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# Patent Holders Asserting Rights to Net

## Some firms battle claims of infringement. But many see it as cheaper to pay license fees.

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### *Second of two parts*

It took seven years and tens of thousands of dollars in legal fees, but Lawrence Lockwood was finally awarded U.S. Patent No. 6,289,319 in September 2001.

The former San Diego travel agent believed that the patent, for an "automatic business and financial transaction processing system," gave him control over shopping on the Internet.

He promptly sent letters to 100 e-commerce firms, saying they were violating his new patent as well as one from 1996. He politely suggested they buy a license from him for \$10,000, although he hinted that the price was negotiable.

Ten companies told him to get lost. The 90 others didn't bother to reply.

"American businesses do not respond when you ask them nicely," Lockwood said.

So he started suing them -- a New Jersey plumbing supply company, a New York ski shop, an Oregon fabric store. This has gotten their attention, and often their money too.

Lockwood's targets say he is practicing "legalized extortion," an accusation he denies.

"If you saw someone infringe property rights given you by the U.S. government, what would you do?" he asked. "Move forward and try to enforce your rights? Or just throw them down the drain?"

Lockwood, whose firm is called PanIP, is one of a new group of patent holders who say they own the rights to key Internet technologies. They are blanketing hundreds of small and large Web sites with lawsuits, threats of suits and demands for licensing payments.

A former CIA technology officer is bringing EBay Inc. to trial this spring, claiming that the hugely successful trading site is infringing an online auction patent he applied for in 1995 -- six months before EBay began.

Charles E. Hill & Associates, a software firm, is suing 18 e-commerce companies, including EBay, alleging that they violated its patents on an "electronic-catalog system" and a "method of updating a remote computer."

Acacia Research Corp. in Newport Beach has filed legal complaints against 27 adult entertainment Web sites, alleging that they violated its patents on "the transmission and receipt of digital audio and/or video content." The company is demanding licenses from mainstream music and movie companies too.

All these lawsuits were predictable, said Jonathan Hangartner, a patent lawyer with Sheppard, Mullin, Richter & Hampton in San Diego who represents a group of PanIP defendants.

"Anytime there's a major technological breakthrough, there's a spike in patent litigation," Hangartner said. "It happened with automobiles, telephones, trains. Now it's the Internet's turn."

The U.S. Patent and Trademark Office has been generous in assigning Internet-related patents, nearly all of which involve systems, procedures or methods of doing things rather than actual physical inventions.

Lockwood's September 2001 patent, for example, outlines how a group of self-service terminals could be connected via telephone to a central processor at a financial institution. The patent, which was filed in 1994, specifies a method of screening loan applications, but in a loose sense the system it describes also resembles the Web.

It is far from the only patent that either touches on the Web or might seem to do so.

"If you're selling online, at the most recent count there are 4,319 patents you could be violating," said David E. Martin, chief executive of M-Cam Inc., an Arlington, Va.-based risk-management firm specializing in patents. "If you also planned to advertise, receive payments for or plan shipments of your goods, you would need to be concerned about approximately 11,000."