BEFORE THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

In the Matter of:	)	
	)	
Barry J. Nace,	)	Proceeding No. D2015-03
	)	
Respondent	)	
	)	

FINAL ORDER PURSUANT TO 37 C.F.R. § 11.24

Pursuant to 37 C.F.R. § 11.24, the Director of the United States Patent and Trademark Office ("USPTO" or "Office") hereby orders the suspension of Barry J. Nace ("Respondent") for 120 days for violation of 37 C.F.R. § 11.804(h). This reciprocal discipline is based on discipline imposed on Respondent by the State of West Virginia.

I. Background

At all times relevant to these proceedings, Respondent has been registered to practice before the USPTO. (Exhibit 3 at page 1). Respondent's USPTO Registration Number is 25,776. (*Id.*).

A. West Virginia Discipline Proceeding

On March 28, 2013, the Supreme Court of Appeals of West Virginia ("West Virginia Supreme Court") issued an opinion in *Lawyer Disciplinary Board v. Barry J. Nace*, Case No. 11-0812, 753 S.E.2d 618 (W.Va. 2013), suspending Respondent from the practice of law in West Virginia on ethical grounds for a period of 120 days. (Exhibit 1). A Mandate from the West Virginia Supreme Court on October 25, 2013, made this opinion final and ordered that Respondent's license to practice law be suspended for 120 days without any requirement for reinstatement, that he provide 50 hours of pro bono work, and

that he comply with the final disposition of a bankruptcy action pending in the U.S. Bankruptcy Court for the Northern District of West Virginia. *See* Exhibit 2. The sanctions imposed by the West Virginia Supreme Court were based on its determinations that Respondent violated West Virginia Rules of Professional Conduct 1.1 (competence), 1.3 (diligence), 1.4(a) and (b) (communication with client), 1.15(b) (safekeeping property), 8.4(c) (dishonesty), and 8.4(d) (conduct prejudicial to administration of justice). (Exhibit 1 at pages 631-632).[1]

The context here began with Respondent representing Barbara Ann Miller in a medical malpractice case in West Virginia starting in February 2004. (*Id.* at page 622). Ms. Miller then filed a bankruptcy petition in the United States Bankruptcy Court in the Northern District of West Virginia in September 2004. (*Id.*). The bankruptcy court appointed a trustee for Ms. Miller's bankruptcy estate, an attorney named Robert Trumble. Mr. Trumble, as bankruptcy trustee, sent Respondent an Application to Employ Special Counsel and an Affidavit to secure his appointment as bankruptcy special counsel to continue the medical malpractice action. (*Id.*). Mr. Trumble asked Respondent to review the documents and, if they met with his approval, to sign and return the Affidavit to him. (*Id.*). Respondent signed the Affidavit and returned it to Mr. Trumble. (*Id.*) As a result of Respondent's actions, the West Virginia Supreme Court determined he formed an attorney-client relationship with Mr. Trumble as bankruptcy trustee. (*Id.* at page 672-673). After the medical malpractice case was resolved, however, Respondent distributed funds obtained as a result of that resolution directly to Ms. Miller without informing the bankruptcy court or trustee, even though Mr. Trumble, who was his client and the bankruptcy trustee, had an

[1] Following this discipline imposed by West Virginia, the District of Columbia Court of Appeals imposed reciprocal discipline on Respondent in *In re Nace*, 98 A.3d 967 (D.C. 2014).

interest in those funds. (*Id.* at pages 623 and 632). Mr. Trumble then filed an ethics complaint against Respondent in July 2009 regarding this improper distribution of funds and it eventually led to the West Virginia Supreme Court sanctioning Respondent as noted above. (*Id.* at pages 624 and 633-634).

B. USPTO Reciprocal Discipline Proceeding

On January 8, 2015, the Director of the Office of Enrollment and Discipline of the USPTO ("OED Director") caused a Complaint for Reciprocal Discipline Under 37 C.F.R. § 11.24 ("OED Complaint") to be mailed to Respondent by certified mail (receipt number 70140510000044247496). (Exhibit 3). The OED Director requested that the USPTO Director impose reciprocal discipline upon Respondent for violating 37 C.F.R. § 11.804(h) by being suspended on ethical grounds by a duly constituted authority of a State. (*Id.* at page 2). The OED Director also caused to be mailed on January 8, 2015, a Request for Notice and Order Pursuant to 37 C.F.R. § 11.24 asking that the USPTO Director serve a Notice and Order on Respondent. (Exhibit 4).

On February 5, 2015, the Deputy General Counsel for General Law, on behalf of the USPTO Director, issued a Notice and Order Pursuant to 37 C.F.R. § 11.24 giving Respondent 40 days to file a response "containing all information that Respondent believes is sufficient to establish a genuine issue of material fact that the imposition of the discipline identical to that imposed" by the West Virginia Supreme Court in *Lawyer Disciplinary Board v. Barry J. Nace*, Case No. 11-0812, would be unwarranted based upon any of the grounds permissible under 37 C.F.R. § 11.24(d)(1). (Exhibit 5).

On March 4, 2015, Respondent filed a Response to the Notice and Order ("Response"). (Exhibit 6). Respondent contends reciprocal discipline should not be imposed upon him,

primarily arguing that: 1) there was a lack of due process in how charges were brought against Respondent in West Virginia; 2) the West Virginia Supreme Court erred in its findings of fact; 3) the West Virginia Supreme Court applied the wrong Rules of Professional Conduct when it ruled that Respondent had an attorney-client relationship with the bankruptcy trustee; 4) the Respondent did not violate the West Virginia Rules of Professional Conduct because the bankruptcy trustee failed to take steps needed to establish a valid attorney-client relationship between them and failed in his duty to communicate with Respondent; 5) a U.S. bankruptcy court has not yet decided questions relevant to his having been disciplined by the West Virginia Supreme Court; and 6) the 120-day suspension imposed by the West Virginia Supreme court was an abuse of power without a rational basis because the West Virginia Office of Disciplinary Counsel had recommended a 90-day suspension to a Hearing Panel Subcommittee of the West Virginia Lawyer Disciplinary Board. (Exhibit 6 at pages 3, 4, and 40-49).

II. Legal Standard

Pursuant to 37 C.F.R. § 11.24(d), and in accordance with *Selling v. Radford*, 243 U.S. 46 (1917), the USPTO has codified standards for imposing reciprocal discipline based on a state's disciplinary adjudication. Under *Selling*, state disbarment creates a federal-level presumption that imposition of reciprocal discipline is proper, unless an independent review of the record reveals: (1) a want of due process; (2) an infirmity of proof of the misconduct; or (3) that grave injustice would result from the imposition of reciprocal discipline. *Selling* at 51. Federal courts have generally "concluded that in reciprocal discipline cases, it is the respondent attorney's burden to demonstrate, by clear and convincing evidence, that one of the *Selling* elements precludes reciprocal discipline." *In re Kramer,* 282 F.3d 721, 724 (9th Cir. 2002); *see also In re Friedman*, 51 F.3d 20, 22 (2d Cir.

1995). "This standard is narrow, for '[a Federal court, or here the USPTO Director, is] not sitting as a court of review to discover error in the [hearing judge's] or the [state] courts' proceedings.'" *In re Zdravkovich*, 634 F.3d 574, 578 (D.C. Cir. 2011) (quoting *In re Sibley*, 564 F.3d 1335, 1341 (D.C. Cir. 2009)).

The USPTO's regulation governing reciprocal discipline, 37 C.F.R. § 11.24(d)(1), mirrors the standard set forth in *Selling*:

> [T]he USPTO Director shall consider any timely filed response and shall impose the identical public censure, public reprimand, probation, disbarment, suspension, or disciplinary disqualification unless the practitioner clearly and convincingly demonstrates, and the USPTO Director finds there is a genuine issue of material fact that:
> (i) The procedure elsewhere was so lacking in notice or opportunity to be heard as to constitute deprivation of due process;
> (ii) There was such infirmity of proof establishing the conduct as to give rise to the clear conviction that the Office could not, consistently with its duty, accept as final the conclusion on that subject;
> (iii) The imposition of the same public censure, public reprimand, probation, disbarment, suspension or disciplinary disqualification by the Office would result in a grave injustice; or
> (iv) Any argument that the practitioner was not publicly censured, publicly reprimanded, placed on probation, disbarred, suspended or disciplinarily disqualified.

To prevent the imposition of reciprocal discipline, Respondent is required to demonstrate that he meets one of these criteria by clear and convincing evidence. *See* 37 C.F.R. § 11.24(d)(1). Respondent appears to base his argument against the imposition of reciprocal discipline on three of the four criteria set forth in 37 C.F.R. § 11.24(d)(1): deprivation of due process (37 C.F.R. § 11.24(d)(1)(i)); infirmity of proof (37 C.F.R. § 11.24(d)(1)(ii)); and grave injustice (37 C.F.R. § 11.24(d)(1)(iii)).

As discussed below, the Office finds that Respondent has not shown by clear and convincing evidence that there is a genuine issue of material fact with regard to any of the standards set forth in 37 C.F.R. § 11.24(d)(1).

III. Analysis

A. The State Disciplinary Proceeding Did Not Deprive Respondent Of Due Process Under 37 C.F.R. § 11.24(d)(1)(i).

A state disbarment creates a federal-level presumption that imposition of reciprocal discipline is proper. *See Sellig, supra.* A respondent may seek to defeat that presumption by showing by clear and convincing evidence that there is a genuine issue of material fact that there was a deprivation of due process. "The fundamental requirement of due process is the opportunity to be heard at a meaningful time and in a meaningful manner." *See In re The Matter of Alan Ira Karten*, 293 Fed.Appx. 734, 736 (11th Cir. 2008) (citing *Mathews v. Eldridge,* 424 U.S. 319, 333, 96 S.Ct. 893, 902, 47 L.Ed.2d 18 (1976) (internal quotation omitted)).

In disciplinary proceedings, an attorney is entitled to due process, such as reasonable notice of the charges before the proceedings commence. *See In re Ruffalo*, 390 U.S. 544, 551, 88 S.Ct. 1222, 1226 (1968). Due process requirements are satisfied where a respondent "attended and participated actively in the various hearings, and was afforded an opportunity to present evidence, to testify, to cross-examine witnesses, and to present argument." *In re Squire*, 617 F.3d 461, 467 (6th Cir. 2010) (*citing Ginger v. Circuit Court for Wayne County,* 372 F.2d 620, 621 (6th Cir. 1967)). *See also In re Zdravkovich*, 634 F.3d 574 (D.C. Cir. 2011) (stating that attorney could not satisfy claim of due process deprivation where he was given notice of the charges against him, was represented by counsel, and had a hearing at which counsel had the opportunity to call and cross-examine witnesses, make arguments, and submit evidence). Due process requirements are also met where a respondent is given "an opportunity to respond to the allegations set forth in the complaint, testify at length in [his] own defense, present other witnesses and evidence to support [his] version of events . . ., [and is] able to make objections to the hearing panel's findings and recommendations." *In re Squire*, 617 F.3d at 467 (citing *In re*

Cook, 551 F.3d 542, 550 (6th Cir. 2009)).

Respondent's allegation about a due process deprivation centers on the initial stages of the disciplinary proceedings against him in West Virginia when an Investigate Panel of the Lawyer Disciplinary Board ("LDB") filed formal charges against him. (Exhibit 6 at page 6). The West Virginia Supreme Court established the LDB to investigate complaints of violations of the West Virginia Rules of Professional Conduct and to make recommendations to the West Virginia Supreme Court about the appropriate disciplinary action to be taken. *See* Rule 1, West Virginia Rules of Lawyer Disciplinary Procedure (RLDP). The LDB is divided into an Investigative Panel and Hearing Panel. *See* RLDP Rules 1.11, 2, and 3. The Investigative Panel reviews complaints and determines whether there is probable cause to formally charge a lawyer. *See* RLDP Rule 2.9; *see also Lawyer Disciplinary Board v. Kupec*, 505 S.E.2d 619, 623 (W.Va. 1998). When formal charges are filed, the Hearing Panel, typically through a subcommittee,[2] holds a hearing into the formal charges and makes recommendations to the West Virginia Supreme Court. *See* RLDP Rules 3 and 3.10.

Respondent alleges that the chair of the Investigative Panel, a Stephen Jory, was a member of the same law firm as Robert Trumble, the bankruptcy trustee who filed the ethics complaint against Respondent in 2009 that initiated the investigation. (Exhibit 6 at page 6; Exhibit 1 at 624). Respondent alleges that the Investigative Panel brought charges against him only because Mr. Trumble was the complainant, and that this demonstrates an appearance of impropriety. (Exhibit 6 at page 6).

Respondent fails to explain, however, how his allegation about Mr. Jory, even if true, would have resulted in a deprivation of due process, particularly given the limited role played by the Investigative Panel in the disciplinary process. The Investigative Panel conducted an

[2] The Hearing Panel is divided into five three-person Hearing Panel Subcommittees. RLDP Rule 3.1.

investigation and filed formal charges against Respondent, but there its role ended. The charges against Respondent were then considered by a Hearing Panel Subcommittee, which did not include Mr. Jory. The alleged actions of Mr. Jory in persuading the Investigatory Panel to file formal charges against Respondent, even if taken as true, are sufficiently removed from the decision of the West Virginia Supreme Court that Respondent has not established there has been a deprivation of due process. Respondent has not explained how the independent actions of the Hearing Panel Subcommittee or the West Virginia Supreme Court would have been biased by Mr. Jory's alleged actions concerning the Investigative Panel.

Further, in its own reciprocal discipline case against Respondent, the District of Columbia Court of Appeals heard and rejected this very same argument, and the analysis of that court is applicable here as well:

> Given the limited function served by the Investigative Panel, and the subsequent independent determinations by the West Virginia disciplinary authorities, we conclude that there was no due-process violation warranting a denial of reciprocal discipline.

In re Barry J. Nace, 98 A.3d 967, 978 (D.C. 2014).

More fundamentally, Respondent plainly had due process in the state disciplinary proceeding. (Exhibit 1 at page 625). The Respondent participated in the October 10, 2011 hearing and was represented by counsel. (Exhibit 6 at page 6 and Exhibit 1 at pages 621, 625 and 632). Respondent testified at this hearing and submitted exhibits. (Exhibit 1 at page 625).

The Hearing Panel Subcommittee issued its findings of fact and recommended sanctions to the West Virginia Supreme Court in a report dated March 21, 2012. (*Id.* at pages 621 and 626-627).[3] Respondent objected to these findings and recommendations in an appeal to the West

[3] The Hearing Panel Subcommittee may make recommendations to the West Virginia Supreme Court, but that court is the "final arbiter of legal ethics problems and must make the ultimate decisions about public reprimands, suspensions or annulments of attorneys' license to practice law." (Exhibit 1 at page 627 (*quoting Committee on Legal Ethics v. Blair*, 327 S.E.2d 671 (W.Va. 1984)). The West Virginia Supreme Court gives substantial

Virginia Supreme Court. (Exhibit 6 at page 5). Respondent actively participated in the substantial briefings and the hearing that took place before that court. (*Id.*). The West Virginia Supreme Court issued its opinion on March 28, 2013. (Exhibit 1). Respondent then petitioned the United States Supreme Court for a writ of certiorari, and after that petition was denied, the West Virginia Supreme Court issued its mandate on October 25, 2013. (Exhibit 6 at page 5 and Exhibit 2).

In sum, Respondent had ample opportunity to contest the charges against him and actively participated throughout the proceedings. He testified and submitted exhibits at the hearing before the Hearing Panel Subcommittee and was represented by counsel throughout the course of the state disciplinary proceedings, including with his attempted appeal to the U.S. Supreme Court. The Investigative Panel had a limited role in the disciplinary proceedings against Respondent in West Virginia, and that role appears to have ended when it filed charges against Respondent. Respondent had the opportunity to oppose the actions of the Investigative Panel, including as to any role by Mr. Jory, during the course of the disciplinary proceedings. Respondent has failed to establish by clear and convincing evidence that there was a genuine issue of material fact whether the procedure in West Virginia was lacking in notice or opportunity to be heard so as to constitute a deprivation of due process.

B. The Resolution of the State Disciplinary Proceeding Did Not Suffer From An Infirmity of Proof under 37 C.F.R. § 11.24(d)(1)(ii).

As indicated above, a state disbarment creates a federal-level presumption that imposition of reciprocal discipline is proper. *See Selling, supra.* A respondent may seek to defeat that presumption by showing by clear and convincing evidence that there is a genuine issue of

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deference to the findings of fact by a Hearing Panel Subcommittee, but applies a *de novo* standard to the review of the adjudicatory record made before that subcommittee as to "questions of law, questions of application of the law to the facts, and questions of appropriate sanctions." (*Id.*).

material fact as to whether there was such an infirmity of proof establishing the conduct as to give rise to a clear conviction that the Office could not, consistent with its duty, accept as final the State's conclusion on that subject. *See* 37 C.F.R. § 11.24(d)(1)(ii).

To successfully invoke infirmity of proof as a defense to reciprocal discipline, Respondent must do more than simply challenge the fact finder's weighing of the evidence; he must demonstrate that there was "such an infirmity of proof" establishing the charges against him "as to give rise to the clear conviction" that accepting the state discipline would be "inconsistent with [our] duty." *See In re Zdravkovich*, 634 F.3d at 579. "This is a difficult showing to make. . . ." (*Id.*).

In a reciprocal discipline proceeding such as this, there is a highly deferential standard of review to the findings of fact made by another court in a reciprocal disciplinary proceeding. *See, e.g., In re Nace*, 98 A.3d at 974. Determinations by the trier-of-fact regarding the credibility of witnesses generally receive deference and a disagreement about the credibility of a witness does not show an "infirmity of proof." *See In re Zdravkovich*, 634 F.3d at 580.

Here, there were ample undisputed core facts to support the state findings and they include the following. In 2005, Mr. Trumble, the bankruptcy trustee for the bankruptcy estate of Ms. Miller, sent Respondent an Application to Employ Special Counsel and an Affidavit. (Exhibit 1 at page 622 and Exhibit 6 at page 17-19). Respondent completed these documents and returned them to Mr. Trumble. (Exhibit 1 at page 622 and Exhibit 6 at page 19). In September 2006, Respondent reached a partial settlement of $75,000. (Exhibit 1 at page 623 and Exhibit 6 at page 34). After the partial settlement had been executed, Mr. Trumble sent a letter to Respondent asking for settlement documents and Respondent replied telling Mr. Trumble there had not been any settlement. (Exhibit 1 at page 624; Exhibit 6 at pages 37 and 44-45). In

October 2006, Respondent received a jury verdict of $500,000. (Exhibit 1 at page 623 and Exhibit 6 at page 635). The net proceeds of both the partial settlement and the verdict were provided to Ms. Miller instead of to the bankruptcy estate. (Exhibit 1 at page 623 and Exhibit 6 at pages 35-36). Respondent did not communicate with Mr. Trumble to keep him reasonably informed about the status of the medical malpractice case. (Exhibit 1 at page 624; Exhibit 6 at pages 43-44). In sum, these undisputed core facts amply support the state findings.

Respondent nevertheless argues, first, that the West Virginia Supreme Court erred as to its findings of fact. Specifically, he contends that the findings that he lacked knowledge of bankruptcy law, failed to communicate with Mr. Trumble, failed to notify Mr. Trumble about the funds received from the resolution of the medical malpractice claim, and intentionally obfuscated the investigation in West Virginia were incorrect and provided an inadequate basis for the West Virginia Supreme Court deciding that he violated the West Virginia Rules of Professional Conduct. (Exhibit 6 at pages 4 and 43 through 46).

Respondent, however, merely repeats factual arguments that he made or states arguments that he could have made in the state proceeding. The West Virginia Supreme Court evaluated the full administrative record before it and made its own findings. Respondent's disagreement with them does not constitute an "infirmity of proof." *See In re Zdravkovich*, 634 F.3d at 579. Moreover, even if Respondent were correct, his arguments do not dispute the core facts indicated above which amply support the state discipline.

Respondent, next, makes arguments that appear to be primarily legal in nature instead of based on an alleged "infirmity of proof." Nevertheless, they will be addressed below. They do not change the outcome in this matter.

Respondent argues the West Virginia Supreme Court applied the wrong standard under the

West Virginia Rules of Professional Conduct when it viewed his relationship with Mr. Trumble, the bankruptcy trustee, as an attorney-client relationship. (Exhibit 6 at page 40). Respondent argues that the relationship should have been viewed as a supervisor-employee relationship in accordance with section 5.0 *et seq.* of those Rules of Professional Conduct, with Mr. Trumble as the supervisor and Respondent as the employee. (*Id.*). Respondent, in effect, is arguing that the West Virginia Supreme Court was wrong in its decision on a matter of West Virginia law.

In its reciprocal discipline case against Respondent, the D.C. Court of Appeals ruled against Respondent on this same argument:

> In any event, a conclusion that Mr. Trumble was Mr. Nace's supervisor and that the bankruptcy estate was Mr. Nace's client would not materially advance Mr. Nace's case. Simply changing the identity of Mr. Nace's client would not undermine the West Virginia Supreme Court's conclusions that Mr. Nace failed to fulfill his professional responsibilities by failing to act with competence and diligence with respect to the bankruptcy estate, by failing to safeguard property in which the bankruptcy estate had an interest, and by acting dishonestly in his dealing with Mr. Trumble and the West Virginia disciplinary authorities.

In re Nace, 98 A.3d at 976.

This reasoning applies with equal force in the instant proceeding.

Respondent also argues the bankruptcy trustee failed to object when Ms. Miller claimed the medical malpractice suit was not part of the bankruptcy estate and that Respondent's appointment as special counsel was, therefore, unneeded and inappropriate. *See* Exhibit 6 at page 42 and Exhibit 8 of Exhibit 6. The U.S. Bankruptcy Court for the Northern District of West Virginia rejected this argument by Respondent. *See In re Miller*, 2013 WL 3808133 (Bankr. N.D.W.Va. 2013). The bankruptcy court ruled that the bankruptcy estate had an interest in the proceeds from the medical malpractice claim and that it was authorized to employ Respondent as special counsel. (*Id.* at page 3). The bankruptcy court explained that it had subject matter jurisdiction to authorize Respondent's employment by the bankruptcy trustee

under 11 U.S.C. § 327(e),[4] and further noted that:

> Moreover, even assuming that the Estate lost a property interest in the Wrongful Death Claim[5] based upon the Trustee's failure to object to the Debtor's claimed exemption therein, that did not divest this court of subject-matter jurisdiction over the Trustee's employment application or the Wrongful Death Claim. In that regard, Congress conferred upon the district court in which a bankruptcy case is commenced exclusive jurisdiction "of all property, wherever located, *of the debtor* as of the commencement of such case, and of property of the estate...." 28 U.S.C. § 1334(e)(1) (emphasis added).

Id. at page 3, footnote 6. The analysis and conclusions this ruling apply in this proceeding as well.

Respondent further argues that the bankruptcy trustee failed to maintain contact with Respondent. This argument appears to be directed to the finding by the West Virginia Supreme Court that Respondent violated West Virginia Rule of Professional Conduct 1.4(a) and (b) by failing to keep the bankruptcy trustee reasonably informed about the status of Ms. Miller's medical malpractice case. (Exhibit 6 at pages 42 and 44). Yet Respondent had a duty to keep his client reasonably informed and he admits to not communicating with the bankruptcy trustee who was his client. *See id.* at page 43.

Finally, Respondent argues that any disciplinary action by the West Virginia Supreme Court was premature because the bankruptcy action involving Ms. Miller is still pending before a U.S. bankruptcy court. (Exhibit 6 at pages 41-42). Respondent appears to imply that the West Virginia Supreme Court lacks authority to impose discipline on him based on his actions in a federal bankruptcy matter. Respondent does not cite any legal authority in support of this proposition or provide any argument that the federal regulation of attorneys in bankruptcy matters preempts state regulation of an attorney's conduct.

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[4] 11 U.S.C. 327(e) states "The trustee, with the court's approval, may employ, for a specified special purpose, other than to represent the trustee in conducting the case, an attorney that has represented the debtor, if in the best interest of the estate, and if such attorney does not represent or hold any interest adverse to the debtor or to the estate with respect to the matter on which such attorney is to be employed."

[5] The wrongful death claim referred to here is the same as the medical malpractice claim referred to elsewhere in this final order: it involved a claim that Ms. Miller's husband had died as a result of medical malpractice.

It is long-settled, however, that "the State maintains control over the practice of law within its borders except to the limited extent necessary for the accomplishment of federal objectives." *Sperry v. State of Fla.,* 373 U.S. 379, 402 (1963). The authority of state courts to impose discipline on attorneys for conduct occurring before a federal tribunal has been widely recognized. In *Kroll v. Finnerty,* 242 F.3d 1359 (Fed. Cir. 2001), the U.S. Court of Appeals for the Federal Circuit held that federal patent law did not preempt a state disciplinary proceeding for an attorney's failure to promptly inform a client that the client's patent application was rejected by the USPTO. *Kroll* at 1365. As the court in *Kroll* explained, because the State of New York was not attempting to suspend or exclude the attorney from practicing before the USPTO, the state disciplinary action did not fall within the field of preemption outlined by *Sperry*. (*Id.*). Similarly, in *Gadda v. Ashcroft*, 377 F.3d 934 (9th Cir. 2004), the U.S. Court of Appeals for the Ninth Circuit concluded the California Supreme Court could discipline an attorney for his misconduct in the course of his federal immigration practice. Moreover, in its reciprocal discipline case against Respondent, the D.C. Court of Appeals specifically rejected this same argument by Respondent, holding that "the West Virginia Supreme Court was free to resolve the disciplinary matter without awaiting the resolution of the bankruptcy litigation." *In re Nace*, 98 A.3d at 978.

In sum, Respondent has not shown by clear and convincing evidence that there is a genuine issue of material fact as to whether there was any infirmity of proof in the disciplinary proceedings that led to the disciplinary action taken by the West Virginia Supreme Court. To the contrary, the record here shows ample evidentiary support, including undisputed core findings. Respondent litigated and lost in the disciplinary proceedings in West Virginia and now seeks to relitigate the matter. Reciprocal discipline proceedings are not, however, venues for

rearguing the original foreign discipline. *See id.* at 974.

C. Imposition of a Reciprocal Disbarment Would Not Result in a Grave Injustice under 37 C.F.R. § 11.24(d)(1)(iii).

As indicated above, a state disbarment creates a federal-level presumption that imposition of reciprocal discipline is proper. *See Selling, supra.* A respondent may also seek to defeat that presumption by showing by clear and convincing evidence that there is a genuine issue of material fact as to whether imposition of reciprocal discipline would result in a "grave injustice" under 37 C.F.R. § 11.24(d)(1)(iii).

Respondent has not shown by clear and convincing evidence that there is a genuine issue of material fact that a reciprocal suspension would be a grave injustice. The grave injustice analysis focuses on whether the severity of the punishment "fits" the misconduct. *See In re Thav*, 852 F. Supp. 2d 857, 861-62 (E.D. Mich. 2012); *see also In re Kramer*, 282 F.3d at 727 (on challenge to imposition of reciprocal discipline "we inquire only whether the punishment imposed by [the first] court was so ill-fitted to an attorney's adjudicated misconduct that reciprocal disbarment would result in grave injustice"); *In re Attorney Discipline Matter,* 98 F.3d 1082, 1088 (8th Cir. 1996) (no grave injustice where disbarment imposed by the state court "was within the appropriate range of sanctions"); *Matter of Benjamin*, 870 F. Supp. 41, 44 (N.D.N.Y. 1994) (public censure within range of penalties for misconduct and thus censure was not a grave injustice).

In this case, the West Virginia Supreme Court determined Respondent violated Rules 1.1, 1.3, l.4(a), 1.4(b), l.15(b), 8.4(c) and 8.4(d) of the Rules of Professional Conduct and suspended him for a period of 120 days. A 120-day suspension does not appear inappropriate given the number and nature of the disciplinary violations committed by Respondent, and this was a sanction available to the court. *See* RLDP 3.15. The West

Virginia Supreme Court carefully considered both aggravating and mitigating factors when determining the discipline to impose. *See* Exhibit 1 at pages 632-633. The court did take notice of mitigating factors weighing in favor of Respondent, including that he had no history of ethics violations in West Virginia and was esteemed among his peers. (*Id.* at 633.) The court also took notice of aggravating factors, including Respondent's "refusal to accept any hint of responsibility for the harm caused by his failure to properly represent Mr. Trumble, for his dishonest conduct, or for obscuring a full investigation by the LDB." (*Id.*). The suspension imposed by the West Virginia Supreme Court was within its authority, reached at the end of an extensive disciplinary process, and reflected a careful weighing of aggravating and mitigating factors.

Respondent claims that imposition of reciprocal discipline would be a grave injustice because the West Virginia Supreme Court imposed a 120-day suspension even though the West Virginia Office of Disciplinary Counsel ("ODC") had recommended to the Hearing Panel Subcommittee a 90-day suspension. Respondent argues no client lost money and the additional 30 days punishment imposed beyond what the ODC had recommended lacked a rational basis. (*Id.* at pages 3, 4, 45 and 46). The Hearing Panel Subcommittee held a hearing and evaluated the evidence before it, however, and made its own recommendation of a 120-day suspension. (Exhibit 1 at page 621; Exhibit 6 at page 46). The West Virginia Supreme Court, which makes the ultimate decision about suspending an attorney after applying a *de novo* standard of review to the administrative record before it, decided the imposition of a 120-day suspension would fit this misconduct in these circumstances. (Exhibit 1 at page 627). The decision to suspend Respondent for 120 days instead of 90 days does not constitute a "grave injustice."

In sum, Respondent has not shown by clear and convincing evidence that there is a genuine issue of material fact as to whether imposition of a reciprocal suspension of 120 days would be a grave injustice.

ORDER

ACCORDINGLY, it is hereby **ORDERED** that:

1. Respondent be excluded from the practice of patent, trademark, and other non-patent law before the USPTO effective the date of this Final Order;

2. The OED Director publish the following Notice in the *Official Gazette:*

Notice of Suspension

This notice concerns Barry J. Nace of Washington, DC, who is a registered patent attorney (Registration Number 25,776). In a reciprocal disciplinary proceeding, the Director of the United States Patent and Trademark Office ("USPTO") has ordered that Mr. Nace be suspended for 120 days from practice before the USPTO in patent, trademark, and other non-patent matters for violating 37 C.F.R. § ll.804(h), predicated upon being suspended for 120 days from the practice of law by a duly constituted authority of a State.

Mr. Nace originally represented a client in a medical-malpractice case in West Virginia. The client then filed a bankruptcy petition in West Virginia. The bankruptcy court appointed a trustee who sent Mr. Nace documents including an Affidavit to serve as bankruptcy special counsel. Mr. Nace signed the Affidavit. After the medical-malpractice case was resolved, Mr. Nace distributed the funds directly to the original client without informing the bankruptcy trustee, who was his client at that time and who had an interest in those funds. The trustee filed an ethics complaint against Mr. Nace regarding the distribution of the funds. The Supreme Court of Appeals of West Virginia found that Mr. Nace violated Rules 1.1, 1.3, l.4(a), 1.4(b), l.15(b), 8.4(c) and 8.4(d) of the Rules of Professional Conduct, suspended him for a period of 120 days, and ordered that he provide 50 hours of pro bono representation and comply with the disposition of the bankruptcy action.

This action is taken pursuant to the provisions of 35 U.S.C. § 32 and 37 C.F.R. § 11.24. Disciplinary decisions are available for public review at the Office of Enrollment and Discipline's FOIA Reading Room, located at: http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp.

3. The OED Director gives 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;

4. Respondent shall comply with the duties enumerated in 37 C.F.R. § 11.58;

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

6. 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

7. Such other and further relief as the nature of this cause shall require.

SEP - 8 2015

Date

Sarah Harris
General Counsel
United States Patent and Trademark Office

on behalf of

Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

OED Director

Barry J. Nace
Paulson & Nace, PLLC
1615 New Hampshire Ave, NW
Washington, DC 20009
Respondent

BEFORE THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

In the Matter of:	)	
	)	
Barry J. Nace,	)	Proceeding No. D2015-03
	)	
Respondent	)	
	)	

ERRATA SHEET

The Final Order issued on September 8, 2015, is amended as follows:

On page 17, under the Order subheading, the sentence in the first numbered paragraph should read as follows:

1. Respondent be suspended for a period of 120 days from the practice of patent, trademark, and other non-patent law before the USPTO effective the date of this Final Order;

12/14/2015
Date

Sarah Harris
General Counsel
United States Patent and Trademark Office

on behalf of

Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

OED Director

Barry J. Nace
Paulson & Nace, PLLC
1615 New Hampshire Ave, NW
Washington, DC 20009
Respondent

CERTIFICATE OF SERVICE

I certify that the foregoing Errata Sheet was mailed by first-class certified mail, return receipt requested, on this day to Responded a the most recent address provided to the OED Director pursuant to 37 C.F.R. §11.11(a):

Barry J. Nace
Paulson & Nace
1615 New Hampshire Ave., NW
Washington, DC 20009

12/14/2015
Date

United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450