

Trolling for Dollars – Part 2

by Donald W. Rupert

In a recent article, we described a number of lawsuits that allege violations of the patent false marking statute, 35 U.S.C. § 292. See “Trolling for Dollars: A New Threat to Patent Owners,” *Intellectual Property & Technology Law Journal*, Vol. 21, No. 3, March 2009, 1-5 (the “Trolling article”). That statute makes it illegal to mark a product or its advertising with: (i) the word “patent” or any word or number connoting a patent when there is no patent covering the product, or (ii) the words “patent applied for,” “patent pending” or words suggesting that a patent application has been filed for the product when no application was filed or remains pending, if any such marking was done to deceive the public. Violations of this statute carry a penalty of not more than \$500 for every such offense. The statute also provides a private right of action, permitting “any person” to sue for the penalty. If the suit is successful, the plaintiff splits the recovery with the U.S. Government 50/50.

Although § 292 has been the subject of litigation between competitors for some time, use of the statute has taken on a new twist over the last several years. In the article mentioned above, we identified five cases, seeking recovery under the statute, that were filed by individuals who owned no patents and were not otherwise competitors of the defendants; rather, the plaintiffs in those cases are patent attorneys. These individuals work to locate products that are marked with patent numbers and then investigate whether the patent claims actually cover the products so marked. If they conclude that the patents are expired or do not cover the products, lawsuits are then filed to claim the \$500 penalty for each “false marking” offense. Since that article, we have become aware of four additional cases, summarized below. This use of § 292 may be the harbinger of a new wave of patent trolling.

All nine of these § 292 suits share some common themes:

1. The plaintiffs are either individuals or entities that appear to have been set up solely for the purpose of bringing suit.
2. The defendants manufacture the identified products in large numbers. For example, one product at issue in the *Solo Cup* case summarized in the Trolling article is a coffee cup lid that is used by Starbucks for its disposable coffee cups. The water heaters in the *A.O. Smith* case, discussed below, are sold by major retailers and comprise hundreds of different models.
3. The plaintiffs appear to spend substantial time investigating the defendants’ products and the patent status before bringing suit. This is seen from the sheer number of counts in the *Brule Research* case, summarized below.
4. Currently there are a few attorneys who are handling these cases: James Harrington and his firm, The Harrington Practice PLLC, have worked on 3 of the cases; attorney Raymond Stauffer is representing himself; and the ZuckermanSpaeder firm is handling 5 cases.

Additional False Patent Marking Lawsuits

The North Carolina Farmers Assistance Fund, Inc. v. Monsanto Company; Monsanto Technology, LLC; Asgrow Seeds, Inc.; Pioneer Hi-Bred International, Inc.; Crop Production Services, Inc.; Delta & Pine Land Company; and Dow Agrosciences, LLC, Case No. 08-cv-409, filed June 17, 2008, Middle District of North Carolina

Summary: The plaintiff was incorporated in North Carolina as a charitable or religious organization, allegedly for the purpose of “supporting small, independent, family farming operations in North Carolina.” Plaintiff was formed by James Harrington, a patent attorney, who was also counsel of record when the case was filed. Mr. Harrington was the plaintiff in two of the cases reported in the Trolling article. In this case, plaintiff asserts that soybeans used as seeds are being sold as herbicide-resistant (Roundup Ready® soybeans) even though the seeds are not covered by the patent that is marked on packages of them.

Heathcote Holdings Corp., Inc. v. Church & Dwight Co., Inc., Case No. 08-cv-349, filed September 12, 2008, Eastern District of Texas

Summary: Plaintiff Heathcote was incorporated in Illinois. Heathcote was formed by a patent attorney, whose private residence is also the company’s principal place of business. Plaintiff asserts that Church & Dwight is: (i) selling products that are identified with patent numbers that do not cover the products, (ii) marking products with the designation “patent pending” when there are no pending applications directed to the products, and (iii) marking patent numbers on products when the patents contain method claims only. The products include teeth whiteners, shower cleaning liquids and hair removal products.

Brule Research Associates Team L.L.C. v. A.O. Smith Corporation and A.O. Smith Water Products Company, Case No. 08-cv-1116, Eastern District of Wisconsin, filed September 19, 2008

Summary: Brule is a Virginia corporation having as its sole member a Wisconsin attorney. Initially, this case was filed in the Eastern District of Virginia but was transferred to the Wisconsin court. In a 15,753 count complaint, Brule alleges that hundreds of electric, natural gas, and propane water heaters are: (i) marked with the numbers of expired patents, (ii) marked “patent pending” without an patent application actually pending, and (iii) marked with patent numbers where the patents do not cover the products.

Raymond E. Stauffer v. Brooks Brothers, Inc., and Retail Brand Alliance, Inc., Case No 08-cv-10369, Southern District of New York, filed December 1, 2008

Summary: Pro se plaintiff Stauffer, a New Jersey patent attorney, alleges that bow tie clips incorporated into bow ties sold by defendants are marked with the number of an expired patent. Defendants have asserted that the clips were acquired from a third party who marked them with that patent number.

Comments

In the cases reported in the Trolling article, the defendants have argued that the plaintiffs lack standing and that § 292 is unconstitutional. Recently, the *Solo Cup* court decided a motion to dismiss that was premised on each argument. *Pequignot v. solo Cup Company*, Case No. 07cv897, E.D. Vir., decided March 27, 2009.

The court held that even though § 292 gives “any person” the ability to sue under that statute, plaintiff Pequignot did not have standing as an Article III traditional plaintiff because he did not suffer an injury in fact, as required by *Vermont Agency of Natural Res. V. United States ex rel. Stevens*, 529 U.S. 765, 771 (2000). However, the court held that Pequignot had standing as a *qui tam* relator under the doctrine of assignment because the statute can be considered as a partial assignment to him of the government’s damages claim.

On the constitutional issue, the court concluded that the statute does not violate constitutional the separation of powers. In particular, the court held that the government has the ability to assert its interests in any § 292 action and intervene in the case. This provides the government with some level of executive control over the case and that is sufficient to comply with the separation of powers doctrine.

The existence of these cases highlights the need for companies to have procedures in place to ensure that their products are actually covered by the patents whose numbers are marked on them and that they have pending patent applications when the patent pending designation is used. These procedures ideally would also involve routine review of the status of patents and applications so that appropriate modifications to any patent marking label could be made in a timely fashion. Additionally, while it is not clear if § 292 applies to marking a product with an expired patent number, that point is at issue in a number of these cases. Thus, companies should review their marking procedures with expired patents in mind.

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