The False Marking Statute Is a Constitutional Qui Tam Statute Authorizing Causes of Action by Private Parties

04.20.2009

The Eastern District of Virginia has held that a private party has standing to bring an action based on the false marking statute, 35 U.S.C. § 292, even in the absence of direct injury. *Pequignot v. Solo Cup Co.*, No 1:07cv897-LMB/TCB, 2009 U.S. Dist. LEXIS 26020 (E.D. Va. Mar. 27, 2009). In denying a motion to dismiss for lack of subject matter jurisdiction, the Court interpreted section 292 as a *qui tam* statute conferring Article III standing to the plaintiff as a relator and partial assignee of the U.S. government's claims for false-marking violations. The Court also rejected the defendant's argument that the *qui tam* framework violates the separation-of-powers aspects of the U.S. Constitution.

The plaintiff in the case, Matthew A. Pequignot, is a patent attorney who alleges that the defendant Solo Cup Company ("Solo") has improperly marked products with the numbers of expired patents. Section 292 is violated when a person "marks upon, or affixes to, or uses in advertising 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." 35 U.S.C. § 292(a). The law calls for a fine of "not more than $500 for every such offense." *Id.* The statute states that "[a]ny person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States." *Id.* § 292(b).

Solo moved to dismiss the case against it for lack of subject matter jurisdiction on the basis that the plaintiff lacks standing to bring the action and, alternatively, that permitting him to sue Solo under section 292 would be contrary to the separation-of-powers provisions of the U.S. Constitution. At the invitation of the Court, the United States intervened to defend the constitutionality of section 292(b).

Solo initially argued that the Court should narrowly construe section 292(b) as limited to competitors of the party that did the marking, in order to avoid the constitutional questions. The Court found the argument unpersuasive, however, given the breadth of the phrase "[a]ny person" in the statute.

Moving to the question of standing, the Court acknowledged that the lack of actual injury to the plaintiff prevented him from having standing as a traditional plaintiff, which led the Court to an analysis of section 292 and an evaluation of whether it is a *qui tam* statute. The phrase "*qui tam* " is short for "'*qui tam pro domino rege quam pro se ipso in hac parte sequitur*,' meaning 'who

pursues this action on our Lord the King's behalf as well as his own.'" The Court reviewed the history of *qui tam* statutes in the English and American legal systems, including the trends away from them in modern times. But some *qui tam* statutes are still in effect in the United States, and the Court observed that the Supreme Court and several other courts have indicated that section 292 is one of them and confers on plaintiffs standing to sue for improper marking.

That left the separation-of-powers issue as the only remaining basis for Solo's motion to dismiss. Solo contended that permitting private parties to enforce section 292 would run afoul of the Article II provision requiring the President to "take Care that the Laws be faithfully executed." In particular, because section 292 does not authorize the government to exercise a sufficient level of control over the relator's action, Solo argued that such private suits would undermine the Executive Branch.

The Court disagreed. Although the Supreme Court majority declined to address the Article II question in *Vermont Agency*, two Justices in that case did view *qui tam* statutes as being consistent with Article II. The Court also noted that several federal appellate courts have rejected Article II challenges to another *qui tam* statute, the FCA, and found the Fifth Circuit's views on the matter persuasive. "[L]ike Justices Souter and Stevens and the Fifth Circuit, the Court finds the long history of *qui tam* statutes, including many passed by the First Congress soon after the signing of the Constitution, *see, e.g.*, 1 Stat. 131, 133, highly persuasive as to their constitutionality."

Solo's emphasis on the lack of government control did not gain traction. The Court viewed that factor as being more relevant to statutes concerning criminal proceedings. The Court also determined that "enforcement of the substantive provisions of § 292 is not the type of executive function whose delegation to an authority not controlled by the Executive Branch would presumptively raise serious Article II questions." The Court therefore concluded that the plaintiff's case should be permitted to continue and that Solo's motion to dismiss should be denied.