

UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE ADMINISTRATIVE LAW JUDGE

In the Matter of)
)
Michael A. Shippey,) Proceeding No. D2011-27
)
Respondent)

ORDER GRANTING DIRECTOR'S MOTION FOR DEFAULT JUDGMENT AND
IMPOSITION OF DISCIPLINE

INITIAL DECISION¹

On June 21, 2011, William R. Covey, Acting Director of the Office of Enrollment and Discipline ("Director") for the United States Patent and Trademark Office ("PTO" or "Office"), instituted this disciplinary proceeding under 35 U.S.C. § 32 and the regulations promulgated thereunder at 37 C.F.R. parts 10 and 11 ("Rules"), against Michael A. Shippey ("Respondent"). The Complaint and Notice of Proceedings Under 35 U.S.C. § 32 ("Complaint") in this matter alleges that Respondent, a registered patent agent before the Office since March 24, 2000, violated the Rules by neglecting legal matters entrusted to him, engaging in multiple counts of professional misconduct, handling a legal matter without adequate preparation, failing to seek the lawful objectives of a client, failing to carry out an employment contract with clients, and intentionally or habitually violating the Rules. For these violations, the Complaint seeks entry of an Order suspending or excluding Respondent from practicing before the Office, directing Respondent to pay monetary restitution to three clients, and awarding any appropriate additional relief.

No Answer to the Complaint having been received from Respondent, the Director filed and served on Respondent a Motion for Entry of Default Judgment and Imposition of Discipline ("Motion") on August 22, 2011, asserting that every allegation in

¹ This decision is issued by a United States Administrative Law Judge assigned to the U.S. Environmental Protection Agency who is authorized to hear cases pending before the United States Department of Commerce, Patent and Trademark Office, pursuant to an Interagency Agreement effective for a period beginning March 22, 1999.

the Complaint should be deemed admitted, the Court should enter default judgment against Respondent, and should order that Respondent be excluded from practice before the Office and pay monetary restitution to three clients. See 37 C.F.R. §§ 11.36(e) ("Failure to timely file an answer will constitute an admission of the allegations in the complaint and may result in entry of default judgment.")

The eleven Counts in the Complaint allege that Respondent engaged in various conduct that violated PTO Disciplinary Rules 10.23(a), (b)(4)-(6) (and/or 10.84(a)(1)), 10.77(b)-(c), 10.84(a)(3), and 10.89(a)(6). The Complaint alleges that Respondent willfully violated these Rules by misleading, failing to communicate with, and misappropriating the funds of three sets of clients, Kevin Foor, Gabriel Duarte, and Kevin and Beth House, in regards to each of their patent applications. Respondent's actions, the Complaint alleges, resulted in the abandonment of his clients' applications and their financial injury. Further, the Complaint alleges that Respondent made factual misrepresentations to the PTO's Office of Enrollment and Discipline ("OED") during its official investigation of a grievance filed by Gabriel Duarte against Respondent.

The record reflects that on June 21, 2011, the Director served the Complaint on Respondent by mailing a copy of it by certified mail, return receipt requested, to Respondent at the last address he provided to PTO pursuant to 37 C.F.R. § 11.11, namely: Michael A. Shippey, Shippey Law PC, 1111 E. Commonwealth Ave., Suite B, Fullerton, CA 92831. Mot. ¶ 2; see Compl. at 22 (Certificate of Service). On June 30, 2011, the Motion states, the U.S. Postal Service delivered the Complaint to Shippey Law PC at that address. Mot. ¶ 3; Mot. Ex. A (Track and Confirm Search Results for Fullerton delivery). The returned receipt features a signature that appears as "Ron Long," and the "Agent" box is checked. Mot. Ex. A.

The Director also mailed a copy of the Complaint by certified mail, return receipt requested, to the address maintained by the State Bar of California for Shippey Law PC, where Respondent is employed, at Michael A. Shippey, Shippey Law PC, 15902-A Halliburton Rd., #11, Hacienda Heights, CA 97145. Mot. at 2, n.1; see Compl. at 22 (Certificate of Service). The U.S. Postal Service delivered the Complaint to that address on June 24, 2011, the Motion states. *Id.*; Mot. Ex. B (Track and Confirm Search Results for Hacienda Heights delivery). The returned receipt for this delivery features a signature that appears as "Ron Long," and the "Agent" box is checked. Mot. Ex. B.

The Director states that as of the date of the Motion, Respondent has not answered the Complaint, "nor has he otherwise contacted counsel for the OED Director about the pending Complaint." Mot. at 2. Also, to date, no response to the Motion has been filed.

The Rules provide that a complaint in an OED disciplinary proceeding may be served on a respondent by express mail, first class mail, or any delivery service providing the sender the ability to confirm "delivery or attempted delivery," at the address the practitioner provided to the Office. 37 C.F.R. § 11.35(a)(2); see 37 C.F.R. § 11.11. The Rules do not require that Respondent accept delivery personally to complete service. The Director successfully attempted to serve Respondent by certified mail, return receipt requested, in accordance with Rule 11.35(a)(2), as evidenced by receipt by an agent of Respondent. Mot. Exs. A, B.

FINDINGS OF FACT

1. On June 21, 2011, the Director filed the Complaint against Respondent.
2. An answer to the Complaint was due on July 21, 2011, thirty days after the Complaint was filed.
3. Respondent did not file an answer.
4. Respondent, of Fullerton, California, has been a registered patent agent since March 24, 2000 (Registration Number 45,588).
5. Kevin Foor ("Foor") hired and paid Respondent \$5,925.00 in advance, to prepare, file and prosecute U.S. Patent Application No. 12/129,215 ("Foor Application").
6. By letter dated May 2, 2008, Respondent stated to Foor, "I have checked on the status of your patent application. We are still awaiting action from the patent office."
7. Respondent did not file the Foor Application with PTO until May 29, 2008.
8. When Respondent filed the Foor Application with PTO, he did not submit the required \$500.00 filing fee.

9. By Notice to File Missing Parts of Non Provisional Application dated June 12, 2008 ("June 12, 2008 Notice"), the Office informed Respondent that the requisite filing fee and replacement drawings were missing from the Foor Application and must be filed with the Office.
10. The June 12, 2008 Notice informed Respondent that a response was required within two months.
11. Respondent did not inform Foor of the June 12, 2008 Notice, the options for responding to it, or the consequences of not responding to it.
12. Respondent did not respond to the June 12, 2008 Notice.
13. The Office mailed Respondent a Notice of Abandonment dated February 13, 2009, regarding the Foor Application, for failing to respond to the June 12, 2008 Notice.
14. Respondent did not inform Foor of the February 13, 2009, Notice of Abandonment, the options for responding to it, or the consequences of not responding to it.
15. Around November 2009, Foor learned from PTO that the Foor Application had become abandoned.
16. Foor filed a petition to revive his application on January 4, 2010, and paid a \$270.00 petition fee to the Office.
17. The Office dismissed Foor's petition, and the Foor Application remains abandoned.
18. Respondent has not returned the \$500.00 filing fee to Foor.
19. Gabriel Duarte ("Duarte") hired Respondent in April 2008 to prepare and file U.S Patent Application No. 29/327,116 ("Duarte Application") in a timely manner.
20. Respondent prepared the Duarte Application and filed it in the Office on October 30, 2008.
21. The Office mailed Respondent a Notice of Allowance dated March 5, 2009 ("March 5, 2009 Notice"), informing Respondent that an issue fee in the amount of \$430.00

was due within three months.

22. Respondent did not notify Duarte about the contents of the March 5, 2009 Notice until Respondent mailed Duarte a letter dated May 13, 2009, in which Respondent asked for \$550.00 from Duarte to prepare a response to the March 5, 2009 Notice.
23. On June 2, 2009, Duarte hand-delivered a cashier's check to Respondent in the amount of \$980.00 for the issue fee and Respondent's legal services.
24. Dated June 29, 2009, a Notice of Abandonment sent to Respondent notified that the Duarte Application was abandoned for failure to respond to the March 5, 2009 Notice.
25. Respondent informed Duarte that the Duarte Application had been abandoned, and that Respondent would not seek to revive it because he was going to study for the bar examination instead.
26. Duarte requested that Respondent return his \$980.00 payment.
27. Respondent did not return the \$980.00 payment to Duarte.
28. Duarte filed a petition to revive his application and paid a \$810.00 petition fee to the Office.
29. The Office granted Duarte's petition to revive on December 21, 2010.
30. During the course of OED's official investigation of a grievance made by Duarte against Respondent, Respondent sent a letter dated November 25, 2009, to OED stating that Duarte had caused a three-day delay in the check clearing process by paying the \$980.00 by personal check.
31. Respondent knew Duarte had delivered a cashier's check, and not a personal check.
32. Kevin House and Beth House ("the Houses") hired and paid Respondent \$2,000.00 in advance to prepare, file and prosecute U.S. Patent Application Number 29/282,488 ("Houses Application") in a timely manner.

33. Respondent filed the Houses Application on July 20, 2007.
34. The Office mailed Respondent a Notice of Allowance dated March 10, 2008 ("March 10, 2008 Notice"), which informed Respondent that a \$410.00 issue fee and corrected drawings were required, and due within three months.
35. The Houses provided Respondent with a check for \$1,070.00, part of which they intended to satisfy the \$410.00 issue fee requested by the Office, and the rest to compensate Respondent for legal services, on or about May 30, 2008.
36. Respondent did not respond to the March 10, 2008 Notice, nor did he submit the issue fee or corrected drawings prior to the expiration of the three-month deadline.
37. Dated July 3, 2008, a Notice of Abandonment sent to Respondent notified him that the Houses Application was abandoned for failure to respond to the March 10, 2008 Notice.
38. Respondent did not timely inform the Houses of the July 3, 2008, Notice of Abandonment, the options for responding to it, or the consequences of not responding to it.
39. On October 22, 2008, Respondent informed the Houses that their application had become abandoned.
40. On or about December 22, 2008, Respondent responded to the March 10, 2008 Notice, submitted the \$410.00 issue fee, and filed a petition to revive the Houses Application with the Office.
41. On February 4, 2009, the Houses sent an email to Respondent requesting copies of all correspondence between Respondent and the Office concerning the Houses Application.
42. Respondent has not provided the documents requested by the Houses in their February 4, 2009, email.
43. In a letter dated April 8, 2009, the Office informed Respondent that the petition to revive was dismissed

because Respondent did not file corrected drawings, terminal disclaimer, or requisite fee.

44. Respondent did not inform the Houses of the status of the petition to revive or the Houses Application until April 27, 2009, when he stated to them in an email, "We are making progress," and, "the next communication should be the final one issuing the patent."
45. On or about April 28, 2009, Respondent filed a renewed petition to revive the Houses application.
46. In a letter dated May 20, 2009, the Office informed Respondent that the renewed petition to revive was dismissed because Respondent did not properly mark the corrected drawings accompanying the renewed petition, and did not provide an explanation for the amount of funds provided to pay for the terminal disclaimer fee.
47. On or about August 7, 2009, Respondent filed a second renewed petition to revive the Houses Application.
48. In a letter dated September 4, 2009, the Office informed Respondent that the second renewed petition to revive was dismissed because Respondent did not properly mark the corrected drawings accompanying the second renewed petition.
49. On or about May 4, 2010, Respondent filed a new application for the Houses' invention, U.S. Patent Application Number 29/361,040 ("Houses Second Application"), which did not acquire the benefits of the Houses Application's earlier filing date.
50. Respondent did not respond to emails from the Houses wherein the Houses asked if the Houses Second Application was a new application.
51. Respondent informed the Houses that the Houses Application number had changed to the number assigned to the newly filed Houses Second Application, but did not inform the Houses that the Houses Second Application was a new application.
52. Dated October 13, 2010, a non-final Office action concerning the Houses Second Application informed Respondent that a response was required within three months of its date.

53. Respondent did not inform the Houses of the October 13, 2010, non-final Office action, the options for responding to it, or the consequences of not responding to it.
54. Respondent did not respond to the October 13, 2010, non-final Office action.
55. The Office mailed Respondent a Notice of Abandonment dated May 17, 2011, regarding the Houses Second Application, because no response to the October 13, 2010, non-final Office action was filed.
56. Respondent did not inform the Houses of the May 17, 2011, Notice of Abandonment, the options for responding to it, or the consequences of not responding to it.
57. Respondent did not return the \$660.00 paid by the Houses for Respondent's legal services for responding to the March 10, 2008, Notice of Allowance in the Houses Application.
58. Respondent did not return the \$410.00 paid by the Houses for the issue fee regarding the Houses' Application.

CONCLUSIONS OF LAW

1. Respondent is subject to the PTO Disciplinary Rules set forth at 37 C.F.R. part 10. See 35 U.S.C. § 2(b)(2)(D).
2. Based on this Tribunal's finding that the Director has fully complied with the requirements for proper service of the Complaint set forth at 37 C.F.R. § 11.35, and that despite such proper service, Respondent has failed to answer the allegations therein, Respondent is hereby found to be in **DEFAULT**.
3. Respondent's default constitutes an admission of each and every allegation in the Complaint, as recounted above. The allegations in the Complaint, as well as the factual assertions in the Director's Motion for Entry of Default Judgment and Imposition of Discipline, including the accompanying Exhibits A and B, are incorporated into this Initial Decision by reference.

4. Respondent's misconduct described above violated the following Disciplinary Rules of professional conduct as outlined in 37 C.F.R. part 10:
- A. Rule 10.23(a) by engaging in disreputable or gross misconduct;
 - B. Rule 10.23(a) or (b), via Rule 10.23(c) (3), by misappropriating or failing to timely remit to the Office or refund to his clients money paid to Respondent for Office fees;
 - C. Rule 10.23(b) (4) by engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation;
 - D. Rule 10.23(b) (5) by engaging in conduct prejudicial to the administration of justice;
 - E. Rule 10.23(b) (6) by engaging in conduct that adversely reflects on his fitness to practice before the PTO;
 - F. Rule 10.77(b) by handling a legal matter without preparation adequate in the circumstances;
 - G. Rule 10.77(c) by neglecting a legal matter entrusted to him;
 - H. Rule 10.84(a) (1) by failing to seek the lawful objectives of his clients through reasonably available means permitted by law and the Disciplinary Rules;
 - I. Rule 10.84(a) (2)² by failing to carry out contracts of employment entered into with his clients; and

² The Complaint alleges that Respondent violated "37 C.F.R. § 10.84(a) (3)" in paragraphs 125 through 127, however, the Director quotes the language of 37 C.F.R. § 10.23(a) (2) in those same paragraphs. It is assumed that the Director intended to cite Rule 10.84(a) (2) as grounds for discipline in those paragraphs. The Director made the same typographical error in the Motion at page 5.

- J. Rule 10.89(c)(6)³ by intentionally and habitually violating PTO Disciplinary Rules in a professional capacity before a tribunal.⁴
5. This Tribunal, in determining the appropriate sanction to be imposed, is to consider:

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

37 C.F.R. § 11.54(b)(1)-(4).

6. Upon considering factors (1) through (4) in 37 C.F.R. § 11.54(b), Respondent's exclusion from practice before the PTO is warranted.

DISCUSSION

I. Penalty Considerations in 37 C.F.R. § 11.54(b)

As to the first penalty consideration, the Director asserts that Respondent violated duties he owed to his clients and to the legal system. First, Respondent failed to represent his clients competently and zealously, by not keeping Foor, Duarte and the Houses informed of the status of their respective patent applications, not responding to their inquiries, failing to act timely regarding their applications, allowing their applications to become abandoned, and failing to take any or the appropriate action to revive the abandoned applications. Mot. at 7. Also, the Director alleges that Respondent violated his duty to

³ The Complaint alleges that Respondent violated "37 C.F.R. § 10.89(a)(6)" in paragraph 131, however, the Director quotes the language of 37 C.F.R. § 10.89(c)(6) in that same paragraph. It is assumed that the Director intended to cite Rule 10.89(c)(6) as grounds for discipline in that paragraph. The Director made the same typographical error mistake in the Motion at page 6.

⁴ "Tribunal" includes the PTO. 37 C.F.R. § 10.1(z).

practice with candor and truthfulness by reporting to Foor and the Houses misleading or false information about the status of their respective patent applications. *Id.*

Respondent violated his duty to the legal system, here, the PTO, the Director argues, by not practicing with candor and truthfulness when he provided false information to OED during its investigation of Respondent's misconduct. Mot. at 10. Respondent's statement that Duarte had given him a personal check when Duarte had actually given Respondent a cashier's check, was a material misrepresentation, the Director states, because Respondent intended to use the assertion as an excuse for missing a filing deadline. *Id.* I agree that Respondent violated duties owed to Foor, Duarte, the Houses, and the PTO.

As to the second penalty factor, the Director alleges that Respondent acted intentionally when he chose not to inform his clients about Office communications and when he chose not to revive the Duarte Application because he wanted to take the bar exam. Mot. at 10-11. Also, Respondent purposefully tried to conceal his neglect by making false statements to Foor, the Houses, and the OED, the Director argues. Mot. at 11. I find the Director's arguments persuasive.

As to the amount of injury caused by Respondent's misconduct, the Director argues that Respondent caused actual injury to the intellectual property rights of his clients, by not taking corrective action to revive their abandoned patent applications. Motion at 11. Also, Respondent's clients suffered financial harm as a result of Respondent's acts and omissions, the Director asserts. *Id.* Respondent's actions led to the abandonment of four patent applications and the dismissal of multiple petitions to revive those applications. Compl. ¶¶ 18, 26, 39, 60, 71, 77, 80, 91. Also, because they paid Respondent thousands of dollars in advance for his services that were not rendered, Foor's, Duarte's and the Houses' financial interests were each significantly harmed.

The Director alleges that there are no factors that mitigate the penalty of exclusion, despite the fact that Respondent has not been disciplined in the eleven years he has practiced before the Office. Mot. at 11-12. On the contrary, the Director argues, Respondent's habitual and intentional acts of misconduct are "exacerbating factors that support the penalty of exclusion." *Id.* Given Respondent's failure to allege any mitigating facts, I find that mitigation is not warranted.

As an experienced patent practitioner, Respondent knew or

should have known that adverse consequences to his clients' patent applications and related financial investments may result where payment is not made or the Office's other requirements were not satisfied, including abandonment.

Abandonment of a case or client after being paid for legal services is a significant ethical violation for which attorneys have been disbarred.⁵ See, e.g., *People v. Elliott*, 39 P.3d 551 (Colo. O.P.D.J. 2000); *In re Gil*, 37 A.D.2d 489 (N.Y. App. Div. 2d Dept. 1971). Repeated misconduct, consisting of abandoning representation of clients without notifying them, failing to return unearned fees and failing to respond to an investigative panel, has also been grounds for disbarment. *Matter of Lyles*, 494 S.E.2d 338, 268 Ga. 876 (Ga. 1998). Practitioners before the PTO have been excluded for similar misconduct upon their default. *Golden*, Proceeding No. D07-09 (ALJ, Apr. 21, 2008) (Initial Decision on Default); *Moatz v. Rosenberg*, Proceeding No. D06-07 (ALJ, Mar. 7, 2007) (Initial Decision after default); *Bovard v. Uland*, Proceeding No. D99-03 (ALJ, Aug. 3, 1999) (Initial Decision on Default) (indefinite suspension).

After considering the factors in 37 C.F.R. § 11.54(b) and determining the ultimate issue in disbarment proceedings of whether Respondent is fit to practice, I find the penalty of exclusion is appropriate. *Harary v. Blumenthal*, 555 F.2d 1113, 1116 (2d Cir. 1977) (upholding disbarment of certified public accountant from practice before the Internal Revenue Service).

II. Request for Restitution

The Director alleges that Respondent's clients are entitled to the following amounts in restitution: \$6,170.00 to Foor (\$5,400.00 for legal services, \$270.00 for the petition filing fee and \$500.00 for the application filing fee); \$1,790.00 for Duarte (\$810.00 for the petition filing fee and \$980.00 for the issue fee and legal services); \$3,070.00 to the Houses (\$2,000.00 for legal services, \$660.00 for legal services to respond to the March 10, 2008 Notice of Allowance, and \$410.00 for an issue fee). Compl. ¶¶ 29, 47, 99; Mot. at 12. The Motion requests

⁵ The principles and standards applied in attorney disbarment cases are similar to those applied in PTO disciplinary proceedings. See *Kelber*, Proceeding No. D2006-13, slip op. at 61 (ALJ, Sept. 23, 2008). Also, even though Respondent is an agent and not an attorney, all PTO practitioners are expected to meet the same standards of professional conduct and mandatory Disciplinary Rules. 37 C.F.R. § 10.20; 35 U.S.C. § 32.

entry of an order excluding Respondent from practice before the PTO and an order that Respondent pay the above monetary restitution to his clients "as a condition of his reinstatement to practice" before the PTO. Mot. at 12.

This Tribunal's authority does not appear to include ordering such relief. Under 35 U.S.C. § 32, the Director may, after notice and opportunity for a hearing, "suspend or exclude" a practitioner from practice before the PTO. Under 37 C.F.R. §§ 11.19 and 11.20(a), when grounds for disciplinary action exist because a practitioner violated a mandatory Disciplinary Rule, the Director may impose the sanction of exclusion, suspension, reprimand or censure, or probation. The hearing officer is specifically required by 37 C.F.R. § 11.54(a) to make an initial decision that shall include "[a]n order of default judgment, of suspension or exclusion from practice, of reprimand, or an order dismissing the complaint." The Rules also provide that "[w]hen the *USPTO Director* imposes discipline, the practitioner may be required to make restitution [] to persons financially injured by the practitioner's conduct . . . as a condition of probation or of reinstatement. 37 C.F.R. § 11.20(b) (emphasis added).

Neither the Complaint nor the Motion cite any authority supporting the proposition that the hearing officer has the authority to order restitution or any other condition of probation or reinstatement in an initial decision. The authority is clear, however, that *the Director*, as part of the "final decision" issued after an initial decision is reviewed on appeal, may "condition the reinstatement of the practitioner upon a showing that the practitioner has taken steps to correct or mitigate the matter forming the basis of the action." 37 C.F.R. § 11.56(b). This Initial Decision is therefore restricted to include only "[a]n order of default judgment, of suspension or exclusion from practice, of reprimand, or an order dismissing the complaint," as explicitly required by 37 C.F.R. §§ 11.20(a), 11.54(a), and 35 U.S.C. § 32.

ORDER

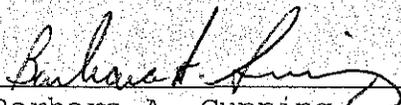
After careful and deliberate consideration of the above findings and conclusions, as well as the factors identified in 37 C.F.R. § 11.54(b),

IT IS HEREBY ORDERED that Respondent, MICHAEL A. SHIPPEY, PTO Registration No. 45,588, be excluded from practice before the U.S. Patent and Trademark Office.

Respondent's attention is directed toward 37 C.F.R. § 11.58 regarding the duties of disciplined practitioners, and 37 C.F.R. § 11.60 concerning any future petition for reinstatement.

In accordance with 37 C.F.R. § 11.55, any appeal by Respondent from this Initial Decision, must be filed within 30 days of the date of this Initial Decision. Such appeal must include exceptions to this Initial Decision. Failure to file such an appeal in accordance with Rule 11.55 above will be deemed to be both an acceptance by Respondent of the Initial Decision and that party's waiver of rights to further administrative and judicial review.

The facts and circumstances of this proceeding shall be fully published in the U.S. Patent and Trademark Office's official publication.


Barbara A. Gunning

U.S. Administrative Law Judge

Dated: October 14, 2011
Washington, D.C.