

**UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE ADMINISTRATIVE LAW JUDGE**

In the Matter of:

Carl J. Schwedler,

Respondent.

Proceeding No. D2015-38

March 21, 2016

**INITIAL DECISION AND ORDER ON DEFAULT JUDGMENT**

On January 11, 2016, the Director for the Office of Enrollment and Discipline (OED Director) for the United States Patent and Trademark Office (USPTO or Office) filed a *Motion for Default Judgment and Imposition of Sanctions* (Default Motion) against Carl J. Schwedler (Respondent).<sup>1</sup> By *Order to Show Cause*, dated January 11, 2016, the Court ordered Respondent to respond to the *Default Motion* on or before January 22, 2016.

**Procedural History**

On October 6, 2015, the OED Director filed a *Complaint and Notice of Proceedings under 35 U.S.C. § 32* (Complaint) against Respondent. The *Complaint* sought the exclusion or suspension of Respondent for committing violations of the USPTO Rules of Professional Conduct, which are set forth at 37 C.F.R. §§ 11.101 through 11.901. The essence of the *Complaint* is that, having agreed to take over representation of a client's patent application and having received prepaid attorney's fees, Respondent failed to file a response to a Final Office Action resulting in the abandonment of the application. In addition, Respondent is alleged to have failed to cooperate with the OED's investigation into the matter.

The OED Director served the *Complaint* on Respondent pursuant to 37 C.F.R. § 11.35(a)(2)(i) by mailing a copy of it via U.S. certified mail, return receipt requested, to the address provided by Respondent to the OED Director pursuant to 37 C.F.R. § 11.11(a), namely: "Mr. Carl J. Schwedler, Schwedler Law Group, 216 F Street #125, Davis, CA 95616." On October 9, 2015, the *Complaint* was delivered to that address and signed for by someone at that address (the signature is unintelligible). United States Postal Service records also confirm delivery on October 9, 2015.

On October 6, 2015, the Court issued a *Notice of Hearing and Order*. The *Order* provided that Respondent must file an answer to the *Complaint* by November 5, 2015. No Answer was filed.

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<sup>1</sup> Pursuant to an Interagency Agreement in effect beginning March 27, 2013, Administrative Law Judges of the U.S. Department of Housing and Urban Development are authorized to hear cases for the U.S. Patent and Trademark Office.

On November 12, 2015, counsel for the OED Director sent Respondent a letter by certified and regular mail to the address listed in the *Complaint* notifying Respondent of counsel's intent to file a motion for default judgment pursuant to 37 C.F.R. § 11.43. Postal Service records confirm delivery to Respondent on November 16, 2015.

The Court, on January 11, 2016, issued an *Order to Show Cause* to Respondent requiring a response to the *Default Motion* by January 22, 2016. As of the date of this *Initial Decision*, Respondent has not answered the *Complaint* or otherwise appeared in this matter.

### **Consequences of Failure to Answer Complaint**

Section 11.36 of Title 37 of the Code of Federal Regulations (C.F.R.) sets forth the requirement for answering the *Complaint* and the consequences for not doing so. "Failure to timely file an answer will constitute an admission of the allegations in the complaint and may result in entry of default judgment." 37 C.F.R. § 11.36(e). As a result of Respondent's failure to answer the *Complaint*, Respondent is deemed to have admitted the allegations in the *Complaint* which are set forth below as the Court's findings of fact.

### **Findings of Fact**

Respondent was registered as a patent attorney by the USPTO on April 19, 1993 and assigned registration number 36.924. Respondent was admitted to the practice of law in the State of California on October 17, 2006. On May 7, 2011, Mr. George Yagi (the Client) requested and Ms. Kathleen Kerekes agreed to represent the Client in the preparation, filing, and prosecution of U.S. Patent Application No. 13/103,058 related to a Handgun Holster Mounting System (the '058 application).

On June 10, 2013, the USPTO issued a Final Office Action in the '058 application. Around that time, Ms. Kerekes was in the process of closing her office and recommended to the Client that Respondent take over the representation of the Client before the USPTO in the '058 application.

On September 9, 2013, the Client, Ms. Kerekes, and Respondent participated in a telephone conference to discuss the '058 application. During the telephone conference, the Client requested and Respondent agreed to take over the representation of the Client on the '058 application from Ms. Kerekes. Respondent stated that he had prepared a draft response to the June 10, 2013, Final Office Action in the '058 application, and would file the response on or before September 10, 2013. During the same telephone conference, Respondent and the Client entered into an oral representation agreement for Respondent to continue the prosecution of the '058 application before the USPTO. Pursuant to the agreement, the Client agreed to pay Respondent \$1,500 in advance for patent legal services to be rendered.

On September 12, 2013, on behalf and at the direction of Respondent, Marcia L. Berry sent an email to the Client. The September 12, 2013, e-mail attached a retention letter and Power of Attorney for the '058 application for the Client to sign and return. The September 12, 2013, retention letter did not reference the \$1,500 that the Client had agreed to pay to Respondent in advance for patent legal services to be rendered, and the Client did not execute the letter. On September 17, 2013, on behalf and at the direction of Respondent, Ms. Berry sent to the Client a

revised retention letter that correctly referenced the \$1,500 advance fee. The September 17, 2013, retention letter indicated that Respondent would “take reasonable steps to keep Client informed of the progress of the matter... .”

On September 18, 2013, the Client paid Respondent \$1,500 in advanced fees, as agreed. On September 19, 2013, the Client executed the revised retention letter and a Revocation of Power of Attorney with a New Power of Attorney and Change of Correspondence Address, and returned the executed documents to Respondent. Neither Respondent, nor anyone acting on his behalf, filed the Revocation of Power of Attorney with a New Power of Attorney and Change of Correspondence Address with the USPTO, or a response to the June 10, 2013, final Office Action in the ‘058 application. In fact, Respondent did not take any further action on the Client’s behalf in the ‘058 application.

On September 30, 2013, the Client received an invoice for \$1,500 dated September 18, 2013 (September 18th invoice) from Respondent. The September 18th invoice described the services rendered for the ‘058 application as follows: “Response to Office Action from USPTO and filing continued prosecution application.”

On January 3, 2014, the USPTO mailed a Notice of Abandonment in the ‘058 application to Kerekes Law Corporation. Because Respondent did not file the Revocation of Power of Attorney with a New Power of Attorney and Change of Correspondence Address that the Client had executed and provided to Respondent, the USPTO continued to send correspondence to Ms. Kerekes and the address of record in the ‘058 application. On January 10, 2014, the U.S. Postal Service returned the January 3, 2014, Notice of Abandonment to the USPTO, and marked the letter “Returned to Sender-Attempted-Not-Known-Unable to Forward.”

During the week of January 20, 2014, Respondent’s employment was terminated by the law firm where he was employed, Radoslovich Krogh, P.C. On January 30, 2014, Mr. Port J. Parker, a partner in the law firm of Radoslovich Krogh, P.C., sent the Client a letter. Mr. Parker advised the Client that Respondent had been employed with the firm for a couple months, but his employment had been terminated the previous week. Mr. Parker stated that when cleaning out Respondent’s former office, the firm discovered the retention letter entered into by the Client with Respondent. Mr. Parker also indicated that Respondent had confirmed to Mr. Parker on January 28, 2014, that the Client had “hired [Respondent] in September and that [the Client] intended him to register as, and act as, [the Client’s] patent attorney.” Mr. Parker stated that “we quickly looked on the USPTO website and discovered a notation stating that your patent application was apparently ‘abandoned—failure to respond to an office action’ as of January 1, 2014.” Mr. Parker concluded his letter by encouraging the Client to contact Respondent, and stated that Respondent had advised the firm that “his new contact information should be available through the California State Bar Association.”

On January 31, 2014, and again on February 1, 2014, the Client’s son, on behalf and at the direction of the Client, sent an email to Respondent inquiring as to the status of the ‘058 application.<sup>2</sup> On February 5, 2014, the Client’s son contacted Radoslovich Krogh, P.C.

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<sup>2</sup> In 2014, the Client was 83 years old, hard of hearing, handicapped, and unfamiliar with computers. As a result, his son, George Yagi, Jr., often acted as the Client’s intermediary.

searching for contact information for Respondent. On February 5, 2014, Respondent called the Client's son three times and left two voice mail messages, and sent three successive emails. In his February 5, 2014, email sent at 11:15 A.M., Respondent stated that "I have everything in order for filing the response." On February 5, 2014 at 6:50 P.M., the Client's son sent an email to Respondent informing him that he had viewed the USPTO website, had seen the status of the '058 application, and requested an explanation as to why the '058 application had been abandoned.

On February 6, 2014, Respondent sent the Client's son an email stating that "[i]n the transfer of [his] files in and out of another firm, the docketing was not entered." Respondent further stated that "[e]verything is back to normal here, and we are ready to move forward aggressively on your father's case." Respondent also stated that he had "the response ready to go, it is very good, and I can say that you are in a better position than I initially thought." Respondent advised the Client's son that "a simple filing of the response and a request for revival will put us back in the game."

On February 13, 2014, Respondent sent the Client's son an email stating that he was "anxious to file the prepared response and get the ['058] application 'up and running.'" However, at no time did Respondent take any further action on the '058 application.

In March of 2014, the Client terminated Respondent's representation of him in the '058 application and secured the services of another registered practitioner, David Millers. On or about March 18, 2014, the Client sent a letter to Respondent notifying Respondent that responsibility for the prosecution of the '058 application had been transferred to Mr. Millers, requesting that Respondent send all files to Mr. Millers, and requesting that the prototype for the invention be returned to the Client. At no time did Respondent forward the files relating to the '058 application to Mr. Millers, or return the prototype to Mr. Yagi. Respondent did not perform sufficient services to justify his retention of the \$1,500 fee paid in advance. Respondent also failed to return any portion of the unearned advanced fees to the Client.

On April 7, 2014, Mr. Millers filed a Petition for Revival of an Application for Patent Abandoned Unintentionally Under 37 C.F.R. § 1.137(a) in the '058 application, which was granted on that same date.

On November 26, 2015, the OED sent, via certified mail, a Request for Information and Evidence Under 37 C.F.R. § 11.22(f) (First RFI) to Respondent's address of record with the USPTO regarding Respondent's representation of the Client as referenced above. The First RFI requested information regarding, *inter alia*, Respondent's representation of the Client before the USPTO in connection with the '058 application, and provided Respondent with thirty days, or until December 29, 2014, to respond to the First RFI. Respondent received the First RFI on November 29, 2014, but at no time did Respondent provide a response to the First RFI.

On January 12, 2015, the OED sent to Respondent at his address of record with OED, via certified mail, a Lack of Response to Request for Information and Evidence Under 37 C.F.R. 11.22(f) (Lack of Response letter). The Lack of Response letter provided Respondent with another copy of the First RFI, and gave Respondent fifteen days to respond, or January 26, 2015.

Respondent received the OED's Lack of Response letter on January 14, 2015. However, at no time did Respondent respond to the OED's Lack of Response letter.

On February 18, 2015, the State Bar of California entered an order of default and transferred Respondent to "inactive enrollment" for his failure to timely file a response to certain pending disciplinary charges. On March 18, 2015, Respondent was administratively suspended from practice before the USPTO.

On August 13, 2015, the OED sent, via certified mail, a letter to Respondent at his address of record with the OED stating that it had not received a response from him to either the First RFI or the Lack of Response letter. Respondent received OED's August 13, 2015, letter on August 17, 2015. However, Respondent did not respond to the August 13, 2015, letter. As of the date the *Complaint* was filed, Respondent has not responded to any of the OED's correspondence to him nor has he otherwise communicated with OED during its investigation of his alleged misconduct.

### **Conclusions of Law**

Based upon the foregoing findings of fact, the Court concludes, for the reasons that follow, Respondent violated the USPTO Rules of Professional Conduct.

1. 37 C.F.R. § 11.103 proscribes failing to act with reasonable diligence and promptness in representing a client. Respondent agreed to take over the representation of the Client on the '058 application and told the Client that he would file a response to the June 10, 2013, Final Office Action before September 10, 2013. Respondent failed to file that response allowing the '058 application to become abandoned. After the '058 application became abandoned, Respondent made no efforts to revive it. These lapses constitute violations of 37 C.F.R. § 11.103.
2. 37 C.F.R. § 11.104(a)(3) proscribes failing to keep the client reasonably informed about the status of a matter. Respondent agreed to submit the appropriate filings to the USPTO by September 10, 2013, but failed to do so. This resulted in the '058 application becoming abandoned. Respondent did not inform the Client of this development or that Respondent had not filed the response. It was only after the Client was notified by Respondent's former firm of the status that Respondent resumed communications with the Client. Such conduct constitutes a violation of 37 C.F.R. § 11.104(a)(3).
3. 37 C.F.R. § 11.104(a)(4) proscribes failing to promptly comply with reasonable requests for information. As noted in paragraph 2, Respondent did not resume communications with the Client until after the Client's son began to ask about the status of the '058 application. The Client's inquiries into the status of the '058 application were reasonable, especially in light of the fact that the Client was notified that the application had become abandoned. However Respondent's responses, though prompt, were not compliant with the Client's requests for information, because Respondent purposely gave the Client's son incorrect information by indicating that "everything is normal here" when in fact the '058 application had become abandoned.

4. 37 C.F.R. § 11.115(d) proscribes failing to promptly deliver to a client any funds or property that the client is entitled to receive. After the Client informed Respondent that responsibility for the prosecution of the '058 application had been transferred to another registered practitioner, the Client requested that the prototype for the invention be returned to the Client. Respondent, however, did not return the prototype to Respondent as requested. Accordingly, Respondent violated 37 C.F.R. § 11.115(d).
5. 37 C.F.R. § 11.116(d) proscribes failing to surrender papers and property to which the client is entitled and to refund any advance payment of fee or expense that has not been earned or incurred upon termination of the practitioner-client relationship. The Client agreed to pay Respondent \$1,500 in advance for patent legal services to be rendered. Respondent sent a retention letter noting the \$1,500 fee to the Client, who promptly paid the fee. Respondent also sent the Client the September 18th invoice for \$1,500, and described in the September 18th invoice the services rendered for the '058 application as follows: "Response to Office Action from USPTO and filing continued prosecution application." However Respondent never earned this fee, because he never performed the services agreed to, and described by, the September 18th invoice. After the Client informed Respondent that his responsibility for the prosecution of the '058 application had been transferred to another registered practitioner, Respondent did not return the \$1,500 fee that the Client prepaid. Accordingly, Respondent violated 37 C.F.R. § 11.116(d).
6. 37 C.F.R. § 11.804(c) proscribes conduct involving dishonesty, fraud, deceit, or misrepresentation. Respondent agreed to represent the Client and file a response to the June 10, 2013, Final Office Action. He did not do so. Yet, Respondent sent the Client an invoice suggesting that he had filed the response and was continuing with the prosecution of the application. Then after the Client's son contacted Respondent regarding the status of the '058 application, Respondent sent an e-mail to the son stating, "I have everything in order for filing the response" when in fact, the '058 application had become abandoned. Such statements were misleading and constitute conduct involving dishonesty and misrepresentation in violation of 37 C.F.R. § 11.804(c).
7. 37 C.F.R. § 11.801(b) proscribes knowingly failing to respond to lawful demands for information from a disciplinary authority. The OED sent Respondent an RFI that was never answered despite two subsequent communications prompting Respondent that his response to the RFI was due. The OED has provided documentation indicating that Respondent received all three pieces of correspondence. By failing to respond to the RFI and subsequent demands for a response, Respondent violated 37 C.F.R. § 11.801(b).
8. 37 C.F.R. § 11.804(d) proscribes conduct that is prejudicial to the administration of justice. Respondent failed to respond to the RFI. Respondent's conduct undermines the public's confidence in the profession's ability to regulate itself and is, therefore, prejudicial to the administration of justice in violation of 37 C.F.R. § 11.801(d).

## SANCTIONS

Having found Respondent violated the USPTO Rules of Professional Conduct, the Court must determine an appropriate sanction. Before sanctioning a practitioner, the Court must consider the following four factors:

- (1) whether the practitioner has violated a duty owed to client, to the public, to the legal system, or to the profession;
- (2) whether the practitioner acted intentionally, knowingly, or negligently;
- (3) the amount of the actual or potential injury caused by the practitioner's misconduct; and
- (4) the existence of any aggravating or mitigating factors.

37 C.F.R. § 11.54(b)

1. Respondent violated his duties to the Client, and the patent bar.

Respondent entered into an engagement agreement with the Client and accepted the Client's prepayment of attorney's fees and filing fees. As such, Respondent had a fiduciary duty to the Client, which he violated by failing to file a response to the June 10, 2013, Final Office Action in the '058 application. In addition, Respondent violated his fiduciary duty to the Client by failing to return the unearned fees that were prepaid to him or the Client's prototype.

Respondent also violated his duty to the patent bar by willfully violating its disciplinary rules. Respondent's neglect of the legal matter the Client entrusted to him harms the Client and possibly the public's confidence in members of the patent bar. Last, Respondent's dishonesty in misrepresenting the status of the '058 application to the Client's son tarnishes the reputation of the patent bar as a whole.

2. Respondent acted knowingly and intentionally

Respondent's actions were knowing and intentional. As evidenced by the correspondence that he had sent to the Client, Respondent understood he was responsible for filing a response to the June 10, 2013, Final Office Action. He did not do so. When asked about the status of the '058 application, he knowingly misrepresented that everything was normal and that the Client was in a better position than before. In fact, however, the '058 application had become abandoned. Last, after the Client informed Respondent that his responsibilities as to the '058 application were being transferred to another practitioner, Respondent did not return the prototype as requested by the Client. Such conduct is knowing and intentional and warrants a severe sanction.

3. Respondent's misconduct caused actual and potential injury.

Respondent's misconduct caused actual injury to the Client. The Client prepaid the attorney's fees to Respondent. However, Respondent never filed the response to the June 10, 2013, Final Office Action as he agreed to do. Thus, the prepaid fee from the Client should have been returned. By not doing so, Respondent caused actual injury and loss to the Client and should receive a severe sanction.

4. Aggravating factors exist in this case.

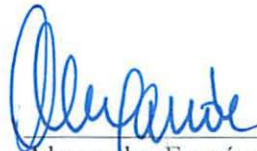
The Court often looks to the American Bar Association's Standards for Imposing Lawyer Sanctions (2005) when determining whether aggravating or mitigating factors exist. See In re Lane, No. D2013-07, at 19. A review of the record demonstrates that Respondent engaged in the bad faith obstruction of the disciplinary proceeding by intentionally failing to respond to the RFI and this Court's orders. Such conduct can be considered to be an aggravating factor. Moreover, Respondent's failure to appear in this matter and his disregard of the Court's orders demonstrates that Respondent may no longer be capable of professionally representing his clients.

**CONCLUSION**

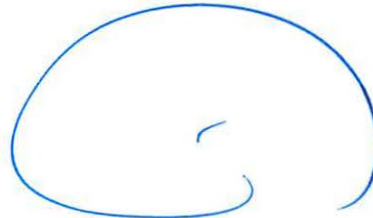
Respondent has failed to answer the *Complaint* or otherwise appear in this matter. Respondent is found in **DEFAULT**. On the basis of the facts thereby admitted, the Court finds Respondent has violated the foregoing Rules of Professional Conduct, as alleged. The OED Director requests that the Court sanction Respondent by excluding him from practice before the USPTO in patent, trademark, or other non-patent cases or matters. Based upon its foregoing analysis of all four enumerated sanction factors, the Court concludes that Respondent's misconduct warrants the sanction of exclusion.

Accordingly, Respondent shall be **EXCLUDED** from practice before the U.S. Patent and Trademark Office in patent, trademark, and other non-patent matters.<sup>3</sup>

So **ORDERED**,



Alexander Fernández  
Administrative Law Judge



<sup>3</sup> If Respondent petitions for reinstatement, reinstatement may be conditioned, *inter alia*, upon restitution to the Client in this matter.



**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing **INITIAL DECISION AND ORDER ON DEFAULT JUDGMENT**, issued by Alexander Fernández, Administrative Law Judge, in D2015-38, were sent to the following parties on this 21<sup>st</sup> day of March, 2016, in the manner indicated:



Jamanadette Jones, Staff Assistant

**VIA FIRST CLASS MAIL:**

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