BEFORE THE UNDERSECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

HARRY I. MOATZ, Director, Office of Enrollment and Discipline, v. KENNETH E. HILL, Respondent.	)))))))))))	Proceeding No. 2001-06

FINAL DECISION UNDER 37 C.F.R. § 10.156

The Director of the Office of Enrollment and Discipline ("OED Director") appeals the Initial Decision (ID) of Hon. Stephen J. McGuire, Administrative Law Judge ("ALJ"), but only with respect to the penalty imposed upon the Respondent. The ID recommended that Respondent be reprimanded for 24 instances of neglecting patent applications which had been entrusted to him by a client.[1] The Complaint had also charged Respondent with knowingly giving false or misleading information to a client with business before the USPTO; however, the ID found that the OED Director had not proven this offense by clear and convincing evidence and dismissed that charge. The OED Director does not challenge this dismissal on appeal. The initial determination of the ALJ would impose a reprimand; the OED Director seeks a suspension for a reasonable period of time. Director's Appeal Brief at 25.

[1] Moatz v. Hill, No. 2001-06 (Admin. Law Judge September 11, 2003) (initial decision).

BACKGROUND

A. The Legal Matters at Issue

As found below, Respondent was registered to practice before the USPTO in 1979, Registration No. 29,650. Since becoming licensed as an attorney in 1980, he has been engaged in the prosecution of patent applications before the USPTO. ID at 9. Following employment as an associate patent attorney with a Dallas, Texas patent law firm and as Division Patent Counsel for Texas Instruments, Respondent joined the law of Felsman, Bradley, Gunter & Dillon ("Felsman firm"), located in Fort Worth, Texas. Id. He became a partner in the firm in 1990 and continued in that position, practicing primarily in the areas of patent work, patent prosecution and litigation. Id. In October 1999, Respondent, along with another partner of the Felsman firm, opened the law firm of Hill and Hunn in Fort Worth, Texas, and has continued practicing patent law since that time. ID at 10.

Each of the 24 patent applications at issue in this case was filed by Respondent on behalf of Quorum International ("Quorum"); [Person] is the president of Quorum and, during the time frame of the abandonments, handled the patent issues for the company. Id. Quorum became a client of the Felsman firm in the early 1990s. Id. As to all 24 applications which are the subject of the charges of neglect, Respondent was responsible for performing all the required legal work. Id.

B. The Neglect Violations

As stipulated between the parties, Respondent filed each of the 24 design patent applications on behalf of Quorum between July 7, 1997, and January 4, 1999. ID at 4 - 8. On each application, the USPTO was requested to direct all correspondence to the

Respondent at his business address. Id. On various dates between December 30, 1998, and May 17, 1999, Office Actions relating to each of the applications were mailed by the USPTO to Respondent at his business address. Id. Each Office Action required some type of response on various dates between February 28, 1999, and August 17, 1999. Id. Timely responses were not filed and, as a result, each application went abandoned. Id. After discovery of the abandonments in August and September 1999, petitions to revive were filed on behalf of Quorum. ID at 29 - 30. For each of the applications, patents were subsequently granted. With respect to 18 patents, however, terminal disclaimers were required which had the effect of shortening the term of each patent between 3 and 9 months. Id.

D. Initial Decision

The ALJ found by an Initial Decision, dated September 11, 2003, that the OED Director established by clear and convincing evidence that the Respondent neglected legal matters which a client had entrusted to him. ID at 31 - 32. Specifically, Respondent filed 24 patent applications for his client, Quorum, on various dates in 1997 through 1999. ID at 5 - 6. Subsequently, the USPTO mailed Office Actions as to each application which required a response or some other action by Respondent on behalf of Quorum. ID at 6 - 7. Timely responses were not filed as to each application, and each went abandoned. ID at 7 - 8. The ID found, based on the parties' stipulation, that each application was unintentionally abandoned. ID at 8. Consequently, the ID found that the Respondent was liable for 24 violations of USPTO Disciplinary Rule 37 C.F.R. § 10.77(c) as charged by the OED Director. ID at 32.

As to Count 25, the allegation that Respondent had knowingly provided false or misleading information to a client with business before the USPTO, the ID found that the OED Director had not proven this charge by clear and convincing evidence. ID at 37 - 38. Therefore, the ID found that the Respondent did not violate USPTO Disciplinary Rule 37 C.F.R. § 10.23 (c)(2)(i). ID at 38.

The ALJ, however, declined to suspend Respondent from practice before the USPTO for the neglect violations. He found that, although Respondent was ultimately responsible for the violations and failed to live up to his responsibilities as an attorney, the facts of the case did not warrant a suspension of 3-5 years as requested by the OED Director. ID at 70. The ID stated that when Respondent discovered the full extent of the missed deadlines and abandoned applications, he accepted full responsibility for what had occurred, both with his client, Quorum, and his law partners. ID at 39. He also personally paid the full amount of the expenses necessary to revive the applications ($20,000), and each application was, indeed, revived with patents issuing to Quorum, albeit some with terminal disclaimers between 3 and 9 months. ID at 39 - 40. However, the terminal disclaimers had little practical relevance to Quorum or to [Person], who testified that the life span of the products for which Quorum sought design patent protection was usually no more than five years. ID at 45.

The ID also found that, as to 22 of the 24 patent applications, a variety of clerical and administrative errors resulted in none of the deadlines appearing on Respondent's docket report which he used exclusively to track his work requirements. ID at 67. With respect to the remaining two applications, the record does not establish any specific docketing error, but the ID credited Respondent's testimony that he did not receive notice

that the due dates for any of the abandoned applications were approaching. ID at 60. The OED Director challenges this finding of fact on appeal, but only on the ground that the relevant office actions were mailed directly to Respondent. Appeal brief at 22.

The ID then assessed the penalty after consideration of the factors specified in 37 C.F.R. § 10.154(b) for determination of the appropriate penalty for violations of the disciplinary rules:

(1) the public interest;

(2) the seriousness of the violation of the Disciplinary Rule;

(3) the deterrent effects deemed necessary;

(4) the integrity of the legal profession; and

(5) any extenuating circumstances.

The ID determined that the Respondent poses no harm to the general public and that the "ill effects" of his neglect were limited to one client. ID at 71. The ID further found that the violations resulted primarily from inadvertently missed deadliness, which do not have far-reaching effects on the public interest or the patent system as a whole. Id. The ID noted that the unintentional abandonment of patent applications is serious and has the potential to shorten the life of the patent, but that, in this case, the applications were revived soon after abandonment and patents were issued in all cases. ID at 71 - 72. The ID determined that the imposition of a serious sanction would have no meaningful deterrent effect upon Respondent in that he had accepted responsibility for his neglect and had taken steps to ensure that violations would not occur in the future. ID at 72. The ID found Respondent took reasonable steps to notify the client of the problems and adequately informed him of the nature of the problems and therefore had acted in such a

manner as to uphold the integrity of the legal profession. ID at 72 - 73. It also found numerous extenuating circumstances which supported the imposition of no more than a minimal sanction. ID at 73 - 74. The ID found that the docketing system used by the Felsman firm had many opportunities for errors when the data was entered by the individual secretaries assigned to each attorney rather than by a central docketing clerk, that Respondent had unsuccessfully advocated hiring such a clerk, and that there was no oversight built into the system to catch these docketing errors. ID at 74. As to 22 of the 24 applications, because of the docketing errors, the docket report which respondent used to track his work did not reflect the required actions in these cases. ID at 67, 74. The ID further found that Respondent neither acted in bad faith nor obstructed the disciplinary process; in addition, he did not submit false evidence during the disciplinary process or engage in any other deceptive practices. ID at 74 - 75. Based on these considerations, the ID recommended a reprimand as the appropriate penalty. ID at 75.

The OED Director now appeals the Initial Decision. The OED Director argues that the ID erred by imposing an inappropriate penalty and requests a modification of the penalty to a suspension of a reasonable period of time. OED Director's Appeal Brief at 25. He submits that the ID's consideration of the regulatory penalty factors conflicts with the binding precedent of Moatz v. Colitz, No. 99-04, slip op. at 57 (USPTO Director 2002) and should therefore be vacated. He alleges that Colitz held that the penalty factors of 37 C.F.R. § 10.154(b)(1) - (b)(4) permit consideration only of the offense itself, and that the ID erred when it considered Respondent's circumstances in applying the five factors and thus failed to consider the interests of the public and the USPTO in determining the sanction. OED Director's Appeal Brief at 8. The OED Director also

alleges that the ID includes numerous sanction findings which are not supported by the record. Id. at 11 - 24.

According to the OED Director, all of the penalty assessment factors call for a suspension. The public interest is served by a suspension because the purpose of attorney discipline is to protect the public, not punish the offending attorney. Id. at 25 - 26. The ethical violations with which Respondent was charged were serious, especially for an attorney. Id. at 26 - 27. The OED Director submits that any penalty short of suspension would be insufficient to deter other attorneys from committing the same serious violations. Id. at 27. In addition, the penalty should serve as notice to other practitioners and the public that such misconduct will not be tolerated by the USPTO. Id. at 27 - 28. Finally, the OED Director asserts that in spite of the extenuating circumstances described by the ID, Respondent's failure to take responsibility for his actions is an aggravating circumstance necessitating a suspension from practice before the USPTO. Id. at 28.

The Respondent replied to the OED Director's appeal asserting that the OED Director's appeal should be dismissed. Respondent's Reply Brief at 22. Respondent alleges that these violations should be considered a "single instance of neglect" because they occurred during a limited period of time, involved a single client, and resulted from inadvertent clerical and ministerial errors. Id. at 5. Respondent further submitted that, given the extensive mitigating circumstances, a reprimand is the appropriate sanction. Id. at 16.

DISCUSSION

A. Violation

The ID found that the Respondent violated 37 C.F.R. § 10.77(c), which is entitled "[f]ailing to act competently" and provides that "[a] practitioner shall not: . . . (c) neglect a legal matter entrusted to a practitioner." The Respondent here presented evidence that abandonment of the applications was caused by his secretary's failure to properly enter office actions in his law firm's docketing system. It is clear, as the ID found, that a practitioner has ultimate responsibility for ensuring that a client's affairs are competently handled. "An attorney may not escape responsibility to his clients by blithely saying that any shortcomings are the fault of his employee. He has a duty to supervise the conduct of his office." Attorney Grievance Commission of Maryland v. Goldberg, 441 A.2d 338, 341 (1982). The ID's conclusion that Respondent violated 37 C.F.R. § 10.77(c) is not in dispute.

B. Challenged Findings of Fact

On appeal, the OED Director argues that numerous findings of fact in the ID are not supported by the record, in general without explaining the significance of the asserted errors. In many cases these objections appear to reflect mere disagreement with the ID's characterization of the record, or to concern matters so peripheral as to be essentially irrelevant to disposition of this appeal. The following matters, however, warrant further discussion.

Finding 114, ID at 60, holds: "At no time prior to the due date for responses to the USPTO Office Actions at issue in each of the twenty-four patent applications at issue in this case did Respondent ever receive notice that the due dates for response to same

were approaching." The OED Director objects to this finding on the grounds that the office actions were mailed directly to Respondent. The finding was based upon Respondent's testimony that, while he had no specific memory of receiving or not receiving notifications, if he had received notice that a filing date was imminent, there was "no question" he would have made the filing. Fort Worth Transcript Volume 2, pg. 225-226. While the phrase "[a]t no time" introducing the finding is perhaps misplaced, when the entire finding is read in context, it is clearly intended to hold that Respondent did not receive notice from the firm's docketing system that the due date was approaching. In this context, it appears that there is no direct evidence in the record of docketing errors with respect to some of the abandoned applications, and that the issue of whether docketing errors accounted for all of the 24 abandonments was not free from doubt. Nonetheless, the ALJ, who had the opportunity to directly observe Respondent's testimony, chose to credit it. This finding will not be disturbed on appeal.

Finding 29, ID at 45, holds that the life span of the products protected by the patents at issue ranges from less than one to five years. However, the testimony upon which this finding is based posited five years as an estimated average live span, not a maximum. Fort Worth Transcript Volume 1, pg. 15. Accordingly this finding is not adopted.

Findings 46 – 49, ID at 48, concern the compliance of the law firm's docketing system with "standards of practice of intellectual property law," concluding that the system does not meet these standards. They are based upon expert testimony that does not express an opinion on the system's compliance with such standards are therefore are not adopted.

Neither of these errors appears to undermine the ID's analysis of the issues. Despite the error in Finding 29, the ID also found that the life span of the products is far less than the 14-year term of a design patent, and this finding is supported by testimony of record. Because a central issue in the case is Respondent's reliance on the law firm's docketing system, the original findings that the system did not comply with applicable standards were, if anything, harmful to Respondent.

C. Determination of Sanction

After considering the factors set forth at 37 C.F.R. § 10.154(b), the ID recommended the penalty of reprimand. In addressing the seriousness of the violation, as required by § 10.154(b)(2), the ID considered both the fact that Respondent permitted 24 applications to go abandoned and the fact that he was able to revive the applications and prevent any apparent harm to his client. The OED Director argues that abandonments are objectively serious, regardless of the impact upon the client. The USPTO's disciplinary rules are not make-whole remedies designed to protect individual clients. Rather, their purpose is to protect the public by deterring improper conduct and, where appropriate, suspending or excluding from practice incompetent or unethical practitioners. In this context, the ultimate degree of harm to an individual client cannot be dispositive of the seriousness of an offense. On the other hand, at least in the case of a neglect violation, it is not beyond the discretion of the agency to evaluate the seriousness of the violation in light of the importance to the client of the matter neglected. In certain cases, as here, the degree of harm ultimately caused by the neglect, both as viewed objectively and as perceived by the client, is probative of its seriousness. The ID did not err in considering

both the large number of abandonments and the lack of ultimate harm to the client in determining the seriousness of the violation.

The OED Director devotes much of the appeal brief to a detailed analysis of the facts aimed at establishing that Respondent could have notified his client earlier, filed petitions to revive earlier, and more unequivocally accepted responsibility for the abandonments. It is clear, however, that Respondent owned up to the errors of his own volition, filed petitions to revive in time to prevent any appreciable harm to his client, and paid the full costs associated with these petitions, approximately $20,000, out of his own pocket without prodding or debate. The OED Director objects to certain statements by Respondent blaming others in part for the abandonments and denying that his conduct was a proper subject for a disciplinary proceeding. It appears, however, that these statements were essentially correct factually – while Respondent did not do enough to prevent or correct errors by his secretaries, such errors were, at the very least, a "but for" cause of the abandonments. Further, Respondent's violation of the disciplinary rules was not so clear that, having taking financial responsibility for the necessary corrective actions, he was required to also admit a disciplinary violation in order to be credited with acceptance of responsibility.

The OED Director also objects to the ID's consideration of the law firm's awkward docketing system and the rapid turnover among Respondent's secretaries as mitigating factors. The existence of these challenges at the time of Respondent's violation is not entirely irrelevant to any mitigation of the penalty. Nonetheless, the value of these facts in mitigation is extremely limited. Respondent could and should have

recognized the risks posed by these circumstances and taken steps to neutralize them. There is no evidence that he did so.

The OED Director argues that the ID erred by considering the individual circumstances of the Respondent in assessing the penalty factors set forth at 37 C.F.R. § 10.154(b)(1)-(4). The OED Director's argument is premised on an incorrect application of language in Moatz v. Colitz, No. 99-04 slip op. at 57 (USPTO Director 2002) to this case. Colitz held that medical problems suffered by a practitioner after the disputed conduct had occurred were not relevant to the penalty set forth at 37 C.F.R. § 10.154(b)(1)-(4), because these factors "concern the violation itself, the public interest and the legal profession, not the circumstances of the individual respondent." This language should not be read to prohibit consideration of any relevant circumstances existing at the time the offense is committed.

The OED Director is nonetheless correct that an important function of disciplinary sanctions is to deter others from similar conduct, and that the ID erred by not considering such general deterrent effects when analyzing "[t]he deterrent effects deemed necessary" under 37 C.F.R. § 10.154(b)(3). Contrary to the OED Director's arguments, however, the imposition of a reprimand here is consistent with the need to deter other practitioners from neglecting client matters. The prospect of financial losses like those suffered by Respondent, coupled with the possibility of an embarrassing public reprimand, should be sufficient to focus the attention of responsible practitioners upon the dangers of placing unjustified faith in support personnel or docketing systems. A public reprimand puts all practitioners on notice of a problem of due care that may be of greater likely consequence to other potential clients than it was to the client here.

Irresponsible practitioners who fail to take adequate steps to assure they fulfill their duty of competent representation or leave the filing of important documents to happenstance will subject themselves to the potential for more severe sanctions than those appropriate here.

As discussed above, the ID's analysis of the penalty factors was not entirely correct. Nonetheless, the ID did not err in regarding the violation as essentially a single failure affecting only one client that does not appear to regard itself as harmed. While Respondent failed to take sufficient actions to prevent the abandonments at issue here, the record does not appear to reflect an indifference to his duties. After discovering the problems, Respondent filed petitions to revive at his own expense, and was able to prevent any apparent harm to his client's interests. Under these circumstances, the reprimand recommended in the ID is an appropriate sanction.

ORDER

Upon consideration of the entire record, and pursuant to 35 U.S.C. § 32, it is

ORDERED that KENNETH C. HILL, of Fort Worth, Texas, whose USPTO Registration Number is 29,650, be reprimanded; and further

ORDERED that this Final Decision in this proceeding shall be published.

RECONSIDERATION AND APPEAL RIGHTS

Any request for reconsideration of this decision must be filed within twenty (20) days from the entry of this decision. 37 C.F.R. § 10.156(c). Any request for reconsideration mailed to the USPTO must be addressed to:

James A. Toupin
General Counsel
United Stated Patent and Trademark Office
P. O. Box 15667

Arlington, VA 22215

A copy of the request must also be served on the attorney for the Director of Enrollment and Discipline:

Joseph G. Piccolo
Associate Solicitor
Attorney for the Director of the Office of Enrollment and Discipline
P. O. Box 16116
Arlington, VA 22215

Any request hand-delivered to the USPTO must be hand-delivered to the Office of the General Counsel, in which case the service copy for the attorney for the Director shall be hand-delivered to the Office of Enrollment and Discipline.

If a request for reconsideration is not filed, and Respondent desires further review, Respondent is notified that he is entitled to seek judicial review on the record in the U.S. District Court for the District of Columbia under 35 U.S.C. § 32 and LCvR 83.7of the U.S. District Court for the District of Columbia within thirty (30) days of the date of entry of this decision.

IT IS SO ORDERED.

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

_____
Date

_____
James Toupin
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cc:

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