

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.

S. MICHAEL BENDER,

Respondent.

Proceeding No. D00-01

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

S. Michael Bender ("Respondent") appeals the Initial Decision ("ID") of Hon. William B. Moran ("ALJ"), recommending that Respondent be excluded from practice before the United States Patent and Trademark Office ("USPTO"). It is hereby concluded, based on careful review of the record, that the record supports by clear and convincing evidence the finding in the ID that Respondent violated the following rules: USPTO Disciplinary Rule ("Rule") 10.23(b)(5) by engaging in conduct that is prejudicial to the administration of justice, Rule 10.62(a) by accepting employment where Respondent's exercise of professional judgment may be affected by his financial or business interests, Rule 10.68(a)(1) by accepting compensation from a person other than Respondent's client without full disclosure and the client's consent, and Rule 10.77(c) by neglecting a legal matter entrusted to him. It is further concluded that the ID erred in finding that Respondent violated Rule 10.23(b)(4) by engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation, because the Director of the Office of Enrollment and Discipline ("OED Director") withdrew the pertinent charge before the ID

issued. Except to the extent inconsistent with this decision, the factual findings, legal conclusions and recommended sanction set forth in the ID are hereby adopted.

Background

The Complaint charged Respondent with ten counts of various ethical violations; each count of the Complaint related to Respondent's representation of a different individual client. Nine of the counts addressed his representation of clients associated with American Inventors Corporation ("AIC"). AIC specifically had arranged to provide invention-related services to numerous clients. These services included prosecution of patent applications, and AIC collected fees that were intended to cover the cost of arranging for such prosecution by a registered patent practitioner. GX 4, 1333. AIC had arranged for another registered practitioner, Leon Gilden, to prosecute numerous patent applications on behalf of its clients. In many cases, Gilden prosecuted design patent applications that included surface ornamentation that had been added by AIC, Gilden, or their agents without the inventors' knowledge. RX 13 at 4. Gilden was eventually suspended from practice before the USPTO. RX 13 at 8.

Immediately before Gilden's suspension, Respondent agreed to assume representation of over 1000 of Gilden's clients whose applications included added surface ornamentation. RX 13 at 1, 8. At least five of the counts with which Respondent was charged involve his representations of such clients; the record with respect to certain other counts is not clear as to whether the client was previously represented by Gilden. All but one of the remaining counts concern design patent applications prosecuted at some stage by Respondent for clients referred to him by AIC.

Procedural Arguments

The ID, following the format of the Complaint, is organized largely according to the counts that address Respondent's conduct with respect to individual inventors. While this organization is reasonable in light of the ALJ's fact-finding function, adopting this format in this decision would make addressing the legal issues raised on appeal awkward. This difficulty is compounded by Respondent's appeal brief, which consists primarily of a page-by-page and in some cases line-by-line rebuttal of the ID. This decision will address Respondent's procedural arguments first, and then address his substantive arguments with respect to each of the rules he was found in the ID to have violated.

Adequacy of Legal Analysis in ID


Respondent first argues that the ID is not in compliance with Rule 10.154(a) and 5 U.S.C. § 557(c)(3)(A) because it does not contain reasoned analysis applying the law to the facts. Respondent's argument is evidently based on reading certain sections of the ID in isolation. Respondent argues, for example, that pages 12-14 of the ID, addressing Count 10 of the Complaint, do not contain the requisite legal analysis. These pages contain findings of fact with respect to Count 10, and somewhat perfunctory conclusions of law. Other sections of the ID, however, contain extensive discussion and resolution of the legal arguments made by both parties that provide the foundation for the legal conclusions. The ID is not defective in this regard.

Sufficiency of Complaint

Respondent argues that the Complaint in the proceeding was insufficient because it failed to place the Respondent on notice of the relationship between his alleged acts and the Disciplinary Rules Respondent was alleged to have violated.

Title 37 C.F.R. § 10.134(a)(2) requires that a complaint "[g]ive a plain and concise description of the alleged violations of the Disciplinary Rules by the practitioner." Section 10.34(b) further provides that "[a] complaint will be deemed sufficient if it fairly informs the respondent of any violation of the Disciplinary Rules which form the basis for the disciplinary proceeding so that the respondent is able to adequately prepare a defense." Also relevant is 5 U.S.C. § 554(b), which requires that persons entitled to notice of an agency hearing be timely informed of "... (3) the matters of fact and law asserted."

Respondent cites NLRB v. Blake Construction, 663 F.2d 272 (D.C. Cir. 1982), to support his argument. Applying 5 U.S.C. § 554(b)(3), the Blake Construction court held that "[e]ven where the record contains evidence supporting a remedial order, the court will not grant enforcement in the absence of either a supporting allegation in the complaint or a meaningful opportunity to litigate the underlying issue in the hearing itself." Blake Construction, 663 F.2d at 279. This test is similar to that set forth by 37 C.F.R. § 10.134(b). The Complaint here was adequate to the extent that it placed Respondent sufficiently on notice of the charges against him and of the basis for them to permit him to adequately prepare a defense.



The Complaint here is hardly a model of specificity. Each count of the Complaint consists of brief allegations of fact concerning Respondent's alleged actions with respect to one of his clients, followed by a list of rules Respondent is alleged to have violated through those actions. The Complaint nonetheless sets forth AIC's role in arranging for Respondent's representation of the client and in paying his fees, Respondent's failure to consult with the clients as to their intent, and his failure to timely notify his clients of office actions.

A fair reading of the Complaint would have placed Respondent on notice that the OED Director was alleging that AIC's role in the process created a conflict of interest prohibited by Rule 10.62(a). The Complaint also placed Respondent fairly on notice that accepting payments from AIC for legal fees was alleged to violate Rule 10.68(a)(1).

While paragraph 4 of the Complaint alleges that "Respondent engaged in business relationships with a number of invention submission companies, inter alia [AIC] and Phase 2," the Complaint does not detail the nature of these relationships and thus does not set forth the specific nature of Respondent's allegedly conflicting financial interest. However, Respondent does not specifically object to this aspect of the Complaint, and it is clear that both parties understood at all relevant times that the relationship with AIC consisted of Respondent's representation of hundreds of clients assigned to him by that firm. See Answer at 26-29 (discussing prosecution of "over 1000" patent applications originally referred to Practitioner Gilden by AIC and transferred to Respondent), at 30 ("AIC through Respondent had remitted about \$500,000 to the PTO for official fees during 1994."), and at 33 (discussing Respondent's action to collect \$136,000 in unrecovered fees for work he performed for AIC customers). Thus, Respondent was on


sufficient notice of the alleged arrangements between him and AIC asserted to constitute conflicting financial interests for purposes of Rule 10.62(a).

It is not necessary to determine the adequacy of the Complaint with regard to the alleged violations of Rules 10.62(a) and 10.68(a)(1) concerning Phase 2, because the ID's holding of such violations are overturned for other reasons, as discussed below.

The Complaint also clearly placed Respondent on notice that the OED Director was asserting that certain specified failures to consult with his clients and to timely respond to office actions violated Rule 10.77(c). However, the Complaint did not address Respondent's demands for additional compensation from his clients, and for the reasons discussed below, the ID is reversed to the extent that it found a violation of Rule 10.77(c) on the basis of such demands.

With respect to the violations of Rule 10.23(b)(5) found in the ID, the issue is somewhat more complicated. One ground for the ID's finding violations of this rule was Respondent's evasive answers to OED RFIs. The Complaint explicitly alleges that the Complainant on specific dates avoided answering or failed to answer questions posed in an RFI. The RFIs themselves informed Respondent of his duty to cooperate in OED investigations under 37 C.F.R. §§ 10.131(b) and 10.23(c)(16), and warned that "[f]ailure to respond and answer the questions can be construed as failure to cooperate, and can be submitted to the Committee on Discipline for appropriate action." See e.g. GX-1, 210. The Complaint, however, does not directly mention either of those provisions.

However, 37 C.F.R. § 10.23(c) as a whole, including subsection (16), sets forth a non-exclusive list of conduct "which constitutes a violation of paragraphs (a) and (b) [of § 10.23]." Though the Complaint does not allege violations of § 10.23(a), it does allege




violation of § 10.23(b). The failure to allege a violation of § 10.23(a) can hardly have suggested to Respondent that the charge under § 10.23 did not encompass the particular infraction of § 10.23(c)(16). It is unlikely that “willfully refusing to reveal or report knowledge or evidence to the Director” under § 10.23(c)(16) would be regarded as “engag[ing] in disreputable or gross misconduct”, the infraction covered by § 10.23(a).

Respondent was thus on notice that any element of subsection (c) that was fairly comprehended within a relevant allegation of subsection (b) was at issue. The Complaint charged violation of § 10.23(b)(5) (“conduct that is prejudicial to the administration of justice”). Failure to provide information to the Director chargeable under § 10.23(c)(16) would certainly be capable of fitting within that general charge. The Complaint specifically charged Respondent with conduct that he had already been informed could constitute violation of § 10.23(c)(16). Since the charge under section (b)(5) fairly encompassed a charge under section (c)(16), and since the Complaint specifically charged Respondent with conduct he had been specifically informed was chargeable under (c)(16), the Complaint fairly put Respondent on notice.

This opinion need not reach the question of whether a charge under § 10.23(b)(4) (“conduct involving dishonesty, fraud, deceit, or misrepresentation”), which was also included in the Complaint, would have encompassed the requirements of § 10.23(c)(16). The ID does not find a violation of § 10.23(b)(4) on this ground. Nor does any ambiguity added by the possibility that a (c)(16) violation might be charged as either dishonesty or conduct prejudicial to the administration of justice detract from the fairness of notice. Respondent was on notice of both the facts alleged and the substantive requirements involved. He has not alleged that there would have been any legal significance had a

(c)(16) violation been charged under subsection (b)(4) or (b)(5). While it might have been preferable to specify to which portion of subsection (b) the charge concerning evasion of the questionnaire fit, the fact that the Complaint did not do so does not mean that it failed to put Respondent on fair notice.

More troubling with respect to the adequacy of the Complaint is the ID's finding that Respondent's letters to clients requesting additional funds in connection with continued prosecution of their applications violated Rule 10.23(b)(5). Nothing on the face of the Complaint or of the Rules would lead the Respondent toward a conclusion that these letters were prejudicial to the administration of justice. More fundamentally, however, Respondent's dispatch of these letters is not mentioned in the Complaint, nor can it fairly be said to be within the scope of the conduct and events addressed therein. The Complaint did not fairly inform Respondent that his requests for funds were at issue, much less that they formed a basis for the proceeding. The Director argues that Respondent waived any shortcoming in the Complaint because he failed to move for a more definite statement prior to hearing. Whatever the force of this argument with respect to other counts in the Complaint, Respondent can hardly be faulted for failing to object to the Complaint's failure to allege conduct upon which the ID would ultimately be based. It is also worth noting that, while the Rules do not require a respondent to object to procedural defects in a complaint at any specific time, Rule 10.145 permits an ALJ to authorize amendment of a complaint to correspond to the evidence. The Director apparently did not request authorization for or make such an amendment. Accordingly, the ID is overruled to the extent that it found a violation of Rule 10.23(b)(5) on the basis of Respondent's requests for additional funds.




It is also questionable whether the Complaint was sufficient with respect to Respondent's alleged violation of Rule 10.23(b)(4). The Complaint lists numerous communications from and statements by Respondent, and charges that he violated Rule 10.23(b)(4) by engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation. The Complaint does not, however, address which of these statements or communications violates Rule 10.23(b)(4). It is not necessary, however, to determine whether the Complaint is adequate with respect to the charged violations of this Rule, or whether any inadequacy was waived or cured during the course of the proceedings in this matter. The Director withdrew the charges under Rule 10.23(b)(4), as well those as under Rule 10.23(c)(2)(i), prior to issuance of the ID. Reply Brief, 19, note 4. It was error to find a violation under withdrawn charges, and the ID is overruled as to them.

5 U.S.C. § 558


Respondent argues that the action here violates 5 U.S.C. § 558 which requires that, except in cases of willfulness or where public health, interest, or safety require otherwise, a license holder be given written notice and an opportunity to "demonstrate or achieve compliance with all lawful requirements" before an agency institutes proceedings to revoke or suspend the license.

To the extent this statute could otherwise be read to require that practitioners be given an opportunity to achieve compliance with the disciplinary rules before action is instituted, public interest here dictated otherwise. The disciplinary rules are instituted for the protection of clients, and violation of the rules causes immediate harm. Once a



practitioner has neglected an entrusted legal matter, a practitioner cannot eliminate the harm to the client by undertaking the action that was improperly omitted or postponed. When a practitioner who accepts a client where a conflict of interest exists, or accepts compensation from an entity other than the client, without the required disclosure and consent, an attempt to remedy the violation would require the client, at a minimum, to choose between consenting to the representation or compensation or and incurring the delay and expense of transferring the matter to another practitioner. Typically, as here, the client will also have suffered the more significant harm of relying on professional judgment that is or may be tainted by the conflict of interest. Because these violations cause immediate harm to clients, the public interest requires that the OED Director be permitted to take action against a practitioner upon such a violation occurring.

The public interest is even more apparent when the broader context of the disciplinary regulation is considered. If action could be taken only against a practitioner who fails to begin compliance with the disciplinary rules once he receives written notice of a violation, the deterrent effect of the rules would be entirely vitiated. Practitioners could act without regard to the rules, secure in the knowledge that they would be given an opportunity to cease any violations before proceedings could be instituted. OED could protect clients only by detecting and giving notice of violations before harm occurred, which would practically, if not literally, require the placement of an OED investigator in each patent or trademark law practice. This would be directly contrary to the public interest, and would effectively render the Director's authority under 35 U.S.C. § 32 to suspend or exclude practitioners who do not comply with the disciplinary rules a nullity.




While the public interest will frequently be consistent with a practitioner's being given an opportunity to demonstrate compliance with the disciplinary rules, Respondent, except with respect to his charged evasion of the OED RFIs itself, was given this opportunity. Respondent was served with numerous OED RFIs, each of which listed the rule violations of which Respondent was suspected and asked specific questions directed at the substance of these suspected violations. Had Respondent in fact complied with the disciplinary rules, his answers to the RFIs would have demonstrated this. At least with respect to the violations found herein, they did not.

In what appears to be the only Federal court decision applying 5 U.S.C. § 558 in an attorney discipline case, the Seventh Circuit considered the case of an attorney practicing before the Immigration and Naturalization Service (INS) who was found to have willfully misled an alien and to have employed a "runner," both in violation of INS rules. The court held that:

[a]ssuming, without being forced to decide, that this proceeding involves the type of license covered by § 558(c), and assuming, again without being required to decide, that the proceeding does not fall within the public interest exception . . . we conclude that this case falls within the "willfulness" exception in any event.

Koden v. Dep't of Justice, 564 F.2d 228, 234 (7th Cir. 1977). Koden applied the following standard for willful conduct: "1) intentionally do[ing] and act which is prohibited, irrespective of evil motive or reliance on erroneous advice, or 2) act[ing] with careless disregard of statutory requirements." Id. Under this standard set forth in Koden, assuming, as that court did, that 5 U.S.C. § 558 applies in attorney discipline matters, all of Respondent's charged conduct was willful, and notice was excused on this ground if no other.





Extent of USPTO's Jurisdiction to Sanction Practitioners

Respondent argues that the USPTO's jurisdiction is limited to proceedings before the Office and that he therefore cannot be sanctioned for acts not involving the Respondent and the Agency that are not "material to the prosecution of the patent applications in question." Appeal Brief at 45. As found in the ID, Respondent confuses the limits of the USPTO regulations' preemption of state law with the limits of the USPTO's authority to regulate the conduct of those who appear before it. While the scope of preemption is relatively narrow, the USPTO has "broad authority to discipline practitioners for incompetence and a wide range of misconduct, much of which falls within the disciplinary authority of the states." Kroll v. Finnerty, 242 F3d. 1359, 1365 (Fed. Cir. 2001).

Respondent would turn this relationship on its head. He is admitted only to the District of Columbia and New Jersey bars, and consciously relies on the preemptive effect of the USPTO's regulations to practice law in Florida at all. See ID at 19. Yet he argues that the USPTO cannot discipline him for much of the very same conduct that would, absent the USPTO's regulations, constitute the unauthorized practice of law in Florida. It is the USPTO's disciplinary jurisdiction that is broader than the preemptive effect of its regulations, not vice versa.

Probable Cause Determination






Respondent also argues that the probable cause determination under Rule 10.132 violated 5 U.S.C. § 554(d) because the OED Director allegedly “participated” in the deliberations of the Committee on Discipline. Respondent asserts that the decision by the Committee is itself an adjudication within the ambit of 5 U.S.C. § 554, and that the OED Director was prohibited by § 554(d) from participating in that decision except as witness or counsel in public proceedings. Because the Committee on Discipline acts in a role similar to that of a grand jury in deciding whether a disciplinary action should be brought, its meetings are not public so as, inter alia, not to prejudice practitioners whom the Committee decides should not be subject to such an action. Respondent does not allege that the OED Director failed to comply with the USPTO’s regulations regarding the Committee. Rather, Respondent asserts that the OED Director’s performance of his regulatory duty under Rule 10.132 to convene the Committee and present evidence before it violated 5 U.S.C. § 554.

Respondent’s argument is misplaced. Title 5 U.S.C. § 554(a) restricts application of the section to “adjudication[s] required by statute to be determined on the record after opportunity for an agency hearing.” Proceedings of the Committee on Discipline are required by regulation, not by statute, and the regulation does not require or provide for a hearing. Further, only a proceeding leading to a final dispensation with determinate consequences to the party are within the scope of 5 U.S.C. § 554. International Tel & Tel Corp., Communications Equipment Div. v. Local 134, Intern. Broth. of Elec. Workers, AFL-CIO, 419 U.S. 428, 443 (1975). Thus, Respondent’s assertion that the OED Director participated in the proceedings of the Committee, even if it were true, would not implicate 5 U.S.C. § 554.


ALJ's Exclusion of Testimony

Respondent argues that the ID should be reversed because he was not permitted to call as witnesses certain USPTO employees. Respondent wished to obtain testimony from many of these employees concerning the USPTO's treatment of design patent applications amendments removing added surface ornamentation. The USPTO's rejection of such amendments was ultimately overturned in In re Daniels, 144 F.3d 1452 (Fed. Cir. 1988). Respondent appears to argue that his conduct should be excused because the USPTO's actions with respect to the patent applications of his clients were incorrect or improperly motivated. In an ideal world, the USPTO's patent examination operations would be infallible. That patent examination is not perfect in no way excuses practitioner misconduct, but rather heightens the need for ethical conduct by those representing patent applicants. The facts here involved a reasoned USPTO interpretation of the patent statutes with which a panel of the Court of Appeals for the Federal Circuit ultimately disagreed. That the USPTO might have made errors in examining his clients' applications does not excuse Respondent's failure to meet the minimum standards established by regulation in representing his clients' interests and seeking to correct or minimize the impact of any such errors. Even had the USPTO deliberately mishandled the applications of Respondent's clients, and there is no evidence in the record that this occurred, this would not excuse Respondent's conflicts of interest and neglect of matters entrusted to his professional attention. The ALJ therefore did not err in excluding



testimony of USPTO employees concerning examination of Respondent's clients' patent applications.

Respondent also requested testimony from USPTO employees concerning what he alleges was unauthorized USPTO enforcement action against invention promotion companies and the effect of 1994 Congressional testimony by USPTO Assisting Commissioner Michael Kirk. Respondent asserts that the enforcement action leading to this proceeding was motivated by an improper animus against invention promotion companies. The USPTO was presented with clear evidence, that hundreds of design patent applications with added surface ornamentation not added by the inventor were submitted by Practitioner Gilden on behalf of inventors associated with AIC. While misconduct by one invention promoter does not establish misconduct by others, it does provide a possible reason to explore whether a broader problem may exist. Even if Respondent could establish that the USPTO improperly targeted practitioners associated with invention promoters that were not implicated in misconduct, this would not help him -- he was compensated by the very promoter associated with the improperly added surface ornamentation. Likewise, even if Respondent could demonstrate that the USPTO attempted to take some type of ultra vires enforcement action against invention promotion firms, this would not call into question the USPTO's use of its explicit statutory and regulatory authority to take disciplinary action against registered practitioners. Finally, the Congressional testimony by Assistant Commissioner Kirk, who was not in the OED Director's chain of command, amounted to a factual statement that the USPTO had removed two registered practitioners from practice and initiated




disciplinary proceedings against five others. The ALJ did not err in excluding the requested testimony.


Alleged ALJ Bias

Respondent asserts that certain statements in the ID demonstrate that the ALJ possessed improper bias. Respondent, however, has pointed to nothing indicating that the ALJ formed conclusions prior to consideration of all relevant evidence or was otherwise predisposed against Respondent. Respondent instead takes issue with the sometimes colorful language in which the ALJ expressed his findings. For example, Respondent asserts that the ID's observation that Respondent "chose to worship before the altar of greed. . ." demonstrates bias. The ALJ's duty was to hear the evidence in the case and then set forth conclusions about Respondent's conduct and its compliance, or lack thereof, with the USPTO's disciplinary rules. The fact that the ID contains conclusions unfavorable to the Respondent and that these conclusions are sometimes couched in memorable language does not establish improper bias on the part of the ALJ.

Authority of the ALJ to Preside at the Hearing

Respondent also asserts that, because of an amendment to 35 U.S.C. § 32, the ALJ was not authorized to preside at his hearing. The American Inventors Protection Act added the following sentence to that section: "The Director shall have the discretion to designate any officer or employee of the [USPTO] to conduct the hearing required by this section." Pub. L. 106-113, § 4719 (November 29, 1999). Prior to this amendment, the





Administrative Procedure Act required hearings under Section 32 to be conducted by an ALJ. See 5 U.S.C. § 556(a)(3). The amendment was intended to "permit[] the Director to designate an attorney who is an officer or employee of the PTO to conduct a hearing under § 32." H. Rept. 106-287 at 66 (August 3, 1999). Respondent would read the amendment to require, rather than permit, the Director to designate a USPTO employee. As the statute explicitly grants the Director discretion to designate a USPTO employee rather than directing him to do so, and the legislative history also reflects the permissive nature of the statute, Respondent's reading must be rejected.

Even if Respondent could persuasively assert that discretion specifically granted in the statute goes the selection of a USPTO attorney and not the decision to use one in lieu of an ALJ, he would not have been prejudiced by the use of an ALJ. Respondent had the benefit of a hearing before an ALJ, a member of a class of employees specifically established to preside over hearings under the APA, and provided with specific procedural protections to ensure that they are free to make independent decisions. See 5 U.S.C. § 7521. Even aside from these protections, the ALJ here was employed by another agency and was not answerable to the OED Director or any other USPTO official. Respondent intimates that Congress amended § 32 to ensure that disciplinary hearings were presided over by attorneys with patent law expertise. Nothing in the language of the amendment or its legislative history indicates such an intent, and, given that many disciplinary hearings involve the patent prosecution process only tangentially or not at all, there is no reason to impute one. Finally, many USPTO attorneys are not patent lawyers (all trademark examiners, for example, are attorneys), and a statute giving

the Director discretion to designate any USPTO attorney is hardly consistent with an intent to require patent law expertise.


Lack of Expert Testimony

Respondent argues that the ID's findings of violations of Rules 10.77(c) and 10.62(a) are erroneous because the OED Director did not introduce expert testimony to support the violations. The only case law Respondent cites to support this proposition is Messina v. District of Columbia, 663 A.2d 535, 538 (DCCA 1995). This case concerns the evidentiary burden borne by the plaintiff in a District of Columbia negligence trial before a jury concerning the adequacy of cushioning material at a playground.

While the standard of care applicable to a civil action for legal malpractice must often established by expert testimony, disciplinary proceedings concern a practitioner's compliance with a minimum standards set by regulation. Interpretation of the regulations is a question of law, with respect to which expert testimony is not required and often not helpful. In the Matter of McKechnie, 656 N.W. 2d 661, 666-667 (North Dakota, 2003); Goldstein v. Commission for Lawyer Discipline, 109 S.W. 3d 810, 815 (Texas, 2003).

Violations Related to Non-testifying Inventors

Respondent also argues that the ID erred by finding violations with respect to clients who were not called to testify at the hearing. Respondent argues that his due process rights were violated because he was not permitted to cross-examine these clients.



This is not a case where the Director presented witness testimony through affidavit or deposition testimony and Respondent was thereby deprived of the opportunity to test the testimony through cross-examination. Rather, the ID's determinations were on based on documents prepared in the course of Respondent's representation of his clients. These documents were, for the most part, direct evidence of Respondent's actions in the course of his representation of the pertinent clients. Respondent does not argue that the documents were hearsay, and the documents were generally introduced for their independent legal significance, as opposed to the truth of the matter asserted therein. Even if some of the documents could be characterized as hearsay, it is unnecessary to consider whether they might have been admissible under an exception, such as that applicable to business records. The record here was established by joint stipulation, and, by agreeing to the stipulation, Respondent waived any objection to their admissibility.

In any event, few of the documents relied upon in the ID were prepared by the clients whom Respondent now asserts a right to cross-examine. Respondent's real assertion is that he did not have the opportunity obtain testimony from his former clients explaining the documents of record. If Respondent believed that testimony from his former clients would be helpful to his case, he was entitled to call them as witnesses. He made no attempt to do so, and cannot now object to the ID on this basis.

Other Procedural Arguments

Respondent argues that he was prejudiced by delay in bringing the Complaint because the OED investigator assigned to the case became the OED Director, and,


because of his personal involvement in the case, failed to engage in reasonable settlement negotiations under 37 C.F.R. § 10.133(g). This rule does not entitle Respondent to any offer of settlement, reasonable or unreasonable, but operates only to make rejected settlement offers inadmissible as evidence in disciplinary proceedings. Respondent's argument is without merit.

Respondent also argues that his due process rights were violated because the Complaint contained separate counts each relating to an individual client, even though he represented several of the clients under similar circumstances. Respondent owed a fiduciary duty individually to each of his clients, and it was not error to charge him separately for each breach of that duty.

Substance of Violations

Neglect of Entrusted Matters

Turning to the substance of Respondent's conduct, the ID observed that Respondent's most fundamental failure stemmed from his failure advise his clients of the limited protection they would obtain even if their pending design patent applications were ultimately granted. The ID held that, in doing so, Respondent violated Rule 10.77(c) by neglecting legal matters entrusted to him. Respondent argues, in essence, that the fact that his clients had design applications pending established ipso facto that they understood and wanted design patents. He also asserts that the subjective value of a



particular patent is beyond his ken and that he had no duty to provide his clients with what amount to business advice.

Respondent argues that, while his clients described their inventions in a way that emphasized their functional characteristics, the title of an invention is not determinative of whether utility or design protection should be sought. He asserts that, in most instances, his clients had pending design applications at the time he assumed their representation and that he was entitled to assume that his clients had been properly counseled as to the import of filing a design application, and was not required to inquire into the apparent disparity between the description of the invention and the type of patent application filed.

Under the circumstances, Respondent could not competently represent his clients without directly and specifically discussing with them their ostensible decisions to file design patent applications and ensuring that their choice had been made with an understanding of its legal import. Respondent was not entitled to assume that an individual inventor, advised to file a design patent application for an invention that the inventor had described in terms of function, would necessarily understand the legal limitations of design patent protection. Under normal circumstances, an attorney accepting responsibility for a client with a pending patent application from another registered practitioner might be entitled to assume that his or her predecessor had adequately counseled the client in the course of preparing the application. The circumstances here, however, were *anything but normal*. Apart from the apparent disparity between the invention description and the patent application type, Respondent was taking over the clients from an attorney whom he knew was being suspended from

the practice of law before the USPTO. Respondent asserts that he was not aware of the specific reasons for the suspension, and not all suspensions necessarily result from discrepancies in representation of clients. Nonetheless, Respondent was not entitled to assume, without further inquiry, that a suspended practitioner had adequately discharged his professional duties to his clients.

Even more telling, however, was the fact the Respondent had direct evidence that his clients did not understand the applications they had signed. In each Count, except Counts 2, 7, and 9, the patent application filed contained surface ornamentation not invented by the client, which Respondent filed amendments to remove. The relationship between these clients and the person preparing the application had resulted in each of the clients' signing a patent application claiming a design the client did not invent.

Respondent proceeded to take action to remove the surface ornamentation, but asserts that he assumed that the clients had been adequately counseled and understood the significance of their fundamental decision to file a design patent application. Given the circumstances, any such assumption would have been unreasonable.


Respondent also asserts that, as a patent attorney, advising clients on the "value" of a potential patent was beyond his responsibility and competence, and that there is no legal requirement that patent applications cover only inventions with commercial value. Respondent is correct that a competent patent attorney need not have business expertise in the industry in which an invention is or might be used. On the other hand, a patent practitioner does have a duty to protect a client's rights. The legal significance of a patent is that it gives the patent holder the exclusive right to practice the patented invention. In general, the value of a patent is maximized if it the application is drafted to

the practice of law before the USPTO. Respondent asserts that he was not aware of the specific reasons for the suspension, and not all suspensions necessarily result from discrepancies in representation of clients. Nonetheless, Respondent was not entitled to assume, without further inquiry, that a suspended practitioner had adequately discharged his professional duties to his clients.

Even more telling, however, was the fact the Respondent had direct evidence that his clients did not understand the applications they had signed. In each Count, except Counts 2, 7, and 9, the patent application filed contained surface ornamentation not invented by the client, which Respondent filed amendments to remove. "The relationship between these clients and the person preparing the application had resulted in each of the clients' signing a patent application claiming a design the client did not invent.

Respondent proceeded to take action to remove the surface ornamentation, but asserts that he assumed that the clients had been adequately counseled and understood the significance of their fundamental decision to file a design patent application. Given the circumstances, any such assumption would have been unreasonable.

Respondent also asserts that, as a patent attorney, advising clients on the "value" of a potential patent was beyond his responsibility and competence, and that there is no legal requirement that patent applications cover only inventions with commercial value. Respondent is correct that a competent patent attorney need not have business expertise in the industry in which an invention is or might be used. On the other hand, a patent practitioner does have a duty to protect a client's rights. The legal significance of a patent is that it gives the patent holder the exclusive right to practice the patented invention. In general, the value of a patent is maximized if it the application is drafted to




claim the broadest scope of protection available under the laws. However, the limits of available protection are not clearly defined, and it will often be in an applicant's interest to forgo certain potential claims in order to avoid potential problems during prosecution and/or reduce the threat that the patent ultimately issued will be found invalid. Protection of the client's interest requires that, to the extent possible, drafting decisions that significantly affect the scope of potential patent protection will be informed by an understanding of the commercial value of the patent rights at issue. A practitioner may explain the legal import of drafting decisions to a client, who then can assess them in light of his or her business knowledge, or the practitioner may gain from the client or from other sources an understanding of the relevant commercial issues. It is critical, however, that practitioners conduct their representation so as to ensure that the important drafting decisions are not made in a vacuum. At an absolute minimum, a practitioner must consult with his or her client over drafting decisions that substantially limit the scope of protection claimed.

Here, Respondent was aware that each of his AIC clients sought AIC's assistance in marketing their invention, and therefore that they were interested in exploiting the invention for commercial gain. Respondent knew or should have known that the design patent applications that had been filed by his clients would provide very limited protection and therefore were likely of little commercial value, and that his clients likely were not aware of this. Respondent was not required to be, and apparently was not, an expert in the markets in which the inventions might eventually be sold. Further, with respect to each of the applications, the possibility, however remote, existed that, unbeknownst to Respondent, a resulting design patent would have significant commercial

value. None of this, however, excuses Respondent from his duty under these circumstances to clearly explain to his clients what protection a design patent would and would not give, so that they could themselves judge the potential commercial value of such an application.

Respondent also argues that he could not have suggested that his clients abandon their patent applications without violating his duty of zealous representation under Rule 10.84. Rule 10.84(a)(1) requires that not "[f]ail to seek the lawful objectives of a client through reasonably available means permitted by law . . ." Respondent confuses his responsibility to his client with his duty towards his client's patent application. Certainly Respondent was required to continue pursuit of his client's patent application, regardless of its commercial value or lack thereof, if that was what the client desired (assuming, of course, that another ethical duty would not be violated). However, Respondent would hardly violate Rule 10.84 by opening a discussion to determine the client's true objectives and, if appropriate, advising the client that continuing to prosecute a patent application would not further those objectives.

Respondent did provide some information on the difference between design and utility patents in a letter to at least some of his clients at the outset of representation. The letter provided only the most basic explanation of the difference between the two patent types, and did not even intimate the possibility that the original decision to file a design patent application might be inappropriate, or that the protection provided design patent could be of limited value. In fact, the letter contained the true, but in context misleading, statement that "[b]oth kinds of patents give an inventor legal rights which can be potentially quite valuable." GX 1 at 150; GX 5, 1115. See also GX 3 at 1369; GX 4 at



797; GX 6 at 951 (containing similar language). The inadequacy of this letter is even more apparent when it is compared to the one Respondent sent to the Count 10 inventor on June 2, 1998, after the USPTO issued a notice of allowance for the inventor's design patent application. This letter explains that the inventor "should determine to [his] own satisfaction that the relatively limited protection [he] will receive by obtaining such a design patent is worth the cost and effort involved." GX-10 at 65. The letter further suggests that the inventor should consider applying for a utility patent, but notes that in Respondent's opinion "the chances of obtaining a utility patent based on the drawings in [the] case are not favorable." *Id* at 66. It is questionable whether this later letter would have been adequate at the outset of Respondent's representation; the letter that was in fact sent at the outset clearly was not adequate.

The ID's finding the Respondent violated Rule 10.77(c) by failing to adequately counsel his clients as to the possible inappropriateness of the pending design application is hereby affirmed.

The ID also found that Respondent violated Rule 10.77(c) when he failed promptly to notify his clients of final rejections of their applications issued by the USPTO. The USPTO's rules required that any appeal of such a final rejection be filed within three months, although a response could be filed four, five, or six months after the actions issued if an escalating surcharge was paid. As relevant to Counts 1, 3-5, and 8, Respondent notified his clients of the final rejection of their applications approximately one month before the expiration of either the fourth or fifth month following the office action. He requested that each client, if he or she desired to file an appeal, provide him a check covering his professional fee, the USPTO appeal and brief fees, and the applicable

one- or two-month late filing surcharge in sufficient time to allow the check to clear prior to expiration of the fourth or fifth month, as applicable.

It is clear beyond cavil that, had Respondent notified each of the clients of the final rejection of his or her application promptly after Respondent received it from the USPTO, the client could have had nearly three months, instead of less than one, to decide on a course of action; and still could have avoided paying a late filing surcharge. Respondent does not assert that he was prevented from providing earlier notice to his clients. Rather, he argues that the delayed notification was in the interest of his clients because he was hoping that a favorable decision would be issued on his petition requesting the USPTO to suspend examination of the Gilden applications, and that such a decision would obviate the need for his clients to file appeals.

Respondent argues that his decision was vindicated by the USPTO's ultimate decision to suspend prosecution of the applications, albeit after he had filed appeals on behalf of the clients discussed here. Bender argues, in fact, that his only error was not to wait until six-month statutory response period, because doing so would have obviated the need to file appeals in at least some of the cases. Appeal Brief at 31. Respondent does not submit an explanation of why he did not in fact wait until the sixth month, nor is any explanation apparent from the record. Without such an explanation, Respondent's actions in causing appeal briefs to be filed in the fourth or fifth month, but not the sixth, cast doubt on his assertion that his delay was motivated by a desire to spare his clients the expense of filing appeals.

The fundamental flaw with Respondent's explanation, however, is that notifying his clients of the final rejections would not lead directly and inexorably to the filing of an

appeal. Respondent easily could have, and in fact was required to, notify his clients of the final rejections within a short period after he received them. If he had accompanied the notices with explanations of the available options (as professional duty probably required in any event), his clients could have chosen to permit their applications to go abandoned (with the possibility of later filing a petition to revive), to file an appeal within three months without paying a surcharge, or to wait until the fourth, fifth, or sixth month and risk paying the applicable surcharge if an appeal was ultimately necessary. Respondent's explanation for his three-to-four month delays in notifying his clients of the final rejections is therefore entirely unreasonable. Without an explanation, the delays, which at a minimum deprived Respondent's clients of the opportunity to file appeals without paying late filing surcharges, establish a violation of Rule 10.77(c).

Conflicting Financial Interests

The ID found that Respondent violated Rule 10.62(a) by accepting employment without obtaining his clients' consent after full disclosure that the exercise of his professional judgment on behalf of his clients would or could be affected by his own financial interests. Respondent does not deny that he had an ongoing business relationship with AIC. Rather he asserts that his relationship with AIC was at "arm's length" and that the OED Director has not established that any actual conflict of interest existed at the time Respondent accepted employment.

Between 1993 and 1995, Respondent often received from AIC up to \$15,000 every other week. ID at 23. This financial interest is of significant magnitude, and could

be expected to affect Respondent's professional judgment to the extent that AIC's interests did correspond with those of his clients. It is clear from the record that Respondent knew or should have known from the outset that the interests of AIC and his clients might diverge. Respondent's first contact with many of his AIC clients consisted of a letter which introduced himself and discussed and forwarded a Request for Information (RFI) issued by the USPTO. GX 1 at 149; GX 3 at 1368; GX4 at 796; GX5 at 1114; GX6 at 950. The RFI included affidavits asserting that Gilden had engaged in the practice of adding non-invented surface ornamentation to clients' patent applications, and that AIC was aware of this practice and in fact had instigated it to ensure that patents issued and it would not be required to make good on a money-back guarantee it had provided to the inventors. R-33 at 12-17. Each of Respondent's letters attacks the credibility of the witnesses who executed the affidavits, but also indicates that Respondent's own investigations had to date suggested that the allegations concerning addition of surface indicia were correct. Further, the clients' contract with AIC in fact included a provision requiring AIC to refund its fees if a patent did not issue, and Respondent's letter shows that he was familiar with the contract at the time he accepted representation. See R-31 at 3, 10.

Respondent's clients had signed declarations claiming inventorship of surface ornamentation they had not in fact invented. Respondent, prior to accepting representation of the clients, was presented with evidence that AIC was implicated in adding the surface ornamentation. Respondent entered an arrangement with AIC under which he agreed to represent the individual clients in resolving the problems created by the added surface ornamentation in exchange for payment from AIC. There is no

evidence in the record that a dispute over AIC's and the clients' relative culpability for the apparently false declarations ever came to a head. It should have been obvious to Respondent, however, that the potential for such a dispute existed.

In fact two of the letters contain the following language:

While the Patent Office investigation calls into question the truthfulness of your sworn representations to the United States Government, I certainly do not. Neither I nor American Inventors questions your truthfulness or your integrity in declaring that you were the sole inventor of what you claim to have invented.

GX3, 1373; GX6, 955.

Another conflict of interest that should have been obvious to Respondent at the outset of his representation was that created by AIC's money-back guarantee. AIC's interest was in obtaining the issuance of a patent – any patent – while the client's interest was in obtaining a patent that provided meaningful protection (or, presumably, in obtaining a refund from AIC if this was not possible). If this was not enough, Respondent had been presented with evidence, of which he had obtained partial corroboration, that his predecessor had not only permitted AIC's interests to color his professional judgment, but had permitted AIC to pressure him into conduct improper on its face.


It appears that even now Respondent does not appreciate his obligation under Rule 10.62(a) to avoid conflicts of interest. He argues that he could not have advised his clients to abandon their patent applications because this would have required them to breach their contracts with AIC. See Appeal Brief at 12. While any contractual obligations to AIC would have been relevant considerations¹, Respondent fails to

¹ Respondent does not point to a specific provision of the contract that would be breached, and none is obvious in the contract in the record.

recognize that his judgment in analyzing his clients' contracts with AIC and using the results of that analysis to determine the course of his representation was or reasonably could have been colored by his extensive financial relationships with that firm.

Practitioners have a duty under Rule 10.62(a) to vigilantly and critically scrutinize all of their business relationships to ensure that they do not accept representation of a client under circumstances where their exercise of professional judgment on behalf of a client reasonably could be affected by the practitioner's other interests. Here, the conflict of interest was not theoretical, potential, or obscure. Rather, both the conflict and an example of the devastating effect it could have on the client's interests were palpably evident from the very letter Respondent sent to his AIC clients at the outset of his representation. A plainer example of a conflict of interest within the ambit of Rule 10.62(a) is difficult to imagine.

Rule 10.62(a) does not, of course, absolutely prohibit representation of clients in the presence of a conflict of interest. Rather, it permits a practitioner to undertake such representation where the client has consented after full disclosure. Respondent argues that his clients need only have consented to his representation, apparently equating "full disclosure" to disclosure of the fact of representation. The OED Director argues that "full disclosure" requires a clear explanation of both the differing interests involved and of the advantages of retaining independent counsel. The two cases the OED Director cites to support this proposition, however, do not interpret rules parallel to Rule 10.62(a). Acheson v. White, 487 A.2d 197 (Conn. 1985) interprets a Connecticut rule on representing multiple clients which parallels 37 C.F.R. § 10.66 and explicitly requires that full disclosure include an explanation of the possible effects of such representation



on the practitioner's professional judgment. In re James, 452 A.2d 163 (D.C. 1982) is closer on point in that it places a gloss on the term "full disclosure" used in an unqualified fashion. Nonetheless, the rule at issue in James addresses independent business relationships between attorneys and clients and parallels 37 C.F.R. § 10.65, not 37 C.F.R. § 10.62(a).

State courts have, however, held that rules essentially identical to Rule 10.62(a) require the attorney to explain the effect a conflict of interest could have on his exercise of professional judgment, see In the matter of Sedor, 245 N.W.2d. 895, 900-901 (Wis. 1976), and that, at least in some circumstances, the attorney is required to recommend that the client seek other counsel. See Mahler v. Miller, 18 Pa. D. & C. 3d, 767, 778 (1981). Similarly, Rule 10.62(a) required Respondent, at a minimum, to disclose the extent of his relationship with AIC, and to explain how the money-back guarantee and AIC's alleged involvement in adding the non-invented features to the patent applications could create divergent interests.

The ID correctly held that Respondent did not make the disclosures required by Rule 10.62(a) and therefore did not obtain the consent required by the rule. The two AIC clients who appeared at the hearing testified that Respondent had not discussed possible conflicts of interest with them. ID at 12, 15. Respondent effectively admits on appeal that he *did not* conduct any oral discussion with at least one of his AIC clients during the relevant time period. Appeal Brief at 22 (challenging ID's determination that Respondent did not "speak" to client DuBose on the basis that Respondent "spoke" through written communication). Further, the record contains numerous OED RFI's where Respondent was asked whether he made required disclosures of conflicting

interests to his AIC clients. Respondent never asserted that he had made such a disclosure, but either objected to the question on the ground that no disclosure was required, or otherwise evaded answering it. See e.g. GX-1, 215-16 (Response to question 4i). This conduct supports a strong inference that Respondent never made the required disclosures.

In addition, the record establishes that, even if Respondent had made the full disclosure required by Rule 10.62(a), his clients could not have given effective consent to his representation. While each client signed a power of attorney appointing Respondent, the record reflects Respondent's contemporaneous (and based on the record, accurate) belief that the clients' signature were motivated by a contractual requirement rather than freely given consent.

Nevertheless in light of the Gilden suspension, the Commissioner should be assured that Bender is soliciting from each inventor of an abandoned application a new power of attorney authorizing Bender to speak on behalf of the inventor. Each of the inventors is a contract party with American Inventors Corporation, an invention marketing company. In their contracts, the inventors delegated to American Inventors the right to select patent counsel. Thus it is likely that the inventors will execute the new powers and ratify the selection of Bender.

Respondent's April 18, 1994 petition to the Commissioner of Patents, RX 13, 11. It is not necessary to *determine whether a practitioner can ever obtain effective consent under Rule 10.62(a) to represent a client who is under an apparent contractual duty to retain the practitioner.* It is sufficient to say that effective consent, if it could occur at all, would require sufficient efforts to ensure that the consent was a result of free volition and not a *mere product of a pre-existing duty.* The record establishes that no such efforts were made; in fact Respondent's letters of introduction to his clients refer to AIC's right to

designate patent counsel. GX 1 at 149; GX 3 at 1368; GX4 at 796; GX5 at 1114; GX6 at 950.

Respondent asserts that AIC acted as his clients' agent in retaining and paying him, and that USPTO recognizes that such an arrangement does not constitute an inherent conflict of interest. The Official Gazette notices Respondent cites, 1086 OG 457 (January 12, 1996) and 1091 OG 26 (June 21, 1988) recognize that practitioners may in some instances deal with the attorney or agent of a client instead of dealing with the client directly. The arrangement contemplated in the OG notices would not constitute an inherent conflict of interest. In fact, there would normally be no opportunity for a conflict of interest because the practitioner's financial relationship would be with the client (who would be the principal in the agency relationship) and not with the agent.

The OG notices contemplate that only corporate liaisons and foreign agents may act as agents, not invention promotion firms. Moatz v. Colitz, No. 99-04. Here, Respondent admits that "[t]he record clearly shows that Respondent at all times acted at "arms length" as an independent contractor with respect to AIC. . . ." Appeal Brief at 33. AIC acted as a principal, not an agent, in its dealings with Respondent, and the OG notices Respondent cites are therefore irrelevant.²

Accepting Compensation from One Other than the Client

² Respondent's assertion that he had an arms-length relationship with AIC, which also appears elsewhere in the record, would, if true, indicate that Respondent and AIC each acted in its own self-interest with respect to the contract. This has no bearing on whether Respondent's interest in this financial relationship conflicted with the interests of his clients.

The ID also found that Respondent violated Rule 10.68(a)(1) by accepting payment from one other than his client absent consent after full disclosure. There is no dispute that Respondent accepted payments from AIC and not from his clients (until AIC ceased making such payments shortly before its bankruptcy). A somewhat closer question, however, is whether the OED Director established the absence of consent after full disclosure.

The nature of the full disclosure requirement is important here; the AIC clients signed powers of attorney appointing Respondent and clearly knew that AIC was paying their legal fees. The OED Director asserts, without supporting citation, that the standard for full disclosure under Rule 10.68(a)(1) is the same as that under Rule 10.62(a). There does not appear to be a consensus among state courts as to whether rules parallel to Rule 10.68(a)(1) require that the attorney explain the potential adverse effects stemming from such a fee arrangement, or only require disclosure of the fee arrangement itself. Compare In re Adoption of Infant Girl Banda, 559 N.E.2d 1373, 1382-83 (Ohio, 1988) to Bernardi v. Steve B.D. 723 P.2d 829, 836 (Idaho, 1986). The better rule is that, at least where there are clear potential conflicts between the client and the person paying the fees, the attorney must explain them. At an absolute minimum, however, giving effect to word "full" in the rule requires that the disclosure cover not only the identity of the payor, but also the amount of the payments being made.

The ID specifically found, based on direct evidence, that at least one AIC client was not apprised of the amount Respondent was billing AIC for his legal services. ID at 15. For the reasons discussed with respect to the violation of Rule 10.62(a), the documents of record and the circumstances of Respondent's representation of the other

AIC clients support a strong inference that Respondent did not make such a disclosure to his other clients. The ID's conclusions with respect to Rule 10.62(a) are adopted.

Evasion of RFIs

As discussed above, Respondent's alleged violation of Rule 10.23(b)(5) was properly before the ALJ as it related to his evasive answers to RFIs promulgated by OED. Each count of the Complaint included a charge of evading an OED RFI. In some instances, Respondent was served with sequential RFIs but was charged only with evading the last in time. The ID discusses RFIs with which Respondent was not charged with evading, and in at least one case, as discussed below, appears have confused an RFI issued by a patent examiner during the course of examination and directed at the inventor with an OED RFI directed at Respondent. Only with respect to Count 1 does the ID make specific findings of evasion that clearly relate to charged conduct. Accordingly, the charges of evasion of RFIs, and therefore of violation of 37 C.F.R. § 10.23(b)(5) can be sustained only with respect to this Count.

Respondent's primary objection to the ALJ's finding with respect to the evasion was that the OED Director had not introduced any evidence of evasion. The Respondent's answers, which are in the record, are evasive on their face, and no additional evidence of evasion is necessary (nor would be particularly probative). The record supports the ID's conclusion that Respondent did in fact provide evasive answers to the RFIs.

Respondent also objects that Rule 10.23(b)(5) only can be read to reach conduct prescribed by Rule 10.23(c). Respondent's position is contradicted by the face of the rule itself. The portion of Rule 10.23(c) introducing the numbered subparagraphs provides: "Conduct which constitutes a violation of paragraphs (a) and (b) of this section includes, but is not limited to:" [emphasis added]. Thus, the conduct listed in the numbered paragraphs of Rule 10.23(c) is expressly not the only conduct that can violate paragraphs a and b of that section. In any event, Respondent's evasion violated rule 10.23(c)(16), discussed above, and the ID's conclusion would therefore be correct even under Respondent's interpretation of the rule.

Count 2

Count 2 of the Complaint was, as the ID recognizes, unlike the others in that it involved a utility patent application Respondent filed on behalf of a client associated with an invention promoter known as Phase 2, Inc. The ID found violations of Rules 10.62(a) and 10.68(a)(1) under Count 2. There is no evidence in the record that Bender had an ongoing relationship with Phase 2 aside from accepting compensation for preparing the application at issue in Count 2. Acceptance of this compensation in the client's own matter does not establish a conflict of interest within the ambit of Rule 10.62(a) and the ID's determination with respect to that Rule cannot be sustained.

With respect to Rule 10.68(a)(1), there is evidence in the record suggesting that the client was aware of no more than the fact that Phase 2 was compensating Respondent at the time Respondent assumed representation. This evidence includes the initial letter

from Respondent to his client setting forth professional fees for several services for which the client would compensate Respondent directly should they become necessary, but not setting forth the amount of compensation Respondent was receiving from Phase 2. GX2, 586-88. It also includes Respondent's response to a question in an OED RFI about whether he made full disclosure before accepting compensation, which response asserts that the client consented for Phase 2 to compensate his attorney prior to Respondent being assigned the case. GX2, 579, 583 (question 15). Such evidence further includes Respondent's refusal to disclose to OED the amount of compensation he received from Phase 2. GX2, 578, 583 (question 8).

There is, however, no testimony from Respondent or the client in the record, nor does there appear to be a basis to conclude that the practice that the record shows Respondent engaged in as to AIC clients also applied to his Phase 2 client. Absent such evidence, the OED Director has not proved the absence of full disclosure and consent by clear and convincing evidence, and the ID is overruled in this respect as well.

Allegedly Erroneous Findings of Fact

Respondent argues throughout his brief that the ID is in error in its statement of various facts. In many cases, the alleged errors have no apparent relevance the ID's ultimate conclusions. The two alleged errors that on their face could have affected the outcome of the ID are discussed here.

With respect to Count 5, the ID held that the USPTO mailed an office action on January 27, 1995, which required response by April 27, 1995; that Respondent did not

notify the inventor of the office action until May 26, 1995; and that "[t]hus, Bender's notice, let alone the inventor's response, was delivered at a time after the response was due." ID at 36. Bender argues that, because he filed a petition on March 9, 1995, seeking to halt prosecution of all "Gilden" applications, and had already appealed the Daniels application, "Respondent clearly had responded to that Official Action before he mailed the May 26 letter." Respondent's May 26 letter informed the inventor:

... YOU MUST DECIDE WHETHER YOU WANT TO PAY
[Respondent's legal fee and a two-month extension fee] TO ME
DIRECTLY OUT OF YOUR OWN POCKET, OR LET YOUR
APPLICATION BECOME ABANDONED BY NOT RESPONDING TO
THE EXAMINER'S 'NEW MATTER REJECTION' AS DESCRIBED
ABOVE.

GX-5, 1135. Even if Respondent's earlier filings could in some sense be described as "responses" to the office action, Respondent has not argued that a direct response was not also required. Respondent's contemporaneous belief was plainly was that such a response was required, yet he did not arrange to file one in a timely manner. No error in the ID is discernable.

With respect to Count 6, the ID refers to an RFI directed to the inventor dated December 21, 1993, and observes that Bender never responded to it. ID at 37 and note 38. Respondent asserts that this is an error, because Exhibit R-36 contains a response to the RFI completed by the inventor and forwarded to the USPTO by Respondent. The ID itself refers to this response on the page following the one containing the asserted error. ID at 38, citing GX-6 at 965-982.

It appears that the ID erroneously assumed that the RFI at issue required responses both by Respondent personally and by his client. It is evident from the record that the RFI was sent to Respondent in his role as representative, and that the questions

therein were to be answered solely by his client. Read as referring to the lack of a personal response by Respondent, the observation on page 37 of the ID is literally true, but irrelevant. While Respondent has not asserted that this erroneous assumption affected the ID's ultimate conclusions, it does to some extent call into question the ID's conclusions that Respondent evaded RFIs. For this and other reasons, as discussed above, the ID's conclusions with respect to evasion of RFIs have been sustained only where there are clearly based on evasion of OED RFIs with which Respondent was charged.

Summary

The following table sets forth the violations found in the ID and their disposition by this decision:

Count	Rule Violations Found	Disposition
1	10.23(b)(4)	Reversed
	10.23(b)(5)	Sustained as to evasion
	10.62(a)	Sustained
	10.68(a)(1)	Sustained
	10.77(c)	Sustained
2	10.62(a)	Reversed
	10.68(a)(1)	Reversed
3	10.23(b)(4)	Reversed
	10.23(b)(5)	Reversed
	10.62(a)	Sustained
	10.68(a)(1)	Sustained
	10.77(c)	Sustained
4	10.23(b)(4)	Reversed
	10.23(b)(5)	Reversed
	10.23(c)(2)(i)	Reversed
	10.62(a)	Sustained
	10.68(a)(1)	Sustained
	10.77(c)	Sustained
5	10.23(b)(4)	Reversed
	10.23(b)(5)	Reversed

	10.23(c)(2)(i)	Reversed
	10.62(a)	Sustained
	10.68(a)(1)	Sustained
	10.77(c)	Sustained
6	10.23(b)(4)	Reversed
	10.23(b)(5)	Reversed
	10.62(a)	Sustained
	10.68(a)(1)	Sustained
7	10.23(b)(5)	Reversed
	10.62(a)	Sustained
	10.68(a)(1)	Sustained
8	10.23(b)(4)	Reversed
	10.23(b)(5)	Reversed
	10.68(a)(1)	Sustained
	10.77(c)	Sustained
9	10.23(b)(5)	Reversed
10	10.23(b)(5)	Reversed
	10.62(a)	Sustained
	10.68(a)(1)	Sustained
	10.77(c)	Sustained

Penalty

The ID recommended the Respondent be excluded from practice before the USPTO. Respondent objects to the proposed penalty on several grounds, which can be generally summarized as arguing that exclusion was not authorized under the applicable statute, that the recommended penalty was disproportionate compared with that imposed in similar cases, and that the ID failed to consider mitigating evidence.

Respondent first argues that argues that the Director is authorized by statute to exclude a practitioner only upon a showing that the practitioner is "incompetent or disreputable" or "guilty of gross misconduct." Respondent's argument is based on a simple misreading of the applicable statute. 35 U.S.C. § 32 provides in part:

The Director may . . . suspend or excluded . . . any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title. . . .

The statute does not, as Respondent implies, distinguish between the grounds for suspension and exclusion. Further, Respondent was charged with, and both the ID and this decision find, violations of the disciplinary rules established under 35 U.S.C. § 2(b)(2)(D). No finding of incompetence or disrepute or gross misconduct is required to support Respondent's exclusion.³ Respondent cites a Federal Circuit decision in support of his argument, but this case addressed a violation of a rule not promulgated under 35 U.S.C. § 31 [now 35 U.S.C. § 2(b)(2)(D)] as being "gross misconduct" and is therefore inapposite. Jaskiewicz v. Mossinghoff, 822 F.3d. 1053, Fns. 11, 12 (1987).

Respondent cites as extenuating circumstances what he alleges is improper USPTO conduct and his efforts in litigating the Daniels case. This decision has previously concluded that any USPTO actions, even if ultimately found to be erroneous, did not preclude action against Respondent; likewise they do not mitigate Respondent's conduct. Doubtless, representing over 1000 inventors concerning applications with improperly added surface ornamentation was difficult. It is also clear from the record that the USPTO did not always take actions requested by Respondent that might have eased his burden. The proximate cause of any difficulties Respondent suffered, however, was his decision to accept representation of this extremely large number of clients, not the actions the USPTO took in examining the clients' applications.

As found in the ID, the Respondent's actions in litigating the Daniels decision, which permitted his clients bring their pending design patent applications to fruition,

³ We need not find determine whether such a finding could be made on the record here.

simply does not mitigate his failure to ensure that continued prosecution of the applications was in fact in the clients' best interests. Nor does it offset the conflicts of interest which may have been the cause of this failure, or any of Respondent's other violations.

This decision does not uphold all of the violations found in the ID. The findings of misrepresentations violating Rule 10.23(b)(4) have been overruled on procedural grounds, as have the findings that Respondent violated Rule 10.23(b)(5) by requesting additional funds from his clients. In addition, the findings under Count 2 of the Complaint not been sustained. However, the core violations upon which the recommended remedy rests, and the only ones specifically discussed in the penalty section of the ID, have been upheld. These are Respondent's conflicts of interest and failure to adequately advise his clients. Further, the ID specifically, and correctly, found that the violations found under Counts 3 and 10 would themselves support exclusion; the instant decision with respect to Count 2 therefore does not provide a basis to mitigate the remedy.

Respondent argues that the ID's recommended remedy is more serious than that imposed in other cases. None of the examples he cites, however, concern circumstances similar to those here. The Director has, however, recently decided a case involving similar facts, Moatz v. Colitz, No. 99-04. The respondent in Colitz had represented a large number of clients of invention promoters, including AIC, in circumstances very similar to those here. The charges in Colitz differed significantly from those here as to the specific violations of rule. The net effect of the violations, however, was the similar:

Respondent prosecuted over 1000 patent applications through arrangements with invention promotion companies, arrangements that

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

Moatz v. Colitz, No. 99-04.

In one way, the conduct in Colitz may have been more harmful than that here. Colitz involved the initial filing of inappropriate design patent applications, while the conduct here largely compounded the harm of an initial inappropriate filing. It is clear, however, that the Respondent's culpability is aggravated in ways that were not present in Colitz. The practitioner in Colitz relied on instructions from invention promotion firms in a manner found to have violated the Disciplinary Rules. However, the record in Colitz, unlike that here, did not involve the added surface ornamentation that placed Respondent on specific notice from the outset that the arrangement with AIC was not resulting in an adequate communication of the inventors' needs. Similarly, the decision in Colitz did not involve the inaccurate declarations and money-back guarantees that created an obvious and palpable conflict of interest here. Further, while the respondent in Colitz did not accept responsibility for the harm to his clients, he also did not share Bender's refusal to even consider the possibility that harm might in fact have occurred.

The ALJ's decision in Colitz recommended a five-year suspension with the final two years stayed. The Director upheld this decision, but noted:

The ID is not clear as to why, given the multiplicity of infractions found here, the mitigating factors cited in the ID should lead to such a significant reduction of the sanction. In particular, it is an open question what weight should be accorded a prior record of extended legal service without finding of ethics violation when a practitioner adopts a mode of operations that relies on systematic ethics violations to permit him to operate a mass production business. However, the OED Director has not appealed the

lesser penalty recommended in the ID, and . . . that penalty is hereby affirmed.

In light of this decision and the aggravating factor present here, the ID's recommendation of exclusion is appropriate.

Respondent cites Jaskiewicz v. Mossinghoff, *supra*, for the proposition that a suspension at his age would effectively put an end to his practice of law and amount to disbarment. As the ID found, and is here affirmed, the violations here are much more serious than those in Jaskiewicz v. Mossinghoff, and warrant exclusion. Because exclusion is warranted and imposed, the fact that Respondent's age might prevent him from returning to practice after a suspension is essentially irrelevant.

The ID considered Respondent's assertion that he would continue to represent clients referred by invention promotion firms in determining the appropriate penalty. Respondent points out, correctly, that representing such clients does not, in itself, violate the Disciplinary Rules. However, this intent, combined with Respondent's failure to recognize that his conduct was improper, create a likelihood that Respondent would undertake such representation under conditions and in circumstances that again lead to rules violations and result in substantial harm to clients.

This decision should not be read to dissuade practitioners from stepping in to represent clients who have been victimized by another practitioner or by some other entity. Such clients are as entitled to competent representation as any others, and frequently more in need of it. Practitioners in these circumstances, as well as any other, are entitled and expected to use all legitimate means at their disposal to challenge unfavorable USPTO decisions where it is in their clients' interest to do so.

Respondent's error was not in representing clients injured by the apparent misconduct perpetrated by *Gilden and AIC*, but rather in accepting representation under circumstances that made him beholden to AIC and led him to neglect his duty to each of his clients. These circumstances all but guaranteed that the clients would not receive the zealous representation they deserved.

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, S. Michael Bender of St. Petersburg, Florida, whose PTO Registration Number is 24,038, shall be excluded from practice before the USPTO; and further

ORDERED that this Final Decision in this proceeding be published.

RECONSIDERATION AND APPEAL RIGHTS

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

James A. Toupin
General Counsel
United States Patent and Trademark Office
PO Box 1450
Alexandria, Virginia 22313-1450

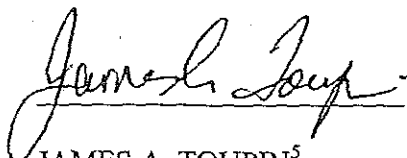
A copy of the request must also be served on the attorney for the Director of Enrollment and Discipline:

Sydney Johnson
Associate Solicitor
U.S. Patent and Trademark Office
Post Office Box 16116
Arlington, Virginia 22215

Any request hand-delivered to the USPTO must be hand-delivered to the Office of the General Counsel, in which case the service copy for the attorney for the Director shall be hand-delivered to the Office of Enrollment and Discipline.

If a request for reconsideration is not filed, and Respondent desires further review, Respondent is notified that he is entitled to seek judicial review on the record in the U.S. District Court for the District of Columbia under 35 U.S.C. § 32 and LCvR 83.7 of the U.S. District Court for the District of Columbia within thirty (30) days of the date of entry of this decision.

IT IS SO ORDERED.



JAMES A. TOUPIN⁵
General Counsel
United States Patent and Trademark Office

September 30, 2003

cc:

Director
Office of Enrollment and Discipline
Mailstop OED
USPTO
P.O. Box 1450
Alexandria, VA 22313-1450

S. Michael Bender, Esq.
P.O. Box 530399
St. Petersburg, FL 33747

⁵ On January 31, 2002, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office delegated to the General Counsel the authority under 37 C.F.R. § 10.156 to decision appeals from the initial decisions of administrative law judges, and to issue decisions in proceedings under 35 U.S.C. § 32

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