

DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

37 CFR Part 11

[Docket No.: PTO-C-2011-0089]

RIN 0651-AC76

Implementation of Statute of Limitations Provisions for Office Disciplinary Proceedings

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Final Rule.

SUMMARY: The Leahy-Smith America Invents Act (AIA) requires that disciplinary proceedings before the United States Patent and Trademark Office (Office or USPTO) 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 of the proceeding occurred, or one year from the date on which the misconduct forming the basis of the proceeding was made known to an officer or employee of the Office, as prescribed in the regulations governing disciplinary proceedings. The Office is adopting procedural rules which: specify that a disciplinary complaint shall be filed within one

year after the date on which the Office of Enrollment and Discipline (OED) Director receives a grievance forming the basis of the complaint, and in no event more than ten years after the date on which the misconduct forming the basis for the proceeding occurred; define *grievance* as a written submission from any source received by the OED Director that presents possible grounds for discipline of a specified practitioner; and clarify that the one-year time frame for filing a complaint may be tolled by written agreement.

The Office will evaluate these procedures in the future to determine their effectiveness. If the new one-year time frame proves to be administratively unworkable or impedes the effectiveness of the disciplinary process, the Office may issue a new notice of proposed rulemaking.

DATES: *Effective Date:* The changes in this final rule are effective on [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: William R. Covey, Deputy General Counsel for Enrollment and Discipline and Director of the Office of Enrollment and Discipline, by telephone at 571-272-4097, or by mail addressed to Mail Stop OED, United States Patent and Trademark Office, P.O. Box 1450, Alexandria, Virginia 22313-1450, marked to the attention of William R. Covey.

SUPPLEMENTARY INFORMATION:

Background

Section 32 of Title 35, United States Code, as amended by the AIA, requires that a disciplinary proceeding be commenced not later than the earlier of either 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or one 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 35 U.S.C. 2(b)(2)(D). The Office previously proposed changes and requested comments in a notice of proposed rulemaking to implement this provision of the AIA. See Implementation of Statute of Limitations Provisions for Office Disciplinary Proceedings, 77 FR 457 (January 5, 2012).

Prior to the AIA's amendment to 35 U.S.C. 32, disciplinary actions for violations of the USPTO Code of Professional Responsibility were generally understood to be subject to a five-year statute of limitations pursuant to 28 U.S.C. 2462. See, e.g., Sheinbein v. Dudas, 465 F.3d 493, 496 (Fed. Cir. 2006). With the AIA's new 10-year limitation period, Congress provided the Office with five additional years to bring an action, thus ensuring that the Office had additional 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," Congressional Record S1372-1373 (daily ed. March 8, 2011) (statement of Sen. Kyl). Therefore, the new 10-year limitation period indicates congressional intent to extend the time permitted to file a disciplinary action against a practitioner who violates the USPTO Code of Professional Responsibility, rather than to allow such actions to become time-barred. See id.

at S1372 (“[a] strict five-year statute of limitations that runs from when the misconduct occurs, 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”). The one-year period in the AIA reflects that disciplinary actions should be filed in a timely manner from the date when misconduct forming the basis of a disciplinary complaint against a practitioner is made known to “that section of PTO charged with conducting section 32 proceedings,” Congressional Record S1372 (daily ed. March 8, 2011) (statement of Sen. Kyl).

Under 35 U.S.C. 32, the Office may take disciplinary action against any person, agent, or attorney who fails to comply with the regulations established under 35 U.S.C. 2(b)(2)(D). Procedural regulations governing the investigation of possible grounds for discipline and the conduct of disciplinary proceedings are set forth at 37 CFR 11.19 et seq. The Office initiates disciplinary proceedings via three types of disciplinary complaints: complaints predicated on the receipt of a probable cause determination from the Committee on Discipline; complaints seeking reciprocal discipline; and complaints seeking interim suspension based on a serious crime conviction.

OED Investigatory Process

As explained in the previous notice of proposed rulemaking, there are four steps taken by the OED Director prior to the filing of a § 11.32 disciplinary complaint against a practitioner:

- (1) preliminary screening of the allegations made against the practitioner, see § 11.22(d);
- (2) requesting information from the practitioner about his or her alleged conduct, see

§ 11.22(f)(1)(ii); (3) conducting a thorough investigation after providing the practitioner an opportunity to respond to the allegations, see § 11.22(a); and (4) submitting the investigated case to the Committee on Discipline for a determination of whether there is probable cause to bring charges against the practitioner, see § 11.32.

Discussion of Specific Rule:

Section 11.1 is revised to add a definition of *grievance*. Specifically, a *grievance* means a written submission from any source received by the OED Director that presents possible grounds for discipline of a specified practitioner. The written submission need not be submitted by an aggrieved client or any other specific person. Regardless of the source, written information or evidence received by the OED Director which presents specific information indicating possible grounds for discipline of an identified practitioner will be deemed a grievance. The definition of *grievance* set forth in § 11.1 applies to OED disciplinary matters only. It does not affect the meaning of “grievance” in other contexts, such as procedures the USPTO administers by which employees may request personal relief in a matter of concern or dissatisfaction regarding their employment.

OED makes staff attorneys available for telephone inquiries from practitioners and the public. Staff attorneys are not permitted to provide advisory opinions, but they will identify disciplinary rules that could impact a particular situation. A practitioner then may review the matter, perhaps with private counsel, to ensure the practitioner’s conduct complies with ethical obligations. Many inquiries from the public result from poor communication between the practitioner and the

client or unclear expectations, and a caller may decide not to submit a grievance after further consideration. To avoid discouraging practitioners from contacting OED for guidance, and to prevent opening investigations prematurely, a telephone inquiry or report to OED is not a grievance. This is consistent with Office rules that require all business with the Office be conducted in writing. See 37 CFR 1.2.

The rule requires that a grievance be written but does not specify a format for the submission. Although typed submissions are preferred, a handwritten note accompanied by relevant documents is permitted. Regardless of the format, in order to satisfy the definition of grievance, the submission must identify the practitioner alleged to have engaged in misconduct and present information or evidence sufficient to enable the OED Director to determine whether possible grounds for discipline exist. Allegations in submissions unsupported by information or evidence may be insufficient to present possible grounds for discipline.

This definition specifies the OED Director as the officer or employee of the Office to whom misconduct forming the basis of a disciplinary proceeding must be made known, which is consistent with the legislative history of the AIA's amendment to 35 U.S.C. 32. See Congressional Record S1372 (daily ed. March 8, 2011) (statement from Sen. Kyl: "a section 32 proceeding must be initiated ... within 1 year of when the misconduct is reported to that section of the PTO charged with conducting section 32 proceedings ...") (emphasis added). OED is charged with conducting section 32 proceedings.

Practitioners are required to notify the OED Director within 30 days of being disciplined by another jurisdiction, 37 CFR 11.24(a), or being convicted of a crime, 37 CFR 11.25.

Notification pursuant to those rules will be treated as a grievance under 37 CFR 11.1 and 11.34(d).

Section 11.22 is revised to delete and reserve subsection (c), which previously specified that information or evidence coming from any source which presents or alleges facts suggesting possible grounds for discipline would be deemed a grievance. This language is redundant in view of the definition of *grievance* now set forth in § 11.1.

Section 11.34 is revised to add subsection (d), which specifies the time in which the OED Director may file a disciplinary complaint against an individual subject to the disciplinary authority of the Office. Specifically, a complaint shall be filed within one year after the date on which the OED Director receives a grievance forming the basis of the complaint, and no complaint shall be filed more than ten years after the date on which the misconduct forming the basis for the proceeding occurred. The Office recognizes that this limited one-year period may require the filing of a complaint in circumstances where the matter might be resolved with additional time to conduct further investigation or for the Office and practitioner to discuss an appropriate resolution of the matter. In appropriate cases such as these, the practitioner should be permitted to voluntarily enter into a tolling agreement in order to avoid the quick filing of a complaint and subsequent litigation. Accordingly, subsection (e) is added to clarify that the one-year period for filing a complaint may be tolled by a written agreement between the involved

practitioner and the OED Director. The Office agrees that tolling agreements may provide both the Office and the practitioner with additional time to resolve matters without a complaint.

The OED Director may receive multiple grievances concerning an individual practitioner.

Where these grievances are received close in time, the OED Director may file a single complaint reflecting the multiple grievances. As a result, a complaint may be based on more than one grievance, and the complaint may reflect multiple one-year dates under 35 U.S.C. 32. Failure to meet the one-year date as to one grievance does not prevent a proceeding from going forward based on other grievances.

Changes from the Proposed Rule

The Office previously published a notice of proposed rulemaking titled “Implementation of Statute of Limitations Provisions for Office Disciplinary Proceedings.” 77 FR 457 (January 5, 2012). Under the proposed regulation, the one-year period set forth in 35 U.S.C. 32 would have commenced for § 11.32 actions when the OED Director received a practitioner’s complete, written response to a § 11.22(f)(1)(ii) request for information and evidence issued by OED in response to a grievance.

The proposed regulation is not being adopted. Although the Office believes that the proposed rule was reasonable and within its authority under 35 U.S.C. 32, in view of the comments expressing a preference that a disciplinary proceeding be commenced one year from the date the OED Director receives a grievance, the Office has decided to implement a one-year time frame

from the date of the OED Director's receipt of a grievance. The Office believes that this specified date is likely to promote effective and efficient disciplinary processing and aid grievants and practitioners in understanding OED's time frame for completing disciplinary investigations. In addition, tolling agreements may provide both the Office and the practitioner with sufficient time to resolve matters in appropriate cases. Accordingly, the Office adopts three rules to administer the new procedure. The new rules specify: (1) a disciplinary complaint shall be filed within one year after the date on which the OED Director receives a grievance forming the basis of the complaint, and in no event more than ten years after the date on which the misconduct forming the basis for the proceeding occurred, (2) a grievance is defined as a written submission from any source received by the OED Director that presents possible grounds for discipline of a specified practitioner, and (3) the one-year period for filing a complaint may be tolled by written agreement.

Comments and Responses to the Proposed Rule

Five entities submitted written comments to the January 5, 2012 notice of proposed rulemaking.

Comment 1: One entity indicated the proposed rule is consistent with the statute and the intent of Congress, and agreed that the proposed rule best recognizes the competing concerns of practitioners, the Office, and the public.

Response to Comment 1: The Office appreciates this comment with respect to the proposed rule. However, as a result of public comments and for administrative purposes, the Office has decided

to issue a final rule that requires a complaint under § 11.34, regardless of whether the complaint originated through the provisions of § 11.24, § 11.25, or § 11.32, shall be filed within one year after the date on which the OED Director receives a grievance forming the basis of the complaint, and in no event more than ten years after the date on which the misconduct forming the basis for the proceeding occurred.

Comment 2: One comment stated that the proposed addition of § 11.22(f)(3) was redundant in view of § 11.22(f)(1)(ii), which authorized the OED Director to request information and evidence from a practitioner. The comment agreed with proposed § 11.34(d)(1) and (d)(2) regarding actions under § 11.24 (reciprocal discipline) and § 11.25 (interim suspension and discipline for serious crimes), respectively. With respect to proposed § 11.34(d)(3) regarding actions brought under § 11.32, the comment agreed that “[b]efore any decision can be made to determine whether possible grounds for discipline exist and that an investigation is warranted, it is necessary ... to get the practitioner’s side of the story first.” The comment recommended a procedure whereby OED would first request comments from the practitioner concerning a grievance before opening an investigation. If no response is received, the OED Director could initiate a disciplinary action for the practitioner’s failure to cooperate. After a response is received from the practitioner, OED would determine whether an investigation is warranted. If so, OED would send a notice of investigation pursuant to current § 11.22(e). The one-year period would start with the mailing date of the § 11.22(e) notice.

Response to Comment 2: The proposed addition of § 11.22(f)(3) would have required the OED Director to issue a request for information and evidence prior to convening the Committee on Discipline. This proposal has not been adopted in view of the changes to this final rule. The Office elected not to adopt the proposal to initiate the one-year period with the mailing of the notice of investigation in favor of the final rule.

Comment 3: One comment maintained that the proposed rule was not consistent with the plain language of the statute, and suggested that “once a responsible officer or employee of the PTO under [35 U.S.C. 3] (i.e., PTO Director, Commissioner, attorney or patent examiner) becomes aware of the potentially offending conduct, the Office has one year from that date to commence a disciplinary proceeding.” (emphasis in original). The comment also indicated that the basic notion of fairness to the practitioner, which was a primary purpose of the proposed regulation, could be served by tolling agreements between the practitioner and OED to allow practitioners additional time to respond to requests for information.

Response to Comment 3: The legislative history does not support the proposition that notice to any officer or employee of the Office should trigger the one-year statute of limitations. See, Congressional Record S1372 (daily ed. March 8, 2011) (statement from Sen. Kyl: “a section 32 proceeding must be initiated ... within 1 year of when the misconduct is reported to that section of the PTO charged with conducting section 32 proceedings ...”) (emphasis added). OED is charged with conducting section 32 proceedings. Information received by an employee outside

of OED, whether that employee is mail room staff, a data entry clerk, or a patent examiner, is not sufficient to trigger the one-year period for commencing a disciplinary action.

With regard to the comment that the proposed rule was not consistent with the plain language of the statute, 35 U.S.C. 32, as amended by the AIA, requires 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 one 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 35 U.S.C. 2(b)(2)(D).” (emphasis added). The Office believes the proposed rule is reasonable and fully consistent with the AIA. However, in response to comments requesting that the one-year period begin on the date the OED Director receives a grievance, the Office has decided to adopt rules setting forth a one-year time frame for completion of disciplinary investigations from the date the OED Director receives a grievance.

The Office agrees that tolling agreements should address the concerns of a practitioner who needs additional time to respond to a request for information before a complaint is brought. OED intends to utilize such tolling agreements in appropriate circumstances. Under § 11.34(e), the one-year period for filing a complaint under § 11.34(d) shall be tolled if the practitioner and the OED Director agree in writing to such tolling.

Comment 4: With regard to actions brought under § 11.32, one comment questioned whether it was necessary to require that a grievance be received by the OED Director, and contended that, “[a]t a bare minimum, when a complaint against a practitioner has been made to the OED, the misconduct forming the basis of the proceeding has been made known to an officer or employee of the USPTO as required by the statute.” The comment also suggested that tolling agreements could be utilized in situations where a practitioner needs additional time to respond to a request for information. The comment further indicated that the provisions in the proposed rule concerning reciprocal discipline under § 11.24 and interim suspensions for serious crimes under § 11.25 required too much formality.

Response to Comment 4: As to § 11.32 actions, the Office incorporates the response to comment 3. With regard to § 11.24 and § 11.25 actions, the proposed rule is not being adopted. Instead, the new rules will also apply to § 11.24 and § 11.25 actions.

Comment 5: One comment asserted that the statute requires the Office to complete the initial process “within one year from the time an investigation is commenced.” The comment also stated that “[u]nder the statute, once [misconduct upon which a complaint is ultimately based] is brought to the attention of the Office, it has one year to investigate and file a complaint.”

Response to Comment 5: The Office incorporates the response to comment 3.

Rulemaking Considerations

Administrative Procedure Act: This final rule changes the Office’s procedural rules governing disciplinary proceedings. These changes involve rules of agency practice and procedure and/or interpretive rules. See *Bachow Communication, Inc. v. FCC*, 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); *Inova Alexandria Hosp. v. Shalala*, 244 F.3d 342, 350 (4th Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive standard for reviewing claims); *Nat’l Org. of Veterans’ Advocates v. Sec’y of Veterans Affairs*, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive).

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C. 553(b) or (c) (or any other law), and thirty-day advance publication is not required pursuant to 5 U.S.C. 553(d) (or any other law). See *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), do not require notice and comment rulemaking for “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice”) (quoting 5 U.S.C. 553(b)(A)). The Office, however, published proposed changes for comment as it sought the benefit of the public’s views on the Office’s proposed implementation of this provision of the Leahy-Smith America Invents Act.

Regulatory Flexibility Act: As prior notice and an opportunity for public comment are not required pursuant to 5 U.S.C. 553 or any other law, neither a regulatory flexibility analysis nor a certification under the Regulatory Flexibility Act (5 U.S.C. 601 et seq.) is required. See 5 U.S.C. 603. Nevertheless, the Deputy General Counsel for General Law of the United States Patent and Trademark Office has certified to the Chief Counsel for Advocacy, Small Business Administration, that the changes in this final rule will not have a significant economic impact on a substantial number of small entities (Regulatory Flexibility Act, 5 U.S.C. 605(b)). Such a certification was made at the proposed rule stage and no comments were received on that certification.

The primary purpose of the final rule is to establish regulations pursuant to 35 U.S.C. 2(b)(2)(D) that govern time limits for the Office to commence a disciplinary action. This final rule does not increase or change the burdens of practitioners involved in disciplinary proceedings or the investigation process. There are more than 41,000 individuals registered to practice before the Office in patent matters and many unregistered attorneys who practice before the Office in trademark matters. In a typical year, the Office considers approximately 150 to 200 matters concerning possible misconduct by individuals who practice before the Office in patent and/or trademark matters, and fewer than 100 matters per year lead to a formal disciplinary proceeding or settlement. Thus, only a relatively small number of individuals are involved in the disciplinary process. Additionally, based on the Office's experience in investigations that precede the disciplinary process, the Office does not anticipate this final rule will result in a significant increase, if any, in the number of individuals who are impacted by a disciplinary

proceeding or investigation. Accordingly, the changes in this final rule will not have a significant economic impact on a substantial number of small entities.

Executive Order 13132 (Federalism): This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (August 4, 1999).

Executive Order 12866 (Regulatory Planning and Review): This rulemaking has been determined to be not significant for purposes of Executive Order 12866 (September 30, 1993).

Executive Order 13563 (Improving Regulation and Regulatory Review): The Office has complied with Executive Order 13563. Specifically, the Office has, to the extent feasible and applicable: (1) made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector and the public as a whole, and provided on-line access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom

of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

Executive Order 13175 (Tribal Consultation): This rulemaking will not: (1) have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (Nov. 6, 2000).

Executive Order 13211 (Energy Effects): This rulemaking is not a significant energy action under Executive Order 13211 because this rulemaking is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

Executive Order 12988 (Civil Justice Reform): This rulemaking meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Feb. 5, 1996).

Executive Order 13045 (Protection of Children): This rulemaking does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (Apr. 21, 1997).

Executive Order 12630 (Taking of Private Property): This rulemaking will not effect a taking of private property or otherwise have taking implications under Executive Order 12630 (Mar. 15, 1988).

Unfunded Mandates Reform Act of 1995: The changes in this final rule do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million dollars (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501 et seq.

National Environmental Policy Act: This rulemaking will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. See 42 U.S.C. 4321 et seq.

National Technology Transfer and Advancement Act: The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this rulemaking does not contain provisions which involve the use of technical standards.

Paperwork Reduction Act: This rulemaking does not create any information collection requirements under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.).

Notwithstanding any other provision of law, no person is required to respond to, nor shall a person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the Paperwork Reduction Act, unless that collection of information displays a currently valid OMB control number.

Congressional Review Act: Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801 et seq.), prior to issuing any final rule, the USPTO will submit a report containing the final rule and other required information to the United States Senate, the United States House of Representatives, and the Comptroller General of the Government Accountability Office. However, this action is not a major rule as defined by 5 U.S.C. 804(2).

List of Subjects in 37 CFR Part 11

Administrative practice and procedure, Inventions and patents, Lawyers, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the United States Patent and Trademark Office amends 37 CFR Part 11 as follows:

**PART 11 - REPRESENTATION OF OTHERS BEFORE THE UNITED STATES
PATENT AND TRADEMARK OFFICE**

1. The authority citation for 37 CFR Part 11 continues to read as follows:

Authority: 5 U.S.C. 500, 15 U.S.C. 1123, 35 U.S.C. 2(b)(2), 32, 41.

2. Section 11.1 is amended by adding a definition of *grievance* in alphabetical order to read as follows:

§ 11.1 Definitions.

Grievance means a written submission from any source received by the OED Director that presents possible grounds for discipline of a specified practitioner.

§ 11.22 [Amended]

3. Section 11.22 is amended by removing and reserving paragraph (c).

4. Section 11.34 is amended by adding paragraphs (d) and (e) to read as follows:

§ 11.34 Complaint.

(d) *Time for filing a complaint.* A complaint shall be filed within one year after the date on which the OED Director receives a grievance forming the basis of the complaint. No complaint shall be filed more than ten years after the date on which the misconduct forming the basis for the proceeding occurred.

(e) *Tolling agreements.* The one-year period for filing a complaint under paragraph (d) of this section shall be tolled if the involved practitioner and the OED Director agree in writing to such tolling.

Date: July 24, 2012.

David J. Kappos

Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

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