

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

UNIQUE PRODUCT SOLUTIONS, LIMITED,

Plaintiff,

v.

HYDROHEAT, LLC,

Defendant,

UNITED STATES OF AMERICA,

Intervenor.

OPINION AND ORDER

11-cv-263-bbc

Plaintiff Unique Product Solutions, Limited is suing defendant Hydroheat, LLC under 35 U.S.C. § 292, which prohibits the false marking of a product as patented if it is done “for the purpose of deceiving the public.” In its complaint, plaintiff alleges that a patent defendant owns for heat pumps, U.S. Patent No. 4,856,578, expired in 2008, but defendant has continued to use the ‘578 patent to advertise many of its products on its website and catalog. Although plaintiff does not allege that it is a competitor of plaintiff or was otherwise harmed by any false marking, § 292 allows “[a]ny person” to file a civil law lawsuit against

a violator. See also Stauffer v. Brooks Brothers, Inc., 619 F.3d 1321, 1325 (Fed. Cir. 2010) (“In passing the statute prohibiting deceptive patent mismarking, Congress determined that such conduct is harmful and should be prohibited . . . Because the government would have standing to enforce its own law, Stauffer, as the government's assignee, also has standing to enforce section 292.”).

Two motions are before the court. First, defendant has filed a motion to dismiss the complaint because it does not satisfy federal pleading standards under Fed. R. Civ. P. 9(b) and because § 292 violates constitutional separation of powers principles by taking the executive branch’s law enforcement responsibilities and assigning them to third parties without any oversight. (The United States has intervened in the case to defend the constitutionality of the statute.) Second, plaintiff has moved to stay the case until the Court of Appeals for the Federal Circuit decides the appeals in Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc. (No. 2011-1254), and United States ex rel. FLMC v. Wham-O, Inc., (No. 2011-2067), both of which raise the question whether § 292 is unconstitutional.

I am granting defendant’s motion to dismiss under Rule 9 because plaintiff’s allegations regarding defendant’s knowledge and intent are indistinguishable from those found lacking in In re BP Lubricants USA Inc., 637 F.3d 1307 (Fed. Cir. 2011). Because this conclusion makes it unnecessary to consider the constitutionality of § 292 at this time, I am denying the motion to stay as premature. If plaintiff files an amended complaint that

satisfies the Rule 9 standard as articulated in BP Lubricants, the parties may renew their arguments on the constitutional question then.

OPINION

Because courts should “avoid constitutional questions when an alternative basis of decision fairly presents itself,” Arizona v. Evans, 514 U.S. 1, 33 (1995), I will begin with defendant’s argument that plaintiff’s complaint does not provide adequate notice of the claim. “The two elements of a § 292 false marking claim are (1) marking an unpatented article and (2) intent to deceive the public.” Forest Group Inc. v. Bon Tool Co., 590 F.3d 1295, 1300 (Fed. Cir. 2009). Defendant does not challenge the sufficiency of the complaint with respect to the first element, but argues that plaintiff failed to plead enough facts to support the second element.

There is some question in the briefs whether the pleading standard for a claim under § 292 is governed by Fed. R. Civ. 8 or Fed. R. Civ. P. 9. That question was resolved in In re BP Lubricants USA Inc., 637 F.3d 1307, 1311 (Fed. Cir. 2011), in which the court held that § 292 must be pleaded with particularity under Rule 9.

I conclude that BP Lubricants requires dismissal of the complaint. In that case, the court found the allegations lacking because the plaintiff “provided only generalized allegations rather than specific underlying facts from which we can reasonably infer the

requisite intent.” Id. at 1312. In particular, the plaintiff simply alleged without elaboration that the defendant “knew” that the patent expired. Id. at 1311. This was not enough because “a complaint must in the § 292 context provide some objective indication to reasonably infer that the defendant was aware that the patent expired.” Id.

It is the same in this case. Plaintiff alleges in conclusory fashion that “[d]efendant knew that the ‘578 Patent expired at least as early as 2008,” Cpt. ¶ 35, dkt. #1, but plaintiff does not include any “specific underlying facts” to support that conclusion. Although one could argue that it is reasonable to infer that a patent owner generally is aware of the expiration of its own patent, the court rejected this view in BP Lubricants, 637 F.3d at 1312, even with respect to a “sophisticated company [that] has experience applying for, obtaining, and litigating patents.” The court also rejected arguments similar to those that plaintiff raises in its brief that it is reasonable to infer knowledge and intent from false marking alone, at least at the pleading stage, because of the rebuttable presumption that applies under § 292. Pequignot v. Solo Cup Co., 608 F.3d 1356, 1362–63 (Fed. Cir. 2010) (“[T]he combination of a false statement and knowledge that the statement was false creates a rebuttable presumption of intent to deceive the public, rather than irrebuttably proving such intent.”). The court stated: “That relator pled the facts necessary to activate the Pequignot presumption is simply a factor in determining whether Rule 9(b) is satisfied; it does not, standing alone, satisfy Rule 9(b)'s particularity requirement.” BP Lubricants, 637 F.3d at

1313.

The only specific allegation in the complaint related to intent is that defendant updated its catalog in July 2009, but continued its false marking. Cpt. ¶ 37, dkt. #1. If defendant knew that its patent had expired, an allegation that defendant failed to modify its advertising could support the drawing of an inference that defendant intended to deceive the public. However, it is not clear how that allegation shows that defendant knew that the patent had expired. Accordingly, I see no ground on which to distinguish BP Lubricants.

Regardless whether I would have found in the first instance that plaintiff's complaint was sufficient, I am bound by the ruling in BP Lubricants and must dismiss the complaint. However, I will grant plaintiff's request in the alternative for leave to replead. Id. ("Ordinarily, complaints dismissed under Rule 9(b) are dismissed with leave to amend.") (internal quotations omitted). If plaintiff chooses to file an amended complaint, defendant will have to file a new motion to challenge the constitutionality of § 292 or the sufficiency of the amended complaint and plaintiff will have to renew its motion to stay, if it believes that one is still appropriate at that time.

ORDER

IT IS ORDERED that

1. Defendant Hydroheat, LLC's motion to dismiss the complaint, dkt. #7, is

GRANTED and the complaint is DISMISSED for plaintiff Unique Product Solutions, Limited's failure to comply with Fed. R. Civ. P. 9(b).

2. Plaintiff's motion to stay the case, dkt. #16, is DENIED as premature.

3. Plaintiff may have until August 15, 2011, to file an amended complaint. If plaintiff does not respond by that date, the clerk of court is directed to close the case.

Entered this 18th day of July, 2011.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge