

EXHIBIT B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
CASE NO.: 10-21784-CIV-GOLD/MCALILEY

HERENGRACHT GROUP LLC,

Relator,

v.

WM. WRIGLEY JR. COMPANY,

Defendant.

**ORDER GRANTING DEFENDANT'S
MOTION TO DISMISS [ECF No. 8] WITHOUT PREJUDICE**

I. Introduction

THIS CAUSE is before the Court on Defendant WM. Wrigley Jr. Company's ("Defendant" or "Wrigley") Motion to Dismiss [ECF No. 8] ("Motion"). *Qui tam* Relator Herengracht Group LLC ("Herengracht") filed a Response in Opposition to Defendant's Motion to Dismiss [ECF No. 29] ("Response"), and Defendant filed a Reply in Support of its Motion to Dismiss [ECF No. 31] ("Reply"). I have jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a). Having considered the record, the relevant submissions, and the applicable law, I GRANT the motion for the reasons set forth below.

II. Factual background¹

On June 1, 2010, Herengracht filed a complaint against Defendant Wrigley for false patent marking under 35 U.S.C. § 292(a). [ECF No. 1]. On June 30, 2010, Wrigley filed a Motion to Dismiss. [ECF No. 8]. On July 24, 2010, Herengracht filed the operative one-count First Amended Complaint, alleging that Wrigley "has violated 35

¹ For purposes of a motion to dismiss, I accept as true all factual allegations in the complaint. *Thaeter v. Palm Beach County Sheriff's Office*, 449 F.3d 1342, 1352 (11th Cir. 2006).

U.S.C. § 292(a) by marking unpatented articles with the purpose of deceiving the public." [ECF No. 25 ¶¶ 1-2]. Specifically, Herengracht contends that Wrigley marks the Hubba Bubba Bubble Tape ("Bubble Tape") bubble gum product with expired patent number 4,882,175 (the "'175 Patent"). [*Id.* at ¶¶ 13, 14, 16]. The Bubble Tape product is essentially chewing gum in the form of a rolled tape, allowing consumers to break off the desired size piece to chew and save the rest for later. [*Id.* at ¶ 26]. The patent number is printed on a paper label affixed to the plastic canister containing Bubble Tape. [*Id.* at ¶ 27]. Herengracht alleges that despite the expiration of '175 Patent on May 5, 2008, Wrigley continues to mark the Bubble Tape as a product covered by the expired '175 Patent. [*Id.* at ¶¶ 16, 17].

The First Amended Complaint alleges that Wrigley was the Assignee of the '175 Patent and employed the inventors of the '175 Patent on or about May 5, 1988, when the patent application was filed with the U.S. Patent and Trademark Office. [*Id.* at ¶ 18]. Based on this, Herengracht alleges that Wrigley has known since at least 1988 that the '175 Patent would expire on May 5, 2008. *Id.* Herengracht also imputes knowledge of the expiration of the '175 Patent on Wrigley based on Wrigley's "accounting and budgeting," alleging that Wrigley paid maintenance fees on the '175 Patent until 2008. [*Id.* at ¶¶ 19, 20]. Herengracht conclusorily alleges that "[t]hus, as a matter of WRIGLEY accounting and budgeting, WRIGLEY knew, or should have known, on or after May 5, 2008, that the '175 Patent had expired." *Id.*

Herengracht further alleges that Wrigley is "a sizeable and sophisticated company, with approximately 16,000 employees and yearly revenues of over \$5 billion" and experience with patent matters. [*Id.* at ¶¶ 20, 34]. Herengracht suggests that

Wrigley's in-house legal department, in addition to "large firms as outside counsel" have some responsibility for Wrigley's knowledge of the expiration of the '175 Patent. *Id.* In its First Amended Complaint, Herengracht names four Wrigley in-house lawyers whose Internet webpages list practice areas of intellectual property, alleging that these individuals are responsible for ensuring that Wrigley complies with patent laws. [*Id.* at ¶¶ 20-22].

III. Legal standard

For purposes of a motion to dismiss, my review is "limited to the four corners of the complaint" and any documents referred to in the complaint which are central to Plaintiff's claims. *St. George v. Pinellas Cty.*, 285 F.3d 1334, 1337 (11th Cir. 2002). In determining whether to grant a motion to dismiss, I must accept all the *factual allegations*⁴ in the complaint as true and evaluate all inferences derived from those facts in the light most favorable to the plaintiff. *Hoffend v. Villa*, 261 F.3d 1148, 1150 (11th Cir. 2001). "Federal Rule of Civil Procedure 8(a)(2) requires only 'a short and plain statement of the claim showing that the pleader is entitled to relief,' in order to 'give the defendant fair notice of what the . . . claim is and the grounds upon which it rests.'" *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (quoting *Conley v. Gibson*, 355 U.S. 41, 47 (1957)). "Of course, 'a formulaic recitation of the elements of a cause of action will not do.'" *Watts v. Fla. Int'l Univ.*, 495 F.3d 1289, 1295 (11th Cir. 2007) (quoting *Twombly, supra*, 550 U.S. at 555).

Granting a motion to dismiss is appropriate when a pleading offers "labels and conclusions" or "a formulaic recitation of the elements of a cause of action." *Twombly*,

⁴ Legal conclusions, on the other hand, need not be accepted as true. *Twombly, supra*, 550 U.S. at 555.

supra, 550 U.S. at 555. Nor does a complaint suffice if it tenders "naked assertion[s]" devoid of further factual enhancement. *Id.*; *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1950 (2009). While Rule 12(b)(6) does not permit dismissal of a well-pleaded complaint simply because "it strikes a savvy judge that actual proof of those facts is improbable, the factual allegations must be enough to raise a right to relief above the speculative level." *Watts, supra*, 495 F.3d at 1295 (internal citations and quotations omitted).

In other words, "[t]o survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Iqbal, supra*, 129 S. Ct. at 1944 (internal citations and quotations omitted). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Id.* It follows that "where the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct, the complaint has alleged – but it has not 'show[n]' – 'that the pleader is entitled to relief.'" *Id.* at 1950 (quoting Fed. R. Civ. P. 8(a)(2)).

IV. Jurisdiction

A federal court must always determine whether it has jurisdiction to hear a case. *See, e.g., Arbaugh v. Y & H Corp.*, 546 U.S. 500, 507 (2006) ("The objection that a federal court lacks subject matter jurisdiction . . . may be raised by a party, or by a court on its own initiative, at any stage in the litigation, even after trial and the entry of judgment."); *Bochese v. Town of Ponce Inlet*, 405 F.3d 964, 975 (11th Cir. 2005) ("Indeed, it is well-settled that a federal court is obligated to inquire into subject matter jurisdiction *sua sponte* whenever it may be lacking."). As such, even when there is no

dispute between the parties with respect to jurisdiction, federal courts have an independent duty to ensure that subject-matter jurisdiction exists. In the instant case, I exercise federal question jurisdiction pursuant to 28 U.S.C. § 1331 and jurisdiction pursuant to 28 U.S.C. § 1338(a) for claims arising under the false marking statute, 35 U.S.C. § 292(a).

V. Analysis

Defendant moves to dismiss Herengracht's First Amended Complaint for failure to state a claim upon which relief may be granted pursuant to Fed. R. Civ. P. 12(b)(6). Specifically, Defendant contends that Herengracht has not satisfied the pleading requirements of either Fed. R. Civ. P. 8(a) or the heightened pleading requirements of Fed. R. Civ. P. 9(b).

The purpose of the false marking statute, 35 U.S.C. § 292(a), is to protect the patent holder against fraudulent use of his or her name or device and to prevent public deception by false claims that a product is patented or that a patent application is pending. *Inventorprise, Inc. v. Target Corp.*, 2009 WL 36440 at *3 (N.D.N.Y. Nov. 2, 2009). 35 U.S.C. § 292(a) provides:

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.

To state a claim for false marking, Herengracht must adequately allege that Defendant Wrigley: "(1) mark[ed] an unpatented article (2) [with] intent to deceive the public." *Advanced Cartridge Techs., LLC v. Lexmark Int'l, Inc.*, 2010 WL 2640137 at *1 (M.D. Fla. June 30, 2010) (citing *The Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d

1295, 1300 (Fed. Cir. 2009)). Here, Herengracht has failed to allege sufficient facts supporting the second element of its false marking claim. Accordingly, the First Amended Complaint must be dismissed for the reasons set forth below.

1. *Applicability of Fed. R. Civ. P. 9*

Federal Rule of Civil Procedure 9(b) provides that in "alleging fraud . . . a party must state with particularity the circumstances constituting fraud." A plaintiff must set forth:

(1) precisely what statements were made in what documents or oral representations or what omissions were made, (2) the time and place of each such statement and the person responsible for making (or, in the case of omissions, not making) same, (3) the content of such statements and the manner in which they misled the plaintiff, and (4) what the defendants obtained as a consequence of the fraud.

Ziembra v. Cascade Int'l, Inc., 256 F.3d 1194, 1202 (11th Cir. 2001) (quoting *Brooks v. Blue Cross & Blue Shield of Fla., Inc.*, 116 F.3d 1364, 1371 (11th Cir. 1997)).

Simply put, plaintiffs alleging fraud must plead "the who, what, when, and where [of the fraud] *before* access to the discovery process is granted." *Infante v. Bank of America Corp.*, 680 F.Supp.2d 1298, 1303 (S.D. Fla. Dec. 18, 2009) (internal citation omitted) (emphasis in original). The remedy for a failure to plead with sufficient particularity is dismissal with or without prejudice, depending on the circumstances. *Id.* at 1362 (affirming district court's dismissal of claim with prejudice for failing to plead fraud with sufficient particularity).

While there is a split in authority as to whether the heightened pleading requirements of Rule 9(b) apply to section 292 claims, the most recent¹ case law in this

¹ Herengracht suggests that Rule 8 pleading standards apply pursuant to *Third Party Verification, Inc. v. Signaturelink, Inc.*, 492 F. Supp. 2d 1314, 1327 (M.D. Fla. 2007) ("There is no case law that has required the Rule 9 level of pleading to claims for false

Circuit suggests that Rule 9(b) is the appropriate standard. See *Advanced Cartridge*, supra, 2010 WL 2640137 at *1 ("The false marking statute is a fraud-based claim, which is subject to the pleading requirements of Rule 9(b), Federal Rules of Civil Procedure.") (internal citations omitted). Notwithstanding limited case law on this issue in this Circuit, courts in other circuits have recently determined that the Rule (9)b pleading standard applies.² See, e.g., *Hollander v. Etymotic Research, Inc.*, 2010 WL 2813015, *7 (E.D. Pa. July 14, 2010) ("The Court is persuaded by the law of other district courts holding that false marking claims are fraud-based claims subject to Rule 9(b)'s heightened pleading standards."); *Simonian v. Cisco Sys., Inc.*, 2010 WL 2523211, *3 (N.D. Ill. June 17, 2010) ("Accordingly, the Rule 9(b) pleading standard applies to [defendant's] false marking claim."); *Juniper Networks v. Shipley*, 2009 WL 1381873, *4 (N.D. Cal. May 14, 2009) ("The false marking statute is fraud-based claim, which is subject to the pleading requirements of Federal Rule of Civil Procedure 9(b).").

"In *Brinkmeier I*, the court ultimately decided that it need not resolve whether the heightened pleading requirements of Rule 9(b) applied because plaintiff's 'amended complaint . . . fail[ed] to sufficiently plead a required element—intent to deceive—under

marking."). However, subsequent to the opinion in *Third Party Verification*, the United States District Court for the Middle District of Florida issued an order on June 30, 2010 in *Advanced Cartridge Techs., LLC v. Lexmark Int'l, Inc.*, 2010 WL 2640137 at *1 applying the Rule 9(b) heightened pleading standard.

² When confronted with the absence of Eleventh Circuit law on a point and with persuasive authority from another circuit, the Eleventh Circuit in *Public Health Trust of Dade County, Fla. v. Lake Aircraft, Inc.*, 992 F.2d 291, 295 (11th Cir. 1993) stated:

Piper Aircraft Co. is much like this case. It does not bind us. And, intercourt splits on points of law are not all bad. Still, we do listen to other courts. And, we do not create intercourt splits lightly. When another circuit has ruled on a point, we often follow it (even if we have some doubt about its correctness) unless we believe the decision to be plainly wrong.

the even liberal pleading standards of Rule 8(a)."³ *Brinkmeier v. BIC Corp.*, 2010 WL 3360568 at *7 (D. Del. Aug. 25, 2010) (citing *Brinkmeier v. Graco Children's Products Inc.*, 684 F.Supp.2d 548, 549 (D. Del. 2010)). For similar reasons stated below, I find that Herengracht has not adequately alleged Wrigley's intent to deceive in the First Amended Complaint, even under the liberal Rule 8(a) pleading requirements. Accordingly, I need not resolve this dispute over whether Rule 8(a) or Rule 9(b) pleading standards apply since Herengracht has failed to sufficiently plead the required element of intent to deceive under Rule 8(a).

2. *Intent to deceive*

"Intent to deceive is an essential element of a federal mismarking claim." *High Frequency Prods. v. Wynn's Climate Sys.*, 892 F. Supp. 1515, 1519 (S.D. Fla. 1995) (citing *Brose v. Sears, Roebuck & Co.*, 455 F.2d 763 (5th Cir. 1972)). Section 292 is a criminal statute punishable by a civil fine; accordingly, the statute requires that the defendant act "for the purpose of deceiving the public," rather than simply with the knowledge that a statement is false. *Pequignot v. Solo Cup Co.*, 608 F.3d 1356, 1363 (Fed. Cir. 2010) (citing 35 U.S.C. § 292(a)).

A "defendant's knowledge of the limited duration of patents and the actual expiration of the patents do not create an inference that defendant knew that the patents at issue actually expired." *Hollander, supra*, 2010 WL 2813015 at *6. "[M]ere knowledge that a marking is false is insufficient to prove intent if [defendant] can prove that it did not consciously desire the result that the public be deceived." *Pequignot, supra*, 608 F.3d at 1363.

Taking all factual allegations as true, as I must on a 12(b)(6) motion to dismiss, Herengracht's allegations center upon Wrigley's knowledge of the patent expiration as assignee of the '175 Patent, by employing inventors of the '175 Patent in May 1988 when the patent application was filed, through paying maintenance fees on the '175 Patent until 2008, vis-à-vis its status as a "sophisticated company," and by employing in-house counsel with patent backgrounds. These circumstances are inadequate allegations of Wrigley's intent to deceive the public under Rule 8, and fall considerably short of the heightened pleading requirements of pleading fraud under Rule 9(b).

Where a *qui tam* relator alleged that the defendant was "a sophisticated company and has many decades of experience applying for, obtaining, and/or litigating patents," there was inadequate pleading of "intent to deceive." *Simonian, supra*, 2010 WL 2523211 at *3 (N.D. Ill. 2010). I note that Herengracht's allegations are a near-verbatim recitation of this language: "WRIGLEY is a sophisticated company which has many decades of experience with applying for, obtaining, licensing, and litigating patents, and knows that patents expire (i.e., that they do not have an indefinite duration)." [ECF No. 25 ¶ 34]. By failing to allege more than simply Wrigley's sophistication and experience and knowledge regarding patents, Herengracht has failed to plead an actual intent to deceive.

Herengracht's attempt to base Wrigley's intent to deceive on allegations of its sophistication as a company, as well as in-house counsel and outside retained counsel's experience with patents, is also misplaced. I note that these allegations—proffered in support of Wrigley's intent to deceive—are also particularly similar to the allegations at issue in a recent case, *Brinkmeier v. BIC, supra*, 2010 WL 3360568. In

Brinkmeier v. BIC, also a *qui tam* case, the relator alleged that: (1) "as [the defendant] well knows, after a patent issues, a **maintenance fee** must be paid or else the patent will expire;" and (2) "[a] **sophisticated company** such as BIC likely would not inadvertently include expired patents in its patent markings[.]" *Brinkmeier v. BIC*, 2010 WL 3360568 at *7 (emphasis added). However, the court in *Brinkmeier v. BIC* determined that "allegations that [defendant] is sophisticated and employs experienced counsel do not suggest intent to deceive," granting the motion to dismiss. *Id.* at *10.

Likewise, in this case, Herengracht bases its allegations regarding Wrigley's intent to deceive on the same arguments. For example, Herengracht alleges that Wrigley, "a sizeable and sophisticated company, with approximately 16,000 employees and yearly revenues of over \$5 billion," has "decades of experience with applying for, obtaining, licensing, and litigating patents, and knows that patents expire." [ECF No. 25 ¶¶ 20, 34]. Herengracht further alleges that Wrigley paid a total of \$5,970 in maintenance fees following the issuance of the '175 patent. [*Id.* at ¶ 19, Exs. B-D]. Accordingly, Herengracht's allegations of sophistication and experience are insufficient to demonstrate the requisite "intent to deceive" standard under 35 U.S.C. § 292.

Moreover, in *Brinkmeier v. BIC*, the complaint alleged an intent to deceive based on the defendant's continued marking of its products with expired patents after the filing of the complaint and the massive volume of products sold by the defendant. 2010 WL 3360568 at *7. The court in *Brinkmeier v. BIC* determined that even these allegations were inadequate in meeting the heightened Rule 9(b) requirements. Herengracht has not alleged any facts similar to these in the instant case. Instead, Herengracht merely

relies on allegations of Defendant's sophistication and its experience with patents as indication of Defendant's intent to deceive.

Bare allegations that a defendant "knows, or reasonably should know, that marking [a product] with . . . patents that are invalid or expired, will deceive the public" are also insufficient to constitute fraud. See *Advanced Cartridge, supra*, 2010 WL 2640137 at *1. Herengracht alleges that "as a matter of WRIGLEY accounting and budgeting, WRIGLEY knew, or should have known, on or after May 5, 2008, that the '175 Patent had expired." [ECF No. 25 ¶ 19]. Similarly, Herengracht claims that Wrigley's in-house counsel "knew, or should have known, that the '175 Patent expired on or about May 5, 2008, and that WRIGLEY's Bubble Tape was no longer covered by that patent after its expiration." [*Id.* at ¶¶ 20, 21]. Such allegations, taken as true and in concert with the other allegations of Herengracht's First Amended Complaint, are not sufficient to detail the circumstances constituting Wrigley's alleged fraudulent intent to deceive. Given the conclusory nature of the allegations, there is insufficient factual matter alleged to adequately set forth the second element of the false marking claim. Accordingly, the First Amended Complaint must be dismissed.

3. *Standing*

Wrigley initially requested to stay the instant case pending the Federal Circuit's decision in *Stauffer v. Brooks Brothers, Inc.* concerning a party's standing to bring a false marking claim. [ECF No. 8, pp. 16-18]. However, this request is now moot since the Federal Circuit recently issued its opinion and determined that standing exists "even though [the] relator may suffer no injury himself." *Stauffer v. Brooks Brothers, Inc.*, 2010 WL 3397419 at *4 (Fed. Cir. Aug. 31, 2010). In light of the recent *Stauffer* opinion,

Wrigley no longer challenges Herengracht's standing to bring the false marking claim and accordingly, this issue is MOOT.

VI. Conclusion

Based on the foregoing, it is hereby ORDERED AND ADJUDGED that:

1. Defendant's Motion to Dismiss [ECF No. 8] is GRANTED WITHOUT PREJUDICE.
2. *Qui tam* Relator Herengracht Group LLC shall have **until and including October 1, 2010 at 5:00 p.m.** to file an amended complaint.
3. The parties are ORDERED to carefully review my July 21, 2010 Order Requiring Joint Scheduling Report [ECF No. 24] and comply forthwith.

DONE AND ORDERED in at Miami, Florida, this 16 day of September, 2010.



THE HONORABLE ALAN S. GOLD
UNITED STATES DISTRICT JUDGE

cc: Counsel of record
Magistrate Judge Chris M. McAiley