

BEFORE THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENTS AND TRADEMARK OFFICE

HARRY I. MOATZ,)	
)	
Director, Office of)	
Enrollment and Discipline,)	
)	
v.)	Proceeding No. 99-04
)	
MICHAEL J. COLITZ, JR.,)	
)	
Respondent.)	
_____)	

FINAL DECISION UNDER 37 C.F.R. § 10.56

Michael J. Colitz, Jr. (“Respondent”), appeals the Initial Decision (“ID”) of Hon. Stephen J. McGuire (“ALJ”), recommending that Respondent be suspended from practice before the United States Patent and Trademark Office (“USPTO”) for a period of five years, with the final two years to be stayed.¹ The Director of the Office of Enrollment and Discipline (“OED Director”) has filed a cross appeal. It is hereby concluded, based on careful review of the record, that the record supports by clear and convincing evidence the finding in the ID that Respondent violated the following rules: [1] USPTO Disciplinary Rule (“DR”) 10.47(a) and/or (c)² by aiding non-practitioner invention development companies in the unauthorized practice of law before the USPTO and/or by

¹ Moatz v. Colitz, No. 99-04 (Admin. Law Judge June 27, 2001)(ID).

² The USPTO Disciplinary Rules are part of the USPTO Code of Professional Responsibility, 37 C.F.R. ch. 10 (1996). See 37 C.F.R. § 10.20(b) (listing Disciplinary Rules). Thus, DR 10.47(a) appears at 37 C.F.R. § 10.47(a). The USPTO Code of Professional Responsibility is derived in large part from the ABA Model Code of Professional Responsibility. Therefore, state ethics opinions and court decisions interpreting similarly derived rules of professional conduct are sources of persuasive authority in this matter.

aiding the non-lawyer invention development companies in the unauthorized practice of law; [2] DR 10.48 and/or 10.49 by sharing legal fees with a non-practitioner and/or forming a partnership with a non-practitioner to practice patent law before the USPTO; [3] DR 10.77(b) and/or (c) by handling a legal matter without preparation adequate under the circumstances and/or by neglecting a legal matter entrusted to the practitioner; and [4] DR 10.40(a) by withdrawing from employment without taking reasonable steps to avoid foreseeable prejudice to the rights of his client(s). It is further concluded that the OED Director proved by clear and convincing evidence that Respondent violated DR 10.68 by permitting American Inventors Corporation (“AIC”), which recommended and/or paid Respondent to render legal services to others, to direct and/or regulate Respondent’s professional judgment in rendering such legal services, and reverse the ID in this respect. Finally, it is concluded that the OED Director has not established a violation of DR 10.23(b)(6) by engaging in other conduct that adversely reflects on Respondent’s fitness to practice before the USPTO and the ID is reversed in this respect as well. Except to the extent inconsistent with this decision, the factual findings, legal conclusions and recommended sanction set forth in the ID are hereby adopted³.

Background

At the heart of this case are Respondent’s arrangements with a number of companies, *inter alia*, AIC, Invention Submission Corporation (“ISC”), and National Idea Network, also known as Concept Network (“CN”),⁴ during the period from 1993 to 1995.

³ This opinion need not independently address counts 3, 4, 5 and 8 of the complaint, dismissed by the ID, because their dismissal has not been challenged on appeal.

⁴ These companies will be referred to collectively as “invention development companies” or “companies.”

While the exact relationships between the various parties are at issue, in general the invention development companies solicited inventors with ideas they wished to commercialize, arranged with Respondent (and in some cases other attorneys) to prepare and submit patent applications, and assisted (or at least agreed to assist) in marketing the inventions. The events at issue here came to light after one of the companies, AIC, came under investigation for fraud and ceased operations.

In general, the companies acted in the following manner:⁵ AIC would send inventors materials including a “Record and Disclosure of Invention” form (“Disclosure”) to be filled out and returned to AIC. Upon receipt of the Disclosure, AIC would invite the inventor to execute an “Agreement” and make payment to AIC. The “Agreement” states that AIC will cause a patentability opinion and marketing/feasibility report to be prepared. If the inventor elected to proceed, AIC would send the “Disclosure” to a patent attorney in order for the attorney to conduct a patent search and write a patentability opinion, which opinion the attorney would return to AIC. The patentability opinion would state that either a design or a utility patent might be available for the inventor’s idea. AIC would send the patentability opinion, together with a “Feasibility Report” prepared by AIC, to the inventor. The inventor would then be asked to sign a “37 CFR 1.41(c) Authorization” and a “Representation Agreement” and make a further payment. AIC would forward the “Disclosure” and patentability opinion to Respondent. Respondent would write the application and return it to AIC, which would then forward the application to the inventor for signature. Included with the application

⁵ This synopsis is based on findings specifically related to AIC, but the ID found that the “general mode of operation of AIC essentially paralleled that of ISC and CN.” ID 11, n. 1.

would be a “Declaration and Power of Attorney” appointing Respondent and a document entitled “Instructions from Your Patent Attorney for Executing the Enclosed . . . Patent Application.” The inventor would then sign the application and power of attorney and return the documents to AIC. Finally, AIC would forward the application to Respondent, along with his fee, and Respondent would file the application with the USPTO. ID 11-13.⁶

Count 6 – Direction of Professional Judgment

To begin with the issue raised in the OED Director’s Cross Appeal, Count 6 of the complaint alleges that Respondent violated DR 10.68 by permitting AIC, which recommended and/or paid Respondent to render legal services to others, to direct and/or regulate Respondent’s professional judgment in rendering such legal services.

The OED Director’s position is that Respondent, by accepting direction from AIC rather than directly from the inventors, violated DR 10.68.⁷ The ID held instead that Respondent was entitled to rely on the patentability opinion because it had been prepared by another practitioner, and that Respondent could legitimately accept instructions from the companies, who were acting as the inventors’ agents.

In holding that Respondent was entitled to rely on instructions from the companies, the ID relied on 37 C.F.R. § 1.41(c), which states:

Any person authorized by the applicant may file an application for patent to the Office on behalf of the inventor or inventors, but an oath or declaration for the application (§ 1.63) can only be made in accordance with § 1.64.

⁶ Citations to the ID will be referred to as “ID ____,” and to the Transcript of hearing before the ALJ as “Tr. ____.”

⁷ The ID found, and the parties do not dispute, that Respondent’s clients were the inventors and not the invention development companies. As discussed infra, this conclusion is contrary to the position Respondent took during the OED Director’s investigation.

The ID also relied upon two USPTO Official Gazette (“OG”) Notices, which clarify USPTO policy regarding circumstances in which a patent attorney is operating through an intermediary. The first OG notice states, in relevant part:

This notice is intended to clarify the appropriate course of action for a practitioner to follow when the practitioner is operating through . . . a corporate liaison or foreign agent. In such arrangements, the . . . practitioner may rely upon the advice of the corporate liaison or the client/patent applicant’s foreign agent as to the action to be taken *so long as the practitioner is aware that the client/patent applicant has consented after full disclosure* to be represented by the liaison or agent. It is *assumed by the (PTO)* that the client/patent applicant has an agreement with the liaison or agent, arrived at after full disclosure, to be represented by the liaison or agent. Registered practitioners, *if they wish*, however, *may* maintain a copy of the agreement in this regard between the client/patent applicant and the liaison or agent

ID 24-25 quoting 1086 OG 457 (Dec. 10, 1987)(emphasis added). The second OG notice supplements the first notice and states, in relevant part:

In practice it is common for instructions relating to the application of an inventor . . . who is the client of the U.S. practitioner, to be passed to the U.S. practitioner through *intermediaries, such as* corporate liaisons or foreign agents In such an arrangement, the practitioner *may rely upon instructions of, and accept compensation from*, the corporate liaison or the foreign agent as to the action to be taken in a proceeding before the Office *so long as the practitioner is aware that the client has consented* to have instructions conveyed through the liaison or agent. *An agreement between the client and the liaison or agent establishes an agency relationship between the liaison or agent and the client such that the U.S. practitioner can rely upon the liaison or agent as the representative of the client* for the purpose of communicating the client’s instructions about the proceeding to the U.S. practitioner. The PTO will assume that the client has an arrangement with the liaison or agent to be represented by the liaison or agent.

ID 25 quoting 1091OG 26 (May 25, 1988)(emphasis added). The ID also held that the relationship in this case is explicitly regulated by 37 C.F.R. §10.23(c)(17).⁸

⁸ 37 C.F.R. § 10.23(c)(17) defines disreputable or gross misconduct conduct to include:

Representing before the Office in a patent case . . . an inventor referred to the registered practitioner by an invention developer when (1) the registered practitioner knows, or has been advised by the Office, that a formal complaint . . . is pending . . . or has been resolved unfavorably . . . against the invention

The ID erred in holding that the two OG notices authorized Respondent to accept direction from the companies because the ID failed to recognize that they applied only to foreign agents and corporate liaisons. The first OG notice, 1086 O.G. 457, CX 38, speaks exclusively to corporate liaisons and foreign agents. It simply does not admit the possibility that practitioners may properly take instruction from anyone other than a client or the client's foreign agent or corporate liaison. Thus, if the USPTO has established that such an arrangement with any other entity is permissible, it must have done so through the second OG notice, 1091 OG 26, CX 37. This notice contains a single sentence that could be read to refer to agents other than corporate liaisons or foreign agents:

In practice, it is common for instructions relating to the application of an inventor or trademark owner, who is the client of the U.S. practitioner, to be passed to the U.S. practitioner through intermediaries, such as corporate liaisons or foreign agents.

This sentence is descriptive only, and the portion of the notice providing affirmative guidance refers exclusively to corporate liaisons and foreign agents. In fact, the guidance portion contains no fewer than 11 references to corporate liaisons or foreign

developer . . . and (ii) the registered practitioner fails to fully advise the inventor of the existence of the pending complaint or unfavorable resolution thereof.

Section 10.23(c)(17) further defines "invention developer" and "invention development," as follows:

"Invention developer" means any person and any agent, employee, officer, partner, or independent contractor thereof, who is not a registered practitioner and who advertises invention development services in media of general circulation or who enters into contracts for invention development services with customers as a result of such advertisement. . . . "Invention development" means evaluation, perfection, marketing, brokering, or promotion of an invention on behalf of a customer by an invention developer, including a patent search, preparation of patent application, or any other act done by an invention developer for consideration toward the end of procuring or attempting to procure a license, buyer, or patent for an invention.

agents (sometimes through the shortened form “liaison or agent”). Not one of these references contains any modifier that could be read to encompass any intermediary other than a corporate liaison or foreign agent. It would admittedly be somewhat troubling to interpret the notice as describing without comment a “common practice” that is prohibited by the disciplinary rules. Respondent’s argument, however, depends on interpreting this notice as substantially extending the scope of the first notice through two words in a descriptive sentence, even though the portion of the second notice containing explicit guidance is no broader than the first notice.⁹

When the “such as” sentence is read in context of the preceding paragraph, however, it becomes apparent that it was not intended to significantly extend the coverage of the notice. The paragraph preceding the “such as” sentence states:

In some instances, practitioners deal with a corporate liaison or foreign agent. Such arrangements do not automatically change the person whom the practitioner represents, e.g., the inventor or trademark owner. The fact that a U.S. practitioner receives instructions from the inventor or trademark owner through a foreign attorney or agent does not change the fact that the client is still the inventor or trademark owner rather than the foreign attorney or agent. See Strojirenstvi v. Toyoda, 2 USPQ 2nd 1222 (Comm’r Pat. 1986), which at 1223 cited Yetter Manufacturing Co. v Hiniker Co., 213 USPQ 119, 120 (D. Minn. 1981) for the principle that “when attorney served as local counsel for law firm representing Hinker Co., the attorney represented Hiniker and not the law firm” and also cited Toulmin v. Becker 105 USPQ 511 (Ohio Ct. App. 1954) for the principle that “foreign patent agents or attorneys were not clients of U.S. patent attorney.” The PTO expects practitioners to know the identities of their

⁹ This decision need not address whether reliance on the possible impression introduced by the “such as” would afford a practitioner a defense, since Respondent here does not claim that knew about or rely on the OG notices. In fact, Respondent’s position during the OED investigation was that the companies and not the individual inventors were his clients. The ALJ credited Respondent’s subsequent hearing testimony that he had believed all along that the inventors were his clients. See ID 32-33 and n. 40. Respondent, however, did not testify that he had relied on the OG notices, and if he had so relied his responses to OED would be entirely inexplicable.

clients and take reasonable steps to avoid foreseeable prejudice to the rights of their clients.

Strojirenstvi involved the Czechoslovakian Patent and Trademark Agency known as UTRIN, which under Czech law was required to process all U.S. applications by Czech inventors. The decision held that “[w]hile comparisons of entities from different countries with different legal systems is often difficult, petitioner’s evidence only supports the conclusion that UTRIN is the Czechoslovakian inventor’s attorney” and that the inventor and not UTRIN was therefore the U.S. practitioner’s client. Strojirenstvi, 2 USPQ 2nd at 1223.

The sentence at issue here immediately follows this paragraph. If the phrase “[inventor], who is the client of the U.S. practitioner” in that sentence were read to establish that the inventor is the client, the preceding paragraph would be entirely superfluous, since the inventor would always be the client. Instead, the phrase simply places the descriptive sentence in the context of the preceding paragraph, which addresses when the inventor is the client where a corporate liaison or foreign agent is involved and summarizes the pre-existing case law rather than establishing a new further-reaching policy. In context, it is clear that the phrase “such as” was intended to refer to situations such as that discussed in the Strojirenstvi decision, where a relationship based on foreign law must be analogized to U.S. practice. The introduction of this phrase was evidently not intended to expand the term “corporate liaison or agent” as broadly as Respondent suggests.

The ID relied upon two regulatory provisions in interpreting these notices, 37 C.F.R. §§ 1.41(c) and 10.23(c)(17). The ID’s reliance on these provisions was misplaced. 37 C.F.R. § 1.41(c) provides in pertinent part that “[a]ny person authorized

by the applicant may file an application on behalf of the inventor or inventors” This regulation addresses who may file a patent application, not who may act as an intermediary between a client and his or her attorney. In this case, Respondent filed applications on behalf of his inventor clients. Title 37 C.F.R. § 1.41(c) is irrelevant to the invention development companies’ role at issue here.

Similarly, 37 C.F.R. § 10.23(c)(17) does not address the insertion of an invention developer into the attorney-client relationship. This regulation prohibits a practitioner from representing an inventor referred by an invention developer where the invention developer is the subject of a formal complaint under certain circumstances. The regulation does imply that a practitioner may represent a client referred by an invention developer if such a complaint does not exist. The regulation, however, says nothing about any role for the invention developer after the referral has occurred. If anything, the rule contemplates that USPTO expects that in invention development company’s role in the process is limited to referring a potential client to an attorney and does not include acting as an intermediary. As the ID observed, the existence of the regulation establishes that the USPTO knew of invention developers at the time it issued the OG notices. This does not establish, however, that the OG notices were intended to cover invention developers. Rather, the omission of invention developers from the OG notices supports the inference that invention developers were not intended to be included as permissible intermediaries.

Finally, there is no evidence in the record that the invention development companies were appointed as agents of the inventors for the purpose of communicating the inventor’s instructions about the patent application to Respondent. The ID relied on

two agreements typically signed by clients of the invention development firms to support the finding that an agency agreement existed. The first document, entitled “Authorization Under 37 C.F.R. 141(c) to file U.S. Patent Application for Invention,” authorized the invention development company “. . . to file or to cause to be filed on [the client’s] behalf a patent application in the United States [for the client’s invention or any related invention].” The second document, entitled “Representation Agreement” stated in part that:

COMPANY will engage a Patent Attorney/Agent to prepare and file a utility and/or design patent application(s) including all necessary supporting and filing documentation. . . and handle the subsequent processing of the application(s) . . . through and including a final determination of patentability by the (USPTO) . . . Company agrees to act, and is hereby appointed, as CLIENT’S agent for the purpose of locating, contacting, negotiating . . . with manufacturers, distributors, and other business-related entities on CLIENT’S behalf for purposes of selling, licensing and otherwise commercializing CLIENT’S IDEA/PRODUCT. COMPANY shall be an agent for a period of twenty-four (24) months from the date of this agreement.

ID 28-29.

While the Authorization Form authorizes the invention development company to file or cause to be filed a patent application on the inventor’s behalf, it is not specific as to the retention of an attorney or the relationship between the attorney and the inventor. The Representation Agreement specifically contemplates that the company will engage an attorney, but is not clear that the attorney will be retained on the inventor’s behalf. It does expressly appoint the company as the inventor’s agent, but only for the purpose of marketing the invention, not prosecuting the patent application.

These agreements fall short of the agency agreement contemplated by the OG notices. 1091 OG 26 explains that: “An agreement between the client and the liaison or

agent establishes an agency relationship between the liaison or agent and the client such that the U.S. practitioner can rely upon the liaison or agent as the representative of the client for the purpose of communicating the client's instructions about the proceeding to the U.S. practitioner." Further, "[a] principal has the right to control the conduct of the agent with respect to matters entrusted to him." Restatement (Second) of Agency § 14. Nothing in either agreement here, however, indicated that the inventors were Respondent's clients, that the invention development companies would represent the inventors with Respondent, or that an agency relationship existed with respect to prosecution of the application such that the inventor had the right to control Respondent's conduct. Therefore, even if the OG notices could reach the invention development companies, there was no agency relationship here that would permit Respondent to treat instructions from the companies as coming from the inventors.

Finally, 1086 OG 457 requires full disclosure before a foreign agent or corporate liaison acts as an intermediary between attorney and client.¹⁰ The OED Director argues that this requirement is the same as the "full disclosure" requirement of DR 10.68 itself, and that the client must therefore be informed in detail of the foreseeable risks and pitfalls of communicating with the attorney through an intermediary. See Acheson v. White, 487 A.2d 197, 199 (Conn. 1985). Further, the OED Director contends, the disclosure must be made by the attorney directly to the client. On the other hand, the ID concludes that the Representation Agreement itself constitutes "consent after full disclosure to be represented by the agent," ID, 29. The agreement says nothing about

¹⁰ This requirement does not appear in 1091 OG 26, but neither party disputes its continued viability.

risks or potential conflicts of interest, so it appears that the ID read the notice to require disclosure only of the fact of agency.¹¹

The Director's position is not entirely supported by the record. The OG notices, where they apply, plainly permit an attorney to represent a client without direct contact. Thus, the "full disclosure" need not involve such contact. On the other hand, "consent after full disclosure" must mean more than disclosure of the fact of consent. Beyond observing that disclosure must involve facts, such as potential conflicts of interest and the amount of the agent's compensation, that might bear on the wisdom of appointing the agent, it is not necessary to determine how much more is required. To rely on instructions from the companies, Respondent would have had to have been aware that the client has consented to a covered agency relationship after full disclosure. Evidence of Respondent's awareness is uniquely in Respondent's control, and there is no testimony or evidence in the record that any disclosure occurred, much less that Respondent was aware of it.

DR 10.68(b) prohibits a practitioner from "permit[ing] a person who recommends, employees, or pays the practitioner to render legal services for another, to direct or regulate the practitioner's professional judgment in rendering such legal services. This rule prohibits practitioners from, among other things, accepting direction from an intermediary instead of directly from a client. See Office of Disciplinary Counsel v. Carretta, 647 N.E. 2d 471 (Supreme Court of Ohio, 1995). See also 1091 OG 26 ("absent an agency relationship between liaison or agent and client a practitioner would be bound by 37 C.F.R. 10.68(b). . . ."). Respondent accepted referrals from the

¹¹ Of course, as discussed above, the Representation Agreement does not "disclose" even this.

companies, and was paid his legal fees by them. ID at 6-7. Respondent prepared patent applications prior to any direct contact with his clients, based on instructions received from the companies. ID at 11. Accordingly, Respondent violated DR 10.68.

Count 1 – Aiding the Unauthorized Practice of Law

Count 1 alleges, among other things, that Respondent violated Disciplinary Rule (“DR”) 10.47(a) and/or 10.47(c)¹² by aiding a non-practitioner, AIC and/or ISC, in the unauthorized practice of law (“UPL”) and/or in the practice of law before the PTO. Complaint p. 4. Because the adequacy of evidentiary support for the ID’s factual findings concerning this count are at issue, they are set forth as an appendix to this opinion, annotated to identify the testifying witness where they cite to the hearing transcript or a declaration.

The ID concluded that “the companies engaged in UPL by submitting and explaining documents to the inventors which required legal knowledge for comprehension and completion, maintaining control over the creation of the drawings which formed the design patent claims, and explaining to the inventors the important difference between ‘design’ and ‘utility’ patents. Respondent aided in such UPL by lending his name and his license to the overall scheme of operation in order to enable its existence, by accepting referrals from the companies, and by allowing the companies to perform, with his acquiescence, his legal responsibilities to explain legal documents,

¹² DR 10.47(a) provides: “A practitioner shall not aid a non-practitioner in the unauthorized practice of law before the Office.” DR 10.47(c) provides: “A practitioner shall not aid a non-lawyer in the unauthorized practice of law.”

oversee the creation of drawings, and ensure that the inventors made informed decisions to pursue either ‘design’ or ‘utility’ patents.” ID, 35-36.

Respondent argues that the ID’s conclusion on this count is based on the ID’s allegedly erroneous Factual Finding 39, as set forth in the appendix to this decision, concerning the companies’ “mode of operation” because such finding is based solely on the testimony of Mr. Lougher, ID 3, and the written declaration of Pat King, which he asserts are not admissible evidence. Respondent’s Reply Brief 1-2. Respondent contends that the evidence of his written and telephone contact with his inventor-clients contradicts the ID’s finding that Respondent had little or no direct contact with his inventor-clients, Respondent’s Initial Brief at 5; that the evidence does not support the ID’s finding that the “37 C.F.R. §1.41(c) Authorization,” “Representation Agreement,” and/or “Feasibility Report”, or presentation thereof by the companies, constitutes the UPL, ID at 6-9; that the ID erred in finding that the preparation of patent drawings constitutes the UPL; and that the ID erred in finding that the companies exclusively oversaw the creation of patent drawings, ID at 10-12; and/or that the companies explained the difference between a utility and design patent. ID at 12-14. Last, Respondent argues that none of the decisions cited in the ID are analogous to this case, especially since none of the decisions concern an agency relationship similar to the one found in the ID. Respondent’s Initial Brief 15.

The OED Director argues that Respondent aided in the UPL by allowing the companies to have all the contact with the inventors; to gather all of the initial invention information; to explain to the inventors the patenting process, the scope of their invention, and whether the inventor should seek a design or utility patent; and to create

patent application drawings without any input from Respondent. OED Director's Reply Brief 4-8. In order to establish that Respondent aided in the unauthorized practice of law, the OED Director was required to prove by clear and convincing evidence first, that the companies engaged in the unauthorized practice of law, and, second, that Respondent aided them in doing so. These two elements are addressed below.

Unauthorized Practice of Law

In its finding that Respondent assisted in the unauthorized practice of law, the ID was informed by the following summary of the applicable case law concerning the UPL, which is hereby adopted.

[W]hile there is no precise definition of the "practice of law," it includes any action which requires "the exercise of legal judgment." The determination turns upon whether such advice or action requires legal knowledge, training, skill, or ability beyond that of a layperson. In determining whether a particular act fits in this definition, the court's "primary goal is the protection of the public."

ID 41-42 (footnote omitted).

In one respect, the ID is in error in holding that the companies engaged in the UPL by explaining the section 1.41(c) agreement and the representation agreement to inventors. Whatever the other significance of these agreements, they purported to do nothing more than establish legal relationships between the inventors and the companies. The companies entered these agreements as parties, not as representatives of the inventors. If the companies did not act in good faith (as their subsequent legal difficulties suggest they may not have), their explanations of the agreements might have amounted to over-reaching or misrepresentation. Contrary to the ID's conclusions, however, discussions of a proposed agreement by potential parties thereto are contract negotiations, not the UPL. To the extent that the Representation Agreement itself or discussions

surrounding it constituted legal advice on extrinsic matters, the result is different, as discussed below.

AIC's preparation, presentation, and explanation of the "Feasibility Report" is another matter. The feasibility report reproduces and discusses, *inter alia*, 35 U.S.C. §§ 101, 102 and 103, and incorporates a patentability opinion, authored by an attorney. The ID, relying on OED Director's expert Robert Bell and In re Cowgill, 307 N.E.2d 919, 181 U.S.P.Q. 103 (Ohio App. 1973),¹³ found that the text of the Feasibility Report alone constituted the UPL. ID 49-50.

The only Feasibility Report in evidence is the one presented to [INVENTOR 1] in January, 1995. The ID treats this report as typical of that prepared by AIC during the period at issue in the complaint. As discussed below, the testimony of Mr. Lougher establishes that AIC used a similar report before its association with Respondent, and other clients of Respondent testified to receiving similar Feasibility Reports. In view of this evidence and the fact that neither party has objected to the ID's treatment of the [INVENTOR 1] Feasibility Report as typical, this decision will also treat it so.

Respondent argues generally that the preparation and issuance of Feasibility Report itself does not constitute the practice of law because it does not offer legal advice

¹³ In Cowgill a non-lawyer not licensed to practice before the USPTO was permanently enjoined from providing the following services, which were found to constitute the UPL:

In holding himself out as being legally qualified to render opinions, counsel and advice concerning the legal effect and requirements of law concerning the preparation, filing and prosecuting of patent applications . . . determining the patentability of inventions; counseling or advising customers on matters of law . . . advising on . . . the legal requirements necessary in protecting inventions from others

and does not apply legal principles to a determined set of facts. The Feasibility Report itself (as distinguished from the attorney-signed patentability opinion it incorporates) contains a lengthy discussion of the substantive and procedural requirements for obtaining a patent requirements, advice on protecting the client's invention, and statements concerning the patentability of that invention. Given this, Respondent cannot be seriously contending that the Feasibility Report does not contain legal advice. Rather, Respondent's appeal must be read as asserting, as Respondent argued before the ALJ, that preparation of the Report does not constitute the practice of law because it merely contains a generic discussion of patent law (as might be found in a legal text) and does not apply the law to a specific set of facts.

If Complainant were required to prove that the companies actually exercised significant judgment in preparing the Feasibility Report, Respondent's argument might have some weight. Mr. Lougher testified that AIC prepared feasibility reports in approximately one hour by entering the name of the inventor and title of the invention into a generic computerized template.¹⁴ Tr. p. 155. The prohibition on the unauthorized practice of law, however, is intended to protect the public, and unauthorized legal advice is no less dangerous for having been thoughtlessly prepared.

The relevant question with respect to the report is whether it was held out as providing legal advice specific to the inventor's individual situation or simply as a discussion of patent law in general. The Feasibility Report addressed in the ID is entitled "Feasibility Report for '[Invention 1]' Invented by: [INVENTOR 1]" CX 8, p 09. Each

¹⁴ As discussed below, Mr. Lougher was not employed by AIC during the time covered by the complaint. However, the of feasibility report in evidence appears entirely consistent with having been prepared in the manner Mr. Lougher described.

subsequent page (except the incorporated patentability opinion) includes a footer reading "[INVENTOR 1]: '[Invention 1].'" CX 8, p 010 - 069.

Sixteen pages of the Report discuss intellectual property law, including patent law. Like the other portions of the report, this section is frequently written in the second person and contains specific references to the inventor and her invention. It states for example that "[a] patent provides specific legal rights for your product or idea; it prevents the production, sale, and use of "[Invention 1]" by any unauthorized person or company." CX 8, p.19. The report also unmistakably gives advice to the inventor. It explains that:

The best way to avoid the public use bar is not to commercially exploit your invention. If you must disclose one model for use, indicate to all parties that the use is experimental and keep "test" reports. If you sell one for "testing," periodically inspect it, and have people sign a secrecy agreement.

CX 8, p.26

The [INVENTOR 1] Feasibility Report includes a letter from Hugh E. Smith to AIC setting forth the results of a preliminary patentability search on [INVENTOR 1] invention. The letter concludes that "we are of the opinion that utility patent protection for the combination of the present invention might be available." CX 8, p.37. The page of the Feasibility Report introducing the opinion, however, states: "[a]fter careful consideration, the patent attorney/agent has determined that, in his opinion, your idea is patentable." CX 8, p.35. Thus, rather than simply conveying the legal opinion, the Feasibility Report interprets, if not misconstrues, it.

Doubtless, a sophisticated reader would identify the legal analysis in the Feasibility Report for the generic boilerplate that it is. However, the entire report

obviously lacks significant underlying analysis, but is nonetheless tailored to come across as advice specific to the particular inventor. For example, the Report explains that:

In designing the package for the "[Invention 1]," many factors need to be taken into account. These may include but are not limited to the following:

- 1) Size
- 2) Shape
- 3) Copy
- 4) Color
- 5) Materials
- 6) Brand marks
- 7) Convenience to the consumer
- 8) Ease of use
- 9) Production concerns & processes
- 10) Budget and time constraints
- 11) Dependability and durability
- 12) Overall appearance
- 13) UPC coding

CX 8, p.64-65. Plainly, the report as a whole is not the result of extensive specific research and analysis, yet equally plainly it is structured so as to attempt to convey the impression that such work has been done on the inventor's behalf. Nothing in the report would indicate to a reader that while the business advice and analysis is meant to be taken at face value, the legal advice and analysis is not.

It is quite possible that patent information more specific than that contained in the Feasibility Report is readily available for purchase in bookstores. The inventors here, however, did not choose their Reports from a shelf of books. Rather, they provided AIC specific information regarding their individual inventions, and received personalized Feasibility Reports containing (or at least purporting to contain) legal advice and analysis concerning the specific invention. Preparation of these reports constituted the unauthorized practice of law.

The ID also correctly concluded that AIC engaged in the unauthorized practice of law by explaining the Feasibility Report and the patentability opinion contained therein. In determining whether it was reasonable to infer that a non-attorney had been called upon to explain various legal documents, the court held in In re Discipio 645 N.E.2d 906 (Ill. 1994):

Circumstantial evidence is legal evidence and neither the commissioners nor this court are required to be naïve or impractical in appraising an attorney's conduct [W]e need not remain blind or insensitive to the reasonable and clear-cut intendments arising from respondent's own admissions and business records.

645 N.E.2d at 910 (citation omitted). Here, extensive independent evidence supports the conclusion that the companies scheduled and held face-to-face meetings to deliver the feasibility reports. See Tr. 227, 231-32 [INVENTOR 2]; Tr. 373 [INVENTOR 3]; Tr. 466 [INVENTOR 1]; Tr. 524 [INVENTOR 4]; Tr. 607 [INVENTOR 5](inventor testimony concerning initial face-to-face meetings with company representatives). Given the importance of the information in the report on the patent process and the patentability of the particular inventions, it would be naïve to suppose that a discussion of the report could exclude presentation of the legal advice.

Supporting that conclusion, as the ALJ found, is the testimony of Mr. Lougher that company salesmen routinely used the feasibility reports as their sales presentations in face-to-face meetings with the inventors. Respondent contends that the ID improperly relied on Mr. Lougher's testimony as to the factual finding of "general scheme" or "mode of operation" of the companies, contending that his testimony, based on involvement in the operations before Respondent came on the scene, should have been excluded. The applicable regulations provide that, while "[t]he rules of evidence prevailing in courts of

law and equity are not controlling in hearings in disciplinary proceedings,” the ALJ shall exclude “evidence that is irrelevant, immaterial, or repetitious.” 37 C.F.R. § 10.150(a). Even under the Federal Rules of Evidence, however, evidence of the routine practice of an organization is admissible to prove that the conduct of the organization on a particular instance was in conformance with the routine practice. Fed. R. Evid. 406.

There is no question that the significance of Mr. Lougher’s testimony must be carefully evaluated in view of the fact that he left AIC in March 1992, and Respondent did not begin accepting referrals from AIC until November 1993. However, the documentary evidence in the record and the testimony of Respondent and the inventors independently support most of the ID’s findings. On those points, Mr. Lougher’s testimony is relevant as tending to support the credibility of testimony of others and the conclusion that the practices were long-standing.

Only one finding in the ID relevant to the unauthorized practice of law relies primarily on Mr. Lougher’s testimony – that is, that representatives of the companies explained the feasibility reports to inventors at face-to-face meetings. As discussed above, and further below, however, independent evidence in the record not cited on this point in the ID demonstrates that companies presented the reports in face-to-face meetings. Although Respondent demonstrates that some aspects of AIC’s standard practices changed after Mr. Lougher’s departure, the record is clear that in most respects AIC’s practices did not change. No specific evidence suggests that this aspect of its practice changed – certainly nothing that is credible in the face of specific evidence that the practice continued.

Respondent also objects to the ID's reliance on the declaration of Pat King, who was employed by AIC during the relevant time period. CX 32. Ms. King's declaration consists primarily of a description of AIC's mode of operation. This description facilitates an understanding of the documentary evidence in the record, but nearly every salient point is independently established by the documents themselves. The declaration does, however, provide the only direct evidence that Ms. King and the rest of the AIC staff were directed not to divulge contact information for the attorneys assigned to the inventors' cases. CX 32 at paragraph 4.

Respondent's primary objection to the declaration appears to be based on its form. Respondent describes it as "unsworn" and points out that it is not witnessed or notarized. Respondent's Reply Brief at 2-3 and note 1. The declaration is executed under penalty of perjury, and is admissible under 28 U.S.C. § 1746. CX 32.

Respondent correctly points out the Ms. King was not made available for cross examination. Her out-of-court statement would indeed be hearsay under the Federal of Evidence. The rules of evidence prevailing in courts of law, however, are not applicable to proceedings before the ALJ. 37 C.F.R. § 10.150. Respondent has not developed his argument by, for example, alleging issues of competence or bias that he could have pursued on cross examination. As discussed below, there is independent evidence that Respondent did not regularly have contact with his clients until after he had prepared their patent applications. Further, there is evidence that Respondent himself discouraged his clients from contacting him. Respondent's instructions to [INVENTOR 1] include the following language:

All reasonable and necessary legal fees for preparing and prosecuting your patent application until an issued patent is obtained are being paid by

American Inventors Corporation. However, the fee [sic] do not include personal consultation, whether in writing or by telephone, between an inventor and his or her attorney. Accordingly, our usual procedure is to bill customary and expected charges directly to you for any personal consultation with our offices.

CX 8, 88-89. His instructions for Concept Network clients are similar, and also state that “our usual procedure is to request that inventors make an appointment with our offices via The Concept Network.” CX 39 at 7 (emphasis in original). Thus, Respondent both implied that personal consultation with respect to a patent application is not “reasonable and necessary” and discouraged such contact by imposing additional fees upon it.

The ALJ did not err in admitting the King declaration. The lack of opportunity for cross examination does somewhat reduce the persuasiveness of the testimony. However, in view of the extensive corroborating evidence and the lack any specific challenge to the credibility of the testimony, the ALJ’s reliance on the declaration was appropriate.

Further, there is affirmative evidence in the record -- not relied upon in the ID -- that AIC did in fact explain the Feasibility Report and patentability opinion, at least in presentations to inventors as of January 1995. The Representation Agreement between [INVENTOR 1] and AIC contains the following paragraph:

CLIENT acknowledges the receipt of a preliminary search report which was prepared by a registered patent attorney and which recommended the filing of either a utility patent application or a design patent application, or both, depending upon the patent attorney's professional judgment as to which type(s) of patent protection should be pursued. CLIENT further acknowledges and understands that a utility patent and a design patent each provide a different type of protection for an invention, and specifically that a utility patent protects the function of an invention i.e. how it works, and a design patent protects the ornamental appearance of an invention, i.e. how it looks. With a complete understanding of the differences between utility patents and design patents, CLIENT wishes to

follow the advice of the patent attorney and proceed with the recommended type of patent application.

CX 8, p. 072. This agreement, executed January 19, 1995, appears on a form marked "REV 1/95." CX 8, p. 073. The quoted language does not appear on earlier-executed AIC Representation Agreements in the record.

Merely presenting the agreement form with the above language constitutes an explanation of the patentability opinion (and in fact a misrepresentation of it, because the opinion addresses whether patent protection may be available but makes no recommendation as to whether it should be sought). The form also explains the difference between utility and design patents much more explicitly than the Feasibility Report does. Finally, the Representation Agreement asserts that the client has a "complete understanding" of the differences between the two types of patents. While the one-sentence explanation on the Representation Agreement form itself, unlike the passing references in the Feasibility Report and the patentability opinion, is reasonably cogent, it is hardly sufficient to impart a complete understanding of the somewhat complex legal and conceptual differences between the two types of patents. Compare, e.g., 35 U.S.C. § 154(a)(2) to 35 U.S.C. § 173. Such an understanding could not have come from the two other documents presented, since they impart even less information. The reference to a "complete understanding," therefore, must contemplate an explanation by AIC representatives, because there is no other source from which AIC's clients could reasonably be expected to gain such an understanding.

Thus, the [INVENTOR 1] Representation Agreement constitutes direct evidence that AIC was engaging in the unauthorized practice of law by providing written legal advice and clear indirect evidence that it provided oral legal advice explaining the Feasibility

Report and patentability opinion in 1995, which was the last year of Respondent's association with that firm. That evidence, taken together with the other extensive evidence of oral presentations reaching back to 1992 and the reasonable inferences drawn in the ID, is sufficient to establish that AIC engaged in the practice throughout the relevant period.

The record also supports the ID's finding that the companies engaged in the unauthorized practice of law when they oversaw the preparation of patent drawings. Patent drawings are not normally produced as part of the inventive process itself; rather, they are drafted in connection with the preparation of a patent application, are submitted to the patent office as part of that application, and form a part of the patent if one is ultimately granted. Drawings illustrate the features of an invention for which protection is sought, and their competent preparation requires an understanding of which features of the invention are patentably distinct from the prior art. As the ID points out at length, this is particularly true for a design patent, in which the scope of patent protection is exclusively defined by the drawings.

The parties engage in a debate on whether a drawing is properly regarded as part of the patent specification and claims. The point is academic for present purposes. It is true that 35 U.S.C. § 111(a)(2) separately enumerates the specification and drawing. However it treats both, when present, as integral parts of the application. By statute, a drawing may be a required part of the application, and its contents, as part of the patent disclosure, can affect the patentee's rights. 35 U.S.C. § 113. Thus, preparation of patent drawings is as much the practice of law as is preparation of patent specifications and claims.

Respondent argues that drafting patent drawings does not constitute the practice of law because patent attorneys routinely delegate such drafting. It is undoubtedly true that a draftsman who prepares a patent drawing on behalf and under the direction of a licensed patent attorney or agent does not engage in the unauthorized practice of law. This is not what occurred here, however. Rather, the companies arranged for the preparation of the drawings directly on behalf of the inventors. The drawings were prepared before the inventors were ever referred to Respondent. ID 54. Although the drawings were ultimately incorporated into a patent application prepared and filed by Respondent, Respondent's subsequent involvement cannot negate that the companies, without the involvement of a practitioner, arranged for and oversaw the drafting of documents intended to be a legally significant part of the patent disclosure to the USPTO.

Respondent's defense is based on the theory that the companies merely acted as conduits to transmit the client's instructions to Respondent. When the companies arranged for preparation of the drawings, however, they were acting on behalf of the inventors, not on behalf of Mr. Colitz or any other patent practitioner. Thus, the companies provided the inventors with the service of preparing patent drawings and, in preparing these legal instruments, engaged in the unauthorized practice of law.

Respondent also argues that his conduct was proper because he required the inventors to verify the drawings before he filed them. Respondent's conduct in this regard may bear on the competence with which he fulfilled his duties to his clients, and perhaps to the issue of whether he aided the companies in their practice of law, but not to whether the companies engaged in such practice.

The ID's conclusion regarding the unauthorized practice of law is based on analysis of various specific acts directly undertaken by employees of the companies themselves. As set forth above, this decision adopts the ID's conclusions on this basis, except with respect to the companies' explanation of the representation agreement. While it was not argued by the parties and therefore does not form a basis for this decision, there is an alternative theory that would support a conclusion that the companies engaged in the unauthorized practice of law. The record establishes that the companies offered to obtain patents on behalf of clients, and that they arranged with attorneys to obtain patentability opinions and to draft and file patent applications, and with a draftsman to draft patent drawings. It is also clear that, at a minimum, preparing patentability opinions and drafting and filing patent applications constitutes the practice of law.

In Florida Bar v. Davide, 702 So. 2d. 184 (Supreme Court of Florida 1997), an unregistered individual was charged with engaging in the unauthorized practice of law in part because he had completed a complaint for dissolution of marriage. The court held that "[t]his would be the unauthorized practice of law even if an attorney had drafted the complaint as [the individual] would have been the conduit for obtaining and relaying the information, without the client ever having spoken with the attorney." Likewise,

[A] collection agency practices law by interposing itself as an intermediary between a licensed attorney and a client. In effect, the collection agency becomes the client of the attorney when it is not. This creates the absence of the attorney-client relationship that diverts the interest of the attorney from the entity whose real interests are at stake in the proceedings, thereby giving rise to a possible conflict of interest.

Med Controls, Inc. v. Hopkins, et. al. (Court of Appeals of Ohio, Eighth District, Cuyahoga County), 573 N.E.2d 154, 155. An important factor in this decision was that: "in effect, [the creditor], the real party in interest, had no control over its attorney since [the collection agency] was responsible for hiring and paying the attorney." Id.

Further, where a suspended attorney had agreed to represent clients and then arranged with licensed practitioners to appear in court, a court held that:

The core element of practicing law is the giving of legal advice to a client and placing oneself in the very sensitive relationship wherein the confidence of the client, and the management of his affairs, is left totally in the hands of the attorney. This undertaking to minister to the legal problems of another creates an attorney-client relationship without regard to whether the services are actually performed by the one so undertaking the responsibility or are delegated or subcontracted to another.

In the matter of Perrello, 386 N.E.2d 174, 179 (Supreme Court of Indiana 1979). The record would support a conclusion that, by contracting with inventors to obtain patents on their behalf, the companies engaged in the unauthorized practice of law regardless of whether they advised clients and prepared and filed patent applications themselves or arranged for licensed attorneys or agents to do so.

Aiding in the Unauthorized Practice of Law

As discussed above, the evidence shows that the companies' actions constituted the UPL with regard to all allegations except the companies' negotiation of the representation agreements. Likewise, the ID correctly found that Respondent aided in the UPL by "lending his name and his license to the companies' overall scheme in order to facilitate their operation, by accepting referrals from the companies, and by allowing the companies to perform, with his acquiescence, his legal responsibilities to explain legal

documents and ensure that the inventors made informed decisions to pursue either ‘design’ or ‘utility’ patents.” ID 72.

In the course of Respondent’s on-going arrangement with AIC, he prosecuted approximately 900 patent applications and 1,500 amendments between November 1993 and August 25, 1995. Further, in 1995 Respondent prosecuted 135 patent applications for ISC inventor-clients.¹⁵ The ID properly relied on the testimony of Mr. Bell, the OED Director’s expert, who testified that Respondent’s “lending his name to the company basically . . . by providing them with a patent attorney who will be willing to perform these services, he’s enabling them to continue this operation.” ID 78, quoting Tr. 1860. Respondent’s arrangement with the companies permitted them to provide patent-related services to inventors, and these services, as discussed above, included the unauthorized practice of law.

There is no evidence in the record that Respondent had access to the Feasibility Reports or Representation Agreements or that he was privy to the conversations between company representatives and inventors. Respondent was, however, provided with patent drawings prepared at the direction of the companies, patentability opinions addressed to the companies, and invention disclosures prepared by the inventors upon forms prepared and provided by the companies. Respondent therefore had direct knowledge of the companies' practice of overseeing preparation of patent drawings prior to his

¹⁵ See ID 11; see also ID 55, n.24, comparing the above-described number of patent applications prosecuted by Respondent with the number of patent applications prosecuted by Respondent’s expert, Mr. Fagan during his 33 year career and the OED Director’s expert, Dr. Rines during his 53 year career. Both estimated that they may have prosecuted approximately a thousand patent applications throughout their respective careers.

involvement. He also knew that the companies were gathering the information upon which he relied in preparing patent applications. Even if the companies could have gathered such information for Respondent without engaging in the unauthorized practice of law (and it is far from clear they could have), Respondent was certainly on notice that the companies were communicating with the inventors regarding what would become the subject of his representation. Under these circumstances, Respondent's failure to investigate the Companies' exact role in the process cannot insulate him from a charge of aiding the unauthorized practice of law, even with respect to those elements of the companies' conduct of which he did not have direct knowledge.

Although Respondent asserts that the evidence of his daily written and telephone contact with his inventor-clients is overwhelming, the only evidence he points to in the record is his testimony at hearing that he had personal contact with inventors “[o]n the phone, all the time . . . Ten, twenty calls a day. Ten, fifteen.” See Respondent’s Initial Brief at 5 citing Tr. at 1424 (Respondent’s testimony). Respondent’s own testimony contradicts this non-specific assertion regarding his contact with inventor-clients, as he testified that he could not recall any discussions with his inventor-clients before he filed their respective applications, ID 11,16 (Findings of Fact 38, 52), Tr. 1559; that the inventor-clients made the decision as to which type of patent to pursue without his input, ID 66-67, quoting Tr. 1356, 1291, 1452, and that with regard to his inventor-client [INVENTOR 2], he never discussed the patentability opinion. Id. at 72, n. 188 quoting Tr. 1632-33.

Furthermore, contrary to Respondent’s assertion, it was proper for the ID to rely upon decisions involving living trust marketing, estate planning, and bankruptcy

refinancing for guidance. Contrary to Respondent's argument, the referral arrangement in Comm. On Professional Ethics & Conduct v. Baker, 492 N.W.2d 695 (IA 1992) is analogous and pertinent to this case. See ID 72-76 (extensive analysis and comparison of this case with Baker). The Baker court found that the attorney aided in the UPL by, inter alia, allowing a trust marketing company to exercise professional judgment that should have been exercised by the attorney, as well as facilitating the UPL by accepting a large number of referrals on a regular basis. Id. See also id. at 77-78 (for a discussion of an attorney aiding in UPL, see In re Komar, 532 N.E.2d 801, 810 (Ill. 1988), a bankruptcy refinancing case). Furthermore, even the existence of an agency relationship between the companies and Respondent's inventor-clients would not safeguard Respondent from aiding in the UPL if his acquiescence facilitates the companies' UPL. See ID 76, n. 198, citing Oregon Ethics Opinion 523 (1989). See also, Oregon Ethics Opinion 1991-115, 1991 WL 279242 (1991) (pursuant to a disciplinary rule essentially identical to DR 10.47(c) state bar concluded that attorney may not accept representation of foreign corporation's customers involving an agency contract signed by such customers allowing corporation to obtain local counsel to review estate planning documents to determine whether they complied with Oregon law and to assist in executing documents).

Respondent points out that 37 C.F.R. § 10.47(a) prohibits a practitioner from aiding an non-practitioner in the practice of law before the office. He argues that because, under 37 C.F.R. § 10.1(s), a "proceeding before the office" means a proceeding pending before the office, any practice of law by the companies prior to the submission of a patent application is not prohibited by this section.

The complaint charged Respondent with violation DR 10.47(a) and/or 10.47(c). DR 10.47(c) prohibits aiding a non-lawyer in the unauthorized practice of law. The companies are not lawyers, and Respondent aided them in the unauthorized practice of law. This is sufficient to sustain Count 1 of the complaint. Exactly what constitutes practice of law “before the office” under DR 10.47(a) and whether such practice is limited to “proceedings before the office” as defined by 37 C.F.R. § 10.1 need not be decided here.

Count 2 – Fee Splitting / Improper Partnership

Count 2 alleges that Respondent violated DR 10.48 and/or DR 10.49 by sharing legal fees and forming a partnership with a non-practitioner (AIC and/or ISC) to practice patent law before the USPTO. Complaint, page 6. In addition to Finding of Fact 39, set forth above in the appendix, the following findings of the ID are pertinent to Count 2.

Respondent knew, or was otherwise aware, that inventors paid AIC for its patent-related services. ID at 5. Respondent agreed to be paid by ISC for legal services provided. Id. According to the general protocol under Respondent’s arrangement with AIC, all communication with AIC-referred inventors was to be had through AIC, with little or no direct communication between Respondent and the inventors. Id. at 6. Between November 1993, and August 25, 1995, Respondent accepted approximately 900 client referrals from AIC and prosecuted those patent applications, including approximately 1,500 amendments, at the request of AIC. Id. As compensation for prosecuting these referrals, AIC paid Respondent \$350 per patent application and \$150 per amendment. Id. at 6-7. In 1995, Respondent accepted approximately 135 client

referrals from ISC and prosecuted those patent applications at the request of ISC. Id. at 7. ISC paid Respondent \$200 per week for preparing patentability opinions. Id.

AIC, ISC and/or CN set the fee Respondent was paid for patentability opinions and/or other legal services for preparing and prosecuting patent applications for inventors who contracted with AIC, ISC and/or CN for such services. Id. Respondent was paid by AIC, receiving a portion of the fees paid to AIC by the inventors. Id. Respondent knew, or was otherwise aware, that AIC and/or ISC maintained and controlled the legal fees paid by the inventor(s) until AIC and/or ISC paid such funds to Respondent for legal services performed. Id. at 7-8. Respondent did not know where AIC and/or ISC maintained or deposited the inventors' funds. Id. at 8.

Upon completion of Respondent's legal work on behalf of the inventors, for example, by providing patentability opinions and drafting patent applications, AIC, ISC and/or CN paid Respondent a portion of the fees that the inventors had paid to the companies before Respondent's having performed the legal work. Id. All money paid to Respondent by AIC, ISC and/or CN was paid after Respondent had performed the legal work for which such money was compensation. Id. Respondent did not communicate directly with his inventor-clients, including, *inter alia*, [INVENTOR 6], [INVENTOR 4], and/or [INVENTOR 2], prior to preparing their patent applications. Id. at 11.

Respondent participated in a process where inventors paid AIC for legal services and AIC selected the attorney who would handle a given case. Id. at 14. AIC selected and assigned an attorney, *i.e.*, Respondent, for Respondent's inventor-clients, including, *inter alia*, [INVENTOR 1] and [INVENTOR 4], rather than such inventors making the selection themselves. Id. [INVENTOR 2], was promised by AIC that AIC “. . .will

engage a Patent Attorney/Agent to prepare and file a design patent application(s) including all necessary supporting and filing documentation...” Id. at 15. AIC represented to inventors, including [INVENTOR 2], that certain patent-related work would be performed, and Respondent, according to general protocol under his arrangement with AIC, provided legal services to AIC-referred inventors, including [INVENTOR 2], prior to independently consulting with such inventors. Id. at 16.

Fee-Splitting

With regard to the fee-splitting allegation, the ID holds that Respondent violated DR 10.48 which provides, in relevant part, that a “practitioner . . . shall not share legal fees with a non-practitioner,” by sharing legal fees with the companies because “the fee arrangement between Respondent and the companies was permanent and ongoing, involving over 1,000 inventor clients. . . [and] implicated every rationale underlying the prohibition on sharing legal fees with non-lawyers.” Id. at 79. The ID identifies these rationales as: prevention of competitive solicitation of clients for lawyers by non-lawyer intermediaries, split allegiance and inflated cost. Id. at 85, citing Emmons, Williams, Mires & Leech v. State Bar of California, 86 Cal. Rptr. 367 (Ct. App. 1970)(case relied upon by Respondent in his “Memorandum in Support of his Proposed Findings of Fact and Conclusions of Law” at 73).

Respondent argues that “there is no evidence that AIC kept any portion of any legal fee” from the monies paid by the inventors to AIC and that Respondent was entitled to accept his legal fees from his inventor-clients’ agents. Respondent’s Initial Brief 16-17. Respondent also challenges the expert testimony of Mr. Bell and argues that there is no evidence that the legal services were inflated in this case. Id. at 17. Respondent

further argues that the fee arrangement did not have an impact on Respondent's allegiance to his inventor clients as is evidenced by the assistance he provided inventors after AIC went out of business. Id. at 18-19. Finally, Respondent argues that the trust marketing cases relied upon by the ID are inapplicable because none of the decisions deals with a situation involving an agency relationship similar to this case. Id. at 19-20.

The OED Director maintains that Respondent knew he was paid a portion of the fees paid by his inventor-clients to the companies¹⁶ and that the law prohibits a non-lawyer and lawyer from splitting a single fee earned from "a package deal." OED Director's Reply Brief at 8-9. The OED Director maintains that contrary to Respondent's assertion, the record shows that Respondent's inventor-clients "were charged a large fee for a bundle of services with no disclosure to the inventor of how much was being paid for legal services." Id. at 9 citing Tr. 1786-67, 1805, 1891 (testimony of OED Director's expert, Mr. Bell).

The ID's finding that the Director established by clear and convincing evidence that Respondent violated DR 10.48 is supported by the record. The record does not show that Respondent believed AIC was acting as an escrow agent holding his legal fees separate from the rest of the fees paid by his inventor-clients. See ID at 83-84. In

¹⁶ In response to an OED Requirement for Information, Respondent stated:

I was not originally aware of any service fee paid by inventors such as [INVENTOR 6] to AIC. I assumed that monies were paid by inventors such as [INVENTOR 6] to AIC and that a portion of such money would be paid to me for compensation for legal services and costs. I would only look to AIC for my legal services.

Director's Reply Brief at 11, quoting CX 7, p.70 ans. 2c.

responses to the OED Director's inquiries, Respondent stated that he did not know "where AIC kept or deposited the legal fee portion of the service fee." CX 7, p.62.

It was proper for the ID to rely upon the cited ethics opinions for guidance in evaluating the evidence in this case. In Emmons the court held that the payment of one third of an attorney fee award to a bar association for referring a client to attorney did not violate California State Bar Professional Rules of Conduct. In so holding the Court noted the "social value" and "quasi-public objectives" of bar association referral programs and held that they did not offend the underlying rationale that prohibits fee splitting. 86 Cal. Rptr. at 370. In this case, it is difficult to discern any similar "social value" and/or "quasi-public objectives" of the referral service at issue.

The large number of referrals accepted by Respondent during a two-year period supports the ID's finding that the arrangement "facilitat[ed] the lay intermediary's tendency to select the most generous, not the most competent attorney." Id. at 372. Respondent testified that his fees for the clients referred by the companies were "a lot less" than his regular fee structure. Tr. 1184. See also RX 11g (Letter to [INVENTOR 1] in which Respondent states that legal fees for typical utility patent application filed through his office are approximately \$1,250.00 to \$2,000.00). The OED Director's expert, Mr. Bell testified that the fee structure in this case "bundled" attorney services with non-attorney services such that inventor-clients did not know how much they were paying for attorney services, and "[i]f they knew they were paying an absurdly low amount, it might alert them that maybe the work is not of top quality.'" ID 84 quoting Tr. 1786. See also CX 6, pp. 8-10; CX 8, pp. 70-74 (examples of Representation Agreements which set forth service fee amount but do not give legal fee amount); CX 6,

pp. 15-17, CX 12, Pt. 2, p. 164 [INVENTOR 4]; RX 17d [INVENTOR 2]; RX 3; RX 11c, CX 8, pp. 78-89 [INVENTOR 1]; CX 12, Pt. 3, p. 228 [INVENTOR 3]; CX 25, pp. 31-32 [INVENTOR 5]; CX 4, pp. 3-4, 26-27 [INVENTOR 9]; CX 7, p. 13 [INVENTOR 6] (examples of “Instructions” from Respondent stating that legal fees are being paid by companies but not giving legal fee amount). Indeed, confusion as to the bundling of services is demonstrated by the testimony of inventor [INVENTOR 5] that he paid the invention development company \$5000.00 “[f]or a patent application to be submitted for services of finding manufacturers in the related field of my invention.” Tr. 626.

With regard to the issue of whether Respondent’s allegiance to his inventor-clients was diverted to the companies from whom he obtained his legal fees, as found in the ID, Respondent’s “split allegiance” to his inventor-clients was demonstrated by his original responses to the OED Director’s interrogatories. In these responses, Respondent identifies AIC, rather than the inventors, as his client. Also supporting this conclusion is Respondent's handling of [INVENTOR 6] application, which he did not file with the Office but instead returned to AIC after he did not receive his legal fees from AIC. ID 86, n. 235.

Partnership

DR 10.29 provides that a “practitioner shall not form a partnership with a nonpractitioner if any of the activities of the partnership consist of the practice of patent . . . law before the Office.” The ID correctly found that:

Respondent was engaged in a permanent and on-going business relationship with AIC in which AIC assigned inventors to Respondent in order for Respondent to prepare patent applications according to the policies and procedures of AIC. . . . Respondent and AIC “shared clients” in that the inventors did not independently select their invention marketers and their patent attorney, but rather AIC selected Respondent for each of the inventors.

Respondent and AIC engaged in “fee-splitting,” whereby the client would write one check to AIC, from which AIC would then separate Respondent’s legal fee. Further, Respondent’s arrangements with AIC enabled AIC to hold itself out as offering legal services.

Id. at 91-92, 97.

Respondent argues that he did not share legal fees with AIC and that he had “ongoing, consistent, and routine direct contact with his inventor clients.” Respondent’s Reply Brief at 21. Respondent further argues that the fee arrangement in Arizona State Bar Ethics Panel Opinion 93-01 is non-binding and inapplicable, and that the holding in In re Komar, 532 N.E.2d 801 (Ill. 1988) is inapplicable because there is no evidence that AIC contracted with inventors to provide legal services.

The OED Director argues that in this case the companies did much more than act as a conduit for documents, and likewise, Respondent did more than accept referrals from these companies. Specifically, the OED Director maintains that a “patent lawyer that permits a non-lawyer to solicit clients, negotiate the engagement contract, split fees, set the rate of the lawyers’ fees, facilitate client communications, and perform patent prosecution functions before the USPTO is engaging in a partnership in violation of [DR] 10.49.” OED Director’s Reply Brief at 11.

For the reasons set forth previously, Respondent’s assertions that he did not share legal fees with AIC and that he had “ongoing, consistent, and routine direct contact with his inventor clients” are rejected. Although 37 C.F.R. Part 10 does not define the term “partnership,” it was proper for the ALJ to look for guidance to interpretations of ABA Model Rule 5.4(b), which is essentially identical to DR 10.49, and of similar rules from other jurisdictions. The various opinions relied upon by the ID addressed analogous and pertinent situations where improper partnerships were found. ID at 96-97. For instance,

in Komar, an attorney accepted referrals and compensation from a corporation. The corporation, *inter alia*, contracted with customers to retain counsel on their behalf so that counsel could determine the legal status of foreclosure actions and negotiate on their behalf prior to a foreclosure sale. The Komar court found that this arrangement constituted a partnership in violation of Illinois disciplinary rule essentially identical to DR 10.49. Komar, 532 N.E. 2d at 810, cited at ID 95-96. As set forth at the outset of this section, the ID correctly found that Respondent had an on-going and continuous relationship with AIC starting in November 1993 and until August 1995. AIC solicited inventors for Respondent; AIC negotiated engagement contracts, specifically the “Representation Agreements” with inventors, that included legal representation clauses; inventors were not given a choice of legal counsel; all fees were paid directly to AIC; the amount of legal fees paid to Respondent were not disclosed to inventors; and Respondent was not aware of how AIC determined its fees or determined or handled the portion attributable to his services. Also relevant to the partnership issue is the fact that inventors were confused about whether the attorneys worked for invention development companies. Tr. 381, 387, 403, 453. See also, CX 6, p. 14 and CX 12, Part 3, p. 23; CX 7, pp. 42-43; CX 8, pp. 78-79 (letters sent to inventors stating that companies will immediately begin preparation of their patent applications).

Respondent argues, correctly, that his arrangement with the companies did not result in the formation of a business entity that could be described as a partnership. The ID addressed this argument and properly concluded that “partnership” under D.R. 10.49 was a broader concept than partnership under business law. This conclusion is adopted.

Potentially more troublesome is the overlap between “fee splitting” and “partnership” as interpreted in the ID. The cases relied upon by the ID find either fee splitting or partnership under similar sets of facts, but none of the cases addresses both concepts or explains how they differ. Had Respondent been charged with both independently there might, under the facts here, be a serious question of whether the fee splitting charge was subsumed by the partnership charge. In this case, however, partnership and fee splitting were both charged under Count 2 of the complaint, and the ID’s findings on both issues are adopted as alternative grounds to sustain that count. There is no indication that the ID’s recommended penalty was enhanced due to the finding that Respondent both split fees and entered an improper partnership.

Count 7 – Neglect / Inadequate Preparation

The ID correctly found that Respondent violated DR 10.77(b) and/or 10.77(c) by handling legal matters without adequate preparation and by neglecting legal matters. Complaint p. 9. Specifically, the ALJ found that Respondent violated DR 10.77(c) by neglecting legal matters in connection with his inventor-clients [INVENTORS 7, 8, and 2]. DR 10.77(c) provides that “[a] practitioner shall not . . . [n]eglect a legal matter entrusted to the practitioner.” As was held in In re Klein, 6 U.S.P.Q.2d 1528, 1583 (1988), a showing of willfulness is not necessary in order to prove neglect.

The ID also holds that Respondent violated DR 10.77(b) by preparing applications for all the inventors specified in the Complaint without adequately explaining the difference between “design” and “utility” patent protection and without ensuring that the inventors understood the oath required pursuant to 37 C.F.R. §§ 1.41(c),

1.63. ID 107. DR 10.77(b) provides that a “practitioner shall not . . . [h]andle a legal matter without preparation adequate in the circumstances.”

In addition to the factual findings set forth above, the ID includes the following findings pertinent to Count 7. Legal documents authored by Respondent were forwarded by ISC, AIC and/or CN to inventors for review and signature. ID 9. In approximately June 1995, Respondent provided AIC with a patent application and a Declaration containing a power of attorney for forwarding to [INVENTOR 2] for review and signature. Id. at 10. Respondent did not communicate directly with his inventor-clients, including [INVENTORS 6, 4, 5, and 2], prior to preparing their patent applications. Id. at 11. AIC, and not Respondent, explained to Respondent’s inventor-clients the difference between “design” and “utility” patents. Id. at 13. AIC, and not Respondent, oversaw, managed and controlled the creation of the drawings to be included in the design patent applications of inventors, including that of [INVENTOR 2]. Id. Prior to the filing of [INVENTOR 2] design patent application, [INVENTOR 2] notified AIC that the application drawings did not disclose an essential part of the invention, to wit: [FEATURE 2]. AIC did not pass this information on to Respondent. Id. at 16. At no time before filing [INVENTOR 2] design patent application did Respondent speak with [INVENTOR 2] or explain the difference between “design” and “utility” patent protection, and Respondent took no part in the creation of the drawings which were provided by AIC. Respondent prepared and filed a design patent application on behalf of [INVENTOR 2], which application did not include a [FEATURE 2], which [INVENTOR 2] considered to be the essential feature of the invention. Id. In the patent application for [INVENTOR 7], Respondent failed to timely file a necessary amendment. Id. at 17.

Neglect

Respondent argues that, while he “‘candidly admitted’ his errors in the [INVENTOR 7] application,” if [INVENTOR 7] had responded to or followed Respondent’s instructions his application could have been revived. Respondent’s Initial Brief 23-24. With regard to the [INVENTOR 8] application, Respondent essentially argues that the abandonment of [INVENTOR 8] first application resulted from clerical errors and confusion on the part of Respondent, which was exacerbated by USPTO errors, and was an isolated incident that does not amount to neglect. Id. at 24. As for the [INVENTOR 2] application, Respondent argues that the ID errs in holding that he committed neglect by preparing [INVENTOR 2] application without ever speaking to her, arguing that the evidence shows that Respondent “‘did communicate directly with [INVENTOR 2] regarding her design patent application on at least two (2) separate occasions prior to his filing of same.” Id. at 26. Such communication consisted of two (2) written communications from Respondent. One communication was an unsigned letter from Respondent to [INVENTOR 2] essentially informing her that the preparation of her design patent application had been completed and forwarded to AIC, that AIC would then in turn be forwarding the application to her with detailed instructions on how to review and approve the application, and requesting that she confirm the accuracy of the drawings. Id. citing RX17c. The second communication consisted of “INSTRUCTIONS FROM YOUR PATENT ATTORNEY FOR EXECUTING THE ENCLOSED DESIGN PATENT APPLICATION” and a signed confirmation from [INVENTOR 2] acknowledging that she had read and understood the instructions. Id. at 26-27, citing RX 17e & f. In addition, Respondent argues the ID’s ruling on agency as

well as expert testimony supports his contention that it was proper to rely upon the instructions of [INVENTOR 2]'s agent to file a design patent without speaking directly with [INVENTOR 2]. Id. at 28.

Addressing the [INVENTOR 7] application, the OED Director argues that Respondent admitted that this application was abandoned due to his own negligence in failing to communicate with [INVENTOR 7] and that such neglect is evidenced by [INVENTOR 7] unsuccessful attempts to contact Respondent to learn the status of his application. OED Director's Reply Brief 16. The OED Director also argues that Respondent finally responded to [INVENTOR 7] 's inquiries only after [INVENTOR 7] had filed a complaint with the Florida State Bar. Id. Moreover, the fact that Respondent offered to provide [INVENTOR 7] a "continuation-in-part application" at no cost in order to revive the application does not negate Respondent's neglect. Id. at 16-17. With regard to the [INVENTOR 8] application, the OED Director argues that even assuming the truthfulness of Respondent's version of the facts, his actions still constituted neglect given that abandonment of the application was imminent. Id. at 21.

The OED Director's reply brief argues allegations of neglect with regard to Respondent's inventor-clients [INVENTORS 4, 5, 1 and 6]. Id. at 17-18. The ID did not address allegations of neglect with regard to these inventors pursuant to 10.77(c). The OED Director did not appeal the ID's conclusions with respect to Count 8, and the reply brief neither argues that the ID erred in failing to address these allegations nor expressly asserts them as alternative grounds to support the ID's finding with respect to this count. These allegations of neglect therefore will not be addressed here.

Respondent admits that the [INVENTOR 7] application was unintentionally abandoned, ID 108, quoting RX 12d, p.2; RX 12e, p.1, and that his conduct did not comport with the standard of care expected of a patent attorney. CX 9, 62-68, ans. 4e. The [INVENTOR 8] application was abandoned after a series of errors concerning dates of filing and the signing of document filed with the Office, see ID 17-21 (Finding of Fact 57-71, outlining [INVENTOR 8] application errors). Respondent admits that his conduct did not comport with standard of care expected of a patent attorney. Tr. 1749 (Respondent's testimony). Thus, the record supports the ID's finding of neglect with regard to the [INVENTORS 7 and 8] applications based on Respondent's own admissions that he breached the standard of care in the handling of such applications.

With regard to the [INVENTOR 2] application, the record supports the ID's finding that Respondent prepared a design patent application without consulting with his inventor-client, in spite of the fact that the patentability opinion and "Disclosure" form "clearly indicated that [INVENTOR 2] sought 'utility' [patent] protection." ID 113. Respondent's two (2) written communications did not constitute sufficient communication with [INVENTOR 2]. [INVENTOR 2] testified that she did not understand the written communications forwarded to her by AIC from the Respondent. Tr. 252-54, 267, 276, 280, 281-82, 286. The OED Director's expert Dr. Rines testified, "[n]ot to explain to [INVENTOR 2] what the claim [in the patent application] really covers and why th[e] drawings depart from the disclosure that [INVENTOR 2] gave the attorney would be negligence in the least, . . . not in accordance of the standard of practice required by the Patent Office." Id. at 784. Moreover, the OED Director's expert Mr. Bell testified that a "design patent is wholly inappropriate" for the [INVENTOR 2]

invention, ID 112 quoting Tr. 1797, “if you look back at her drawing It’s clear that the actual ornamental appearance is not the key of her invention.” Id. quoting Tr. 1798. Similarly, Mr. Rines testified that he would “[n]ever” recommend a design patent for [INVENTOR 2]’s invention and described the [INVENTOR 2] design patent application as “[u]seless.” Tr. 867. [INVENTOR 2] testified that until she met with her new attorney, she thought her application was for a utility patent. Tr. 267.¹⁷

Inadequate Preparation¹⁸

Respondent argues that the evidence established that he “did undertake to ensure that [INVENTOR 2], and all his inventor-clients, understood the difference between design and utility patents,” Respondent’s Initial Brief 29, and that such evidence consisted of his “constant communication with his inventor clients,” id., and the expert testimony of Mr. Fagan concerning the adequacy of Respondent’s Instructions to his inventor clients. Id.

The OED Director, relying on expert testimony, contends that due to Respondent’s failure to communicate directly with his inventor-clients, he neglected his duty to explain the oath and “claims of the patent application before the inventor signs the declaration and verify that the inventor understands what they are signing” OED Director’s Reply Brief at 18-19.

¹⁷ See also CX4, p.6 ([INVENTOR 9] letter to attorney filing class action suit stating that she was not aware of the difference between a utility and design patent).

¹⁸ The ID treats Respondent's preparation of a design patent application without further consulting [INVENTOR 2] as neglect and his failure to explain to her the difference between design and utility patents as handling a legal matter with inadequate preparation. While this distinction appears somewhat nebulous, neither party has challenged the ID in this respect.

The ID correctly concluded that Respondent's inventor-clients were not provided with an adequate explanation of the different types of patents, and that as a result Respondent's inventor-clients did not understand the nature of the patents for which they were applying. ID 116-117. Specifically, Respondent's inventor-clients [INVENTORS 5 and 2] testified that they did not understand the difference between a design and utility patent in spite of having reviewed the patentability opinion, Feasibility Report, and Instructions for their patent attorney. See Tr. 253-53, 263, 1364; 612; see also ID 116 quoting CX 2, p. 40 and 43. Respondent appears to argue that [INVENTOR 2] should have known the difference between a design and utility patent because she owns a prior patent. Respondent's Initial Brief at 29, n. 14. Respondent, however, did not rely on any prior experience of [INVENTOR 2] in deciding what information to give since he was not aware of [INVENTOR 2]'s prior patent when he prepared her application. Tr. 1627 (Respondent's testimony). Her holding of a patent is not a rebuttal of her testimony that she did not understand the difference between a utility and a design patent. The "Instructions" which Respondent contends he prepared and provided to his inventor-clients, give "extremely bare definitions" of either "design" or "utility" patents depending on which type of patent was being applied for. The "Instructions" did not compare and contrast the two types of patents, and were not provided to the inventor-clients until after the applications were completed and ready for signing, well after inventor had decided which type of patent to pursue. ID 67, n. 171. Respondent's reliance upon the expert testimony of Mr. Fagan that the "Instructions" found in RX3 and RX11c were "comprehensive. . . well-drafted" appears to be somewhat misplaced, Tr. 977, as RX11c gives no explanation whatsoever of a utility patent.

As for whether Respondent handled legal matters without ensuring that inventors understood the oath pursuant to 37 C.F.R. § 1.41(c), that subsection states “Any person authorized by the applicant may [file] an application for patent to the Office on behalf of the inventor or inventors, but an oath or declaration for applications (§ 1.63) can only be made in accordance with § 1.64.” Section § 1.63(b)(2) states, in relevant part, that “the person making the oath or declaration has reviewed and understands the contents of the application, including the claims.” The ID found that Respondent failed to ensure that inventors understood their claims as required by 37 C.F.R. § 1.63(b)(1) based on his earlier finding that Respondent’s “Instructions” document did not adequately explain the “claims” of the application”, i.e., the difference between a utility and design patent. ID 119.

Respondent engaged in neglect and/or inadequate preparation when he prepared the [INVENTOR 2] application and forwarded it for signature when he should have known that it did not reflect [INVENTOR 2]'s understanding of her invention. This failing is compounded by the fact that Respondent sought [INVENTOR 2]'s oath that she understood the patent claims when he should have recognized that she would not approve the application if she in fact understood it. The ID's conclusions with respect to the oath are affirmed to this extent.

To the extent, however, that the ID can be read to say that Respondent failed to adequately explain the oath itself, it is in error. The oath itself is not particularly complex, nor is it fundamentally different from language in myriad other documents citizens must execute in the course of everyday life. Respondent was not required to

independently explain that the oath meant what it said and that [INVENTOR 2] should not sign it if it were not true.

In making this minor departure from the ID, this decision in no way accepts Respondent's argument that [INVENTOR 2]'s execution of the oath excuses Respondent's failure to explain the import of filing a design patent application. [INVENTOR 2] relied upon Respondent to ascertain and undertake the steps necessary to obtain legal protection for her invention. [INVENTOR 2]'s act of signing a legally inadequate document cannot excuse Respondent's actions in drafting the document and presenting it to her for signature.

Count 9 – Improper Withdrawal

Count 9 alleged that Respondent violated DR 10.40(a)¹⁹ by failing to take reasonable steps to avoid foreseeable prejudice to his client(s) prior to withdrawal from employment or representation. Complaint p. 10. In addition to the factual findings set forth above, the ID made the following findings pertinent to Count 9.

Inventors were at times assigned by AIC to one attorney and then reassigned to another attorney where the inventors were without the opportunity to withdraw and/or choose their own representation. ID 14. In the cases of Respondent's inventor-clients [INVENTORS 1 and 6], the inventors signed declarations and powers of attorney

¹⁹ DR 10.40(a) provides, in relevant part:

A practitioner shall not withdraw from employment in a proceeding before the Office without permission from the Office (see §§ 1.36 and 2.19 of this subchapter). In any event, a practitioner shall not withdraw from employment until the practitioner has taken reasonable steps to avoid foreseeable prejudice to the rights of the client, including giving due notice to his or her client, allowing time for employment of another practitioner, delivering to the client all papers and property to which the client is entitled, and complying with applicable laws and rules.

appointing Respondent as their attorney and Respondent completed their patent applications. However, due to a fee dispute with AIC, Respondent removed the signed declaration and returned his clients' completed and signed applications to AIC without having filed them, and without informing his clients. As discussed below, Respondent returned the documents with a letter that recommending that AIC assign a new attorney. AIC then inserted new powers of attorney (unsigned by the inventors) appointing Hugh Smith and filed the applications with the USPTO. The USPTO thereafter sent all communications to Hugh Smith as the attorney of record in both cases. Following AIC's demise, Respondent took steps to attempt the prosecution of these applications. However, both applications were ultimately abandoned. Id. at 14-15. Subsequent to Respondent's withdrawal from representation of inventors [INVENTOR 6] on or about April 10, 1995, Respondent became aware, by October 13, 1995, at the latest, that AIC has re-assigned [INVENTOR 6]'s patent application to attorney Hugh E. Smith without seeking the permission of inventors [INVENTOR 6]. Id. at 15.

Respondent argues that he did not violate DR 10.40(a) based upon his failure to seek USPTO's permission before withdrawing as such permission is required only after an application has been filed with the Office, and he returned the [INVENTORS 1 and 6] applications before they had been filed. Respondent's Initial Brief at 31-31. In addition, Respondent argues that the ID's finding was erroneous that any prejudice suffered by [INVENTORS 1 and 6] was a foreseeable consequence of Respondent's improper withdrawal, as Respondent could not have foreseen "AIC's unauthorized and fraudulent action" of filing the applications after inserting new powers of attorney (unsigned by the inventors) appointing Hugh Smith and the USPTO's recognition of the Hugh Smith

power of attorney. Id. at 32. Last, Respondent argues that the ID was erroneous in holding that he violated DR 10.40(a) by failing to allow time for his clients to seek other counsel and return necessary file materials upon his withdrawal, as Respondent returned his inventor-clients' files to their agent prior to the filing of the applications. Id. at 33. Because the applications were returned before they had been filed with the Office no deadlines had begun to accrue and this provided his inventor-clients' ample time to seek new counsel. Thus, Respondent argues, the fact that he admitted that he should have notified [INVENTORS 1 and 6] that he had returned their files to AIC does not constitute a violation of DR 10.40(a).

The OED Director contends that the evidence of record clearly and convincingly shows that Respondent violated DR 10.40(a) based upon his withdrawal from the [INVENTORS 1 and 6] applications without first requesting permission from the USPTO or informing his inventor-clients. OED Director's Reply Brief 21.²⁰ The OED Director also contends that Respondent did not take steps to avoid foreseeable prejudice to his clients. Id. at 23.

The record supports the ID's finding that Respondent violated DR 10.40(a). Even if Respondent's contention is true that he would only be required to seek USPTO's permission to withdraw after an application has been filed, DR 10.40(a) states that "[i]n any event, a practitioner shall not withdraw from employment until the practitioner has taken reasonable steps to avoid foreseeable prejudice to the rights of the client, including giving due notice to his or her client." Respondent testified that the attorney-client

²⁰ The OED Director cites to Kansas v. Mayes, 185 U.S.P.Q. 624, 625 (1975), in which the Kansas Supreme Court upheld the disbarment of an attorney for, *inter alia*, violating disciplinary rules pertaining to neglect of legal matters based on the attorney's refusal to respond to the patent office's action letter because his fees were not paid.

relationship was established when he began preparation of an application, Tr. 1450, 1508-09. He was aware that after he prepared these applications they were then forwarded to his inventor-clients with a “Declaration and Power of Attorney” appointing him as attorney of record, together with his “Instructions” for executing the respective applications. Respondent returned the two applications to AIC with a letter stating “[i]n the interest of the inventors, it is recommended that you engage a new patent attorney promptly and proceed with the filings.” CX 12, part 11, p. 1358. Respondent admits that he should have directly communicated his withdrawal to his clients in order to comport with the standard of care required of a patent practitioner, ID 133-34 quoting Tr. 1733-34, and clear and convincing evidence demonstrates that he violated DR 10.40(a) by failing to take reasonable steps to avoid foreseeable prejudice to his client.

As the ID noted, Respondent’s efforts to assist [INVENTORS 1 and 6] cannot cure his earlier improper withdrawal, which occurred after AIC had gone out of business following scrutiny by the television program “20/20” and after he had come under investigation by the USPTO OED. ID 133.

Further, even under Respondent’s asserted interpretation of the OG notices regarding agency, any relationship between the inventors and AIC could not bring his withdrawal into conformance with DR 10.40(a). His April 10, 1995, letter returning the [INVENTORS 1 and 6] applications to AIC discusses a fee dispute dating at least to the “first of the year.” It also requests that AIC make advance payment for 92 application amendments for AIC clients that would come due through June 16, 1995, asserting that “if such funds are not timely received, I will have no recourse but to request such payment from the inventors despite that fact that they may consider that they may have

paid for such services through you.” CX 12, part 11, p. 1357. It should have been crystal clear to Respondent at the time he returned the [INVENTORS 1 and 6] applications that AIC was not honoring any fiduciary duty it may have had to the inventors. Under such circumstances, and regardless of any right Respondent argues he might otherwise have had to rely on AIC as agent of the inventors, he could comply with DR 10.40(a) only through direct communications with his clients.

Count 10 – Adverse Reflection on Fitness to Practice

Count 10 alleges that Respondent violated DR 10.23(b)(6)²¹ by engaging in conduct that adversely reflects on the Respondent’s fitness to practice before the PTO. Complaint p. 11.

The ID found that Respondent’s conduct in aiding the unauthorized practice of law before the PTO, sharing legal fees with a non-practitioner, forming a partnership with a non-practitioner where activities of the partnership constitute the practice of law before the PTO, neglecting legal matters entrusted to Respondent, handling legal matters without adequate preparation, and withdrawing from employment without obtaining permission from the PTO or taking reasonable steps to avoid foreseeable prejudice to his clients, adversely reflects upon Respondent’s fitness to practice before the PTO in violation of DR 10.23(b)(6). ID 135. The ID also found *sua sponte* that Respondent violated his duty of candor to the USPTO pursuant to DR 10.23(c)(2)(ii)²² based upon

²¹ DR 10.23(b)(6) states that “[a] practitioner shall not . . . [e]ngage in any other conduct that adversely reflects on the practitioner’s fitness to practice before the Office.”

²²DR 10.23(c)(2)(ii) provides:

Conduct which constitutes a violation of paragraphs (a) and (b) of this section includes, but is not limited to . . . Knowingly giving false or misleading

Respondents untruthful and misleading answers to interrogatory questions posed by the PTO. ID 136-137.²³

Respondent argues that the ID's finding that Respondent violated DR 10.23(b)(6) is unsupported because it is premised upon allegedly unsupported and erroneous findings concerning Counts 1, 2, 7, and 9. Respondent's Initial Brief 34. Respondent also argues that the ID's *sua sponte* finding that Respondent violated DR 10.23(c)(2)(ii) should be reversed pursuant to 37 C.F.R. § 10.134(a) and (b), as Respondent was never given any notice of this allegation.

The OED Director argues that the ID's findings of misconduct with regard to Counts 1, 2, 7, and 9 adversely reflect on Respondent's fitness to practice before the USPTO in violation of DR 10.23(b)(6). OED Director's Reply 24. Furthermore, the OED Director argues that the ID's finding that Respondent violated DR 10.23(c)(2)(ii) is supported by Respondent's untruthful answers to USPTO interrogatory questions. Id.

37 C.F.R. § 10.23(b)(1) provides that a practitioner shall not “[v]iolate a Disciplinary Rule.” Such a violation has been made out on this record, but it is not a subject of this count. Section 10.23(b)(6) prohibits practitioners from “[e]ngaging in any

information or knowingly participating in a material way in giving false or misleading information, to . . . The Office or any employee of the Office.

²³ In a number of answers to interrogatory questions, Respondent stated that he believed the companies to be his clients. See ID 32, n. 40. Subsequently, at the hearing the Respondent testified as follows:

Okay, I honestly believed, I believe today and I believed from day one that the inventor was my client and I worked with his best interest first. He had an agent through which we transmitted papers. Why I answered these questions these ways at that time under advice of the attorney that I did, they're ill advised . . . I was uncomfortable doing it then and I'm very uncomfortable now.

Id. 32 quoting Tr. 1554.

other conduct that reflects on the practitioner's fitness to practice before the office." It is undoubtedly true that the violations of Disciplinary Rules found in the ID under at least counts 1, 2 and 7 of the complaint (as well as the violation under count 6 as found in this decision) adversely reflect on Respondent's fitness to practice. However, to be "other" conduct within the scope Section 10.23(b)(6), conduct must not be prohibited by Section 10.23(b)(1)-(5). Conduct in violation of the Disciplinary Rules is prohibited by Section 10.23(b)(1) and therefore does not fall within the ambit of Section 10.23(b)(6). The ID erred in holding otherwise.

While Respondent's apparent lack of candor to OED is a serious matter, it was not a proper basis to find a violation under count 10 of the Complaint.

37 C.F.R. § 10.145 provides:

In case of a variance between the evidence and the allegations in a complaint, answer, or reply, if any, the administrative law judge may order or authorize amendment of the complaint, answer, or reply to conform to the evidence. Any party who would otherwise be prejudiced by the amendment will be given reasonable opportunity to meet the allegations in the complaint, answer, or reply, as amended, and the administrative law judge shall make findings on any issue presented by the complaint, answer, or reply as amended.

Because Respondent has not been given reasonable opportunity to meet the new allegation that he violated DR 10.23(c)(2)(ii), the Respondent correctly argues that the ID erred in finding *sua sponte* such violation.

Accordingly, the ID's conclusion with respect to count 10 of the Complaint is reversed.

Penalty Factors

In his suspension order, the ID considered the following factors: the public interest, the seriousness of Respondent's offenses, the need for deterrence, the integrity of the

legal profession, and any mitigating factors. ID 137-146. After weighing the factors, the ID recommended that Respondent be suspended from practice before the USPTO for five (5) years with the last two (2) years of the suspension stayed with Respondent to be placed on probation, subject to the following conditions:

If within the period of probation Respondent should fail to comply with any disciplinary rule applicable to patent attorneys and/or agents practicing before the [USPTO], his probation may be revoked and the remaining period of suspension imposed after due notice and opportunity for a hearing. The sanctions imposed for each count are to run concurrently.

ID 146.

The legal conclusions in this decision vary somewhat from those in the ID. This decision reverses the ID's dismissal of count 6 of the Complaint and its sustainment of count 10. Further, this decision relies on somewhat different legal reasoning than the ID with respect to other counts, most notably count 2. The basic facts concerning Respondent's conduct are, however, as found in the ID.

Respondent prosecuted over 1000 patent applications through arrangements with invention promotion companies, arrangements that permitted the companies to exercise legal judgment that should have been reserved to Respondent and, at a minimum, provided a strong incentive for Respondent to transfer his loyalties from his clients to the companies. These arrangements existed only because Respondent ignored applicable disciplinary rules that would have prohibited them.

The sad fact is that Respondent's arrangements with the companies resulted in the inventors' receiving woefully inadequate legal services. One example of this is the case of [INVENTOR 2], who sought a patent on a [INVENTION 2] that could [MEANS PLUS FUNCTION 2], and ended up with a design patent protecting the ornamental

appearance of a [INVENTION 2] and containing no reference whatsoever to [MEANS 2] or any other means for [FUNCTION 2]. While [INVENTOR 2]'s invention is perhaps the most glaring example of record, the record is replete with examples of ill-served inventors, and there is no indication that there was anything unique about [INVENTOR 2]'s case. Respondent's arrangements with invention development companies put at risk the investment and legal protection of hundreds of inventors.

In view of the harm to inventors proven by the OED Director, and the large number of cases in which Respondent's misconduct created at least the potential for similar harm, Respondent's violations were extremely serious. As the ID notes, courts have imposed more serious penalties for any one of the violations found here, and such severe penalties would be warranted under any of the counts sustained on appeal. The ID is not clear as to why, given the multiplicity of infractions found here, the mitigating factors cited in the ID should lead to such a significant reduction of the sanction. In particular, it is an open question what weight should be accorded a prior record of extended legal service without finding of ethics violation when a practitioner adopts a mode of operations that relies on systematic ethics violations to permit him to operate a mass production business. However, the OED Director has not appealed the lesser penalty recommended in the ID, and, subject to the clarification set forth below, that penalty is hereby affirmed.

After oral argument on this appeal, Respondent moved to supplement the record with evidence that he suffered a ruptured aneurysm on February 23, 2002, and remained unconscious for 23 days thereafter. He also sought to introduce communications of sympathy he received during his illness. The motion to supplement the record also

contained representations of counsel that Respondent had an unblemished record and that he had ceased all affiliation with invention promotion companies.

The OED Director countered with evidence that patent applications had been filed in Respondent's name while he was allegedly unconscious, that one of the inventors whose complaint is the subject of this proceeding also filed a complaint with a state bar, which was ultimately dismissed, and that three complaints have been filed against invention promotion companies in which Respondent is identified as having done legal work.

In accordance with 37 C.F.R. § 10.158(b), appeals are to be decided on the record before the ALJ. Section 10.158(c) provides that the Director may order a reopening of disciplinary proceedings "in accordance with the principles which govern the granting of new trials." Proceedings may be reopened based on newly discovered evidence only if the evidence "could not have been discovered by due diligence."²⁴ Neither party has requested the proceedings here be reopened.

The penalty factors at 37 U.S.C. § 10.154(b)(1)-(4) concern the violation itself, the public interest and the legal profession, not the circumstances of the individual respondent. Section 10.154(b)(5), concerning extenuating circumstances, focuses on circumstances existing at the time of the violation, not at the time an appeal is decided. Respondent's misfortune has little relevance to the specified factors. Further, it does not logically obviate the need for the penalty selected by the ID, which already reflects substantial mitigation. Respondent may return to practice at the end of his suspension physically and morally rehabilitated, and enjoy years of further productive practice. If

²⁴ This standard clearly is not applicable here.

Respondent's health should prevent him from return to practice at the end of his suspension, this would be unfortunate, but would not negate the public interest in ensuring that he not practice during the term of his suspension. Further, such a result, given the seriousness of Respondent's misconduct and the degree of resulting harm to inventors, would not amount to a disproportionate penalty. The situation here therefore differs from that in Jaskiewicz v. Mossinghoff, 822 F.2d 1053 (Fed. Cir. 1987), on which respondent relies, where the court held that a two-year suspension was unwarranted for a 62-year-old practitioner whose isolated misconduct had not resulted in any actual harm to a client. While, in an appropriate case, new evidence bearing on penalty might support a remand to the ALJ, it is not appropriate to enter such an order here on the basis of the evidence Respondent has proffered.

A brief discussion of the OED Director's proffered evidence is warranted. Even if the OED Director had proffered evidence that Respondent had actually signed patent applications during the time he asserts he was unconscious, the evidence would be relevant only to rebut the evidence of Respondent's illness, and this evidence itself has not been properly entered in the record. In fact, as the OED Director himself points out, the signatures on the disputed patent applications do not appear to be Respondent's. Forging signatures on patent applications, if this is what occurred, is indeed a serious matter. If a disciplinary violation by a practitioner appears to be involved, the OED Director is free to investigate and seek sanctions. Any violations by Respondent or anyone else would not, however, be relevant to this proceeding.²⁵ Likewise, any lack of

²⁵ This should not be read to suggest that Mr. Colitz would be culpable for conduct that occurred while he was unconscious, but the OED Director, if he wishes, might explore

candor by attorneys who appear before the Director in OED appeals is not to be tolerated, but the evidence proffered would not by itself establish that Respondent's attorney made a misstatement, much less a deliberate one.

The OED Director requests a clarification of the ID's sanction. According to the OED Director, the ID did not properly set forth the terms of the probation or reinstatement. The initial decision is not in fact clear as to the procedures under which Respondent's probation can be revoked. The matter is hereby clarified as follows: If the OED Director believes that the Respondent has violated a disciplinary rule during the term of Respondent's probation, the OED Director may pursue discipline through the normal process set forth in 37 C.F.R. Part 10. If Respondent is found to have violated a disciplinary rule during the term of his probation and a decision to that effect becomes final under 37 C.F.R. § 10.155 or 10.156, the Respondent will be required to serve a two-year suspension in addition to whatever penalty may be imposed for the violation (if the imposed penalty is a suspension, two years shall be added to its term). Although not expressly addressed in the initial decision, 37 C.F.R. §§ 10.158 – 10.160 will by their terms apply to Respondent's reinstatement.

ORDER

Upon consideration of the entire record, and pursuant to 37 C.F.R. § 10.130(a), it is

ORDERED that Respondent's Motion to Strike is denied; and further

ORDERED that one month from the date this order is entered, Michael J. Colitz, Jr. of Largo, Florida, whose PTO Registration Number is 22,822, shall be suspended

whether Mr. Colitz fulfilled any duty he may have had once he regained his faculties and was made aware of the disputed signatures.

from practice before the PTO for five years under the conditions set forth in 37 C.F.R. § 10.158, but 2 years shall be stayed; and further

ORDERED that this Final Decision in this proceeding be published.

RECONSIDERATION AND APPEAL RIGHTS

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

James A. Toupin
General Counsel
Office of the General Counsel
Crystal Park 2, Suite 905
U.S. Patent and Trademark Office
Washington, D.C. 20231

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

Kristin Yohannan
Associate Solicitor
U.S. Patent and Trademark Office
Post Office Box 16116
Arlington, Virginia 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 83.7 of 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.

/S/

December 3, 2002

JAMES A. TOUPIN²⁶
General Counsel
United States Patent and Trademark Office

²⁶ On January 31, 2002, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office delegated to the General Counsel the authority under 37 C.F.R. § 10.156 to decide appeals from the initial decisions of administrative law judges, and to issue decisions in proceedings under 35 U.S.C. § 32

APPENDIX
ID FINDINGS RELATED TO UNAUTHORIZED PRACTICE

The mode of operation followed by AIC was as follows: An inventor would respond to an advertisement placed by AIC inviting inventors to submit an idea for a free assessment. (CX 32 --King Declaration, ¶ 6(1); Tr., p. 152-Lougher). AIC would then send to the inventors materials including a “Record and Disclosure of Invention” form (“Disclosure”) to be filled out and returned to AIC. [CX 2, pp. 1-3; CX 32 -- King Declaration, ¶ 6(2)]. Upon receipt of the Disclosure, AIC would respond with a letter telling the inventor, for example, “the initial assessment is very encouraging and we feel it has potential,” (CX 2, p. 4) and inviting the inventor to respond by signing and returning the enclosed form entitled “Agreement” along with, for example, \$289 [CX 2, pp. 4-5; CX 32 -- King Declaration, ¶ 6(3)]. The “Agreement” states that AIC will cause a patentability opinion and marketing/feasibility report to be prepared. (CX 2, p. 5; CX 6, p. 1). Upon receipt from the inventor of the \$289 (for example) and signed “Agreement,” AIC would send the “Disclosure” to a patent attorney in order for the attorney to conduct a patent search and write a patentability opinion, which opinion the attorney would return to AIC. [CX 2, pp. 20-21; CX 12, Part 6, pp. 498-499; CX 32 -- King Declaration, ¶ 6(4)]. The patentability opinion would state that either design or utility patent might be available for the inventor’s idea. (CX 2, pp. 20-21; CX 11, pp. 7-10). AIC would then send the patentability opinion, together with a “Feasibility Report” prepared by AIC, to the inventor and schedule an in-person meeting with the inventor. [Tr., pp. 159-160, 164 -- Lougher; CX 32 -- King Declaration, ¶ 6(4)]. At the meeting, an AIC representative would explain the Feasibility Report and patentability opinion to the inventor. [Tr., pp. 159-160, 164 -- Lougher; CX 32 -- King Declaration, ¶ 6(4)]. If the inventor chose to engage AIC to market the invention and cause a patent to be obtained, the inventor would sign a “37 CFR 1.41(c) Authorization” and a “Representation Agreement” to that effect and pay AIC, for example, \$4,990. (CX 2, pp. 27-32; CX 8, p. 73; CX 6, p. 11; CX 6, p. 8). AIC would then forward the “Disclosure” and patentability opinion to another patent attorney in order for the attorney to prepare a patent application. [Answer, ¶37; CX 32 -- King Declaration, ¶¶ 6(6)-7]. The attorney would write the application and return it to AIC, who would then forward the application to the inventor for signature. [CX 6, pp. 16-17; RX 17d; CX 32 -- King Declaration, ¶ 6(8)]. Included with the application would be a “Declaration and Power of Attorney” appointing the attorney who wrote the application (CX 6, pp. 28-29) and a document entitled “Instructions from Your Patent Attorney for Executing the Enclosed . . . Patent Application.” [CX 6, pp. 16-17; RX 17d; RX 3 (“design” instructions); RX 11c (“utility” instructions)]. The inventor would then sign the

application and power of attorney and return the documents to AIC. [CX 32 -- King Declaration, ¶ 6(9)]. Finally, AIC would forward the application to the attorney who wrote it, along with the attorney's fee, and that attorney would file the application with the PTO. (Tr., p. 172-Lougher; Tr., pp. 1449-1450-Colitz; CX 7, p. 62-63, ans. 2c-2i).

ID, Finding of Fact 39.

Respondent knew, or was otherwise aware, that AIC and ISC were in the business of providing individuals with assistance in marketing their inventions. (Answer, ¶¶ 32 and 53). Respondent knew, or was otherwise aware, that inventors paid AIC for its patent-related services. Id. (Tr., p. 1567-Colitz). Respondent knew, or was otherwise aware, that his inventor-clients, including, inter alia, [INVENTORS 10, 11, 6, 3, 4, 9 and 1] paid AIC and/or ISC in advance for patent and legal services which were subsequently rendered by Respondent. Id. (CX 7, p. 62; CX 12, Part 11, p. 1357). During 1994 and 1995, AIC and/or CN assigned inventors to Respondent in order for Respondent to prepare patent applications and provide legal advice to the inventors. Id. (CX 7, p. 31; CX 7, p. 67; Tr., pp. 470-473-[INVENTOR 1]; Answer ¶ 35; Tr., pp. 1455-56-Colitz; Tr., pp. 1289-90-Colitz; Tr., 1157-Colitz). ISC assigned to Respondent inventors who were seeking patent related services. Id. (Answer, ¶ 56). Respondent agreed to be paid by ISC for legal services provided. Id. (CX 11, p. 21). AIC gathered patent-related information from one or more inventors including [INVENTORS 2, 4, 3, 11, 1 and 6] and furnished the information to Respondent for preparing legal documents, including patent applications, for one or more such inventors. Id. at 6. (Answer ¶ 37; Tr., pp. 1289-90-Colitz; Tr., p. 1157-Colitz). Respondent relied upon and otherwise permitted AIC, ISC and CN to gather information from each of the following inventors to be used in preparing patent applications: [INVENTOR 2] (AIC), [INVENTOR 3] (AIC), [INVENTOR 1] (AIC), [INVENTOR 4] (AIC), [INVENTOR 5] (CN), [INVENTOR 9] (AIC), [INVENTOR 6] (AIC), [INVENTOR 11] (AIC), [INVENTOR 8] (CN), and [INVENTOR 10] (ISC). Id. (Answer, ¶ 63; Tr., pp. 1156-1157-Colitz; Tr., p. 1195-Colitz; Tr., pp. 1289-1290-Colitz; Tr., p. 1408-Colitz). According to general protocol under Respondent's arrangement with AIC, all communication with AIC-referred inventors was to be had through AIC, with little or no direct communication between Respondent and the inventors. Id. (Tr., pp. 1195-1197-Colitz; CX 7, p. 67). Between November, 1993 and August 25, 1995, Respondent accepted approximately 900 client referrals from AIC and prosecuted those patent applications, including approximately 1,500 amendments, at the request of AIC. (CX 7, p. 70, ans.'s 9g, 9h, and 10b; Tr., p. 68-Moatz; Tr., p. 1158-Colitz; Tr. Pp. 1555-1556-Colitz; CX 13a). Respondent did not communicate directly with his inventor-clients,

including, inter alia, [INVENTORS 6, 4 and/or 2], prior to preparing their patent applications. Id. at 11 (Tr., pp. 245-246-[INVENTOR 2]; Tr., p. 262-[INVENTOR 2]; Tr., pp. 1362-1363-Colitz; Tr., pp. 1289-90-Colitz; Tr., pp. 1408-1409-Colitz; Tr. p. 1157-Colitz; CX 7, p. 67; Tr., pp. 1632-1633-Colitz; Tr., p. 1559-Colitz). AIC, and not Respondent, oversaw, managed and controlled the creation of the drawings to be included in the design patent applications of inventors, including, inter alia, [INVENTOR 2]. Id. at 13 (Tr., p. 610-[INVENTOR 5]; Tr., p. 1157-Colitz; Tr., pp. 1183-1184-Colitz; Tr., p. 1289-90-Colitz; Tr., p. 1408-Colitz; Tr., p. 1568-Colitz; Tr., pp. 1569-1570-Colitz; Tr., p. 1581-Colitz; Tr., pp. 1582-1583-Colitz). AIC represented to inventors, including [INVENTOR 2], that certain patent-related work would be performed, and Respondent, according to general protocol under his arrangement with AIC, provided legal services to AIC-referred inventors, including [INVENTOR 2], prior to independently consulting with such inventors. Id. at 16. (Tr., pp. 1289-90-Colitz; Tr., pp. 1408-1409-Colitz; Tr., p. 1157-Colitz; CX 7, p. 67; Tr., pp. 1632-1633-Colitz; Tr., p. 1559-Colitz).

ID 36-39.

BEFORE THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENTS AND TRADEMARK OFFICE

HARRY I. MOATZ,)	
)	
Director, Office of)	
Enrollment and Discipline,)	
)	
v.)	Proceeding No. 99-04
)	
MICHAEL J. COLITZ, JR.,)	
)	
Respondent.)	
_____)	

MEMORANDUM AND ORDER ON RECONSIDERATION

Michael J. Colitz, Jr. (“Respondent”), requests reconsideration under 37 C.F.R. § 10.156(c) of the Final Decision entered on December 3, 2003. The Final Decision was taken in an Appeal by Respondent of the Initial Decision by the Administrative Law Judge. The Final Decision imposed a suspension of five years, with the final two years of the suspension stayed.

Respondent’s request for reconsideration is limited to a request that effective date of the suspension be postponed to February 3, 2003. Respondent asserts that his retention of new counsel and the holidays following the date of the decision have made compliance with the time periods established under 37 C.F.R. § 10.158 for winding up his current practice difficult.

In accordance with 37 C.F.R. § 10.156(c), Respondent’s filing of a request for reconsideration stayed the effective date of the suspension. While the time periods in 37 C.F.R. § 10.158 are calculated from the date of entry of the order of suspension, not the effective date of the suspension itself, this Memorandum and Order on Reconsideration

will be the order of suspension from which the time periods are calculated. Respondent will therefore have 30 days from the date of this decision to complete the actions required by 37 C.F.R. § 10.158(b)(1) (notification of other bars of suspension), § 10.158(b)(2) (surrender of case files), and § 10.158(b)(8) (return of property and unearned funds to clients). Because Respondent has effectively obtained the relief sought as a consequence of filing his request for reconsideration, no modification of the December 3 decision is necessary.

ORDER

Pursuant to 37 C.F.R. § 10.130(a), it is

ORDERED that Respondent's request for reconsideration be denied and that the suspension ordered in the Final Decision of December 3, 2002 take effect thirty (30) days from the date of this order.

APPEAL RIGHTS

Respondent 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 83.7 of the U.S. District Court for the District of Columbia within thirty (30) days of the date of entry of this Memorandum and Order on Reconsideration.

_____/S/_____

_____/1/02/03_____

JAMES A. TOUPIN¹
General Counsel
United States Patent and Trademark Office

¹ On January 31, 2002, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office delegated to the General Counsel the authority under 37 C.F.R. § 10.156 to decide appeals from the initial decisions of administrative law judges, and to issue decisions in proceedings under 35 U.S.C. § 32.