



ARE Patent Law Alert: Ohio District Court Finds False Marking Statute To Be Unconstitutional

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(February 24, 2011) On February 23, 2011, Judge Polster of the U.S. District Court for the Northern District of Ohio ruled that the so-called *qui tam* provision of the False Marking Statute, 35 U.S.C. § 292(b), which allows “any person” to prosecute a false marking claim on behalf of the federal government, was unconstitutional. *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, No. 5:10-cv-1912 (N.D. Ohio Feb. 23, 2011). The Court held that the False Marking Statute impermissibly delegates law enforcement responsibilities vested in the Executive Branch to the general public and is therefore unconstitutional in view of the Take Care Clause of Article II of the U.S. Constitution.

The False Marking Statute, 35 U.S.C. § 292, requires the assessment of a penalty of up to \$500 for each unit sold that has been falsely marked with a patent number. (Please refer to our January 5, 2009 Alert at www.arelaw.com for further details). The False Marking Statute contains a so-called *qui tam* provision that permits any person to sue for the penalty, provided that one half of the recovery goes to the government. 35 U.S.C. § 292(b).

In *Unique Product Solutions*, in connection with various Rule 12 Motions filed by the Defendant, the Court solicited briefing on the constitutionality of the *qui tam* provision of 35 U.S.C. § 292(b). (Slip op. at 2). The Court determined that the *qui tam* element of the False Marking Statute violates the Take Care Clause of Article II of the U.S. Constitution, which provides that the President “shall Take Care that the Laws be faithfully executed.” U.S. Const. Art. II, § 3. (Slip op. at 13).

In a prior case involving the False Claims Act (which also provides for enforcement by *qui tam* action for fraud committed against the U.S. Government), the Sixth Circuit affirmed the constitutionality of that act, noting that it enabled the Executive Branch to retain “‘sufficient control’ over the relator’s conduct to ‘ensure that the President is able to perform his constitutionally assigned dut[y]’ . . . to take Care that the Laws be faithfully executed.” (Slip. op. at 8 citing *Morrison v. Olson*, 487 U.S. 654, 696 (1988)). .

Applying the “sufficient control” standard to the False Marking Statute, the Ohio Court found that the false marking statute failed to provide the Executive Branch with “sufficient control” over a false marking action and lacked “any of the statutory controls necessary to pass Article II Take Care clause muster.” (Slip op. at 13). The Court was particularly troubled by the fact that the statute enabled any private citizen to file a lawsuit in the name of the United States without prior approval from the Department of Justice or even any duty



to notify the Department, and to litigate the action without any control or oversight by the Department. (Slip op. at 13). The Court further noted that the False Marking Statute does not provide the government with the right to intervene or to limit the participation of the *qui tam* plaintiff, does not provide the government with the right to stay discovery that may interfere with the government's criminal or civil investigations, and does not provide the government with the right to dismiss the action. (*Id.*). Indeed, the *qui tam* plaintiff may settle the case and bind the government without any involvement or approval by the Department. (*Id.*).

For the time being, this ruling only has precedential effect in the Northern District of Ohio and is not binding on any other courts in the country. However, the Ohio Court opinion is unlikely to be the last word on this subject. The Ohio Court noted that while the Federal Circuit has yet to weigh in on the constitutionality of the false marking statute, a pending case before the Federal Circuit, *United States ex rel. FLFMC, LLC v. Wham-O, Inc.* (No. 2011-1067), raises a similar constitutional question. We will continue to monitor this developing area of law and issue further updates as warranted.

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