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No. 10-1339

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**

**BRIEF OF THE TPL GROUP AND  
TRIANAFYLLOS TAFAS, PH.D., AS AMICI  
CURIAE IN SUPPORT OF PETITIONERS**

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## INTEREST OF THE AMICI CURIAE<sup>1</sup>

The TPL Group is a purpose-built boutique that specializes in the development, management, and commercialization of intellectual property. As a patent holder, it is intimately familiar with the federal patent re-examination process, having gone through the process several times. It also closely monitors legal issues that will impact it as a patent holder.

Triantafyllos Tafas, Ph.D., is a founder of a company that manufactures robotic microscopes and he is named on multiple issued United States patents and patent applications. He is a recipient of the Jefferson Medal, an award given yearly by the New Jersey Intellectual Property Association in honor of exceptional contributions to the field of intellectual property law. Dr. Tafas was given the award for his role in protecting the interests of emerging companies, universities, and the life science industry in the case of *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009).

Amici are concerned that the preemption ruling below, if not reversed, will undermine the fostering and rewarding of invention. Implied preemption here signifies that Congress intended to

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<sup>1</sup> Counsel for all parties have been given notice of the amici curiae's intention to file their brief, as required by Supreme Court Rule 37.2(a). Letters evincing consent to file this brief have been filed with the Clerk. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than amici curiae, their members, or their counsel made a monetary contribution to its preparation or submission.

confer legal immunity on persons who file baseless requests for re-examination of a patent solely to cause economic harm to patent holders. The federal re-examination statutes, however, evince no such intent. To the contrary, federal law indicates that Congress was concerned that re-examination could be used to harass patent holders and waste the life of a patent. Because preemption threatens the orderly administration of the patent laws and will encourage harassment of patent holders, Amici urge the Court to grant the petition and reverse the judgment below.

## INTRODUCTION

The petition arises from a California state-law tort suit filed by Petitioners Lawrence B. Lockwood and PanIP, LLC against Respondents Sheppard, Mullin, Richter & Hampton, LLP, Jonathan Hangartner, and Steve P. Hassid. The District Court, citing *Buckman Co. v. Plaintiffs' Legal Comm.*, 531 U.S. 341 (2001), held, in part, that the federal patent re-examination statutes impliedly preempted Petitioners' state-law claim for malicious prosecution of a request for re-examination, and the Federal Circuit affirmed.

## Statutory and Regulatory Background

Congress, in 1980, enacted the federal patent re-examination law to allow any person to ask the PTO to take a second look at a patent's validity and modify or cancel the patent in light of prior art identified by that person. 35 U.S.C. §§ 301 *et seq.* Congress intended for re-examination to:

- (i) settle validity disputes more quickly and less expensively than litigation; (ii)

allow courts to refer patent validity questions to an agency with expertise in both the patent law and technology; and (iii) reinforce investor confidence in the certainty of patent rights by affording an opportunity to review patents of doubtful validity.

H.R. Rep. No. 107-120 (2002), at 3 (discussing H.R. Rep. No. 96-1307 (1980)). Congress was concerned, however, that requests for re-examination that merely questioned the judgment of the examiner would result in the "abuse [of] patentees and waste the life of a patent." H.R. Rep. No. 107-120, at 3. It thus "struck a balance between curing allegedly defective patents and preventing the harassment of patentees" by requiring that a request raise a "substantial new question" of patentability. *Id.*

A request for re-examination may be filed by "any person," 35 U.S.C. § 301, including persons not licensed to practice before the PTO, see Manual of Patent Examining Procedure § 2212 (8th ed., rev. July 2010) (herein "MPEP"). At the person's written request, his or her identity "will be excluded from the patent file and will be kept confidential." 35 U.S.C. § 301. The requester must set forth the "pertinency and manner of applying cited prior art to every claim for which reexamination is requested." § 302. The PTO then has three months to "determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications." § 303(a). If the request in fact raises a substantial new question of patentability, then an order for re-examination of the relevant patent will issue. § 304. Examiners at this

stage, however, may “not decide, and no statement should be made as to, whether the claims are rejected over the patents and printed publications.” MPEP § 2246. This stage of the proceeding is *ex parte* in the sense that the PTO determines whether to issue an order for re-examination solely based on the information and representations contained in the request.

The next stage of re-examination, however, is *inter partes*, meaning that the holder of the patents subject to re-examination may participate. Ordinarily, if a substantial question of patentability exists, the PTO will issue a First Office Action rejecting at least one of the patent’s claims. The patent holder receives notice and is given an opportunity to respond. 35 U.S.C. § 305. The rejected claims will be formally cancelled if the patent holder’s response is deficient. § 307. The patent holder may also file a preliminary statement after the PTO issues an order for re-examination, § 304, although this is less common, see Roger E. Schechter & John R. Thomas, *Principles of Patent Law* § 7.5.4.1 (2d ed. 2004) (“As a practical matter, because most patentees do not wish to encourage further participation by the requestor, few preliminary statements are filed.”).

The PTO does not consider “issues of ‘fraud,’ ‘inequitable conduct,’ or ‘violation of duty of disclosure’ . . . in reexamination.” MPEP § 2014. If these issues “are discovered during reexamination proceedings, the existence of such questions will be noted by the examiner in an Office action without further comment.” MPEP § 2014.

### Proceedings Below

Petitioners, holders of numerous patents in multimedia computer networking and electronic commerce technologies, claimed, in part, that Respondents are liable under California law for malicious prosecution of requests for re-examination made pursuant to 35 U.S.C. §§ 301 *et seq.* Specifically, they alleged that Respondents’ requests that the Patent and Trademark Office re-examine Petitioners’ patents were a mere sham to cover what was actually nothing more than a malicious attempt to interfere directly with Petitioners’ business interests. Two declarations filed by Petitioners supported the allegations.<sup>2</sup> As Professor John R. Thomas of Georgetown University Law School explained in his:

The pattern of misleading conduct evidenced in the two Requests for Reexamination demonstrates that Sheppard Mullin was not merely ignorant or negligent. Rather, I cannot come to any other conclusion and there is no other rational conclusion but that Sheppard Mullin expressly intended to deceive the PTO by making a series of material misrepresentations. In my professional opinion, Sheppard Mullin attorneys took advantage of the trust the PTO reposed in them as licensed patent lawyers to provide candid,

<sup>2</sup> See Decls. of David G. Kay & John R. Thomas, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLC*, No. CV09-5157 (C.D. Cal. Oct. 21, 2009).

forthright, and honest analysis of the prior art in order to place a cloud on the title of the '319 and '951 Patents that would last for many years.

Decl. of John R. Thomas at 21, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLC*, No. CV09-5157 (C.D. Cal. Oct. 21, 2009).

Petitioners alleged that, during the pendency of the re-examination proceedings, Respondents engaged in a marketing campaign to undermine the validity of Petitioners' patents. Respondents, for example, created the PanIP Group Defense Fund, which established a website, YouMayBeNext.com, with the stated purpose of "Stop[ing] PanIP."

As the complaint further recounted, the PTO, based solely on Respondents' submissions, granted the initial request for re-examination. Petitioners were then permitted to appear, through counsel, to defend the validity of their patents. Petitioners succeeded, but the proceedings lasted over four years. As a consequence, Petitioners were deprived of the economic benefits of their patents during the pendency of re-examination, losing an estimated \$31,980,000.00 in "foregone profits associated with [] foregone revenues." Decl. of David Drews at 3, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLC*, No. CV09-5157 (C.D. Cal. Oct. 19, 2009).

The District Court held that federal patent re-examination law impliedly preempted Petitioners' malicious prosecution claim. Petitioners could not, the District Court reasoned, based on its reading of *Buckman*, seek to hold Respondents liable for initiating a baseless re-examination proceeding with

the sole intent of causing Petitioners economic harm, because doing so would be tantamount to policing fraud or inequitable conduct before the PTO. The Federal Circuit affirmed.

## ARGUMENT

The petition describes a conflict in the lower courts concerning *Buckman's* preemptive reach that merits this Court's review. Amici write separately to underscore that review is warranted because implied preemption based on *Buckman* improperly denies patent holders traditionally available legal remedies for marketplace harm, and threatens the orderly administration of the patent laws.

### I. Conferring Immunity on Persons Who File "Sham" Requests for Re-Examination Will Undermine Rather Than Advance Congressional Purposes and Objectives.

At issue is whether federal re-examination law impliedly preempts a claim for malicious prosecution. Careful consideration of the elements of the tort and the decision in *Buckman* demonstrates that a claim for malicious prosecution is consistent with, rather than an obstacle to, Congress's purposes and objectives in enacting the re-examination statute.

1. The elements of the tort (more commonly called the tort of wrongful civil proceedings) mirror the elements of "sham" petitioning. See *Profl Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60-63 (1993) (herein "*PRE*") (defining "sham" petitioning); *Daniels v. Robbins*, 105 Cal. Rptr. 3d 683, 693 (Cal.

Ct. App. 2010) (defining tort of malicious prosecution). Both require a showing that governmental action was initiated by the defendant and was terminated in plaintiff's favor; that the request for governmental action was objectively baseless, meaning the request was initiated without probable cause; and that the request is subjectively baseless, meaning the request conceals an attempt to interfere directly with the business relationships of a competitor. See *PRE*, 508 U.S. at 60-61; *Daniels*, 105 Cal. Rptr. 3d at 693. In California, moreover, the subjective intent must display malice. *Daniels*, 105 Cal. Rptr. 3d at 699 (stating that malice exists where "the proceeding is initiated *solely* for the purpose of depriving the opponent of a beneficial use of property").

A "sham" request for re-examination is by definition a request that does *not* seek to obtain governmental action; the request is baseless and therefore no positive governmental action is expected. Permitting liability for malicious prosecution of a request for re-examination in those rare instances in which the request is both baseless and pursued to cause collateral harm, rather than to secure modification or cancellation of the patent, will *solely* discourage the filing of "sham" requests. It will not, however, interfere with Congress's stated purpose of permitting individuals or entities to raise a substantial question as to a patent's validity, and to receive an expedient answer from experts at the PTO. See H.R. Rep. No. 107-120, at 3.

Contrary to the preemption ruling below, liability furthers congressional aims, and immunity impedes them. For example, liability deters the filing of "sham" requests. Faced with fewer requests, the

PTO is likely to "settle validity disputes more quickly." H.R. Rep. No. 107-120, at 3. Deterring "sham" requests will also "prevent the harassment of patentees." *Id.* at 2. And it will "reinforce investor confidence in the certainty of patent rights." *Id.* at 3. The re-examination process "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 the money to defend themselves." Exec. Bus. Meeting of the Sen. Judiciary Comm., 111th Cong. (Mar. 31, 2009) (remarks of Sen. Jon Kyl), *available at* <http://judiciary.senate.gov/webcast/judiciary03312009-1000.ram>. If monetary damages are not available to compensate patent owners who beat back "sham" requests, then more patent owners can be expected to abandon valid patents, thereby undermining their certainty.

State-law immunity, by contrast, will invite unscrupulous competitors to file "sham" requests. The increase in filings will retard an already unacceptably slow process. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1305 (Fed. Cir. 2009) (Newman, J., concurring) (noting that re-examination, if routinely available, can be "subject to inequity, if not manipulation and abuse, through the delays that are inherent in PTO activity").

State-law immunity will also reward misconduct before the PTO. If the tort of malicious prosecution is preempted, the only remaining actionable tort is the tort of intentional interference with actual and prospective contractual relations. *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1474 (Fed. Cir. 1998) (holding that federal patent law does



not preempt this tort). Both torts seek to regulate and provide compensation for marketplace harm. But, under the preemption ruling below, a competitor that submits a "sham" request for re-examination to the PTO is immunized *as a result of* that misconduct. Nothing in the re-examination law, however, indicates that Congress intended to reward such misconduct with legal immunity.

2. No fair reading of *Buckman* supports the conclusion that federal re-examination law impliedly preempts the common-law tort of malicious prosecution. In *Buckman*, a group of plaintiffs claiming injuries resulting from the use of orthopedic bone screws in the pedicles of their spines sued both the manufacturer of the bone screws and a consultant to the manufacturer who allegedly manipulated the regulatory process to gain federal approval of these screws. The plaintiffs settled their traditional products-liability claims against the manufacturer but proceeded against the consultant on the theory that "but for" his fraudulent representations to the Food and Drug Administration, the agency would not have approved the bone screws and the plaintiffs would not have been injured. The Court held that plaintiffs' stand-alone, state-law claim for fraud on the FDA was impliedly preempted. Policing fraud against a federal agency, the Court reasoned, was not an area of traditional state concern, and thus there was no reason to presume against finding federal preemption. "To the contrary, the relationship between a federal agency and the entity it regulates is inherently federal in character because the relationship originates from, is governed by, and terminates according to federal law." 531 U.S. at 347. The Court found that assigning liability solely on the

basis of fraudulent conduct before the FDA would impose unique and substantial burdens on the agency and the entities it regulates.

This case, by contrast, concerns a traditional state-law tort claim that seeks to remedy marketplace harm, an area of traditional state concern. This means that, in contrast with the plaintiffs in *Buckman*, who were seeking compensation for damages caused by the breach of a duty the consultant owed to the FDA, here Petitioners are seeking compensation for damages caused by the breach of a duty owed to them. Thus, there is reason to presume against finding federal preemption. See *Wyeth v. Levine*, 129 S. Ct. 1187, 1185 (2009).

The tort of malicious prosecution, moreover, does not require a court or jury to find that the PTO was defrauded. See *Daniels*, 105 Cal. Rptr. 3d at 693. To the contrary, Petitioners must show that the PTO terminated proceedings in their favor, which necessarily means that the PTO was not defrauded. Nor is it material, as Respondents insisted in the lower courts, that the PTO granted the initial request for re-examination. The conduct that triggers liability is the *initiation* of a proceeding with malice.<sup>3</sup> See *Daniels*, 105 Cal. Rptr. 3d at 693. That the

<sup>3</sup> Continued prosecution of an action could also satisfy the malice element. But here, the thrust of Petitioners' complaint is that Respondents initiated the proceedings by filing the baseless request with malice.

proceeding lasted as long as it did is relevant only to damages, not liability.<sup>4</sup>

Unlike in *Buckman*, assigning liability for malicious prosecution of a request for re-examination will not impose substantial burdens on the PTO or directly interfere with the federal re-examination program. See *Chamber of Commerce of United States v. Whiting*, No. 09-115, WL 2039365 (2011) (slip op. at 19-20) (Roberts, C.J.) (refusing to infer preemption in the absence of such interference). Here, for example, there is no reason to expect that a person seeking agency action would be motivated to submit additional information demonstrating the strength of her request for fear of liability.<sup>5</sup> That is because liability does not turn exclusively on the strength of the request for re-examination; the request must be both baseless and filed with malice, see *Daniels*, 105 Cal. Rptr. 3d at 693, which here is allegedly evidenced by Respondents' marketing campaign and Respondent Hangartner's statement in the press that Respondents wanted to "put this guy [Lockwood] out of business." Compl. at 2-3, ¶4, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLC*, No. CV09-5157 (C.D. Cal. July 15, 2009).

<sup>4</sup> Nor does the PTO's decision to grant Sheppard Mullin's *ex parte* request for re-examination foreclose liability as a matter of state law. A plaintiff need not prove a favorable termination of an *ex parte* proceeding to state a claim. Restatement (Second) of Torts § 674, Comment k (1977).

<sup>5</sup> Regardless, the Court in this case must presume that Congress would not have wanted preemption of state tort law even if, as a consequence, the PTO would receive lengthier requests for re-examination.

If anything, barring liability for malicious prosecution will impose substantial burdens on the agency. As discussed above, in the absence of any deterrent to filing sham requests, the agency will receive more of them, and the delays inherent in PTO activity, which create inequity, will increase.

## II. Preemption Will Impair the Federal Courts' Enforcement and the PTO's Administration of the Patent Laws.

1. The court below wrongly concluded that *Buckman* required preemption if the plaintiff sought to introduce evidence of fraud before the PTO in support of a traditional state-law tort claim. That broad reading of *Buckman*, if widely adopted, would impair the ability of federal courts to protect "the public interest which is dominant in the patent system." *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944).

Federal courts have long embraced that role. Although only the government may annul or set aside patents, litigants may test their validity in federal court, in a counter-claim alleging that the use of a patent violates tort or antitrust law, *Argus Chem. Corp. v. Fibre Glass-Evercoat Co.*, 812 F.2d 1381, 1383 (Fed. Cir. 1987); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 993 (9th Cir. 1979) ("Patentees must be permitted to test the validity of their patents in court through actions against alleged infringers."), or in a declaratory action, *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 902 (Fed. Cir. 2008); *Dow Chemical*, 139 F.3d at 1474. Challenges to the validity of a patent often include evidence that the patent was procured by fraud on the PTO. *Hunter Douglas, Inc. v. Harmonic Design,*

*Inc.*, 153 F.3d 1318, 1336 (Fed. Cir. 1998) (“[F]ederal patent law bars the imposition of liability for conduct before the PTO unless the plaintiff can show that the patentholder’s conduct amounted to fraud or rendered the patent application process a sham.”); *Abbott Labs. v. Brennan*, 952 F.2d 1346, 1356 (Fed. Cir. 1991) (federal patent law preempts state-law liability for abuse of process based on a patentholder’s conduct before the PTO “at least unless it is shown that the entire federal agency action was a ‘sham.’” (quoting *E. R.R. Presidents Conf. v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 144 (1961))). One such notable example is *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, 382 U.S. 172 (1965). There, this Court held that a treble action for monopolization may be maintained under the Clayton Act if the elements of monopolization are proved *and* if “the relevant patent is shown to have been procured by knowing and willful fraud practiced by the [patent holder] on the Patent Office.” *Id.* at 179 (Harlan, J., concurring) (describing the majority’s holding).

If evidence of fraud before the PTO were in fact sufficient to trigger preemption, then litigants would not be able to test the validity of a patent in many circumstances in which fraud is alleged to present, and the administration of the patent laws would suffer. Preemption under those circumstances would neither reward or foster invention, nor preserve free enterprise, which are the central aims of patent law. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230-31 (1964). Instead, preemption, perversely, would reward misconduct before the PTO by conferring legal immunity on those who file baseless requests solely to cause economic harm.

2. Preemption would also impair the PTO’s administration of the patent laws. Currently, the PTO does not investigate fraud in re-examination proceedings. See *supra* at 4. The PTO has adopted this policy because it lacks the “tools” to deal with fraud. MPEP § 2010. It instead relies on courts to police such misconduct, *id.* (“A court, with subpoena power, is presently the best forum to consider” such issues)—a practice it believes is consistent with congressional will, see *id.* (“[I]nequitable conduct is not set by statute as a criteria [sic] for patentability but rather is a judicial application of the doctrine of unclean hands which is appropriate to be handled by the courts rather than by an administrative body.”). Preemption, accordingly, would require a drastic change in PTO policy. The PTO could no longer rely on courts to police fraud or inequitable conduct in re-examination proceedings but would have to do so single-handedly—even though it lacks the resources, ability, and arguably the statutory authority to do so.<sup>6</sup>

<sup>6</sup> Although the PTO can discipline members of the patent bar, re-examination proceedings may be filed by “any person.” 35 U.S.C. § 301. It is unclear what, if any, disciplinary measures the PTO could exercise against filers who are not bar members. Possibly the PTO could refuse to accept re-examination applications from these persons in the future, but even that would be difficult given that requests may be made anonymously. MPEP § 2203 (“The statute indicates that ‘at the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.’ . . . Persons citing art who desire to remain confidential are therefore advised to not identify themselves anywhere in their papers.” (quoting 35 U.S.C. § 301)).

\* \* \*

Where should patent holders turn when faced with “sham” requests for re-examination? The ruling in this case forecloses court review and suggests patent holders should turn to the PTO, even though the agency does not monitor fraud and is otherwise incapable of providing redress for marketplace harm. The PTO, however, simply notes evidence of fraud in re-examination proceedings, makes “no further comment” and undertakes no further investigation (MPEP § 2014), because it believes that courts should be policing such misconduct. This Court’s guidance is needed.

### CONCLUSION

For the foregoing reasons, the Court should grant the petition for writ of certiorari.

Respectfully submitted,

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