Simonian v. Maybelline LLC Doc. 34

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THOMAS A. SIMONIAN,	)	
	)	
Plaintiff,	)	
	)	
v.	)	C.A. No.: 1:10-cv-01615
	)	
MAYBELLINE LLC,	)	
	)	
Defendants.	)	

DEFENDANT'S REPLY BRIEF IN SUPPORT OF ALTERNATE MOTION TO STAY PENDING THE APPELLATE DECISION IN DISPOSITIVE CASES

Plaintiff Thomas Simonian presents numerous reasons why he does not *want* this case to be stayed, but he has failed to answer Maybelline's legal arguments in favor of a stay. Instead, Simonian misinterprets the Federal Circuit's holdings in *Clontech* and *Forest Group* as supporting his standing in this case. The Federal Circuit has never held that an individual with no competitive injury has standing under 35 U.S.C. § 292. The Federal Circuit will address that issue—which this Court also must face in the present case—for the first time in *Stauffer*. Under these circumstances, and with no legitimate assertion of undue prejudice or tactical disadvantage from Simonian, the most just and efficient course of action is to stay the present case until the Federal Circuit resolves the standing issue in *Stauffer*.[1]

Courts that have faced these issues during the recent spate of false marking cases have stayed the cases in their entirety in the overwhelming majority of cases in which a motion has been filed, both in this district and other districts throughout the country. *See* Section IV, *infra*.

[1] Because the Federal Circuit recently decided *Pequignot v. Solo Cup Co.*, __ WL __, 2009-1547 (Fed. Cir. June 10, 2010), Maybelline's requested stay in light of that case is withdrawn. However, Maybelline maintains its request that the Court grant its proposed stay pending the Federal Circuit's decision in *Stauffer v. Brooks Bros. Inc.*

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In addition, *Stauffer* has been fully briefed, and oral argument is scheduled for August 3, 2010. As such, the stay sought by Maybelline is likely to be a reasonable length of time. As the decision in the recent *Pequignot* case demonstrated, the Federal Circuit's docket proceeds rapidly.[2] Simonian spends a significant portion of his brief making the unfounded assertion that "[t]he key here is the prejudice to the public of allowing Maybelline to delay this case while its false marking continues." (Opp. Br. at 5.) Nowhere in Simonian's complaint or responsive briefing does he point to a single member of the public who has actually been injured by any of the alleged false markings. Nor does he provide any reference for an assertion that Maybelline's alleged continued marking will prejudice the public. Despite Simonian's fictional ongoing injuries, there is no indication of any injury occurring as a result of what should be a reasonable delay, whereas the prejudice to Maybelline—should it have to defend itself against an unfounded suit—brought by a plaintiff without sufficient standing would be significant.

I. The Federal Circuit Has Never Held That an Individual With No Competitive Injury Has Standing Under 35 U.S.C. § 292

Contrary to Simonian's characterizations of *Clontech* and *Forest Group*, the Federal Circuit had never decided a false marking case in which the plaintiff had no competitive or other direct injury, and in *Pequignot* did not address the issue of standing. *Stauffer* is a case of first impression on this issue for the Federal Circuit, and its outcome will have a direct bearing on the present case.

A. *Clontech* and *Forest Group* Both Involved Allegations of Competitive Injury

Unlike Simonian, the plaintiffs in *Clontech* and *Forest Group* were competitors of the respective patentees and alleged competitive injury as part of their false patent marking claims.

[2] The Pequignot case was argued on April 6, 2010, and the decision was rendered on June 10, 2010.

The patentee in *Clontech* was Invitrogen Corp., a competitor that previously had sued Clontech for infringement of the same patents involved in the false marking claim. *Clontech Labs Inc. v. Invitrogen Corp*., 263 F. Supp. 2d 780, 783 (D. Del. 2003). In response, Clontech filed a lawsuit alleging false patent marking and antitrust violations. *Id.* at 783, 793. Similarly, in *Forest Group*, Bon Tool Co. responded to the patentee's infringement claims with a counterclaim alleging false marking under § 292. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1299 (Fed. Cir. 2009). Accordingly, both *Clontech* and *Forest Group* involved the type of "actual and imminent" injury traditionally recognized to comport with Article III. *See Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992). Neither case presented the type of standing issue the Federal Circuit faces in *Stauffer*, which is the same issue the Court eventually must address in this case: whether an individual with no competitive injury has standing under § 292.

B. The Federal Circuit will Address the Question of Standing in the Absence of Competitive Injury for the First Time in *Stauffer*

Simonian has not cited, and Maybelline is unaware of, any case in which the Federal Circuit held that a plaintiff who had not suffered competitive or other direct injury nevertheless had constitutional standing to bring suit under § 292. Rather, *Stauffer* is the first case to present the Federal Circuit with an explicit challenge to standing where a plaintiff lacks any direct injury in fact, competitive or otherwise. In this regard, Simonian stands in a legal position identical to that of the plaintiff in the *Stauffer* case.

II. This Case Presents Exactly the Same Standing Question the Federal Circuit Will Decide in *Stauffer*

In relevant part, the facts of this case are identical to those the Federal Circuit faces in *Stauffer*. Like Stauffer, Simonian has not alleged any competitive or other direct injury. Both men rest their claims on an interpretation of § 292 that ignores Article III, *Lujan*, and other binding Supreme Court precedent. Neither of them has any stake in his case other than as a

profit-seeker. Because of these similarities, the Federal Circuit's decision in *Stauffer* will have a direct and immediate bearing on this case.

Simonian's attempts to distinguish *Stauffer* demonstrate a misunderstanding of the district court decision in that case. For example, Simonian states incorrectly that "the *Stauffer* court found a lack of standing based on a factual challenge and not a facial challenge to standing." Pl. Resp. at 8. To the contrary, the district court in *Stauffer* examined Stauffer's complaint on its face, looking precisely for the factors required to establish standing under Article III and found them absent. The court specifically noted that the requirement of injury in fact is "the 'hard floor of Article III jurisdiction that cannot be removed by statute.'" *Stauffer v. Brooks Bros., Inc.*, 615 F.Supp.2d 248, 253 (citation omitted). In dismissing Stauffer's complaint under Fed. R. Civ. P. 12(b)(1), the court held that "Stauffer, proceeding as a qui tam plaintiff, fails to allege a cognizable injury in fact to the United States or such an injury to the public that has been assigned to him by the government," and concluded that Stauffer "lacks standing to pursue the penalties imposed by section 292." *Id.* at 251.

Simonian also intimates that the *Stauffer* decision turned on Stauffer's belated, semi-farcical attempt to allege injury to himself. (Opp. Br. at 8, *citing Stauffer*, 615 F. Supp. 2d at 255, n.7). However, the *Stauffer* court looked further into Stauffer's allegations, concluding that he "failed to allege that defendants' conduct has caused an actual or imminent injury in fact to competition, to the United States economy, or the public that could be assigned to him as a qui tam plaintiff or be vindicated through this litigation" beyond "the sort of 'conjectural or hypothetical' harm that the Supreme Court instructs is insufficient." *Stauffer*, 615 F. Supp. 2d at 655. Simonian has alleged no more competitive interest or injury than Stauffer.

Like the defendant in *Stauffer*, Maybelline is seeking dismissal for lack of standing under Rule 12(b)(1). Given the strong similarity between this case and *Stauffer*, the Court and both parties will be better prepared to address the standing issue after the Federal Circuit decides *Stauffer*. If the Federal Circuit affirms the district court's decision to dismiss Stauffer's false marking claim, then the binding precedent will require dismissal of Simonian's claim. Even if the Federal Circuit reverses or remands the *Stauffer* case, its decision will guide the parties and the Court in addressing the standing issue in this case. Either way, with a decision in *Stauffer* expected soon, it would be wasteful and inefficient to proceed with this case before receiving the Federal Circuit's guidance.

III. Simonian Failed to Present Any Evidence that He or Anyone Else Actually Will Be Prejudiced by a Stay

Simonian essentially acknowledges that he personally will not suffer any undue prejudice or tactical disadvantage if this case is stayed. (Opp. Br. at 2). Rather, he speculates, with no evidentiary support, that any continued marking by Maybelline will impose a continuing injury on the public. (Opp. Br. at 7-8). Like his harm allegations, Simonian's theory of undue prejudice is conjectural and hypothetical. He has not identified a single specific person or business entity that would suffer any real prejudice from a stay of this case. With no evidence of actual harm to himself, the government, the public, or anyone else, Simonian cannot demonstrate that a stay would cause undue prejudice.

Of interest is the fact that Simonian, the self-proclaimed protector of the "public interest," has not moved to preliminarily enjoin Maybelline's purported false patent marking—let alone make the requisite evidentiary showing of irreparable harm to the public necessary to support a preliminary injunction in a patent case under *eBay Inc. v. Merchang Exchange, L.L.C.*, 547 U.S. 388 (2006). All that Simonian seeks in all of his false marking cases is a monetary

award, and it is established law that delay in payment of money is not irreparable harm for injunctive relief purposes. *See Sampson v. Murray*, 415 U.S. 61, 90 (1974).

Nor is there any basis for finding that the alleged false marking negatively impacts the consuming public. Under the longstanding doctrine of patent exhaustion, "the initial authorized sale of a patented item terminates all patent rights to that item." *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008); *id.* at 2118 (It is a "longstanding principle that, when a patented item is 'once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee.'") (quoting *Adams v. Burke*, 84 U.S. 453, 457 (1885)). If the patent status of a product has no adverse impact on the public that purchases the product, *a fortiori*, marking a product with the number of an expired patent has no adverse consumer impact.

Many resources for investigating the status of issued patents are readily available on the internet, including the U.S. Patent and Trademark Office website. If any competitor, consumer, or other member of the public is unsure about the status of patents Maybelline has marked on its products, these resources could quickly and easily resolve the confusion.

Indeed, Simonian himself has reduced the potential for prejudice by filing so many lawsuits. The resulting media coverage has educated the public about patents and made it even less likely that someone might mistakenly believe that an expired patent remains in effect. For example, a March 1, 2010 Chicago Tribune article discussed the flood of false marking lawsuits filed by Simonian and others and noted available resources for determining patent expiration dates. (Ex. A, Ameet Sachdev, *Court Ruling Unleashes Flood of 'False Mark' Patent Lawsuits*, Chicago Tribune, Mar. 1, 2010, at 2. (obtained at http://articles.chicagotribune.com/2010-03-

01/business/ct-biz-0302-chicago-law-patents--20100301_1_patent-lawsuits-patent-statute-patent-number.))

The simple truth is that neither Simonian nor anyone else will be prejudiced or tactically disadvantaged by the requested stay. Indeed, if *Stauffer* is affirmed, the stay will prevent Simonian, his counsel, and the Court from needlessly expending resources on a case over which the Court lacks subject matter. As Simonian has acknowledged, courts have stayed many other false marking cases, in this jurisdiction and others, with the agreement of the plaintiffs in those cases. However, Simonian fails to acknowledge what is apparent to all the plaintiffs, defendants, and courts in those other cases: the *Stauffer* decision will have a significant, if not dispositive, effect on all false marking lawsuits filed by plaintiffs who, like Simonian, have not alleged any competitive injury. Or, perhaps Simonian sees the handwriting on the wall for this and his many other pending false marking cases and is determined to press his tactical advantage as a plaintiff, hoping that prospective litigation expense will pressure Maybelline and other defendants to settle for nuisance value before the Federal Circuit dashes his dreams of a financial windfall. Either way, the Court should not let Simonian's empty assertion of undue prejudice stand in the way of a stay pending resolution of the standing issue in *Stauffer* or the issue of viability of a false marking claim for expired patents in *Pequignot*.

IV. The Overwhelming Majority of Courts Have Granted Requested Stays

With the recent spate of false marking cases (many of which are courtesy of Simonian), courts across the country, including the Northern District of Illinois, have been confronted by requests for stays pending *Stauffer*. The vast majority of times, the court has granted the requested stay. *See Simonian v. L'Oreal USA Creative, Inc.*, 10-cv-1345 (N.D. Ill. May 14, 2010), Ex. B; *Simonian v. Kimberly-Clark Corp.*, 10-cv-1214 (N.D. Ill. June 2, 2010), Ex. C; *Simonian v. Weber-Stephen Prods. Co.*, 10-cv-1220 (N.D. Ill. May 12, 2010), Ex. D; *Zojo*

Solutions, Inc. v. Leviton Mfg., 10-cv-881 (N.D. Ill. April 21, 2010), Ex. E; *Zojo Solutions, Inc. v. Zircon Corp.*, 10-cv-1431 (N.D. Ill. May 11, 2010), Ex. F; *Heathcote Holdings Corp., Inc. v. Crayola LLC*, 10-cv-342 (N.D. Ill. April 8, 2010), Ex. G; *Newt LLC v. Nestle USA, Inc.*, 09-cv-4792 (N.D. Ill. April 28, 2010), Ex. H; *Heathcote Holdings Corp., Inc. v. Clorox Co.*, 10-cv-942 (N.D. Ill. May 18, 2010), Ex. I.[3] While the nature of the motions, in particular whether they were a joint motion to stay or individual opposed motion, differed in the cases, all of them illustrated a knowledge on the part of the court and/or parties that the issues to be decided in *Stauffer* would have a direct impact on the standing of the plaintiffs bringing the false marking suits. One thing in common in all the suits is that they were brought by disinterested third parties based on the marking of expired patents. The same situation exists here, and the Court should treat this case in the same way.

One of the cases in which a stay was granted involved the same plaintiff, Simonian, and Maybelline's corporate parent, L'Oréal USA, Inc. (Ex. B.) Judge Coar, without requiring responsive briefing, granted a stay in that case. There is no reason for this case to be treated any differently, particularly in light of the possible prejudice to Maybelline and L'Oréal USA, Inc. to go forward with one case while another is stayed, wherein the ultimate decision of the Federal

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[3] *See also Public Patent Foundation, Inc. v. Glaxosmithkline Consumer Healthcare, L.P.*, 09-cv-5881 (S.D.N.Y. Feb. 17, 2010), Ex. J; *Public Patent Foundation, Inc. v. McNeil-PPC, Inc.*, 09-cv-5471 (S.D.N.Y. April 23, 2010), Ex. K; *Hirschorn v. Church & Dwight Co.*, 10-cv-1156 (E.D.Pa. May 13, 2010), Ex. L; *Heathcote Holdings Corp. v. Church & Dwight Co.*, 08-cv-349 (E.D. Tex. June 3, 2010), Ex. M; *O&G Searchquest, Inc. v. Proctor & Gamble Co.*, 10-cv-1164 (S.D. Tex. May 17, 2010), Ex. N; *O&G Searchquest, Inc. v. McNeil-PPC, Inc.*, 10-cv-1004 (S.D. Tex. May 24, 2010), Ex. O; *San Francisco Tech., Inc. v. Adobe Systems, Inc.*, 09-cv-6083 (N.D. Cal. April 13, 2010), Ex. P; *Altrach Data Solutions, LLC v. Evercare Co.*, 10-cv-461 (N.D. Ga. April 29, 2010), Ex. Q; *Crestron Elec., Inc. v. Lutron Elec. Co., Inc.*, 10-cv-01390 (D.N.J. May 13, 2010), Ex. R; *US ex rel. Hungerpiller v. Energizer Holdings, Inc.*, 10-cv-290 (N.D. Al. June 9, 2010), Ex. S.

Circuit in *Stauffer* will have a direct impact on the standing of Simonian to bring suit in the first place.

V. Conclusion

For the reasons stated above, Maybelline maintains its request that the Court stay all proceedings in this case until final resolution of the *Stauffer* appeal.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Jeffrey M. Drake, caused to be served a copy of the foregoing:

DEFENDANT'S REPLY BRIEF IN SUPPORT OF ALTERNATE MOTION TO STAY PENDING THE APPELLATE DECISION IN DISPOSITIVE CASES

by filing same with the Clerk of the Court using the CM/ECF system which will send electronic notification of such filing to all counsel of record:

/s/ Jeffrey M. Drake