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No. 10-

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IN THE

Supreme Court of the United States

LAWRENCE B. LOCKWOOD and PANIP, LLC,
Petitioners,

v.

SHEPPARD, MULLIN, RICHTER & HAMPTON, LLP,
JONATHAN HANGARTNER, and STEVE P. HASSID,
Respondents.

**On Petition for Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

This Court held in *Buckman Co. v. Plaintiffs' Legal Comm.*, 531 U.S. 341 (2001), that federal law impliedly preempted a novel state-law tort claim of fraud against a federal agency. Subsequently, it granted review to resolve a conflict in the lower courts concerning *Buckman's* preemptive reach, but the judgment was affirmed by an equally divided Court. See *Warner-Lambert Co. v. Kent*, 552 U.S. 440 (2008).

The question presented is:

Whether under the implied preemption principles in *Buckman*, federal patent law bars an aggrieved patent owner-plaintiff from asserting a state law claim seeking relief for harm to patent property rights caused by a private party maliciously initiating a sham administrative patent reexamination proceeding before the U.S. Patent and Trademark Office, where "fraud on the agency" is not an element of the claim, and where the agency itself cannot remedy the harm addressed by state law.

RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, undersigned counsel states that Lawrence B. Lockwood is an individual, and PanIP, LLC is a California limited liability company that has no parent company and does not issue stock.

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**On Petition for Writ of Certiorari to the
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PETITION FOR WRIT OF CERTIORARI

Lawrence B. Lockwood and PanIP, LLC (collectively, “Lockwood” or “Petitioners”) respectfully petition for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The order of the United States Court of Appeals for the Federal Circuit denying Petitioner’s petition for rehearing and for rehearing en banc was entered on January 28, 2011. App. 3a-4a. The underlying order of the Court of Appeals was issued on November 15, 2010, and is reprinted at *Lockwood v. Sheppard*,

Mullin, Richter & Hampton, LLC, No. 2010-1189, 2010 WL 4721220 (Fed. Cir. Nov. 15, 2010); App. 1a-2a. The decision and order of the United States District Court for the Central District of California is reproduced at App. 5a-29a. The judgment entered by the district court pursuant to its opinion is reproduced at App. 30a-31a.

JURISDICTION

The United States Court of Appeals for the Federal Circuit entered judgment on November 15, 2010. App. 1a-2a. The Federal Circuit denied Petitioners' Combined Petition for Panel Rehearing and for Rehearing En Banc on January 28, 2011. App. 3a-4a. The jurisdiction of this Court rests on 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

This case involves the Supremacy Clause of the United States Constitution, Article VI, Clause 2. App. 32a.

This case also involves provisions of the Patent Act, 35 U.S.C. § 1 *et seq.* The pertinent provisions for purposes of this petition are (a) Sections 301 through 307, which set forth the statutory provisions for patent reexamination, App. 34a-38a; and (b) Section 32, which sets forth the statutory provision for suspension and exclusion from practice before the PTO, App. 33a.

STATEMENT OF THE CASE

The Federal Circuit affirmed a district court judgment applying the preemption principles in *Buckman Co. v. Plaintiffs' Legal Comm.*, 531 U.S. 341 (2001), in the context of the PTO, to bar state law malicious

prosecution claims based on allegedly fraudulent and "sham" reexamination requests against Petitioner, an inventor and patent owner.¹ Guidance from this Court is necessary because the harm alleged here is not *sui generis*, but will reoccur, and if patent holders are barred from relief for marketplace harm caused by "sham" PTO proceedings, the value of patent protection will be undermined nationwide.²

Reexamination

Federal law permits competitors to request that the PTO commence a form of administrative review,

¹ The jurisdiction of the district court was invoked under 28 U.S.C. § 1338 because Petitioners' state law malicious prosecution claim, *inter alia*, arose under the federal patent laws and was therefore subject to the exclusive original jurisdiction of the federal district courts. See *Lockwood v. Sheppard, Mullin, Richter & Hampton*, 93 Cal. Rptr. 3d 220, 229 (Cal. Ct. App. 2009).

² PTO statistics show that 1,061 requests for *ex parte* and *inter partes* patent reexamination proceedings were filed in FY2010, compared to 3,301 patent cases filed in district courts. See *Ex Parte Reexamination Filing Data*, U.S.P.T.O., 1 (Dec. 31, 2010), available at http://www.uspto.gov/patents/stats/EP_quarterly_report_Dec_2010.pdf; *Inter Partes Reexamination Filing Data*, U.S.P.T.O., 1 (Dec. 31, 2010), available at http://www.uspto.gov/patents/stats/IP_quarterly_report_Dec_2010.pdf; see also Table C-2. U.S. District Courts—Civil Cases by Jurisdiction and Nature of Suit, During the 12-Month Period Ending September 30, 2009 and 2010, U.S. Courts, 146 (Sept. 2010), available at <http://www.uscourts.gov/juscourts/Statistics/JudicialBusiness/2010/appendices/C02Sep10.pdf>. If "the most-litigated patents are also the most-valuable patents," this holds true for patents undergoing reexamination, where as many as 70% of the patents challenged by third parties are known to be in litigation. See John R. Allison et al., *Extreme Value or Trolls On Top? The Characteristics of the Most Litigated Patents*, 158 U. Pa. L. Rev. 1, 28 (2009); see also *Inter Partes Reexamination Filing Data*, *supra*, at 1.

known as a patent reexamination proceeding, in order to reexamine the validity of an issued patent. See 35 U.S.C. §§ 301-307 (2006). Reexamination may be requested to challenge the novelty or obviousness of a patent, and the statute provides that “[a]ny person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title.” 35 U.S.C. § 302 (App. 34a-35a). Congress established the legal standard which must be met before the PTO will grant the reexamination request and initiate formal proceedings, requiring a written submission from the petitioner showing that the prior art submitted therewith raises a “substantial new question of patentability.” 35 U.S.C. §§ 303-304 (App. 35a).

Reexamination proceedings, like the patent application process, carry with them the potential for deceptive conduct, though in the reexaminations here the alleged misconduct was perpetrated not against the public with the aim of obtaining a wrongful monopoly, but against the *inventor* with the aim of depriving him of his patent. See Anthony H. Handal, *Re-Examination: Some Tactical Considerations—A Private Practitioner’s Viewpoint*, 9 AIPLA Q.J. 249, 251 (1981) (“Like other forms of action under the patent law, the new reexamination procedure is susceptible to substantial misuses”). During reexamination, the patentee must endure grave doubts in the marketplace regarding his very entitlement to the patent. See *Bruning v. Hirose*, 161 F.3d 681, 685 (Fed. Cir. 1998) (reexamination carries a “stigma or uncertainty regarding entitlement to the patent”). Thus, just as unscrupulous applicants can harm the public by obtaining a patent through fraud on the PTO (known as “inequitable conduct”), an inventor’s

competitors can deprive him of the economic benefits his patent rights would otherwise have afforded him by subjecting his patent to baseless reexamination proceedings before the PTO.³

Here, the lower court applied *Buckman’s* “fraud on the agency” preemption theory to a domain traditionally reserved for the states, which have long protected property rights against anticompetitive harm, just as they have protected citizens from baseless litigation.

Basis of the Case

This action arises out of Respondents’ deceptive and malicious instigation of reexamination proceedings before the PTO, which Sheppard, Mullin, Richter, and Hampton and individual attorneys of the firm (“Sheppard Mullin” or “Respondents”) are alleged to have initiated without a reasonable basis, in a fraudulent and deceptive manner, and with the aim of depriving Petitioner, the patent holder and an inventor of computerized sales systems, of his right to enjoy the fruits of two of his patents.

Petitioner Lockwood, a pioneer inventor of interactive information systems, has been granted ten U.S. patents in the fields of multimedia computer networking and electronic commerce technologies

³ And as one member of the Senate Judiciary Committee recently explained, merely to mount a defense of one’s patent in a reexamination proceeding “routinely costs a patent owner hundreds of thousands of dollars in legal fees” and “many smaller companies, universities, and others, when faced with these costs will simply abandon their patent because they lack money to defend themselves.” See Sen. Jon Kyl, Remarks at Executive Business Meeting of the Senate Judiciary Committee, 17:00-17:26, (Mar. 31, 2009), <http://judiciary.senate.gov/webcast/judiciary/03312009-1000.ram>.

since 1982. Several of his patents teach cutting-edge technology, as demonstrated by the fact that the PTO has cited the Lockwood patent family in over 1,100 subsequently issued U.S. patents. Mr. Lockwood's patents are so integral to modern electronic commerce that they are tempting targets for infringement by large, well-funded commercial entities.

In 1996 and 2001, the PTO issued U.S. Patent Nos. 5,576,951 and 6,289,319 (together, the "Lockwood Patents"), respectively, to Lockwood. In 2002, to enforce and market his property rights, Lockwood formed PanIP, to which he exclusively licensed his patent portfolio. Thereafter, PanIP successfully licensed the Lockwood Patents as part of a comprehensive licensing business program. By mid-May 2003, Petitioner had entered into licensing relationships with over twenty-five companies, headquartered in fifteen different states, and was in negotiations with many others.

Respondents filed the alleged sham and deceptive petitions with the aim of depriving Petitioner of his right to enjoy the fruits of his patents. See Compl. ¶¶ 71, 82 (quoting Respondents' stated wish to "put this guy [Lockwood and PanIP] out of business" and alleging that the instigation of baseless PTO proceedings was undertaken for this purpose). The complaint alleged, and expert testimony in support of the allegations was submitted to the district court, that misrepresentations of "prior art" references were made by Sheppard Mullin to the PTO and that their requests for reexamination were filed without basis in fact or law. For example, as attested to in an expert declaration, the "Electronic Mall" manual, submitted by Respondents in support of their request for reexamination and misrepresented by them as

"prior art," could not have raised a "substantial new question of patentability" as required by law because it was an unpublished, confidential manual dated well after the date at which it might have been available as prior art to the '319 Patent under any reasonable construction of federal patent law.

Petitioner further alleged that as a direct and intended result of the meritless and misleading sham reexamination requests, reexamination proceedings were instituted by the PTO and a "cloud" was effectively placed over the Lockwood Patents, denying Petitioner the ability to license, sell, or enforce his property rights during a key period of extreme market growth in electronic commerce. See *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1397 (Fed. Cir. 1996) ("[U]nwarranted reexaminations can harass the patentee and waste the patent life"). With no income or resources from his life's work, Lockwood was financially coerced into dropping his licensing and enforcement program to defend the Lockwood Patents. The harm to Petitioner Lockwood's property rights was severe.

More than four years after the Respondents requested reexamination, after incurring financially crippling costs defending the validity of his Patents, Petitioner prevailed completely before the PTO, with his Patents confirmed as valid at the conclusion of reexamination proceedings in July 2007 and January 2008.

On July 15, 2009, Petitioner Lockwood filed suit in the U.S. District Court for the Central District of California asserting state law claims of malicious prosecution, fraud, and interference with prospective economic advantage, based on 28 U.S.C. § 1338, after the California Court of Appeal had held that those

state claims arise under the federal patent laws and are therefore subject to exclusive federal jurisdiction. See *Lockwood*, 93 Cal. Rptr. 3d at 229 (dismissing Lockwood's state court complaint for lack of jurisdiction because claims "require[] resolution of substantial issues of patent law, [and the complaint] is subject to the exclusive jurisdiction of the federal courts").

On November 24, 2009, without opportunity for oral argument or any discovery or other proceedings on the merits, the district court granted Defendants' Motion to Dismiss, with prejudice, on the basis of Fed. R. Civ. P. 12(b)(6) and dismissed the complaint, holding, *inter alia*, that Petitioner's malicious prosecution claim was preempted by federal law pursuant to *Buckman*. App. 5a-31a.

Lockwood appealed to the Federal Circuit arguing that *Buckman's* preemption analysis was inapplicable in the context of the PTO, federal patent law, as well as under the precedent of the Federal Circuit, namely *Dow Chemical Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998), and *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1334 (Fed. Cir. 1998), *overruled on other grounds*, 175 F.3d 1356 (Fed. Cir. 1999) (holding federal patent law did not preempt state law claims in which fraud or sham before the PTO was alleged and the harm addressed was marketplace harm).

Lockwood's appeal to the Federal Circuit Court of Appeals presented issues of great import to the patent system, including the proper interplay of federal and state law in the protection of property rights and whether *Hunter's* "fraud-sham" exception to preemption was overruled by *Buckman* in part or in whole. Nonetheless, after participation of four

amici curiae (three in support of Lockwood), and extended oral argument on November 4, 2010, the Federal Circuit, in a per curiam order, affirmed without opinion the district court's decision that Congress intended to preempt state law claims by patent holders arising from requests for reexaminations objectively devoid of "probable cause."⁴ App. 1a-2a. The appellate court subsequently denied Petitioners' timely petition for rehearing and for rehearing en banc on January 28, 2011. App. 3a-4a.

As some among the patent bar questioned, "[i]f a patent holder has no ability to punish persons for unwarranted reexamination requests, what can stop an unscrupulous party from lying to the USPTO to initiate a reexamination?"⁵ Indeed, it is increasingly well-understood that the reexamination process is susceptible to "abuse [which] takes the form of serial reexaminations of the same patent . . . or the filing of non-meritorious requests for reexamination."⁶

⁴ The Federal Circuit's affirmance generated alarm among members of the patent community, some of whom concluded that the result in "[t]his case opens the door to some amount of bad behavior in the filing of reexamination requests." Professor Dennis Crouch, *Untouchable: Sham Reexamination Requests*, Patently-O (Nov. 15, 2010, 7:30 PM), <http://www.patentlyo.com/patent/2010/11/untouchable-sham-reexamination-requests.html>.

⁵ *Intellectual Property Bulletin (Winter 2010-2011)*, Fenwick & West, 7 (Jan. 14, 2011), http://www.fenwick.com/docstore/Publications/IP_Bulletins/IP_Bulletin_Winter_2010-2011.pdf (also noting that "there are no federal laws that explicitly prohibit a party from filing allegedly unwarranted reexamination requests").

⁶ *The Reexamination Center Executive Interview: Taraneh Maghamé*, The Reexamination Center, (Oct. 12, 2009), <http://reexamcenter.com/2009/10/the-reexamination-center-executive-interview-taraneh-maghamé/> ("It is easy to see how such abuse is not only damaging to patent owners but also results in wasted PTO resources which are already too scarce").

Members of Congress have noted that reexamination can be "a death sentence for a patent,"⁷ and therefore, Congress could not possibly have intended that baseless reexamination filed solely to cause collateral harm go unremedied. Further, courts have also observed that "[f]ailure of a reexamination requester who is not the patent owner to comply with the duty of candor and good faith can be especially detrimental to the patent system."⁸ Unquestionably, the lower court's judgment preempting any private right of action for sham reexamination only serves to undermine the predictability and value of patent rights.

Against this backdrop, Petitioners seek review by this Court.

REASONS FOR GRANTING THE PETITION

I. SUPREME COURT REVIEW WILL RESOLVE A SPLIT AMONG CIRCUIT COURTS REGARDING THE LIMITS OF FEDERAL PREEMPTION OF STATE LAWS PROTECTING AGAINST HARM INVOLVING MISCONDUCT BEFORE FEDERAL AGENCIES

This case presents an important and recurring question of law arising from the decision in *Buckman*

⁷ Sen. Jon Kyl, Remarks at Executive Business Meeting of the Senate Judiciary Committee, 17:00-17:26, (Mar. 31, 2009), <http://judiciary.senate.gov/webcast/judiciary03312009-1000.ram>.

⁸ *Total Containment, Inc. v. Environ Prods., Inc.*, 921 F. Supp. 1355, 1378 (E.D. Pa. 1995) (finding requester withheld information from PTO regarding the publication date and public accessibility of a reference and refusing to "condone [the requester's] conduct during reexamination"); see also *Ball Corp. v. Xidex Corp.*, 967 F.2d 1440, 1445 (10th Cir. 1992) (recognizing tort claims based on harm to patent caused by attorney's "false statements to the PTO" in reexamination).

Co. v. Plaintiffs' Legal Comm., 531 U.S. 341 (2001), which has resulted in disagreement among the circuits concerning the relationship between state and federal law in redressing misconduct by private parties occurring before federal administrative agencies. This case presents the question of when federal law preempts, and when it coexists, with state law remedies protecting against harm caused by misconduct before federal agencies, here involving patent rights and the regulatory reach of the PTO.

The question in this case arises in the specific context of alleged misconduct that occurred in a PTO patent reexamination proceeding,⁹ but the legal issue raised herein applies equally wherever a plaintiff seeks to prevail on a traditional state law claim using evidence of fraud before a variety of federal administrative agencies.¹⁰

Here, the Federal Circuit affirmed a California district court's application of *Buckman* holding that Petitioner's state common law action for malicious prosecution, which caused harm to his patent rights, was impliedly preempted by federal law because it involved "no more than [claims alleging] bad faith misconduct before the PTO." App. 20a; see also App. 1a-2a.

⁹ As the decision of the lower courts was based on a motion to dismiss pursuant to Fed. R. Civ. P. Rule 12(b)(6), Petitioners' allegations of sham and fraud were required to be accepted as true. *Ashcroft v. Iqbal*, 129 S.Ct. 1937, 1949 (2009).

¹⁰ See, e.g., *LeFavre v. KV Pharm. Co.*, No. 10-1326, 2011 WL 722404 (8th Cir. Mar. 3, 2011) (FCC); *In re Pharm. Indust. Average Wholesale Price Litig.*, 582 F.3d 156 (1st Cir. 2009) (HCFA); *Nathan Kimmel, Inc. v. DowElanco*, 275 F.3d 1199 (9th Cir. 2001) (EPA).

Circuit Split

The lower court holding conflicts with decisions by the First, Second, Fifth, Seventh and Eighth Circuits, which held that state law claims involving conduct before federal agencies were not preempted by federal law where the claims do not turn solely on evidence of fraud and violations of federal regulations before the agency, but on *additional* state law elements protecting individuals from marketplace harm and in matters of health and safety, as state law has traditionally done since the enactment of the Constitution. See, e.g., *In re Pharm. Indust. Average Wholesale Price Litig.*, 582 F.3d 156 (1st Cir. 2009) (under *Buckman* state claims not preempted where deceptive practices caused harm traditionally protected by state consumer laws, though “the deception touched on a federal agency”). The Second Circuit, in *Destano v. Warner-Lambert & Co.*, 467 F.3d 85 (2d Cir. 2007), *affd sub nom. Warner-Lambert Co. v. Kent*, 552 U.S. 440 (2008), held that *Buckman* preemption did not preempt state law claims unless fraud on the agency is an actual element of the traditional state claim. Likewise, the Fifth Circuit held that *Buckman* preemption does not apply where violations of federal regulations are offered only as evidence that defendant breached a state law duty. See *Hughes v. Boston Scientific Corp.*, 631 F.3d 762 (5th Cir. 2011). Similarly, the Seventh Circuit distinguished *Buckman* where state law claims do not require, but are supported by, evidence of violations of federal law. See *Bausch v. Stryker Corp.*, 630 F.3d 546 (7th Cir. 2010). See also *LeFavre v. KV Pharm. Co.*, No. 10-1326, 2011 WL 722404 (8th Cir. Mar. 3, 2011) (distinguishing state law claim from *Buckman* preemption, noting that “simply because conduct violates [federal law] does not mean a state-

law claim based on that same conduct depends on [its] existence”).

In contrast, the Federal Circuit in this case, and the Third, Sixth, and Ninth Circuits, have applied more expansive interpretations of *Buckman* to hold that preemption applies even where state law claims do not require proof of fraud on the agency as an element of the claim. These courts applied *Buckman* preemption wherever the claims asserted involve misconduct before a federal agency—either as an element, or as proof required to overcome an affirmative defense, or even where conduct before an agency is presented as neither an element nor a rebuttal to a defense. The Federal Circuit here held under *Buckman* that federal law preempted Petitioners’ malicious prosecution and common law fraud claims based upon sham proceedings instigated before the PTO, merely because the allegations involved bad faith misconduct before a federal agency, without any regard to whether fraud was required as an element of the former. See *Lockwood*, 2010 WL 4721220; App. 1a-2a.

Likewise, the Third Circuit applied *Buckman* to preempt a state tort failure to warn action because allowing juries, through their verdicts, to apply stricter standards than the FCC would “stand as an obstacle to the accomplishment and execution” of the FCC’s objectives. *Farina v. Nokia Inc.*, 625 F.3d 97, 134 (3d Cir. 2010). The Ninth Circuit applied *Buckman* to preempt a Lanham Act claim where the claim would “circumvent the FDA’s exclusive enforcement authority” by litigating an alleged FDCA violation even though the FDA declined to find one. See *Photo Medix, Inc. v. Irwin*, 601 F.3d 919, 928 (9th Cir. 2010). The lower Court’s citation to *Nathan Kimmel*

shows that both inter-circuit and intra-circuit conflicts contributed to the wrong decision below.¹¹

The legal question presented here is similar to the question certified by writ by this Court in 2008, but the Court left the issue unresolved after a 4-4 split decision resulted in a per curiam affirmation. See *Warner-Lambert Co. v. Kent*, 552 U.S. 440 (2008). That case involved the viability of a state law providing tort liability in cases where fraud on the FDA had been committed during the regulatory approval process. At that time, a divergence in the circuit courts had already evolved interpreting this Court's decision in *Buckman*—one which has worsened now that it is being applied outside the FDA context.¹² *Compare Garcia v. Wyeth-Ayerst Labs.*, 385 F.3d 961 (6th Cir. 2004) (holding that the “fraud”

¹¹ Since this Court's decision in *Wyeth v. Levine*, 129 S. Ct. 1187 (2009), the Ninth Circuit appears to have conflicting decisions interpreting *Buckman* preemption. Compare *Nathan Kimmel*, 275 F.3d at 1206-07 (applying *Buckman* preemption broadly without regard to whether state interference claim has fraud as an element) with *Gaeta v. Perrigo Pharm. Co.*, 630 F.3d 1225, 1234 (9th Cir. 2011) (holding that *Buckman* is inapplicable where the question is “not whether [defendant] provided inaccurate or incomplete information to the FDA, but rather whether it complied with its post-marketing obligations to warn consumers and health care professionals about additional risks associated with its product”).

¹² See Gillian E. Metzger, *Federalism and Federal Agency Reform*, 111 Colum. L. Rev. 1, 37 n. 169 (2011) (noting “[l]ower courts' continued inconsistency on . . . issues” of *Buckman* preemption); Louis M. Bograd and Andre M. Mura, *Buckman Stops Here! Limits on Preemption of State Tort Claims Involving Allegations of Fraud on the PTO or the FDA*, 41 Rutgers L. J. 309, 347 (2009) (describing uncertainty stemming from the indeterminate reach of *Buckman* preemption and observing that “the courts [are] split along the same dividing line”).

exception to Michigan's pharmaceutical tort immunity statute was preempted by under *Buckman*), with *Warner-Lambert*, 467 F.3d 85 (declining to follow the Sixth Circuit, holding that the Michigan statute's “fraud” exception was *not* preempted under *Buckman*).

A close reading of this Court's recent decision in *Wyeth v. Levine*, read with *Buckman*, supports the conclusion that only straightforward fraud-on-the-agency claims (*i.e.*, where fraud on the agency is an element of the claim and the basis for liability) should be preempted, while the presumption against preemption applies to any state law claim involving other matters traditionally subject to state regulation, such as health and safety, property damage, and protection from baseless litigation. See *Wyeth v. Levine*, 129 S. Ct. 1187 (2009) (holding state failure to warn claim not preempted by federal law, even where manufacturer argued it could not have modified warning label placed on drug once it had been approved by the FDA because compliance with state tort law would not obstruct purposes and objectives of federal drug labeling regulation); see also *Medtronic v. Lohr*, 518 U.S. 470 (1996).

In *Buckman*, there were no independent free-standing allegations of harm traditionally protected by state law, apart from harm alleged to have been caused by the defendant's dealings with the FDA dictated by federal statute. 531 U.S. at 347-348. And *Buckman* explicitly distinguished *Lohr* on this ground. 531 U.S. at 352. The Court in *Wyeth* shed some light on the proper reach of *Buckman*, disagreeing with the dissent's view that, under *Buckman*, once the FDA determines that a drug is safe, “conflict preemption [principles] prohibit any State from

countermanding that determination." 129 S. Ct. at 1220 (Alito, J., dissenting). Indeed, the Court called this reading "especially curious," because *Buckman*, in its view, "involved state-law fraud-on-the-agency claims, and the Court distinguished state regulation of health and safety as matters to which the presumption [against preemption] does apply." *Id.* at 1195 n.3.

Indeed, malicious prosecution, like the products liability claim in *Lohr*, 518 U.S. 470, does not require a showing of fraud on the agency. Rather, the claim requires (1) the instigation of proceedings before a court or agency without probable cause, (2) malice, and (3) termination of proceedings on the merits in plaintiff's favor. See *Bob Baker Enters., Inc. v. Chrysler Corp.*, 30 Cal. App. 4th 678, 683 (Cal. Ct. App. 1994).¹³

¹³ The lower court committed blatant error in finding in the alternative that the favorable termination requirement for malicious prosecution in the PTO administrative proceedings context was not required. See App. 20a-22a. In fact, the statute of limitations for a malicious prosecution claim premised on a civil administrative proceeding—even an ex parte proceeding—begins to run at the termination of the proceeding. This Court has indicated that "sham," which mirrors the lack of probable cause element required to prevail on a malicious prosecution claim, could not possibly be shown until the proceeding has terminated in the plaintiff's favor, because "we have explicitly observed that a successful effort to influence governmental action certainly cannot be characterized as a sham." See *Profl Real Estate Investors, Inc. v. Columbia Pictures Indust., Inc.* ("PRE"), 508 U.S. 49, 58, 62-64, n.7 (1993) (internal quotation and citation omitted). Further, the Supreme Court of California has unequivocally held that a claim for malicious prosecution in any context does not exist until the underlying proceedings terminate on the merits in plaintiff's favor. See *Casa Herrera, Inc. v. Beydown*, 83 P.3d 497, 500-01 (Cal. 2004). The district court erred in holding otherwise. See App. 20a-22a.

While the tort of malicious prosecution does not require proof of fraud as an element of the claim, in the patent law context, even state claims that do require proof of fraud on the PTO have previously been held to give rise to state tort liability, provided that the other elements of the state claim are also present. See *Dow*, 139 F.3d at 1478-1479 (tort liability for unfair competition involving patent law); *Hunter*, 153 F.3d at 1336-37 (tort liability for injurious falsehood involving patent law).

Indeed, until the Federal Circuit affirmed the application of *Buckman* preemption in this case, it had applied a narrow rule allowing claims to escape preemption if there was a showing of fraud on the agency or of "sham"—an approach to preemption animated by the "fraud" and "sham" exceptions carved out by this Court in *Walker Process* and *Noerr*. See *Hunter*, 153 F.3d at 1336 ("[F]ederal patent law bars the imposition of liability for conduct before the PTO unless plaintiff can show that the patentholder's conduct amounted to fraud or rendered" federal agency action "a sham"), citing *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365

Further compounding this error, the district court held that the statute of limitations for the malicious prosecution claim begins to run at the point when the reexamination is granted, rather than at the favorable termination of the proceedings when the Lockwood Patents' claims were affirmed. See *id.* However, the decision to grant or deny a request for reexamination is not a final agency action or subject to judicial review, and therefore cannot be the accrual point for a malicious prosecution action based on reexamination. *Heinl v. Godici*, 143 F. Supp. 2d 593, 597 (E.D. Va. 2001); see also *Patlex Corp. v. Mossinghoff* ("Patlex II"), 771 F.2d 480, 485 ("The determination that a substantial new question of patentability exists is a preliminary decision. It is not a final determination").

U.S. 127, 144 (1961); see also *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965) (requiring proof of fraud on the PTO to strip patent holder of exemption from antitrust liability). Thus, there exists a tension in reconciling *Buckman* with Federal Circuit precedent on the preemption doctrine, which had suggested that evidence of fraud on the PTO militates *against* preemption, not for it. See *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323, 1341 (Fed. Cir. 2008) (state *Walker Process* antitrust claims preempted by federal patent law because plaintiffs failed to prove fraud on the PTO).¹⁴

Further, even in contexts other than patent law, evidence of fraud or misconduct before an agency, prior to *Buckman*, has been used to rebut a suggestion that a defendant's conduct or product conformed to legal norms because it was agency-approved. See, e.g., *O'Gilvie v. Int'l Playtex, Inc.*, 821 F.2d 1438, 1446 (10th Cir. 1987) (Kansas law) ("[C]ompliance with the FDA regulations does not preclude punitive damages when there is evidence sufficient to support a finding of reckless indifference to consumer safety"); *Dorsey v. Honda Motor Co.*, 655 F.2d 650, 657 (5th Cir. 1981) (Florida law) ("[C]ompliance with [federal Motor Vehicle Safety Act standards], which were far from comprehensive, [did not preclude] any finding of recklessness no matter how egregious Honda's

¹⁴ Indeed, commentators have questioned whether there is "a coherent legal doctrine that unifies [the] seemingly conflicting holdings" of this Court in *Buckman* and *Walker Process* and which reconciles their implications for principles of preemption of state law generally. See Bograd & Mura, *Buckman Stops Here!*, *supra* n.12, at 334 (proposing a "fraud-plus" principle of preemption).

conduct had been in ignoring tests that indicated design flaws of a different nature"); *Brown ex rel. Brown v. Stone Mfg. Co.*, 660 F. Supp. 454, 458 (S.D. Miss. 1986) (Mississippi law) (compliance with federal flammability standards not conclusive on issue of whether fabric was unreasonably dangerous); cf. *Surles ex rel. Johnson v. Greyhound Lines, Inc.*, 474 F.3d 288, 300-01 (6th Cir. 2007) (Tennessee law) (concluding that compliance with federal regulations and common industry practices is evidence of the standard of care but does not conclusively establish the standard of care in negligence cases). The question remains, whether the broad reading of *Buckman* by the Federal Circuit and the Third, Sixth, and Ninth Circuits could lead to preemption of such traditional state law claims; clarification of the extent of *Buckman* preemption will forestall preemption challenges.

Although not an element of the malicious prosecution claim in this case, evidence of fraud on the agency would also tend to prove that the petitions for reexamination were malicious and would be relevant to overcome the affirmative defense raised by Respondents below, here the "independent investigation" defense. See *Jacques Interiors v. Petrak*, 188 Cal. App. 3d 1363, 1372 (1987) (independent investigation defense may not be invoked by those who "submit distorted reports" and thereby procure a malicious prosecution against another). See also *Smiddy v. Varney*, 665 F.2d 261, 266-67 (9th Cir. 1981) (presumption of prosecutorial independence rebuttable by evidence that prosecutor was supplied with information "known by them to be false"), cert. denied *sub nom. Varney v. Smiddy*, 459 U.S. 829 (1982); *Plumley v. Mockett*, 79 Cal. Rptr. 3d 822, 839 (Cal. Ct. App. 2008) (proof that court's interim deci-

sion "was procured by fraud, perjury or subornation of perjury, or other unfair conduct on the part of defendant" can rebut presumption of probable cause). Here, the lower court erred in failing to countenance any evidence of fraud alleged as rebuttal to the independent investigation doctrine, a federal and state common law doctrine. See App. 22a-23a.

Thus, review in this case provides a platform to resolve the conflict between circuits which has persisted since *Warner-Lambert* regarding whether state law claims are preempted when evidence of fraud on the agency tends to prove plaintiff's claim, or to overcome Respondents' affirmative defense to Petitioners' state malicious prosecution claim. Here, the PTO's decision to institute reexamination proceedings against Petitioner was dependent upon Respondents' duty of candor and upon the information given to the PTO in formal written requests which were required by law. See, e.g., *Kingsland v. Dorsey*, 338 U.S. 318, 319 (1949) ("[T]he relationship of attorneys to the Patent Office requires the highest degree of candor and good faith"). See also Manual of Patent Examining and Practice ("MPEP") § 2209 ("Parties are cautioned that the reexamination statute, regulations, and published examining procedures do not countenance so-called 'litigation tactics' in reexamination proceedings It is expected that the parties will adhere to the provisions of 37 C.F.R. 10.18(b)" (now 37 C.F.R. § 11.18(b)).

In the case at bar, evidence of fraud on the PTO was also relevant to the other two state claims plead in the complaint: tortious interference with prospective economic advantage as well as common law

fraud.¹⁵ Interference with prospective economic advantage under California law requires a showing of harm to business relationships, i.e., marketplace harm, which (as in this case) has been held not to be preempted by federal patent law even when there is proof of fraud or bad faith misconduct before the PTO. See *Dow Chemical*, 139 F.3d at 1478-79; App. 24a-27a (dismissing interference on other grounds). While the question of whether Petitioners' tortious interference claim is preempted is not presented here, the Ninth Circuit—further demonstrating confusion as to *Buckman's* reach among the circuits—held that the same California interference claim was preempted under *Buckman* when the claim involved fraud on the EPA. See *Nathan Kimmel*, 275 F.3d at 1205-07.

Compatibility of State and Federal Remedies for Misconduct Before the PTO

Buckman, in part, based its preemption ruling on a finding that the federal regulatory scheme itself was adequate to police misconduct before the agency. 531 U.S. at 349. The Court stated that the state-

¹⁵ The district court did not explain how it concluded that the malicious prosecution claim was based solely on conduct before the PTO, when its common law "vintage" is founded squarely on protection of citizens from baseless litigation and marketplace harm, and when bad faith conduct before the PTO is not required as an element of proof. See App. 19a-20a. Strangely, the district court cited as authority for this proposition the Federal Circuit's decision in *Dow Chemical*, 139 F.3d at 1477, which held that state law claims aimed at protecting marketplace harm were not preempted. See App. 20a. In the case at bar, Petitioners alleged that Defendants' instigation of baseless reexamination proceedings before the PTO cast a cloud over the Lockwood Patents and was itself the mechanism of marketplace harm.

federal "conflict stems from the fact that the federal statutory scheme amply empowers the FDA to punish and deter fraud against the Administration, and [from the fact] that this authority is used by the Administration to achieve a somewhat delicate balance of statutory [FDCA and MDA] objectives." *Id.* at 348 (emphasis added). In this case, in an effort to rely on an expansive reading of *Buckman*, the Respondents argued that the PTO's power to discipline patent practitioners who commit fraud conflicted with the state law malicious prosecution claim. See, e.g., 35 U.S.C. § 32 (empowering PTO to suspend or exclude persons from practice before the Office); 37 C.F.R. § 10.131(a) (authorizing PTO Director to investigate disciplinary rules violations by patent practitioners); 37 C.F.R. § 10.131(b), (c) (permitting citizens to report wrongdoing to the PTO). See also *Buckman*, 531 U.S. at 350.

However, in the patent law context, with full congressional and PTO acquiescence, courts have routinely adjudicated state claims of negligence and attorney misconduct before the PTO, up to and including issues of fraud on the PTO, and complementing agency enforcement of practitioner discipline. See, e.g., *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262, 1269 (Fed. Cir. 2007) (legal malpractice action arising from attorney's failure to disclose prior art to the PTO); *Dippin' Dots, Inc., v. Mosey*, 476 F.3d 1337, 1346 (Fed. Cir. 2007) ("the first barrier for a *Walker Process* claimant to clear is the requirement that the patent be obtained through actual fraud upon the PTO"); *Lex Tex Ltd. v. Skillman*, 579 A.2d 244, 245 (D.C. 1990) (legal malpractice action based on attorney's inequitable conduct before PTO); *Bail Corp. v. Xidex Corp.*, 967 F.2d 1440, 1445 (10th Cir. 1992)

(recognizing tort claims based on harm to patent rights caused by attorney's "false statements to the PTO" in reexamination proceedings).

Thus, included in the question in this case is whether *Buckman's* "fraud on the agency" preemption extends to bar state claims involving fraud or misconduct before federal agencies, where Congress has acquiesced to the courts' adjudication of fraud before these agencies. See Arti K. Rai, *Growing Pains in the Administrative State: The Patent Office's Troubled Quest for Managerial Control*, 157 U. Pa. L. Rev. 2051, 2079 (2009) (acknowledging that "courts [are] the sole arbiters of what constitutes fraud on the PTO").

Notably, the Patent Act, 35 U.S.C. § 1 *et seq.*, contains no "express enforcement" provision similar to the FDCA precluding private enforcement. The presence of express enforcement authority has been considered by some circuits as an important factor. For example, the Ninth Circuit in *Nathan Kimmel* held that the federal statute, FIFRA, which expressly limited state regulation of pesticides, included the authority to police fraud among the EPA's powers. 275 F.3d at 1206; compare *Farina*, 625 F.3d at 125-26 (finding that Congress mandated that the FCC police all standards for RF emissions of cell phones and preempting state law claims), with *In re Pharm.*, 582 F.3d at 176 (finding *Buckman* did not compel the assumption that it was the HCFA's "exclusive dominion to combat" deceptive practices); cf. *Sierra Nat'l Ins. Holdings, Inc. v. Altus Fin., S.A.*, No. CV 01-01339 AHM(CWX), 2001 WL 1343855, at *8 (C.D. Cal. June 20, 2001) ("Although it appears that the Federal Reserve Board does have powers of enforcement and that there is no private right of action for

BHCA violations, it does not necessarily follow that conflict preemption applies. The *Buckman* court relied on several factors specifically applicable to the FDA¹⁷). While the district court here (affirmed by the Federal Circuit) cited the Ninth Circuit's decision in *Nathan Kimmel*, which involved EPA's enforcement powers granted by Congress, a part of the question presented is whether the lower court erred by not inquiring into the congressional intent underlying the PTO's regulatory scheme, which is unique and completely distinct from the schemes of the EPA or FDA. See App. 19a-20a; see also *Lohr*, 518 U.S. at 485 (noting that the preemption analysis is guided by the "oft-repeated" principle that "[t]he purpose of Congress is the ultimate touchstone").

Not only does the Patent Act contain no provision authorizing PTO involvement in determining fraud in the reexamination context, nor any mechanism for redressing private property damage that relates to licensing, enforcement, and business use of patents, but the PTO has even stated that it is not interested in pursuing cases involving allegations of fraud before it, and in fact the PTO does not pursue such claims. See Brief for the United States as Amicus Curiae on Rehearing En Banc in Support of Neither Party ("Therasense Brief") at 16 n.6, *Therasense, Inc. v. Becton, Dickinson & Co.*, 374 Fed. App'x 35 (Fed. Cir. 2010) (Nos. 2008-1511, 2008-1512, 2008-1514, 2008-1515) (brief reprinted at 2010 WL 3390234, at *16 n.6).¹⁶

¹⁶ Further, Congress recently expressed its implicit approval of the fact that courts police misconduct before the PTO. See Christian E. Mammen, *Controlling the "Plague": Reforming the Doctrine of Inequitable Conduct*, 24 Berkeley Tech. L.J. 1329, 1384-90 (2009) (describing the content of a bill proposed by Sen.

Thus, the enforcement powers granted to the PTO by Congress are extremely limited in comparison to other agencies, and moreover the PTO itself has repeatedly disavowed¹⁷ any desire to police fraud before it, preferring that this task be left to the courts—a sign that state law claims would in no way interfere with its objectives, in contrast to the situation with the FDA in *Buckman*. In this case, the lower courts failed to recognize the relevant differences in the balance of scope and objectives of federal patent law and regulation.

As mentioned, this Court has long required proof of intentional fraud on the PTO in order to strip the patent holder of exemption from liability under anti-trust law. *Walker Process*, 382 U.S. at 177. Similarly, in the patent law system, it has long been the role of the courts to police fraud before the PTO by allowing liability for bad faith and fraudulent misconduct. See *Tafas v. Doll*, 559 F.3d 1345, 1358 (Fed. Cir. 2009) ("The reach of inequitable conduct [before the PTO] is solely within the control of the courts", *vacated on other grounds*, 328 Fed. App'x 658 (Fed. Cir. 2009). This Court has repeatedly found Congress' failure to establish a federal remedy important in its preemption analyses; the state law remedy here comple-

Jon Kyl that would have empowered the PTO to police fraud and impose civil penalties, but noting that "[t]he Kyl bill was not approved in the Senate" and was later reintroduced without the same fraud provisions).

¹⁷ The PTO has officially acknowledged its lack of power to investigate fraud and inequitable conduct, specifically the element of intent to deceive. See Changes to Patent Practice and Procedure, 62 Fed. Reg. 53132, 53165 (Oct. 10, 1997) (stating that "the Office no longer investigates fraud and inequitable conduct issues"); see also *Therasense Brief*, 2010 WL 3390234, at *16 n.6.

ments rather than obstructs PTO objectives. See, e.g., *Wyeth*, 129 S. Ct. at 1199-1200; *Silkwood v. Kerr-McGee Corp.*, 464 U.S. 238, 251 (1984).¹⁸

With over 250 federal agencies created by numerous federal statutes governing various types of conduct, this Court should grant this petition to review the notion that *Buckman's* preemption holding would apply "automatically"—as argued by Respondents below—to all federal agencies without a complete analysis of the alleged conflict between the state claims and each federal agency's statutory objectives. See *Lohr*, 518 U.S. at 500 (requiring "a careful comparison between the allegedly pre-empting federal requirement and the allegedly pre-empted state requirement").

¹⁸ Fraud on the PTO (in the patent law context)—unlike fraud on the FDA—is a matter so frequently alleged and decided in the courts that it has even given rise, over the years, to "practical guides" for litigants making such allegations. See, e.g., Gina Elder, *A Practical Guide for Proving Fraud on the Patent and Trademark Office: J.P. Stevens & Co. v. Lex Tex Ltd.*, 34 Am. U. L. Rev. 729 (1985). In the trademark context, courts regularly decide issues of fraud on the PTO where a party seeks cancellation of a registered mark. See 15 U.S.C. 1064(3) (permitting third-parties to petition for cancellation of a trademark on the grounds that "its registration was obtained fraudulently"); *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009). In rejecting *Buckman's* preemption analysis in the PTO context, the Intellectual Property Section of the ABA recently took a position aligned with the Petitioner's, stating that "[t]he PTO has a different mission and responsibility than other agencies . . . [and] is not a regulatory agency like the Food and Drug Administration." According to the ABA, when a patent "is tainted by fraud or inequitable conduct" before the PTO, it is the role of the federal courts—not the agency—to adjudicate fraud on the PTO.

II. THIS CASE PRESENTS A QUESTION OF NATIONAL IMPORTANCE INVOLVING THE EXTENSION OF BUCKMAN'S "FRAUD ON THE AGENCY" PRE-EMPTION DOCTRINE TO THE U.S. PATENT SYSTEM WHOSE EFFECTIVE OPERATION IS SAFEGUARDED BY STATE LAW PROTECTION OF PATENT RIGHTS FROM SHAM REEXAMINATION REQUESTS

At stake in this case is whether the incentives of the patent system and the value of patent protection for millions of patent holders will be undermined, if patents can be vitiated and inventors effectively deprived of their property through the instigation of "sham" proceedings before the PTO. See generally Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 Colum. Sci & Tech. L. Rev. 93 (2011) (empirical analysis of abuses of PTO reexamination processes and resulting impact on patent holders and patent property rights).

Patents are government-granted property rights. See generally 35 U.S.C. §§ 154, 261 ("[P]atents shall have the attributes of personal property"); see also *Patlex Corp. v. Mossinghoff* ("*Patlex I*"), 758 F.2d 594, 599-600 (Fed. Cir. 1985) ("[P]atent property rights, necessarily including the right to license and exploit patents", fall squarely within both classical and judicial definitions of protectable property . . . [and] the right to exclude . . . is implemented by the licensing and exploitation of patents"), *aff'd in part and rev'd in part on reh'g*, *Patlex II*, 771 F.2d 480 (Fed. Cir. 1985). The possibility that patentability may be challenged on the basis of fraudulent or objectively

baseless petitions to the PTO strikes at the heart of the inventor's right to exclusivity, chilling invention and disclosure by weakening the incentive of patent protection. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-481 (1974) (citing 35 U.S.C. § 112). Congress established the reexamination procedures of 35 U.S.C. §§ 301-307, requiring that a request for reexamination present a "substantial new question of patentability" in order to safeguard patent holders from unwarranted reexaminations. See *Patlex II*, 771 F.2d at 484.

It defies logic to argue that Congress intended to provide patent holders a layer of protection in 35 U.S.C. §§ 303-304—and then to deprive them of any remedy if that protection should fail or be bypassed through fraud. Indeed, the reexamination statutes themselves, 35 U.S.C. §§ 301-307, require a duty of good faith from the requester, and therefore do not protect deceptive or objectively baseless requests. To hold Respondents liable for instigating "sham" proceedings before the PTO is wholly consistent with federal law. See *Hunter Douglas*, 153 F.3d at 1336.

Likewise, here, Petitioners' malicious prosecution claim clearly operates within traditional realms of state police power, protecting property rights from marketplace harm and citizens from baseless litigation. See, e.g., *Metro. Life Ins. Co. v. Massachusetts*, 471 U.S. 724, 756 (1985) (finding no preemption of state law and explaining that states have "great latitude" under their police powers to protect the "lives, limbs, health, comfort, and quiet of all persons"); *Asgari v. City of L.A.*, 15 Cal. 4th 744, 754 (1997) ("malicious prosecution protects the personal interest in freedom from unjustifiable litigation"). The instigation of sham agency proceedings before the PTO

challenging patentability in order to harm a competitor in the context of patent enforcement litigation or patent licensing, is just the kind of marketplace harm protected by the claim of malicious prosecution. See *PRE*, 508 U.S. at 62-63.

The lower court here failed to apply the presumption against preemption, which should apply unless state law stands as an obstacle to the "clear and manifest" purpose of Congress. See *Wyeth*, 129 S.Ct. at 1195. In *Wyeth*, the Court found it "difficult to believe that Congress would, without comment, remove all means of judicial recourse for those injured by illegal conduct." *Id.* Likewise, here, the state law claim presents no obstacle to congressional intent, and there is no federal remedy for the harm addressed by the state law claim. The absence of a federal remedy was seen as evidence of congressional approval of state law remedies. See *Wyeth*, 129 S.Ct. at 1200 ("Congress did not provide a federal remedy for consumers harmed by unsafe or ineffective drugs in the 1938 statute or in any subsequent amendment. Evidently, it determined that widely available state rights of action provided appropriate relief for injured consumers"). Thus, extending tort liability to third parties for instigating sham reexamination proceedings before the PTO promotes the congressionally approved goals of federal patent law, including public disclosure of inventions, encouraging inventors to apply for patent protection by providing them a means of redress if they should be wrongfully deprived of their patent rights. Allowing such state law tort claims to proceed is entirely consistent with the objectives of Congress when it enacted the reexamination statute. Nor do the tort claims at issue present any conflict with 35 U.S.C. § 303; rather, they reinforce its purpose. Cf. *Patlex II*, 771 F.2d at

487 ("When Congress enacted 35 U.S.C. § 303 for the purpose of protecting the patentee, it could not have intended an implementation that would negate this protection").

In fact, preemption of state claims by federal patent law has been held to be appropriate only in certain discrete circumstances not present in this case. For example, state laws are preempted which offer "patent-like protection for ideas deemed unprotected by the present federal scheme." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 168 (1989); see also *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964) ("Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source"). States may enforce business agreements pursuant to their contract law, even though the contracts may relate to patents. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979). Indeed, states may regulate the use of intellectual property in any manner not inconsistent with federal law, especially where a state law serves "to promote goals outside the contemplation of the federal patent scheme." *Bonito Boats*, 489 U.S. at 166.

Here, *Buckman's* "fraud on the agency" theory of the preemption doctrine was wrongly extended into a domain traditionally reserved for the states, which have long protected property rights against anti-competitive harm, just as they have protected citizens from baseless litigation. That Respondents' conduct occurred before a federal agency does not change the fact that—unlike the conduct alleged in *Buckman*—it was directed against Petitioners'

property rights, reverberated throughout the marketplace, and forced Petitioners' to defend against "sham" administrative proceedings.

Thus, review of this case will give the Court an opportunity to decide whether a state law tort claim for damage to property is entitled to a presumption against preemption, and may co-exist with federal patent law, given the historic involvement of states in business matters involving patent property rights.

Further, this case raises the broader issue—in the federal administrative agency context—addressed by a long history of jurisprudence holding that federal immunities do not bar claims based on objectively baseless government petitions filed in court or before administrative agencies with malice or within the context of "sham litigation." See, e.g., *Noerr*, 365 U.S. 127 (1961); *United Mine Workers of Am. v. Pennington*, 381 U.S. 657 (1965); *Cal. Motor Trans. Co. v. Trucking Unlimited.*, 404 U.S. 508 (1972) (extending the *Noerr-Pennington* doctrine from anti-trust context to attempts to influence administrative and adjudicatory bodies, while holding that a cause of action had been stated under the "sham" exception to the doctrine); see also *Ball*, 967 F.2d at 1444-45 (concluding that absolute immunity for private lawyers cannot be extended to claims involving allegations of fraud in PTO proceedings).

In *PRE*, the Court recognized that objectively baseless "sham" proceedings in the judicial or agency context may "impose a collateral harm" on a market competitor. *PRE*, 508 U.S. at 68-69 (Stevens, J., concurring). It is undisputed that a baseless and fraudulent request for reexamination when used as a strategy to hinder patent enforcement and harm the business of the patentee, does hinder the patent-

holder's rights to business use and enforcement of his patents, and also hinders access to adjudicatory tribunals to enforce his patents, as reexamination is often the basis for a stay of enforcement litigation. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1305 (Fed. Cir. 2009) (Newman, J., concurring) (reexamination "subject to inequity, if not manipulation and abuse, through the delays that are inherent in PTO activity").

Depriving patentees of a remedy for sham reexamination requests will inevitably threaten the quid pro quo of the patent system, jeopardizing the objective of disclosure by weakening the patent right to exclude others, and imperiling billions in commerce built on U.S. Patents. See Katharine M. Zandy, *Too Much, Too Little, or Just Right? A Goldilocks Approach to Patent Reexamination Reform*, 61 N.Y.U. Ann. Surv. Am. L. 865, 889 (2006) ("Subjecting patent holders to a constant onslaught of cheap, easy-to-pursue patent reexaminations would force an unfair burden on them. It could also cause fewer patents in the long run, as inventors turn to other avenues of protection, such as trade secret law, instead of risky patenting").¹⁹

In summary, the question presented here is important and recurring: Does the implied preemption doctrine in *Buckman* bar plaintiffs, such as Petitioner, from relief under state law for harm involving misconduct before a federal agency, even where

¹⁹ As PTO Director Kappos recently acknowledged, "there are lots and lots of jobs riding on the patents we have in reexamination." David Kappos, *Improving the Reexamination Process*, Director's Forum: David Kappos' Public Blog, (June 6, 2010, 3:02 PM), http://www.uspto.gov/blog/director/entry/improving_the_reexamination_process#comments.

fraud-on-the-agency is not an element of the state law claim? Denying patent holders a private remedy for damages to their property interests in their patents risks subjecting them to baseless administrative challenges with no prospect of compensation in sight, and this undermines the very foundations of the patent system. By contrast, clarifying the pre-emptive reach of *Buckman* through this case would simultaneously ensure the integrity of the patent system and resolve pervasive confusion in the lower courts.

III. ALTERNATIVELY, THE COURT SHOULD VACATE THE DECISION BELOW, AND REMAND TO THE FEDERAL CIRCUIT FOR RECONSIDERATION SUPPORTED BY AN OPINION

In the recently argued case of *Mensing v. Wyeth, Inc.*, 588 F.3d 603 (8th Cir. 2009), cert. granted *sub nom. Pliva, Inc. v. Mensing*, 131 S.Ct. 817 (2010), the application of *Buckman* preemption animated the parties' briefing as well as the questioning of this Court during oral argument. Therefore, Petitioner requests in the alternative that the Court hold this petition until decision in *Pliva*, and thereafter grant the petition, vacate the judgment of the Federal Circuit, and remand this case ("GVR") to that court for further proceedings in light of this Court's guidance regarding the reach of *Buckman* preemption in *Pliva*.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX