

No. _____

**In the
Supreme Court of the United States**

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PUBLIC PATENT FOUNDATION, INC.,
Petitioner,

v.

MCNEIL-PPC, INC.,
Respondent,

v.

UNITED STATES,
Intervenor-Respondent.

**ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

The Patent Act has long forbidden falsely marking and advertising unpatented articles as patented. The false marking statute, 35 U.S.C. § 292, also long provided a *qui tam* cause of action for any member of the public to pursue violators on the government's behalf. In June 2009, Petitioner filed such an action against Respondent. In September 2011, more than two years after Petitioner filed this case, Congress passed the Leahy-Smith America Invents Act (AIA) that contained amendments to the false marking statute. One such amendment eliminated *qui tam* standing for members of the public to bring false marking claims. The AIA applied its changes to the false marking statute retroactively and, as a result, the district court dismissed Petitioner's case because Petitioner no longer had standing under the retroactively amended version of the statute. The Court of Appeals summarily affirmed.

1. Does the retroactive application of the AIA's changes to the false marking statute to this case violate Petitioner's Due Process under the Fifth Amendment?

PARTIES TO THE PROCEEDINGS

Petitioner is the Public Patent Foundation, Inc.. Respondent is McNeil-PPC, Inc.. The United States intervened several times in this case, initially to defend the false marking statute from Constitutional challenges made by Respondent, then later to defend the retroactive application of the America Invents Act's changes to the false marking statute from the Constitutional challenge made to it by Petitioner.

**RULE 29.6
CORPORATE DISCLOSURE STATEMENT**

Petitioner does not have any parent corporations, and no publicly held company owns 10 percent or more of the stock of Petitioner.

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OPINIONS BELOW

The Order of the United States Court of Appeals for the Federal Circuit granting summary affirmance is reported at 2013 U.S. App. LEXIS 9093 (Fed. Cir. May 3, 2013) (App. at 1a-3a). The district court Memorandum & Order granting Respondent's motion for judgment on the pleadings is reported at 2012 U.S. Dist. LEXIS 21733, 2012 WL 527198 (S.D.N.Y. 2012) (App. at 4a-7a).

JURISDICTIONAL STATEMENT

The Federal Circuit's summary affirmance order issued on May 3, 2013. This petition is thus timely. Jurisdiction is conferred by 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Fifth Amendment (Amendment V) to the United States Constitution provides:

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

After being amended by the Leahy-Smith American Invents Act of 2011, 35 U.S.C. § 292 now provides:

(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words “patent,” “patentee,” or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or Whoever 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; or Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words “patent applied for,” “patent pending,” or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

Shall be fined not more than \$500 for every such offense. Only the United States may sue for the penalty authorized by this subsection.

(b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.

(c) The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section.

Pub. L. No. 112-29, 125 Stat. 284 (2011) (“Leahy-Smith America Invents Act (‘AIA’)”) provides, in relevant part:

Sec. 16. . . .

(b) False Marking.--

(1) Civil penalty.-- Section 292(a) of title 35, United States Code, is amended by adding at the end the following: “Only the United States may sue for the penalty authorized by this subsection.”.

(2) Civil action for damages.-- Subsection (b) of section 292 of title 35, United States Code, is amended to read as follows:

“(b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.”.

(3) Expired patents.-- Section 292 of title 35, United States Code, is amended by adding at the end the following:

“(c) The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section.”.

(4) Effective date.-- The amendments made by this subsection shall apply to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment of this Act.

Prior to the AIA, at the time of the filing of this action, 35 U.S.C. § 292 provided:

(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words “patent,” “patentee,” or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or Whoever 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; or Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words “patent applied for,” “patent pending,” or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

Shall be fined not more than \$500 for every such offense.

(b) Any 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.

STATEMENT

The Public Patent Foundation (“PUBPAT”) is a New York-based 501(c)(3) charitable legal services organization affiliated with the Benjamin N. Cardozo School of Law, where PUBPAT’s Executive Director is also a member of the faculty. PUBPAT exists to represent the public interest in the patent system by working to ensure high patent quality and balanced patent policies. PUBPAT represents the interest of otherwise unrepresented parties (e.g., consumers) against various misuses of patents and the patent system by commercial entities.

On June 15, 2009, PUBPAT filed this action against McNeil-PPC, Inc. (“McNeil”) for false patent marking and advertising under 35 U.S.C. § 292 (“the false marking statute”). (App. at 8a-22a.) PUBPAT believes the public interest is significantly harmed by false marking and was expressly induced to file

this suit because Congress long ago included in the false marking statute a *qui tam* provision incentivizing private parties like PUBPAT to pursue violators on behalf of the United States. 35 U.S.C. § 292(b) (as of June 15, 2009) (“Any 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.”). The district court had jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a).

In December 2009, the Court of Appeals for the Federal Circuit issued an opinion in another false marking case, *Forest Group, Inc. v. Bon Tool Co.*, holding that, “the [false marking] statute clearly requires that each article that is falsely marked with intent to deceive constitutes an offense” and thus subject to the “up to \$500 per offense” fine. 590 F.3d 1295, 1301 (Fed. Cir. 2009). Subsequent to the *Forest Group* decision, there was a noticeable increase in the filing of false marking cases by various *qui tam* plaintiffs. This action, however, was not part of that surge, having been filed by PUBPAT six months before the *Forest Group* decision.

In September 2011, more than two years after the filing of this case, the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), made several changes to the Patent Act, mostly addressing a shift to a first-to-file system and creating new post-grant procedures for reviewing patent validity. Buried deep in section 16 of the AIA were amendments to the false marking statute that (i) eliminated *qui tam* standing for private parties against violators and (ii) provided a safe harbor for the continued marking of a product with an expired patent number. *Id.* at §§ 16(b)(2) and (3). Although

PUBPAT disagrees with the public policy merits of these changes, PUBPAT does not here take issue with them.

Relevant to this case is the fact that the AIA also contained a provision that applied these two substantive changes retroactively to all pending false marking cases, no matter when they were filed. *Id.* at § 16(b)(4). PUBPAT concedes that the substantive changes made to the false marking statute by the AIA, if retroactively applied to this case, both divest PUBPAT of standing and provide McNeil a safe harbor (because the false markings made by McNeil were of expired patents). However, PUBPAT believes that the retroactive application of those changes to this case violates the Due Process Clause of the Fifth Amendment to the Constitution by depriving PUBPAT of its property right in this matter without any legitimate legislative purpose. Thus, those changes should not legally apply to this matter.

After passage of the AIA, McNeil moved for judgment on the pleadings as a result of the AIA's changes to the false marking statute, PUBPAT opposed on Due Process grounds, the United States intervened to defend the constitutionality of the retroactive application of changes to the false marking statute by the AIA, and the district court granted McNeil's motion. 2012 U.S. Dist. LEXIS 21733, 2012 WL 527198 (S.D.N.Y. 2012) (App. at 4a-7a)

PUBPAT timely appealed to the Court of Appeals for the Federal Circuit, which had appellate jurisdiction under 28 U.S.C. § 1295(a)(1). After the appeal was briefed by the parties, including the

United States as Intervenor, but prior to the scheduling of oral argument, the Federal Circuit issued an opinion in yet another false marking case, *Brooks v. Dunlop Manufacturing Inc.*, in which it held that the retroactive application of the false marking amendments of the AIA to cases filed before the AIA does not violate the Due Process Clause of the Constitution. 702 F.3d 624, at 625-26 (Fed. Cir. 2012). In light of its holding in *Brooks*, the Federal Circuit summarily affirmed the district court's dismissal of this case. 2013 U.S. App. LEXIS 9093 (Fed. Cir. May 3, 2013) (App. at 1a-3a).

REASONS FOR GRANTING THE WRIT

I. OPPORTUNITIES TO ADDRESS DUE PROCESS SCRUTINY OF RETROACTIVE STATUTES ARE RARE AND THE COURT'S *EASTERN ENTERPRISES* DECISION HAS CONFUSED THE CIRCUITS

Fifth Amendment Due Process challenges to retroactive statutes are extremely rare, in large part because retroactive statutes themselves are rare. *Eastern Enterprises v. Apfel* in 1998 is believed to be the last time the Court issued an opinion that addressed the issue. 524 U.S. 498 (1998). However, in that case, the Court was presented with two separate bases on which to rule that the retroactive statute in question violated the Fifth Amendment, the Takings Clause and the Due Process Clause. The four-Justice plurality held the statute unconstitutional under the Takings Clause, and although it said, “[o]ur analysis of legislation under the Takings and Due Process Clauses is correlated to some extent,” *Id.* at 537, the plurality did not perform a Due Process analysis or provide guidance

as to how a Due Process analysis would be performed.

Justice Kennedy provided the fifth and deciding vote striking the statute in *Eastern Enterprises*, but did so under the Due Process Clause, not the Takings Clause. *Id.* at 545. Indeed, Justice Kennedy expressly rejected the plurality's Takings Clause analysis. *Id.* at 547 ("These authorities confirm my view that the case is controlled not by the Takings Clause but by well-settled due process principles respecting retroactive laws."). The four dissenting Justices in *Eastern Enterprises* would have held the retroactive statute constitutional. *Id.* at 550.

Not surprisingly, *Eastern Enterprises* has left the Circuits quite confused as to its meaning and how, if at all, it affects a Fifth Amendment Due Process analysis of retroactive statutes. No less than the Second, Third, Sixth and Eleventh Circuits have each expressly wrestled with how to interpret and apply *Eastern Enterprises*.

The Second Circuit described *Eastern Enterprises* as "deeply divided" and stated:

[I]t is difficult to discern a general principle of law that supports appellant's claim that retroactive CERCLA liability is unconstitutional. Because the substantive due process reasoning presented in Justice Kennedy's concurrence is not a logical subset of the plurality's takings analysis, no "common denominator" can be said to exist among the Court's opinions. The only binding aspect of such a splintered decision is its specific result, and so the authority of *Eastern*

Enterprises is confined to its holding that the Coal Act is unconstitutional as applied to *Eastern Enterprises*.

United States v. Alcan Aluminum Corp., 315 F.3d 179, 189 (2d Cir. 2003).

Similarly, the Third Circuit called *Eastern Enterprises* a “fragmented” and “splintered” decision, stating:

To consider Anker’s takings and due process claims, we first must decide what, if any, holding in *Eastern Enterprises* binds our decision. . . . As to the immediate situation, we recognized in *Unity Real Estate* that “Justice Kennedy’s substantive due process reasoning is not a ‘narrower’ ground that we might take to constitute the controlling holding.” 178 F.3d at 658. In such a case, then, the only binding aspect of a splintered decision is its specific result, in *Eastern Enterprises* the Court’s “holding the Coal Act unconstitutional as applied to *Eastern Enterprises*.” *Association of Bituminous Contractors, Inc. v. Apfel*, 156 F.3d 1246, 1255 (D.C. Cir. 1998). *Eastern Enterprises* requires a finding that the Coal Act is unconstitutional as applied to Anker, then, only if Anker “stand[s] in a substantially identical position to *Eastern Enterprises* with respect to both the plurality and Justice Kennedy’s concurrence.” *Unity Real Estate*, 178 F.3d at 659.

Anker Energy Corp. v. Consolidation Coal Co., 177 F.3d 161, 169-170 (3d Cir. 1999).

The Sixth Circuit stated, “in *Eastern Enterprises*, a deeply divided Court struck down retroactive application of the Coal Industry Retiree Health Benefit Act of 1992. . . . We conclude that *Eastern Enterprises* has no precedential effect on this case because no single rationale was agreed upon by the Court.” *Franklin County Convention Facilities Auth. v. Am. Premier Underwriters, Inc.*, 240 F.3d 534, 551, 552 (6th Cir. 2001).

The Eleventh Circuit expressly asked itself, “[i]s either the plurality opinion or Justice Kennedy’s concurrence controlling?” *Swisher Intern., Inc. v. Schafer*, 550 F.3d 1046, 1053 (11th Cir. 2008). The Eleventh Circuit also noted, “the decision in *Eastern Enterprises* constitutes a fragmented decision in which the five Justices concurring in the judgment did not agree upon a single rationale to explain the result.” *Id.* Continuing, the Eleventh Circuit stated:

. . . Justice O’Connor’s opinion for the plurality in *Eastern Enterprises* would not constitute binding authority (i.e., would not constitute the narrower ground) under any of the several formulations of the *Marks* inquiry. We need not decide whether Justice Kennedy’s concurrence constitutes the narrower ground, because we can assume *arguendo* that neither opinion constitutes the narrower ground, thus leaving us without binding authority, and leaving us with the obligation to independently evaluate the case law and determine for ourselves which approach is more consistent with the case law and more plausible. . . .

[I]t is probable that Justice Kennedy's concurring opinion in *Eastern Enterprises*, and not Justice O'Connor's plurality opinion, would be considered the narrower of the two standards. It is probable that his standard would be less far-reaching, i.e., less restrictive of the application of the federal Coal Act legislation. . . .

Other courts of appeal have held that neither Justice O'Connor's plurality opinion nor Justice Kennedy's concurrence are binding, because neither can meaningfully be regarded as "narrower" than the other, neither opinion being a logical subset of the other. . . .

Other courts of appeal have indicated that they are bound to follow the five Justices in *Eastern Enterprises* who concluded that the takings analysis was not appropriate; therefore, those courts applied substantive due process. . . . In any event, under none of the foregoing formulations would Justice O'Connor's plurality opinion in *Eastern Enterprises* constitute binding precedent.

Id. at 1054, 1054 n.5 (internal citations omitted).

These decisions from the various Circuits show that there is confusion regarding the Court's *Eastern Enterprises* decision that has led to uncertainty regarding what Fifth Amendment Due Process analysis applies to statutes, including specifically retroactive statutes. This case provides the Court an opportunity to address this important issue and resolve the uncertainty amongst the Circuits.

As at least one member of the Court has specifically noted, other cases have failed to provide the Court such an opportunity. *Lingle v. Chevron USA Inc.*, 544 U.S. 528, 548-49 (2005) (Kennedy, J. concurring) (“This separate writing is to note that today’s decision does not foreclose the possibility that a regulation might be so arbitrary or irrational as to violate due process. *Eastern Enterprises v. Apfel*, 524 U.S. 498, 539 (1998) (Kennedy, J., concurring in judgment and dissenting in part). The failure of a regulation to accomplish a stated or obvious objective would be relevant to that inquiry. Chevron voluntarily dismissed its due process claim without prejudice, however, and we have no occasion to consider whether Act 257 of the 1997 Hawaii Session Laws ‘represents one of the rare instances in which even such a permissive standard has been violated.’ *Eastern Enterprises*, supra, at 550. With these observations, I join the opinion of the Court.”).

II. RETROACTIVE APPLICATION OF CHANGES TO THE FALSE MARKING STATUTE TO THIS CASE VIOLATES DUE PROCESS

A. PUBPAT Has A Property Interest In This Matter That Is Deprived By The Retroactive Application Of Changes To The False Marking Statute

The Fifth Amendment’s Due Process Clause provides that no person shall be “deprived of life, liberty, or property, without due process of law.” U.S. CONST. Amend. V. Causes of action are property protected by the Constitution. *See, e.g., Tulsa Prof’l Collection Servs. v. Pope*, 485 U.S. 478,

485 (1988) (“Little doubt remains that such an intangible interest [an unsecured claim, a cause of action] is property protected by the Fourteenth Amendment.”); *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 428 (1982) (describing the doctrine as “settled” that “a cause of action is a species of property protected by the Fourteenth Amendment’s Due Process Clause”).

While the claim underlying the cause of action in *qui tam* cases originally belongs to the United States, *qui tam* statutes perform a partial assignment of that claim to the *qui tam* plaintiff and the resulting cause of action is therefore partially the property of the *qui tam* plaintiff. See *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 773 (2000) (“[t]he [False Claims Act] can reasonably be regarded as effecting a partial assignment of the Government’s damages claim.”); *Sprint Commc’ns Co v. APCC Servs., Inc.*, 554 U.S. 269, 289 (2008) (“assigning a claim . . . confers a property right”); *Stauffer v. Brooks Brothers, Inc.*, 619 F.3d 1321, 1325 (Fed. Cir. 2010) (saying in the false marking context, “a *qui tam* plaintiff, or relator, can establish standing based on the United States’ implicit partial assignment of its damages claim”).

If the AIA’s substantive changes are retroactively applied to this case, PUBPAT will be deprived of its property right in this cause of action, as PUBPAT concedes it does not satisfy the new standing requirement of having suffered competitive injury from McNeil’s false marking and that McNeil’s false marking and advertising based on expired patents would be pardoned by the new safe

harbor. Thus, the question becomes whether that deprivation of PUBPAT's property is "without due process of law." U.S. CONST. Amend. V.

B. Due Process Requires An Independent Legitimate Legislative Purpose For Retroactive Application

Retroactive congressional action that deprives a private party of its property violates the Due Process Clause of the Fifth Amendment if it is not "supported by a legitimate legislative purpose." *United States v. Carlton*, 512 U.S. 26, 30-31 (1994) (internal citations omitted). Further, the retroactive effect of legislation is not justified by the mere fact that the prospective substantive changes have a legitimate legislative purpose. *Id.* (citing *Pension Benefit Guaranty Corporation v. R. A. Gray & Co.*, 467 U.S. 717, 729-730) ("retroactive legislation does have to meet a burden not faced by legislation that has only future effects.")).

In fact, "stricter limits may apply to Congress' authority when legislation operates in a retroactive manner" because "[r]etroactivity is generally disfavored in the law . . . in accordance with 'fundamental notions of justice' that have been recognized throughout history." *Eastern Enterprises v. Apfel*, 524 U.S. 498, 524, 532 (1998) (internal citations omitted). "Retroactive legislation,' we have explained, 'presents problems of unfairness that are more serious than those posed by prospective legislation, because it can deprive citizens of legitimate expectations and upset settled transactions.'" *Id.* at 533 (citing *General Motors Corp. v. Romein*, 503 U.S. 181, 191 (1992)).

While the plurality in *Eastern Enterprises* held the retroactive statute there unconstitutional under the Takings Clause of the Fifth Amendment and, therefore, did not see reason to reach the issue of whether the Due Process Clause was also violated, it nonetheless stated, “[o]ur analysis of legislation under the Takings and Due Process Clauses is correlated to some extent.” *Id.* at 537. Even more insightful is that the Justice Kennedy, who was the deciding fifth vote in *Eastern Enterprises*, concurred in the judgment, but dissented from the plurality opinion precisely because they did not address the Due Process issue. He wrote separately from the plurality to expressly say that the retroactive legislation in *Eastern Enterprises*, “must be invalidated as contrary to essential due process principles, without regard to the Takings Clause of the Fifth Amendment.” *Id.* at 539 (Kennedy, J. concurring in the judgment and dissenting in part). Justice Kennedy continued to say:

Although we have been hesitant to subject economic legislation to due process scrutiny as a general matter, the Court has given careful consideration to due process challenges to legislation with retroactive effects. As today’s plurality opinion notes, for centuries our law has harbored a singular distrust of retroactive statutes. . . .

These decisions treat due process challenges based on the retroactive character of the statutes in question as serious and meritorious, thus confirming the vitality of our legal tradition’s disfavor of retroactive economic legislation. Indeed, it is no accident

that the primary retroactivity precedents upon which today's plurality opinion relies in its takings analysis were grounded in due process.

Id. at 547-48 (internal citations omitted).

In *Carlton*, the Court analyzed whether the retroactive elimination of a tax deduction violated the Due Process Clause as follows:

We conclude that the 1987 amendment's retroactive application meets the requirements of due process. First, Congress' purpose in enacting the amendment was neither illegitimate nor arbitrary. Congress acted to correct what it reasonably viewed as a mistake in the original 1986 provision that would have created a significant and unanticipated revenue loss. There is no plausible contention that Congress acted with an improper motive, as by targeting estate representatives such as Carlton after deliberately inducing them to engage in ESOP transactions. Congress, of course, might have chosen to make up the unanticipated revenue loss through general prospective taxation, but that choice would have burdened equally "innocent" taxpayers. Instead, it decided to prevent the loss by denying the deduction to those who had made purely tax-motivated stock transfers. We cannot say that its decision was unreasonable.

512 U.S. at 32. Thus, *Carlton* makes it clear that retroactive statutes are without question subject to Due Process challenge and, to survive such a

challenge, Congress must have had a legitimate purpose for the retroactivity itself, separate and apart from its purpose for the underlying substantive changes. *Id.* (discussing Congress' analysis of the policy choice between retroactivity and prospectivity, which "would have burdened equally 'innocent' taxpayers"). On this point, *Carlton* cited *Pension Benefit Guaranty* and its quoting of *Turner Elkhorn Mining*:

"To be sure, . . . retroactive legislation does have to meet a burden not faced by legislation that has only future effects. . . . 'The retroactive aspects of legislation, as well as the prospective aspects, must meet the test of due process, and the justifications for the latter may not suffice for the former' But that burden is met simply by showing that the retroactive application of the legislation is itself justified by a rational legislative purpose." *Id.*, at 729-730, quoting *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 16-17 (1976).

512 U.S. at 31.

Regarding what legislative purposes for retroactivity are or are not legitimate under due process concerns, *Carlton* expressly states that retroactivity "targeting" actors who undertook actions they were "deliberately induced" by Congress to undertake is an "improper motive." 512 U.S. at 32 ("There is no plausible contention that Congress acted with an improper motive, as by targeting estate representatives such as Carlton after deliberately inducing them to engage in ESOP transactions.") Similarly, in *Landgraf v. USI Film*

Prods., 511 U.S. 244, 266 (1994), the Court explained that “retroactive statutes raise particular concerns,” because “[t]he Legislature’s unmatched powers allow it to sweep away settled expectations suddenly and without individualized consideration,” and “[i]ts responsivity to political pressures poses a risk that it may be tempted to use retroactive legislation as a means of retribution against unpopular groups or individuals.” Thus, retroactive legislation responding to “political pressures” to exact “retribution against unpopular groups or individuals” is precisely the kind of retroactive legislation that raises Due Process concerns, and retroactive legislation meant to “target” those who were doing precisely what they were “deliberately induced” by Congress to do is “improper.”

As compared to retroactivity meant to target or exact retribution against certain groups or individuals, the retroactivity in *Carlton* was upheld because it was made “to correct what [Congress] reasonably viewed as a mistake” in a statute that was barely a year old. 512 U.S. at 32 (“the 1987 amendment [to] the original 1986 provision”). Also of critical importance to the Due Process Clause analysis was the fact that “Congress acted promptly and established only a modest period of retroactivity.” *Id.* Thus, important factors to consider in the Due Process analysis are (i) whether the retroactively applied change to the law is one of policy meant to target one group of actors who were deliberately induced to do what they were doing, or instead one of correction to fix a “mistake” in the original statute, (ii) the age of the retroactively amended statute, and (iii) whether the the period of retroactivity was modest.

C. The AIA's Retroactive Application Of Changes To The False Marking Statute To This Case Had No Legitimate Legislative Purpose

The AIA itself contains no recitation of a legitimate purpose for its retroactive application of the substantive changes to the false marking statute to pending cases. Public Law 112-29, § 16, (b). In fact, it cites no purpose at all; it is completely silent as to why the substantive changes to the false marking statute are to be applied retroactively. The only portion of the AIA that speaks to Congressional intent is Sec. 30, which says succinctly:

Sec. 30. SENSE OF CONGRESS. It is the sense of Congress that the patent system should promote industries to continue to develop new technologies that spur growth and create jobs across the country which includes protecting the rights of small businesses and inventors from predatory behavior that could result in the cutting off of innovation.

Public Law 112-29, § 30. However, retroactively eliminating PUBPAT's standing in this case to pursue McNeil for falsely marking and advertising an *unpatented* product cannot in any way be described as "promoting industries to develop new technologies." *Id.* To the contrary, allowing parties like McNeil to continue to intentionally deceive the public about whether their *unpatented* products are innovative is likely to have the exact opposite effect, by making it harder for truly innovative companies to receive the marketplace respect they deserve when they legitimately mark their new patented

products introduced into the marketplace to compete with McNeil's *unpatented* product. Although it does not explain the retroactive application of changes to the false marking statute, the "Sense of Congress" contained in the AIA unquestionably aligns with its more than two-dozen other substantive provisions that do indeed aim to help "small businesses and inventors." *Id.*

Indeed, Congressman John Conyers, Jr., a member of the House Judiciary Committee from which the AIA originated, said there was "absolutely no reason" for the retroactive application of the changes to the false marking statute:

I am also opposed to the section dealing with false markings cases. I say this as a member who has expressed concerns in the past with the Federal Circuit decision in *Forest Group Inc. v. Bon Tool Co.* The legislation, in essence, would change the rules of the game for cases that are currently being litigated. To the extent legislation is needed, I support applying the new rules going forward because these rules would be implemented and cases would be adjudicated in conjunction with the new broader reforms of the entire patent system the bill proposes, creating balance and fairness for all parties. Moreover, based on recent court decisions that have already imposed more restrictive standards concerning present claims, *there is absolutely no reason for Congress to interfere in these claims which are before the courts.*

U.S. House, Committee on the Judiciary. America Invents Act (H. Rpt. 112-98 at 163) (June 1, 2011)

(internal citations omitted) (emphasis added). It is a critical distinction to note that Congressman Conyers did not say he believed the substantive changes themselves lacked a legitimate Congressional purpose, but merely that “there is absolutely no reason” for them to be applied retroactively.

Senator McCaskill also voiced her concerns over the lack of any legitimate reason for the retroactive application of the changes to the false marking statute:

The underlying bill alters the false marking provision by stipulating that the statute may only be privately enforced by a person who has suffered a competitive injury. In addition, damages would be limited to those that are adequate to compensate for the injury.

However, the legislation would also apply the newer rules to pending claims. These include claims that are now in the court system and under negotiation. By changing the rules in pending claims, the legislation allows potential wrongdoers to use the new law to protect themselves from past conduct.

This sets a bad precedent for our legal system and could absolve potential wrongdoers. My amendment would simply require that the changes to false marking provisions to apply only to prospective cases going forward. Small businesses and inventors that have expended considerable resources to protect themselves should not be penalized by a provision that retroactively eliminates pending claims.

My amendment is not an attempt to gut or strike the false markings provision. It is simply a modification to address the concerns of current litigants, consumers and small businesses. I urge my colleagues to strongly consider this issue going forward.

157 CONG. REC. S1545 (March 10, 2011).

The only honest and realistic explanation for the AIA's retroactive elimination of *qui tam* false marking suits is that it resulted from political pressure by corporations like McNeil who wished to deliberately eliminate the property rights of private parties like PUBPAT to continue pursuing their pending *qui tam* cases for false marking. This targeting of those who were deliberately induced to file false marking suits by a past Congress' will as manifested in the false marking statute prior to the AIA is an expressly improper purpose under *Carlton* and raises the exact concerns expressed in *Landgraf*.

The only Congressperson to make a statement in the legislative history that supported the AIA's retroactivity was Senator Kyl:

Finally, because the Federal Circuit's recent decision in *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, Fed Cir. 2009, appears to have created a surge in false-marking *qui tam* litigation, the changes made by paragraph (1) of section 2(k) of the bill are made fully retroactive by paragraph (2).

157 CONG. REC. S1360, 1372 (March 8, 2011). He later conceded on the eve of passage of the AIA that the reason for the retroactivity was to, as he put it, "rein[] in abuses that are reflected in a recent surge

in false marking litigation” after the Federal Circuit interpreted the plain language of the false marking statute in *Forest Group*. 157 CONG. REC. S5319-21 (Sept. 6, 2011).

That reason is not a legitimate legislative purpose, however, because as Senator McCaskill said, it “allows potential wrongdoers to use the new law to protect themselves from past conduct.” 157 CONG. REC. S1545 (March 10, 2011). If Congress did not like the Federal Circuit’s interpretation of the false marking statute in *Forest Group* (even Rep. Conyers expressed concern over it), it was legitimate for Congress to amend the false marking statute prospectively. Applying those changes retroactively to current cases was vindictive and spiteful to parties, like PUBPAT, who were merely doing what the statute encouraged by filing *qui tam* suits against false markers. The retroactive application of the AIA’s changes to the false marking statute has taken PUBPAT’s property in order to provide a private benefit to McNeil.

Further, unlike the retroactive statute in *Carlton*, which applied to a law that was only one year old, the false marking statute upon which PUBPAT relied to bring this case was nearly sixty years old, having been included in the comprehensive 1952 Patent Act. The AIA was not Congress acting “promptly” as it did in *Carlton*, and thus PUBPAT’s reliance on the false marking statute as it was written at the time it filed this case was both much greater and more reasonable than the reliance by the plaintiff in *Carlton*. 512 U.S. at 32.

Also unlike in *Carlton*, where “Congress acted to correct what it reasonably viewed as a mistake,” the changes here were not intended by Congress to fix an “unanticipated” error in the original statute, but rather purposefully meant to radically change the statute so as to deprive private parties like PUBPAT of their property right in pending false marking cases. *Id.* The “surge in false-marking qui tam litigation,” complained about by Senator Kyl, was not an “unanticipated” result of a “mistake” in the false marking statute, but rather precisely the result that was intended, as the Federal Circuit explained in *Forest Group, Inc. v. Bon Tool Co.*:

Forest argues that interpreting the fine of § 292 to apply on a per article basis would encourage “a new cottage industry” of false marking litigation by plaintiffs who have not suffered any direct harm. This, however, is what the clear language of the statute allows. Section 292(b) provides 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.” 35 U.S.C. § 292(b). As noted by Forest, an amicus brief was filed in this case by an individual who created a holding company to bring qui tam actions in false marking cases. Commentators have discussed a surge of such actions in recent years, noting the possible rise of “marking trolls” who bring litigation purely for personal gain. See Donald W. Rupert, *Trolling for Dollars: A New Threat to Patent Owners*, 21 No. 3 *Intell. Prop. & Tech. L.J.* 1 (2009) (citing five false marking cases filed since 1997); A. Justin Poplin, *Avoiding False*

Patent Marking Claims, Law360, October 9, 2009, <http://www.law360.com/articles/116798> (“Sensing a new source of revenue, individuals have begun suing large corporations for false patent marking when an expired patent number appears on a product.”).

Rather than discourage such activities, the false marking statute explicitly permits qui tam actions. By permitting members of the public to sue on behalf of the government, Congress allowed individuals to help control false marking. The fact that the statute provides for qui tam actions further supports the per article construction. Penalizing false marking on a per decision basis would not provide sufficient financial motivation for plaintiffs--who would share in the penalty--to bring suit. It seems unlikely that any qui tam plaintiffs would incur the enormous expense of patent litigation in order to split a \$ 500 fine with the government. Forest’s per decision construction is at odds with the clear language of the statute and, moreover, would render the statute completely ineffective.

590 F.3d 1295, 1303-04 (Fed. Cir. 2009).

Lastly, even if the proffered purpose for the retroactive application of the AIA’s changes to the false marking statute is legitimate, the actual scope of retroactivity present in the AIA is overbroad because it goes far beyond the necessary scope for that purpose, which was only to address the “surge in false-marking qui tam litigation” that the Federal Circuit’s *Forest Group* decision “appears to have created.” Senator Kyl, 157 CONG. REC. S1360, 1372

(March 8, 2011). The failure of Congress to narrowly tailor the retroactivity to apply only to the post-*Forest Group* “surge” of cases, which then caused those changes to apply to this case as well, even though it was filed by PUBPAT well before *Forest Group*, violates PUBPAT’s due process. *Eastern Enterprises v. Apfel*, 524 U.S. 498, 532 (1998) (citing *Pension Ben. Guaranty Corp. v. R. A. Gray & Co.*, 467 U.S. 717, 731 (1984) (“Congress advanced the effective date chosen so that it would encompass only that retroactive time period that Congress believed would be necessary to accomplish its purposes”)). There is absolutely no evidence in any legislative history of any legislative purpose, much less a legitimate one, to apply the AIA’s retroactivity to pre-*Forest Group* cases like this one.

In reaching its conclusion that the retroactivity provision was constitutional, the district court cited arguments made by the United States:

The United States (supported by defendant) argues that various rational bases support the retroactivity provision--i.e., to “ensure that abusive false marketing litigation is put to an end” to curb the drain on “judicial and court administrative resources” and to definitively answer the “live question about the qui tam provision’s constitutionality and whether the Executive Branch had sufficient control over section 292 actions.” (Gov’t Br. at 8, 9.)

(App at 6a.) Those arguments, in turn, were supported by the statements discussed above from Senator Kyl as well as the following statements made by Representatives Goodlatte and Gallegly regarding the post-*Forest Group* “surge” in litigation:

The bill also ensures that abusive false markings litigation is put to an end. Current law allows private individuals to sue companies on behalf of the government to recover statutory damages in false markings cases. After a court decision 2 years ago that liberalized the false markings damages awards, a cottage industry has sprung up, and false markings claims have risen exponentially. H.R. 1249 maintains the government's ability to bring these actions but limits private lawsuits to those who have actually suffered competitive harm. This will discourage opportunistic lawyers from pursuing these cases.

Representative Goodlatte, 157 CONG. REC. H4426 (June 22, 2011), and:

I am especially pleased that Chairman Smith included a provision that helps many businesses in the United States, including several in my district, who have been forced to spend time and money to defend themselves against so-called "false marking" lawsuits.

By law, patent holders are required to place the patent number on their products. The problem is that after the patent expires, it may be very costly for a business to recall their products to change the label. Unfortunately, several law firms have discovered that suing these manufacturers can be lucrative, and we have seen a sharp increase in the number of these nuisance lawsuits.

This bill includes a common sense solution that will stop these lawsuits and allow employers to devote resources to developing new products and creating jobs.

Representative Gallegly, 157 CONG. REC. H4433 (June 22, 2011).

As discussed above, the Kyl statements do not provide a legitimate legislative purpose for the retroactivity, as they admit the purpose was to target unpopular *qui tam* plaintiffs and take away their property rights in their cases in order to benefit the private party defendants being sued at the time. The two statements by Representatives Goodlatte and Gallegly do not address retroactivity at all. The statements that, “The bill also ensures that abusive false markings litigation is put to an end” and “This bill includes a common sense solution that will stop these lawsuits,” are true of prospective litigation, which immediately “ends” and “stops” more lawsuits from being filed as of the date of enactment. These two statements do not provide any separate and independent reason for retroactively applying the AIA’s changes to the false marking statute, which is required by *Carlton* and *Turner Elkhorn Mining*. 512 U.S. at 30-31; 428 U.S. at 16-17. Even if these statements could be seen as somehow providing a reason for retroactive application of the changes to the false marking statute, they manifest the improper legislative purpose of seeking to merely terminate the property rights of parties like PUBPAT in their *qui tam* false marking suits. Thus, the district court’s reliance on those statements was misplaced.

The district court also relied on the United States' reference to a single statement from the legislative history made by Senator Grassley regarding then-pending constitutional challenges to the false marking statute, which in its more complete form is:

Mr. President, I want to discuss an important component of the patent reform legislation that protects against frivolous and vexatious litigation arising from *qui tam* suits for false patent markings. The bill before the Senate abolishes this *qui tam* procedure and I would like to discuss why I support doing so, even though I am generally a strong proponent of using the *qui tam* mechanism to protect American taxpayers.

The *qui tam* provisions of the False Claims Act specifically allow the government to intervene and control litigation when the government has been harmed through false or fraudulent billing. The *qui tam* provisions of the patent law do not.

In fact, a recent Federal court decision struck down the *qui tam* provisions of the patent law as unconstitutional because the false patent marking statute does not give the executive branch sufficient control over the litigation to ensure that the President can "take Care that the Laws be faithfully executed."

As I mentioned, the False Claims Act is completely different. The Justice Department has the right to intervene, to prosecute, or to dismiss a False Claims Act *qui tam*. I was

instrumental in ensuring such controls on frivolous lawsuits were inserted into the False Claims Act and the absence of similar controls in the false patent marking law is problematic.

157 CONG. REC. S1368 (March 8, 2011). However, Senator Grassley said nothing about the retroactivity of AIA's changes to the false marking statute. Thus, while his statement sheds light on the legislative purpose for changing the false marking statute prospectively, it does not provide a separate and independent reason as required by *Carlton* and *Turner Elkhorn Mining* why those changes are to be applied retroactively. 512 U.S. at 30-31; 428 U.S. at 16-17 ("The retroactive aspects of legislation, as well as the prospective aspects, must meet the test of due process, and the justifications for the latter may not suffice for the former").

The United States hypothesized in its brief to the district court that Senator Grassley's mentioning of a single federal court decision striking down the *qui tam* provision of the false marking statute implied that his justification for the retroactivity was therefore somehow to ameliorate the burden that such constitutional challenges were placing on the courts. But Senator Grassley did not mention retroactivity whatsoever, nor did he mention there being too many cases pending wrestling with constitutional challenges that were overburdening the court system. Thus, the United States' hypothetical argument is nothing but transparent revisionist history, and cannot be legitimately relied upon to contravene PUBPAT's Due Process.

Lastly, Senator Grassley attacks in his statement “frivolous” lawsuits, but this suit was determined by the District Court to not be frivolous when it denied McNeil’s motion made early in the matter to dismiss for insufficient pleadings. *Public Patent Foundation v. McNeil-PPC, Inc.*, 1:09-cv-05471-KBF, Dkt. 29 (S.D.N.Y. September 23, 2010) (Order denying McNeil’s motion to dismiss pursuant to Fed. R. Civ. P. 12(b)(1) and 12(b)(6) filed October 5, 2009).

D. The Federal Circuit Failed to Follow *Carlton and Landgraf*

The Federal Circuit summarily affirmed the district court’s decision in this case based on its decision in *Brooks v. Dunlop Manufacturing Inc.*, 702 F.3d 624 (Fed. Cir. 2012), where it held that the Due Process Clause does not prevent Congress from applying the AIA’s amendments to the false marking statute to all pending *qui tam* actions. In *Brooks*, which was a case filed in September 2010, well after the Federal Circuit’s *Forest Group* decision that created the “surge of litigation” some members of Congress expressed concern about, the Federal Circuit referenced the statements made by Senators Kyl and Grassley noted above and concluded that they provided a legitimate legislative purpose for applying the AIA’s changes retroactively not just to that case, but to all cases, even those filed before *Forest Group*. *Id.* Specifically, the Federal Circuit found in *Brooks* that, “the legislative history suggests that Congress was particularly concerned with the perceived abuses and inefficiencies stemming from false marking claims that were initiated before the AIA was signed into law” and “it was rational for Congress to pass legislation

eliminating a potential constitutional issue and sparing the courts, private parties, and the United States the litigation burdens and risks associated with such issues.” *Id.* at 629-30.

However, in *Brooks* the Federal Circuit failed to address the statements by Representative Conyers and Senator McCaskill regarding the lack of any legitimate purpose for the retroactive application of the AIA’s changes to the false marking statute, nor did the Federal Circuit discuss the failure of Congress to narrowly tailor the retroactivity to address only the post-*Forest Group* “surge” of cases. The Federal Circuit also failed to address whether the retroactivity was meant to target parties who were induced to file *qui tam* suits or instead meant to correct an obvious mistake in the law that was unintended.

The Federal Circuit’s *Brooks* decision, which was the basis for its summary affirmance of the district court’s decision to dismiss this case, was contrary to the law. As discussed above, the AIA contains no statement as to why Congress decided to make the changes to the false marking statute retroactive and, in reality, no legitimate legislative purpose exists. Prospective application of the changes to the false marking statute ends the undesired litigation and applies equally to all Americans who were formerly allowed to bring false marking *qui tam* actions. Retroactive application of those changes destroys the property right from parties who were induced to bring such claims. The retroactivity was meant simply to target private parties like PUBPAT and divest them of their property right in *qui tam* false marking cases that they were deliberately induced

by Congress to undertake. Senator Kyl's statements make it clear that *qui tam* plaintiffs like PUBPAT were an "unpopular group" and the retroactivity was intended to get "retribution against" them, which was the express concern about retroactive legislation described by the Court in *Landgraf*. 511 U.S. at 266. This "targeting" of false marking *qui tam* plaintiffs like PUBPAT after they were "deliberately induced" to engage in certain conduct by a previous Congress is a *per se* illegitimate purpose under *Carlton*. 512 U.S. at 32 ("There is no plausible contention that Congress acted with an improper motive, as by targeting estate representatives such as Carlton after deliberately inducing them to engage in ESOP transactions.").

Thus, because there was no legitimate legislative purpose for depriving PUBPAT of its property right in this action, which was filed more than two years before the AIA and several months before the Federal Circuit's decision in *Forest Group*, the retroactive application of the changes to the false marking statute to this case violates the Due Process Clause of the Fifth Amendment. This conclusion comports with fundamental notions of fairness and justice, as PUBPAT filed this case in good faith and has expended significant resources in preparing and litigating it. PUBPAT has done nothing wrong and was in fact encouraged to file this case by the false marking statute as intended by the Congress that passed it many decades ago.

The AIA was principally about improving patent quality and the Patent Office. The false marking changes are a very small portion of the law, and were not Congress' focus or motivation. Even though

the AIA's substantive changes to the false marking statute do not raise constitutional concerns, applying them retroactively to this case unquestionably does.

CONCLUSION

For the reasons stated above, the petition for certiorari should be granted.

Respectfully submitted,

/s/ Daniel B. Ravicher

Daniel B. Ravicher

Counsel of Record

PUBLIC PATENT FOUNDATION
(PUBPAT)

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August 1, 2013

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[Entered: May 3, 2013]

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

**PUBLIC PATENT FOUNDATION, INC.,
*Plaintiff-Appellant,***

v.

**MCNEIL-PPC, INC.,
*Defendant-Appellee,***

v.

**UNITED STATES,
*Intervenor-Appellee.***

2012-1274

Appeal from the United States District
Court for the Southern District of New York
in No. 09-CV-5471, Judge Katherine B. Forrest.

ON MOTION

Before LOURIE, BRYSON, and MOORE,
Circuit Judges.

LOURIE, *Circuit Judge.*

ORDER

Public Patent Foundation, Inc. (PubPat) moves
for summary affirmance. McNeil-PPC, Inc. (McNeil)
responds.

PubPat brought suit in June 2009 against McNeil for falsely marking and advertising certain products. In September 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), which, among other changes, eliminated standing in false marking cases for third parties that have not suffered a competitive injury as a result of the false marking. The change was applied retroactively to pending false marking cases. As a result of the changes enacted by the AIA, the district court held that PubPat no longer had standing to pursue this case and dismissed the action.

PubPat argues that this court's decision in *Brooks v. Dunlop Manufacturing Inc.*, 702 F.3d 624 (Fed. Cir. 2012), requires summary affirmance of the district court's judgment. McNeil agrees that *Brooks* requires affirmance of the district court's judgment, but raises concerns about PubPat's previous arguments that this case is distinguishable from cases such as *Brooks* because of the timing of filing.

Summary affirmance of a case "is appropriate, *inter alia*, when the position of one party is so clearly correct as a matter of law that no substantial question regarding the outcome of the appeal exists." *Joshua v. United States*, 17 F.3d 378, 380 (Fed. Cir. 1994). We find that summary affirmance is appropriate here.

In *Brooks*, this court held that Congress's retroactive application of the false marking provision of the AIA does not violate the Due Process Clause or the Intellectual Property Clause of the Constitution. *Brooks*, 702 F.3d at 625-26. This court has also held that the AIA's change to the

false marking provision “appl[ies] to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment” of the AIA. *Hall v. Bed Bath & Beyond, Inc.*, 705 F.3d 1357, 1373 (Fed. Cir. 2013) (quoting AIA, Pub. L. No. 112-29, §16(b)(4), 125 Stat. 284, 329 (2011)).

Accordingly,

IT IS ORDERED THAT:

- (1) The district court’s judgment is summarily affirmed.
- (2) Each side shall bear its own costs.
- (3) All other pending motions are moot.

FOR THE COURT

/s/ Jan Horbaly
Jan Horbaly
Clerk

[Entered: February 16, 2012]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PUBLIC PATENTS FOUNDATIONS INC.,
Platiniff,

v. 09 Civ. 5471 (KBF)

McNEIL-PPC, INC.,
Defendant.

MEMORANDUM & ORDER

KATHERINE B. FORREST, District Judge:

Upon the passage of the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, § 16(b)(2) (2011), signed into law on September 16, 2011, qui tam plaintiff Public Patents Foundations Inc. no longer has standing to pursue this action. See 35 U.S.C. § 292(a); see also (Mem. in Support of McNeil’s Mot. for J. on the Pleadings (“Def. Mem.”) (Dkt. No. 53) at 3; Dkt. No. 67 (Ltr. From Daniel B. Ravicher, dated Oct. 18, 2011 (“10/18/11 Ltr.”) (“Plaintiff in this matter for false marking agrees with Defendant that Plaintiff’s claim should be dismissed in light of the America Invents Act (‘AIA’), signed into law in September, which retroactively eliminated Plaintiff’s qui tam standing”). The AIA made substantial amendments to the Patent Act, 35 U.S.C. § 1 et seq., including not only eliminating qui tam actions, see 35 U.S.C. § 292(a), but also stripping the marking of products with expired patents of illegality, 35 U.S.C. § 292(c).

The AIA amendments to the Patent Act “apply to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment of this Act.” Pub. L. No. 112-29, § 16(b)(4) (referred to herein as the “retroactivity provision”). Thus, the AIA applies to plaintiff’s action which was pending upon passage of the AIA. (See Dkt. No. 1 (complaint filed June 15, 2009).)

On the basis of the retroactivity provision, defendant McNeil-PPC, Inc. has bought the instant motion for judgment on the pleadings pursuant to Fed. R. Civ. P. 12(c), seeking to dismiss this action with prejudice. (See Dkt. No. 51.) Intervenor the United States of America agrees that dismissal with prejudice is appropriate because plaintiff’s only remaining claim involves expired patents. (Email from John Fargo to Irena Royzman, dated October 21, 2011 (“Where the sole allegation of false marking involves the continued marking of the number of an expired patent on a product once covered by that patent, we [i.e., the United States of America] do not intend to object to dismissal of the action with prejudice in light of the America Invents Act”) (Declaration of Irena Royzman in Further Support of McNeil’s Mot. for J. on the Pleadings) (Dkt. No. 66-1 at 2); see also Def. Mem. at 2.)

Plaintiff concedes that dismissal is warranted, but requests that it be done so without prejudice to the United States’ right to re-file its own claims under 35 U.S.C. § 292 or to plaintiff if the retroactivity provision is one day found unconstitutional. (See Dkt. No. 67 (10/18/11 Ltr. & proposed order attached thereto).) Thus, plaintiff seeks to salvage this action by arguing that Congress

unconstitutionally enacted the AIA's retroactivity provision. (See generally Pl.'s Mem. of Law In Opp'n to Def.'s Mot. for J. on the Pleadings ("Pl. Opp'n") (Dkt. No. 55).) Resolution of that question turns on whether enactment of the provision was supported by a rational basis or legitimate legislative purpose. (Id. at 3-12; see also Br. of the United States as Intervenor Defending the Constitutionality of the Leah-Smith America Invents Act ("Gov't Br.") (Dkt. No. 61) at 5-14.) Plaintiff argues that it was not, and thus, is a taking without due process in violation of the Fifth Amendment. (Pl. Opp'n at 2-3; see also id. at 3-12.)

The United States (supported by defendant) argues that various rational bases support the retroactivity provision -- i.e., to "ensure that abusive false marketing litigation is put to an end" to curb the drain on "judicial and court administrative resources" and to definitively answer the "live question about the qui tam provision's constitutionality and whether the Executive Branch had sufficient control over section 292 actions." (Gov't Br. at 8, 9.) Districts courts that have considered the question agree that the enactment of the retroactivity provision furthered a legitimate legislative purpose. See, e.g., Brooks v. Dunlop Mfg. Inc., No. C 10-04341, 2011 WL 6140912, at *5 (N.D. Cal. Dec. 9, 2011); Seirus Innovative Accessories Inc. v. Cabela's Inc., No. 09-CV-102, 2011 WL 6400630, at *2 (S.D. Cal. Oct. 19, 2011). Upon review of the parties' papers, the Government's brief, and the current case law on the topic, the Court is persuaded as to the same. Accordingly, the Court finds the retroactivity provision constitutional. See Brooks, 2011 WL 6140912, at *5.

On that basis, plaintiff's remaining claim must be dismissed. The Court is not aware of any authority -- and plaintiff has cited none -- that allows a party who lacks standing to preserve a claim based upon the speculative potential that at some uncertain future date the law that currently deprives the plaintiff of standing may be deemed unconstitutional, paving the way for resuscitation of the dismissed claims. Accordingly, the dismissal must be with prejudice.

CONCLUSION

For the aforementioned reasons, defendant's motion for judgment on the pleadings is GRANTED. This action is DISMISSED WITH PREJUDICE.

The oral argument on this motion scheduled for March 30, 2012, is hereby ADJOURNED.

The Clerk of Court is directed to terminate any pending motions and terminate this action.

Judgment should be entered in favor of defendants.

SO ORDERED:

/s/ Katherine B. Forrest
KATHERINE B. FORREST
United States District Judge

Dated: February 16, 2012
New York, New York

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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

**Public Patent Foundation, Inc.,
a New York, not-for-profit corporation,
*Plaintiff,***

v. **Civil Action No. 9 CV 5471**

**McNEIL-PPC, Inc.,
a New Jersey corporation,
*Defendant.***

**COMPLAINT FOR FALSE PATENT MARKING
(Jury Trial Demanded)**

Nature of the Action

1. This is an action for false patent marking under Title 35, Section 292, of the United States Code.

2. As set forth in detail below, Defendant has violated 35 U.S.C. §292(a) by marking and advertising certain products with patent numbers of expired patents and patents that do not – in fact – cover the marked product.

3. Plaintiff seeks the imposition of a fine against Defendant, one-half of which shall be paid to the United States, and the other half of which shall be paid to Plaintiff pursuant to 35 U.S.C. §292(b).

Jurisdiction and Venue

4. This Court has subject matter jurisdiction over Plaintiff's present action for false patent marking pursuant to 28 U.S.C. §1338(a).

5. This Court has personal jurisdiction over Defendant pursuant to Rule 4(K)(1)(a) of the Federal Rules of Civil Procedure and §§ 301 and 302 of the New York Civil Practice Law and Rules because, upon information and belief, Defendant conducts substantial business in the State of New York, including in this Judicial District.

6. Venue in this Judicial District is proper pursuant to 28 U.S.C. §§ 1391 and 1400 because a substantial part of the events giving rise to the claims asserted herein arose/arise in this Judicial District and Defendant, upon information and belief, is and at all times was doing business in this Judicial District.

The Parties

7. The Public Patent Foundation, Inc. ("PUBPAT") is a New York, not-for-profit corporation, with a principal place of business located at Benjamin N. Cardozo School of Law, 55 Fifth Avenue, New York, New York 10003.

8. PUBPAT represents the interests of otherwise unrepresented parties (e.g., consumers) against various misuses of patents and the patent system by commercial entities.

9. Upon information and belief, McNeil-PPC, Inc. (“Defendant”) is a corporation formed under the laws of New Jersey, with its principal place of business at 7050 Camp Hill Road, Fort Washington, Pennsylvania 19034.

10. Upon information and belief, Defendant distributes and/or sells TYLENOL® brand acetaminophen pain reliever products to multiple retail stores, including Duane Reade, Walgreens, Rite Aid, CVS and many other retailers. At least some of such activities occur in this Judicial District.

11. Upon information and belief, Defendant also distributes and/or sells and/or uses third parties to distribute and/or sell its TYLENOL® brand acetaminophen pain reliever products on-line. (See <http://www.tylenol.com/page.jhtml?id=tylenol/buy.inc>.) At least some of such activities target and/or involve customers in this Judicial District.

12. Upon information and belief, Defendant promotes its TYLENOL® brand acetaminophen pain reliever products through Internet, radio, and television advertising. At least some of such activities target customers in this Judicial District.

**Defendant's Widespread False Patent
Marking of TYLENOL® Products**

13. Upon information and belief, three TYLENOL® brand acetaminophen pain reliever products distributed and/or sold in retail stores and on-line (in this Judicial District and nationally) by Defendant include products identified as (i) “8 HOUR CAPLETS,” (ii) “ARTHRITIS PAIN

CAPLETS,” and (iii) “ARTHRITIS PAIN GELTABS.” Defendant distributes and/or sells these products in various quantities.

14. Upon information and belief, Defendant's 8 HOUR CAPLETS products include labeling on both the outside packaging and the inside container that states, inter alia, “U.S. Pat. Nos. 4,820,522, 4,968,509 and 5,004,613.” (See attached Exhibit A.)

15. Upon information and belief, Defendant's ARTHRITIS PAIN CAPLETS products include labeling on both the outside packaging and the inside container that states, inter alia, “U.S. Patent Nos. 4,968,509 and 5,004,613”. (See attached Exhibit B.)

16. Upon information and belief, Defendant's ARTHRITIS PAIN GELTABS products include labeling on both the outside packaging and the inside container that states, inter alia, “U.S. Patent Nos. 5,658,589; 5,436,026; 5,228,916; 5,679,406; 4,968,509 and 5,004,613.” (See attached Exhibit C.)

17. U.S. Patent No. 4,820,522 (“the '522 patent”), entitled “ORAL SUSTAINED RELEASE ACETAMINOPHEN FORMULATION AND PROCESS”, was issued by the United States Patent and Trademark Office (“PTO”) on April 11, 1989, and expired no later than July 27, 2007. (See <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnetahtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=4,820,522.PN.&OS=PN/4,820,522&RS=PN/4,820,522>.) Because the '522 patent has expired, it no longer can protect or cover anything.

18. U.S. Patent No. 4,968,509 (“the '509 patent”), entitled “ORAL SUSTAINED RELEASE ACETAMINOPHEN FORMULATION AND PROCESS”, was issued by the PTO on November 6, 1990, and expired no later than November 6, 2007. (See <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnethtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=4,968,509.PN.&OS=PN/4,968,509&RS=PN/4,968,509>.) Because the '509 patent has expired, it no longer can protect or cover anything.

19. U.S. Patent No. 5,004,613 (“the '613 patent”), entitled “ORAL SUSTAINED RELEASE PHARMACEUTICAL FORMULATION AND PROCESS”, was issued by the PTO on April 2, 1991, and expired no later than April 11, 2006. (See <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnethtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=5,004,613.PN.&OS=PN/5,004,613&RS=PN/5,004,613>.) Because the '613 patent has expired, it no longer can protect or cover anything.

20. U.S. Patent No. 5,436,026 (“the '026 patent”), entitled “DISCHARGE AND TRANSFER SYSTEM FOR APPARATUS FOR GELATIN COATING TABLETS”, was issued by the PTO on July 25, 1995. (See <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnethtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=5,436,026.PN.&OS=PN/5,436,026&RS=PN/5,436,026>.) While the '026 patent may not have yet expired, none of its claims can even arguably cover anything embodied or contained in a package of TYLENOL® ARTHRITIS PAIN GELTABS.

21.U.S. Patent No. 5,228,916 (“the '916 patent”), entitled “APPARATUS FOR CREATING A GELATIN COATING”, was issued by the PTO on July 20, 1993. (See <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnetahtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=5,228,916.PN.&OS=PN/5,228,916&RS=PN/5,228,916>.) While the '916 patent may not have yet expired, none of its claims can even arguably cover anything embodied or contained in a package of TYLENOL® ARTHRITIS PAIN GELTABS.

22.U.S. Patent No. 5,679,406 (“the '406 patent”), entitled “TABLET DIPPING SYSTEMS FOR APPARATUS FOR GELATIN COATING TABLETS”, was issued by the PTO on October 21, 1997. (See <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnetahtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=5,679,406.PN.&OS=PN/5,679,406&RS=PN/5,679,406>.) While the '406 patent may not have yet expired, its sole claim cannot even arguably cover anything embodied or contained in a package of TYLENOL® ARTHRITIS PAIN GELTABS.

23.U.S. Patent No. 5,658,589 (“the '589 patent”), entitled “SUBCOATED SIMULATED CAPSULE-LIKE MEDICAMENT”, was issued by the PTO on August 19, 1997. (See <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnetahtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=5,658,589.PN.&OS=PN/5,658,589&RS=PN/5,658,589>.) While the '589 patent may not have yet expired, each of its independent claims recites, *inter alia*, “a subcoating consisting

essentially of a mixture of hydroxypropylmethyl cellulose and castor oil.” Because TYLENOL® ARTHRITIS PAIN GELTABS utilize “hydroxyethyl” cellulose, rather than “hydroxypropylmethyl” cellulose, TYLENOL® ARTHRITIS PAIN GELTABS cannot even arguably fall within the scope of any claim of the '589 patent. (See Exhibit D (showing ingredient list), extracted from http://tylenol.com/product_detail.jhtml?id=tylenol/art h/prod_arth.inc&prod=subparth# .)

24. As a sophisticated company that, upon information and belief, employs multiple in-house patent attorneys and regularly litigates patent-infringement and false advertising cases, Defendant knows, or reasonably should know, of the requirements of 35 U.S.C. §292.

25. Upon information and belief, Defendant marks its TYLENOL® 8 HOUR CAPLETS products with “U.S. Patent Nos. 4,820,522, 4,968,509 and 5,004,613” for the purpose of deceiving the public into believing that something contained or embodied in its TYLENOL® 8 HOUR CAPLETS is covered or protected by each of the listed patents.

26. Similarly, upon information and belief, Defendant marks its TYLENOL® ARTHRITIS PAIN CAPLETS products with “U.S. Patent Nos. 4,968,509 and 5,004,613” for the purpose of deceiving the public into believing that something contained or embodied in its TYLENOL® ARTHRITIS PAIN CAPLETS is covered or protected by each of the listed patents.

27. Furthermore, upon information and belief, Defendant marks its TYLENOL® ARTHRITIS PAIN GELTABS products with “U.S. Patent Nos. 5,658,589; 5,436,026; 5,228,916; 5,679,406; 4,968,509 and 5,004,613” for the purpose of deceiving the public into believing that something contained or embodied in its TYLENOL® ARTHRITIS PAIN GELTABS is covered or protected by each of the listed patents.

28. Upon information and belief, Defendant knows, or reasonably should know, that marking the above-described TYLENOL® products with false patent statements was and is illegal under Title 35 of the United States Code. At a minimum, Defendant had and has no reasonable basis to believe that its use of the false markings was or is proper or otherwise permitted under federal law.

29. Each time Defendant makes, has made, uses, offers to sell, or sells within the United States, or imports into the United States, TYLENOL® products containing false patent marking, such as described above, Defendant commits at least one "offense," as defined in 35 U.S.C. §292(a).

30. Each time Defendant uses false patent statements in its advertising or promotion of TYLENOL® products, Defendant commits at least one "offense," as defined in 35 U.S.C. §292(a).

Defendant's TYLENOL® Internet Advertising

31. Since at least 2008, Defendant has promoted its TYLENOL® brand products through an Internet Web Site identified by the URL www.tylenol.com. (See <http://tylenol.com/page.jhtml;jsessionid=AAMNLQ5CM5I5ICQPCB3SUYYKB2IIWNSC?id=/tyleno>

l/include/legal.inc& requestid=913608 (“All content of this Internet site is owned or controlled by McNeil Consumer Healthcare Division of McNeil-PPC, Inc. and is protected by worldwide copyright laws.”).)

32. Defendant's Web site contains false patent information, including the statements “TYLENOL® Arthritis Pain Caplets or Geltabs use a unique patented bilayer formulation” (See http://tylenol.com/print.jhtml?id=tylenol/arth/arthlpf_aqprint.inc) and “TYLENOL® has patented technology and clinical trials no store brand can match” (See <http://tylenol.com/different/index.jhtml>).

33. Defendant's Web site even lists multiple reasons why TYLENOL® is allegedly superior to “store brand” paid relievers, and the first listed reason is the (untrue) fact that “TYLENOL® has patented technology.” (See *id.*)

34. For at least the reasons detailed above, Defendant knows, or reasonably should know, that the patent-related statements on its Web site are false and violate 35 U.S.C. §292.

35. Upon information and belief, Defendant publishes false patent information on its Web site for the purpose of deceiving the public into believing that unpatented TYLENOL® brand products contain or embody “patented technology.”

36. Each time Defendant transmits, over the Internet, TYLENOL® promotional content containing false patent information or assertions, Defendant commits at least one “offense,” as defined in 35 U.S.C. §292.

Defendant's TYLENOL®
Radio Advertising Campaign

37. In or about 2009, Defendant launched a radio advertising campaign that included at least one radio commercial ("the Radio Commercial") that described TYLENOL® products as having "patented technology ... no store brand can match."

38. Upon information and belief, Defendant knows, or reasonably should know, that the Radio Commercial contains at least one false patent assertion that violates 35 U.S.C. §292.

39. Upon information and belief, Defendant has caused the Radio Commercial to be broadcast on stations throughout the United States, including stations in the New York and San Francisco metropolitan areas.

40. Upon information and belief, Defendant has and does cause the Radio Commercial to be broadcast with the intent to deceive the public into believing that unpatented TYLENOL® brand products contain or embody "patented technology."

41. Each time the Radio Commercial is broadcast that contains false patent information or assertions, Defendant commits at least one "offense," as defined in 35 U.S.C. §292.

PRAYER FOR RELIEF

WHEREFORE, plaintiff PUBPAT respectfully requests that this Court:

1. Find that Defendant's manufacture, promotion, advertising, marketing, sale and/or distribution of products with false patent markings or false patent assertions violate 35 U.S.C. §292(a);

2. Determine an appropriate "fine," not more than \$500 per offense, but sufficient to appropriately penalize Defendant's violations of §292(a), and to deter Defendant and others similarly situated from violating §292(a) in the future;

3. Direct that half of the fine be paid to the United States government pursuant to §292(b); and,

4. Direct that the other half of the fine be paid to PUBPAT pursuant to §292(b).

Request for Jury Trial

Pursuant to Fed. R. Civ. P. 38(b)(1), PUBPAT hereby demands a jury trial on all issues so triable.

Respectfully submitted,

PUBLIC PATENT FOUNDATION, INC.

/s/ Daniel B. Ravicher

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Dated: New York, New York

June 15, 2009

EXHIBIT D

Ingredients

Active Ingredient: Acetaminophen
Purpose: Pain reliever/Fever reducer



* Use only as directed

	Active Ingredients	Inactive Ingredients
Caplet	Acetaminophen 650 mg in each caplet	Carnauba wax, corn starch, hydroxyethyl cellulose, hypromellose, magnesium stearate, microcrystalline cellulose, povidone, powdered cellulose, pregelatinized starch, sodium starch glycolate, titanium dioxide, triacetin.
Geltab	Acetaminophen 650 mg in each geltab	Butylparaben, castor oil, corn starch, edetate calcium disodium, FD&C Blue #1 aluminum lake, FD&C Blue #2 aluminum lake, gelatin, hydroxyethyl cellulose, hypromellose, magnesium stearate, microcrystalline cellulose, povidone, powdered cellulose, pregelatinized starch, shellac, sodium lauryl sulfate, sodium starch glycolate, titanium dioxide.