

# CLIENT ALERT

## *Pequignot v. Solo Cup Co.* Provides Additional False Marking Guidance

June 22, 2010

### Executive Summary

On June 10, 2010, the Court of Appeals for the Federal Circuit (Federal Circuit) issued a decision in *Pequignot v. Solo Cup Co.*, the latest decision in a series of false marking cases appealed to the Federal Circuit. Recently, in another false marking case, *Forest Group, Inc. v. Bon Tool Company*, ([click here](#) for our client alert on this case,) the Federal Circuit held that each falsely marked article constitutes a separate offense; thus, penalties for false marking are to be assessed on a per-article basis. That decision triggered the filing of a large number of false marking complaints in the courts.

The ruling in *Solo Cup* further clarifies the Federal Circuit's interpretation of the false marking statute. According to this ruling, a finding of false marking requires proof that the offending party falsely marked *with an intention to deceive the public*. Although this heightened standard may make it easier to rebut a claim of false marking, the potential remains for large judgments to be awarded when the required intent can be shown. Thus, there remains some incentive for parties to file false marking complaints.

### Background

The Solo Cup Company (Solo) manufactures disposable tableware such as cups, lids, utensils, and plates. Solo owned patents with claims covering their plastic cup lids and imprinted the patent numbers onto the lids using molds that last up to 20 years and can cost as much as \$500,000 to replace. Solo's patents covering the lids expired before the molds wore out, and Solo sought an opinion from its patent counsel regarding its continuing marking with the expired patent numbers.

Based on advice of counsel, Solo enacted a policy stating that when it was time to replace the molds, the new molds would not include the expired patent numbers. Solo also changed some product packaging to indicate that the product "may be covered by one or more U.S. or foreign pending or issued patents" and stated on the packaging that details were available on Solo's website.

In 2007, patent attorney Matthew A. Pequignot identified expired patent numbers imprinted on Solo lids and filed a false marking claim against Solo in district court. The suit alleged that Solo had knowingly falsely marked products with expired patent numbers using the lid molds and by using "may be covered" language in packaging. Pequignot asserted that Solo falsely marked over 21 billion articles and sought a penalty of \$500 per article.

The district court ruled in favor of Solo, holding that although Solo had falsely marked products, the company's reliance on the advice of counsel and use of commercially reasonable marking strategies was sufficient to rebut the presumption of intent to deceive the public. Pequignot appealed to the Federal Circuit.

### **Federal Circuit's Decision**

On appeal, the Federal Circuit reaffirmed its prior holding that penalties for false marking are to be assessed per article. The Federal Circuit ruled in favor of Solo and affirmed the district court's identification of actions that may constitute false marking and agreed that intent to deceive the public with false marking is a rebuttable presumption. According to the decision:

- Marking with expired patent numbers, or language such as "may be covered" by one or more patents, when a product is not covered by an in-force patent, may constitute false marking
- Good faith reliance on an opinion of counsel and use of commercially reasonable manufacturing practices can be sufficient to rebut a presumption of an intent to falsely mark

Based on the false marking statute, a finding of false marking requires two elements: (1) marking of an unpatented article, and (2) intent by the party to deceive the public. The *Solo Cup* decision provides guidance relating to both elements.

According to the Federal Circuit, an article covered only by an expired patent is an unpatented article. Therefore, marking with an expired patent number (including continuing to sell a product marked with a number of a patent that has since expired) can constitute false marking. The Federal Circuit also agreed with the district court's holding that marking an article with language such as "may be covered by a patent" can constitute false marking. However, the Federal Circuit commented that it is "highly questionable" whether intent to deceive the public could be demonstrated with such a marking.

To satisfy the "intent to deceive" requirement, the Federal Circuit held that it is not sufficient to demonstrate that a party intended to falsely mark or had knowledge that products were falsely marked. Satisfaction of the statutory element of intent requires evidence that the party intended to deceive the public with its false marking. The court held that factors such as good faith reliance on the advice of counsel regarding patent marking and following commercially and financially reasonable manufacturing practices with respect to marking products can be sufficient to rebut a presumption of intent to deceive the public.

The *Solo Cup* decision also reiterated the Federal Circuit's ruling in *Forest Group*, which held that every falsely marked product is to be considered a separate offense and that the

statutory fine of not more than \$500 per false marking offense is to be assessed on a per-article basis.

## Effect on Current Practice

The *Solo Cup* decision provides additional guidance for implementing marking practices that comply with the false marking statute. The Federal Circuit's finding of a requirement of intent to deceive the public may make it easier to rebut a claim of false marking. Commercially reasonable steps taken to maintain accurate marking can help reduce risk of a false marking judgment.

Care should always be taken to determine which patent numbers to mark on a given product and when to mark "patent pending" on a product. Where it is commercially reasonable to do so, it may be advisable to remove a patent number or "patent pending" from a product or notice listing upon the expiration of the patent or the application.

It may also be advisable to monitor product literature and advertising media to maintain accurate marking information. Because updating print and electronic media may be easier and less costly than revising the physical marking of a product or packaging, a commercially reasonable marking practice may include a shorter timeframe for updating media and literature marking references, and a longer timeframe for updating marking of actual products or packaging.

Preparing and documenting a plan to update product marking and related media in a commercially reasonable manner and time period may help avoid a future finding of intent to deceive the public if an article is falsely marked. Obtaining an opinion of counsel regarding marking practices may also help counter an assertion of intent to deceive.

Based on the guidance provided by the Federal Circuit in the *Forest Group* and *Solo Cup* decisions, patent holders and manufacturers that mark products may be able to reduce their financial risk and potential liability with steps such as:

- Reviewing claim coverage before initial marking to assure there is justification for listing each patent
- Monitoring application status and patent expiration dates
- Reassessing claim coverage when a product is modified or there is litigation resulting in a claim construction ruling
- Preparing and documenting a plan to update product marking and related media in a commercially reasonable manner and timeframe
- Obtaining and relying on an opinion of counsel
- Utilizing commercially reasonable manufacturing practices relating to marking

Such strategies may support a marking practice that remains appropriate as a patent portfolio matures, and can help maximize patent protection and minimize financial risk.

## For Further Information

To read the full Federal Circuit decision in the *Solo Cup* case, [click here](#).

Please contact your [Wolf Greenfield](#) attorney if you would like more information on patent marking and strategies for reducing false marking risk.