

## Insights: Alerts

# Crocs Versus Dawgs: The Federal Circuit Holds That Falsely Stating a Product is "Patented" Can Lead to A False Advertising Claim

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On October 3, 2024, the Federal Circuit held that a false advertising cause of action arises where a party falsely claims that it holds a patent on a product feature and advertises the feature in a manner that causes consumers to be misled about the nature, characteristics, or qualities of the product.<sup>1</sup> (*Crocs, Inc. v. Effervescent, Inc. et al.*, Case No. 2022-2160). The Federal Circuit decision has provided a new avenue for false patent marking claims under the Lanham Act that has different requirements and awards of damages than a false marking claim under the Patent Act.

Generally, patent owners who make, sell, offer to sell, or import a product that is covered by patents can collect damages from an infringing party dating back to when “notice” of a patent was provided to the infringing party. Constructive notice can be provided to an infringing party by marking the patent-protected product—for tangible products, the product may be marked with a patent number. Without properly marking a patent-protected product, the patent owner is limited to damages based on the date the infringer was put on actual notice of the asserted patents (e.g., a cease-and-desist letter). The Patent Act provides remedies for false patent marking to parties that have suffered a “competitive injury”.<sup>2</sup> The *Crocs* decision now provides a new cause action under the Lanham Act for false patent marking.

In 2006, plaintiff-appellee Crocs, Inc. (“Crocs”), maker of the Crocs-branded molded clogs and footwear, sued several of its competitors in the shoe industry for alleged infringement of its patents. In 2016, U.S.A. Dawgs, Inc. (“Dawgs”) filed a counterclaim, alleging false advertising in violation of Section 43(a) of the Lanham Act. Dawgs alleged that Crocs falsely advertised its “CrosLite” Crocs material as “patented,” “proprietary,” and “exclusive” on its website. Dawgs argued that this false claim misled consumers into believing that “Crocs’ molded footwear is made of a material that is different from any other footwear.” Crocs conceded that these statements concerning CrosLite’s patented status were indeed false.

The U.S. District Court for the District of Colorado granted summary judgment in favor of Crocs on Dawg’s counterclaim, holding that Dawg’s false advertising counterclaim was barred under the Supreme Court’s decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), and the Federal Circuit’s decision in *Baden Sports, Inc. v. Molten USA, Inc.*, 556 F.3d 1300 (Fed. Cir. 2009). Dawgs appealed, arguing

that Crocs' false patent claims are linked to the “nature, characteristics, and qualities of the product” and thus are not barred by *Dastar* or *Baden*. The Federal Circuit agreed.

In *Dastar*, the Supreme Court held that false claims as to the “origin of goods” under the Lanham Act must refer to the producer of “tangible goods offered for sale,” rather than “the author of any idea, concept, or communication embodied in those goods” to avoid conflict with the contours of copyright law. 539 U.S. at 37. When the copyright in a World War II television series had expired and the work entered the public domain, defendant Dastar had rereleased the series as its own product with minimal edits. Twentieth Century Fox, the owners of the copyright for the original series, sued under Section 43(a)(1)(A) for false designation of origin. In its decision, the Supreme Court cautioned that a mere claim of authorship does not give rise to a cause of action under the false advertising provisions of the Lanham Act, as such a claim was better suited to the realm of copyright law.

In *Baden*, the Federal Circuit applied *Dastar* to hold that “authorship, like licensing status, is not a nature, characteristic, or quality, as those terms are used in Section 43(a)(1)(B) of the Lanham Act.” 556 F.3d at 1307. One basketball manufacturer, Baden, sued another, Molten, for false advertising under the Lanham Act, arguing that Molten's statements that its basketballs' “dual-cushion technology” was “innovative” falsely led consumers to believe that Molten had originated the technology. In reversing the jury's verdict that favored Baden, the Federal Circuit explained that Baden's claim was rooted in the fact that “Molten was not the source of the innovation.” *Id.* As a result, Baden had no false advertising claim under *Dastar*.

However, the Federal Circuit explained that Crocs' false claim that its Croslite material is patented is not simply a false claim of origin; rather, Dawgs demonstrated that the falsity of these statements is rooted in the nature, characteristics, and qualities of Crocs' products. Crocs' advertising not only included statements that Croslite is patented, but also asserted that Croslite has several benefits found in all of Crocs' shoe products. Accordingly, the Federal Circuit reversed and remanded the case.

The *Crocs* decision underscores the importance of companies to diligently review marketing and advertising materials that relate a product's nature, characteristics, or qualities (e.g., performance) to their patent(s). It is common to see companies advertise their patent-protection as it relates to the performance or characteristics of a product. However, if the claims of the patent are not related to, or do not result in the advertised advantage, companies should reconsider how they present these claims to avoid a false advertising claim. This may require a review of patent(s) that cover a product to determine the specific features or advantages that are captured by the patent(s) to determine how to characterize statements in marketing and advertising materials.

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<sup>1</sup> *Crocs, Inc. v. Effervescent, Inc. et al.*, Case No. 2022-2160 (Fed. Cir. Oct. 3, 2024).

<sup>2</sup> 35 U.S.C. §292

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