Harmonization and Enforcement of USPTO Ethical Standards in the AIA Era

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Authority for OED’s Regulation of Conduct

- 35 U.S.C. § 2(b)(2)(D): “The Office may establish regulations, not inconsistent with law, which….
  - (D) may govern the … conduct of agents, attorneys, or other persons representing applicants or other parties before the Office…."

- Attorneys and agents are subject to discipline for not complying with USPTO regulations. 35 U.S.C. §32; see Bender v. Dudas, 490 F.3d 1361, 1368 (Fed. Cir. 2007)(Section 2(b)(2)(D) and 35 U.S.C. § 32 authorize the USPTO to discipline individuals who engage in misconduct related to “service, advice, and assistance in the prosecution or prospective prosecution of applications.”).
Practitioners are subject to discipline for not complying with USPTO regulations, regardless of whether their conduct was related to practice before the Office:

- Patent attorney suspended after 2 year ban by U.S. Bankruptcy Court (N.D. California) and 10 year ban from Chapter 11 cases. *In re Kenneth Graham*, Proceeding No. D2013-09. Underlying conduct included incompetent representation, violation of California law, excessive fees, and other conduct. 37 CFR §§ 10.23(b)(6) via 10.23(c)(5), 10.77(a).

- Patent agent excluded for misappropriation of non-profit organization’s funds and improper personal use of organization’s credit card. *In re George Reardon*, Proceeding No. D2012-19; 37 CFR §§10.23(a) and (b)(3),(4),and(6).
Changes to Representation of Others Before the United States Patent and Trademark Office

- Final Rule for new USPTO Rules of Professional Conduct published on **April 3, 2013**:
  - 78 Federal Register 20179.
  - Effective Date: **May 3, 2013**.


- Old rules (37 CFR Part 10) apply to activity prior to effective date.
Changes to Representation of Others Before the United States Patent and Trademark Office

- Based on 2011 Update to ABA Model Rules
- Included minor changes based on new 2012 updates, for example:
  - 11.1: used “electronic communications” instead of “email” and
  - 11.404(b): added “or electronically stored information” adjacent to “document.”
• Provides attorneys with consistent, updated professional conduct standards throughout the Nation.

• Some form of the ABA Model Rules have been adopted by 49 states and the District of Columbia. It looks as though California is also moving closer to the ABA Model Rules.
• OED Received Comments from 19 parties regarding the proposed rules.
  – Comments regarding a variety of provisions.
  – Crosswalk between ABA Model Rules and Final USPTO Rules showing insertions and deletions.
### ABA Model Rules of Professional Conduct

<table>
<thead>
<tr>
<th>Rule 8.1 Bar Admission And Disciplinary Matters</th>
<th>USPTO Rules of Professional Conduct</th>
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<tr>
<td>An applicant for admission to the bar, or a lawyer in connection with a bar admission application or in connection with a disciplinary matter, shall not:</td>
<td>§ 11.801 Registration, recognition and disciplinary matters.</td>
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<td>(a) knowingly make a false statement of material fact; or</td>
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<tr>
<td>(b) fail to disclose a fact necessary to correct a misapprehension known by the person to have arisen in the matter, or knowingly fail to respond to a lawful demand for information from an admissions or disciplinary authority.</td>
<td>(b) Fail to disclose a fact necessary to correct a misapprehension known by the person to have arisen in the matter, fail to cooperate with the Office of Enrollment and Discipline in an investigation of any matter before it, or</td>
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**Deletions**

- political contributions for the purpose of obtaining or being considered for that type of legal engagement or appointment.
USPTO Rules of Professional Conduct: Fraud

• New definition of “Fraud or Fraudulent” (§ 11.1).
  – Different from ABA Model Rule Definition.
  – No Definition in Old Disciplinary Rules (Part 10).

• Declined to Define “Material Fraud”
  – Cases of “Material Fraud” are to be referred to U.S. Attorney General under 35 U.S.C. § 257(e).
  – See Supplemental Examination rules, e.g., 37 CFR § 1.620.

- Modifies ABA Model Rule to expressly accommodate duty of disclosure before USPTO.
- § 11.106(a): prohibition on revealing client information.
- § 11.106(b): permissive disclosure of client information.
- § 11.106(c): practitioner shall comply with the duty of disclosure before the USPTO.
Explicit References to Writings:

- § 11.105: Scope of representation and fee terms: “preferably in writing.”

Writings have long been recognized as a best practice and in accord with numerous state rules.

- Explicit writing requirements absent from old USPTO Code of Professional Responsibility.
Statute of Limitations

- The Leahy-Smith America Invents Act (AIA) amended 35 U.S.C. § 32 to require disciplinary proceedings to be commenced not later than the earlier of:
  - 10 years after the misconduct occurred, or
  - One year from when the misconduct was made known to the USPTO, as prescribed in the regulations governing disciplinary proceedings.

- “Grievance” means a written submission, regardless of the source, received by the OED Director that presents possible grounds for discipline of a specified practitioner. 37 CFR §11.1.
• § 11.108 Conflict of Interest; Current clients; Specific Rules.
   – (a) Permits business transactions and adverse interests under certain conditions.
   – (b) Generally prohibits using information relating to representation of a client to the disadvantage of the client.
   * * *
   – (e) Providing financial assistance
   * * *
   – (i) Acquiring proprietary interest in proceedings
• § 11.109 Duties to former clients.
  – (a) Prohibition against representing others in matter adverse to former client.

  – (b) Prohibition against representing person adverse to client of former firm where practitioner acquired confidential information.

  – (c) Prohibition on use of information relating to representation former client to disadvantage of former client (unless as permitted elsewhere).
USPTO Rules of Professional Conduct: Imputation of Conflicts

• § 11.110 Imputation of conflicts of interest; General rule.
  – General prohibition on representing clients when a practitioner in same firm would be prohibited under §§ 11.107 or 11.109.
  – Outlines conditions wherein representation may be undertaken.
  • Explicitly provides for ethical screens.
• § 11.115 – Safekeeping property.
• Follows ABA Model Rules for Client Trust Account Records.
• “Where the practitioner’s office is situated in a foreign country, funds shall be kept in a separate account maintained in that foreign country or elsewhere with the consent of the client or third person.”
• Provides “Safe Harbor” provision which enables many practitioners to follow their local state rules.
• “Safe Harbor” for agents as well.
• § 11.303 Candor Toward Tribunal
  – (a) Prohibitions against false statements/evidence.
  – (b) Disclosure of criminal or fraudulent behavior
  – (c) Sections (a) and (b) apply even if information is protected by § 11.106.
  – (d) Disclosure of material facts to tribunal in ex parte proceedings.
  – (e) Shall disclose information necessary to comply with Duty of Disclosure.
• § 11.306 Trial Publicity.
  – Added majority of provisions from ABA Model Rule into final rule.

• § 11.307 Practitioner as a witness.
  – Proposed rules included exception to prohibition of practitioner as a witness allowing testimony on Duty of Disclosure.
  – Exception removed in light of comment.
  – IDS certifications covered by remaining exceptions.
Specific Guidelines:

- § 11.501 Responsibilities of partners, managers, and supervisory practitioners.
- § 11.502 Responsibilities of a subordinate practitioner.
- § 11.503 Responsibilities regarding nonpractitioner.
• § 11.804 Misconduct
   * * *
   – (b) Criminal acts that reflect adversely on honesty, trustworthiness, or fitness to practice.
   – (c) Conduct involving dishonesty, fraud, deceit or misrepresentation.
   – (d) Conduct that is prejudicial to the administration of justice
   * * *
   – (h) Reciprocal discipline
   – (i) Other Conduct that adversely reflects on fitness to practice.
• § 11.901 Savings Clause
  – “(a) A disciplinary proceeding based on conduct engaged in prior to the effective date of these regulations may be instituted subsequent to such effective date, if such conduct would continue to justify disciplinary sanctions under the provisions of this part.”
  – “(b) No practitioner shall be subject to a disciplinary proceeding under this part based on conduct engaged in before the effective date hereof if such conduct would not have been subject to disciplinary action before such effective date.”
• Removed Practitioner Maintenance Fee Rules.  
  – Deleted 37 CFR § 11.8(d).

• No CLE Reporting Requirement.
Ethics Enforcement
Sources of Grievances Against Practitioners

• An investigation may be initiated pursuant to information from any source suggesting possible grounds for discipline. 37 CFR § 11.22(a).
  – External to USPTO
    • Clients, Colleagues, Others
  – Internally within USPTO
    • Patent Corps, Trademark Corps, Other
  – Other
    • Published Decisions, News Articles
Types of Disciplinary Complaints

• Predicated on “probable cause” determination by Committee on Discipline (COD) after Committee convenes. 37 CFR §11.32.


• Interim Suspension based on conviction of a serious crime. 37 CFR §11.25.
Four steps precede the filing of a complaint based on a “probable cause” finding by the COD:

1. Preliminary screening of allegations;
2. Requesting information from practitioner;
3. Conducting investigation after providing practitioner an opportunity to respond; and
4. Submitting complaint to COD for “probable cause” determination.
Potential Post-Investigation Outcomes

• Upon completion of the investigation, OED may:
  – Close the investigation without further action;
  – Issue a warning;
  – Enter into a settlement agreement; or
  – Convene the COD to determine whether there is “probable cause” to file a public disciplinary action against practitioner.
Possible Ethics Impact of AIA Provisions

- **Oath/Declaration Rules**
  - Removal of “deceptive intent” language from various provisions.

- **Best Mode**
  - Revision of 35 U.S.C. §282 to limit this defense in patent litigation.

- **Supplemental Examination**
  - Inequitable Conduct Implications.

- **First-Inventor-To-File Rules create New Prior Art etc.**
  - Old First-to-Invent rules remain for some applications.

- **PTAB Pro hac vice**
  - 37 CFR § 42.10.
  - Granted upon showing of good cause.
  - Lead Counsel must be Registered Practitioner.
  - Board has discretion to revoke pro hac vice status.
FY12 Breakdown of Reciprocal vs. Non-Reciprocal Formal Decisions

FY12 Types of Disciplinary Action

FY13 to Sept

FY13 to Sept
• Warning Letters Are Confidential and Non-Disciplinary. 37 CFR § 11.21.

• In FY 12, OED has issued 120 Warning Letters.

• In FY 13, as of mid-September, OED has issued 107 Warning Letters.
Frequent Causes for Grievances

• **Neglect**
  - Failure or delay in filing patent application.
  - Failure to reply to Office actions.
  - Failure to revive or assist in reviving abandoned applications.
  - Failure to turn over files to new representative.
  - Failure to communicate with client.
    - Duty to report Office actions.
    - Duty to reply to client inquiries.
Examples of Neglect

**Less Severe**
- *In re Kubler* (D2012-04)
  - Neglected to communicate with clients
  - Lacked uniform system of client notification and reply
  - **Reprimanded**

- *In re Rayve* (D2011-19)
  - Failed to notify clients of correspondence
  - Allowed applications to become abandoned
  - **Suspended for 2 years**

**More Severe**
- *In re Tachner* (D2012-30)
  - Failed to deliver important notices from USPTO
  - Failed to docket due dates
  - Failed to keep current of status incoming transferred files
  - **5 Year Suspension**

- *In re Shippey* (D2011-27)
  - Neglected multiple matters entrusted to her
  - Handled matters without adequate legal preparation
  - Failed to seek lawful objectives of client
  - **Excluded**
Frequent Causes for Grievances (cont’d)

• Dishonesty, Fraud, Deceit or Misrepresentation
  – Concealing from client date of Office action, abandonment, and/or real reason for abandonment.
  – Misrepresenting to client status of abandoned application as pending.
  – Making false statements to USPTO in petitions to obtain extensions of time or other benefits.
Examples of Dishonesty, Fraud, Deceit or Misrepresentation

Less Severe

- **In re Chan** (D2011-21)
  - Had clients sign oaths or declarations prior to any application preparation
  - Thus, violated oath that person reviewed application
  - **Reprimanded**

- **In re Amberly** (D2009-07)
  - Knowingly made false statements to the Virginia State Bar in connection with a disciplinary matter.
  - **Reprimanded**

More Severe

- **In re Reardon** (D2012-19)
  - As NAPP President, he misappropriated at least $116,894 of NAPP funds for his personal use;
  - Used NAPP credit card for personal use without authorization;
  - Submitted false annual financial reports to NAPP to conceal his conduct
  - **Excluded**

- **In re Massicotte** (D2012-22)
  - Provided Office with false or misleading information in connection with petitions to revive three abandoned TM applications
  - **Suspended for 2 years**
Examples of Dishonesty, Fraud, Deceit or Misrepresentation (cont’d)

More Severe (cont’d)

– *In re Gaudio* (D2012-12)
  - Non-registered practitioner who formed and controlled day-to-day operations of a corporation named The Inventors Network, a corporation not authorized to practice patent law.
  - Knowingly allowed the corp. to file >150 patent applications with the Office that were not prepared, reviewed, or signed by a registered patent practitioner.
  - Excluded.
Frequent Causes for Grievances
(cont’d)

• **Fee-Related Issues**
  - Repeated failure to reply to notices of missing parts of application.
  - Failure to return client’s advanced fees.
  - Improper commingling of clients’ advanced legal fees with practitioner’s funds.
  - Checks returned or EFTs dishonored for insufficient funds.
  - Failure to disclose fee escrow and business relationship with invention development companies.
Examples of Fee-Related Issues

› **Less Severe**
  - *In re Scott* (D2011-34)
    - Had 5 checks returned for insufficient funds
    - Agreed to new trust account with Florida bar monitoring
    - **Reprimanded**
  - *In re Johansen* (D2011-35)
    - Had 2 checks dishonored for insufficient funds
    - Each to revive abandoned applications
    - But both applications not revived
    - **Reprimanded**

› **More Severe**
  - *In re Kang* (D2012-21)
    - 5 insufficient checks
    - Resulted in 4 abandonments
    - **3 Year Suspension**
  - *In re Peterson* (D2011-54)
    - Convicted of theft from client's business checking account by using a check debit card to withdraw funds and writing checks on the account without client's knowledge, permission, or consent
    - **Excluded**
Other Conduct that Adversely Reflects on Fitness to Practice (Examples)

- **In re Tassan (D03-10)**
  - **Background**
    - TTAB issued Final Decision sustaining opposition to Client’s trademark application
    - Attorney left voicemail messages for 3 different TTAB Administrative Judges.
    - Each voicemail message contained expletives and abusive language.
  - **Result**
    - Reprimanded
    - Prohibited from communications with TTAB judges for 2 years (outside of hearings)
    - Ordered to complete anger management course

- **In re Riley (D13-04)**
  - **Background**
    - Client paid $2000 for patent application preparation and filing
    - Attorney did nothing but keep money and ignore client (neglect)
    - Client obtained small claims court judgment, but attorney ignored that too (fee-issue)
  - **Result**
    - Attorney ignored USPTO inquiries (default judgment)
    - Conduct involved dishonesty, fraud, deceit, or misrepresentation
    - Conduct prejudicial to administration of justice
    - Excluded
Decisions Imposing Public Discipline Available In FOIA Reading Room

- http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp
  - In the field labeled “Decision Type,” select “Discipline” from the drop down menu.
    - To retrieve all discipline cases, click “Get Info” (not the “Retrieve All Decisions” link).

- Official Gazette for Patents
    Select a published issue from the list, and click on the “Notices” link in the menu on the left side of the web page.
Contacting OED

- For Informal Inquiries, Contact OED at 571-272-4097

- THANK YOU