

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of
Kevin R. Imes,
Respondent

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Proceeding No. D2009-45

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Kevin R. Imes (“Respondent”) have submitted a Proposed Settlement Agreement to the Under Secretary of Commerce for Intellectual Property and USPTO Director for approval.

The Proposed Settlement Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusions, and sanctions to which the OED Director and Respondent have agreed in order to resolve voluntarily the disciplinary complaint against Respondent.

Jurisdiction

1. At all times relevant hereto, Respondent of Austin, Texas, has been a patent agent registered to practice before the USPTO and subject to the USPTO Disciplinary Rules set forth at 37 C.F.R. § 10.20 *et seq.*

2. The USPTO Director has jurisdiction over this matter and the authority to approve the proposed settlement agreement pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.20 and 11.26.

Stipulated Facts

3. Respondent of Austin, Texas, is registered as a patent agent to practice patent law before the Office (Registration Number 44,795) and is subject to the USPTO Disciplinary Rules set forth at 37 C.F.R. § 10.20 *et seq.*

4. From 2004 until May 2006, Respondent was a fifty-percent owner of Verve, LLC. Verve described itself as a patent holding company which acquired patent rights in order to generate revenues from those patents, either through licensing agreements or infringement litigation. Respondent represents that Raymond Galasso, a patent attorney, was the sole managing member of Verve from its inception up to and including all time periods in which Respondent was a member of Verve.

5. During 2003 and 2004, Verve filed a number of patent infringement actions against several companies, including Hypercom Corporation, a maker of point-of-sale and network payment systems. The actions against Hypercom were filed in federal district courts in Michigan, Texas, and California.

6. The Michigan and California actions were later dismissed by Verve and the Texas action was transferred to federal district court in Arizona.

7. In the Arizona action, Hypercom filed counterclaims against Verve and its principals, including Respondent, alleging, *inter alia*, malicious prosecution and abuse of process. The district court ruled against Verve and its principals on the malicious prosecution with respect to the Michigan and California actions and abuse of process claims with respect to the Michigan, California and Texas actions.

8. Judgment on the claims of malicious prosecution and abuse of process was entered in favor of Hypercom against Verve and its principals, jointly and severally, for over \$700,000 in compensatory and punitive damages. *See Verve, L.L.C. v Hypercom Corp.*, 2006 WL 2390505 (D. Ariz., Aug. 16, 2006) ("Verve I") and *Verve, L.L.C. v. Hypercom Corp.*, 2007 WL 926957 (D. Ariz., Mar. 26, 2007) ("Verve II").

9. Respondent represents that in February 2007, Respondent filed suit against Galasso, asserting, *inter alia*, that Galasso had mismanaged Verve and that he had committed legal malpractice in his representation of Verve, including with respect to the Hypercom litigation. Respondent represents that on May 21, 2007, Respondent, Galasso and Verve entered into a settlement agreement which included an agreement by Verve and Galasso to indemnify Respondent for all damages assessed against him in the Hypercom litigation.

Legal Conclusion

10. Based on the information contained in paragraphs 3 through 9, above, Respondent acknowledges that he violated 37 C.F.R. § 10.23(b)(5) (engaging in conduct prejudicial to the administration of justice).

Sanction

11. Respondent agreed, and it is ORDERED that:

- a. Respondent be, and hereby is, suspended for a period of three (3) months from practice before the USPTO commencing on the date the Final Order is signed, and the suspension be, and hereby is, immediately stayed as of the date the Final Order is signed and that the stay shall remain in effect until further order of the USPTO Director;
- b. Respondent shall be permitted to practice before the USPTO unless the stay of the suspension is lifted and Respondent is suspended by order of the USPTO Director as set forth in subparagraph c., below;

- c. (1) In the event that the OED Director is of the opinion that Respondent, during the three (3) month period commencing on the date the Final Order is signed, failed to comply with any provision of the Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility, the OED Director shall:
- (A) issue to Respondent an Order to Show Cause why the USPTO Director should not order that the stay of the suspension be lifted and Respondent be immediately suspended for up to three (3) months for the violation set forth in paragraph 10, above;
 - (B) send the Order to Show Cause to Respondent at the last address of record Respondent furnished to the OED Director pursuant to 37 C.F.R. § 11.11(a); and
 - (C) grant Respondent fifteen (15) days to respond to the Order to Show Cause; and
- (2) In the event after the 15-day period for response and consideration of the response, if any, received from Respondent, the OED Director continues to be of the opinion that Respondent, during the three (3) month period commencing on the date the Final Order is signed, failed to comply with any provision of the Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility, the OED Director shall:
- (A) deliver to the USPTO Director: (i) the Order to Show Cause, (ii) Respondent's response to the Order to Show Cause, if any, and (iii) evidence causing the OED Director to be of the opinion that Respondent failed to comply with any provision of the Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility during the three (3) month period commencing on the date the Final Order is signed, and
 - (B) request that the USPTO Director immediately lift the stay of the suspension and suspend Respondent for up to three (3) months for the violation set forth in paragraph 10, above;
- d. The OED Director shall publish the Final Order at the Office of Enrollment and Discipline's Reading Room electronically located at:
<http://des.uspto.gov/Foia/OEDReadingRoom.jsp>;
- e. The OED Director shall publish the following Notice of Stayed Suspension in the *Official Gazette*:

Notice of Stayed Suspension

Kevin R. Imes of Austin, Texas, registered patent agent (Registration Number 44,795). The United States Patent and Trademark Office

("USPTO" or "Office") has suspended Mr. Imes for three months, with the entirety of the suspension stayed, and placed him on a three-month probation for violating 37 C.F.R. § 10.23(b)(5) (engaging in conduct prejudicial to the administration of justice). Mr. Imes is permitted to practice before the Office during his probation unless the stay of the suspension is lifted.

Mr. Imes was a fifty-percent owner of a patent holding company and, along with several co-defendants, was sanctioned by the U.S. District Court for the District of Arizona for malicious prosecution and abuse of process. Mr. Imes represents that the company and its other owner indemnified Mr. Imes for the monetary penalties associated with those judicial sanctions.

This action is the result of a settlement agreement between Mr. Imes and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.20, 11.26, and 11.59. Disciplinary decisions involving practitioners are posted at the Office of Enrollment and Discipline's Reading Room located at:
<http://des.uspto.gov/Foia/OEDReadingRoom.jsp>.

- f. Pursuant to 37 C.F.R. § 11.59, the OED Director shall give notice of the discipline and the reasons for the discipline to the public;
- g. Pursuant to 37 C.F.R. § 11.20(a)(4), Respondent shall provide, within thirty (30) days of the date of the Final Order, a copy of the Final Order to the Hypercom Corporation and shall file, within forty-five (45) days of the date of the Final Order, an affidavit and corroborating documents (*e.g.*, copies of the letters to Hypercom) with the OED Director stating that he complied with the requirements of this subparagraph;
- h. In the event that the USPTO Director lifts the stay of the suspension and suspends Respondent pursuant to the provisions of subparagraph c., above, and Respondent seeks a review of the USPTO Director's decision to lift the stay and impose a suspension, any such review shall not operate to postpone or otherwise hold in abeyance the immediate suspension of Respondent;
- i. If the stay of the suspension is lifted and Respondent is suspended pursuant to the provisions of subparagraph c., above:
 - (1) Respondent shall comply with 37 C.F.R. § 11.58;
 - (2) the OED Director shall disseminate information in accordance with 37 C.F.R. § 11.59;
 - (3) the USPTO shall promptly dissociate Respondent's name from all USPTO customer numbers and public key infrastructure ("PKI") certificates;

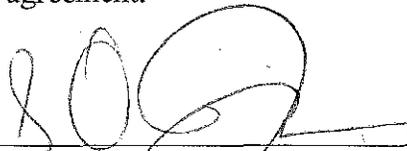
(4) Respondent shall not to use any USPTO customer number or PKI certificate unless and until he is reinstated to practice before the USPTO; and

(5) Respondent shall not obtain a USPTO customer number or a PKI certificate unless and until he is reinstated to practice before the USPTO;

- j. If the stay is not lifted and Respondent is not suspended pursuant to the provisions of subparagraph c., above, then Respondent is not required to serve the 3-month suspension set forth in subparagraph a., above;
- k. With respect to the suspension identified in subparagraph a., above, 37 C.F.R. §§ 11.58 and 11.60 do not apply unless the stay of the suspension is lifted and Respondent is suspended pursuant to the provisions of subparagraph c., above;
- l. Nothing in the Proposed Settlement Agreement or the Final Order shall prevent the Office from seeking discipline against Respondent in accordance with the provisions of 37 C.F.R. §§ 11.34 through 11.57 for the misconduct that caused the stay of the suspension to be lifted and Respondent to be suspended pursuant to the provisions of subparagraph c., above;
- m. The record of this disciplinary proceeding, including the Final Order, shall be considered (1) when addressing any further complaint or evidence of the same or similar misconduct brought to the attention of the Office, and/or (2) in any future disciplinary proceeding (a) as an aggravating factor to be taken into consideration in determining any discipline to be imposed and/or (b) to rebut any statement or representation by or on Respondent's behalf; and
- n. The OED Director and Respondent shall bear their own costs incurred to date and in carrying out the terms of this agreement.

MAR 15 2011

Date



SYDNEY O. JOHNSON, JR.
Acting Deputy General Counsel for General Law
United States Patent and Trademark Office

on behalf of

David M. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

Director of the Office of Enrollment and Discipline
U.S. Patent and Trademark Office

Kevin R. Imes
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Counsel for Respondent

Notice of Stayed Suspension

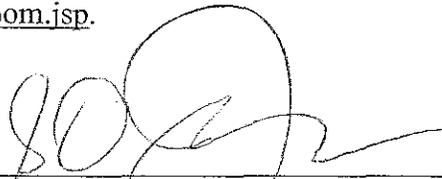
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