

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

In the Matter of)
)
 Michael I. Kroll,)
)
 Appellant.)
 _____)

Proceeding No. D2014-14

Final Order

Pursuant to 37 C.F.R. § 11.55, Michael I. Kroll (“Appellant”) has appealed the April 24, 2015 initial decision of Administrative Law Judge (“ALJ”) J. Jeremiah Mahoney in this matter to the Director of the United States Patent and Trademark Office (“USPTO” or “Agency”). In that initial decision, the ALJ concluded that Appellant violated three ethics rules governing the conduct of attorneys and agents practicing before the USPTO, arising out of Appellant’s neglect of a patent application, which caused the applicant to lose all rights to obtain patent protection for an invention, and out of Appellant’s filing a patent application that Appellant knew was not patentable as a matter of law. After considering these violations and the relevant factors, including Appellant’s prior disciplinary history, the ALJ suspended Appellant from practicing before the USPTO in patent, trademark and other non-patent matters for two years.

In this appeal, briefs have been submitted by Appellant and the Director of the USPTO Office of Enrollment and Discipline (“OED Director”).

For the reasons set forth below, the USPTO Director affirms the ALJ’s initial decision. This decision begins with a background discussion of several principles of patent law relevant to this matter.

I. BACKGROUND

1. Patentability of an invention is barred as a matter of law if the invention is described in a written publication more than one year before filing a patent application on the invention with the Office. *See* 35 U.S.C. § 102(b). (A.31; A.79; A.2762-3; A.2770; A.2780; A.3169-70). This loss of patentability is known as the “publication bar.” (A.31).

2. An electronic publication on the internet is considered a written publication for purposes of 35 U.S.C. § 102(b). *See* Manual of Patent Examining Procedure § 2128 (“MPEP”).¹ (A.31).

3. Patentability of an invention is also barred as a matter of law if an invention is placed on sale in the United States more than one year before filing a patent application on the invention with the Office. This loss of patentability is known as the “on sale bar.” *See* 35 U.S.C. § 102(b). (A.31).

4. A registered practitioner prosecuting a client’s application before the Office has the duty of candor and good faith in dealing with the Office. *See* 37 C.F.R. § 1.56(a) (2006). (A.32). That duty includes a duty to disclose to the Office all information known to that individual to be material to patentability. *See* 37 C.F.R. § 1.56(a). (A.32). An attorney publishing a client’s invention on the internet and offering it for sale more than 12 months before the client’s application is filed with the USPTO, as was the case here, is information material to patentability. *See* 35 U.S.C. § 102(b). (A.32).

5. By presenting (whether by signing, filing, submitting, or later advocating) a paper to the Office, a registered practitioner certifies to the Office that (a) all statements made therein of the practitioner’s own knowledge are true and all statements made therein on information and belief are believed to be true; and (b) to the best of the practitioner’s knowledge, information, and

¹ The MPEP “is published to provide [USPTO] patent examiners, applicants, attorneys, agents, and representatives of applicants with a reference work on the practices and procedures relative to the prosecution of patent applications before the USPTO.” <http://www.uspto.gov/web/offices/pac/mpep/mpep-0015-foreword.html>

belief formed after an inquiry reasonable under the circumstances (i) the paper is not being presented for any improper purpose and (ii) the claims and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law. *See* 37 C.F.R. § 10.18(b)(1) and (2) (now 37 C.F.R. § 11.18). (A.32).

II. FINDINGS OF FACT

1. Appellant has been a registered patent attorney since December 6, 1973. (A.78; A.2776-77). His registration number is 26,755. (A.78; A.2776).
2. Appellant is also an active member of the New York State Bar. (A.2777).
3. Approximately 80 percent of Appellant's attorney work has been in connection with practice before the USPTO. (A.2778).
4. Appellant also markets inventions on multiple professional internet web sites, including www.invention.net, www.inventionsforsale.com, and www.inventioninfo.com. (A.79; A.2788; Gov. Ex. 11, p. 38; Gov. Exs. 39, 62(a)). Appellant posts his clients' inventions on his web sites in hopes of attracting potential buyers or investors. (A.79; A.2785; A.3211).
5. Appellant charges his clients between \$4,000 and \$5,400 to publish inventions for sale on his web sites. (A.2786; A.3211).
6. Appellant's web sites are full-text searchable, allowing a visitor to search for a specific invention or inventor by name. (A.2789; A.2792).
7. Appellant has been generally aware of the existence of 35 U.S.C. § 102(b)'s publication and on sale bars since his entry into the patent bar in 1973 and, relevant to this appeal, was aware of the permanent nature of the on sale and publication bars as of at least 2005. (A.2779-81; A.2815; A.2819; A.2947).

8. Appellant conceded that posting an invention for sale on a web site constitutes public disclosure and attempted sale of the invention. (A.2780).

9. In August, 2007, Appellant was aware of the requirements for practitioners set out in 37 C.F.R. § 10.18(b), including §10.18(b)(2)(ii) for conducting an “inquiry reasonable under the circumstances.” (A.3040-41). *See* Sec. I, para. 5.

Appellant’s Docket Management System

10. Appellant does not utilize any software or program that reminds or “tickles” him about upcoming filing dates (commonly known as a “tickler system,” this term is used by attorneys to provide notice of upcoming deadlines). (A.2978; A.3220; A.3223). Rather, Appellant manually enters dates on a docket sheet in a word processing program. (A.2842, A.2847). Appellant manually searches this sheet, as well as his filing drawers, to check for upcoming filing dates. (A.2842; A.2902; A.3223). Appellant acknowledged that his docket sheet was lost or not working on more than one occasion. (A.2893; A.2965; A.3220; A.3222-23).

11. Within his law office, Appellant’s primary filing system consists of approximately 125 five-drawer filing cabinets, each containing manila file folders holding clients’ documents, organized alphabetically by the client’s last name. (A.2862; A.3237-38).

12. Three of Appellant’s filing cabinets are dedicated to last names beginning in “■.” (A.2862). Files within the filing drawers are not kept in alphabetical order. (A.2972). Appellant does not group a specific client’s files together. (A.2976). As a result, files from a specific “■”-named client may be located anywhere within any one of the three “■” cabinets. (A.2976).

13. Within his filing cabinets, Appellant maintains a cabinet marked as “Applications in Process/Ready to Be Filed,” in which he places client patent application files that have not yet been filed with the USPTO. (A.2896; A.3237-38). As described by Appellant, once a patent

application is complete and ready to be filed, Appellant or one of his employees pulls the application from the "Ready to Be Filed" cabinet and files the application with the USPTO. (A.2895-96). The application file is then returned to the "Ready to Be Filed" cabinet until confirmation is received from the USPTO -- usually in the form of a postcard -- acknowledging receipt of the application. (A.2902; A.2919; A.2922; A.3232-33). When the cabinet is empty, Appellant knows there are no more applications to be filed. (A.2902).

14. Upon receipt of the postcard or other confirmation from the USPTO, it is standard procedure for Appellant or one of his employees to remove the client's file from the "Ready to Be Filed" cabinet and place it in one of the alphabetical cabinets while awaiting the USPTO's determination. (A.2922-24).

15. Appellant's normal procedure is not to post any inventions on any of Appellant's web sites until after the corresponding application has been filed with USPTO. (A.2938-39; A.2942; A.3180-81; A.3228).

The Traffic Control Device Invention

16. In 2001, Appellant met with Mr. [REDACTED] in Appellant's office to discuss Mr. [REDACTED] invention ideas. (A.2627; A.2862-63). Mr. [REDACTED] found Appellant on the internet while looking for a patent lawyer. (A.2626).

17. Mr. [REDACTED] eventually hired Appellant to pursue patents for a traffic control device, as well as for other inventions. (A.79; A.2883; A.2887). Appellant acknowledged that he had an attorney-client relationship with Mr. [REDACTED] which was a fiduciary relationship. (A.2882-83; A.2886).

18. In 2004, Mr. [REDACTED] paid Appellant \$8,000 to pursue a patent for the traffic control device. (A.923-934; A.2630).

19. On or about October 15, 2005, Mr. [REDACTED] provided Appellant with all documents necessary to file a patent application for the traffic control device. (Gov. Ex. 7, pp. 65-66; A.79; A.2892). Appellant then prepared a patent application for the traffic control device. (A.79).

20. The traffic control device patent application should have been filed with the USPTO “immediately” in October 2005, but Appellant did not file it at that time. (A.79; A.2892-94; A.2914; A.3235).

21. Although Appellant stated that his normal procedure is not to post any inventions on any of Appellant’s web sites until after the corresponding application has been filed with USPTO, Appellant published the traffic control device on his web site, www.invention.net, thereby making it available for sale on the web site, on December 3, 2005. (A.79; A.2932-33; A.2935-37; A.3028; Gov. Exs. 21-30). At the time Appellant posted the traffic control device for sale on his web site, Appellant had not filed a patent application for the traffic control device with the USPTO, and Appellant’s web site erroneously noted “U.S. Patent: Pending.” for the traffic control device, (A.2825; A.3224; A.3226; Gov. Exs. 21-30).

22. Appellant did not tell Mr. [REDACTED] about the on sale publication bar. (A.2828).

23. After posting the traffic control device to his web site, Appellant, or one of his employees, placed the file in one of the “[REDACTED]” cabinets rather than the “Ready to Be Filed” cabinet, which according to Appellant’s file system would have been the proper location for the file only after the application had been filed with the USPTO. (A.2907).

24. Appellant took no action to confirm whether the traffic control device application had been filed with USPTO, either before or after posting it for sale on his web site in December 2005. (A.2905-06; A.2914-15; A.2926-27; A.2932; A.2950-51; A.2964-65).

25. Appellant did not file a patent application for the traffic control device within 12 months of his posting the invention for sale on his web site. (A.79; A.2831; A.2894).

26. By chance, in early August of 2007, Appellant discovered the traffic control device application file in one of the "█" cabinets and determined that it had never been filed with USPTO. (A.2928-30; A.2970-71; A.3236). Appellant's discovery of the traffic control device application file was not as a result of or due to a docket management or tickler system. (A.2978). At that point, Appellant realized that he should have filed the application back in October of 2005. (A.2978).

27. Appellant filed the traffic control device application on August 13, 2007, as U.S. Patent Application Number █ (the "█ application"). (A.80; A.1428; A.2884; Gov. Ex. 7).

28. Appellant now acknowledges that the traffic control device application was barred by the on sale and publication bars under section 102(b) when it was filed on August 13, 2007. (A.3029).

29. Prior to filing the "█" application, Appellant did not check his web site to determine if the invention had already been posted online. (A.3090-91). He also did not conduct any additional investigation into the invention's patentability, or with regard to the information on the application for the traffic control device. (A.3029; A.3041; A.3089-90).

30. Appellant did not inform Mr. █ that the "█" application was not filed until 2007. (A.2981; A.3092-93).

31. On December 28, 2009, USPTO sent Appellant an Office Action related to the "█" application. (Gov. Ex. 7; A.81). Appellant informed Mr. █ of this Office Action on February 15, 2010, and requested a \$2,375 payment to respond to the Office Action. (A.81; Gov. Ex. 1, p. 161). That payment included a \$750 fee for a "personal interview" and a \$1,625 fee for a

“written amendment.” (A.82; Gov. Ex. 1, p. 161). Mr. [REDACTED] was advised in the letter that without a response to the Office Action, the application would be abandoned. (A.3198-99; Gov. Ex. 1, p. 161).

32. Mr. [REDACTED] never responded to the February 15, 2010 letter. (A.82; A.3198-99). Appellant made no further attempt to communicate with Mr. [REDACTED] about the December 28, 2009 Office Action. (A.82). Appellant did not respond to the Office Action. (A.82; A.3140).

33. On July 7, 2010, the USPTO sent Appellant a Notice of Abandonment related to the [REDACTED] application. (A.82; A.3200; Gov. Ex. 7). Appellant did not inform Mr. [REDACTED] that the application had been abandoned, and did not subsequently communicate with Mr. [REDACTED] (A.2641-42; A.3164-65).

34. After learning of the OED Director’s investigation into Appellant’s handling of Mr. [REDACTED]’s traffic control device application, Appellant refunded all of Mr. [REDACTED]’s fees associated with the invention. (A.2945; Gov. Ex. 1).

35. Appellant admitted that the patent application for Mr. [REDACTED] traffic control device “was unintentionally not timely filed and, as a result of [his] unintentional oversight, Mr. [REDACTED] lost the right to patent his traffic control device.” (A.80).

Appellant’s Prior Disciplinary History

36. On June 27, 2002, the New York Grievance Committee for the 10th Judicial District issued Appellant a letter of caution for Appellant’s neglect of a patent matter for a client. (Gov. Ex. 15). That letter cautioned Appellant to “devote the proper attention to legal matters entrusted to [him]. . . .” (Gov. Ex. 15; A.2986). He was reminded of his obligation not to neglect patent applications in a public censure by the New York Supreme Court in 2006. (Gov. Ex. 14; A.2995).

37. On February 24, 2004, the USPTO suspended Appellant from practice before the Agency for a period of three years, which was stayed pending compliance with the terms of a settlement agreement between Appellant and the USPTO. (Gov. Ex. 12; A.33). The bases for the suspension included charging and collecting an excessive fee, giving false or misleading information to the USPTO, and participating in the creation of false evidence in violation of USPTO's disciplinary rules. (Gov. Ex. 12; A.33).

38. On May 25, 2010, as a result of a settlement agreement with the OED Director, Appellant was suspended for a period of 60 months from the practice of patent, trademark, and non-patent law before the USPTO for engaging in conduct that violated 37 C.F.R. § 10.23(b)(6) by engaging in conduct that adversely reflects on his fitness to practice before the office; 37 C.F.R. § 10.23(c)(8) by failing to inform a client of correspondence from the Office having a significant effect on a matter pending before the Office; and 37 C.F.R. § 10.77(c) by neglecting matters entrusted to him. (Gov. Ex. 16; A.33). Appellant's misconduct involved neglecting a client's patent application and allowing it to become abandoned and allowing other clients' U.S. patent applications to become abandoned as a matter of law because Appellant failed to inform the USPTO that he had filed foreign patent applications on the same invention claimed in the U.S. Patent applications. (Gov. Ex. 16; A.33). Again, the entirety of the suspension was stayed. (Gov. Ex. 16; A.33).

39. On June 22, 2011, Appellant received a warning letter from the USPTO's Office of Enrollment and Discipline in response to a grievance filed by another client. (Gov. Ex. 17). The letter reminded Appellant of his obligations under 37 C.F.R. § 10.77(c), proscribing neglecting a legal matter entrusted to the practitioner. (Gov. Ex. 17).

40. Additionally, in 2006, which is during the period of time that Appellant represented Mr. [REDACTED] the OED Director communicated with Respondent in writing about his ethical obligation not to neglect client matters. (Gov. Ex. 13).

III. OED DISCIPLINARY PROCEEDING

The OED Director filed a disciplinary Complaint in this matter on February 28, 2014. (A.29-44). That Complaint noted Appellant's extensive disciplinary history before the USPTO and went on to charge Appellant with neglect of Mr. [REDACTED] patent application, which caused him to lose all rights to obtain patent protection for an invention. (A.29-44). Lastly, the Complaint charged Appellant with filing an application for Mr. [REDACTED] traffic control device, which Appellant knew was not patentable as a matter of law, thus violating his ethical duties owed to the Office. (*id.*) Specifically, as to this conduct, the OED charged Appellant with violating, *inter alia*, 37 C.F.R. §§ 10.23(a) (proscribing disreputable or gross misconduct); 10.23(a) and (b) via 37 C.F.R. § 10.23(c)(15) (proscribing signing a paper filed with the USPTO in violation of the provisions of 37 C.F.R. § 10.18); and § 10.77(c) (proscribing neglecting a legal matter entrusted to the practitioner). (A.29-44). The OED Director asked that Appellant be excluded or suspended from practice before the Office in patent, trademark, and other non-patent matters. (A.29-44).

On May 14, 2014, Appellant filed his answer to the disciplinary Complaint. (A.78-A.88). Thereafter, on September 30, 2014, the OED Director filed a Motion for Partial Summary Judgment and on October 1, 2014, Appellant filed his own Motion for Summary Judgment. (A.395-430; A.698-717) (reference to exhibits to both omitted). Both Motions were denied on October 16, 2015. (A.766-771).

A hearing was conducted on October 28 and 29, 2014. (A.2676-3264). The ALJ issued an initial decision and order on April 24, 2015. (A.1-A.24).

IV. INITIAL DECISION BY ADMINISTRATIVE LAW JUDGE

On April 24, 2015, the ALJ issued an Initial Decision and Order in Proceeding No. D2014-14. (A.1-A.23). Therein, the ALJ initially addressed Appellant's objections to evidence presented by the OED Director at the hearing. Relevant for purposes of this appeal, the ALJ dismissed objections to the admissibility of evidence of Appellant's prior discipline by the USPTO and the New York State Bar Association as "meritless." (A.4). The ALJ noted that prior disciplinary history is expressly identified as an aggravating factor by the American Bar Association's Standards for Imposing Lawyer Sanctions (2005) and is a relevant factor USPTO's disciplinary rules. (A.4). Further, the ALJ concluded that no additional sanction for the substance of those prior disciplinary actions was being sought by the OED Director. (A.4).

As to the merits of the disciplinary Complaint, the ALJ concluded that Appellant ignored Mr. [REDACTED] traffic control device application from December 2005, until August 2007 and thus neglected a legal matter entrusted to him. (A.11). Noting Appellant's admission that he did not conduct any inquiry into the traffic control device's continued patentability at the time filed the patent application with the USPTO, the ALJ also concluded that Appellant's certification on the application that he undertook a reasonable inquiry was false. (A.12).

The ALJ concluded that Appellant's acts of misconduct were found to have violated the following USPTO Disciplinary rules: 37 C.F.R. §§ 10.23(a) (proscribing engaging in disreputable or gross misconduct); 10.23(a) and (b) via § 10.23(c)(15) (proscribing signing a paper filed with the USPTO in violation of the provisions of 37 C.F.R. § 10.18); and 10.77(c) (proscribing neglecting a legal matter entrusted to the practitioner). Finally, after weighing the factors set forth at 37 C.F.R. § 11.54(b), the ALJ ordered that Appellant be suspended from

practice before the Office in patent, trademark, and other non-patent matters for a period of two years.

V. DECISION

Appellant has been a registered patent attorney since December 6, 1973. (A.78; A.2776-77). As such, he is subject to the disciplinary authority of the Office. 37 C.F.R. § 11.19(a). For the conduct involved in this disciplinary case, Appellant was subject to the ethical requirements set forth in the USPTO Code of Professional Responsibility, 37 C.F.R. § 10.20, *et seq.*²

USPTO regulations permit a party to appeal an ALJ's initial decision to the USPTO Director within thirty days (30) of issuance of the initial decision. *See* 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 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. *See* 37 C.F.R. §§ 11.55(f), 11.56(a).

Here, Appellant appeals from the April 24, 2014, initial decision of the ALJ entering judgment in favor of the Agency and suspending Appellant from the practice of patent, trademark, and other non-patent matters before the Office for two years. Appellant identifies two discreet bases for his appeal of the ALJ's initial decision. First, he claims that the ALJ "legally erred" by holding that Counts 1, 6, and 7 of the OED Director's ten-count Complaint were established without a finding that Appellant acted with intent. (Appeal, pp. 9, 14-15; Reply Brief, generally). Second, he argues that evidence of his prior disciplinary history was erroneously

² 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 Appellant's alleged misconduct occurred prior to May 3, 2013, the Code of Professional Responsibility applies.

admitted into evidence by the ALJ, and was prejudicial to him. (Appeal, pp.15-17; Reply Brief, pp. 4).

The Director, having considered Appellant's appeal brief, the OED Director's response brief, Appellant's reply brief, as well as the record of the proceedings before the ALJ, finds that there is ample factual and legal support for the ALJ's initial decision. Consequently, the initial decision of the ALJ is AFFIRMED.

A. Appellant's Actions Constitute Misconduct.

The ALJ concluded that the Appellant engaged in misconduct by neglecting a matter entrusted to him and by failing to conduct a reasonable inquiry to ascertain that the claims and other legal contentions in the [REDACTED] application were warranted by existing law prior to filing the traffic control device application. (A.7-12). Each of these findings, as discussed further below, are amply supported by the record.

1. Appellant Neglected the [REDACTED] Application.

A practitioner shall not "[n]eglect a legal matter entrusted to the practitioner." 37 C.F.R. § 10.77(c). *See also, In re Tachner*, Proceeding No. D2012-30 (proscribing neglect of legal matters and finding violation where practitioner allowed patents to expire for not timely paying maintenance fees). As the ALJ noted, neglect has been defined as the "omission of proper attention to a person or thing, whether inadvertent, negligent, or willful. BLACK'S LAW DICTIONARY (8th ed. 2004)." (A.7). Neglect is the failure to act or the failure to act diligently. *See In re Magar*, 66 P.3d 1014, 1022 (Or. 2003). A lack of diligence can be described as consisting of "incompetently failing to act when advancing or protecting a client's interests calls for action," and as ranging from "virtual abandonment of the client to procrastination." *Id.* The alleged misconduct should be examined along a temporal continuum rather than as discrete,

isolated events. *Id.*; see also *In re Alexander*, 232 Ariz. 1, 8 (2013) (“The focus is not whether a lawyer may have neglected a particular task, but rather whether his or her representation in the ‘broader context of the representation’ reflects the knowledge, skill, thoroughness, and preparation that the rule requires.”) (citing *Magar*); *In re Welcome*, 2013 WL 6386121 at *3 (V.I. 013) (citing *Magar*).

Here, it is not disputed that Appellant failed to timely file the [REDACTED] application. He repeatedly admitted that he did not. (A.79; A.80; A.290; A.2831; A.2894). Similarly, as noted by the ALJ, Appellant’s own testimony established that he failed to maintain a functional document management and tickler systems that would provide a safeguard against missing filing deadlines with the USPTO. (A.2987; A.3220; A.3223). There is also no evidence that he instituted other additional safeguards, even despite his admissions that his existing document management and filing system was not functional or that it had been compromised in some way on multiple occasions. (A.2893; A.2965; A.3220; A.3222-23).

Despite his admissions and the ample support in the record for finding that his actions and omissions constitute neglect, Appellant incorrectly characterizes his misconduct as the singular act of failing to timely file the traffic control device and the “isolated incident” of failing to perfectly conduct a pre-filing inquiry. (Appeal Brief, at 14-15; Reply Brief at 1-5). He claims that a single, unintentional error cannot constitute neglect. However, Appellant’s characterization of his failings was soundly rejected by the ALJ, who noted that the misfiling of the patent application was only the beginning of Appellant’s missteps. (A.8).

In addition to Appellant’s admissions that he forgot about the [REDACTED] application for nearly two years and, thus, failed to timely file the application within 12 months of publication of the invention on his own web site, the ALJ correctly noted that “[a]n attorney has a duty to maintain

awareness of his cases as they wend their way through the patent process” and concluded that “the nature of [Appellant’s] filing system –as he describes it – ensures that forgetfulness – and thus neglect – is an ever-present threat in his legal practice.” (A.8-A.9). See *In re DeMarco*, 733 F.3d 457, 463 (2d. Cir. 2013) (noting that although counsel of record need not constantly monitor the Court’s docket, counsel cannot allow lengthy periods of time to pass without review); *U.S. ex rel. McAllan v. City of New York*, 248 F.3d 48, 53 (2d. Cir. 2001) (“[P]arties have an obligation to monitor the docket sheet to inform themselves of the entry of orders they wish to appeal.”); *Davila-Alvarez v. Escuela de Medicina Universidad Central del Caribe*, 257 F.3d 58, 65 (1st Cir. 2001) (“[A]n attorney has an ongoing responsibility to inquire into the status of a case.”) The ALJ noted that had Appellant “took reasonable and readily available precautions to establish a functional system of suspenses for his patent law practice,” the situation with Mr. ██████ patent application would have been entirely avoidable. (A.10).

As it was, Appellant’s existing filing and docketing processes were nothing more than a set of filing cabinets and a manual listing on a computer that required active checks to ensure compliance with deadlines, something he admitted he failed to do here. Further, though he made reference to a backup system, he repeatedly stated that that system was not working on multiple occasions. (A.2893; A.2965; A.3220; A.3222-23). Appellant did not take sufficient steps to protect against his own errors or those of his staff and “expos[ed] all of his clients to the fate that befell this client.” (A.10).

In short, Appellant admitted to neglect of the ██████ application. Also, Appellant’s series of missteps over a period of years supports the ALJ’s finding that Appellant engaged in neglect. That conclusion that is both correct and supported by the record.

2. Appellant Failed to Conduct a Reasonable Inquiry Before Filing the [REDACTED] Application.

A registered practitioner prosecuting a client's application before the Office has the duty of candor and good faith in dealing with the Office. *See* 37 C.F.R. § 1.56(a). (A.32). That duty includes the duty to disclose to the Office all information known to that individual to be material to patentability. *See* 37 C.F.R. § 1.56(a). (A.32). For all documents filed in the USPTO in patent, trademark and other non-patent matters, each piece of correspondence filed by a practitioner must bear a signature by such practitioner. 37 C.F.R. § 10.18(a). By presenting (whether by signing, filing, submitting, or later advocating) a paper to the USPTO, a registered practitioner's signature certifies to the USPTO that (a) all statements, made therein of the practitioner's own knowledge are true and all statements made therein on information and belief are believed to be true; and (b) to the best of the practitioner's knowledge, information, and belief formed after an inquiry reasonable under the circumstances (i) the paper is not being presented for any improper purpose and (ii) the claims and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law. *See* 37 C.F.R. § 10.18(b)(1) and (2) (now 37 C.F.R. § 11.18). (A.32). Violators of these provisions may "be subject to disciplinary action." 37 C.F.R. § 10.18(d) (referencing 37 C.F.R. § 10.23(c)(15)).

Again, the facts here are not in dispute. Appellant filed the [REDACTED] application on August 13, 2007, after discovering it in the wrong file drawer. (A.80; A.1428; A.2884; A.2928-30; A.2970-71; A.3236; Gov. Ex. 7). He knew at that point that the application should have been filed in 2005. (A.2978). While Appellant stated that he reviewed the [REDACTED] application for "the required contents of a typical application; drawings, specifications, et cetera" prior to filing it with the USPTO, he also admitted that he made no attempt to determine whether the invention was still

patentable. (A.80; A.1428; A.2884; A.3029; A.3041; A.3089-91). Even though a large part of his business is marketing inventions on the internet, he did not even visit his own web site to check if he had already published the traffic control device for sale. (A.3090-91). Appellant failed to take any of these steps, despite the fact that he knew the invention was almost two years old by the time he submitted the application. (A.2978). Instead, he simply assumed that the traffic control device remained viable and filed the application. (A.3041-42). The ALJ concluded that “an unchallenged assumption is not an inquiry” and rejected Appellant’s contention that he undertook a reasonable inquiry prior to filing the [REDACTED] application. (A.12).

Respondent argues that he cannot have engaged in misconduct because, although he was aware of the publication bar generally, he did not realize the bar applied to Mr. [REDACTED] application. This argument is unpersuasive. First, when he discovered the application in the incorrect drawer and realized it had not been filed with the USPTO, he stated that he knew the application should have been filed in 2005. (A.2978). Even with that knowledge, he still took no steps whatsoever to verify any of the significant information on the application, including checking his own web site to see if Mr. [REDACTED] invention had been published there and affected by the publishing bar. (A.80; A.1428; A.2884; A.3029; A.3041; A.3089-91). In other words, any lack of specific knowledge as to the patentability of Mr. [REDACTED] traffic control device was solely the result of his own failure to act. This failure to conduct even the most minimal inquiry as to the traffic control device’s patentability is misconduct.

B. Appellant Violated The USPTO Code of Professional Responsibility and Rules of Professional Conduct.

Based on the uncontroverted facts in the record, the ALJ concluded that Appellant’s misconduct violated three ethical rules of the USPTO Code of Professional Responsibility: 37 C.F.R. § 10.23(a) (proscribing engaging in disreputable or gross misconduct); 37 C.F.R.

§ 10.23(a) and (b) via 37 C.F.R. § 10.23(c)(15) (proscribing signing a paper filed with the USPTO in violation of the provisions of 37 C.F.R. § 10.18); and 37 C.F.R. § 10.77(c) (proscribing neglecting a legal matter entrusted to the practitioner). As discussed further below and elsewhere herein, the ALJ's conclusions were appropriate.

1. 37 C.F.R. § 10.23(a) (proscribing engaging in disreputable or gross misconduct)

A practitioner shall not engage in disreputable or gross misconduct. 37 C.F.R. § 10.23(a). Any violation of 37 C.F.R. § 10.23(c) constitutes a violation of 37 C.F.R. § 10.23(a). *See* 37 C.F.R. § 10.23(c); (A.17).

Here, Appellant violated multiple provisions of 37 C.F.R. § 10.23(c). First, as discussed further in section V.B.2 below, he engaged in misconduct that violated 37 C.F.R. § 10.23(c)(15) by signing a paper filed in the USPTO in violation of the provisions of § 10.18. Additionally, he violated 37 C.F.R. § 10.23(c)(8) by, according to his own admission, failing to communicate to his client the notice of abandonment from the USPTO concerning the client's application. (A.17; A.2641-42; A.3164-65).

Appellant attempts to avoid discipline by arguing that the OED Director was required to prove wrongful intent in order for the ALJ to find a violation § 10.23(a). (Reply brief, p. 3). However, this argument is without any support because a plain reading of § 10.23(a) shows there is no element of intent required by that provision, unlike other sections of the disciplinary rules. *See e.g.*, 37 C.F.R. §10.23(c)(2),(6), (7), (9), (10), (12), (13), (14), (16), and (20).

In sum, Appellant violated 37 C.F.R. § 10.23(a) by signing a paper filed in the USPTO in violation of the provisions of § 10.18 and by failing to communicate with Mr. [REDACTED]

2. 37 C.F.R. § 10.23(a) and (b) via §10.23(c)(15) (proscribing signing a paper filed with the USPTO in violation of the provisions of 37 C.F.R. § 10.18)

“Signing a paper filed in the Office in violation of the provisions of § 10.18” is a violation of 37 C.F.R. § 10.23(a) and (b). *See* 37 C.F.R. § 10.23(c)(15). As stated, § 10.18(b) requires Appellant to have conducted an “inquiry reasonable under the circumstances” with regard to the information contained in the [REDACTED] application prior to filing it with the USPTO. 37 C.F.R. § 10.18(b). Indeed, Appellant signed the [REDACTED] application, certifying that he had conducted an inquiry reasonable under the circumstances in relation to the Application. (Gov. Ex. 7). However, his own admissions belie that statement.

Appellant testified that he reviewed the [REDACTED] application for “the required contents of a typical application; drawings, specifications, et cetera” prior to filing it with the USPTO, but did not conduct any inquiry into the invention’s continued patentability. (A.3029). This is so even though Appellant knew the invention was almost two years old by the time he submitted the Application. (A.2978). Even though a large part of his business is marketing inventions on the internet, he did not even visit his own web site to check if he had already published the traffic control device for sale. (A.3090-91). Instead, he simply assumed that the traffic control device remained viable and filed the application. (Gov. Ex. 7) Accordingly, he violated 37 C.F.R. § 10.23(c)(15) and, as a result, also has violated § 10.23(a) and (b).

3. 37 C.F.R. § 10.77(c) (proscribing neglecting 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 [REDACTED] Application was entrusted to Appellant and ready to be filed with the USPTO on October 15, 2005. (A.79; A.2892; Gov. Ex. 7). Yet, Appellant did not file it at that time. Instead, he posted the invention on his own web site, www.invention.net, in December

2005. (A.79; A.2932-33; A.2935-57; A.3028; Gov. Exs. 21-30). The traffic control device application was then misplaced. (A.3222-23). The misplaced file was discovered almost two years later and Appellant filed the patent application on August 13, 2007. (A.80; A.1428; 2884; Gov. Ex. 7). Appellant's filing and docketing systems, as previously described, are insufficient to adequately monitor his caseload and remind him of upcoming deadlines and, consequently, directly contributed to the delay in filing the Application. These actions and omissions constitute Appellant's neglect of the [REDACTED] Application in violation 37 C.F.R. § 10.77(c).

Appellant contends that § 10.77(c) contains a "knowing element" and, absent such a finding of wrongful intent here, the ALJ "legally erred" when making his determination that Counts 1, 6, and 7 were proven by clear and convincing evidence. This contention is without any merit. As the ALJ properly concluded, there is no "knowledge" element contained in § 10.77(c). (A.11). To the contrary, such a requirement is notably absent from the text of § 10.77(c). This is most evident when § 10.77(c) is compared to the language of § 10.77(a), which explicitly contains such a requirement. That provision states that a practitioner shall not "[h]andle a matter which the practitioner *knows or should know* that the practitioner is not competent to handle. . . ." 37 C.F.R. § 10.77(a) (emphasis added). A similar requirement of intent is absent from § 10.77(c) and cannot be read into the provision. It is noted that Appellant's intent is a required consideration, and was considered here, in the ALJ's discussion of the appropriate sanction. (A.20-21).

Case law cited by the OED Director demonstrates that other courts have rejected the argument that intent is an element that must be proven to find misconduct involving a neglect of a legal matter entrusted to a practitioner. *See In re Powers*, 239 Kan. 394, 395 (Kan. 1986); *see also In re Taylor*, 363 N.E.2d 845, 847 (Ill. 1977); *Louisiana State Bar Ass'n v. Causey*, 393

So.2d 88 (La. 1980). The reasoning in *Powers* is persuasive here. “Carried to the extreme, this argument would result in an attorney being able to defeat neglect charges by simply stating he had forgotten about a case.” *See Powers*, 239 Kan. at 395. Such a requirement “would expand the concept of neglect into requiring a showing of intentional wrongdoing,” *id.*, something notably absent from § 10.77(c) of the USPTO’s regulations.

In sum, the ■■■ application was ready to be filed with the USPTO on October 15, 2005, but was misplaced and not filed until 22 months later, on August 13, 2007. Appellant’s filing and docketing systems, as previously described in section II, above, are insufficient to adequately monitor his caseload and remind him of upcoming deadlines and, consequently, directly contributed to the 22-month delay in filing the application. These actions and omissions constitute neglect of a legal matter in violation 37 C.F.R. § 10.77(c).

C. The Penalty of a Two Year Suspension Is Appropriate.

The ALJ’s initial decision concluded that Appellant violated three professional conduct standards, and that Appellant’s suspension from practice before the Office for two years was an appropriate sanction. An ALJ initial decision that imposes exclusion or suspension must explain the reason for imposing such a sanction 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).

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). After such review, and as discussed below, the ALJ's initial decision to suspend Appellant 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 suspension is warranted and thus upheld. Here, the ALJ properly considered and applied the four factors relevant to an exclusion or suspension under 37 C.F.R. § 11.54(b). This analysis is discussed further, below.

1. Whether the practitioner has violated a duty owed to a client, to the public, to the legal system, or to the profession.

Analyzing the first factor, the ALJ concluded that Appellant violated his duties to his client, Mr. [REDACTED] (A.20). Particularly, it was noted that Appellant neglected Mr. [REDACTED] application and caused him to permanently lose all patent rights to his traffic control device, failed to communicate with Mr. [REDACTED] about the consequences of Appellant's neglect, failed to inform him in a timely manner about important USPTO correspondence, and failed to take appropriate steps to protect Mr. [REDACTED] rights. (A.20). While the ALJ noted that any improper behavior by a member of the legal community undermines public faith in the sanctity of the legal system, he noted that his duty to the public, legal profession and legal system were less implicated by his misconduct. (A.20-21). But, his "wholesale abdication of his responsibility to Mr. [REDACTED] alone justified a significant sanction. (A.21).

2. Whether the practitioner acted intentionally, knowingly, or negligently.

As to the second factor, the ALJ found that Appellant acted negligently and noted that his neglect of the [REDACTED] patent was directly related to his negligent office management and docketing system. (A.21). Further, "[h]is failure to conduct an inquiry into the patentability of the traffic

control device before filing the [REDACTED] application is also evidence of his haphazard office practices.” (A.21). However, the harm caused by Appellant’s negligence was unintentional and thus, according to the ALJ, “suggests that a less punitive sanction is appropriate.” (A.21).

3. The amount of the actual or potential injury caused by the practitioner’s misconduct.

Third, though Mr. [REDACTED] did not suffer any actual monetary injury due to Appellant’s misconduct, the ALJ did note that Mr. [REDACTED] had been deprived of his opportunity to obtain a patent on his traffic control device and exploit the invention. (A.21). Although a dollar value to this loss “would be a futile exercise” in the ALJ’s opinion, the deprivation of the opportunity to protect and exploit the traffic control device mandated a “sanction of moderate severity.” (A.21).

4. The existence of any aggravating or mitigating factors.

Finally, the ALJ identified both aggravating and mitigating factors in the case, all of which were considered by the ALJ. (A.21-23). Aggravating factors include prior disciplinary offenses. *See* ABA Standards for Imposing Lawyer Sanctions, 9.22 (Factors which may be considered in aggravation). Here, the ALJ noted that “the primary aggravating factor is [Appellant’s] extensive disciplinary history, both before the USPTO and the New York State Bar,” including two prior USPTO stayed suspensions. (A.21). The more recent USPTO disciplinary case involved Appellant’s neglect of important client matters, the same type of misconduct implicated here. (A.21). Further, his “recalcitrance” in the face of numerous other warnings and suspensions was a basis for a sterner sanction by the ALJ here. (A.22).

The ALJ also identified as a mitigating factor Appellant’s experience in successfully shepherding some 2,000 inventions through the patent process over four decades as a USPTO practitioner. (A.22). The fact that Appellant returned Mr. [REDACTED] money was deemed a neutral

factor because his motivation for doing so was ambiguous, that is, not entirely altruistic. (A.21-A.22).

It is appropriate here to discuss Appellant's vociferous objections to the consideration of prior disciplinary history offered by the OED Director and considered by the ALJ. Appellant repeatedly, through the disciplinary hearing and in his appeal briefings, reiterated his objections to the introduction and consideration of such information. His objections are based on his argument that such information is "inadmissible and knowingly prejudicial" to Appellant. (Appeal Brief, pp. 16-17). Appellant's objections lack legal support.

First, as already stated, prior disciplinary history is noted as an appropriate aggravating factor when determining disciplinary sanction according to the ABA Standards for Imposing Lawyer Sanctions, which are routinely considered prior to imposing discipline. *See In re Cepican*, Proceeding No. D2014-01 at 11 (USPTO May 22, 2014) (citing *In re Chae*, Proceeding No. D2013-01 at 4 (USPTO Oct. 21, 2013)). Similarly, the USPTO's own regulations permit consideration of a practitioner's prior disciplinary history in determining a disciplinary sanction. 37 C.F.R. § 11.54(b)(4). Though these authorities squarely dispose of Appellant's objections, it is worth noting that both USPTO precedent and the case law in other jurisdictions, which is persuasive here, also permit the ALJ to consider a practitioner's prior disciplinary history in determining an appropriate disciplinary sanction. *See In re Cepican*, Proceeding No. D2014-01 at 11; *In re Levin*, 463 N.E.2d 715, 718 (Ill. 1984) (suspension ordered "[b]earing in mind respondent's earlier discipline and the number of instances of misconduct involved here"). Case law cited by Appellant is inapposite as Appellant is not being twice disciplined for the same misconduct.

Considering the four factors noted above, the ALJ concluded that Appellant's suspension from practice before the Office for two years was an appropriate sanction. As the ALJ's sanction was made after considering all of the required factors, and is fully supported by the uncontroverted evidence of record, the sanction of suspension is upheld.

ORDER

Having considered Appellant's appeal under 37 C.F.R. § 11.55 from the April 24, 2015 initial decision of the ALJ suspending Appellant from the practice of all patent, trademark, and other non-patent matters before the Office for two years, 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 Appellant is admitted to practice, to courts where Appellant is known to be admitted, and to the public;

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

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

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:

Sydney Johnson
Traci Kepler
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 Appellant desires further review, Appellant 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.

3/4/16

Date



Sarah Harris

General Counsel

United States Patent and Trademark Office

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

cc:

Michael Kroll

Appellant

Edwin D. Schindler

Counsel for Appellant

Sydney Johnson

Tracy Kepler

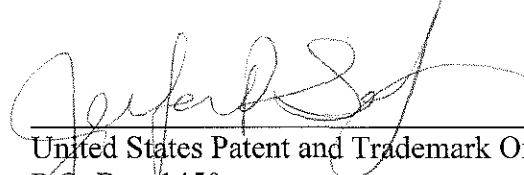
Associate Solicitors

Counsel for the Director of Office of Enrollment and Discipline

Certificate of Service

I hereby certify that copies of the Final Order was sent to the parties on this date, in the manner indicated:

3/4/16
Date


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

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