

Pequignot v. Solo Cup Co. : Appeals Court Issues Major "False Marking" Decision

In [*Pequignot v. Solo Cup Co.*](#), decided on June 10, 2010, the Court of Appeals for the Federal Circuit affirmed the grant of summary judgment of no liability by the U.S. District Court for the Eastern District of Virginia, which had ruled that Solo Cup lacked the requisite intent to deceive the public when it falsely marked some of its products as protected by U.S. patents. The court affirmed the district court's holding that false marking of a product, with knowledge of the falsity, raises a presumption of intent to deceive the public that can be rebutted by a preponderance of evidence that the accused deceiver acted in good faith.

In September 2007 patent attorney Matthew Pequignot brought a *qui tam* action against Solo Cup under [35 U.S.C. § 292](#), which provides that “(w)hoever marks upon...in connection with any unpatented article, the word ‘patent’ or any word or number importing that the same is patented, for the purpose of deceiving the public...shall be fined not more than \$500 for every such offense.” Solo had been marking cup lids with patent numbers built into the stamping machines used to produce the lids. The part of the machines containing the patent number remained in use after the expiration of the relevant patent in 1988.

In 2000, Solo realized that it had been placing expired patent numbers on its cup lids and sought advice from outside counsel. After some deliberation, and in consideration of the cost and logistical burden of replacing the machine parts, Solo decided not to replace the parts bearing the expired number. A second patent expired in 2003, and Solo adopted the same policy of waiting to replace the part containing the expired patent number. In 2004, on the advice of outside counsel, Solo began placing on its packaging the statement “This product may be covered by one or more U.S. or foreign pending or issued patents. For details, contact www.solocup.com.” Solo included the language on packaging for both patented and unpatented products.

Pequignot alleged that Solo had falsely marked its products for the purpose of deceiving the public when it marked its lids with expired patent numbers and placed the “may be covered” language on the packaging of unpatented items. Pequignot sought the statutory maximum of \$500 per article for each of at least 21,757,893,672 articles—a total fine of \$10,878,946,836,000, half of which would go to Pequignot and half to the United States (as the court noted, this would allow the United States to pay back about 42% of the national debt).

The Federal Circuit agreed with Pequignot that Solo’s products marked with expired patent numbers were falsely marked under 35 U.S.C. § 292. Finding the language of the statute unambiguous, the court saw no need to consult legislative history, presented by

Solo, indicating that Congress did not intend for the statute to apply to marking with expired patent numbers. The court also rejected the district court's statement that marking with expired patent numbers has less potential for harm, reasoning that such marking still imposes on the public the appreciable cost of finding out whether the relevant patents are enforceable.

The Federal Circuit agreed with the district court, however, on the issue of whether Solo had acted for the purpose of deceiving the public. The court approved the district court's interpretation of *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005) as holding that false marking with knowledge of falsity does not prove intent to deceive, but raises a rebuttable presumption of such intent. To hold otherwise would preclude accused parties from presenting evidence that they had no intent to deceive. Noting that the false marking statute is a criminal statute, the court cautioned that the bar for proving deceptive intent is "particularly high." The court acknowledged its established preponderance of evidence standard for proving intent for false marking and reasoned that rebutting the presumption of intent should require no higher burden.

Considering Solo's reliance on counsel, the financial and logistical reasons for continuing to use the expired patent numbers, and the fact that the markings involved expired patents, the court ruled that Solo had successfully rebutted the presumption of intent raised by its knowing use of expired patent numbers. As for the "may be covered" language, the court held that it was inconsistent with an intent to deceive, as it would not deceive the public into thinking that the products were definitely covered by a patent. In any event, Solo's stated good-faith motivation—the avoidance of financial and logistical inconvenience—was sufficient to rebut the presumption of intent to deceive.

Although Solo's lack of intent to deceive rendered moot the question of how many offenses Solo would have committed under the statute, the court indicated that every falsely marked product would constitute an offense. Finding that Pequignot had raised no genuine issue of material fact as to Solo's intent, the court affirmed the district court's grant of summary judgment of no liability.