

UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE COMMISSIONER OF PATENTS AND TRADEMARKS

KAREN L. BOVARD,
Director, Office of
Enrollment and Discipline,

MAR - 4 1999

v.

Disciplinary Proceeding D96-03

JOHN P. HALVONIK,
Respondent.

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

Respondent John P. Halvonik (Halvonik) appeals the Initial Decision and Suspension Order of Hon. Delbert R. Terrill, Jr., Administrative Law Judge (ALJ), recommending that Halvonik be suspended for four months from practice before the Patent and Trademark Office (PTO).¹ The Director of the Office of Enrollment and Discipline (Director) cross-appeals. I have carefully reviewed the record, and I conclude that substantial evidence supports the ALJ's determinations that the Director had proven by clear and convincing evidence that Halvonik violated the following rules: [1] PTO Disciplinary Rule (DR) 10.23(a)² and [2] DR 10.23(b)(6) by filing a client's draft patent application without making the client's requested changes; [3] DR 10.77(c) by delaying to determine which version of that patent application had been filed

¹ Bovard v. Halvonik, No. D96-03 (Admin. Law Judge February 26, 1998) (initial decision). The suspension order was issued March 5, 1998.

² The PTO Disciplinary Rules are part of the PTO Code of Professional Responsibility, 37 C.F.R. ch. 10 (1996). See 37 C.F.R. § 10.20(b) (listing Disciplinary Rules). Thus, DR 10.23(a) appears at 37 C.F.R. § 10.23(a).

with the PTO, thereby neglecting a legal matter entrusted to him; [4] DR 10.112(c)(4), [5] DR 10.23(b)(6), and [6] DR 10.23(a) by failing to pay back \$500 to a client; and [7] DR 10.112(c)(4) and [8] DR 10.23(b)(6) by failing to return a client's disclosure materials. For those eight rule violations, I adopt all of the ALJ's factual findings and legal conclusions, as well as the ALJ's recommended sanction. I do not adopt the ALJ's determinations that Halvonik violated DR 10.77(b) and DR 10.23(b)(6) for inadequate preparation of a first draft of a client's patent application.

Background

The Director filed a Complaint against Halvonik, Reg. No. 32,796, containing three specific counts alleging that Halvonik violated several sections of the PTO Disciplinary Rules while handling three separate patent applications. ALJ 2³. After an eight-day hearing, the ALJ made the following fact findings on the three counts, which are essentially uncontested.

A. Count 1 - The Marcon Application

The ALJ granted Halvonik's motion to dismiss Count 1 of the Complaint because it was barred by the applicable five-year statute of limitations, 28 U.S.C. § 2462. ALJ 20. Because the dismissal of Count 1 is not raised in either Halvonik's appeal or the Director's cross-appeal, I adopt the ALJ's decision to dismiss Count 1.

³ Citations to the ALJ's decision will be referred to as "ALJ __," to the Appendix to the Complaint as "Complaint Appendix __," and to Halvonik's Transcript as "Halvonik Tr. __." Also, Halvonik's Appeal Brief will be referred to as "Halvonik Brief __," and the Director's Reply Brief as "Reply Brief __."

B. Count 2 - The Nelson Application

Count 2 alleged, among other things, that Halvonik violated DR 10.23(a) and DR 10.23(b)(6) by filing an incomplete and incorrect application in the PTO without making the client's changes. Complaint p. 5. Count 2 also included the allegation that Halvonik violated DR 10.77(c) by neglecting to verify which version of the application was filed. Director Pre-Trial Brief pp. 1-4. The ALJ made the following findings in connection with Count 2.

On August 24, 1992, Jack Richard Nelson retained Halvonik to prepare and file a patent application for a molding strip to be used in replacing automobile windows. ALJ 22. On October 8, 1992, Halvonik faxed an initial draft of the application to Mr. Nelson. Id. That draft contained several errors or omissions: (1) the term " " rather than the term " ," was used throughout the draft; (2) the preferred dimensions of the contained blank areas for the numerical dimensions to be inserted; and (3) the draft contained an incorrect sentence stating that the l. Id. at 76. Mr. Nelson contacted Halvonik several times, by telephone or fax, presenting revisions to the draft application, including the matters stated above. Id. at 22 and 77.

On October 21, 1992, Halvonik faxed a revised draft to Mr. Nelson, but Halvonik's second draft contained the same three errors as the first draft that Mr. Nelson had told Halvonik he wanted corrected. Id. at 78. Upon receiving the second draft, Mr. Nelson called Halvonik the same day and went over the draft page-by-page, line-by-line to ensure that all of Mr. Nelson's changes would be made in the final version. Id. Mr. Nelson essentially "spoon-fed" his patent attorney all the required changes. Id. at 58. During that same conversation, Halvonik instructed Mr. Nelson to sign the declaration for the application, assuring Mr. Nelson that the necessary

changes would be made prior to the filing of the application. Id. at 78-79. After receiving the signed declaration from Mr. Nelson, Halvonik filed the October 21, 1992 draft with the PTO without making the changes requested by Mr. Nelson. Id. at 79.

On November 3, 1992, when Mr. Nelson received from Halvonik a copy of the October 21, 1992 draft, which Halvonik indicated was the version filed with the PTO, Mr. Nelson telephoned Halvonik to determine which version was actually filed. Id. Mr. Nelson telephoned again on November 13 and December 9, 1992, to determine which version had been actually filed. Id. Although Halvonik received the PTO filing receipt with the application serial number sometime in December 1992, he did not review the application file until late January 1993 to determine that in fact he had filed the October 21 draft application with the PTO. Id.

In February 1993, Halvonik informed Mr. Nelson that the October 21 draft had been filed, and he admitted that he had "screwed-up." Id. at 80.

C. Count 3 - The Palmer Application

Count 3 alleged, among other things, that Halvonik violated DR 10.112(c)(4), DR 10.23(a), and DR 10.23(b)(6) by failing to return to a client funds that the client was entitled to receive. Complaint pp. 9-11. Count 3 also alleged that Halvonik violated DR 10.112(c)(4) and DR 10.23(b)(6) by failing to return to the client properties in Halvonik's possession that the client was entitled to receive. Id. Count 3 further alleged that Halvonik violated DR 10.77(b) and DR 10.23(b)(6) by preparing an inadequate first draft of a client's patent application. Id. The ALJ made the following findings with respect to Count 3.

On or about March 27, 1993, Diane Palmer hired Halvonik to prepare and file a patent application for a . . . ALJ 23. Ms. Palmer sent to Halvonik \$1,300 and her invention

disclosure materials. Id. Ms. Palmer's disclosure materials described a

Id. at 83. The disclosure stated that the prior art suffers from being made of whereas her design is completely Id.

On April 27, 1993, Halvonik sent Ms. Palmer a rough draft, which had at least four errors:

- (1) the draft application contained no figures even though two figures were referenced;
- (2) claim 1 recited " " contrary to the disclosure's statement that the invention was completely (3) the draft incorrectly stated that the invention " " whereas the inventor described a system where constant maintenance of the was "central and core" to the invention; and
- (4) the draft incorrectly described the whereas Ms. Palmer wanted the Id. at 84-85.

Ms. Palmer was dissatisfied with the draft. Id. at 85. On May 10, 1993, Ms. Palmer sent Halvonik an eight-page revision of the patent application along with eight penciled figures. Id. Upon further reflection, Ms. Palmer contacted Halvonik on May 19, 1993, informing him that she had lost faith in him and no longer wished to go forward with the patent application. Id. Halvonik protested and faxed his second draft to Ms. Palmer later that day. Id. Halvonik's second draft was "pretty much verbatim" of Ms. Palmer's revised draft but failed to include a claim section. Id. at 51. Ms. Palmer discharged Halvonik and requested a portion of the \$1300 fee she had paid, along with her disclosure materials. Id. at 86. In her letter to Halvonik of May 20, 1993, Ms. Palmer requested a complete refund. Id. at 24; Complaint Appendix 000211. In her letter of June 12, 1993, Ms. Palmer again requested a complete refund and return of her

materials. ALJ 24; Complaint Appendix 000212-14. On or about July 23, 1993, Halvonik sent Ms. Palmer a check for \$500 with a letter explaining: "I am enclosing a check for \$500 based on the original filing fee paid less my hourly rate (\$90) times hours spent on the project." ALJ 86; Complaint Appendix 000220. On August 5, 1993, Ms. Palmer's attorney, Joel Sachs, sent Halvonik a letter requesting a full refund for Ms. Palmer and also the return of her disclosure materials. ALJ 87; Complaint Appendix 000223. Mr. Sachs also wrote that he had instructed Ms. Palmer not to cash the \$500 check until Halvonik returned the rest of the fee. ALJ 87; Complaint Appendix 000223. Later in August, 1993, Ms. Palmer attempted to cash the \$500 check, but payment had been stopped. ALJ 87. Halvonik never filed an application for Ms. Palmer, and Ms. Palmer never received any refund or her disclosure material from Halvonik. Id. at 73, 86-87. At the hearing, Halvonik acknowledged that he owed Ms. Palmer a refund of \$500 and that Ms. Palmer never received any portion of that \$500. Id. at 54; Halvonik Tr. 1291-96. Halvonik also admitted that although Ms. Palmer requested return of her materials, he never returned those materials to her. ALJ 55; Halvonik Tr. 1420-21.

D. The ALJ's Decision

In his thorough 92-page decision, the ALJ, after review and consideration of the evidence, determined that Halvonik violated multiple PTO disciplinary rules in his handling of the Nelson and Palmer matters. ALJ 87-91. The ALJ concluded that Halvonik's filing of the October 21, 1992, draft as the final application for Mr. Nelson constituted gross misconduct in violation of DR 10.23(a), and conduct that adversely reflected on Halvonik's fitness to practice before the PTO in violation of DR 10.23(b)(6). Id. at 88. The ALJ also concluded that Halvonik's delay in

determining which version of Mr. Nelson's application had actually been filed constituted neglect of a legal matter in violation of DR 10.77(c). Id.

The ALJ further determined that Halvonik's first draft patent application for Ms. Palmer constituted inadequate preparation in the circumstances in violation of DR 10.77(b) and also constituted conduct that adversely reflected on Halvonik's fitness to practice before the PTO in violation of DR 10.23(b)(6). Id. at 89. The ALJ determined that Halvonik's failure to return \$500 he admitted he owed to Ms. Palmer constituted a failure to promptly pay to the client funds which the client is entitled to receive in violation of DR 10.112(c)(4) as well as conduct that adversely reflects on Halvonik's fitness to practice in violation of DR 10.23(b)(6). Id. at 90-91. The ALJ also concluded that Halvonik's failure to return the \$500 was gross misconduct in violation of DR 10.23(a). Id. at 72. In addition, the ALJ determined that Halvonik's failure to return Ms. Palmer's disclosure materials constituted a failure to promptly deliver the client's property which the client was entitled to receive in violation of DR 10.112(c)(4) and also constituted conduct that adversely reflects on Halvonik's fitness to practice in violation of DR 10.23(b)(6). Id. at 91. The ALJ found that all of Halvonik's violations were willful. See id. at 60, 72, 73, 74.

In his suspension order, the ALJ considered several factors including the seriousness of Halvonik's offenses, the need for deterrence, the public interest, the integrity of the profession, and any mitigating factors. Halvonik Tr. 1997-2000; ALJ Suspension Order. After weighing the factors, the ALJ recommended a seven-month suspension, of which three months would be vacated if and when Halvonik completed and passed the Multi-State Bar Examination section of Professional Responsibility and also completed a law practice management course. Id.

Opinion

The Commissioner of Patents and Trademarks has the authority to suspend a practitioner admitted to practice before the PTO for violating the Disciplinary Rules. 35 U.S.C. § 32 (1994); see also Koden v. United States Dep't of Justice, 654 F.2d 228, 233 (7th Cir. 1977) ("It is elementary that any court or administrative agency which has the power to admit attorneys to practice has the authority to disbar or discipline attorneys for unprofessional conduct."). I have carefully reviewed the record and the ALJ's initial decision. Halvonik makes a number of challenges to the ALJ's decision and suspension order. I have carefully considered Halvonik's arguments but find them for the most part to be unpersuasive. Additionally, the Director cross-appeals, arguing for a longer suspension as well as contending that the ALJ failed to address one of the charges. The contentions by each party are addressed below.

I. HALVONIK'S APPEAL

A. The Complaint Was Correctly Instituted

Halvonik claims that the Director failed to comply with the requirements of 37 C.F.R. §§ 10.132 and 10.4 before filing a complaint instituting a disciplinary proceeding against him. Halvonik Brief 7. Before the initiation of a disciplinary proceeding, the Disciplinary Rules require the Director to call a meeting of the Committee on Discipline (Committee). 37 C.F.R. § 10.132(a). The Committee reviews evidence presented by the Director and by majority vote, determines whether probable cause exists to bring charges against a practitioner. See 37 C.F.R. §§ 10.132(a)(b) and 10.4(b). Halvonik argues that the Director failed to prove that in this instance, the Committee actually "met." Halvonik Brief 12.

The Director responds that Halvonik's arguments relate to personal jurisdiction, which Halvonik waived by not denying in his Answer to the Complaint that the tribunal had personal jurisdiction. Reply Brief 2. The Director analogizes Halvonik's arguments to criminal procedure cases where claims of defects in the institution of criminal proceedings are waivable under Fed. R. Crim. P. 12(b). See, e.g., Davis v. United States, 411 U.S. 233, 241 (1973); United States v. Grote, 632 F.2d 387, 388-89 (5th Cir. 1980); and United States v. Musacchia, 900 F.2d 493, 503 (2nd Cir. 1990). Reply Brief 2.

Rule 12(b) of the Federal Rules of Criminal Procedure provides: "Defenses and objections based on defects in the indictment or information" "must be raised prior to trial." Moreover, Rule 12(b) "applies to both procedural and constitutional defects in the institution of prosecutions which do not affect the jurisdiction of the trial court." Davis, 411 U.S. at 236-37. Because the Committee acts as a "mini-Grand Jury" and disciplinary proceedings are often characterized as a quasi-criminal proceeding, the analogy to Rule 12(b) is generally applicable here.⁴ However,

⁴ The ALJ ruled that Halvonik's procedural defect claim was not waivable because the affirmative defense related to subject matter jurisdiction, comparing the claim to Newport News Shipbuilding and Dry Dock Co. v. Garrett, 6 F.3d 1547, 1552-53 (Fed. Cir. 1993) (certification by government contractor is required to be completed prior to contractor appealing contracting officer's denial of the contractor's claim; such certification confers appellate subject matter jurisdiction before the Armed Services Board of Contract Appeals). ALJ at 10. I do not find the ALJ's comparison to a government contractor's claim certification to be convincing, because claim certification, as a statutory requirement, is not waivable. See 41 U.S.C. § 605(c)(1). In contrast, the Committee meeting is a regulatory requirement and therefore may be

Halvonik did not waive his right to argue this issue because Halvonik timely raised the issue in a motion prior to the hearing before the ALJ. See United States v. Dale, 991 F.2d 819, 850 (D.C. Cir. 1993) ("Nonjurisdictional objections to the institution of a prosecution, including the conduct of grand jury proceedings, ordinarily are waived unless raised pretrial, although the district court may grant relief from the waiver for good cause shown."). Therefore, I will address the issue of whether the Director complied with the regulations before instituting a disciplinary proceeding against Halvonik.

The Director submitted two declarations to the ALJ indicating the following: i) after an investigation, she called a meeting of the Committee; ii) she presented evidence to the Committee on or about May 31, 1996; iii) the Committee reviewed the evidence and found probable cause to bring certain charges; iv) in or about June 1996, the Committee returned a "determination of probable cause;" and v) after receiving the Committee's determination, the Director filed the Complaint. The Director also submitted a redacted version of the Committee's Determination of Probable Cause, signed by all Committee members but undated, stating that the Committee met on May 31, 1996, reviewed the evidence, and determined by unanimous vote that probable cause

waivable. Moreover, Congress recently amended the Contract Disputes Act (CDA), 41 U.S.C. §§ 601-613, to provide that certification is no longer a jurisdictional prerequisite. See The Federal Courts Administration Act of 1992, Pub. L. No. 102-572, § 907(a)(6), 106 Stat. 4506, 4518 (1992). Section 605(c)(6) now provides that "[a] defect in the certification of a claim shall not deprive a court or an agency board of contract appeals of jurisdiction over that claim." In view of the foregoing, Newport News does not provide persuasive support for concluding that the procedural defect claim here is not waivable.

existed to bring certain charges. In addition, the Director submitted a signed and dated declaration from each Committee member stating the time frame in which each member signed the Determination. After reviewing all the declarations, along with the Committee's Determination, the ALJ found that the Committee had "met" as required by regulation either through meeting personally, by teleconference, or by transmittal coordination of the probable cause determination. ALJ 16. There is no evidence whatsoever that the Committee did not "meet." In light of all the documentation, the ALJ did not deem it necessary to require the Committee members to testify. *Id.* After reviewing all the declarations and the Determination, I see no reversible error in the ALJ's conclusion. The Director properly obtained a Determination and Halvonik's constitutional rights were not violated.

Halvonik contends that the written declarations are not admissible evidence. Halvonik Brief 7. However, the Administrative Procedure Act (APA) provides that in an administrative hearing, the ALJ may admit any oral or documentary evidence. 5 U.S.C. § 556(d); see also Richardson v. Perales, 402 U.S. 389, 402 (1971) (unsworn documentary evidence may constitute substantial evidence in administrative hearing). In addition, "The rules of evidence prevailing in courts of law and equity are not controlling in hearings in disciplinary proceedings." 37 C.F.R. § 10.150(a). Therefore, the declarations were properly considered by the ALJ.

Halvonik also insists that he should have been allowed to call Committee members to testify at the hearing. Halvonik Brief 7-8. In light of the documentary evidence, the ALJ correctly determined that having the Committee members testify was unnecessary. ALJ 16. Furthermore, this testimony is prohibited by the PTO regulations. "No discovery shall be authorized of, and no member of the Committee on Discipline shall be required to testify about,

deliberations of the Committee on Discipline.” 37 C.F.R. § 10.4(c). Moreover, the ALJ did not commit reversible error by ruling that Halvonik improperly attempted to add the Committee members to his witness list long after discovery had expired and the pre-hearing statements had been filed. ALJ 16-17; see 37 C.F.R. § 10.152.

Because the evidence conclusively shows that the Director properly obtained a determination of probable cause from the Committee prior to filing the Complaint, the ALJ’s ruling is affirmed.

B. Willfulness

The Administrative Procedure Act requires licensing agencies to prove willfulness of a licensee’s violations in certain circumstances. 5 U.S.C. § 558(c) provides in relevant part:

Except in cases of willfulness . . . the withdrawal, suspension,, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefor, the licensee has been given

(1) notice by the agency in writing of the facts or conduct which may warrant the action; and

(2) opportunity to demonstrate or achieve compliance with all lawful requirements.

Thus, if the Director has not given a practitioner both (a) written notice of the facts or conduct which may warrant a suspension and (b) an opportunity to achieve compliance, then the PTO can suspend the practitioner’s license to practice before the PTO only if the Director proves that the violation is willful. See Capital Produce Co., Inc. v. United States, 930 F.2d 1077, 1079 (4th Cir. 1991).

In the present case, it is undisputed that for the suspension to be sustained, the facts found by the ALJ must show that Halvonik’s violations were willful. “‘Willfulness’ for purposes of Section 558(c) means ‘an intentional misdeed or such gross neglect of a known duty as to be the

equivalent thereof.” Id. (quoting Hutto Stockyard, Inc. v. USDA, 903 F.2d 299, 304 (4th Cir. 1990)); see also Kodon v. United States Dep’t of Justice, 564 F.2d 228, 234 (7th Cir. 1977) (“[I]f a person 1) intentionally does an act which is prohibited,--irrespective of evil motive or reliance on erroneous advice, or 2) acts with careless disregard of statutory requirements, the violation is wilful.”). For a suspension to be authorized in this case, “the only requirement is that at least one of the violations be wilful.” See Cox v. USDA, 925 F.2d 1102, 1105 (8th Cir. 1991). However, in this case, I conclude that Halvonik’s conduct was wilful with regard to each of the eight sustained rule violations. As explained below in sections C and D, the ALJ properly measured Halvonik’s conduct against the legal standard of willfulness.

C. The Palmer Application

On this count, I adopt the ALJ’s determination that Halvonik violated DR 10.112(c)(4), 10.23(b)(6) and 10.23(a) by willfully failing to deliver funds to Ms. Palmer that Ms. Palmer was entitled to receive. DR 10.112(c)(4) provides that a practitioner shall promptly “pay or deliver to the client as requested by a client the funds, securities, or other properties in the possession of the practitioner which the client is entitled to receive.” DR 10.23(a) states: “A practitioner shall not engage in disreputable or gross misconduct.” DR 10.23(b)(6) provides that a practitioner shall not engage in any conduct “that adversely reflects on the practitioner’s fitness to practice before the Office.”

The record demonstrates, and Halvonik admits, that he did not earn \$500 paid to him by Ms. Palmer and that he failed to return the \$500 that Ms. Palmer is entitled to receive. ALJ 86; Halvonik Tr. 1295-99. After Ms. Palmer discharged Halvonik and requested a refund, Halvonik provided her with an accounting which stated:

I am enclosing a check for \$500 based on the original filing fee paid less my hourly rate (\$90) times hours spent on the project.

I feel this is fair as it is based on the time I spent writing two drafts of the application as well as time on the phone with you in the first week of April and second week of May.

ALJ 86. At the hearing before the ALJ, Halvonik admitted that Ms. Palmer was entitled to \$500 from him. ALJ 73; Halvonik Tr. 1295. When Ms. Palmer requested a larger refund, Halvonik did not communicate with her, but instead stopped payment on the \$500 check. ALJ 87. Ms. Palmer never received \$500 from Halvonik that his accounting, as well as his own testimony, indicates he did not earn. Halvonik Tr. 1295-96. Accordingly, it cannot be disputed that both parties agree that Ms. Palmer is entitled to receive at least \$500, yet Halvonik continues to retain those funds. By consciously withholding from a client funds that Halvonik acknowledged the client is entitled to receive, Halvonik has knowingly engaged in gross misconduct, and that misconduct reflects adversely on his fitness to practice before the PTO. The ALJ correctly found that clear and convincing evidence exists to prove that Halvonik willfully violated DR 10.112(c)(4), 10.23(b)(6), and 10.23(a).

Halvonik's arguments to the contrary are either misplaced or unconvincing. Halvonik contends that the matter with Ms. Palmer boils down to a fee dispute in which the PTO should not become involved. But as already stated, no fee dispute exists regarding \$500 of the \$1300 fee. Halvonik admitted that he did not earn that portion of the advance payment and that Ms. Palmer is entitled to receive that sum. Ms. Palmer never received that unearned portion. The fee dispute between Halvonik and Ms. Palmer, if any, is limited to the remaining \$800 of the

\$1300 fee. The ALJ's determination that Halvonik violated the Disciplinary Rules were limited to the unearned \$500 portion.

Halvonik's argument that the \$1300 advance fee belongs to Halvonik and is not "client funds" is equally without merit. Halvonik is a member of the Pennsylvania state bar and relies on New York and Pennsylvania state law for the proposition that advance fees are not "client funds." Halvonik Brief 28-37. However, the advisory opinion from which Halvonik quotes points out that "upon termination of employment, [the] lawyer must promptly return to client unearned portion of fee paid in advance." Halvonik Brief 30 (quoting New York State Bar Association Committee on Professional Ethics, Opinion Number 570 (June 7, 1985); see also id. ("the lawyer is obliged promptly to return any portion of the fee advance that is not earned in rendering legal services.")) Halvonik Brief 31. Thus, state laws and the PTO rules are not in conflict. See also Pennsylvania Rules of Professional Conduct 1.16(d) (an attorney must "surrender[] papers and property to which the client is entitled and refund[] advance payments of fee that has not been earned."); cf. Comments to Pennsylvania Rules of Professional Conduct 1.15 ("The undisputed portion of the funds shall be promptly distributed."). Moreover, Pennsylvania's choice of law rules indicate that the PTO rules would control in the instant matter. See Pennsylvania Rules of Professional Conduct 8.5 ("for conduct in connection with a proceeding in a court or agency before which a lawyer has been admitted to practice . . . , the rules to be applied shall be the rules of the jurisdiction in which the court or agency sits, unless the rules of the court or agency provide otherwise.") According to DR 10.112(c)(4), at stake here are funds that "the client is entitled to receive." Here, there is no dispute that Ms. Palmer is entitled to at least \$500. Halvonik recognizes that but even up until the administrative hearing he has failed to return it.

Halvonik Tr. 1964-65. He therefore has willfully violated DR 10.112(c)(4), DR 10.23(b)(6) and DR 10.23(a).

I also adopt the ALJ's determination that the evidence clearly and convincingly substantiates that Halvonik willfully failed to return Ms. Palmer's disclosure materials, violating DR 10.112(c)(4) and DR 10.23(b)(6). Halvonik's argument that the items were de minimis misses the point entirely. When Ms. Palmer requested her materials back from Halvonik, he was obliged to return them promptly, regardless of their value. See DR 10.112(c)(4). At the hearing, Halvonik acknowledged that Ms. Palmer had made a written request for her materials and that he never returned them. Halvonik Tr. 1421. Further, Halvonik never offered any explanation for why he failed to return the items. By ignoring his client's requests and never returning Ms. Palmer's materials, Halvonik's conduct was a willful failure to return promptly client properties in his possession which the client was entitled to receive. In addition, Halvonik's willful conduct reflects adversely on his fitness to practice before the PTO in violation of DR 10.23(b)(6). For the foregoing reasons, the ALJ's ruling on this issue is adopted.

However, I do not adopt the ALJ's ruling that Halvonik's first draft of Ms. Palmer's application constituted an inadequate preparation in the circumstances and constituted conduct that adversely reflects on his fitness to practice before the PTO. See ALJ 89. DR 10.77(b) states that a practitioner shall not handle "a legal matter without preparation adequate in the circumstances." Halvonik's April 27, 1993, first draft contained several glaring errors, especially in view of Ms. Palmer's disclosure materials. ALJ 84-85. However, neither the ALJ nor the Director in her Reply Brief cite to any previous case where DR 10.77(b) or analogous ethics rules were invoked in a similar factual circumstance regarding a draft document. A draft, by its very

nature, is not intended to be a complete, error-free document. Inadequate preparation must be judged on a case-by-case basis, and the facts presented here do not rise to the level of a willful violation of DR 10.77(b). For the same reasons, I do not adopt the ALJ's determination that Halvonik violated DR 10.23(b)(6) with his first draft of Ms. Palmer's application.

D. The Nelson Application

On this count, I adopt the ALJ's determination that the filing of Mr. Nelson's application which excluded changes specifically and repeatedly requested by the client constituted gross misconduct under DR 10.23(a) and adversely reflected on Halvonik's fitness to practice under DR 10.23(b)(6). ALJ 88. Halvonik's first draft application for Mr. Nelson had a number of mistakes and Mr. Nelson communicated the corrections to Halvonik by telephone and by facsimile. ALJ 77. Those mistakes included i) referring to _____ as a _____ rather than an _____, ii) leaving the spaces for numerical dimensions blank, and iii) including a sentence concerning the _____ that was incorrect. ALJ 76. Halvonik's second draft of October 21, 1992, however, had the same three mistakes as the first draft. ALJ 78. Mr. Nelson and Halvonik then went over the October 21, 1992, draft together, page-by-page, line-by-line, to ensure that the changes would be made. Id. During that discussion, Halvonik instructed Mr. Nelson to sign the patent application declaration, in direct willful disregard of the requirement that his client sign the declaration only after reading the last version of the application. Id. at 60; 78-79; see 37 C.F.R. § 1.63. Halvonik filed the October 21, 1992, draft application without making the changes. Id. at 79-80. Halvonik admitted that he "screwed-up." Halvonik Tr. 1138.

Halvonik argues that his negligence, no matter how gross, does not amount to willfulness, because willfulness requires actual awareness that one is doing something wrong. Halvonik Brief 15. That is an incorrect statement of the law. Gross negligence may rise to the level of willfulness. Willfulness includes “such gross neglect of a known duty as to be the equivalent” of an intentional misdeed. Capital Produce Co. v. United States, 930 F.2d 1077, 1079 (4th Cir. 1991). Moreover, the test for willfulness is met when a person “intentionally does an act which is prohibited,--irrespective of evil motive or reliance on erroneous advice.” Koden v. United States Dep’t of Justice, 564 F.2d 228, 234 (7th Cir. 1977). It is undisputed that Halvonik’s conduct amounted to gross negligence. See Halvonik Brief 15-16. Furthermore, there is no question that Halvonik deliberately committed all the acts in question. I agree with the ALJ that Halvonik’s disregard for PTO requirements by directing Mr. Nelson sign the declaration before the application was completed is evidence of Halvonik’s willfulness. Having the falsely sworn declaration from the inventor allowed Halvonik to file with the PTO an incomplete application that still contained uncorrected errors. Accordingly, I agree with the ALJ that Halvonik’s conduct constitutes “willful gross misconduct” in violation of DR 10.23(a). For the same reasons, I find that Halvonik also willfully violated DR 10.23(b)(6). See ALJ 60.

Halvonik further argues that “mistakes happen all the time,” and Mr. Nelson suffered no harm because the changes that Halvonik failed to make to Mr. Nelson’s application could still be made without making a material alteration to Mr. Nelson’s patent. This argument has no merit. Directing his client to sign a declaration for an incomplete application is not a mistake. Furthermore, failure to enter the corrections into the draft application after being “spoon-fed” the changes repeatedly by his client cannot be considered a mere oversight. As the ALJ properly

found, Halvonik had “several bites at the apple to make the appropriate changes, yet failed to make them.” ALJ 60. In addition, Halvonik admitted he did not closely review what he filed with the PTO. Id. This was not simply a mistake, but an intentional failure to act with due care. In light of these circumstances, Halvonik’s reckless disregard for the consequences of his actions was a manifest breach of duty to his client.

Halvonik’s rebuttal argument about harm to the client is to no avail. Establishing harm to the client is not a requirement for determining that Halvonik’s misconduct violates the PTO disciplinary rules. See DR 10.23(a) and 10.23(b)(6). If nothing else, Halvonik’s unreliability compelled Mr. Nelson to hire a new attorney to prosecute the application, which cost him an additional \$2,500. ALJ 61. Finally, Mr. Nelson never received a patent with the corrections that he had initially wanted entered.

Also, I adopt the ALJ’s determination that Halvonik’s delay in determining which version of the application was actually filed constituted neglect of a legal matter entrusted to him in violation of DR 10.77(c). ALJ 88. Halvonik’s failure to follow up on the filing from December 1992 until late January 1993, after repeated exhortations from Mr. Nelson, constituted gross neglect of a known duty. See Capital Produce, 930 F.2d at 1079. Halvonik’s careless disregard for the consequences of his actions are the equivalent of willfulness. See id.

Halvonik contends that this specific charge was not made in the Complaint, and therefore he did not receive fair notice of the charge, citing In re Ruffalo, 390 U.S. 544 (1967). Halvonik Brief 21-22. Although the Complaint did not specifically charge neglect in Halvonik’s delay to review the file, the Director’s Pre-Trial Brief clearly and unmistakably put Halvonik on notice prior to the hearing that the charge of neglect extended to his unjustified delay in determining

what he had filed with the PTO. Director Pre-Trial Br. 1-4. Ruffalo does not support Halvonik's argument, because in that case the attorney did not receive fair notice when the additional charges were added after he had testified in his disbarment proceeding. Ruffalo, 390 U.S. at 550-51. Because Halvonik received notice of the neglect charge well before testifying, he was not deprived of due process. Moreover, 37 C.F.R. § 10.145 provides for a variance between the evidence and the allegations in a complaint. Thus, Halvonik received fair notice of the neglect charge and an opportunity to address the evidence. Accordingly, his rights were not prejudiced by this additional charge.

E. Sanction

The ALJ's order of a four-month suspension is adopted. The eight violations discussed above more than justify a suspension of four months, especially Halvonik's willful failure to return funds and properties to Ms. Palmer that she is entitled to receive. The seriousness of unjustifiably withholding funds and property that should be returned to a client cannot be overlooked. Although the two violations found by the ALJ regarding the inadequate preparation of Ms. Palmer's first draft application are not adopted, on the facts of this case, those charges are unnecessary to justify the sanction. Thus, the ALJ's suspension order is adopted.

II. CROSS-APPEAL

The Director cross-appeals on two grounds. First, in the Director's view, the gravity of Halvonik's several acts of misconduct warrants a sanction greater than four months. Second, the Director contends that the ALJ failed to analyze and address the charge that Halvonik violated DR 10.78 in attempting to limit his liability with Mr. Nelson. Director Cross-Appeal 1.

It is initially noted that the Director moved to strike Halvonik's Reply Brief to the Cross-Appeal for untimeliness. 37 C.F.R. § 10.155 requires that a reply brief must be filed with 30 days of the cross-appeal brief. A copy of the Director's Cross-Appeal was served on Halvonik's counsel via hand delivery on April 27, 1998. Although Halvonik's Reply Brief was mailed on May 27, 1998, he did not file the brief by May 27, 1998. 37 C.F.R. § 10.141 governs the filing of papers in disciplinary matters and expressly states that certificates of mailing are not available in disciplinary proceedings. Thus, Halvonik's Reply Brief filed by mail must have been received by the Director by May 27, 1998, to be timely. Counsel for the Director received an unsigned copy of Halvonik's Reply Brief on May 28, 1998, but Halvonik did not file a signed copy with the Director until June 5, 1998. The Brief was received outside the 30-day time limit and is therefore untimely. Nevertheless, because I do not change my decision in response to the arguments in the Director's Cross-Appeal, consideration of the Reply Brief is moot.

The Director claims that she charged Halvonik with two different violations of DR 10.78 based on (1) Halvonik's attempt to settle all claims with Mr. Nelson, and (2) Halvonik's attempt to buy the silence of Mr. Nelson by conditioning the return of fees in exchange for Mr. Nelson's promise not to report Halvonik to the authorities. The Director argues that although the ALJ considered the second claim and ruled there was no violation, the ALJ never addressed the first claim, which should be now considered at this stage.

The Director's argument is unavailing. After reviewing the record and the ALJ's initial decision, I find no error in the ALJ's conclusion that "Complainant failed to prove by clear and

convincing evidence that Respondent's attempt to settle his dispute with Nelson constituted a willful attempt to exonerate himself from, or limit his liability to a client for his personal malpractice." ALJ 91. The ALJ's ruling addresses all aspects of the Director's charge under DR 10.78. Moreover, settlement of legal disputes is to be encouraged and attempts to do so, in and of themselves, do not constitute ethical violations.

The Director further argues that the ALJ failed to articulate any basis underlying his recommended sanction. According to the Director, the ALJ did not properly consider the penalty factors set forth in 37 C.F.R. § 10.154(b): (1) the public interest; (2) the seriousness of the violations; (3) the deterrent effects deemed necessary; (4) the integrity of the legal profession; and (5) any extenuating circumstances. Upon reviewing the suspension order as well as the suspension order hearing of March 5, 1998, I am satisfied that the ALJ properly and thoroughly considered all of the penalty factors in arriving at his recommended sanction. See Suspension Order; see also Halvonik Tr. 1995-2000.

There is no doubt that the seriousness of the violations warrant suspension and the ALJ correctly determined that. Halvonik Tr. 1995-98; Suspension Order. As described earlier, withholding funds from Ms. Palmer is a very serious matter. Halvonik stopped payment on the \$500 check after receiving a letter dated August 5, 1993, from Mr. Sachs informing him that Ms. Palmer would not cash the check. Complaint Appendix 000223. But any confusion on Halvonik's part was dispelled by Mr. Sachs' August 30, 1993, letter notifying Halvonik that Ms. Palmer would be cashing the \$500 check. Complaint Appendix 000224. Moreover, even though Halvonik acknowledged that he owed Ms. Palmer at least \$500, when she requested a full refund, Halvonik then decided "to dispute every nickel." Halvonik Tr. 1962. To this day, Ms. Palmer

still has not received her \$500, in spite of Halvonik's admissions that those funds belong to her. Halvonik Tr. 1964-65. Additionally, the ALJ recognized that Halvonik's failure to return Ms. Palmer's disclosure materials and gross misconduct and willful neglect regarding Mr. Nelson's application were also serious. Suspension Order; Halvonik Tr. 1995-97.

The ALJ also properly found that the integrity of the profession and the need for deterrence require a suspension. Suspension Order; Halvonik Tr. 1998. Because practitioners have enormous power over the intellectual property rights of their clients, the disciplinary process must maintain the profession's integrity. Furthermore, deterring other practitioners from engaging in similar misconduct weighs in favor of suspending Halvonik.

However, the ALJ was convinced that Halvonik has made several adjustments to improve the management of his office to avoid further violations of the PTO Rules. Suspension Order; Halvonik Tr. 1998-2000. The ALJ concluded that the public interest in ensuring that practitioners act with integrity and in compliance with the rules has been protected by the subsequent changes to Halvonik's practice. Id. I will not disturb this finding.

Also, the ALJ found that the passage of time since the misconduct is a mitigating factor. Halvonik Tr. 2000. The ALJ also considered professional responsibility case law, including Wiffenbach v. Turner, 20 UPSPQ2d 1102 (Comm. Pat. 1991), for guidance in arriving at his recommended sanction. Halvonik Tr. 1921, 1997.

The four-month suspension recommended by the ALJ is far less severe than it could have been, but it is clear that the ALJ gave careful consideration to extenuating circumstances. I am not convinced that the recommended sanction is inappropriate.

ORDER

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

ORDERED that one month from the date this order is entered, JOHN P.

HALVONIK of 1517 Gerard Street, Rockville, Maryland, whose PTO Registration Number is 32,796, be suspended for seven months from practice before the PTO under the conditions set forth in 37 C.F.R. § 10.158, but three months shall be vacated from the suspension if and when Halvonik completes and passes the Multi-State Bar Examination section on Professional Responsibility and enrolls in and completes a state or local bar association course(s) regarding the management of a sole practitioner office. The course must also include a section on client communication;

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:

Q. Todd Dickinson
Acting Assistant Secretary of Commerce and
Acting Commissioner of Patents and Trademarks
U.S. Patent and Trademark Office
Crystal Park II, Suite 906
Washington, D.C. 20231

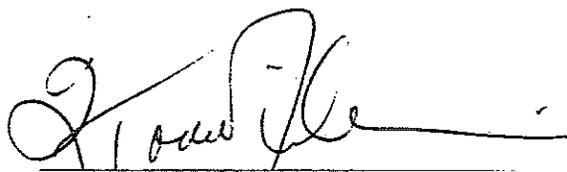
A copy of the request must also be served on the attorneys for the Director of Enrollment and

Discipline:

Kevin Baer
John Whealan
U.S. Patent and Trademark Office
Crystal Park II, Suite 918
Post Office Box 15667
Arlington, VA 22215

Any request hand-delivered to the PTO must be hand-delivered to the Office of the Commissioner, in which case the service copy for the attorney for the Director shall be hand-delivered to the Office of the Solicitor.

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 Local Rule 213 of the U.S. District Court for the District of Columbia within thirty (30) days of the date of entry of this decision.



Q. TODD DICKINSON
Acting Assistant Secretary of Commerce
and Acting Commissioner of Patents
and Trademarks

cc: Karen L. Bovard
Office of Enrollment and Discipline

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Office of the Solicitor

3/4/99

Copy was also sent to Mr. FitzGerald at:
2200 Wilson Blvd., Suite 800
Arlington, VA. 22201
(the correct address)

Maryann