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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 a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

**BRIEF OF AMICUS CURIAE IN SUPPORT OF
PETITION FOR WRIT OF CERTIORARI**

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June 1, 2011

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*Respondents.***On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit****BRIEF OF AMICUS CURIAE IN SUPPORT OF
PETITION FOR WRIT OF CERTIORARI****STATEMENT OF INTEREST OF
THE AMICI CURIAE**

Amici are law professors who have no personal stake in the outcome of this case,¹ but have an interest in seeing that the patent statutes are interpreted

¹ No party has authored or paid for any portion of this brief. Only *amici* or their counsel made any monetary contribution toward its filing. *Amici* have given both parties ten days notice of their intention to file this brief. Counsel for petitioner and respondent have consented to the filing of this brief.

to promote rather than retard innovation. Appendix A lists all *amicus*.

ARGUMENT

I. THE HOLDING BELOW HARMS INNOVATION BY PERMITTING LAWYERS – AND ONLY LAWYERS – TO DEFRAUD THE PATENT OFFICE AND THEREBY DAMAGE A PATENT WITHOUT ANY RECOURSE BY THE PATENT’S OWNER.

This Court has repeatedly reviewed decisions that implicate the intrusion of federal law into matters of long-standing state concern. With increasing frequency, this Court has reviewed decisions to ensure that lower courts do not rely too heavily on purpose and intent to infer to Congress an intent to interfere in long-standing matters of state law.² This case presents a truly breathtaking conclusion of implied preemption: because Congress in 1952 authorized the United States Patent & Trademark Office (“Patent Office”) to regulate the conduct of patent agents and lawyers who are registered to appear before it, this means that Congress intended to preempt long-standing state law claims against those who, through fraud, damage property belonging to third party. This Court should review this case, and either affirm so that Congress can take immediate corrective action, or reverse the unbounded implied preemption doctrine applied by the courts below.

² *E.g., Buckman Co. v. Plaintiffs’ Legal Comm.*, 531 U.S. 341 (2001); *Wyeth v. Levine*, 129 S.Ct. 1187 (2009). See generally, Linda D. Jellum & David Charles Hricik, MODERN STATUTORY INTERPRETATION 446-56 (Carolina Academic Press 2d. ed. 2009) (discussing reliance by the Court on purpose and intent in implied remedies and confusion it has allowed).

A. Patents Are Valuable to the United States’ and World Economies but Often Have Short Economic Lives.

This Court knows that patents are fundamental to the functioning of the world and U.S. economies. In just the last few years, this Court has repeatedly reversed decisions of the Federal Circuit to correct improper interpretations of the Patent Act, including decisions relating to remedies³ and the scope of patent claims.⁴ This Court has repeatedly taken on the burden to ensure that the Patent Act is properly interpreted to promote the progress of science, as required by the Constitution.⁵

Despite their economic value, the effective value of any particular patent is often packed into a very few years. Even though a patent generally lasts 20 years from the date it is filed, often the valuable portion of a patent’s life is in a limited time, often early in its life. Technology advances quickly, rendering one day’s solution to a problem a dim and forgotten relic. (Witness the Sony Walkman.) This is particularly true in the field that was the subject of Mr. Lockwood’s patents, information technology.

The property right to exclude granted by a patent is often enforced through litigation against “trespassers” – accused infringers. Thus, actions that can deprive the patentee of the use of his patent, even for a short period of time, can effectively render the patent worthless.

³ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

⁴ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002); *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997).

⁵ U.S. Const. Art. I, § 8, cl. 8.

Reexamination obtained through fraud is one such action. By federal law, any person can at any time request that any patent be reexamined – including a party accused of infringing the patent in a pending lawsuit. It is relatively cheap to ask the Patent Office to reexamine a patent, and there is a very low initial hurdle to clear to have the Patent Office order a full-blown reexamination proceeding. Requesting reexamination is very cheap for the requestor.

If reexamination is granted, then typically the requesting party has nothing more to do with it, but the proceeding will cost the patent owner significant money. More important here, accused infringers often seek reexamination because district courts often stay pending litigation to permit the reexamination proceeding to go forward – a proceeding that, like here, can take years. Further, nothing prevents multiple parties or even the same party from seeking consecutive reexaminations, even based upon the same information that the Patent Office previously considered either during prosecution or reexamination of the particular patent.⁶

If the accused infringer meets the minimal requirements to require reexamination, then the patent is devalued beyond the stay in litigation. Reexamination brings a “stigma or uncertainty regarding entitlement to the patent.”⁷ Reexamination not only devalues the patent, it routinely costs a patentee several hundred thousand dollars in legal fees to protect the right that it already had been granted,

⁶ 35 U.S.C. § 303(a) states in part that “[t]he existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”

⁷ *Bruning v. Hirose*, 161 F.3d 681, 685 (Fed. Cir. 1998).

and, worse, nothing prevents successive requests for reexamination,⁸ even by the same requestor.⁹ Thus, reexamination proceedings impair the value of property created by federal law and protected by state law.

There is no federal fee shifting statute that authorizes the Patent Office to award even costs to a patent owner, even if the Patent Office finds the request for reexamination was frivolous. No Federal Rule of Civil Procedure or other general federal statute would allow a district court to award sanctions, since the proceeding is in the Patent Office, not district court. There also is no federal fee shifting statute that authorizes the Patent Office to award fees to a patent owner, even if the Patent Office finds the request was frivolous. State law claims are a patentee’s only recourse.

Nonetheless, as next shown, the courts below held that a lawyer can, through actual fraud, deprive a patentee of its property rights and yet avoid any liability for having done so – ironically though if, but only if, the culprit was a lawyer who might be subject to discipline by the Patent Office. Congress so intended, they reasoned.

B. The Courts Below Held that a Lawyer Can Damage or Destroy the Value of a Patent Through Deliberate Fraud on the Patent Office and Yet Avoid Any Liability for Having Done Solely Because He Might be Disciplined by the Patent Office.

The Federal Circuit affirmed dismissal of a Rule 12(b)(6) motion of a complaint that effectively pled

⁸ See Petition for Writ of *Certiorari* in this case at p. 5 & n.3.

⁹ See 35 U.S.C. § 303.

that the defendant law firm had intentionally made material misrepresentations of fact to the Patent Office that caused the Patent Office to begin a reexamination proceeding that damaged Mr. Lockwood's patents. They held the state law claim pled for malicious prosecution was preempted.

The potential impact of that holding on the value of patents is breathtaking. As things now stand, a competitor can retain a practitioner to seek even a successive request for reexamination, and even if the lawyer acts in bad faith and with a fraudulent intent, he will suffer no civil damages as to the harm done to the patentee. Thus, this case presents a significant issue for the Court. Not only is it economically significant, as next shown the interpretation given to the Patent Act by the courts below is legally unsound. This Court should grant *certiorari* to reverse the opinion below or to unambiguously affirm the opinion below so that Congress can take immediate corrective action.

II. THE INTERPRETATION BELOW - THAT IF CONGRESS PERMITS AN AGENCY TO REGULATE LAWYERS WHO PRACTICE BEFORE IT MEANS THAT CONGRESS INTENDED TO PREEMPT CIVIL LIABILITY CLAIMS AGAINST THEM - IS BREATHTAKINGLY WRONG.

The courts below held that in 1952, Congress implicitly intended to preempt a state law malicious prosecution claim against a lawyer who had fraudulently invoked a reexamination proceeding. The sole basis for the holding below was the fact that Congress authorized the Patent Office to regulate the

conduct of practitioners¹⁰ who practice before it, and the Patent Office has adopted regulations which do so.¹¹ Two provisions of the Patent Act allow the Patent Office to regulate lawyers, Sections 2(B)(2)(D) and 32. Again, the reasoning below was that claim for liability was preempted because it was a practitioner who had committed the fraud, and so he might be subject to discipline, such as a reprimand.¹²

This interpretation of Sections 2(B)(2)(D) and 32 is unsupported. Section 2(B)(2)(D) provides in pertinent part:

The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce. . .

(2) may establish regulations, not inconsistent with law, which. . .

(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the

¹⁰ Lawyers and non-lawyer patent agents (collectively called "practitioners" under the regulations) may become authorized to practice before the Patent Office. See generally, *Sperry v. Florida*, 373 U.S. 379 (1963).

¹¹ 37 C.F.R. § 10.1 *et seq.*

¹² See Petition for Writ of *Certiorari* in this case at p. 8.

presentation or prosecution of their applications or other business before the Office. . . .¹³

Section 32 provides an enforcement mechanism for any regulations adopted under Section 2(b)(2)(D) and provides in full:

The Director may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. The Director shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section. The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Director upon the petition of the person so refused recognition or so suspended or excluded.¹⁴

¹³ 35 U.S.C. § 2(B)(2)(D) (emph. added).

¹⁴ 35 U.S.C. § 32.

There is *nothing* in the statutory language that even remotely hints at express preemption state law concerning civil liability. The courts below did not suggest otherwise, but instead relied upon the notion of implied preemption.

Two cornerstones guide this Court's implied preemption analysis: "the purpose of Congress is the ultimate touchstone in every pre-emption case" and in "all pre-emption cases, and particularly in those in which Congress has legislated in a field in which the States have traditionally occupied, we start with the assumption that the historic police powers of the States were not to be superseded by the Federal Act unless that was the clear and manifest purpose of Congress."¹⁵

There is nothing to suggest Congressional intent to preempt civil liability claims against lawyers. Imposing civil liability would not interfere with the Patent Office's regulation of lawyers, just as it does not do so among all fifty states, where lawyers are subject to discipline *and* civil liability.

What little evidence that exists goes strongly against implied preemption. Specifically, in the regulations the Patent Office adopted through this very statutory rule-making authority, the Patent Office expressly rejected any intent to preempt *even* state disciplinary rules, instead stating that the regulations only preempted state disciplinary efforts to the "extent necessary" for the PTO to achieve its federal

¹⁵ *Wyeth v. Levine*, 129 S. Ct. 1187 (2009) (internal quotation marks, punctuation, and citations omitted).

objectives.¹⁶ Indeed, the regulations do not even apply to "ethical" matters such as disqualification in the Patent Office.¹⁷

Thus, the only expressed intent was to *narrowly* preempt even *state disciplinary* actions. Therefore, this Court should grant *certiorari* to reverse the judgment and hold that Sections 2(B)(2)(D) and 32 of Title 35 do not preempt malicious prosecution claims against lawyers who fraudulently invoke a reexamination proceeding.

A. This Court Should Grant *Certiorari* to Reverse and Clarify That *Buckman* Clearly Does Not Mean That by Permitting an Agency to Discipline Lawyers Who Practice Before it, Congress Did not Intend to Preempt Liability Claims Against Those Lawyers.

Here, as shown, one section of the Patent Act permits the Patent Office to regulate those who appear before it, and another authorizes means to enforce those regulations. The courts below held preempted claims by a third party (*i.e.*, a non-client) against a lawyer who fraudulently invokes reexamination to harm the non-client.

But the holding clearly is not so limited.

¹⁶ 37 C.F.R. § 10.1. See David Hricik & Mercedes Meyer, PATENT ETHICS – PROSECUTION, 17-19 (Oxford University Press 2009) (collecting case law and discussing limited preemptive effect of these regulations).

¹⁷ See Hricik & Meyers, *supra*, at 16-17.

First, it would apparently preempt malpractice claims by *clients against lawyers who represent them* at the Patent Office because the Patent Office has authority to regulate lawyer conduct.¹⁸ The *same* statutes relied on by the courts below to find implied preemption of civil liability regulate principally attorney-client relationships. If claims by non-clients are preempted due to regulation of lawyers, presumably claims by clients are, too. There is no principled basis for concluding otherwise and, in fact, the "argument" for implied preemption appears stronger in the case of claims by clients, since the regulations are principally designed to protect them, not third-parties. This Court should grant *certiorari* to address this obviously incorrect statutory interpretation.

The holding is also would *grant immunity to misconduct before many other federal agencies*. Many federal agencies have similar authority to discipline lawyers who practice before them.¹⁹ The holdings here stand for the proposition that claims for damages against every one of those lawyers is apparently impliedly preempted: if Congress so intended by enacting this part of the Patent Act in 1952, there seems to be no principled reason to interpret other, later enactments differently.

¹⁸ The Patent Office has an internal disciplinary body, called the Office of Enrollment and Discipline, that applies a set of ethical rules very much like some states have, which were adopted after notice and comment by the Patent Office. See Hricik & Meyers, *supra*, at 14-16.

¹⁹ *E.g.*, 7 C.F.R. § 1.26(b)(2) (Agriculture); 8 C.F.R. § 1292.3(a)(1) (Immigration); 16 C.F.R. § 4.1(e)(2) (FTC); 31 C.F.R. § 10.1 (IRS).

B. The Decisions Would Lead to an Absurd Interpretation: Attorneys Who Request Reexamination Cannot Be Sued but Non-Attorneys Could.

Any person – practitioner or not – may request a reexamination.²⁰ The Patent Office rules relied on by the courts below only allows the Patent Office to discipline practitioners (lawyers and patent agents) who appear before it. It only applies to them, but anyone can request reexamination.

Thus, as things now stand, logically either (a) only liability claims against patent practitioners are preempted or (b) all claims are preempted, and so there is *no recourse even by the Patent Office* against non-practitioners who fraudulently invoke reexamination. Neither interpretation correctly interprets the Patent Act.

Under the first scenario, the interpretation makes sense only if every time Congress allows an agency to regulate lawyers who appear before the agency Congress intends to preempt all civil liability against them. As explained above, that interpretation is astonishing and has grave implications for any recognition of limited federal government. Federal law runs amok over attorney-client relationships.

Likewise, a practitioner can avoid liability by having a non-practitioner file the request, or by filing it anonymously.²¹ This would lead to the

²⁰ 35 U.S.C. § 303.

²¹ Anonymous filings are permitted under 35 U.S.C. § 303. A slew of anonymous requests have been filed. See, e.g., <http://reexamcenter.com/2010/07/new-requests-for-ex-parte-reexamination-in-official-gazette-of-july-20-2010-anonymous-requests-filed-against-patents-assigned-to-apple-covermaster-knowles-electronics-ch>

anomalous result of encouraging non-practitioners to file reexamination requests – hardly an ostensible goal of Congress in a complex and arcane area of patent law, where accuracy and efficiency are required.

Under the second scenario, any time Congress regulates lawyers it impliedly preempts all civil liability. That cannot be correct.

The only rational meaning of Section 2(B)(2)(D) and Section 32 is that Congress intended to allow the Patent Office to regulate those who appear before it and to exclude them when appropriate – and intended nothing about civil liability, leaving that longstanding area of state common law unaffected.

CONCLUSION

We urge this Court to grant *certiorari* to clarify the scope of *Buckman* preemption and avoid the intrusion of federal regulatory law into state substantive law presented by the decisions below.

Respectfully submitted,

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June 1, 2011

arles-wong-and-alexam/. It is not clear why a lawyer could avoid any responsibility whatsoever for fraud by simply filing the request anonymously.

APPENDIX

APPENDIXList of Signatories¹

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