

## ALERT

## Federal Circuit Patent Bulletin: *Stauffer v. Brooks Bros., Inc.*

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July 10, 2014

*"[T]he AIA amendment to the false-marking statute that eliminated liability for expired patents does not constitute an impermissible pardon."*

On July 10, 2014, in *Stauffer v. Brooks Bros., Inc.*, the U.S. Court of Appeals for the Federal Circuit (Lourie, Schall,\* Moore) affirmed the district court's dismissal of Stauffer's suit for lack of standing due to the elimination of the *qui tam* provision of 35 U.S.C. § 292 by the America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (AIA). The Federal Circuit stated:

The false-marking statute, 35 U.S.C. § 292, makes unlawful various acts of falsely marking products with patent numbers. Under § 292(a), a person who violates the statute "[s]hall be fined not more than \$500 for every such offense." At the time Mr. Stauffer filed his suit, § 292(b) allowed any person to sue for the penalty. If the suit was successful, one half of the penalty paid would go to the United States. The basis of Mr. Stauffer's allegation was that Brooks Brothers had violated the false-marking statute by marking its bow ties with patent numbers that had expired more than a half century ago. . . .

While the case was pending, the President signed into law the AIA. [T]he AIA made three significant changes to the false-marking statute: it eliminated the statute's *qui tam* provision; it expressly stated that marking a product with an expired patent is not a violation of the statute; and it provided that the amendments apply to all pending cases. After enactment of the AIA, Mr. Stauffer conceded that the amendments eliminated his standing and left him with no claim for relief on the merits. . . .

Mr. Stauffer first contends that the retroactive application of the AIA amendments amounts to a mass pardon of past acts of false marking. According to Mr. Stauffer, the false-marking statute is a criminal statute and, before enactment of the AIA, marking a product with an expired patent number was a criminal violation. After

enactment of the AIA, however, such actions are no longer punishable. Mr. Stauffer therefore argues that the amendments are unconstitutional because they amount to a pardon that only the President—not Congress—can grant. Second, Mr. Stauffer contends that the retroactive amendments which eliminate his standing, as a qui tam plaintiff, amount to an unconstitutional deprivation of his rights, by violating the common-law principle that prohibits use of a pardon to vitiate a qui tam action once it has commenced. . . .

[T]he AIA amendment to the false-marking statute that eliminated liability for expired patents does not constitute an impermissible pardon. The U.S. Constitution grants the President the “power to grant reprieves and pardons for offenses against the United States.” The grant of a pardon is an “executive action that mitigates or sets aside punishment for a crime.” Rather than granting a pardon, the amendments to the false-marking statute are better characterized as repealing a law, an action undoubtedly within Congress’s power. Indeed, at common law, it has long been held that Congress has the power to “repeal[] a penal provision (whether criminal or civil)” and that “such repeals [are] understood to preclude punishment for acts antedating the repeal.”

[T]he AIA amendments do not violate the common-law principle on which Mr. Stauffer relies because (1) he has no vested rights in his lawsuit, and (2) the AIA amendments do not constitute a pardon. First, a plaintiff has no vested rights in a lawsuit until final judgment has been entered. Because Mr. Stauffer’s case is still pending and has not reached final judgment, he has no vested rights in it. Further, we have already considered and rejected the argument that a litigant like Mr. Stauffer enters into a contract with the government upon filing a qui tam false-marking claim. Even if the law had not changed, Mr. Stauffer might still have lost his lawsuit against Brooks Brothers. He, therefore, could not have acquired a private-property interest in his share of the statutory penalty simply by filing suit.