

Patent Reform Claims 1st False Marking Suit Victims

By **Ryan Davis**

Law360, New York (September 21, 2011, 1:30 PM ET) -- The patent reform law's tight restrictions on false marking litigation prompted a Texas federal judge this week to throw out several pending suits without waiting for the defendants to even file motions to dismiss.

On Monday and Tuesday, U.S. District Judge T. John Ward of the Eastern District of Texas tossed suits against radio maker Uniden Corp. and other defendants by prolific false marking plaintiffs including Kilts Resources LLC.

"The court has reviewed plaintiff's complaint in light of the new amendments to the law," Judge Ward said in identical orders filed in several suits. "In accordance, the court holds that plaintiff's complaint is dismissed for failure to state a claim."

The Leahy-Smith America Invents Act, signed into law by President Barack Obama on Friday, eliminates the qui tam provision in the false marking statute that previously allowed anyone to file suit on behalf of the U.S. government. Under the new law, only the government and competitors who were injured by the alleged false marking can file suit claiming defendants marked products with incorrect patents.

The law also mandates that marking a product with an expired patent is not a violation of the false marking statute, meaning that only products marked with patents that never covered the item at all count as false marking.

The qui tam provision was used by nearly all of the plaintiffs that have filed false marking suits since a 2009 Federal Circuit ruling expanded the potential damages recoverable under the law. Most of those suits base their claims on expired patents.

The new law applies retroactively, meaning that the suits filed by noncompetitors over expired patents became subject to dismissal as soon as Obama signed the bill.

Judge Ward, whose district is the venue for hundreds of false marking suits, took the initiative to start clearing the suits from his docket even before the defendants moved to have the now-barred claims against them tossed.

On Monday, he dismissed Kilts Resources' suit against Uniden, which was filed in November and claimed that the company marked radios with expired patents. The judge said he was dismissing the case without prejudice should Kilts Resources be able to prove that it suffered a competitive injury and to satisfy the other requirements of the patent reform law.

On Tuesday, Judge Ward issued identical orders dismissing other false marking cases, including suits by Main Hastings LLC against Home Shopping Network Inc. and dog toy maker Nylabone Products and by Patent Group LLC against toolmaker Yeoman & Co.

Meanwhile, in the District of Rhode Island on Tuesday, Judge John J. McConnell Jr. took a more conservative stance, asking the parties in a false marking suit by Promote Innovation LLC against toy maker Little Kids Inc. to weigh in on the patent reform law's implications.

"Each party shall advise the court by Oct. 12, 2011, of the effect of this legislation on the status of this case," Judge McConnell said.

Some legal experts and false marking plaintiffs have publicly stated that they believed the patent reform law's mandated dismissal of pending lawsuits could be an unconstitutional taking of property.

According to Gray on Claims, a blog by Justin Gray of Foley & Lardner LLP that has kept detailed records of false marking litigation, there are about 450 pending false marking suits subject to dismissal under the new law.

Over 1,000 false marking suits have been filed since late 2009, about half of them in the Eastern District of Texas, according to Gray. Over 400 such suits have been settled, resulting in a total payout from defendants of more than \$20 million, or an average of about \$48,000 per settlement, he said.

The false marking plaintiffs at issue in this week's rulings are among the most prolific filers, according to Gray. Patent Group has filed nearly 200 such suits, while Promote Innovation has filed about 70, Main Hastings about 60 and Kilts Resources about 30.

--Editing by Chris Giganti.