) but, given that patent litigation is still expensive in its own right, false marking trolls, like their patent-owning brethren, may still find profitable employment in false marking claims disguised in state consumer protection lawsuits, at least if the court’s reasoning in *Sukumar* proves persuasive elsewhere. If so, at least they won’t be quite as monstrous.

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