WDVA Stays False Marking Case Pending Federal Circuit Decision and the Patent Reform Bill

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On Thursday, June 30, 2011, Judge Turk of the Western District of Virginia issued an order staying the false marking case filed by Ponani Sukumar and Southern California Stroke Rehabilitation Associates against Natilus, Inc. The case had previously been transferred into the W.D. Va. from the Central District of California. In the Complaint, Plaintiffs assert that Nautilus violated 35 U.S.C. § 292 by placing stickers on its exercise machines that identify patent numbers which have expired, or which do not apply to the machine to which they are affixed.

After the case was transferred to the W.D. Va., Roanoke Division, Nautilus moved to stay the case for two reasons. First, the Federal Circuit is currently considering the constitutionality of section 292 on appeal from *Unique Product Solutions, LTD. v. Hy-Grade Valve Inc.*, Case No. 5:10-CV-1912 (U.S. Dist. N. Ohio), where the district judge ruled that section 292 was unconstitutional because it violated Article II of the US Constitution and the "Take Care" clause. In addition, in FLFMC LLC v. WHAM-O (Fed. Cir. Case No. 2011-1067), which is an appeal from an order granting a motion to dismiss in the W.D. Pa., one of the questions certified to the Federal Circuit is the constitutionality of section 292. Because briefing has begun in both of these cases, and oral arguments in *Wham-O* are currently set for July 7, Nautilus argued that concerns of judicial efficiency warrant a stay pending the Federal Circuit's decisions in one or both of these cases. Second, Nautilus cited the pending patent reform legislation, in which the Senate version at least would eliminate qui tam actions and require the plaintiff to make a showing of competitive injury to file suit.

Plaintiffs opposed the motion, arguing that the factors to be considered did not warrant a stay, and that Plaintiffs would be irreparably harmed by the delay, and citing other cases in which courts denied a stay under similar circumstances.

In reply, Nautilus noted that during briefing, the House had passed its own version of the patent reform bill, which eliminates the qui tam provision, and provides that a private plaintiff who files suit must demonstrate a competitive injury and prove actual damages. In addition, Nautilus referred to another district court decision that had issued, which found section 292 unconstitutional: *Rogers v. Tristar Products, Inc.*, No. 5:11-cv-01111 (E.D. Pa. June 2, 2011). And Nautilus disputed that Plaintiffs would suffer any prejudice.

The Court agreed with Nautilus and entered a Stay of the Proceedings, finding that (1) Plaintiffs would not be prejudiced by a stay, (2) a stay would promote less costly and more efficient litigation for the parties, and (3) a stay would promote judicial economy. The Court thus entered a stay until the earlier of (a) 180 days passes, or (b) section 292 is amended or the constitutionality of that statute is considered by the Federal Circuit.

For coverage of *the Wham*-O case, links to the briefs, and coverage of the Federal Circuit's decision to allow the US Government and the US Chamber of Commerce to participate in oral arguments, see this article by Lawrence Higgins at Patently-O. For coverage of *Hy-Grade* and *Tristar*, see here and here. For coverage of the recent ND Texas decision upholding the constitutionality of section 292, see here.

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