

**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,	)	
	)	
Defendant.	)	

**REPLY BRIEF IN SUPPORT OF  
DEFENDANT MAYBELLINE LLC’S MOTION TO DISMISS**

Defendant Maybelline LLC (“Maybelline”), by and through its undersigned counsel, respectfully reaffirms its request that the Court grant its motion to dismiss pursuant to Fed. R. Civ. P. 9(b), 12(b)(1), and 12(b)(6). In the alternative, should the Court not grant its motion to dismiss, Maybelline reaffirms its motion to transfer proceedings to the Southern District of New York or stay the proceedings pending appeal of *Stauffer v. Brooks Bros. Co.*

In its motion to dismiss under Fed. R. Civ. P. 12(b)(1), Maybelline established that nowhere in plaintiff Thomas Simonian’s complaint does he allege an injury in fact sufficient to confer standing under Article III. Simonian does not allege that he has suffered a personal injury in fact, that the public has suffered an injury in fact, or even that the economy of the United States has suffered an injury in fact. Nor does Simonian allege that any such injuries in fact are imminent or even likely. Rather than address the merits of Maybelline’s motion to dismiss, or point this Court to where in his complaint he alleges an injury in fact to support standing, Simonian focuses only on whether he could potentially have standing in a false marking case, not whether he actually has pled sufficient facts to support Article III standing as a qui tam plaintiff.

Maybelline also established in its opening brief that Simonian failed to meet the heightened pleading requirements of Fed. R. Civ. P. 9(b). Despite Simonian’s assertions to the contrary, his complaint falls short of what must be alleged, and as such should be dismissed.

**I. Simonian Has Not Alleged Sufficient Injury to Grant Subject Matter Jurisdiction**

In its motion, Maybelline presented the following issue for the Court: Whether Simonian has alleged a concrete particularized injury in fact to himself, the public, or the economy of the United States that would support qui tam Article III standing under 35 U.S.C. § 292(b). The answer is no. Simonian has pointed to no concrete, particularized injury that he or anyone has suffered as a result of Maybelline’s alleged false marking. As such, Simonian lacks standing under Article III, and this Court should dismiss the complaint with prejudice.

Although Simonian did not say so in his brief, putative false marking relators like Simonian contend—because there is no other interest that they can assert—that they are asserting the government’s “sovereign interest” in seeing its laws obeyed. Supreme Court precedent is clear that to obtain Article III standing, a private party cannot rely on abstract interest in seeing that the laws are not violated. *Lance v. Coffman*, 549 U.S. 437, 442 (2007) (“The only injury plaintiffs allege is that the law...has not been followed. This injury is precisely the kind of undifferentiated, generalized grievance...that we have refused to countenance in the past.”); *Fed. Election Comm’n v. Akins*, 524 U.S. 11, 24 (1998) (finding that an “abstract” harm such as “injury to the interest in seeing that the law is obeyed...deprives the case of the concrete specificity” necessary for standing); *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 573-74 (1992) (“[H]arm to...every citizen’s interest in proper application of the Constitution and laws...does not state an Article III case or controversy.”).

The United States District Court for the Southern District of New York carefully considered this exact issue in *Stauffer* and dismissed the false marking claim before it because

the relator lacked Article III standing. *See Stauffer v. Brooks Bros. Inc.*, 615 F. Supp. 2d 248, 254 n.5 (S.D.N.Y. 2009) (“[T]he Court doubts that the Government’s interest in seeing its laws enforced could alone be an assignable, concrete injury in fact sufficient to establish a qui tam plaintiff’s standing.”) (citation omitted). Simonian does not even try to address the Supreme Court precedent underlying the decision in *Stauffer*. Nor does Simonian explain how that precedent is not fatal to his complaint. Instead, Simonian relies on a Federal Circuit decision that did not discuss or decide the issue of when a false marking qui tam plaintiff has Article III standing, *Forest Group v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). Simply put, that decision does not have any bearing on the standing issue, which was the express basis of the *Stauffer* decision.

Simonian attempts to mask this fault in his argument by citing to a brief submitted by the United States (an interested party) in the *Stauffer* case, in which the United States attempts to argue that standing did in fact exist. As an interested party in the litigation, it should come as no surprise that the United States favored granting standing to the qui tam relator. Simonian further cites to the appellee’s brief in *Forest Group*, in which the appellee stated that there was “no standing requirement.” This statement is obviously false, in light of the overwhelming Supreme Court precedent to the contrary. If anything, this quote proves only that the issue of standing was not one considered by the Federal Circuit in *Forest Group*, and therefore works against any arguments based on that case.

Simonian’s effort to distinguish the decision in *Stauffer* from the present motion, demonstrates a misunderstanding of the district court’s holding in *Stauffer*. While Simonian classifies the district court’s ruling as one based on a factual challenge instead of a facial challenge, the district court in that case decided the exact question Maybelline seeks this court to

decide. The *Stauffer* court held that conclusory statements in a complaint were “insufficient to establish anything more than the sort of ‘conjectural or hypothetical’ harm that the Supreme Court instructs is insufficient.” 615 F. Supp. 2d at 255 (citing *Summer v. Earth Island Inst.*, 129 S. Ct. 1142, 1151-52 (2009); *Lujan*, 504 U.S. at 566). The district court concluded “[t]hat some competitor might somehow be injured at some point, or that some component of the United States economy might suffer some harm through defendants’ conduct, is purely speculative and plainly insufficient to support standing.” *Stauffer*, 615 F. Supp. 2d at 255. The facts in *Stauffer* are nearly identical to those in the present case. As such, the same result should follow here.

The deficiencies in Simonian’s complaint are equivalent to those in the complaint dismissed in *Stauffer*. While Simonian tries to distinguish *Stauffer* as based upon specific facts alleged therein relating to the defendant’s alleged intent to deceive, these facts are irrelevant to the Article III standing issue, and show a fundamental misunderstanding of the holding of the district court in that case. Like the plaintiff in *Stauffer*, Simonian solely asserts an injury to the public and the United States inasmuch as Maybelline’s conduct has “wrongfully quelled competition.” This purely speculative injury falls far short of that necessary to establish Simonian’s Article III standing to maintain this action, which should be dismissed. *Id.* at 254. To the extent that Simonian argues that *Stauffer* should not be considered as it was decided prior to *Forest Group*, as stated above, the Federal Circuit in *Forest Group* did not consider the question of standing, and therefore that fact carries no weight. Finally, Simonian argues that *Stauffer* shouldn’t control based on a brief filed by the United States. As discussed above, the United States is an interested party. Simonian’s arguments carry no weight. The overwhelming precedent--which requires an allegation of an injury in fact--control. *See* Mot. (Dkt. 20) at 4 (quoting *Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 103 (1998) (“[T]here must be

alleged (and ultimately proved) an ‘injury in fact’--a harm suffered by plaintiff that is ‘concrete and particularized’ and actual or imminent, not ‘conjectural’ or ‘hypothetical.’”))

## **II. Simonian’s Complaint Fails to Meet the Requirements of Fed. R. Civ. P. 9(b)**

Simonian’s bare-bones complaint is woefully insufficient and fails to meet the heightened pleading standards of Fed. R. Civ. P. 9(b). In the recent decision of *Pequignot v. Solo Cup Co.*, 2009-1547 at 11 (Fed. Cir. June 10, 2010) (Ex. A), the Federal Circuit reaffirmed the keystone liability prerequisite of 35 U.S.C § 292: that the false marking be made “for the purpose of deceiving the public.” In *Pequignot*, the court held that “[t]he bar for proving deceptive intent here is particularly high, given that the false marking statute is a criminal one, despite being punishable only with a civil fine.” *Id.* at 12 (citations omitted). As such, “a purpose of deceit, rather than simply knowledge that a statement is false, is required.” *Id.* “[A] person who causes a particular result is said to act purposefully if he consciously desires that result.” *Id.* (quoting *U.S. v. Bailey*, 444 U.S. 394, 404 (1980)). The Federal Circuit further held that any presumption of intent arising out of the marking of expired patents is weaker than markings of patents that never covered the marked article. *Id.* at 14.

With the heightened fraudulent intent requirement of *Pequignot* now established, the pleading requirements set forth in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 545 (2007), and *Exergen v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326-27 (Fed. Cir. 2009), require that facts be alleged that demonstrate that intent. Specifically, the court must be able to reasonably infer from the alleged facts that the party in question “acted with the requisite state of mind.” *Exergen*, 575 F.3d at 1327. A pleading “on information and belief” is only allowed “if the pleading sets forth *the specific facts upon which the belief is reasonably based.*” *Id.* at 1330; *Tricontinental Indus., Ltd. v. PricewaterhouseCoopers, LLP*, 475 F.3d 824, 833 (7th Cir. 2007) (quoting *Robin v.*

*Arthur Young & Co.*, 915 F.2d 1120, 1127 (7th Cir. 1990)) (while state of mind may be pleaded generally under Rule 9(b), the complaint “must still afford a basis for believing that plaintiffs could prove scienter”).

Simonian apparently concedes that he must satisfy Rule 9(b) (Pl. Resp. 9), but his argument that he has satisfied that heightened pleading requirement ignores the complete absence of any factual allegations to support his recitation of the elements of a Section 292 cause of action.

Simonian’s response highlights these deficiencies. Instead of pointing to facts that support his allegation that Maybelline intended to deceive the public, he offers legal conclusions, namely that Maybelline “knew or should have known that the referenced patents expired” and that Maybelline “intentionally marked its products with the expired patents.” *Id.* at 8. These are not facts. It is well established that a court should not accept “abstract recitations of the elements of a cause of action or conclusory legal statements.” *Brooks v. Ross*, 578 F.3d 574, 581 (7th Cir. 2009). Simonian ignores that a plaintiff *must* “allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind.” *Exergen*, 575 F.3d at 1327.

Simonian’s Complaint provides no facts to support Maybelline’s alleged state of mind. The allegations regarding Maybelline’s intent read *in their entirety* as follows:

24. Upon information and belief, Defendant knows, or should know (by itself or by its representatives), that the Expired Patents marked on its products have expired and/or do not cover the products to which the markings are affixed.

25. Upon information and belief, Defendant intentionally marked its products with the Expired Patents in an attempt to prevent competitors from entering the market and for the purpose of deceiving the public into believing that something contained in or embodied in the products is covered by or protected by one or more of the Expired Patents.

28. Upon information and belief, Defendant knows, or reasonably should know, that marking its products with false patent statements was and is illegal under Title 35 United States Code...

(Compl. ¶¶ 24, 25, 28). These legal conclusions simply do not provide “the ‘information’ on which [the plaintiff] relies nor any plausible reasons for [the plaintiff’s] ‘belief,’” *Exergen Corp.*, 575 F.3d at 1330-31, and they do not meet the standards set forth in Rule 9(b).

Although Simonian relies heavily upon the Federal Circuit’s *Clontech* decision to justify his pleading, *Clontech* provides no cover for the threadbare allegations at issue here. This is particularly true in light of *Pequignot*, in which the Federal Circuit held that an inference of fraudulent intent can only be drawn by proving misrepresentation plus proof that the defendant had knowledge of the misrepresentation. *Pequignot* at 13. In *Clontech*, the court reviewed a judgment involving a claim that the patents marked upon various molecular biology products did not actually cover the products—in other words, a “true” false marking claim. 406 F.3d at 1351. In its analysis of Section 292, the court made clear that Section 292 was not a strict liability statute and that an honest, but mistaken, mismarking of an article could not trigger liability thereunder. *Id.* at 1352. Instead, the plaintiff had to present evidence that the defendant deliberately mismarked its products with an intent to deceive the public. *Id.* The court found that the plaintiff had met its burden with respect to certain products as to which the defendant admitted that it knew there was no patent coverage, but marked the products anyway. *Id.* at 1355-56 (defendant admittedly had no basis to claim patent coverage for its cDNA libraries). In light of the evidence that the defendant *knew* of that the patent never covered certain products, the court held that the defendant could not have had a reasonable belief that these products were properly marked, and therefore a fraudulent intent could be inferred. *Id.* at 1356-57.<sup>1</sup>

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<sup>1</sup> Significantly with respect to several other allegedly mismarked products, the *Clontech* court refused to infer a fraudulent intent because the evidence (*i.e.*, experiments and test results

In contrast to the unambiguous evidence that the *Clontech* court required to infer a fraudulent intent, Simonian’s pleadings do not recite any facts establishing that Maybelline’s failure to remove expired patent markings from certain of its retail products was driven by an intent to deceive the public. The only relevant fact alleged in the Complaint is that the patents marked upon certain products had expired. This has, of course, an “obvious alternative explanation”—the party marking the products may have simply overlooked the markings and failed to remove them. *See Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1951-52 (2009) (when the allegations are consistent with illegal behavior, but a legal and more plausible “obvious alternative explanation” exists, the complaint must be dismissed); *Bell Atlantic Corp. v. Twombly*, 550 U.S. 54, 567 (2007) (same). In fact, for two of the alleged products, multiple unexpired patents remain listed on the packaging. As a result, it is even more likely that the failure to remove expired patents is simply the fault of oversight, and no nefarious “intent to deceive the public.” The allegations of Simonian’s Complaint cannot give rise to any presumption of fraudulent intent, because he has not alleged any facts to negate the more plausible explanation of oversight, inadvertence, or neglect for the conduct that he challenges.

Simonian repeatedly falls back on *U.S. ex rel. Lusby v. Rolls-Royce Corp.*, 570 F.3d 849 (7th Cir. 2009), as support for his claim to have provided “the who, what, when, where, and how” required by Rule 9(b), but *Lusby* is fully consistent with and supports Maybelline’s position. In that case, Lusby provided ample factual detail to establish the defendant’s intent to defraud the government. *See id.* at 853-54 (describing factual allegations that the defendant manufactured faulty parts, that tests established that the parts were faulty, that the relator personally informed the defendant of the test results, and that those results were also confirmed

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purportedly putting the defendant on notice regarding the absence of patent coverage for marked products) was ambiguous or inconclusive. *Id.* at 1353-55.



by the defendant's quality assurance department, as well as noting that the complaint "name[d] specific parts shipped on specific dates, and it relate[d] details of payment"). Simonian seems to argue that this "five question" formulation somehow excuses him from pleading facts that go to Maybelline's intent, but neither *Lusby* nor the relevant Federal Circuit precedent supports this conclusion. *See id.; Exergen Corp.*, 575 F.3d at 1327 (adopting Seventh Circuit law as it relates to pleading fraud, adopting the "five questions" formulation, and going on to "require[] that the pleadings allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind"). Not a single one of Simonian's answers to the "five questions" provides *facts* to support Maybelline's alleged intent to deceive the public. (Pl. Resp. 9-10). Maybelline's alleged acts are fully consistent with inadvertent marking, and without any factual allegations to support Maybelline's intent, Simonian's Complaint fails to state a claim under Rule 12(b)(6).

### **III. Duplication of an Earlier Filed Suit**

Simonian's complaint did not specify particular color numbers for each of the asserted product lines. Only pictures used in the complaint referred to the products by particular color codes. As Simonian now admits that his complaint is limited to 1) XXLPRO 522, 2) LASH DISCOVERY 351, 3) FULL N SOFT 302, and 4) VOLUM' EXPRESS 221, and further that he has stipulated to dismissal of claims related to FULL N' SOFT 302 and VOLUM' EXPRESS 221, Maybelline withdraws its objection to the remaining two products under the first to file rule.<sup>2</sup>

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<sup>2</sup> In addition, in view of the Federal Circuit's recent decision in *Pequignot v. Solo Cup Co.*, \_\_WL\_\_, 2009-1547 (Fed. Cir. June 10, 2010) Maybelline withdraws its argument based on the status of marking of expired patents as false markings (Section III(C) of Maybelline's Motion to Dismiss, Dkt. 20).

#### **IV. Simonian's Complaint Should be Dismissed With Prejudice**

Simonian makes the blanket assertion that "greater detail can be provided if the Court believes it is necessary." Pl. Resp. at 14. However, he gives no indication of what possible detail that would be, or where it would come from. As a result, he has not provided any reason why Maybelline's belief that any attempt to amend the complaint would be futile is wrong.

#### **V. Conclusion**

For the reasons stated above, Maybelline reaffirms its request that Simonian's complaint be dismissed with prejudice.

Respectfully submitted,

/s/Jeffrey M. Drake

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**CERTIFICATE OF SERVICE**

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

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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