

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. D00-01

S. MICHAEL BENDER,)

Respondent.)

Memorandum and Decision Upon Reconsideration

S. Michael Bender ("Respondent") requests reconsideration under 37 C.F.R. § 10.156(c) of the Final Decision entered on September 30, 2003. The Final Decision was taken in an Appeal by Respondent of the Initial Decision (ID) by the Administrative Law Judge (ALJ). The ID recommended that Respondent be excluded from practice before the United States Patent and Trademark Office ("USPTO"). The Final Decision adopted some, but not all, of the violations found by the ID and adopted the recommended sanction of exclusion.

Respondent's 62-page Request for Reconsideration raises a large number of arguments, many of which were considered and rejected in the Final Decision and therefore do not provide grounds for reconsideration and need not be addressed. To the extent issues raised in the request for reconsideration merit discussion, they are addressed below.

Respondent includes his own declaration, a newspaper article, and what appears to be a transcript of Congressional testimony as attachments to his Request for Reconsideration. The USPTO's rules contemplate the introduction of new evidence in an

disciplinary appeal only in the context of a request to reopen disciplinary proceedings.
37 C.F.R. § 10.155(c). As no such request has been made, the attachments to the request
for Reconsideration have not been considered.

Alleged Insufficiency of Complaint

Respondent's request for reconsideration renews his argument that the Complaint
was insufficient because it failed to directly tie alleged conduct to charged violations.
For the most part, this renewed argument merely reprises issues considered and disposed
of in the Final Decision. However, Respondent now argues that the ID and the Final
Decision found different violations based upon the same conduct, thus demonstrating the
insufficiency of the Complaint. It is not necessary to determine whether Respondent's
conclusion in this regard would flow from his premise because the argument merely
reflects Respondent's misreading or mischaracterization of the ID.

Respondent focuses on the last paragraph on page 7 of the ID, which characterizes
the OED Director's arguments on the adequacy of the complaint. The ID summarizes the
OED Director's arguments that Respondent's failure to adequately consult with his
clients at the outset of his representation constituted neglect in violation of rule 10.77(c),
then sets forth the following two sentences:

Similarly, PTO points to the Complaint's reference to Bender's practice of
waiting until the last minute or after the time for response, to inform the
inventors of office actions by the Patent Office. These allegations also
serve to inform the Respondent of the basis for the charge that he
prejudiced the administration of justice.

Respondent implies in the request for reconsideration that this passage indicates that the ID found that his delay in informing his clients violated only the prohibition upon prejudicing the administration of justice (Rule 10.23(b)(5)). The ID does appear to have based its findings that Respondent violated Rule 10.23(b)(5) in part upon his delayed notifications and request that his clients pay the additional USPTO fees resulting therefrom. See, e.g., ID at 21. It also clearly found, however, that the delays in notification constituted neglect under Rule 10.77(c). See, e.g., ID at 28. Read in context, the term “[t]hese allegations” in the second sentence of the quoted language refers to both the allegations of failure to consult and to those of delayed notice; the ID is characterizing the Complaint as providing notice that both sets of allegations form bases for the charges under both Rule 10.23(b)(5) and Rule 10.77(c).

Agreeing in part with Respondent’s arguments with respect to the sufficiency of the Complaint, the Final Decision declined to adopt the ID’s findings of violations of Rule 10.23(b)(5) premised on Respondent’s communications with his clients. The Final Decision did, however, adopt the ID’s findings that the delayed notification constituted neglect. Thus the only “discrepancy” between the ID and the Final Decision results from partial acceptance of Respondent’s arguments on appeal and does not provide new grounds to question the sufficiency of the Complaint.

Respondent also argues that the Complaint did not place him on notice that he was being charged with negligently failing to explain to his clients the difference between design and utility patents. Instead, says Respondent, the Complaint merely charged him with failing to discuss with his clients whether they understood that they were filing

design patent applications. A typical allegation of the Complaint in this respect is paragraph 10.7, which provides:

In or about June 1994, before acting on the case, Respondent did not discuss with [the inventor] whether [the inventor] understood that [the inventor] was filing a design application as opposed to a utility application.

This paragraph could arguably be read to allege only that Respondent failed to ensure that his client knew that he was filing a design patent application. However, despite the fact that the issue of Respondent's failure to adequately explain the difference between design and utility patents was central to the ID, Respondent's appeal brief did not advocate this reading of the Complaint. Respondent did argue on appeal that he was not charged with pursuing worthless design applications, and more generally that the Complaint was inadequate. If anything, however, Respondent's appeal brief appears to accept that the adequacy of his explanation of the differences in patent types was at issue. See e.g., Appeal Brief at 9, (stating that "[m]oreover, 'at the outset,' Respondent reasonably believed that [the inventor] understood the difference between a design and utility. . . ."). Because Respondent did not adequately raise this issue in his appeal, it need not be further addressed now.

"Participation" in Committee in Discipline Deliberations

Respondent argued in his appeal brief that the OED Director "participated" in discussions of the Committee on Discipline in violation of 5 U.S.C. § 554. The Final Decision held that the proceedings of the Committee on Discipline were not an "adjudication" as that term is used in § 554, and that the provision was therefore

inapplicable. Respondent now argues that the OED Director's role before the committee was fundamentally unfair. However, Respondent has never argued, much less presented evidence, that the OED Director did more than convene the Committee and present evidence before it, as he is required to do under 37 C.F.R. § 10.4(b). Presenting evidence before the committee, as required by the USPTO's rules, is entirely consistent with the OED Director's role in investigating the complaint and prosecuting the action before the ALJ.

Respondent also alleges that a member of the Committee on Discipline had been involved in examining a previous patent application in which Respondent had participated and in connection with which he was investigated, and that this participation tainted the probable cause finding and violated his due process rights. "The demands of due process do not require a hearing, at the initial stage or at any particular point or at more than one point in an administrative proceeding so long as the requisite hearing is held before the final order becomes effective." Opp Cotton Mills v. Dep't of Labor, 312 U.S. 126, 152-153 (1941). Here, following the findings of the Committee on Discipline, Respondent was entitled to and received a full hearing before an independent ALJ. Even if Respondent could establish a conflict of interest by a Committee member, this would not implicate due process concerns.

Alleged ALJ Bias

Respondent's Appeal Brief alleged that numerous statements in the ID established bias by the ALJ and required his disqualification. The Final Decision rejected this

argument, holding that conclusions made by the ALJ upon the evidence of record, even though Respondent might disagree with them, did not establish ALJ bias. Respondent now argues that the Decision was required by 5 U.S.C. § 557(c) to rule separately on each separate ID conclusion Respondent argued established bias. However, “[b]y its terms, the statute only required the [agency] to rule on each exception, not to state the reasons therefor.” Borek Motor Sales v. NLRB, 425 F.2d 677, 681 (7th Cir. 1970), cert. denied 400 U.S. 823. Whether the specific passages cited in Respondent’s Appeal Brief constituted one “exception” or many, the Final Decision complied with 5 U.S.C. § 557(c) by explicitly declining to disqualify the ALJ. Though not strictly required by the statute, the Final Decision also explained the legal reasoning supporting this decision.

Respondent also argues that actual bias is not necessary, and that the mere appearance of bias requires the disqualification of an ALJ. The case he cites, however, Stivers v. Price, 71 F.3d 732 (9th Cir. 1995), concerns actual or apparent bias stemming from prior relationships outside the adjudication at issue, and does not suggest that mere unfavorable language in a decision is sufficient to show apparent bias.

Contents of Respondent’s of Engagement Letters

The Respondent argues that the Final Decision erred in concluding that Respondent’s engagement letters failed to adequately advise his clients concerning the legal implications of filing design patent applications because it failed to consider the fact that the letters included a Request for Information (RFI). Respondent also argues that the USPTO is estopped from objecting to the engagement letter because it was provided a

copy in advance and failed to object, and that the Decision failed to consider the fact that Respondent was assisted by counsel in drafting the letter.

The Final Decision held that, given the situation as it existed when Respondent undertook to represent clients with pending design patent applications originally filed by practitioner Gilden, Respondent was required to specifically discuss with the clients their decisions to file design applications and ensure that they understood the legal consequences of those decisions. Respondent's engagement letters forwarded USPTO RFIs, which each included a question requiring the clients to state whether they understood the difference between utility and design patents. Respondent's Appeal Brief did not specifically argue that the RFIs satisfied his duty to advise his client as to the difference between the two types of patents, and even now Respondent does not point to specific language in the RFIs. A review of the documents, however, reveals that the RFIs' description of the two types of patents was even more minimal than the description in the engagement letters themselves, which was analyzed in the Final Decision and found inadequate. The RFIs were directed at determining whether the design patent applications were subject to infirmities, not at whether a resulting patent would protect the clients' legitimate interests. The RFIs did not entitle Respondent to abdicate his duty to adequately advise his clients.

Respondent argues for the first time that the USPTO is estopped from objecting to the adequacy of his engagement letter. This argument is based on the fact that a draft of the letter was attached to a petition requesting that the USPTO suspend prosecution of the "Gilden" applications and reinstate those applications that had become abandoned, and that the USPTO decided the petition without objecting to the letter. It appears that the

letter was presented to the USPTO as evidence of Respondent's strategy for responding to the pending RFIs, in order to support his request to suspend prosecution of and/or reinstate patent applications. There is no evidence that Respondent sought advice from the USPTO as to his ethical duties to advise his clients, and Respondent has not pointed to any authority suggesting that the USPTO had a duty to provide such advice even if it had been requested. In any event, Respondent's error in relying on the letter as drafted as the sole vehicle for advising his clients about the advantages and disadvantages of proceeding with their design applications. Merely sending the USPTO a copy of one proposed client communication could not absolve Respondent of his duty to adequately advise his clients.

As to Respondent's argument that he was assisted by outside counsel in drafting his engagement letters, the record evidence upon which he relies reflects only that he sought advice as to a strategy for continued prosecution of the patent applications at issue, not as to his ethical obligations to his clients. See Exhibits R-11 and R-13. It is therefore unnecessary to determine what relevance reliance on legal advice as to Respondent's duty to advise his clients would have.

Extent of USPTO's Jurisdiction to Discipline Practitioners

The Final Decision rejected Respondent's argument that the USPTO's jurisdiction was limited to proceedings before the Office and did not extend to such issues as conflicts of interest by practitioners and communications between practitioners and clients. Respondent now recasts his argument, asserting that the USPTO's authority to

issue regulations under 35 U.S.C. § 2(b)(2)(D) is limited to those which “govern . . . the . . . conduct of . . . attorneys . . . before the Office.” When the language omitted by Respondent is restored, however, it is evident that the statute authorizes regulations that “govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other persons before the Office. . . .” The phrase “before the Office” modifies “representing,” not “conduct.” It thus defines the set of person whose recognition and conduct the regulations may govern. It does not limit the “conduct” that may be governed to conduct that occurs directly in the course of making filings before the Office, as Respondent appears to claim.

Similarly, Respondent argued on appeal that the USPTO was authorized to discipline practitioners only on the basis of incompetence, disrepute, or gross misconduct. As explained in the Final Decision, 35 U.S.C. § 32 lists four grounds for discipline in the disjunctive: incompetence, disrepute, gross misconduct, or failure to comply with the disciplinary regulations established under 35 U.S.C. § 2(b)(2)(D). Respondent now argues that regulations under 35 U.S.C. § 2(b)(2)(D) “must relate to and be subservient to findings of ‘incompetence’ or ‘disrepute’ or ‘gross misconduct’ in connection with matters ‘before the office’” This argument is inconsistent with the plain terms of 35 U.S.C. § 32, which place the four grounds for discipline on an equal footing.

Evasion of RFIs

Respondent argues that the Final Decision erred in adopting the ID’s finding of evasion of OED Requests for Information (RFIs) because the violations were not argued

in the Director's Post Hearing Brief. As discussed in the Final Decision, the Complaint alleged that Respondent had evaded RFIs, and the documentary evidence of record supported the ID's finding that Respondent's RFI responses were evasive. Respondent does not cite any authority for the proposition that it is error to find a violation that has been alleged and proven absent supporting argument in a post-hearing brief, and none is apparent.

Respondent also argues that absent yet another round of RFIs, the OED Director was "collaterally estopped" from raising Respondent's evasion of questions in the last set of RFIs, "absent a showing of bad faith by Respondent." Despite Respondent's mention of the doctrine of collateral estoppel, he appears to be arguing that OED failed to provide Respondent an opportunity to achieve or demonstrate compliance in accordance with 5 U.S.C. § 558. This theory was discussed in the Final Decision and rejected on the grounds that Respondent's conduct was willful.

Asserted Mitigation

Respondent argues that his litigation of the Daniels matter should be considered as mitigating his violations because his success in that litigation preserved for his clients the opportunity to file utility patent applications based in the drawings in their existing design patent applications. While subsequent utility applications might have been a theoretical legal possibility, there is no evidence in the record either that any of Respondent's clients filed or intended to file such application, or that Respondent's litigation of the Daniels matter was motivated by this consideration. What evidence there

is suggests the contrary. After Daniels was decided, Respondent sent one client a letter in which he characterized the chances of obtaining a utility patent as "not favorable," in part because "[t]he fact that you have already filed a design patent application could mean that your original patent attorney conducted a patentability search of your invention and concluded on the basis of the prior art no reasonable prospect exists for obtaining a utility patent." GX-10 at 65. As discussed in the Final Decision, Respondent's litigation of the Daniels matter was merely an extension of his prosecution of design patent applications. Absent any evidence that subsequent utility patent applications were a realistic possibility, that litigation does not serve to mitigate Respondent's conduct at issue here.

Summary Chart

Finally, the Request for Reconsideration points out a conflict between footnote 1 on page two of the Final Decision and the summary chart on pages 39-40. Footnote 1 of the Final Decision was included inadvertently. The Final Decision is hereby modified to remove that footnote and renumber the remaining footnotes. As published, the Final Decision will be rectified accordingly.

DECISION

For the foregoing reasons, respondent's request for reconsideration is *granted* to the extent of removing footnote 1 of the Final Decision, but otherwise *denied*. This is a final agency action.

ORDER

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

ORDERED that the Final Decision be modified to remove footnote I and renumber the following footnotes and that Respondent's request for reconsideration otherwise be denied and that the exclusion ordered in the Final Decision of September 30, 2003, take effect thirty (30) days from the date of entry of this order;

FURTHER ORDERED that the Director of OED publish a copy of the Final Decision of September 30, 2003, as reissued herewith, this decision and order, and the Initial Decision of the ALJ, in the Official Gazette.

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 opinion and order on reconsideration¹.

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

July 26, 2004
Date

James Toupin
James Toupin
General Counsel
United States Patent and Trademark Office

¹ Respondent's request for reconsideration includes a request pursuant to 37 C.F.R. § 10.157(b) that the Director stay the decision pending judicial review. As no judicial review is currently pending, this request is premature.

cc:

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