



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 IN OPPOSITION TO  
PETITION FOR WRIT OF CERTIORARI**

---

ROBERT J. STUMPF, JR.  
*Counsel of Record*  
SHEPPARD, MULLIN, RICHTER  
& HAMPTON LLP  
Four Embarcadero Center  
Suite 1700  
San Francisco, CA 94111  
(415) 434-9100  
RStumpf@sheppardmullin.com  
*Counsel for Respondents*

**Blank Page**

### **RULE 29.6 STATEMENT**

Pursuant to this Court's Rule 29.6, the undersigned counsel states that respondents Jonathan Hangartner and Steve P. Hassid are individuals and respondent Sheppard, Mullin, Richter & Hampton LLP is a California limited liability partnership that has no parent company and does not issue stock.

**Blank Page**

## TABLE OF CONTENTS

	Page
RULE 29.6 STATEMENT .....	i
TABLE OF CONTENTS .....	iii
TABLE OF AUTHORITIES .....	iv
BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI .....	1
I. STATEMENT OF THE CASE .....	1
A. Lockwood's "Enforcement Program" and Patent Lawsuits .....	1
1. The Requests for Reexamination...	3
2. The Stipulation to Stay the Infringement Actions and the Settlement .....	4
B. Proceedings in State Court .....	5
C. Proceedings in Federal Court .....	6
II. REASONS FOR DENYING THE PETITION .....	8
A. Because the Opinion Below Is a Non-Precedential Per Curiam Order and There Were Two Independent State Law Grounds for Affirmance, This Case Does Not Present an Appropriate Vehicle for Review .....	9
B. Legislation Now Pending in Congress May Render Petitioner's Issue Moot...	10
C. In Any Event, Certiorari Is Not Needed to Resolve a Conflict Among the Circuits or Decide an Issue of National Importance .....	11
CONCLUSION .....	14

## TABLE OF AUTHORITIES

FEDERAL CASES	Page
<i>Abbott Labs v. Brennan</i> , 952 F.2d 1346 (Fed. Cir. 1991).....	7
<i>American Airlines, Inc. v. Lockwood</i> , 515 U.S. 1121 (1995) .....	2
<i>Ashwander v. TVA</i> , 297 U.S. 288 (1936) .....	10
<i>Buckman Co. v. Plaintiffs' Legal Committee</i> , 531 U.S. 341 (2001) .....	6, 7, 8, 9, 12, 13, 14
<i>Lockwood v. American Airlines, Inc.</i> , 107 F.3d 1565 (Fed. Cir. 1997).....	2
<i>Mensing v. Wyeth, Inc.</i> , 588 F.3d 603 (8th Cir. 2009, cert. granted sub nom. <i>Pliva, Inc. v. Mensing</i> , 131 S.Ct. 817, 2010) .....	14
<i>Taxpayers v. Animas-La Plata Water Conservancy Dist.</i> , 739 F.2d 1472 (10th Cir. 1984) .....	11
<i>The Dow Chemical Co. v. Exxon Corp.</i> , 139 F.3d 1470 (Fed. Cir. 1998).....	12, 13
STATE CASES	
<i>Lockwood v. Sheppard, Mullin, Richter &amp; Hampton</i> , 173 Cal.App.4th 675 (2009).....	6
DOCKETED CASES	
Pet. for Writ of Cert., No 09-993 2010 WL 638478 (U.S. Feb. 19, 2010) .....	14

## TABLE OF AUTHORITIES—Continued

FEDERAL STATUTES, RULES, REGULATIONS	Page
Federal Circuit Local Rules	
Fed. Cir. L. R. 32.1(b) .....	10
Fed. Cir. L. R. 32.1(d) .....	10
Fed. Cir. L. R. 36 .....	9
United States Code	
18 U.S.C. § 1962 .....	6
18 U.S.C. § 1964 .....	6
35 U.S.C. § 304 .....	4
37 C.F.R. § 1.181(a)(1) .....	4
STATE STATUTES, RULES, REGULATIONS	
California Civil Code	
§ 47(b) .....	5
California Code of Civil Procedure	
§ 425.16 .....	5
LEGISLATIVE MATERIALS	
“America Invents Act”	
H.R. 1249, 112th Cong. (2011) .....	11
S.23, 112th Cong. (2011) .....	11
OTHER AUTHORITIES	
The Sixteenth Annual Judicial Conference of the Federal Circuit 193 F.R.D. 263 (Fed. Cir. 1999) (Plager) .....	
	9

## TABLE OF AUTHORITIES

PATENTS	Page
U.S. Patent No. 5,576,951 .....	1, 3, 4
U.S. Patent No. 6,289,319 .....	1, 3, 4



IN THE  
**Supreme Court of the United States**

---

No. 10-1339

---

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 IN OPPOSITION TO  
PETITION FOR WRIT OF CERTIORARI**

---

**I. STATEMENT OF THE CASE**

**A. Lockwood's "Enforcement Program"  
and Patent Lawsuits**

Petitioner Lawrence B. Lockwood (Lockwood) is the record owner of U.S. Patent Nos. 5,576,951 and 6,289,319 (the Patents). The Patents generally pertain to interactive, searchable computerized systems for selecting and ordering information, goods, and services. Appellants Appendix (App.) L0037-L0038.

Lockwood is a sophisticated litigant who had ample experience with the federal courts before this case.

In 1991, he sued American Airlines for infringement of other patents. App. L0032. He litigated all the way to the U.S. Supreme Court, *see American Airlines, Inc. v. Lockwood*, 515 U.S. 1121 (1995), ultimately losing the case. *See Lockwood v. American Airlines, Inc.*, 107 F.3d 1565 (Fed. Cir. 1997).

Having taken on big business and lost, Lockwood adopted a strategy through his company, petitioner PanIP, LLC, of going after smaller companies. Corrected Confidential Appellants' Appendix (App.) L0039. The strategy was to find companies – generally “mom and pop” businesses – that had enough money to pay a “license fee” of a few thousand dollars, but not enough to contest the infringement claims, much less litigate a patent infringement case in a distant forum. During 2002, PanIP sued at least 20 businesses in the Southern District of California for allegedly infringing the Patents. App. L1114-L1120, L1141-L1146, L1169-L1174, L1197-L1202.

One of the companies, Debrand Fine Chocolates of Indiana, decided to fight what its owners thought were suspect patents asserted by a patent troll. Lockwood's complaint generally alleges that respondents Sheppard Mullin Richter & Hampton LLP (Sheppard Mullin) and respondent Jonathan Hangartner, then a Sheppard Mullin attorney, contacted Debrand and other PanIP defendants, eventually establishing a website at [www.YouMayBeNext.com](http://www.YouMayBeNext.com). Through the website, Sheppard Mullin allegedly brought together a group of PanIP defendants and formed the PanIP Group Defense Fund, Inc. (PGDF). App. L0033, L0040. Debrand and other PanIP defendants hired Sheppard Mullin as their counsel to defend them against PanIP's infringement allegations. App. L0039. By May 2003, Sheppard

Mullin allegedly had been involved in defending 20 clients against patent infringement claims brought by PanIP in four separate federal cases. App. L0039.

### **1. The Requests for Reexamination**

On May 5, 2003, while many of PanIP's lawsuits were pending, Sheppard Mullin filed requests for reexamination of the Patents on behalf of its clients. App. L1256-L1269, L1271-L1289. Respondent Hassid, then a Sheppard Mullin associate, signed the requests. App. L0043.

Petitioners' complaint challenges Sheppard Mullin's characterization of the prior art submitted to the Patent and Trade Office (PTO). For example, it alleges that Sheppard Mullin represented that a system described in a 1986 manual titled "Electronic Mall" was "available to the public," but did not note that the manual itself is marked "confidential and proprietary." App. L0047-L0048. It also alleges Sheppard Mullin represented that another patent contained "teachings not provided during prosecution of the Lockwood '319 Patent," but did not note that the Ivis reference was of record in the file of the "grandparent" patent application to the '319 patent. App. L0048. The complaint only challenges Sheppard Mullin's arguments, *not* the authenticity of any of the prior art Sheppard Mullin submitted in the reexaminations.

The PTO granted the reexamination request for the '951 patent on July 7, 2003, and the request for the '319 patent on July 29, 2003. App. L0057, L1291-L1294, L1296-L1299. Following those decisions, Petitioners did not avail themselves of the opportunity to file petitions challenging them, or to submit patent owner's statements addressing Sheppard Mullin's

arguments on the prior art. Nor did they report any alleged wrongdoing by Sheppard Mullin to the PTO.

Instead, Lockwood allowed the reexaminations to proceed without protest. Petitioners allege they ultimately prevailed, App. L0060, but make the implausible claim that during the pendency of the reexaminations they were prevented from enforcing the Patents, resulting in damages of \$35 million. App. L0084.

## **2. The Stipulation to Stay the Infringement Actions and the Settlement**

On the same day that Sheppard Mullin filed the reexamination requests, it also filed a motion to stay the PanIP infringement actions. App. L0054-L0055.

Petitioners' complaint alleges that Sheppard Mullin's motion wrongfully induced the district court to stay the actions based upon the reexamination requests. Not so. On June 2, 2003, before the motion was heard, petitioners stipulated to a stay, and the court approved the stipulation on June 5, 2003. App. L1135-L1137, L1163-L1165, L1191-1193, L1219-L1221. On August 26, 2003, after the PTO granted the reexamination requests, the district court denied without prejudice all pending motions in the actions in light of the fact that "the parties agreed to a Stipulation and Order staying all proceedings in this litigation pending the PTO's resolution of a request to reexamine the '951 and '319 Patents." App. L1138-L1139, L1166-L1167, L1194-L1195, L1222-L1223.

A patentee may report wrongdoing to the PTO through the patent owner's statement under 35 U.S.C § 304 or through a petition to the PTO director under 37 C.F.R. § 1.181(a)(1). Lockwood also had ongoing lawsuits in which he could have reported any

alleged wrongdoing to the Court. Petitioners, however, did none of these things. Nor did they raise with the district court any issue of alleged fraud in the reexamination requests.

On March 19, 2004, nearly a year after the reexamination requests were filed, petitioners settled with all of Sheppard Mullin's clients and dismissed the actions.

### **B. Proceedings in State Court**

In June 2007, Lockwood sued Sheppard Mullin in state court. In broad outline, he alleged Sheppard Mullin intentionally interfered with his prospective economic advantage by filing the reexamination requests and sought \$25 million in compensatory damages. App. L1301-L1305. In September 2007, Lockwood filed a First Amended Complaint adding claims for malicious prosecution and fraud based upon the same alleged facts. App. L1307-L1317.

Thereafter, Sheppard Mullin filed motions to strike Lockwood's original and First Amended Complaints under California's Anti-SLAPP Law, Cal. Civ. Proc. Code § 425.16. The Superior Court granted both motions, citing the litigation privilege of Cal. Civ. Code § 47(b) and also holding Lockwood's malicious prosecution claim was time-barred. The Superior Court rejected Lockwood's assertion that federal interests preempted the application of California's anti-SLAPP law and litigation privilege without also preempting petitioners' causes of action themselves. App. L1321-L1323, L1326-L1327.

In February 2008, Lockwood appealed the Superior Court's rulings to the California Court of Appeal. His principal argument was that he had filed his

claims in the wrong court and that the Superior Court lacked subject matter jurisdiction. Lockwood requested the Court of Appeal to vacate the judgment solely on these subject matter jurisdictional grounds. The Court of Appeal did so in its opinion in *Lockwood v. Sheppard, Mullin, Richter & Hampton*, 173 Cal.App.4th 675 (2009).

### C. Proceedings in Federal Court

Thereafter, petitioners filed a complaint in federal court for malicious prosecution, interference with prospective economic advantage, fraud, and violation of 18 U.S.C. §§ 1962, 1964 (RICO). Petitioners allege Sheppard Mullin had fraudulently mischaracterized the patents and publications it submitted to the PTO in connection with the request for reexamination.

For example, petitioners allege Sheppard Mullin had represented that a system described in the 1986 Manual was “available to the public” but did not disclose that the manual was marked “confidential and proprietary.” Petitioners also allege Sheppard Mullin represented that another patent contained “teachings not provided during the prosecution of the Lockwood ’319 Patent” but failed to disclose this patent had been of record in the file of the “grandparent” patent application.

Sheppard Mullin filed a motion to dismiss each of the four claims in petitioners’ complaint on various grounds. With respect to petitioners’ malicious prosecution claim, which is the only claim at issue on this petition, the district court ruled that this claim was preempted, citing this Court’s opinion in *Buckman Co. v. Plaintiffs’ Legal Committee*, 531 U.S. 341, 347 (2001). In this regard, the district court noted that in *Buckman*, the Court found

that “[p]olicing fraud against federal agencies is hardly a field which the states have traditionally occupied, such as to warrant a presumption against finding federal pre-emption of a state-law cause of action.” *Buckman*, 531 U.S. at 347.

The district court also noted that, “as the Federal Circuit found in the context of abuse of process claims, ‘the federal administrative process of examining and issuing patents . . . is not subject to collateral review.’ *Abbott Labs v. Brennan*, 952 F.2d 1346, 1357 (Fed. Cir. 1991).” App. L0011. It concluded that federal patent law “preempts state law malicious prosecution claims such as the one in this case that is based on Defendants’ filing reexamination requests before the PTO because such claims are ‘no more than [claims alleging] bad faith misconduct before the PTO.’” *Id.* (citation omitted.)<sup>1</sup>

The district court also ruled that petitioners’ malicious prosecution claim was barred under alternative state law grounds, namely, the applicable statute of limitations and the so-called “independent investigation doctrine.” App. at L0011-L0012.

Thereafter, petitioners filed an appeal to the Federal Circuit. After full briefing and argument, the Federal Circuit affirmed in a one-sentence per curiam opinion: “This Cause having been heard and considered, it is Ordered and Adjudged: Per Curiam (Newman, Plager, and Prost, *Circuit Judges*. Affirmed.)” The opinion included a “Note: This disposition is nonprecedential.” (Petition App. A.)

---

<sup>1</sup> The district court also ruled that petitioners’ fraud claim was preempted. Petitioners do not challenge this aspect of the district court’s preemption analysis.

## II. REASONS FOR DENYING THE PETITION

The Court should deny the petition for three reasons:

First, regardless of the merits, this case does not present an appropriate vehicle for review. The Federal Circuit's opinion is, in the words of petitioners (Petition at 9), a "per curiam order, affirmed without opinion." As a result, the opinion has no precedential value. Moreover, in addition to holding petitioners' malicious prosecution claim was preempted, the district court articulated two independent grounds for affirmance under state law, finding that petitioners' claim was barred by both the statute of limitations and the so-called "independent investigation doctrine."

Second, the America Invents Act, previously known as the Patent Reform Act of 2011, is now making its way through Congress. To the extent that the patent reexamination procedure is being abused, Congress is well positioned to address it.

Third, certiorari is not needed to resolve a conflict among the circuits or decide an issue of national importance regarding the scope of the fraud-on-the-agency preemption doctrine stated by this Court in *Buckman*. Lockwood's case is a classic "fraud on the agency" claim that falls squarely within the *Buckman* rationale. Petitioners' claim of fraud on the PTO is not merely ancillary or incidental to their malicious prosecution claim. Instead, regardless of whether such alleged fraud is technically an "element" of a malicious prosecution claim, it is effectively the entire basis of petitioners' case. Without proving such alleged fraud, their claim cannot



succeed. It is therefore preempted by a straightforward application of *Buckman*.

**A. Because the Opinion Below Is a Non-Precedential Per Curiam Order and There Were Two Independent State Law Grounds for Affirmance, This Case Does Not Present an Appropriate Vehicle for Review**

Merits aside, this case does not present a good vehicle for review for two reasons. First, the Federal Circuit's opinion was issued "per curiam" and designated "non-precedential." There was no substantive opinion as such; merely a summary affirmance. Rule 36 of the Federal Circuit expressly permits such a "judgment of affirmance without opinion" when the Federal Circuit determines, among other reasons, the judgment "is based on findings that are not clearly erroneous" or "has been entered without an error of law." Clearly, the Federal Circuit did not regard the present case as presenting an important issue worthy of extended discussion.<sup>2</sup>

In addition, although it is technically citable, the fact that the Federal Circuit designated it as "non-precedential" means that the opinion is "one determined by the panel issuing it as not adding

---

<sup>2</sup> "The hard fact of the matter is, and I think many of you know this, that some number of cases that come before us are meritless. They have no real merit on the side of the appellant, and they need to be disposed of accordingly. . . . In the litigated cases, by which I mean the ones with lawyers on both sides, if the case has marginal or no merit, I personally favor [using a] Rule 36 [summary affirmance]." The Sixteenth Annual Judicial Conference of the Federal Circuit, 193 F.R.D. 263, 301 (Fed. Cir. 1999) (remarks of Judge Plager).

significantly to the body of law.” Fed. Cir. L. R. 32.1(b). It also means the Federal Circuit will not give [the opinion] the effect of binding precedent. Fed. Cir. L. R. 32.1(d). Thus, the next time the Federal Circuit considers the issue, it could reach a different conclusion. And the Federal Circuit “will not consider non-precedential dispositions of another court as binding precedent of that court unless the rules of that court so provide.” *Id.*

Second, because the Federal Circuit’s opinion took the form of a summary affirmance, it is not possible to determine the basis for the Court’s ruling. Below, the district court granted summary judgment dismissing petitioners’ malicious prosecution claim on two grounds in addition to preemption: the statute of limitations and the so-called “independent investigation doctrine.” As a matter of longstanding principle, the Court generally avoids constitutional issues such as preemption where there are alternative bases for deciding a case, *Ashwander v. TVA*, 297 U.S. 288, 347 (1936) (Brandeis, J. concurring).

Simply stated, either one of these impediments – that the opinion was a summary affirmance and non-precedential, and the existence of alternative state law grounds – would be sufficient to deny the petition. The present case, however, presents *both* such defects.

### **B. Legislation Now Pending in Congress May Render Petitioner’s Issue Moot**

The so-called “America Invents Act,” previously known as the “Patent Reform Act of 2011,” is now making its way through Congress. Thus, to the extent the patent reexamination procedure is flawed, as petitioners assert, Congress is well positioned to

make appropriate changes. And there is even less need for the Court to grant this present petition.

As passed by the Senate on March 8, 2011 (S. 23, 112th Cong. (2011)), and as reported to the House of Representatives on June 1, 2011 (H.R. 1249, 112th Cong. (2011)), the America Invents Act revises and expands patent opposition procedures, such as adding provisions for pre-issuance submissions by third parties, expanding post-grant inter partes reexamination, and adding a whole new procedure called "post-grant review." Notably, the present version of the Act retains ex parte reexamination, the procedure used in this case, in its present form.

This pending legislation is important in the context of the present case for two reasons. First, Congress' present inclination *not* to amend the ex parte reexamination procedure is an indication Congress does not regard the alleged abuses of which petitioners complain as sufficient to prompt legislative action. Second, and alternatively, the legislative window remains open. Congress still can, if it so chooses, amend the ex parte reexamination statute. Either way, there is a likelihood such legislation will moot the issue petitioners urge the Court to review. *See, e.g., Taxpayers for the Animas-La Plata Referendum v. Animas-La Plata Water Conservancy Dist.*, 739 F.2d 1472, 1478-79 (10th Cir. 1984) (enactment of superseding state law mooted actions for injunctive and declaratory relief).

**C. In Any Event, Certiorari Is Not Needed to Resolve a Conflict Among the Circuits or Decide an Issue of National Importance**

On the merits, Lockwood argues review is necessary to resolve a supposed split among the Circuit Courts of

Appeal as to whether this Court's opinion in *Buckman* only preempts state law claims where fraud on the agency is an actual element of the state law claim or whether, on the other hand, *Buckman* holds that preemption applies even where the state law claims do not require proof of fraud on the agency. (Petition at 12-13.) Lockwood asserts 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 and misconduct before a federal agency, without any regard to whether fraud was required as an element of the former." (Petition at 13.)

Preliminarily, the Federal Circuit made no such holding or, indeed, any holding beyond a summary affirmance. As noted above, there is no way to know what the Federal Circuit did or did not "rule." Or even whether it accepted or rejected the district court's preemption ruling. For all the parties know, the Federal Circuit could have affirmed on any one or more of three independent grounds, only one of which was preemption.

In any event, regardless of how Lockwood attempts to characterize his malicious prosecution claim, one thing is clear: there is no question that without proving fraud on the PTO, he cannot prevail. Lockwood's malicious prosecution claim, pure and simple, is that respondents defrauded the PTO in characterizing the purported prior art they presented in the petitions for re-examination.

As the district court noted, such claim alleges "no more than bad faith misconduct before the PTO," citing *The Dow Chemical Co. v. Exxon Corp.*, 139 F.3d 1470, 1477 (Fed. Cir. 1998). (Petition App. C at

20a.) In *Dow Chemical*, by contrast, the alleged intentional interference tort "can be made out without there being any misconduct whatsoever in the PTO." *Dow Chemical*, 139 F.3d at 1477.

Thus, even if, as petitioners assert at page 12 of their petition, the First, Second, Fifth, Seventh, and Eighth Circuits hold that state law claims involving conduct before federal agencies are not preempted where such claims do *not* turn solely on evidence of fraud and violations before a federal agency, those opinions are not relevant where, as here, the alleged fraud is the centerpiece of the claim. As the petition notes, a claim for malicious prosecution requires both the instigation of proceedings without probable cause and malice. (Petition at 16.) In other words, a showing tantamount to fraud, i.e., misrepresentations with no basis in fact and scienter. Thus, unless Lockwood can prove fraud on the PTO, his claim cannot succeed. And, for this reason, it falls squarely within the reasoning in *Buckman*.

This case thus does not present the closer question to which petitioners allude, namely, a case where fraud on the PTO is not the gravamen of the alleged wrongdoing but is merely ancillary or incidental to the claim. Nor does it present a situation, as in *Dow Chemical*, where quite apart from taking action in the PTO, the defendant allegedly made threats to sue the plaintiff's customers – conduct which in itself could be independently tortious. As a result, the Court would have no occasion to address and resolve these closer questions in *this* case. And this is yet

another reason why petitioners' petition does not present an appropriate vehicle for review.<sup>3</sup>

### CONCLUSION

The Court should deny the petition.

Respectfully submitted,

ROBERT J. STUMPF, JR.  
*Counsel of Record*  
SHEPPARD, MULLIN, RICHTER  
& HAMPTON LLP  
Four Embarcadero Center  
Suite 1700  
San Francisco, CA 94111  
(415) 434-9100  
RStumpf@sheppardmullin.com  
*Counsel for Respondents*

---

<sup>3</sup> Alternatively, petitioners urge the Court to vacate the decision below and remand to the Federal Circuit for reconsideration in light of the Court's guidance 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). Petitioners claim the "application of *Buckman* preemption animated the parties' briefing as well as the questioning of this Court hearing oral argument." (Petition at 33.)

The petition for certiorari in *Pliva*, however, did not even mention *Buckman*. Pet. for Writ of Cert., No 09-993, 2010 WL 638478. (U.S. Feb. 19, 2010). Likewise, this Court's recently issued opinion in *Pliva* made only one passing reference, in a "cf." cite, to *Buckman*. *Pliva, Inc. v. Mensing*, No. 09-993, 2011 LEXIS 4793, at \*25 (June 23, 2011). And *Pliva* did not involve a claim of alleged fraud on the agency. There is thus no reason for a grant, vacate, and remand order.