

**BEFORE THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
Frank L Laczko,)	Proceeding No. D2013-08
)	
Respondent.)	
_____)	

Final Order

Pursuant to 37 C.F.R. § 11.55, Frank Laczko (“Respondent”) has appealed the February 4, 2014 initial decision of Administrative Law Judge (“ALJ”) J. Jeremiah Mahoney in this matter. In that initial decision, the ALJ concluded that the Respondent violated five ethics rules governing the conduct of attorneys and agents practicing before the United States Patent and Trademark Office (“USPTO” or “Agency”) based on uncontroverted evidence in the record including findings based on a state court judgment against Respondent. The ALJ granted summary judgment in favor of the Agency on Counts 1 through 5 in the Agency’s Complaint and excluded Respondent from practicing before the USPTO in patent, trademark and other non-patent matters. (Record at 1-2).

For the reasons set forth below, the ALJ’s decision is **AFFIRMED**.

I. BACKGROUND

Respondent’s Relationship with Texas Institute of Science (“TxIS”)

Respondent was, at all relevant times, an agent registered to practice before USPTO (Registration No. 65,081). (Record at 217). Texas Institute of Science (“TxIS”) was his client. (Record at 142-144; 217, ¶ 5). TxIS works with foreign academic institutions to assist inventors with developing and marketing their inventions. (Record at 217).

TxIS hired Respondent in 2009 to evaluate the potential patentability of inventions developed by inventors in foreign countries and, where directed, to prepare, file, and prosecute patent applications on behalf of the foreign inventors. (Record at 19, ¶5; 142-144; 217, ¶ 7). In 2010-2011, TxIS obtained information from foreign inventors and provided it to Respondent for use in preparing four (4) patent applications, as discussed further below. (Record at 20, ¶ 9; 217, ¶ 13). TxIS paid Respondent for these patent services. (Record at 68-71).

In 2010, TxIS hired Respondent to file a U.S. patent application for a Catalytic Wet Air Oxidation Process for Waste Water invention (“Catalytic invention”) (TxIS file No. 100202-01068). (Record at 69, ¶ 14; 143, ¶ e). Respondent sent an invoice to TxIS for patent services provided in connection with the filing of a U.S. patent application for the Catalytic invention in the amount of \$4,093.75. (Record at 69, ¶ 16; 105). TxIS paid the invoice. (Record at 69, ¶ 16; 144, ¶ i). However, Respondent did not file the patent application. (Record at 65, ¶ 7; 69, ¶ 17; 113).

In 2010, TxIS also hired Respondent to file a U.S. patent application for a Hydrogen Storage Material invention (“Hydrogen invention”) (TxIS file No. 100701-01071). (Record at 69, ¶ 19; 143, ¶ e). Respondent sent an invoice to TxIS for patent services rendered in connection with the filing of a U.S. patent application for the Hydrogen invention in the amount of \$5,718.75. (Record at 69, ¶ 20; 106). TxIS paid the invoice. (Record at 69, ¶ 21; 142-144). Here again, Respondent did not file the patent application. (Record at 65, ¶ 8; 69, ¶ 22; 115).

In 2010, TxIS also hired Respondent to file a U.S. patent application for a Using Plasma Technologies to Manufacture Sand invention (“Sand invention”) (TxIS file No. 091120-11066). (Record at 70, ¶ 24; 143). Respondent prepared and filed a provisional patent application, U.S. Serial No. 61/342,335, for the Sand invention on April 13, 2102. (Record at 66, ¶ 9; 117).

However, he failed to subsequently file the necessary non-provisional patent application for the Sand invention.¹ (Record at 66, ¶ 9; 117). Despite not filing the needed non-provisional application, Respondent sent an invoice to TxIS that explicitly stated it was for patent services rendered in connection with both provisional and non-provisional U.S. patent applications for the Sand invention in the amount of \$13, 230. (Record at 70, ¶ 26; 108). The invoice, which TxIS paid, included an explicit charge for \$600 for USPTO filing fees associated with filing a non-provisional patent application. (Record at 70, ¶ 27, 28; 108; 142-144).

In 2011, TxIS hired Respondent to file a U.S. patent application for a Fire Extinguisher Polymer Composite Material invention (“Fire invention”) (TxIS file No. 100927-01072). (Record at 68-71; 141-144). Respondent did not file the patent application. (Record at 65, ¶ 6). Nevertheless, on October 4, 2011, Respondent affirmatively misrepresented to TxIS’ counsel, Eldon Zorinsky, that he had filed a U.S. patent application for the Fire invention. (Record at 68; 127). Respondent also sent an invoice to TxIS for patent services rendered in connection with the filing of a U.S. patent application for the Fire invention in the amount of \$10, 002.50. (Record at 68, ¶ 9; 107). That invoice, which TxIS paid, included a charge for \$565 for “filing and miscellaneous fees for utility [patent] application.” (Record at 68, ¶ 10; 107).

At some point, Respondent became unresponsive to communications from TxIS requesting information on the status of filing and prosecuting patent applications for these inventions. (Record at 119-121; 129-137). Ultimately, TxIS demanded that Respondent refund fees paid for patent services that were not performed for the Catalytic, Hydrogen, Sand, and Fire inventions, and return the associated files to TxIS. Respondent did neither despite repeated requests by TxIS. (Record at 68-71; 119-121; 161-165).

¹ 35 U.S.C. § 119(e) requires that, in order for a non-provisional patent application to claim priority from the filing of a provisional application, a non-provisional application must be filed within one year of the provisional application. *See also* Manual of Patent Examination Procedure, § 201.11.

Civil Lawsuit Between TxIS and Respondent

After Respondent failed to respond to TxIS' multiple requests that Respondent return unearned fees in connection with the four inventions, and that Respondent return the four patent files, TxIS filed a civil lawsuit against Respondent in the District Court for Collin County, Texas, on April 12, 2012. (Record at 70, ¶ 32; 73-78). The lawsuit sought a refund of \$35,225 and return of the files for these inventions. (Record at 70, ¶ 32; 73-78). The lawsuit alleged that TxIS hired Respondent to prepare and file patent applications for the Catalytic, Hydrogen, Sand, and Fire inventions, that Respondent billed TxIS, and that TxIS paid \$31,420 to Respondent for that work. (Record at 73-78). TxIS further alleged in the lawsuit that Respondent failed to perform the services that he was contracted to perform, and refused to repay the money he had received and return the patent files to TxIS. (Record at 73-78).

On July 2, 2012, the District Court for Collin County, Texas, entered a default judgment in favor of TxIS and against Respondent in the amount of \$35,225,² plus attorneys' fees, and ordered Respondent to return the patent files to TxIS. (Record at 169-171). There is no indication in this record that Respondent sought reconsideration of, or an appeal from, this state court decision.

USPTO Disciplinary Proceedings

On April 23, 2012, TxIS, through counsel, submitted a letter to the USPTO's Office of Enrollment and Discipline ("OED") that reported "actions of Frank L. Laczko which are believed to be violations of Disciplinary Rules." (Record at 88-90). The letter identified the dispute between Respondent and TxIS concerning Respondent's non-performance and billing practices regarding the Catalytic, Hydrogen, Sand, and Fire inventions, and provided a copy of

² The state court judgment also included an award for fees paid in connection with a fifth patent application that is not included in this current disciplinary matter.

the Complaint filed against Respondent in the District Court for Collin County, Texas. (Record at 88-90). Following receipt of TxIS' letter, OED sent Respondent a "Request for Information Under 37 CFR § 11.22." (Record at 83-87). The Request for Information sought information in response to TxIS' allegations, as well as Respondent's position with respect to the issue of whether or not he violated the USPTO Code of Professional Responsibility set forth at 37 C.F.R. § 10.23, *et. seq.* (Record at 83-87). OED sent a second Request for Information when the first request was returned as "unclaimed." (Record at 81-82).

During the course of OED's investigation, both via the written correspondence and at an in-person meeting with OED, Respondent was asked to provide copies of his files to document any work he had performed for the four inventions. (Record at 65-66; 81-87). Respondent produced only his invoices for the four inventions and nothing else. (Record at 101-102, 104-108). As a final attempt, on February 22, 2013, OED asked Respondent to provide any documentation that would establish that Respondent had performed work on the four patent files at issue, and an affidavit describing any work he had done, by no later than March 1, 2013. (Record at 110-111). Respondent never provided the requested information. (Record at 65-66).

On April 25, 2013, OED filed a "Complaint and Notice of Proceedings under 35 U.S.C. § 32" ("Complaint") against Respondent, alleging that Respondent did not file patent applications for the Catalytic, Hydrogen, Sand, and Fire inventions, for which he had been hired, and paid, to prepare and file. (Record at 252-268). Further, the Complaint alleged that Respondent had affirmatively misrepresented to TxIS that he had filed patent applications for the four inventions when he in fact had not done so. (Record at 252-268).

OED's Complaint asserted in Counts 1 through 5 that Respondent's behavior violated the following provisions of the USPTO Code of Professional Responsibility:³ Count 1 - 37 C.F.R. § 10.23(a) (proscribing disreputable or gross misconduct); Count 2 - 10.23(b) (4) (proscribing conduct involving dishonesty, fraud, deceit, or misrepresentation); Count 3 - §10.23(a) and (b) via 37 C.F.R. § 10.23(c)(3) (proscribing misappropriation of funds, or failure to properly or timely remit, funds received by a practitioner from a client to pay a fee which the client is required to pay to the Office); Count 4 - § 10.77(c) (proscribing neglect of a legal matter entrusted to the practitioner); and Count 5 - § 10.84(a) (proscribing intentional failure to seek the lawful objectives of the client through reasonably available means, intentional failure to carry out a contract for employment entered into with a client for professional services, and/or intentional prejudicing or damaging of a client during the course of a professional relationship). (Record at 252-268). The OED Director sought Respondent's suspension or exclusion from practice before the USPTO due the misconduct. (Record at 266). The disciplinary case that resulted from the filing of the Complaint was docketed as D2013-08 and assigned to ALJ J. Jeremiah Mahoney. (Record at 244-249).

After seeking and receiving an extension of time to submit his Answer, Respondent submitted an Answer to the Complaint on July 31, 2013. (Record at 217-219). He did not otherwise participate in the proceeding before the ALJ.

Initial Decision by Administrative Law Judge

In the current disciplinary case, which resulted from OED's filing of its Complaint, on September 30, 2013 the OED Director filed a motion seeking summary judgment on Counts 1-7 and 10 of the Complaint. (Record at 34-62) (citation to exhibits omitted). Respondent did not file

³ The Complaint also included Counts 6 through 10 and OED subsequently moved do dismiss them. (Record at 7). Also, portions of Counts 1 through 3 address compliance with the Texas state court judgment and those portions likewise are not at issue in this matter.

a response to the Agency's summary judgment motion. In fact, other than in connection with filing an Answer, at no time did Respondent submit or proffer any factual material, argument or other response to the ALJ.

On January 16, 2014, the ALJ granted summary judgment to the Agency for Counts 1 through 5 of the Complaint. (Record at 15-24). The ALJ concluded that Respondent was collaterally estopped from challenging the implicit findings in the default judgment in the case brought by TxIS against Respondent. Those implicit findings were that Respondent was retained and paid to file patent applications for the Catalytic, Hydrogen, Sand, and Fire inventions, that Respondent failed to file these applications, and that he had been given patent files in support of those tasks. (Record at 15-23). The ALJ noted the three prongs for applying the doctrine of collateral estoppel under Texas law, *see State Farm Fire and Cas. Co., v. Fullerton*, 118 F.3d374, 377 (5th Cir. 1997) (citing *Sysco Food Services, Inc., v. Trapnell*, 890 S.W.2d 796, 801 (Tex. 1994)), and analyzed the facts under the three-pronged analysis. The ALJ concluded that the factual issues involved in Counts 1-5 of the Complaint had been fully litigated and were essential to the judgment in that state action, and that Respondent was in fact the Defendant in that state court action. (Record at 16-18).

The ALJ concluded that the facts established by collateral estoppel, along with admissions by Respondent and other uncontroverted record evidence, demonstrated that Respondent violated the five USPTO ethics rules set forth in Counts 1 through 5. (Record at 21-22). After reviewing and making determinations under the factors required by 37 C.F.R. § 11.54(b), the ALJ concluded that a penalty of exclusion was warranted. (Record at 22-23).

Following this January 16, 2014 ruling by the ALJ, the OED Director filed a motion, asking the ALJ to enter an initial decision on Counts 1 through 5 and exclude Respondent from

practice before the USPTO. (Record at 7). On February 4, 2014, the ALJ granted the OED Director's motion and entered an initial decision of exclusion.⁴ (Record at 3-4). Respondent appealed the initial decision on March 6, 2014.

II. DECISION

Respondent has been a registered patent agent and “[a]ll practitioners registered to practice before the Office in patent cases . . . are subject to the disciplinary jurisdiction of the Office.” 37 C.F.R. § 11.19(a). For the conduct involved in this disciplinary case, Respondent was subject to the ethical requirements set forth in the USPTO Code of Professional Responsibility at 37 C.F.R. § 10.20, *et seq.*⁵

Respondent appeals from the February 4, 2014, initial decision of the ALJ entering judgment in favor of the Agency on Counts 1 through 5 of the disciplinary Complaint and excluding Respondent from the practice of patent, trademark, and other non-patent matters before the Office. (Record at 3-4). Respondent's appeal is governed by regulations that state that within thirty days (30) of issuance of an initial decision by an ALJ, a party may appeal the ALJ's initial decision to the USPTO Director. 37 C.F.R. § 11.55(a); *see also* 35 U.S. C. § 2(b)(2)(d). On appeal, the USPTO Director has authority to conduct a *de novo* review of the factual record, and this includes a review of the record or portions of the record designated by the parties. 37 C.F.R. §§ 11.55(f), 11.56(a). The USPTO Director may affirm, reverse, or modify the initial decision, or remand the matter to the hearing officer for such further proceedings as the USPTO Director may deem appropriate. 37 C.F.R. § 11.56(a).

⁴ The initial decision incorporates the ALJ's order granting summary judgment, including the “lengthy discussion of Counts 1-5, concluding that they were proven by undisputed facts, and finding that exclusion was the proper remedy for the violations proven in Counts 1 through 5.” (Record at 3).

⁵ Effective May 3, 2013, the USPTO Rules of Professional Conduct, 37 C.F.R. §§ 11.101 through 11.901, apply to persons who practice before the Office. Prior to May 3, 2013, the USPTO Code of Professional Responsibility applied to persons practicing before the Office. *See* 37 C.F.R. §§ 10.20-10.112. Here, since the alleged misconduct occurred prior to May 3, 2013, the USPTO Code for Professional Responsibility is applicable.

Having considered Respondent's appeal and the record of the proceedings before the ALJ, which includes unopposed evidence established by collateral estoppel, admissions made by Respondent in his Answer, and other uncontroverted record evidence, there is ample evidence to support the ALJ's initial decision. The decision was properly made and therefor the initial decision of the ALJ is **AFFIRMED**.⁶

A. The ALJ Properly Concluded that There Was No Genuine Issue of Material Fact.

The ALJ granted summary judgment to the OED Director on Counts 1 through 5 of the disciplinary Complaint. Summary judgment is appropriate when the pleadings, affidavits, and discovery documents before a court indicate that no genuine issue of material fact exists and that the moving party is entitled to judgment as a matter of law. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986); *see also FDIC v. Cashion*, 720 F.3d 169, 173 (4th Cir. 2013); *Banner Life Insur. Co. v. Mark Wallace Dixson Irrevocable Trust*, 206 P.3d 481, 487 (Idaho 2009). It is ultimately a nonmovant's burden to persuade a fact-finder that there is indeed a dispute of material fact *See CorelTel Virginia, LLC v. Verizon Virginia*, 752 F.3d 364, 370 (4th Cir. 2014).

Here, Respondent has not met his burden of showing a genuine issue of a material fact. The record before the hearing officer consists of uncontroverted evidence including facts established by collateral estoppel without opposition by Respondent, unopposed declarations and documentary evidence provided by the OED Director, and Respondent's own admissions. Respondent did not file any opposition to the motion for summary judgment or otherwise submit

⁶ The governing regulations provide that an appeal from an ALJ initial decision may be made by timely filing an appeal that includes an appellate brief that complies with 37 C.F.R. § 11.55. Here, an additional basis for denying the appeal and affirming the ALJ is that Respondent failed to file an appellate brief that complied with 37 C.F.R. § 11.55. Respondent merely filed a four-page "Appeal of the Initial Decision," and it failed to comply with 37 C.F.R. § 11.55(c)(2) (requiring a clear statement of which facts and points of law are disputed) and 37 C.F.R. § 11.55(d) (requiring statement of issues on appeal and argument with citation to the factual record, as well as formatting requirements.) Respondent's failure to comply with the requirements for appealing an ALJ initial decision serves as an independent basis on which the Director is permitted to, and does, reject the instant appeal. *See* 37 C.F.R. § 11.55(e) ("The USPTO Director may refuse entry of a nonconforming brief.").

or proffer any evidence to the ALJ in response to the motion. Indeed, Respondent did not participate in the proceedings before the ALJ other than filing an initial Answer to the disciplinary Complaint.⁷ As a result, there was no genuine issue as to any fact, much less as to any material fact, in the proceedings before the ALJ, and Respondent waived any assertion otherwise. *See CorelTel*, 752 F.3d at 370 (a nonmovant must prove more than a scintilla of evidence – and not merely conclusory allegations or speculation – upon which a fact-finder could properly find in its favor); *Banner Life Insur. Co.*, 206 P.3d at 487 (nonmoving party “may not rest upon the mere allegations or denials of that party's pleadings, but the party's response, by affidavits or ... otherwise ..., must set forth specific facts showing that there is a genuine issue for trial.”). *See also* 37 C.F.R. § 11.55(b) (“Any exception not raised will be deemed to have been waived and will be disregarded by the USPTO Director in reviewing the initial decision”).

The ALJ applied the doctrine of collateral estoppel to independently establish key facts in this case, including that Respondent was hired to file patent applications for the Catalytic, Hydrogen, Sand, and Fire inventions, that he was given patent files and payments to do so, that he failed to file those applications, and that he made misstatements to the client when he said that he had filed the applications. (Record at 16-18). The ALJ applied collateral estoppel based on the 2012 Texas state court default judgment. (Record at 15-23). The Texas default judgment was against Respondent, ordering him to return the patent files, fees paid, plus interest, and cover TxIS' attorney fees. (Record at 21). The record includes no indication that Respondent sought reconsideration of, or appeal from, the state court default judgment.

⁷ Respondent stated that he had “serious health concerns.” But he acknowledged that they were not an excuse for his lack of participation in the proceeding before the ALJ. (Appeal of initial decision, at 1). He could have requested additional time to respond to the OED Director's Motion for Summary Judgment but did not do so. (Record at 221, 224).

Respondent did not offer any argument or evidence against the use of collateral estoppel in this proceeding, and he does not now challenge use of the doctrine on appeal. Respondent has waived any objections to application of collateral estoppel. 37 C.F.R. § 11.55 (b) (“Any exception not raised will be deemed to have been waived and will be disregarded by the USPTO Director in reviewing the initial decision.”).

It is noted nevertheless that the ALJ properly applied the doctrine of offensive collateral estoppel in the initial decision in this proceeding. Under Texas law, a party seeking to assert offensive collateral estoppel must establish, first, that the facts sought to be litigated in the second action were fully and fairly litigated in the first action. *See State Farm Fire and Casualty Co. v. Fullerton*, 118 F.3d 374, 377 (5th Cir. 1997). The Texas judgment was, due to Respondent’s failure to participate, a default judgment. (Record at 17; 169-171). As Respondent was afforded the opportunity to contest the state court lawsuit, but chose not to do so, the fact that the matter was resolved as a default judgment does not preclude a finding that the facts and issues therein were fully and fairly litigated in that action. *See Fullerton*, 118 F. 3d at 384 (concluding that a guilty plea is full and fair litigation for purposes of collateral estoppel); *Mendez v. Haynes Brinkley & Co.*, 705 S.W.2d 242 (Tex. 1986) (court reliance on default judgment in applying collateral estoppel to later lawsuit).

The second part of the collateral estoppel analysis is whether the facts at issue in the first case were essential to that case. *See Fullerton*, 118 F.3d at 377. A reading of the state decision supports the ALJ’s finding here. (Record at 18; 169-171). Although the state court decision does not explicitly recite that Respondent failed to perform the required legal work, it need not do so. *See DeLeon v. Lloyd’s London, Certain Underwriters*, 259 F.3d 344, 348 (5th Cir. 2001) (“Issues decided implicitly in a prior judgment have collateral estoppel effect if they were essential to that

judgment.”). A plain reading of the Texas default judgment shows that the basis for that lawsuit – and thus the judgment – was the allegation that Respondent had not performed the agreed upon legal services with regard to the Catalytic, Hydrogen, Sand, and Fire inventions. (Record at 169-171). Thus, the second part of the collateral estoppel analysis is satisfied.

The third part of the collateral estoppel analysis is whether Respondent was a party in the Texas court case. *Fullerton*, 118 F.3d at 377. The unopposed and undisputed facts show that Respondent was indeed the defendant. (Record at 169-171). Since Texas law states that only the party against whom the estoppel is being raised need be a party in the first action, *Mendez*, 705 S.W.2d at 244, and it is undisputed and undisputable that Respondent was a defendant, the final part of the collateral estoppel analysis is also satisfied.

In sum, the uncontroverted facts in the record of this case are that Respondent was hired to file patent applications for the Catalytic, Hydrogen, Sand, and Fire inventions, that he was given patent files and payments to do so, that he failed to file those applications, and that he made a misrepresentation to the client when he said that he had filed the applications. Respondent has provided no evidence to the contrary. The uncontroverted facts are set forth in declaration and other documentary evidence attached to the OED Director’s motion for summary judgment and admissions by Respondent. Respondent has waived arguments to the contrary. Moreover, as an independent basis, the ALJ properly applied the doctrine of offensive collateral estoppel to conclusively establish these facts based on a default judgment against Respondent in Texas state court. There is no indication of any challenge to that judgment in Texas state courts and Respondent does not contest the application of the doctrine of offensive collateral estoppel here. These uncontroverted facts, as discussed in the next section, provide ample support for the ALJ’s findings of misconduct.

B. Respondent Violated Five Rules of the USPTO Rules of Professional Responsibility.

Based on the uncontroverted facts in the record, the ALJ concluded that Respondent violated five rules of the USPTO Code for Professional Responsibility as a result of his failure to file the Catalytic, Hydrogen, Sand, and Fire inventions despite being paid and receiving patent files to do so, and his misrepresentation in stating that he had filed applications for these inventions. (Record at 21-22). As discussed further below, the ALJ's conclusions were appropriate.

1. 37 C.F.R. § 10.23(a) – A practitioner shall not engage in disreputable or gross misconduct.

“A practitioner shall not engage in disreputable or gross misconduct.” 37 C.F.R. § 10.23(a). The ALJ concluded that Respondent violated 37 C.F.R. § 10.23(a) by failing to perform the legal services that he was hired to perform (i.e., preparing and filing the Catalytic, Hydrogen, Sand, and Fire inventions), by representing to TxIS that he had prepared and filed patent applications for those inventions when he in fact had not done so, and by sending and accepting payment for invoices for legal services that he had not performed. (Record at 21, ¶ 2-4). As indicated above, the uncontroverted facts support the ALJ's finding. Respondent's unsupported, conclusory statements on appeal lack evidentiary support and do not alter this conclusion.

A practitioner is guilty of gross misconduct when he deceives a client to his injury. *See State of Oklahoma v. Raskin*, 642 P.2d 262 (Okla.1982) (gross misconduct where attorney accepted fees for work not performed and comingled and misappropriated client funds). Gross misconduct under the Code of Professional Responsibility occurs where a practitioner is hired and paid to prepare and prosecute patent applications, but fails to file applications and other required filings despite receiving funds for USPTO filing fees, and where a practitioner fails to

properly communicate with clients. *In re Michael Shippey*, D2011-27 (USPTO Oct. 14, 2011) (violation of § 10.23(a)). The ALJ's conclusion of a violation of § 10.23(a) is upheld.

2. 37 C.F.R. § 10.23(b)(4) – A practitioner shall not engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.

“A practitioner shall not . . . [e]ngage in conduct involving dishonesty, fraud, deceit, or misrepresentation.” 37 C.F.R. § 10.23(b)(4). The ALJ concluded that Respondent violated 37 C.F.R. § 10.23(b)(4) by representing to TxIS, via the invoices and an October 4, 2011 email, that he had prepared and filed patent applications on the Catalytic, Hydrogen, Sand, and Fire inventions when he in fact had not done so; and by sending invoices to TxIS, and accepting payment on those invoices, for legal services he had not performed. (Record at 21, ¶ 6-7). Again, these facts of record are uncontroverted and include no evidence otherwise. (Record at 64-66; 101-108; 113; 115; 117; 127). Respondent admitted in his Answer that he “sent several invoices to TxIS for patent work he allegedly performed and for USPTO filing fees.” (Record at 217; 255). In an October 4, 2011 email to TxIS' counsel, Eldon Zorinsky, Respondent replied “yes” to the question “was the [Fire invention] patent filed?” (Record at 127). Yet, his billing invoices and his emailed statement were patently false as no patent application for the Fire invention was ever filed.

The ALJ's finding finds support in OED precedent and in case law. *See In re Riley*, D2013-04 (USPTO July 9, 2013) (practitioner hired and paid to prepare, file, and prosecute a patent application, and who failed to file the application and stopped communicating with his client, violated 37 C.F.R. § 10.23(b)(4)); *In re Muhammad*, D2013-21 (USPTO Jan. 28, 2014) (violation of 37 C.F.R. § 10.23(b)(4) where practitioner claimed to have received a patent pending number when he knew that he had not filed a patent application); *In re Kang*, D2012-24 (USPTO Nov. 26, 2012) (violation of 37 C.F.R. § 10.23(b)(4) where practitioner requested and

received fees from client for payment of USPTO fees and retained the fees instead of forwarding them to the Office). *See also Matter of Trey T. Meyer*, 327 P.3d 407 (Kan. 2014) (attorney engaged in conduct involving dishonesty, fraud, deceit or misrepresentation by misrepresenting to client on numerous occasions that her divorce action had been filed when it had not been filed); *Matter of Disciplinary Proceedings Against Joshua F. Stubbins*, 2014 WL 5132041 (Wis. 2014) (attorney's misrepresentations regarding the status of matters, including falsely suggesting that certain actions had been accomplished, violated rule prohibiting conduct involving dishonesty, fraud, deceit, or misrepresentation.) The ALJ's conclusion of a violation of § 10.23(b)(4) is upheld.

3. 37 C.F.R. §§ 10.23(a) and (b) via 10.23(c)(3) – Prohibiting misappropriation of, or failure to properly or timely remit, funds received by a practitioner from a client to pay a fee which the client is required by law to pay to the Office.

Conduct that constitutes gross misconduct and that is a violation of the ethical standards includes “misappropriation of, or failure to properly or timely remit, funds received by a practitioner from a client to pay a fee which the client is required by law to pay to the Office.” 37 C.F.R. § 10.23(c)(3). Here, the ALJ properly held that Respondent violated 37 C.F.R. § 10.23(c)(3) by accepting payment for filing fees related to two patent applications when he did not file either application with the USPTO. (Record at 21, ¶ 9). Once again, there is full support for this conclusion in the record.

First, there is no dispute that Respondent billed TxIS \$565 for “Filing and miscellaneous fees for utility application” for a patent application for the Fire invention. (Record at 68, ¶ 10; 107). Similarly, he billed TxIS \$600 for USPTO filing fees associated with filing a non-provisional patent application for the Sand invention. (Record at 70, ¶ 27, 28; 108; 142-144). Respondent also admitted in his Answer that he “sent several invoices to TxIS for patent work he

allegedly performed and for USPTO filing fees.” (Record at 217; 255). Despite billing TxIS for USPTO filing fees, there was no evidence proffered by Respondent that either application was ever filed. To the contrary, facts established through collateral estoppel and other uncontroverted evidence of record shows that neither application was ever filed. (Record at 65, ¶ 6, 9; 117).

The ALJ’s finding that Respondent’s conduct violates 37 C.F.R. § 10.23 (c)(3) finds support in OED precedent. *See In re Kang*, D2012-24 (USPTO Nov. 26, 2012) (violation of 37 C.F.R. §§ 10.23 (a) and (b) via 10.23 (c)(3) where practitioner requested and received fees from client for payment of USPTO fees and retained such fees instead of forwarding them to the Office); *Greiner*, D2012-25 (USPTO Oct. 18, 2012) (violation of 37 C.F.R. §§ 10.23 (a) and (b) via 10.23 (c)(3) where practitioner requested, received, and retained client funds for fees and expenses in connection with patent application but did not forward the funds to the Office to pay the fees and did not incur expenses). The ALJ’s conclusion of a violation of § 10.23(c)(3) is upheld.

4. 37 C.F.R. § 10.77(c) -A practitioner shall not neglect a legal matter entrusted to the practitioner.

“A practitioner shall not . . . [n]eglect a legal matter entrusted to the practitioner.” 37 C.F.R. § 10.77(c). The ALJ concluded here that Respondent neglected a legal matter entrusted to him, in violation of 37 C.F.R. § 10.77(c). (Record at 21). Specifically, the ALJ noted that this violation occurred when Respondent failed to perform the legal services he had been hired to perform, namely, the preparation and filing of the Catalytic, Hydrogen, Sand, and Fire inventions. (Record at 21). As already discussed, the Texas default judgment and other uncontroverted evidence of record amply support the ALJ’s finding that Respondent violated this provision and thus the finding has ample factual basis in the record.

Neglect involves an attorney's consistent failure to perform his or her obligations and indifference about failing to advance the interests of his or her client. *See Iowa Supreme Court Attorney Disciplinary Board v. Conroy*, 845 N.W.2d 59, 63 (Iowa 2014). Neglect may involve conscious disregard for a lawyer's responsibility to his or her client and can embrace violations of various professional conduct rules. *Id.* at 64. The neglect of client matters is a serious ethical violation. *See Comm. On Prof'l Ethics and Conduct of Iowa State Bar Ass'n v. Freed*, 341 N.W.2d 757, 759 (Iowa 1983). Failing to prepare, file, and prosecute a patent application on behalf of a client after being hired to do so constitutes neglect of a client matter under the USPTO Code of Professional Responsibility. *See In re Riley*, D2013-04 (violation of 37 C.F.R. § 10.77(c)); *In re Muhammad*, D2013-21 (violation of 37 C.F.R. § 10.77(c)).

The ALJ's conclusion of a violation of § 10.77(c) is upheld.

5. 37 C.F.R. § 10.84(a) – A practitioner shall not fail to seek the lawful objectives of a client through reasonably available means permitted by law and the disciplinary rules.

“A practitioner shall not intentionally . . . [f]ail to seek the lawful objectives of a client through reasonably available means permitted by law and the Disciplinary Rules. . . .” 37 C.F.R. § 10.84(a). The ALJ concluded that Respondent violated 37 C.F.R. § 10.84(a) when he failed to perform the legal services that he was hired to perform, and then by sending invoices for the work he had not performed and then accepting payment on those invoices (Record at 21-22). This finding, as already discussed and demonstrated, also finds ample support in the record.

A practitioner violates 37 C.F.R. § 10.84(a) where he fails to perform patent legal services that he was paid to perform. *See In re Riley*, D2013-04 (violation of 37 C.F.R. § 10.84(a)). *See also Cincinnati Bar Ass'n v. Lawrence*, 998 N.E.2d 1161 (Ohio 2013) (attorney's conduct that included charging fees for marriage dissolution but failing to file dissolution

documents violated rule that prohibits lawyer from intentionally failing to seek the lawful objectives of his client); *Disciplinary Counsel v. McShane*, 902 N.E.2d 980 (Ohio 2009) (attorney who was paid an initial fee of \$5,000 for his services and thereafter failed to maintain contact with client, to perform any work on case, and to return any of the fee as unearned violated disciplinary rules prohibiting intentionally failing to seek a client's lawful objectives). The ALJ's conclusion of a violation of § 10.84(a) is upheld.

D. The Penalty of Exclusion is Appropriate.

The ALJ's initial decision concluded that Respondent violated five professional conduct standards, and that exclusion of Respondent from practice before the Office was an appropriate sanction. (Record at 23). As indicated above, the Director of the USPTO reviews an appeal from an ALJ initial decision on the record before the ALJ. *See* 37 C.F.R. §11.55(f); *see also* *Marinangeli v. Lehman*, 32 F. Supp. 2d 1, 5 (D.D.C. 1998). An ALJ initial decision that imposes exclusion must explain the reason for the exclusion after consideration of the following four factors:

- (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).

As discussed below, the ALJ's initial decision to exclude Respondent from practicing before the USPTO included a careful and proper analysis of the four factors set forth in 37 C.F.R. § 11.54(b). The ALJ's sanction of exclusion is warranted and thus upheld.

The ALJ properly considered and applied the four factors relevant to an exclusion under 37 C.F.R. § 11.54(b). (Record at 22-23). First, the ALJ found that Respondent's actions violated duties owed to a client, to the public, to the legal system, and to the profession. (Record at 22). Specifically the ALJ noted that Respondent "lied to his client, for his own economic benefit," and engaged in conduct that "casts a poor light not only on himself, but upon the patent bar as a whole." (Record at 22). Second, the ALJ found that Respondent acted knowingly. (Record at 22). The ALJ noted that "Respondent has never asserted that his actions were the product of mistake or negligence, nor has he made any other attempt to explain himself, either in this proceeding or in the previous state court action." (Record at 22). Third, the ALJ concluded that Respondent's misconduct caused significant actual injury to TxIS and significant potential injury to both TxIS and the foreign inventors, consisting of \$35,225 in monetary loss, the failure to return client files, and the potential loss of patent protection in the United States, including profits that may have been derived from those patents. (Record at 22-23). Finally, the ALJ identified multiple aggravating factors in the case, including Respondent's "general lack of participation in both the instant case and the Texas case," which confirmed Respondent's "disinterest in accepting responsibility for his actions." (Record at 23). As the ALJ's initial decision ordering Respondent's exclusion was made after considering the four required factors, and is fully supported by the uncontroverted evidence of record, the sanction of exclusion is upheld.⁸

⁸ Further, in the proceeding before the ALJ, Respondent did not controvert the evidence in the record and did not submit a brief, or any argument, on whether he violated ethical requirements or on whether exclusion was an appropriate sanction. On appeal, he makes conclusory statements without reference to any evidentiary support, notwithstanding repeated requests and opportunities for him to provide such support including during the OED investigation and before the ALJ. Nor is there any proffer of evidence or request for further evidentiary proceedings, let alone a legitimate or well-supported request. In short, Respondent has waived any objection to the initial decision, including its factual findings and conclusions as to violations of the ethical requirements and appropriate sanction. *See* 37 C.F.R. § 11.55(b) ("An appeal . . . must include exceptions to the decisions of the hearing officer and supporting reasons for those exceptions. Any exception not raised will be deemed to have been

ORDER

Having considered Respondent's appeal under 37 C.F.R. § 11.55, from the February 4, 2014 initial decision of the ALJ excluding Respondent from the practice of all patent, trademark, and other non-patent matters before the Office, it is **ORDERED** that the initial decision of the ALJ is **AFFIRMED**;

It is further:

ORDERED that the OED Director give notice pursuant to 37 C.F.R. § 11.59 of the public discipline and the reasons for the discipline to disciplinary enforcement agencies in the state(s) where Respondent is admitted to practice, to courts where Respondent is known to be admitted, and to the public;

ORDERED that the USPTO dissociate Respondent's name from any Customer Numbers and the public key infrastructure ("PKI") certificate associated with those Customer Numbers;

ORDERED that Respondent shall not apply for a USPTO Customer Number, shall not obtain a USPTO Customer Number, nor shall he have his name added to a USPTO Customer Number, unless and until he is reinstated to practice before the USPTO; and

ORDERED that Respondent shall comply with the provisions of 37 C.F.R. § 11.58 governing the duties of disciplined practitioner.

waived and will be disregarded by the USPTO Director in reviewing the initial decision." See also *Liberty*, 733 F.3d at 87 fn. 3 (plaintiff's new arguments on appeal deemed waived since plaintiff failed to raise the arguments at the trial level).

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 pursuant to 37 C.F.R. § 11.56(c). Any request for reconsideration mailed to the USPTO must be addressed to:

Sarah Harris
General Counsel
United States Patent and Trademark Office
600 Dulany St.
P.O. Box 1450
Alexandria, VA 22314

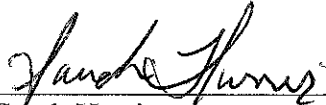
A copy of the request must also be served on the attorney for the Director of Enrollment and Discipline:

Elizabeth Ullmer Mendel
Ronald K. Jaicks
Melinda M. DeAtley
Counsel for the Director of Office of Enrollment and Discipline
600 Dulany St.
P.O. Box 1450
Alexandria, VA 22314

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 Eastern District of Virginia under 35 U.S.C. § 32 “within thirty (30) days after the date of the order recording the Director’s action.” *See* E.D.Va. Local Civil Rule 83.5.

IT IS SO ORDERED.



Sarah Harris
General Counsel
United States Patent and Trademark Office

12/1/14

Date:

cc:

Frank L. Laczko
Respondent
P.O. Box 509
Allen, TX 75013

Elizabeth Ullmer Mendel
Ronald K. Jaicks
Melinda M. DeAtley
Associate Solicitors
Counsel for the Director of Office of Enrollment and Discipline