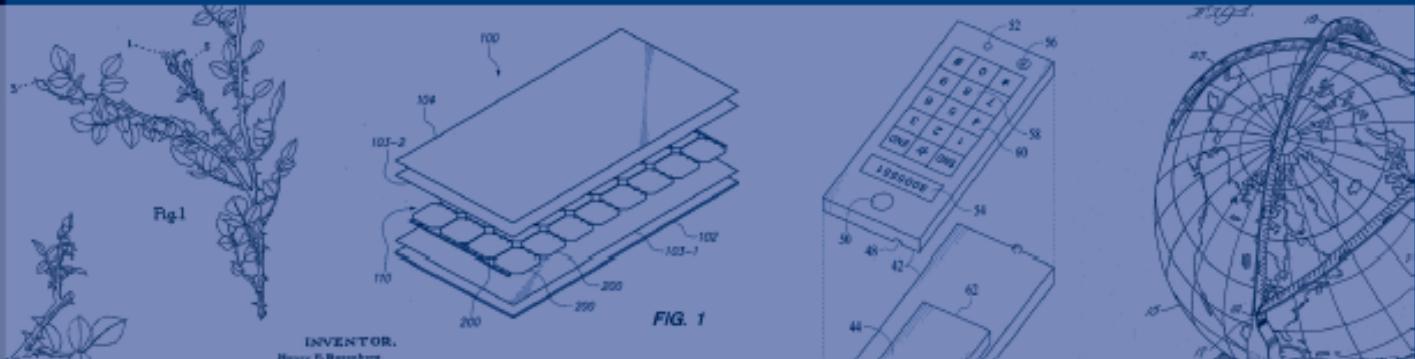


Report to Congress
September 2013

Report on Compliance with the
Provisions of the America Invents Act for
Timely Filing Disciplinary Proceedings



prepared by

The Office of Enrollment and Discipline of the
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**REPORT ON COMPLIANCE WITH THE
PROVISIONS OF THE AMERICA INVENTS ACT FOR
TIMELY FILING DISCIPLINARY PROCEEDINGS**

**THE OFFICE OF ENROLLMENT AND DISCIPLINE OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

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EXECUTIVE SUMMARY

The Office of Enrollment and Discipline (“OED”) is responsible for enforcing ethical standards for persons who practice before the United States Patent and Trademark Office (“USPTO” or “Office”).¹ If the USPTO determines that a person has violated the ethical standards, then it may initiate a disciplinary proceeding against that person. The Leahy-Smith America Invents Act (“AIA”) requires the USPTO to commence disciplinary proceedings “not later than the earlier of either the date that is 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D).”² These new periods represent a significant change from the five-year statute of limitations previously applicable to disciplinary proceedings.³

The AIA also requires the USPTO to provide a report to Congress regarding “incidents made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D) of title 35, United States Code, that reflect substantial evidence of misconduct before the Office but for which the Office was barred from commencing a proceeding under section 32 of title 35, United States Code, by the time limitation established by the fourth sentence of that section.”⁴ The USPTO is pleased to report that after the AIA was enacted, OED was not made aware of any incidents that were subsequently barred from a disciplinary proceeding based on the new time limits. By creating novel procedures within OED, the OED Director has been able to ensure compliance with the new time limits, while maintaining effective and fair protection of the public interest in accordance with its mission.

¹ See 35 U.S.C. §§ 2(b)(2)(D) and 32.

² Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3(k)(1), 125 Stat. 284, 291 (2011).

³ See 28 U.S.C. § 2462 (2013).

⁴ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3(k)(2), 125 Stat. 284, 291.

I. INTRODUCTION

On September 16, 2011, the AIA was signed into law by President Barack Obama.⁵ Section 3(k)(1) of the AIA sets forth new time limits for the initiation of disciplinary proceedings under 35 U.S.C. § 32 against persons who practice before the USPTO.⁶ Specifically, the AIA amends section 32 of title 35 of the United States Code to require that a disciplinary proceeding “be commenced not later than the earlier of either the date that is 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D).”⁷ Prior to the AIA’s enactment, disciplinary actions were subject to a five-year statute of limitations pursuant to 28 U.S.C. § 2462.⁸

In accordance with the AIA, the USPTO has adopted procedural rules, which specify that the one-year period for filing a complaint begins to run when the OED Director receives a grievance regarding an incident forming the basis of the complaint, and in no event, may a disciplinary complaint be filed more than ten years after the date on which the misconduct forming the basis for the proceeding occurred.⁹ In addition, the term “grievance” has been defined as a “written submission from any source received by the OED Director that presents possible grounds for discipline of a specified practitioner.”¹⁰ The procedural rules further provide that the one-year period may be tolled by written agreement between the OED Director and the practitioner involved.¹¹

Non-statutory language in section 3(k)(2) of the AIA also states that

[t]he Director shall provide on a biennial basis to the Judiciary Committees of the Senate and House of Representatives a report providing a short description of incidents made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D) of title 35, United States Code, that reflect substantial evidence of misconduct before the Office but for which the Office was barred from commencing a proceeding under section 32 of title 35, United States Code, by the time limitation established by the fourth sentence of that section.¹²

Accordingly, OED has completed a detailed analysis of all incidents made known to it since the enactment of the AIA to identify any such incidents in which substantial evidence of misconduct before the USPTO exists, but for which OED was barred from commencing a proceeding under

⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

⁶ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3(k)(1), 125 Stat. 284, 291.

⁷ *Id.*

⁸ See also *Sheinbein v. Dudas*, 465 F.3d 493 (Fed. Cir. 2006).

⁹ See 37 C.F.R. § 11.34(d).

¹⁰ See 37 C.F.R. § 11.1.

¹¹ 37 C.F.R. § 11.34(e).

¹² Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3(k)(2), 125 Stat. 284, 291.

35 U.S.C. § 32 because of the new time periods established in the AIA.¹³ As of the date of this Report, there have been no incidents meeting these criteria.

II. BACKGROUND

A. Office Disciplinary Proceedings

OED is responsible for registering attorneys and agents to practice before the USPTO in patent matters.¹⁴ OED is also responsible for investigating allegations of misconduct by practitioners and initiating disciplinary proceedings for such misconduct where necessary.¹⁵ The purpose of practitioner discipline is to protect the public and the administration of justice from practitioners who have not discharged, will not discharge, or are unlikely to properly discharge their professional duties to clients, the public, and the legal system.¹⁶

Sections 32 and 2(b)(2)(D) of title 35 of the United States Code enable the Director of the USPTO to seek disciplinary sanctions against agents or attorneys practicing before the USPTO who fail to comply with the regulations found at 37 C.F.R. Part 11.¹⁷ The disciplinary authority of the USPTO is carried out by the Office of Enrollment and Discipline.¹⁸

In carrying out the provisions of 35 U.S.C. § 32, the Office initiates disciplinary proceedings via three different types of complaints: 1) complaints predicated on the receipt of a probable cause determination from the Committee on Discipline;¹⁹ 2) complaints seeking reciprocal discipline;²⁰ and 3) complaints seeking interim suspension based on a serious crime conviction.²¹ Prior to filing one of these disciplinary complaints against a practitioner, there are four general steps taken by the OED Director: 1) preliminary screening of the allegations made against the practitioner;²² 2) requesting of information from the practitioner about his or her alleged conduct;²³ 3) conducting a thorough investigation after providing the practitioner an opportunity to respond to the allegations;²⁴ and 4) disposition of the investigation.

¹³ See *id.*

¹⁴ See 37 C.F.R. §§ 11.7 *et seq.*

¹⁵ See 37 C.F.R. §§ 11.19 *et seq.*

¹⁶ See *Standards for Imposing Lawyer Sanctions* 1.1, as amended 1992, American Bar Association, at 8 (2005).

¹⁷ See 35 U.S.C. § 32 stating that

[t]he 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.

¹⁸ See 37 C.F.R. § 11.2.

¹⁹ See 37 C.F.R. § 11.23.

²⁰ See 37 C.F.R. § 11.24.

²¹ See 37 C.F.R. § 11.25.

²² See 37 C.F.R. § 11.22(d).

²³ See 37 C.F.R. § 11.22(f)(1)(ii).

²⁴ See 37 C.F.R. § 11.22(a).

After conducting a thorough investigation of the allegations, including communicating with the practitioner to get his or her account of the events, the OED Director is authorized to close the investigation without taking any disciplinary action,²⁵ to issue a warning to the practitioner,²⁶ to enter into a settlement agreement with the practitioner and submit the same for approval of the USPTO Director,²⁷ or to institute formal charges after a determination has been made by the Committee on Discipline that there is probable cause to bring disciplinary charges against the practitioner under 37 C.F.R. § 11.32.²⁸

The types of conduct that frequently lead to discipline vary.²⁹ However, some of the more commonly disciplined conduct involves acts of neglect,³⁰ client fee-related misconduct,³¹ and acts involving dishonesty, fraud, deceit, or misrepresentation.³² In fiscal year 2011, 32 final orders imposing discipline were issued. In fiscal year 2012, 58 final orders imposing discipline were issued. For fiscal year 2013, as of September 16, 2013, 22 final orders imposing discipline have been issued.

In addition to instituting a formal disciplinary proceeding, OED may close an investigation by issuing a warning.³³ A warning is “neither public nor a disciplinary sanction”³⁴ and is issued through a letter of admonishment informing a practitioner that the conduct in question is improper, unacceptable, or inappropriate. Generally, it is issued when conduct does not warrant the institution of a disciplinary proceeding, yet falls below what is regarded as reasonable or acceptable conduct. In fiscal year 2011, OED issued 39 warning letters to practitioners. In fiscal year 2012, OED issued 44 warning letters to practitioners. For fiscal year 2013, as of September 16, 2013, OED has issued 28 warning letters to practitioners.

B. Implementation of Provisions of the AIA for Timely Filing Disciplinary Proceedings

Under the AIA, 35 U.S.C. § 32 was amended to set forth new time periods for OED to commence disciplinary proceedings.³⁵ Specifically, section 3(k)(1) of the AIA states that proceedings under 35 U.S.C. § 32 “shall be commenced not later than the earlier of the date that

²⁵ See 37 C.F.R. § 11.22(h)(1).

²⁶ See 37 C.F.R. §§ 11.21 and 11.22(h)(2).

²⁷ See 37 C.F.R. 11.22(h)(4).

²⁸ See 37 C.F.R. § 11.22(h)(3).

²⁹ Effective May 3, 2013, the USPTO Code of Professional Responsibility found at 37 C.F.R. §§ 10.20 through 10.112 was revised. The USPTO Rules of Professional Conduct, found at 37 C.F.R. §§ 11.101 through 11.901, now apply to persons who practice before the Office. As the majority of disciplinary cases instituted since the implementation of the AIA occurred under the prior USPTO Code of Professional Responsibility, those rules are cited in this report.

³⁰ See, e.g., 37 C.F.R. § 10.23(c)(8).

³¹ See, e.g., 37 C.F.R. § 10.23(c)(3).

³² See 37 C.F.R. § 10.23(b)(4).

³³ 37 C.F.R. § 11.22(h)(2). The OED Director is also authorized to close an investigation without issuing a warning or taking any disciplinary action at all if it is determined that the information or evidence is unsupported, the information or evidence relates to matters outside the jurisdiction of the Office, the alleged misconduct does not constitute grounds for discipline, or the evidence is insufficient to conclude that there is probable cause to believe that grounds for discipline exist. See 37 C.F.R. § 11.22(h)(1).

³⁴ 37 C.F.R. § 11.21.

³⁵ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3(k)(1), 125 Stat. 284, 291.

is 10 years after the date on which the misconduct forming the basis for the proceeding occurred or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed under the regulations established under section 2(b)(2)(D).³⁶

Prior to the AIA's amendment to 35 U.S.C. § 32, it was widely accepted that the statute of limitations imposed upon the Office for filing disciplinary proceedings was 28 U.S.C. § 2462, which provides that proceedings for enforcement of a "civil fine, penalty, or forfeiture, pecuniary or otherwise" be commenced "within five years from the date when the claim first accrued . . .".³⁷ The AIA's new ten-year time period permits the Office to seek discipline for misconduct occurring within ten years prior to the commencement of the disciplinary proceeding, which is an additional five years. As noted by Senator Kyl, Congress' intent in implementing the change was to give the Office more flexibility to initiate "a [disciplinary] proceeding for the vast bulk of misconduct that is discovered, while also staying within the limits of what attorneys can reasonably be expected to remember."³⁸ As further noted by Senator Kyl, "a strict five-year statute of limitations that runs from when the misconduct occurred, rather than from when it reasonably could have been discovered, would appear to preclude a section 32 proceeding for a significant number of cases of serious misconduct."³⁹ In addition, Congress intended for section 32 disciplinary proceedings to be commenced without undue delay. Accordingly, the new time limit marked a significant deviation from the five-year statute of limitations period by employing a one-year period for the Office to institute disciplinary proceedings from the date the misconduct forming the basis for the action is made known to the OED Director.⁴⁰ This change from the five-year period has necessarily required OED to modify its investigation process in order to ensure that all disciplinary proceedings are initiated within the new one-year time period.

The AIA's amendment explicitly stated that disciplinary proceedings must be filed within one year from "the date on which the misconduct forming the basis for the proceeding is made known to [the Office]."⁴¹ However, the AIA did not expressly define *when* the misconduct forming the basis for the proceeding is considered to be "made known to [the Office]." Thus, in an effort to implement the new time periods and clarify when the misconduct is considered "made known to [the Office]," on January 5, 2012, the USPTO issued a Notice of Proposed Rulemaking.⁴² The Notice proposed the following:

that the one-year statute of limitations commences, with respect to complaints predicated on the receipt of a probable cause determination from the Committee on Discipline, the date on which the Director, Office of Enrollment and Discipline (OED Director) receives from the practitioner a complete, written response to a request for information and evidence; with respect to complaints based on

³⁶ *Id.*

³⁷ 28 U.S.C. § 2462; *see Sheinbein v. Dudas*, 465 F.3d 493 (Fed. Cir. 2006).

³⁸ 157 CONG. REC. S1372-1373 (daily ed. March 8, 2011) (statement of Sen. Kyl).

³⁹ *Id.*

⁴⁰ *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, § 3(k)(1), 125 Stat. 284, 291.

⁴¹ *Id.*

⁴² *See Implementation of Statute of Limitations Provisions for Office Disciplinary Proceedings*, 77 Fed. Reg. 457 (January 5, 2012).

reciprocal discipline, the date on which the OED Director receives a certified copy of the record or order regarding the practitioner being publicly censured, publicly reprimanded, subjected to probation, disbarred, suspended, or disciplinarily disqualified; and, with respect to complaints for interim suspension based on a serious crime conviction, the date on which the OED Director receives a certified copy of the record, docket entry, or judgment demonstrating that the practitioner has been convicted of a serious crime.⁴³

In proposing that the one-year time period should not begin to run for instituting disciplinary proceedings until a complete, written response was received by the OED Director from the practitioner, OED reasoned that a complete response from the practitioner is critical to being fully informed of the misconduct establishing the basis for the proceeding.⁴⁴ In addition, OED articulated that the proposed regulation would provide the OED Director with the necessary flexibility in obtaining all information from the practitioner by allowing the Director to grant extension requests for time to respond where appropriate to do so. OED explained that while it carefully considered proposing a regulation that commences the one-year time period for instituting disciplinary proceedings on the date the OED Director initially receives a grievance, the Office did not propose such regulation because mere allegations do not provide sufficient evidence that misconduct occurred, the OED Director would be restricted in granting requests for extensions, and it might encourage practitioners to unduly delay the Office's investigation by failing to respond or provide complete responses to requests for information.⁴⁵

Following a period for written comments by the public, on July 31, 2012, the Office issued a Final Rule.⁴⁶ In this Rule, the Office disclosed that the previously proposed regulation, in which the one-year time period set forth in 35 U.S.C. § 32 would have commenced when the OED Director received a practitioner's complete, written response to a request for information issued by OED in response to a grievance, was not being adopted.⁴⁷ The Office noted that although it believed the proposed rule was reasonable and within its authority, in light of the comments received, the Office decided to implement a one-year time frame from the date the OED Director receives an initial grievance, rather than the date the OED Director receives a response from the practitioner.⁴⁸ In addition, the Office defined a "grievance" to mean "a written submission from any source received by the OED Director that presents possible grounds for discipline of a specified practitioner."⁴⁹ The written submission does not need to come from an aggrieved client or any other particular person, but can be from any source, so long as it is written. The Office further stated that the one-year time period for filing a complaint may be tolled by written agreement between the practitioner and the OED Director.⁵⁰

⁴³ *Id.*

⁴⁴ *See id.*

⁴⁵ *See id.*

⁴⁶ *See Implementation of Statute of Limitations Provisions for Office Disciplinary Proceedings*, 77 Fed. Reg. 45247 (July 31, 2012).

⁴⁷ *See id.*

⁴⁸ *See id.*

⁴⁹ 37 C.F.R. § 11.1.

⁵⁰ 37 C.F.R. § 11.34(e).

III. DISCUSSION

Pursuant to section 3(k)(2) of the AIA, OED is required to report all cases in which substantial evidence of misconduct before the Office was present, but for which the Office was barred from commencing a proceeding under 35 U.S.C. § 32 because of the new time periods. To date, there have been no such incidents.

As a result of the AIA's change to the time periods for filing disciplinary proceedings, and in addition to the carefully reasoned rule to implement that change, the OED Director has taken steps to adapt the structure and procedures of OED to ensure continued protection of the public, while complying with the new one-year time period. Specifically, OED has added three additional staff attorneys. Fully burdened expenses for such additions are estimated to be approximately \$684,000.00 per year. Furthermore, the OED Director has implemented detailed process definitions for the entirety of OED workflow in the model of a lean six-sigma approach. These process definitions describe specific steps within each phase of the disciplinary investigation process. Each step is associated with a specific actor or department and clearly defines the roles, responsibilities, and deadlines for all necessary contributors to ensure that those contributors add maximum value at their appropriate step. The OED Director has also organized a "standardization committee" among OED attorneys and staff to update all internal guidelines with the goal of expediting and standardizing investigations and communications.

The Office has been successful thus far in implementing the new policies and procedures to ensure compliance with the new time periods under the AIA for filing disciplinary actions. The OED Director will continue to evaluate the Office and make improvements where necessary to continue acting in accordance with the new time periods, while meeting the goals of the Office and protecting the public interest.

IV. CONCLUSION

While the AIA has dramatically altered the timeline associated with practitioner discipline at the USPTO, OED has maintained its high standards in achieving its mission of protecting the public through the enforcement of applicable ethical standards. By adapting its structure and procedures, OED to date has been able to conduct effective, timely, and fair investigations of all grievances, while fully complying with the new time periods for filing disciplinary proceedings under section 3(k)(1) of the AIA. Accordingly, there are no incidents for the OED to report in which substantial evidence of misconduct before the Office was present, but for which the Office was barred from commencing a proceeding under 35 U.S.C. § 32 because of the new time periods. OED will continue to utilize the aforementioned procedures to effectively enforce the ethics rules of the USPTO, while ensuring compliance with the new periods and protection of the public interest.

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