

UNITED STATES PATENT AND TRADE OFFICE
BEFORE THE ADMINISTRATIVE LAW JUDGE
OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD)
Director, Office of)
Enrollment and Discipline)

v.)

JOHN P. HALVONIK)
Respondent)

Proceeding D96-03

INITIAL DECISION

(Issued February 26, 1998)

APPEARANCES

Kevin Baer and John Whealan, Office of the Solicitor, U.S. Patent and Trademark Office on behalf of Complainant, Karen L. Bovard, Director, Office of Enrollment and Discipline, U.S. Patent and Trademark Office, U.S. Department of Commerce

Henry St. John Fitzgerald, Samuel Shipkovitz, David P. Sheldon and Maria Cristina Fernandez on behalf of Respondent, John P. Halvonik

Delbert R. Terrill, Jr., Administrative Law Judge

TABLE OF CONTENTS

Statement of the Case.....	2
Applicable Law and Regulations.....	3
Jurisdiction.....	7
Procedural Rulings.....	8

Joint Stipulation of Material Facts.....	20
Count Two and Relevant Admissions/Denials.....	24
Summary of Evidence Count Two.....	29
Complainant's Relevant Documentary and Testimonial Evidence.....	29
Respondent's Relevant Documentary and Testimonial Evidence.....	36
Count Three and Relevant Admissions/Denials.....	47
Summary of Evidence Count Three.....	50
Complainant's Relevant Documentary and Testimonial Evidence.....	50
Respondent's Relevant Documentary and Testimonial Evidence.....	53
Discussion and Analysis.....	57
Formal Findings of Fact.....	75
Conclusions of Law.....	87
Order.....	92
Appeal.....	92

STATEMENT OF THE CASE

On April 2, 1997, Karen L. Bovard ("Complainant"), Director, Office of Enrollment and Discipline, U.S. Patent and Trademark Office ("PTO"), U.S. Department of Commerce, filed a Complaint and Notice of Proceedings Under 35 U.S.C. § 32 charging John P. Halvonik ("Respondent"), an attorney registered to practice before the PTO, whose registration number is 32,796, with conducting himself in a manner unworthy of a registered patent attorney. The complaint contains three specific counts alleging that Respondent engaged in various forms of professional misconduct and/or misrepresentation in violation of certain sections of the Code of Federal Regulations ("C.F.R.") while handling three separate patent applications. Complainant requests that Respondent be either excluded or suspended from practice before the PTO or such other relief as the undersigned deems appropriate.

On June 2, 1997, Respondent filed his answer denying in part and admitting in part certain of the specific factual allegations contained in the complaint and denying in total the legal conclusions alleged by Complainant. Respondent claims as his affirmative defenses the denial of due process and fundamental fairness of bringing counts on three unrelated matters about which he had been earlier advised would not be prosecuted, the doctrine of laches, and the statute of limitations.

By order dated May 14, 1997, the Chief Administrative Law Judge of the Federal Energy Regulatory Commission, acting in that capacity delegated by the Department of Commerce, assigned the

case to the undersigned for hearing. On June 17, 1997, a pretrial conference was held and on June 18, 1997, a procedural schedule was issued setting the matter for hearing on September 3, 1997.

On August 13, 1997, the parties filed a joint stipulation of material facts. After resolution of certain pretrial issues which necessitated changes in hearing dates, the above matter was heard on October 16, November 3, 4, 12, 13, and 17-19, 1997. The record consists of 1908 pages of transcript and 68 exhibits. On December 15, 1997, Respondent and Petitioner filed their initial post trial briefs and proposed findings of fact and conclusions of law. On January 5, 1998, they both filed reply briefs.

APPLICABLE LAW AND REGULATIONS

The Code of Federal Regulations ("C.F.R.") 37 C.F.R. §§ 10.134-170, govern the investigation of and disciplinary actions taken against practitioners before the PTO. In addition to governing investigations of possible violations of PTO Disciplinary Rules and the issuance and service of complaint and answer, these provisions also provide for discovery, the referral of any contested case to an administrative law judge ("ALJ") [appointed under 5 U.S.C. § 3105] for a hearing pursuant to the Administrative Procedures Act ("APA"), 5 U.S.C. § 556, the issuance of an initial decision pursuant to 37 C.F.R. § 10.154 which may be appealed to the Commissioner of Patents and Trademarks. In particular, 37 C.F.R. § 10.149 establishes that Complainant and Respondent in these proceedings have the burden of proving their respective case/defenses by clear and convincing evidence.

Before a disciplinary proceeding may be brought against any PTO practitioner, 37 C.F.R. § 10.132(a)-(c) requires that after investigating a practitioner and being of the opinion that a Disciplinary Rule has been violated, Complainant must (1) where necessary, comply with 5 U.S.C. 558(c), and (2) call a meeting of the PTO's Committee on Discipline ("Committee") before issuing any complaint. When called, the Committee must determine whether "probable cause exists to believe that a practitioner has violated a Disciplinary Rule." 37 C.F.R. § 10.132(a)-(b). Only after a determination of probable cause has been made by the PTO Committee may Complainant seek a disciplinary proceeding against a practitioner. 37 C.F.R. § 10.132(b).

PTO Disciplinary Rules govern the conduct of PTO practitioners. PTO does not have a rule that states that its practitioners act competently. However, its rules do preclude a

practitioner from acting incompetently by neglecting a legal matter entrusted to the practitioner. 37 C.F.R. § 10.77(c). Neglect is "to omit, fail, or forbear to do a thing that can be done, or that is required to be done." Black's 6th edition, 1032. Neglect is similar to but not exactly the same as negligence. Neglect contemplates a review of whether or not a practitioner did or did not do an act and the timeliness or responsiveness of a practitioner to a legal matter entrusted to him. Taking a client's funds, promising to do work and doing nothing is neglect. Carter v. Mississippi Bar, 654 So.2d 505, 511-12 (Miss. 1995). Neglect considers the diligence and attentiveness of a practitioner to legal matters. Failure to commence a legal action is neglect. In re Lyles, 469 S.E.2d 670 (Ga. 1996). Failure to meet deadlines, take necessary actions, and ascertain facts or requirements, as well as undue delay when acting on behalf of the client are all examples of neglect. A PTO practitioner's neglect need not result in injury to a client before a sanction may be imposed. Compare In re Lewis, 689 A.2d 561, 563 (D.C. 1997); In re Roche, 678 N.E.2d 797, 798 (Ind.1997), but the degree of injury may serve as a basis for determining the extent of sanction to be imposed. The Florida Bar v. G.B.T., 399 So.2d 357, 358 (Fla. 1981); In re Sliz, 273 S.E.2d 177 (Ga. 1980). Poor office management is no excuse for neglect. Lawyer Disciplinary Board v. Beveridge, 459 S.E.2d 542 (W. Va. 1995); In re Smith, 659 N.E.2d 896, 909 (Ill. 1995) (a high volume, low-price practice must still be run efficiently and conscientiously); Iowa Professional Ethics & Conduct Board v. Winkel, 542 N.W.2d 252, 254-55 (Iowa 1996). Nor is a heavy workload an excuse. Committee on Professional Ethics v. Pracht, 505 N.W.2d 196, 198 (Iowa 1993) (when faced with being overloaded, practitioners are required to either decline the work, get assistance, or withdraw).

Further, a practitioner may not engage in disreputable or gross misconduct. 37 C.F.R. § 10.23(a). Section 10.23(a) is a free standing subsection, separate and distinct from subsection 10.23(b). Were the type of conduct listed in 10.23(b) intended to be the only type of disreputable or misconduct contemplated by 10.23(a), there would be no purpose in having a separate 10.23(a). I interpret gross misconduct in 37 C.F.R. § 10.23(a) as including gross negligence. Negligence, distinctive from neglect, contemplates not just whether an act is done or not, but substantively reviews the quality of performance in completing the act. Ordinary negligence contemplates whether or not an act or omission is something that a reasonably prudent person would do in the same set of circumstances and may arise out of mere inadvertence. Gross negligence by a PTO practitioner involves the intentional failure to perform a manifest duty in reckless disregard for the consequences affecting the client's property

interests. Gross negligence includes utter forgetfulness of a legal obligation to a client. Such gross negligence based on utter forgetfulness or careless disregard for an known obligation or duty is equivalent to a wilful violation of that obligation or duty. 1/

Agencies are required to prove wilfulness in certain circumstances. With respect to a federal governmental agency's actions impacting a license required by law, Title 5 U.S.C. § 558(c) requires that:

[w]hen application is made for a license required by law, the agency, with due regard for the rights and privileges of all the interested parties or adversely affected persons and within a reasonable time, shall set and complete proceedings required to be conducted in accordance with sections 556 and 557 of this title or other proceedings required by law and shall make its decision. Except in cases of willfulness or those in which public health, interest, or safety requires otherwise, the withdrawal, suspension, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefore, the licensee has been given

- (1) notice by the agency in writing of the facts or conduct which may warrant the action; and
- (2) opportunity to demonstrate or achieve compliance with all lawful requirements.

Therefore, when an agency has not given a licensee (1) written notice of the facts or conduct which may warrant the suspension of its license, and (2) an opportunity to achieve compliance before suspension of the license, the complaining agency must demonstrate that the public health, interest, or safety requires otherwise or must prove that the actions upon which the proposed suspension is based were wilful. Capital Produce Co., Inc. v. United States, 930 F.2d 1077, 1079 (4th Cir. 1991) ("Capital Produce"). "'Willfulness' for purposes of Section 558(c) means 'an intentional misdeed or

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[I]f a person 1) intentionally does an act which is prohibited,--irrespective of evil motive or reliance on erroneous advice, or 2) acts with careless disregard of statutory requirements, the violation is wilful." Koden v. United States Dep't of Justice, 564 F.2d 228, 234 (7th Cir. 1977).

such gross neglect of a known duty as to be equivalent thereof.'" Capital Produce, 930 F.2d at 1079 (citing Hutto Stockyard, Inc. v. USDA, 903 F.2d 299, 304 (4th Cir. 1990)).

Additionally, a PTO practitioner may not engage in any conduct that adversely reflects on the practitioner's fitness to practice before the PTO, 37 C.F.R. § 10.23(b)(6), may not engage in conduct involving dishonesty, fraud, deceit, or misrepresentation, 37 C.F.R. § 10.23(b)(4), shall not attempt to exonerate himself or herself from, or limit his or her liability to, a client for his or her personal malpractice, 37 C.F.R. § 10.78, and must promptly pay or deliver to the client as requested by the client the funds, securities, or other property in the possession of the practitioner which the client is entitled to receive. 37 C.F.R. § 10.112(c)(4). Settlement of a fee or malpractice dispute may never be conditioned on the client's consent not to file a grievance or report regarding the misconduct to an appropriate disciplinary authority. Maryland Attorney Grievance Commission v. Howard, 475 A.2d 466 (Md. 1984).

Patent attorneys are not limited to practice in only the state in which their office is located or those states in which they are members of that state bar, but are entitled to practice in any state or territory of the United States. See Sperry v. Fla., 373 U.S. 379 (1962). While states maintain control of the practice of law within their territories, non-attorney Sperry practitioners are bound only by the rules of the PTO. Attorney Sperry practitioners are bound by PTO's Rules of Practice and by their respective state bars' ethical considerations. The state bar may not necessarily be the state in which their offices are physically located. Sperry, 373 U.S. at 385-402; see 30 C.F.R. § 10.1.

Any registered practitioner who violates any of the above PTO Disciplinary Rules may be suspended or excluded from practicing before the PTO. 37 C.F.R. § 10.130. PTO Disciplinary Rules are mandatory and indicate the level of conduct below which no practitioner can fall without being subject to disciplinary action. 37 C.F.R. § 10.20(b).

The Patent Act ("Act") also governs the actions of PTO applicants and/or practitioners. For example, the Act prohibits a patent applicant from introducing new matter into the disclosure of the invention, 35 U.S.C. § 132, see also 37 C.F.R. 1.118, and also requires the inventor to set forth the best mode contemplated by the inventor of carrying out the invention. 35 U.S.C. § 112, ¶1.

Federal governmental agencies must timely seek enforcement of their responsibilities given that 28 U.S.C. § 2462 provides that:

Except as otherwise provided by Act of Congress, an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced within five years from the date when the claim first accrued if within the same period, the offender or the property is found within the United States in order that proper service may be made thereon.

The above five year statute of limitations has been found to be applicable to Securities and Exchange Commission ("SEC") enforcement actions to suspend a licensed securities industry supervisor. Accordingly, the SEC was precluded from seeking a license suspension based on claims arising outside the five year statute of limitation. Johnson v. SEC, 87 F.3d 484, 488-89 (D.C. Cir. 1996).

Finally, Complainant, as the proponent of the complaint, has the ultimate burden of persuasion and must prove her case by clear and convincing evidence. 37 C.F.R. § 10.149. In an action pursuant to the APA, a complaining agency also has the initial production burden of providing sufficient evidence establishing a prima facie case. B. Mezines, J. Stein & J. Gruff, Administrative Law, § 24.01. Unless a prima facie case is established by Complainant, the burden of going forward does not shift to practitioners and they need not produce any evidence in their defense. Id. However, when Complainant does establish a prima facie case, a practitioner must introduce evidence rebutting the prima facie case. Id. If practitioners fail to rebut, their defense fails. Id. If both parties meet their respective burdens of production, Complainant must have produced sufficient credible evidence to prevail. Id. In this case, Complainant will only prevail if her evidence is clear and convincing in support of the charges leveled in her complaint. Her ultimate burden of persuasion never shifts.

JURISDICTION

As an attorney registered to practice before the PTO, Respondent is subject to suspension or exclusion from practice before the PTO, after due notice and required hearing, for being "incompetent or disreputable" and/or for being "guilty of gross misconduct" and/or for not complying "with its[PTO's]regulations".

35 U.S.C. § 32. ^{2/} This tribunal has jurisdiction over such hearings. 37 C.F.R. § § 10.132 and 10.139.

Respondent has not contested personal jurisdiction but has contested this tribunal's subject matter jurisdiction for want of proof that Complainant followed her own agency regulations when issuing her complaint. See Procedural Rulings regarding probable cause determination, infra.

PROCEDURAL RULINGS

General Pre and Post-Trial Pleadings

On July 21 and 22, 1997, Complainant and Respondent, respectively and separately, filed unopposed motions for limited discovery with responses due on or before August 1, 1997. The motions were granted.

On August 7, 1997, Complainant and Respondent jointly moved to extend the time for filing their pre-trial statements from August 7 to August 13, 1997. The motion was granted.

On August 13, 1997, Complainant moved to compel discovery. The motion was granted. Also on August 13, 1997, Complainant and Respondent filed their pre-trial statements and on August 14, 1997 Respondent filed a clarification of his statement.

On August 19 and 20, 1997, respectively, Respondent's replacement counsel moved to enter their appearance and existing counsel withdrew their appearance. Replacement counsel also moved for a continuance to file its pre-trial statement and moved that the time deadline for the initial decision be extended to December 1, 1997.

On August 22, 1997, Complainant and Respondent jointly moved to suspend the procedural schedule in this proceeding representing that they had reached settlement of the matter. That same day,

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Title 35 U.S.C. § 31 grants to the PTO the authority to regulate the admissions of practitioners licensed to practice before it. Therefore, the PTO also has inherent power to regulate those who practice before it. See Koden v. United States Dept. of Justice, 564 F.2d 228, 233 (7th Cir. 1977) ("It is elementary that any court or administrative agency which has the power to admit attorneys to practice has the authority to disbar or discipline attorneys for unprofessional conduct"); Herman v. Dulles, 205 F.2d 715, 716 (D.C. Cir. 1953) ("An administrative agency that has general authority to prescribe its rules of procedure may set standards for determining who may practice before it.")

the motion was granted. The parties were directed to file a pleading indicating the approval or disapproval of the settlement by the Commissioner of Patents and Trademarks.

By teleconference on September 3, 1997, the parties advised the undersigned that the settlement had not been consummated and requested reinstatement of the procedural schedule. Replacement counsel informed the undersigned that a third counsel was being added to the defense team and would be taking the litigation lead. The undersigned directed final resolution of outstanding discovery and ordered the matter to trial on September 15, 1997, with the parties to file, by no later than September 8, 1997, any pending pre-trial statements.

On September 8, 1997, the third counsel entered and was permitted to enter his appearance. On September 9, 1997, the undersigned sua sponte ordered that the hearing to begin on September 19, 1997.

On November 3, 1997, during the course of the hearing pursuant to Complainant's motion to strike, the undersigned struck two Respondent Exhibits (70 and 73) that had not been [although they should have been] produced in discovery and offered Complainant the opportunity of designating transcript pages for deletion. (Tr.233-34). On November 12, 1997, Complainant filed the designation of testimony it requested be struck and on November 19, 1997, the undersigned granted the request. (Tr.1904-05). On January 6, 1998, Complainant moved to strike certain portions of Respondent's Reply Brief given that it referred to testimony which Complainant asserts was struck by the undersigned during the course of the hearing. On January 14, 1998, Respondent noted his response. All of the parts of Respondent's Reply Brief noted in Complainant's Motion to Strike are struck except as follows: Page 12, paragraph q citation "(Tr.196-203)" will be limited to those portions of transcript not struck; pages 12, paragraph r all references except "page 203" are not struck; page 12, paragraph s, the first sentence is not struck; page 13, paragraph x all excepting "172-173" is not struck.

Pursuant to request made by the undersigned during the course of the hearing, on January 22, 1998, Complainant provided a copy of the initial mailing from Respondent dated January 8, 1993, to his client, Diane Palmer. Upon review, the undersigned concludes that nothing contained therein is relevant to the basis of my question during the hearing and therefore will not be designated as an exhibit in this proceeding.

Motion to Require Proof of Probable Cause Determination

On September 19, 1997, Respondent moved that the undersigned require that Complainant produce evidence that she had complied with 37 C.F.R. § 10.132(a)(b). Specifically, Respondent sought

dismissal of the complaint unless the Complainant could demonstrate that she complied by obtaining the condition precedent to issuing her complaint; i.e., a probable cause determination by the PTO's Committee on Discipline.

On September 23, 1997, Complainant filed her response to the above motion, citing 37 C.F.R. § 10.136(b). Complainant argued that Respondent had failed to either admit or deny the jurisdictional basis of the complaint and therefore had admitted jurisdiction by operation of law. Although Complainant maintained that the Respondent's motion required no substantive response, she filed as an attachment to her pleading her own affidavit.

Complainant is correct that by neither admitting or denying the complaint's assertion of personal jurisdiction, Respondent did in fact waive any denial of such. 37 C.F.R. § 10.136(b); see also Fed. R. Civ. P. 12(h)(1); Elder v. Holloway, 975 F.2d 1388, 1395 n.4 (9th Cir. 1991) (citing Chilicky v. Schweiker, 796 F.2d 1131, 1136 (9th Cir. 1986), rev'd on other grounds, 487 U.S. 412 (1988) (if a party files pre-answer motion but fails to raise defense of lack of personal jurisdiction in that motion, defense is waived)). On the other hand, Respondent may at any time question this tribunal's subject matter jurisdiction and did not waive such when he answered the complaint. The affirmative defense of lack of subject matter jurisdiction can never be waived and may be raised at any time. Newport News Shipbuilding and Dry Dock Co. v. Garrett, 6 F.3d 1547, 52-53 (Fed. Cir. 1993) ("Garrett") (certification by government contractor is required to be completed prior to contractor appealing contracting officer's denial of the contractor's claim; such certification confers appellate subject matter jurisdiction of the appeal before the Armed Forces Board of Contract Appeals); Starobin v. United States, 662 F.2d 747 (Ct Cl. 1981). Respondent did not dispute that, as a member of the bar licensed to practice before the Office, Complainant did not have jurisdiction to bring an action against him per se as a member of that bar or that the Office improperly failed to serve him. Rather, he questioned whether the Office followed its own rules and obtained from its Committee a probable cause determination prior to the Director filing the complaint against him. This defense by Respondent is little different from the certification required in Garrett. Therefore, the undersigned concluded that Respondent raised the issue of the Office's subject matter jurisdiction, which may not be waived.

Accordingly, the undersigned directed Complainant to resubmit by October 9, 1997, her affidavit containing the date(s) that she submitted Respondent's case to the Committee, the date the Committee met regarding Respondent and the date they concluded that probable cause existed. Further, Complainant was directed to submit a copy of the written determination containing the signatures of the Committee and any other analysis supporting the determination of probable cause. In an oral teleconference on

October 7, 1997, the undersigned further directed that Complainant could redact any portion of the probable cause determination being submitted that she felt was attorney work product. On October 9, 1997, Complainant resubmitted her affidavit and the motion to dismiss was denied.

Motion to Recuse

Also on September 8, 1997, Respondent moved to have the undersigned issue an order recusing or disqualifying himself "because of the communication of the terms of a purported settlement" to him although the communication of the terms of the settlement was "through no action or fault" of the undersigned. Given that: the undersigned would be acting as trier of fact; Complainant's quantum burden of proof was "clear and convincing evidence;" Respondent's quantum burden of proof regarding his affirmative defenses was likewise "clear and convincing evidence;" and most serious issues against Respondent require the undersigned's determination of Respondent's intent or state of mind, Respondent argued that he would be "vulnerable and at risk to the 'shadow effect' of the Judge's having received indication, however tenuous, that the Respondent had agreed to some or all of the charges." (Emphasis in original). In support of his contention, Respondent cited black letter constitutional case law as to the due process requirement of an "impartial" tribunal. In re Murchison, 349 U.S. 133 (1956). Attached to his motion, Respondent filed his own affidavit alleging miscommunication between himself and his attorneys resulting in a settlement the terms of which he denies ever having agreed to and his belief that he would not receive a fair hearing because the undersigned was provided the terms of the purported settlement. Finally, Respondent requested, even if recusal was not required, that the undersigned exercise discretion and disqualify himself for sake of appearances.

On September 12, 1997, Complainant filed her opposition to the motion to recuse or disqualify, citing case law establishing that the mere filing of a joint motion for recusal without further evidence does not provide a sufficient basis to recuse a judge, even one who was directly involved in settlement negotiations. In re Asbestos Litigation, 90 F.3d 963, 989-90 (5th Cir. 1996) (judge's minor participation in settlement negotiations does not disqualify that judge from conducting full fairness hearing on settlement). Complainant also cited (and attached) Blount Int'l, Ltd. v. Schuykill Energy Resources, Inc., 1990 U.S. Dist. Lexis 17366 wherein a judge who had participated in settlement negotiations and disputed one party's contention that no settlement had ever been reached was not required to be recused. Finally, Complainant argued that judges should not recuse themselves "unnecessarily" but only based upon "personal and extrajudicial bias," Holloway v. United States, 960 F.2d 1348, 1350 (8th Cir. 1992), and never based upon "unsupported,

irrational, or highly tenuous speculation." In re American Ready Mix, Inc., 14 F.3d 1497, 1501 (10th Cir. 1994).

On October 2, 1997, Respondent filed his response to Complainant's opposition. Respondent cited Amos Treat v. SEC, 306 F.2d 260, 267 (D.C. Cir. 1962) as supporting his contention that the undersigned be recused when the tribunal's "impartiality might reasonably be questioned" so as to insure "the very appearance of complete fairness."

In the joint teleconference on October 7, 1997, the undersigned directed that by October 10, 1997, the parties provide him additional citations with specific factual circumstances that might be similar to the facts in this proceeding. Both parties availed themselves of the additional opportunity and cited additional authority in support of their opposing positions. However, the undersigned concluded that none of the cases cited by either party were factually similar, as none of the cases cited involved a settlement gone awry where the terms of the settlement had been disclosed to a U.S. administrative law judge ("ALJ") before the settlement had been signed by the parties.

Title 28 U.S.C. § 455(a) provides that "[a]ny justice, judge, or magistrate of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned." Contrary to Respondent's contention, U.S. ALJs serve as triers of fact in much the same capacity as do U.S. district court judges in non-jury trials. U.S. ALJs are not Article III judges and are therefore not covered by 28 U.S.C. § 455(a). Greenberg, et al. v. The Board of Governors of the Federal Reserve System, 968 F.2d 164, 167 (2nd Cir. 1992). Therefore, the case law cited by Respondent interpreting 28 U.S.C. § 455 is not relevant to this case because the undersigned is an Article I U.S. ALJ appointed pursuant to 5 U.S.C. § 3105.

The appointment of the undersigned to hear this particular matter was made pursuant to 37 C.F.R. § 10.139 which provides that PTO disbarment proceedings be heard by U.S. ALJs appointed pursuant to 5 U.S.C. § 3105. Therefore, instead of being governed by 28 U.S.C. § 455(a), the concern raised by Respondent is instead governed by the APA, 5 U.S.C. § 554(d). Greenberg, 968 F.2d at 167. The APA requires that "an employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision" 5 U.S.C. § 554 (d). The Amos Treat decision, cited by Respondent, argues that where there are no separation of functions between the prosecutorial and the adjudicatory functions in a government agency, the adjudications arising from such do not have the requisite appearance of due process/fairness particularly when there has been evidence of ex parte communications between the two functions regarding the matter being litigated. In this instance, there are

clear separations of functions and there are no ex parte communication issues. Accordingly, and for the reasons discussed below, the Respondent's motion to recuse or disqualify was denied.

Even were the undersigned subject to 28 U.S.C. § 455(a), Respondent has failed to demonstrate that the undersigned's "impartiality might reasonably be questioned". Respondent rests his contention that the undersigned's impartiality may be reasonably questioned here because the parties jointly filed with the undersigned the above terms of their purported settlement. The so-called "catch-all" "impartiality" provision (§ 455(a)) added to Title 28 in 1974 must be evaluated on an objective basis, see Liljeberg v. Health Services Acquisition Corp., 486 U.S. 847, 847-48 (1988); and the application of such an objective test "assumes that a reasonable person knows and understands all the relevant facts." SEC v. Drexel Burnham Lambert Inc., 861 F.2d 1307, 1313 (2d Cir. 1988) (emphasis in original). In addition to considering whether actual prejudice exists, judges must also consider whether the appearance of impartiality exists. See United States v. Johnpoll, 748 F. Supp. 86,90 (S.D.N.Y. 1990); Lamborn v. Dittmer, 726 F. Supp. 510, 516 (S.D.N.Y. 1989). All doubts must be resolved in favor of disqualification. United States v. Alabama, 828 F.2d 1532, 1540 (11th Cir. 1987), cert. denied sub nom., Board of Trustees v. Auburn Univ., 487 U.S. 1210 (1988). However, the reasonable person test for determining a lack of impartiality may not be based on spurious or loosely based charges. Mavis v. Commercial Carriers, Inc., 408 F. Supp. 55, 61 (C.D. Cal. 1975).

In addition, facts "learned by a judge in his judicial capacity cannot be the basis for disqualification." United States v. Hillsberg, 812 F.2d 328, 335 (1987) (criminal defendant's mother wrote to judge before murder trial asking judge to permit her son to plead guilty to manslaughter) (citing United States v. Patrick, 542 F.2d 381, 390 (7th Cir. 1976), cert. denied, 430 U.S. 931 (1977)). The extrajudicial source doctrine is no longer a per se rule, but remains only one of a number of factors to be weighed with respect to interpreting 28 U.S.C. § 455(a). Liteky v. United States, 510 U.S. 540, 52-54 (1994).

There can be no doubt that the source of the information upon which Respondent rests his motion was an intrajudicial source. Such weighs against Respondent's motion. 3/ As Complainant has

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Were Respondent's position to prevail, parties would achieve the ability to shop for judges of choice by preemptively striking judges they do not desire from their cases by submitting the text of a settlement agreement with a motion to suspend only to later withdraw that same settlement and then claim lack of impartiality.

(continued...)

noted in her pleadings, when the source of information is not extrajudicial, recusal is necessary upon a showing of open hostility or bias toward a litigant, Wheeler v. Southland Corp., 875 F.2d 1246, 1252 (6th Cir. 1989) (citing Anderson v. Sheppard, 856 F.2d 7441 (6th Cir. 1988)). Such hostility or bias is neither claimed by the Respondent nor sustained by the evidence. Also, Respondent's citations to certain state court decisions involve factual circumstances that are non-existent; i.e., that the undersigned has participated in the settlement negotiations that went awry. In this case, the undersigned was sent a pleading which indicated the provisions of a purported settlement. The filing of a purported settlement does not itself provide a reasonable basis to conclude that the impartiality of the tribunal has been lost. As a professional jurist who is required as a part of his everyday trial practice to ignore evidence offered but refused admission, the undersigned can and will ignore information contained in pleadings which is likewise not evidence. Accordingly, the motion to recuse was denied.

Motion to Continue Hearing to a Later Date Based on Psychiatric Care

On September 15, 1997, Respondent moved to reschedule, to an unspecified date in November 1997, the hearing set to begin on September 19, 1997. In support of his motion, Respondent filed a hand-written note dated September 15, 1997 to Respondent's new lead counsel from a psychiatrist which stated that Respondent had been under his care, was on prescription medicine, was being monitored on a regular basis, that Respondent was "impaired in his ability to focus on and deal appropriately with legal proceedings against him, especially regarding a trial," but that Respondent was expected to be able to "participate in such proceedings" by early November. On September 16, 1997, Complainant filed its opposition noting that the psychiatrist's note contained no diagnosis, description of medication or Respondent's day-to-day functioning. Given the psychiatrist's note, Complainant also questioned Respondent's continuing involvement in his legal practice and other activities. Complainant questioned the credibility of Respondent's motion noting that the motion appeared to be part of a continuing pattern of delay. Complainant argued that if Respondent was unfit for trial he was likewise unfit for the practice of law and argued that it suffered prejudice by the continual delays particularly in having to reschedule its out-of-town witnesses. During a joint teleconference, Respondent was directed to produce the psychiatrist at a motion hearing and to produce his own psychiatric records with the understanding that Complainant would sign a confidentiality agreement and would further agree that the records would be used by Complainant only

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in the above-docketed proceeding. After hearing the psychiatrist's testimony on September 20, 1997, the undersigned concluded that Respondent was competent to stand trial in that Respondent was mentally fit to understand the proceedings against him and was able to assist his counsel in his own defense. Accordingly, the trial was ordered to begin October 6, 1997.

Motion to Dismiss for Failure to Follow Established Procedure
Regarding Probable Cause Finding

On September 19, 1997, Respondent moved that the Director, Office of Enrollment and Discipline, U.S. Patent and Trademark Office be required to produce evidence that she had complied with 37 C.F.R. § 10.132(a) and (b) by having obtained a probable cause determination from the PTO's Committee on Discipline prior to issuing her complaint against Respondent. On September 23, 1997, Complainant filed her opposition to the above motion. By order dated October 6, 1997, the undersigned directed that Complainant resubmit by October 9, 1997, her affidavit containing the date(s) that she submitted Respondent's case to the Committee, the date the Committee met regarding Respondent and the date they concluded that probable cause existed. Further, Complainant was directed to submit a copy of the written determination containing the signatures of the Committee and any other analysis supporting the determination of probable cause. In a joint teleconference on October 7, 1997, the undersigned further directed that Complainant could redact any portion of the probable cause determination being submitted that she felt was attorney work product. On October 9, 1997, Complainant resubmitted her affidavit and the motion to dismiss was denied.

On October 31, 1997, Complainant filed a motion in limine opposing any additions or changes to Respondent's initial witness list. The undersigned granted Complainant's motion in limine to the extent that any government witnesses called by Respondent would only be allowed to testify regarding the procedures leading to the issuance of the complaint. Respondent was allowed to call one PTO witness of choice to testify regarding the procedures leading to the probable cause finding against Respondent by the Committee but would not be allowed to testify regarding the substantive deliberations of the Committee. On November 3, 1997, the undersigned directed that Complainant assist in producing Respondent's witness of choice given that this witness' testimony was only necessary for determining whether the undersigned had subject matter jurisdiction and given that Respondent had indicated that he intended to make, at the close of the Complainant's case, a further motion to dismiss, in part based on the failure of the government to follow its own regulations vis a vis the probable cause determination. Complainant's motion in limine had caused the undersigned to re-review the Complainant's affidavit and the probable cause determination submitted to him in camera, which caused the undersigned to be concerned regarding the

equivocal nature of the affidavit and the failure of the Committee's probable cause determination submitted in camera to have any dates accompanying its members' signatures. Therefore, the undersigned concluded that reconsideration of the his order denying dismissal based on a lack of subject matter jurisdiction was necessary. The undersigned had the option of either sua sponte reconsidering the motion to dismiss and ordering further testimony regarding the procedures leading to the complaint or granting Respondent's request for PTO testimony regarding same. In order to protect his own deliberative process, unbeknownst to the parties, the undersigned preferred and pursued the latter.

Additionally, for judicial economy reasons and in order to keep a more intact record, the undersigned directed that Respondent's witness of choice be made available to testify on November 4, 1997, so that the issue of subject matter jurisdiction could be resolved before Respondent began his case-in-chief. On November 4, 1997, Complainant failed to produce the witness but pressed its motion for reconsideration expressing difficulty in complying with the undersigned's order. As an alternative to producing the Respondent's PTO witness of choice, the undersigned granted Complainant the option to submit affidavits by all three members of the Committee on Discipline which unequivocally stated the date(s) they met, how they met (in person, by telephone, or by transmittal coordination), the date they reached a determination and the date they signed the probable cause determination.

Again Complainant voiced difficulty in providing either the testimony or the affidavits. Accordingly, the undersigned directed that Complainant indicate by a date and time certain whether it intended to produce the three affidavits by no later than November 10, 1997 at 12:00 noon [E.S.T.] or whether it would produce Respondent's PTO witness of choice on November 12, 1997 at 11:00 a.m. In the interim, the hearing was ordered adjourned. The undersigned further ordered that should Complainant choose to provide neither, the parties were directed to appear on November 12, 1997 at 11:00 a.m. for oral argument as to whether the complaint should be dismissed with prejudice. On November 6, 1997, Complainant provided the affidavits and requested that the hearing reconvene on November 12, 1997. The hearing was reconvened on November 12, 1997. With respect to the issue of the lack of a properly obtained probable cause determination, the undersigned concluded that the affidavits submitted to him satisfied him that the Committee had met as required by regulation either through meeting personally, by teleconference or by transmittal coordination of the probable cause determination. Given that the discovery period for the case had long expired by the time of the reconvened hearing and that his efforts were in the midst of trial, the undersigned therefore refused to allow Respondent to further pursue the exact type of methodology by which the PTO Committee met and therefore denied his request to

dismiss the complaint based on the Committee's alleged failure to meet.

Motion to Dismiss based on Failure to Comply with 5 U.S.C. § 558(c)

Also at the reconvened hearing, Respondent moved for dismissal of the proceeding based on Complainant's failure to comply with 5 U.S.C. § 558(c), citing Capitol Produce, discussed supra.

With respect to Respondent's contention that Complainant had failed to comply with 5 U.S.C. § 558(c), the undersigned concluded that contrary to Complainant's contention, it had not given Respondent the type of notice and opportunity, as contemplated by 5 U.S.C. § 558(c), to demonstrate or achieve compliance regarding the specific facts alleged in its complaint. Accordingly, the undersigned ruled that Complainant had the burden of proving by clear and convincing evidence the factual allegations and the violations of the PTO Disciplinary Code cited in the complaint were wilful.

Additionally, the undersigned concluded that Complainant had failed to demonstrate that public health, interest, or safety waiver contained in 5 U.S.C. § 558(c) was applicable to the facts involved in this case. The undersigned based his conclusion in large part on the Capitol Produce decision, finding that if the public health, interest or safety waiver did not extend to circumstances involving the suspension of licenses of merchants of food products undergoing Department of Agriculture inspection, then such public health, interest or safety did not require waiver here.

Dismissal of Count One

On October 3, 1997, Respondent moved to dismiss Count 1 of the complaint arguing: that it was barred by the applicable five year statute of limitations, 28 U.S.C. § 2462; that Complainant did not intend to offer testimony regarding this count and therefore would (relying on aged information and a cold record) be violating Respondent's due process rights to a fair hearing including his Sixth Amendment right to cross-examination; and that the searches and reports involved in Count 1 were not within the jurisdiction of Complainant's office. 4/ Respondent cited Johnson

4/

The undersigned never reached Respondent's latter two arguments but noted that the proceeding before him was an administrative law proceeding pursuant to the Administrative Procedure Act, 5 U.S.C. § 551 et seq., and was therefore a civil, not criminal, proceeding.

(continued...)

v. SEC, 87 F.3d 484, 488-89 (D.C. Cir. 1996), wherein the court ruled that by seeking the suspension of a securities industry supervisor, the SEC was pursuing the enforcement of a penalty and was accordingly bound by 28 U.S.C. § 2462's five year statute of limitations.

On October 20, 1997, Complainant filed her opposition to the motion to dismiss. Complainant did not dispute that the actions complained of in Count 1 were over five years old nor did Complainant dispute the applicability of 28 U.S.C. § 2462 to this proceeding. Instead, Complainant contended that the motion to dismiss is moot given that Respondent failed to raise the statute of limitations as an affirmative defense in his answer to the complaint, therefore waiving that defense. Complainant cited her own rule 37 C.F.R. § 10.136(c) as having required Respondent to "state affirmatively special matters of defense." Additionally, Complainant cited case law holding that a statute of limitations defense is waived unless it is affirmatively asserted in an answer. Complainant also noted an accord to Federal Rule of Civil Procedure 8(c). Finally, Complainant noted that Respondent waited until the "eve of hearing to present this defense."

Given the lack of dispute, 28 U.S.C. § 2462's five year statute of limitations was accordingly found to be applicable to this proceeding.

The undersigned concluded that Respondent in his answer did not waive his affirmative defense of the statute of limitations. 5/ In his answer to the complaint, Respondent listed as affirmative defenses:

[T]he delay in bringing these counts . . . over a period of years denies due process rights and fundamental fairness [and] the principal [sic] inherent in the countless laws barring the institution of actions after the passage of years should be applied to bar proceedings based on acts

4/(...continued)

Accordingly, the Sixth Amendment right to confrontation was not applicable.

5/

Regarding Complainant's reliance on her own regulations to conclude that Respondent waived his statute of a limitations defense, the regulations cited by Complainant do not require such a waiver. Neither 37 C.F.R. §10.136(c) nor any of her other regulations require a waiver if an affirmative defense is not pled. Only allegations contained in the complaint if not denied are treated as admitted. Finally, it is axiomatic that federal regulations may not contravene federal law.

that occurred many years ago and were known, but not acted upon, for a period of years by the prosecuting authorities.

One need not use the exact words "statute of limitations" when asserting this affirmative defense. See Daingerfield Island Protective Soc. V. Babbitt, 40 F.3d 442, 444-45 (1994) (citing Kulzer v. Pittsburgh-Corning Corp., 942 F.2d 122, 125 (2nd Cir. 1991), cert. denied, 503 U.S. 939 (1992) (government's boilerplate affirmative defense that complaint "barred by the applicable statute of limitations" sufficient to invoke Tucker Act without specific citation to the Act and further that while statute of limitation defense must be asserted it "need not be articulated with any rigorous degree of specificity")). Accordingly, while Respondent's statute of limitations defense was not articulated with any degree of rigor, a fair reading of the above cited portions of Respondent's affirmative defenses discloses an invocation of the statute of limitations.

Even if Respondent's answer was read as not having properly invoked the applicable statute of limitations, contrary to Complainant's assertion, Respondent did not waive this defense by failing to include such in his answer. Complainant recited only case law supporting her position and failed to contrast opposing case law. Contrary to her recitation, there is a split in U.S. courts as to the interpretation of how to mesh Rules 8(c) and 12(h)(2) of the Federal Rules of Civil Procedure. Consistent with Complainant's argument, a number of courts have held that unless asserted as an affirmative defense in an answer, a statute of limitations defense is waived. However, a number of courts have held the opposite. See Hargett v. Valley Federal Sav. Bank, 60 F.3d 754, 762 (11th Cir. 1995); Polsby v. Chase, 970 F.2d 1360, 1364 (1992), cert. granted, vacated 507 U.S. 1048 (1993), on remand 925 F. Supp. 379 (1996); Peterson v. Airline Pilots Assoc. Intern., 759 F.2d 1161, 1164 (4th Cir. 1985), cert. denied 474 U.S. 946 (1985); Rivera v. Anaya, 726 F.2d 564, 566 (9th Cir. 1984) (failure to plead a statute of limitations as defense may result in waiver, but that courts do not abuse discretion by allowing post answer assertions of this defense if such late assertion does not result in prejudice or delay).

The undersigned's reading of the case law substantiated a trend away from the position argued by Complainant. Instead, courts are moving toward allowing late assertion so long as it does not delay the proceedings nor result in prejudice to any party's presentation of his/her case. Complainant's attempt to assert prejudice by stating that Respondent filed his motion on the eve of trial misstates the facts. Respondent filed his motion

a month prior to the initial hearing in this case. 6/ His motion did not delay that hearing nor did Complainant make any substantial representation that the motion would otherwise prejudice her presentation of her case.

Accordingly, given that Respondent did not waive his affirmative defense of the statute of limitations, given the statute's application to this type of proceeding and given that Complainant did not contend that its claim against Respondent accrued less than five years ago, for good cause shown, the motion to dismiss Count 1 was granted.

Rule on Sequestration of Witnesses

At the request of Respondent and there being no objection from Complainant, all factual witnesses were sequestered for the balance of the hearing.

Six Month Time Frame for Hearing and Deciding this Case

The above docketed case was assigned to this office in April 1997. The memorandum of guidance and procedures given to judges assigned to PTO cases stated that the initial decision was to be rendered no later than six months after the filing of the complaint unless "there are unusual circumstances which preclude issuance" by such date. As noted above, the complaint was filed on April 2, 1997. As a result, the initial decision in this case was due on October 2, 1997. The undersigned was not assigned to this case until mid-May 1997. Given the above extensive pre-trial procedural history, given the extensive nature of the complaint and evidence adduced into the record in support thereof and in response thereto, given the fact that trial was not completed in this matter until November 19, 1997, and reply briefs were not filed until January 5, 1998, it should be readily apparent that "unusual circumstances" existed which precluded the issuance of this decision by October 2, 1997.

JOINT STIPULATION OF MATERIAL FACTS

On August 13, 1997, the parties filed the following joint stipulation of material facts:

1. Respondent John P. Halvonik, Gaithersburg, Maryland, is an attorney, a member of the Pennsylvania Bar, and is registered to practice before the PTO, Registration No. 32,796. At all times

6/
Testimony taken on October 16, 1997, from Complainant's Nelson witnesses related to a separate free standing charge against Respondent.

relevant to this matter, Halvonik was a sole practitioner with a patent law practice and was engaged in the practice of patent law before the PTO.

2. Karen L. Bovard ("Director") is the Director of the Office of Enrollment and Discipline ("OED") at the PTO.

3. On or about May 7, 1990 Robert Marcon, an individual inventor, retained Halvonik to conduct a patent validity search regarding U.S. Patent No. 4,805,535 and provide a written report regarding the validity search. The patent is for a "slug" or bullet.

4. Halvonik gave Marcon an estimate of about four weeks for the time it would take to perform the work.

5. Marcon's telephone records show that he called Halvonik's office on June 19 and June 27, 1990.

6. Halvonik responded to Marcon's messages by writing to him on July 13, 1990, apologizing for the delay in getting back in touch with him, and giving a status report of the search to date. He advised that he was looking for additional search areas, that he wanted to do as good a job as possible, and needed an additional two to three weeks.

7. In a letter dated August 21, 1990, Marcon complained to Halvonik about the length of time to date to complete the project.

8. By letter dated October 4, 1990, Halvonik advised Marcon that the patent was valid. He apologized for the length of time it took to complete the search and stated that he would send a formal report in a few days as copies of the related patents were obtained. Halvonik acknowledged that he would understand if Marcon lost confidence in him.

9. By letter dated November 14, 1990, Marcon advised Halvonik that he needed the formal report and stated that his licensing agreement with the manufacture was in "jeopardy." Marcon again complained about the length of time to complete the work.

10. Halvonik provided a formal validity study dated February 15, 1991 to Marcon.

11. Marcon wrote to OED on December 19, 1990 to complain about Halvonik, particularly in regard to the delay in receiving the formal report and what he perceived to be Halvonik's lack of responsiveness to his telephone inquiries.

12. OED made written inquiry of Halvonik regarding the issues raised in Marcon's complaint. Halvonik responded in writing.

13. On November 4, 1992, the Director's predecessor, Cameron Welffenbach, advised Halvonik by letter: "I have decided not to present this case to the Committee on Discipline at this time, but to give you the opportunity under 5 U.S.C. §558(c) to come into compliance with the rules and regulations of the PTO. Accordingly, this investigation is terminated at this time. However, this matter will be considered in dealing with any further complaint or evidence of misconduct which may come to the attention of the office in the future."

14. Halvonik heard nothing further from OED regarding the Marcon complaint until after April 2, 1997, the date on which this Complaint was filed.

15. On or about August 24, 1992, Jack Rick Nelson retained Halvonik to prepare and file a patent application for his invention for a molding strip to be used in replacing automobile windows.

16. Nelson paid Halvonik \$1000.00 in two \$500.00 installments on August 24 and September 19, 1992 as work progressed.

17. On or about October 8, 1992, Halvonik sent via facsimile to Nelson an initial draft of the patent application, with a Small Entity Declaration form and a Patent Declaration form. Halvonik included written instructions about signing such forms.

18. Nelson sent via facsimile to Halvonik clarifications on October 8, 1992, October 12, 1992, and October 14, 1992. Nelson added numbered drawings in his October 12, 1992, transmission.

19. Prior to October 21, 1992, Halvonik and Nelson discussed the revision by telephone.

20. On October 21, 1992, Halvonik sent via facsimile to Nelson a revised application.

21. Halvonik and Nelson are not in agreement about the substance of their discussion on or about October 21, regarding the October 21, 1992, draft application.

22. On or about October 22, Nelson sent Halvonik a signed Small Entity Declaration and a signed Patent Declaration with \$355.00 for the filing fee.

23. On October 29, 1992, Halvonik filed the October 21, 1992, version of the application with the PTO.

24. After the filing of the patent application, Nelson inquired of Halvonik regarding the version of the application that was filed.

25. On or about February 4, 1993, Halvonik advised Nelson that the draft had been filed without the dimensions, and that an Office Action had been issued by the PTO on January 22, 1993, regarding the application.

26. Nelson discharged Halvonik on February 5, 1993, requested a return of his files and a refund of all money paid. Halvonik returned the files and offered Nelson \$1355.00 in settlement by letter dated February 5, 1993.

27. On or about February 5, 1993, Halvonik telephoned Nelson and offered to file a new patent application.

28. Nelson declined the settlement offer.

29. On February 5, 1993, Halvonik represented to Abigail Roseman that Nelson owed Halvonik additional fees.

30. On February 24, 1993, Halvonik filed a "Statement Under Rule 56" in the United States Patent and Trademark Office regarding Nelson's patent application. Halvonik stated: "The applicant executed the oath after reading the older draft, signed and dated it 10/22/92 and mailed the oath back with instructions to file "

31. Halvonik has not returned any money to Nelson.

32. By letter dated February 18, 1993, Nelson filed a complaint regarding Halvonik with OED.

33. Halvonik responded to three written inquiries regarding the matter from OED. His last response to OED's request for information was made on January 24, 1994.

34. On or about March 27, 1993 Diane Palmer hired Halvonik to prepare and file a patent application for a kitty litter box. Palmer sent Halvonik invention disclosure material and a check for \$1300.00.

35. Based on the disclosure material, Halvonik prepared a rough draft of the patent application and sent it to Palmer with his questions and comments on or about April 27, 1993.

36. Palmer revised the rough draft and returned it to Halvonik on or about May 10, 1993 with a cover letter answering his question, setting out additional questions regarding patent requirements, and enclosing additional drawings. In addition, she requested that Halvonik send her instructions and an appropriate

format for her to file her own patent application for a kitty litter skirt.

37. Palmer called Halvonik on May 19, 1993 to advise him to cease work on the application. She asked for the return of a portion of her fee.

38. Halvonik responded to Palmer that he had almost completed the application as instructed.

39. On May 19, 1993, Palmer discharged Halvonik in the course of their telephone conversation. She asked him to send her by facsimile the work he had done. He sent her the document included in the Appendix to the Complaint at 199-207.

40. On May 20, 1993 Palmer sent Halvonik a letter confirming his discharge. She requested a refund of the entire fee paid.

41. By letter dated June 12, 1993, Palmer requested refund of the fee paid and a return of materials.

42. Halvonik declined to refund the entire fee.

43. On or about July 23, 1993, Halvonik sent Palmer a check for \$500.00.

44. Palmer wrote back on July 26, 1993, advising that she had retained counsel.

45. Joel Sachs, counsel for Palmer, wrote to Halvonik on August 5 and August 30, 1993.

46. On or about August 20, 1993, Halvonik stopped payment on the \$500.00 check that he had sent to Palmer.

47. Halvonik did not send any other refund to Palmer.

48. By letter dated November 8, 1993, Palmer filed a complaint regarding Halvonik with OED.

49. Halvonik responded on December 30, 1993 to a written request for information from OED regarding Palmer's complaint.

50. Halvonik heard nothing further from OED regarding Palmer's complaint until after April 2, 1997, when this Complaint was filed.

COUNT TWO AND RELEVANT ADMISSIONS/DENIALS

By filing an incorrect and incomplete version of a patent application in the PTO, by engaging in conduct involving

misrepresentation to the PTO or another party, by attempting to limit his liability to a client for his practice, and by not returning money paid by the client, Respondent engaged in professional misconduct in violation of 37 C.F.R. §§ 10.23(a), 10.23(b)(4), 10.23(b)(6), 10.77(c), and/or 10.78.

22. On or about August 1992, Jack Richard Nelson (Nelson) did retain Respondent to prepare and file an application for patent on an invention (Appendix, p. 63). **ADMITTED**

23. On October 8, 1992, after Nelson paid Respondent \$1,000.00 (Appendix, pp. 63, 67 and 69), Nelson received from Respondent an initial draft of a patent application (Appendix, pp. 63, and 70-75). On information and belief, also on October 8, 1992, Respondent did send Nelson written instructions about signing a Small Entity Declaration form and a Patent Declaration form (Appendix, p. 121), and Respondent did send Nelson a Small Entity Declaration form and a Patent Declaration form (Appendix, p. 122). **ADMITTED**

24. Respondent's initial draft application was incomplete and incorrect (Appendix, pp. 63, 70-75). **DENIED**

25. Under 37 C.F.R. § 1.74, "[w]hen there are drawings . . . the detailed description of the invention shall refer . . . to the different parts by use of reference letters or numerals (preferably the latter)." **ADMITTED**

26. The initial draft application was incomplete. On information and belief, the initial draft application was incomplete because, inter alia, although the specification describes views of two (2) drawing figures (Appendix, p. 73), (i) Respondent did not provide drawings, (ii) the detailed description of the invention did not refer to the different views by specifying the numbers of the figures, and/or (iii) the detailed description of the invention did not refer to the different parts of the invention by use of reference letters or numerals (Appendix, pp. 70-75). **DENIED**

27. The initial draft application was incorrect. On information and belief, the initial draft application was incorrect because, inter alia, (i) the word "sealant" was used instead of "adhesive" (Appendix, pp. 70-75), (ii) the description of a preferred embodiment was omitted (Appendix, p. 74), and/or (iii) the disclosure was misdescriptive (Appendix, p. 74). **DENIED**

28. Because Respondent's initial draft was incomplete and incorrect, Nelson did type his own rough draft (the retyped draft) and did include additional information relating to dimensions of his invention (Appendix, pp. 81-86; 119; 118 - Questions 4, 5, and 6; and 121 - Answers 4, 5, and 6). On or about October 12, 13 or

14, 1992, Nelson did provide Respondent with a copy of the retyped draft (Appendix, pp. 81-86). **DENIED**

29. On or about October 14, 1992, Nelson did communicate with Respondent via telephone and facsimile, and did suggest changes necessary to be made to Respondent's initial draft (Appendix, p. 63; 127 - Interrogatory 6; 131 - Response 6; 137 - Interrogatory 30; and 139 Response 30). **ADMITTED**

30. On information and belief, based on his telephone and/or facsimile communication with Nelson, and Nelson's retyped draft, Respondent did prepare a revised draft application (Appendix, p. 127 - Interrogatory 6; 131 - Response 6; 137 - Interrogatory 30; and 139 - Response 30). On or about October 21, 1992, Respondent did send Nelson the revised draft application (Appendix, p. 92-103; 127 - Interrogatory 7; and 131 - Response 7). **ADMITTED**

31. Respondent's revised draft application was incorrect (Appendix, pp. 93-103). On information and belief, the revised draft application was incorrect because, inter alia, (i) the word "sealant" was used instead of "adhesive" (Appendix, pp. 94-96, 98 and 100), (ii) a description of the preferred embodiment was omitted (Appendix, p. 99), and/or (iii) the disclosure was misdescriptive (Appendix, pp. 97 and 99). **DENIED**

32. On or about October 21, 1992, Nelson did communicate with Respondent on the telephone, and did indicate that errors which occurred in Respondent's initial draft application remained in Respondent's revised draft application (Appendix, p. 63; 127 - Interrogatory 8; 131 Response 8). On information and belief, Nelson did request that the errors in Respondent's revised draft application be corrected prior to filing a final version of the application (Appendix, pp. 63, and 120). **DENIED**

33. On information and belief, during a telephone conference on or about October 21 or 22, 1992, Respondent orally countermanded his written instruction of October 8, 1992, that Nelson not sign a declaration until Nelson was satisfied with the draft, and Respondent did instruct Nelson to sign the Small Entity Declaration and Patent Declaration (Appendix, pp. 63; 120, 122; 117 - Question 3; and 121 - Answer 3). **DENIED**

34. On information and belief, pursuant to Respondent's instruction, Nelson signed a Declaration for a patent application and a Small Entity Declaration. Nelson sent the same and a check to Respondent without a specification and claims, and without instructions for Respondent to file the revised application in the PTO (Appendix, p. 63; 117 - Question 1; and 121 - Response 1). **DENIED**

35. On or about October 22, 1992, pursuant to Respondent's instructions, Nelson did send to Respondent the signed Small

Entity Statement, signed Patent Declaration, and \$355.00 to cover the government filing fee for a patent application (Appendix, p. 63). **ADMITTED**

36. On October 29, 1992, Respondent did file the revised application in the PTO as a patent application without correcting the errors in the revised application (Appendix, pp. 108; 115; 127 - Interrogatory II; and 131-132 - Response 11). **DENIED**

37. In response to interrogatories from OED, Respondent did represent to the PTO that since Nelson signed the revised application, Respondent "assumed" that Nelson "approved the last draft" (Appendix, pp. 128 - Interrogatory 12; 132 - Response 12). **ADMITTED**

38. Respondent did represent to the PTO that Nelson instructed Respondent to file the revised application in the PTO (Appendix, pp. 119, 128 - Interrogatory 12; and 132 - Response 12). **ADMITTED**

39. The filed application was incomplete and incorrect. The application did not include corrections Nelson requested in a telephone conference with Respondent on or about October 21 or 22, 1992 (Appendix, pp. 115 and 119). The filed application also omitted information regarding dimensions of Nelson's invention which Nelson provided to Respondent in Nelson's retyped draft (Appendix, pp. 129 - Interrogatory 19; 132 - Response 19). **DENIED**

40. In an Office action dated January 22, 1993, claims in the filed application were rejected under 35 U.S.C. § 112 for, inter alia, being indefinite for failing to distinctly claim the invention, and an objection was raised because of an inconsistency between the specification and drawings in the filed application (Appendix, pp. 108-114). **ADMITTED**

41. On or about February 5, 1993, Nelson did communicate with Respondent, and Nelson did request the return of his files and return of the money he had paid Respondent (Appendix, p. 106). **ADMITTED**

42. On or about February 5, 1993, Respondent did communicate with Abigail Roseman, Nelson's private attorney, and did represent to Roseman that Nelson owed Respondent money (Appendix, pp. 64; 129 - Interrogatory 22; and 132 - Response 22). **ADMITTED**

43. On information and belief, Nelson did not owe money to Respondent (Appendix, p. 64). **DENIED**

44. By letter to Nelson dated February 5, 1993, Respondent did send to Nelson his files, and Respondent did state "I am prepared to forward a settlement offer of \$1355.00. Is this acceptable?" (Appendix, p. 124). **ADMITTED**

45. Respondent did attempt to limit his liability for personal malpractice by offering to return Nelson's money if Nelson agreed not to pursue other damages (Appendix, pp. 65, 124, 130 - Interrogatory 24; 133 - Response 24). **DENIED**

46. On information and belief, Respondent did not promptly return to Nelson the money Nelson paid to Respondent (Appendix, pp. 65, 130 - Interrogatory 25; 133 - Response 25). **DENIED**

47. On or about February 24, 1993, Respondent did file in the PTO a Statement Under Rule 56 alleging that, Nelson "mailed the oath [i.e., Patent Declaration] back [to Respondent] with instructions to file" the revised application (Appendix, p. 19). **ADMITTED**

48. Respondent did neglect the preparation of a complete application for Nelson by providing Nelson and filing in the PTO an incorrect and incomplete application. **DENIED**

49. Respondent did not earn all the money Nelson sent to him for preparation and filing of a patent application. **DENIED**

50. Respondent has knowingly participated in the course of conduct described in paragraphs 22 through 49 of this Count 2, and as a consequence thereof, has been in violation of the PTO Code of Professional Conduct in the following respects: **DENIED**

a. Respondent's handling of all aspects of Nelson's patent application and failure to return Nelson's money constitute gross misconduct in violation of 37 C.F.R. § 10.23(a); **DENIED** and/or

b. Respondent's representation to Roseman that Nelson owed money, and/or Respondent's representations to the PTO or OED that Nelson approved the revised application and instructed Respondent to file the revised application constitute conduct involving misrepresentation, dishonesty, fraud, or deceit in violation of 37 C.F.R. § 10.23(b)(4); **DENIED** and/or

c. Respondent's handling of all aspects of Nelson's patent application and failure to return Nelson's money constitute conduct which adversely reflects upon Respondent's fitness to practice in violation of 37 C.F.R. § 10.23(b)(6); **DENIED** and/or

d. Respondent's conduct of filing the incorrect and incomplete revised application constitutes neglect of a legal matter entrusted to him, and failure to act competently in violation of 37 C.F.R. § 10.77(c); **DENIED** and/or

e. Respondent's conduct in offering to return Nelson's money if Nelson agreed not to pursue other damages constitutes an

attempt to limit his liability for personal malpractice in violation of 37 C.F.R. § 10.78; **DENIED** and/or

f. Respondent's failure to refund Nelson's money which Respondent did not earn constitutes failure to promptly pay or deliver to the client as requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive in violation of 37 C.F.R. § 10. **DENIED**

SUMMARY OF EVIDENCE COUNT TWO

Complainant's Relevant Documentary and Testimonial Evidence

Respondent admitted most of the factual allegations contained in Count Two but denied the legal conclusions drawn by the complaint from such facts. Therefore a recitation of the documentary facts supporting the admitted factual allegations is truncated here. This recitation will instead focus on the testimonial evidence which is supplementary to such allegations and/or relevant and material to disputed factual issues.

Complainant called Jack Richard Nelson ("Nelson") and Connie Nelson ("C.Nelson") to testify. Nelson testified that he initially contacted Respondent via Respondent's toll-free number which Nelson had obtained from Yellow Pages and in response to the call received a package from Respondent. He noted that he had never met Respondent and only dealt with him via telecommunications. He further testified that on August 24, 1992, he sent Respondent a \$500.00 retainer for an initial draft of his patent and an additional \$500.00 on September 19, to complete a final patent application and finally paid Respondent \$355.00 for filing fees associated with his patent on October 22, 1992. (Nelson Tr.15-16). Nelson testified that before he got his draft application, Respondent had called for the second payment and seemed surprised that Nelson had not yet received the draft. Nelson stated that he paid the second \$500.00 before receiving any draft application but that he did receive a draft application by fax on October 8, 1992. (Nelson Tr.17-22). Nelson stated that the handwriting on Exhibit 24-C was his own. (Nelson Tr.23, 25).

Nelson stated that once he got the initial fax from Respondent, he [Nelson] retyped the fax into his own computer so that he had a distinguishable (from Respondent's initial draft) working copy of the text, (Nelson Tr.24, 68), spoke with Respondent about the changes/additions he wanted made to the draft (Nelson Tr.43), sent a fax (Exh. 34, Bates #708-718, Nelson Tr.65)

to Respondent 7/, the cover page of which was addressed to "John" [Halvonik] (Nelson Tr.127) and indicated that he [Nelson] "would like to file as soon as possible ("ASAP") (Exh. 34, Bates #708). Nelson denied that this statement was meant to instruct Respondent to file the patent application immediately. (Nelson Tr.31). On October 14, 1992, a fax was sent by the Nelson fax machine [which was received by Respondent, given Respondent's admission that the handwriting on Bates #704 is his own] regarding the Nelson patent and again contained the changes/additions that Nelson had earlier discussed with Respondent. (Exh. 34, Bates #704-7).

Nelson testified that he was "not pleased" with Respondent's October 21, 1992, revised draft of the application because the changes/additions that he (Nelson) had made to the October 8, 1992 fax [from Respondent] and which had been sent to Respondent as well as having been orally communicated to Respondent, had not been made. (Nelson Tr.37-38). Nelson testified that when he received the October 21, 1992 fax he was therefore not ready to file the Respondent's October 21, 1992 version in its current form until he had seen a final version of the application. (Nelson Tr.44). Nelson stated that after receiving the October 21, 1992 fax he attempted to contact Respondent. However, he testified that he had some difficulty communicating with Respondent, just as he had encountered throughout the application process, because Respondent never would return calls made to his office. (Nelson Tr.47-48). Nelson further stated that he eventually reached Respondent on the telephone and again discussed, as well as faxed, the specific changes/additions that needed to be made to the October 21, 1992 revised version of the application. Nelson testified that Respondent promised to make the requested changes/additions. Nelson further testified that he expressed his concern to Respondent about signing the oath or declaration because the document itself indicated that he should not sign it until he had a final version of the application before him. (Nelson Tr.44-47, 83-84).

Nelson testified that his exasperation with Respondent stemmed from the fact that it appeared to him that Respondent had not heeded nor may not have even looked at corrections that Nelson had provided Respondent regarding Respondent's initial draft application. Specifically, Nelson referred to the sentence reading "Finally, when the window is suitably secured in the window, the foam dam may be removed" that he directed be stricken from the application. Nelson testified that he and Respondent discussed striking the sentence specifically but that the

7/

The text of Exh. 34 Bates #709-715 and 718 was not received for being illegible. However, the fax markings do indicate that a fax was sent by Nelson's fax machine on October 12, 1992.

application as filed by Respondent still included the language. (Nelson Tr.53-58).

Based on Respondent's assurances to him that his corrections/additions to the October 21, 1992 would be made, Nelson acknowledged that he signed the declaration but denied that by doing so he had approved the filing of the October 21, 1992 version and asked that Respondent send him a final corrected copy to approve. (Nelson Tr.47, 70-71).

Nelson also testified that on February 5, [1993], he wrote and sent to Respondent a notice of termination of services because he had learned that the application that Respondent had filed was a "rough draft" and that he had not authorized Respondent to file any documents on his behalf after February 5, 1993. (Nelson Tr.48-49, 72, 95). He further testified that it was his impression that Respondent was putting him off and that he felt abandoned in his efforts to get a copy of what had been filed on his behalf in October 1992. (Nelson Tr.49-50). When he finally discussed with Respondent what had been filed, Nelson testified that Respondent was confused and could never find the final version and that he believed that no final version had ever been prepared by Respondent. (Nelson Tr.73, 145). Nelson testified that Respondent promised to refund all Nelson's money and to return his files and indicated that he wished that Nelson not make any complaints to the Bar or PTO and that he (Nelson) construed the request not to complain as a condition for him to get his money refunded but that Respondent never instructed him to seek independent legal advice concerning Respondent's offer. Nelson stated that he got his files returned (Nelson Tr.81) but not his money and noted that Respondent had never provided him a bill, invoice nor stated to Nelson that he owed Respondent any money. (Nelson Tr.75-76).

Nelson testified that he hired a second attorney to work on his patent application which cost him an additional \$2,500.00 and that for that amount he got an attorney that was responsive, understood his patent and put his application in order. (Nelson Tr.79). 8/

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Exhibit 79 [Nelson's AT&T long distance toll record] indicates that Nelson placed telephone calls to Respondent on August 6, 19, September 3, 16, 17, 25, 28, 29, October 8, 9, 12, 14, 22, November 3, 13, December 9, 10, 28, 1992 and January 5, 6, 12, 1993. This toll record also indicates that discussions of 10 minutes or longer occurred on September 16, October 8, 14, 22, December 28, 1992 and January 6, 1993. The same toll records indicate that Nelson sent a telefacsimile to Respondent on September 17 and October 8, 12, 1992.

During cross-examination, Nelson testified that the patent application that Respondent worked on was Nelson's first (Nelson Tr.99), that he came up with the idea of the patent in July 1992, (Nelson Tr.101), that he sent out a press release regarding the patent prior to contacting Respondent (Nelson Tr.101-02) but later changed his testimony to state that he issued the press release in December 1992 after he had initiated the patent application process (Nelson Tr.175-76), and that Respondent was the cheapest of the attorneys he consulted from those he found in the Yellow Pages. (Nelson Tr.102). He testified that in February 1993, he contacted the PTO about his complaint against Respondent, first heard back from the PTO in September [1993] and then followed up with PTO regarding his complaint for the following 18-24 months. (Nelson Tr.106). Nelson acknowledged that he was concerned about the timetable for filing because he had one year to get the application filed and that because of press release he had issued others might also get an application started, but denied that he ever told Respondent to expedite or hurry the filing. (Nelson Tr.110-11). He admitted asking Respondent to file "as soon as possible" because of his concern for timing. (Nelson Tr.112-13). Nelson acknowledged that he had received a "professionally done packet" from Respondent which walked one through the patent application process and indicated that Respondent's fee for filing an application was \$1,000.00 paid up front. (Nelson Tr.114, 120). Nelson also testified on cross-examination that he sent Respondent \$500.00 after receiving the package but before ever talking to Respondent. (Nelson Tr.115). Nelson also acknowledged that he could not recall who initiated the next communication between them but that, during it, he informed Respondent that he [Nelson] had not yet received a draft and that Respondent seemed surprised to hear that and responded that the application was "going good" and that he needed another \$500.00 to continue working on it. Nelson stated that he agreed to and did mail the \$500.00. (Nelson Tr.117-19). Nelson testified that by October 14, 1992, Respondent had three versions of the application, i.e., the original which was Respondent's own written work product, the original version marked-up with Nelson's handwriting and sent to Respondent by Nelson on October 9, 1992, and the redrafted version which had been typed by Nelson on his own computer and sent to Respondent on October 14, 1992. (Nelson Tr.122-24). Nelson admitted that as of October 1992, Respondent had been acting promptly in getting the work done. (Nelson Tr.125). Nelson also admitted that he never expressed anything to Respondent indicating that he was no longer interested in filing ASAP. (Nelson Tr.129). Nelson testified that the October 21 or 22, 1992, telephone conversation between himself and Respondent lasted over an hour and that during that conversation he asked how long it would take to get the application filed. (Nelson Tr.129). Nelson also admitted that when he signed the declaration he knew that the specification of the invention must be in existence when the declaration is signed and may not be changed after the inventor signs the declaration. He denied that his check mark was placed on the declaration

indicating that the application was attached thereto. He stated that Respondent had directed him to sign the statement even though it was false and to swear to such under penalty of perjury saying that it would be all right. (Nelson Tr.134-38). Nelson admitted that based on this direction from Respondent, he signed something he knew to be false (Nelson Tr.139), only relying upon Respondent's verbal assurance that he [Respondent] would create a fourth version of the application with the changes/additions directed by Nelson. (Nelson Tr.140, 147-48).

Nelson further admitted on cross-examination that, a couple of weeks after October 28, [1992], he did receive another copy of the October 21 version with an indication from Respondent that it was the application that Respondent had filed and as a result Nelson testified that he informed Respondent that he [Nelson] thought that either the wrong version had been filed or he had received the wrong copy. Nelson stated that Respondent responded that he could not obtain access to the application until a PTO office action/file number had been taken/assigned to the application but that he [Respondent] would try. (Nelson Tr.142-44). Nelson described the changes that he directed Respondent to make during their October 21 [1992] hour long telephone conference as being important, (Nelson Tr.146-59), but acknowledged that the patent attorney he hired after Respondent did not perceive many of the changes that Nelson proposed to be important, in particular the change from "sealant" to "adhesive". (Nelson Tr.183-87, 212). Nelson admitted that if Respondent had filed an acceptable final version he would have earned his entire \$1,000.00 fee. (Nelson Tr.160). Further, Nelson acknowledged that he asked Respondent to determine which application had been filed. (Nelson Tr.160).

In response to questions from the undersigned, Nelson stated that Respondent's price for filing a patent application was one half of what others quoted Nelson, but that considering Nelson got "a half a job," Respondent may have "earned" the \$1,000.00. (Nelson Tr.220).

Regarding discussions of settlement, Nelson testified on cross-examination that Respondent had agreed to return the Nelson file and refund all his money, expressing concern that Nelson not file a complaint against him [Respondent]. Nelson also testified that he had not agreed to refrain filing a complaint and that he was surprised to get his file back without any refund. He noted that he did not expect to receive a return of his filing fee. (Nelson Tr.199-202).

In response to a question from the undersigned, Nelson testified that he continued to feel that Respondent had "misrepresented" him [Nelson] because he [Respondent] had filed a patent application that was missing information which resulted in Nelson's application being rejected by PTO and because Respondent had not made the changes that Nelson had directed and admitted

that even though the eventual filing was little different than what Respondent had filed, Nelson testified that because he had a better communicating relationship with his new attorney, he was less concerned about the language of his application. (Nelson Tr.204-208).

C.Nelson testified that she had periodically discussed her husband's patent application on the telephone with Respondent and she recalled that Respondent was concerned about whether or not Nelson would file a complaint with the PTO against him. (C.Nelson Tr.222-23).

On rebuttal, Complainant called John Karasek as an expert witness. Respondent did not oppose such testimony. (Karasek Tr.1490). Karasek testified that he had reviewed the application that was filed by Halvonik on behalf of Nelson as well as Nelson's and Halvonik's transcribed testimony. Karasek concluded that the application as filed by Respondent on Nelson's behalf was deficient as a result of not including the subjective best mode requirement because it did not include the dimensions that Nelson believed to be the best way of practicing the invention. Karasek stated that adding such dimensions (and changing "sealant" to "adhesive" as well as removing certain information) after the filing would risk losing Nelson's filing date because the addition of the dimensions would be considered new matter which requires a new filing date, and that he disagreed with Norris' testimony that such would not be new matter. (Karasek Tr.1498-1514, 1558). Karasek further testified that he disagreed with Respondent's testimony that Nelson was not harmed by Respondent's failure to make the requested corrections because the patent that Nelson obtained might not survive litigation or be as "commercializable". (Karasek Tr.1514).

Karasek further testified that he saw a distinction of filing as attorney of record as compared with filing as attorney for applicant but that he would not continue to represent himself to the PTO as attorney for an applicant if he was not acting on his or her behalf. (Karasek Tr.1524-25). Karasek also testified that asking a client to sign and date a declaration before having made the application's final corrections is prohibited. (Karasek Tr.1527). Karasek additionally testified that Nelson's new attorneys filed an entire new set of more comprehensive claims regarding the Nelson patent than had Respondent. (Karasek Tr.1550-52). Karasek stated that filing an application without including an abstract (as Respondent had filed the Menke application) was "error" resulting in an "incomplete" application. (Karasek Tr.1556). Karasek also testified that he disagreed with Respondent's expert's testimony that dimensions are not useful, noting that such articulate the "best mode" (the inventor's optimal intended use) and are "advantageous" because they will eliminate prior art that might otherwise stand in a patent's way. (Karasek Tr.1557-58). With respect to following up on an

application, if an attorney was concerned that he might have inadvertently filed something incorrectly, Karasek testified that one would have to wait six to eight weeks to get a serial number but after that point one could access any application as soon as they desired. (Karasek Tr.1560-61).

On cross-examination, Karasek testified that he had no experience with small entity applications, that Rule 1.72 requires that an abstract be filed with an application, but that if not filed with an original application, an abstract can be added by amendment either by the applicant or by an examiner's sua sponte amendment. Karasek admitted that with respect to the Nelson or Palmer applications Respondent made no mistakes regarding an abstract. (Karasek Tr.1562-68). Karasek acknowledged that he perceived that Respondent's first draft of the Nelson application was "satisfactory" or "fine" for a first draft. (Karasek Tr.1569). Karasek noted that the claims filed by Respondent were in some respects "broader" and in some respects "narrower" when compared with the claims in the final issued patent. (Karasek Tr.1570-71).

Karasek testified that he perceived that it was every patent attorney's duty to solicit from the client the "best mode" and that Respondent was derelict in preparing Nelson's patent because, while he properly solicited or obtained from Nelson the dimensions that exemplified the "best mode," Respondent nevertheless failed to include the dimensions in the application that was filed. (Karasek Tr.1578-87). Karasek also agreed that Rule 56 is a broad rule and is indifferent to the applicant's interest and requires that an attorney of record, even after being terminated as attorney for the client of record, retains a duty to bring any information material to patentability to the PTO's attention. Karasek testified that the attorney who, subsequent to Respondent, prosecuted Nelson's patent application also had the same duty of soliciting a "best mode" from Nelson. (Karasek Tr.1588-93). Karasek further acknowledged that with respect to the dimensions that Nelson's new attorney argued that the dimensions were obvious from the drawings and did not need to be enumerated in the text of the application and that the patent examiner agreed with the argument and granted the amendment to delete the part of the application where Respondent had left blanks for the dimensions to be filled in. Karasek testified that he thought that the examiner should not have approved the amendment. (Karasek Tr.1722-23). Karasek stated that an applicant can amend the specification to include the dimensions without being concerned for a challenge of having raised new matter. Karasek noted that the "best mode" could be satisfied by drawings and a specification. (Karasek Tr.1603-07). Karasek altered his testimony regarding "best mode" to state that it was "better practice" to determine "best mode" rather than a duty. (Karasek Tr.1612). Karasek reiterated that changing "sealant" to "adhesive" would be considered "new matter" because they are not synonymous terms of art, and denied that it was self-evident from the patent that the urethane involved had

inherent adhesive properties given that the urethane in the patent was described as being urethane sealant and urethane adhesive, and that the urethane used in the car windshield installation process has not necessarily always been an adhesive, (Karasek Tr.1615-1709), and because the patent in figure 7 failed to have a line run from the dotted material to a numeral which precluded one from knowing exactly what was being described as urethane adhesive. (Karasek Tr.1666-68). Karasek did admit that if the urethane used "in the automotive windshield industry are inherently, i.e., always adhesive, always have been that property and necessarily have that property, then you could make reference to that . . . without adding new matter." (Karasek Tr.1716).

On re-direct, Karasek testified that 35 U.S.C. § 112 and 37 C.F.R. 1.71(b) both require the inclusion of the "best mode" with a patent application. (Karasek Tr.1725-27). He stated that based on the patent law concept of "claim/term differentiation" one could conclude that two different materials were involved given the use of "adhesive" and "sealant." (Karasek Tr.1730-33).

On re-cross, he testified that because of the inadequate description of the patent in figure 7, a reader of the application would know that a urethane adhesive was being used but would not know where it was being used. (Karasek Tr.1734-38).

In response to a question from the undersigned, Karasek affirmed that Nelson's concern for using "adhesive" was generated by the fact that such was part of the "shell" concept to which once the windshield was adhered to the pinch frame, the windshield became part of the "shell." (Karasek Tr.1738-39).

Respondent's Relevant Documentary and Testimonial Evidence

Respondent testified that while in law school he was employed part-time beginning in 1988 as a law clerk doing patent searches for eventually three different law firms (Halvonik Tr.960), that he was licensed by PTO in December 1987 and received admittance to the Pennsylvania Bar in November 1988 (Halvonik Tr.963), that he had never served as an associate in any law firm and had only done patent searches, not patent applications, for the firms as a clerk (Halvonik Tr.965-66), that he went directly into solo practice (Halvonik Tr.967), that he markets his services primarily to independent inventors through Yellow page and magazine advertisements listing his toll free number and by undercutting his competition through reduced fees (Halvonik Tr.966-68), that his mailings in response to contacts made through his toll free number had been revised three times in part due to patent law changes (Halvonik Tr.999, 1007-08), that he has changed his methods/practices in response to complaints by clients and as a result he now logs in all calls received, that he has established e-mail and a computerized suspension system (Halvonik Tr.1009-1011), that he has withdrawn as attorney of record from 100

applications because he was unable to establish a satisfactory working relationship with the client, including those cases in which he withdrew because of client inaction (Halvonik Tr.1012, 1014), that seven to eight complaints had been filed with PTO regarding him (Halvonik Tr.1020), that he learned to send memos to confirm conversations and requesting that clients advise him of their intentions, to give priority to those clients that seemed the most anxious, or have questions, complaints or problems, that he should not have "fought" with Palmer about her \$500.00 refund, that he should have been more prompt with another particular client, that he now has every client initial and date their applications before he files them and that he uses an answering machine to insure that client calls are preserved. (Halvonik Tr.1022-28).

With respect to the Nelson application, Respondent testified that he could not recall receiving anything on paper or hard copy or any other communication from Nelson after completing the October 21, [1992] draft that he sent to Nelson and that he could have easily made changes to the application and would never have filed what he did if he had known that his proposed filing was not in accord with Nelson's understanding, invention or description. (Halvonik Tr.1029-33). Respondent testified that subsequent to sending Nelson the October 21 draft he received on October 23, by overnight mail, the filing fee, a patent declaration and small entity declaration and a small piece of paper saying "file ASAP" from Nelson. (Halvonik Tr.1047-48). He further testified that he could recall none of the content of the conversations between himself and Nelson between October 8 and 14, 1992, that he prepared the application that was filed from the information that Nelson had earlier provided him by fax on October 12 and 14, and that he felt pressure from Nelson to get the application filed. (Halvonik Tr.1055-60, 1067-70). Respondent testified that he assumed that the working draft he had on file was a final draft, which is why it was filed, (Halvonik Tr.1073), and that he had not made Nelson's requested change from "sealant" to "adhesive" because it had "obviously escaped my mind." (Halvonik Tr.1075). Respondent stated that he could have easily made the changes, (Halvonik Tr.1075-77), that from the time he sent the proposed filing to Nelson he could recall no conversations with Nelson that occurred before he filed the application, that he recalled having a note to file "ASAP," and that at the time he filed he perceived that he was filing in accordance with Nelson's wishes. (Halvonik Tr.1078). He testified his mistaken filing of the draft resulted because he missed the changes that Nelson had wanted to make as well as the dimensions Nelson wanted included. He also stated that when he received the "overnight package" from Nelson it included a patent declaration, small entity statement, the filing fee and a note saying to file "ASAP," that he took the forms attached the draft to the drawings, put a cover letter on it, stapled the check and took the package to the PTO, but admitted that, had he perused the package carefully, he would have noticed

the blank spaces for the preferred dimensions and it would have waved a "red flag" to him, at which time he would have taken steps to alleviate any problems. (Halvonik Tr.1087-88). Respondent then attempted to explain what steps he might have taken had he realized the problem. He stated that he could have filed without Nelson's declaration thereby obtaining a filing date and preserving Nelson's legal rights, and then later added the declaration (paying a surcharge for the addition). (Halvonik Tr.1089-92). Respondent described that at some point he did look at the file to see what he had filed and even after such a review he was still uncertain as to what had been filed believing he would not have filed the draft that was in the file which had blanks for the dimensions. (Halvonik Tr.1096). Respondent acknowledged that he had intended to change "sealant" to "adhesive" as Nelson had requested, (Halvonik Tr.1095) and he described various hypothetical options that he had for dealing with instances where he realized that the patent application may be erroneous or incomplete. (Halvonik Tr.1097-1104).

Respondent said he could not recall Nelson saying to him prior to February 1993 that he [Nelson] had sent Respondent a revised draft after Nelson received Respondent's October 21 draft; however, Respondent could never find in his file a copy of what Nelson stated he had sent. (Halvonik Tr.1108-09). Respondent denied that because of his mistake a draft application was filed that injured Nelson's patent (Halvonik Tr.1110), noting that a range of sizes/dimensions gleaned from the drawings and industry knowledge could have been added to the application without being subject to a "new matter" objection because such were inherent in what he originally filed. (Halvonik Tr.1111). Respondent testified that had he been retained as Nelson's attorney he could have changed the word "sealant" to "adhesive" without being challenged for having added new matter, because adhesiveness was an inherent property of the type of urethane used in automotive windshield installation (Halvonik Tr.1115-18), and that as a result "sealant" or "urethane" could have been used interchangeably in the application. (Halvonik Tr.1118-19). In response to Nelson's concern that a draft had been filed, Respondent testified that he told Nelson they could refile at Respondent's expense which he could have been done immediately, but that Nelson did not want to refile. Once the serial number was known, Respondent noted that they could wait and see what he had filed, which was they decided to do. (Halvonik Tr.1120-22). Respondent stated that there was no way to circumvent the waiting process; therefore, he waited and a serial number did become available some time in December 1992, the exact date of which he could not recall and that when he got the serial number he called the PTO and was informed that the application was in central files and that he should call back. He testified that he did call back two to three times, and that by late January 1993 he decided to go to PTO and look at the file and was told it was with an examiner and two days later asked again and was finally given the file.

(Halvonik Tr.1123-25). He testified that when he received the file he realized that the official file contained what he had in his own file and he called Nelson to inform him. He described that Nelson was unhappy because he was concerned that as a result of Respondent's "screw-up" he [Nelson] would lose money. He further described that Nelson expressed concern about the Gold patent [which had been issued in September 1992] which Nelson had sent to Respondent in January. After receiving the Gold patent from Nelson, Respondent testified that upon reviewing it, he further discussed it with Nelson and informed him that he [Respondent] perceived that Nelson still had a patentable invention. (Halvonik Tr.1126-35). Respondent stated that he advised Nelson that they either file an amendment or a corrected application at Respondent's expense. Respondent testified that he was not happy with his own work product, that he didn't believe he had ever filed a patent with blanks in it before, that he would have never filed it had he realized the problem, that his exchange with Nelson was heated, that he offered the options noted above to Nelson and a couple days later heard from Nelson's personal attorney who informed Respondent that Nelson wanted his file returned to him, to which Respondent indicated that Nelson might owe him additional fees. Respondent stated that Nelson's attorney informed him that in California one cannot hold back a file based upon a past due balance. As a result, he stated that he called the PTO's Office of Enrollment and Discipline to determine its position on holding back a file for past due balance, was informed he could not, and therefore returned the file to Nelson with a settlement offer proposing to return Nelson's out-of-pocket expenses of \$1,355.00. Respondent could not recall whether he knew that he should advise Nelson to obtain legal counsel regarding the offer and admitted that he did not think that Nelson was being represented by the attorney that had contacted him [Respondent] on Nelson's behalf. (Halvonik Tr.1136-43). Respondent testified that his next action was to file with the PTO a Request for Permission to Withdraw and that until he received such approval he remained as attorney of record and that he perceived that he had an obligation to and did file a Rule 56 statement regarding prior art impacting the Nelson application after he filed for permission to withdraw. (Halvonik Tr.1144-47).

In response to questions from the undersigned, Respondent testified that he had refunded at least four clients' money because no application was ever filed on the clients' behalf: one refund in full, two partial refunds, and a refund check he later stopped payment on. (Halvonik Tr.1017-18). He also testified that with respect to the complaint he did not have much disagreement with the facts alleged in Count Two regarding the initial draft application. (Halvonik Tr.1150-54). He initially admitted that his initial draft of the Nelson application was incomplete in the sense that he did not include drawings and was incorrect because he had used the word "adhesive" when he should have used the word "sealant." (Halvonik Tr.1150). He later refined his answer to

mean that his initial draft was incomplete in that his detailed description of the invention did not refer to the different parts "by figure -- by numerals." (Halvonik Tr.1152). However, he explained that at the time he completed the initial Nelson draft application he did not understand that he should have used "sealant" and that therefore his initial draft was technically not incorrect because of his lack of knowledge when he failed to use the word "sealant." (Halvonik Tr.1151-53). He also testified that his initial Nelson draft application was not incorrect for failing to note a preferred embodiment because he did not know the size of the invention that Nelson preferred. (Halvonik Tr.1153-4). Respondent did acknowledge that his initial Nelson draft and the draft that was filed were incorrect because the disclosure was "misdescriptive" and he had failed to correct it. (Halvonik Tr.1154-56).

Respondent likewise testified that with respect to the complaint he did not have much disagreement with the facts alleged in Count Two regarding the revised draft application. (Halvonik Tr.1154-58). He admitted that at the time he completed the revised application he understood the necessity of changing "adhesive" to "sealant," and in fact wrote on Exhibit 34, Bates #704 "change the sealant to adhesive" (Halvonik Tr.1048-50), but that he did not make the change and that as a result the revised draft was incorrect in that respect. (Halvonik Tr.1155).

While recalling that an exchange took place between himself and Nelson on or about the 21st (October 1992), Respondent could not recall anything further about the substance of the discussion that took place with his client that day but did not believe that he would have told Nelson to sign the patent and small entity declarations and forward them to him. (Halvonik Tr.1157-58). Respondent admitted that he could not dispute Nelson's testimony regarding the content of that conversation between them because he could recall nothing of the conversation. However, based on his normal practice, he testified that he did not believe that he would have instructed Nelson to do as Nelson testified. (Halvonik Tr.1158-60). He testified that he filed an application that had errors and that the errors had been previously brought to his attention through the October 21 version that his client had provided him, including dimensions that had been provided to him on October 14, 1992. (Halvonik Tr.1159-1160), (Exh. 34 Bates #705). Respondent did testify that Nelson requested that the final application be filed as soon as possible. (Halvonik Tr.1078).

Respondent further admitted that he did not dispute that he had neglected the preparation of a complete application because the application he did file was incorrect and incomplete, but even having filed such an application, Respondent testified that he was owed by Nelson the fee that Nelson had paid. He stated that he concluded this because he perceived that there was no harm done to

Nelson because the dimensions could be gleaned from the drawings and art and because "sealant" could be changed to "adhesive" at no cost to Nelson. (Halvonik Tr.1163-65).

Respondent testified that he perceived that Nelson owed him additional fees because he had done additional work for Nelson by reviewing the Gold patent, (Halvonik Tr.1160), and acknowledged that he has never returned any funds to Nelson. (Halvonik Tr.1162). With respect to the complaint's allegation that Respondent owed Nelson a return of funds, Respondent testified that because he had done extra work on a Gold patent for Nelson before Nelson terminated their attorney-client relationship, he believed that Nelson owed him funds given that it was the type of work for which he would normally bill. (Halvonik Tr.1161-62, 1221-22). Respondent disputed that his proposal to pay Nelson \$1355.00 was an effort to limit his liability but rather was an effort to settle all claims arising out of the Nelson application. (Halvonik Tr.1163). At the time he proposed the monetary settlement, he testified that he had not thought about the work he had done on the Gold patent nor had he completed any quantum meruit analysis of his contribution to the application. (Halvonik Tr.1166-67).

Regarding the legal conclusions to be drawn from the facts, Respondent continued to dispute all the legal conclusions drawn regarding Count Two except that he admitted that he failed to act competently and therefore admitted that he violated 37 C.F.R. § 10.77(c). (Halvonik Tr.1173-74).

Later, Respondent changed his testimony to state that he had not acted incompetently regarding 37 C.F.R. § 10.77(c) because he had not neglected the Nelson application; i.e., he had not failed to file the application nor file it within prescribed time frames. (Halvonik Tr.1217). He acknowledged that he did not follow the (competency) standards he has now and that he neglected to change "sealant" to "adhesive" and neglected to take the special precautions he takes now. (Halvonik Tr.1218). Finally, Respondent testified that he had returned to Nelson his file as requested. (Halvonik Tr.1176).

Respondent acknowledged that he understood that he was being directed to **make** the change from "sealant" to "adhesive" and had written such as a note to himself on what he had received from Nelson (Halvonik Tr.1061-64, 1159-60), but that the changes were not made because he forgot to make them including adding the dimensions. (Halvonik Tr.1074-75, 1080).

Respondent testified that he filed an incomplete and incorrect application and that such error was "neglect," but that he nevertheless earned his fee based on the value he contributed to the application given that there was no harm to Nelson because the dimensions could be gleaned from the drawings and skill in art and because "sealant" could still be changed to "adhesive", as

adhesive did appear in the application, at no cost to Nelson. (Halvonik Tr.1163-66, 1173). He denied that he ever contemplated reducing the \$1,355.00 he offered Nelson based on the extra work Nelson had Respondent do regarding the Gold patent. (Halvonik Tr.1166-67).

Regarding the filing of the Nelson application, Respondent provided information about how the erroneous application was filed. He described that he hand carried the application to the PTO after having pulled out what was in the file and stapling it together (with the assumption that it had been approved). (Halvonik Tr.1170). Respondent clarified that his admission that he had neglected Nelson to mean that he failed to act competently regarding the Nelson application. (Halvonik Tr.1173-74).

On cross-examination, Respondent admitted that he received the notice of filing sometime in December 1992 and that he did not review the PTO file until the end of January 1993. (Halvonik Tr.1179-80). He further testified that after having been contacted by PTO about Nelson's complaint that he [Respondent] never indicated that Nelson still had a balance due, that he never sent Nelson a bill for the additional services [acknowledging to the undersigned that he bills infrequently over the calendar year] (Halvonik Tr.1181-83), that he did sign Exhibit 24-I, Bates #638 as attorney for applicant even though he was attorney of record (Halvonik Tr.1184-85), that his request for withdrawal was filed and approved on February 5 and 10 [1993], respectively, but that he did not get notice of the approval until after filing the Rule 56 statement (Halvonik Tr.1186-88), that Nelson had to pay additional fees to his new attorney for work that was done on the application including amendments thereto (Halvonik Tr.1193-94), and that, when he received the two \$500.00 checks from Nelson in August and September of 1992, he did not deposit them in a client trust account but in his general account, even though he acknowledged that he had just begun to do the work for Nelson and that he never later provided Nelson a written accounting of his billing. (Halvonik Tr.1199-2000).

On re-direct, Respondent testified that he did not neglect Nelson's application. (Halvonik Tr.1212). Because he failed to make the corrections that Nelson asked him to do on October 14, (1992), Respondent stated that when Nelson's signed patent declaration arrived without the patent specification in the same package, at the time of the filing he assumed that the last draft sent to Nelson had been read and approved by Nelson and therefore Respondent attached the signed declaration. (Halvonik Tr.1212-13). Respondent testified that it was his practice to (give cursory) review to what he filed (Halvonik Tr.1171), but that he should have checked the application and the surrounding circumstances leading up to its signing more closely, and that his practice is now to have the inventor initial and date each page of the application being filed before it is filed. (Halvonik Tr.1213-14).

He further explained that he attributed his perception that he had failed to act competently regarding the Nelson application to his failure to take special precautions; i.e., require the inventor to initial and date each page of the application, and he asserted that he was competent, in accordance with Rule 10.77(a), to handle the Nelson application and that he did not neglect the Nelson matter, (Halvonik Tr.1215-17). He described that he basically worked for a fixed fee payable in advance with respect to his clients, that he could not recall billing separately for additional work beyond a filing in 1992, that such separate billings occurred "rarely," and that part of services to his clients included follow-up with the PTO after their application is filed. (Halvonik Tr.1222-24). He stated that he received notice of approval of withdrawal from the Nelson case after he filed the Rule 56 statement, which event he specifically recalled because he thought his actions in filing the Rule 56 statement would be the basis for further complaint. (Halvonik Tr.1224-25).

On recross-examination, Respondent testified that he perceived that his client's advanced fixed fee became his [Respondent's] after he "had given to the client value equal to or beyond" the fee paid. (Halvonik Tr.1237).

In surrebuttal to Karasek, Respondent testified that, based on relevant skill in the art, a working skilled artisan (or the reasonably prudent person in the field) would know when reading the Nelson patent application that the inherent qualities of the materials described therein and that specifying/adding such qualities after the patent was filed would not be adding new matter. He further testified that whether the urethane being described as a "sealant" was also adhesive would be a factual issue ripe for a battle of experts as to whether there was sufficient disclosure to determine the type of urethane described in the Nelson patent and admitted that the amendment to add a trade name type of urethane was an effort to bolster Nelson's claim to an adhesive type of urethane should any litigation arise. (Halvonik Tr.1863-90).

In recross of surrebuttal, Respondent admitted that had he changed "sealant" to "adhesive," the issue of whether the Nelson patent application urethane was "adhesive" would never be ripe for litigation. (Halvonik Tr.1892-96).

In response to questions from the undersigned, Respondent admitted that not every urethane has adhesive properties. (Halvonik Tr.1861-62).

Respondent called two lay witnesses, Lipschitz and Menke, to testify in his defense.^{9/} They testified that they hired Respondent in 1989 and 1995, respectively, to prepare patent applications for them, that they felt he had read the materials they provided and understood their invention, that they had been happy with the responsiveness, timeliness and quality of his services and that he held his fees to what he quoted to do the filing and did not attempt to get additional fees. (Menke Tr.801-03); Lipschitz 891-915). Menke testified that Respondent required that he initial the pages of the final application (Menke Tr.801) and that Respondent had Menke's drawings redrawn. (Menke Tr.803-04).

On cross-examination, Menke acknowledged that: he was unaware that Respondent had failed to include an abstract with Menke's patent application as required by 37 C.F.R. § 1.72(b) and that the abstract had been included as a result of an examiner's amendment (Menke Tr.813-15, Exh. 75); Respondent was involved in the evolution of his drawings (Menke Tr.818); he would still retain Respondent's services even knowing that certain of Respondent's clients had complained about him (Menke Tr.820); and that regarding the various legal and financial problems that Respondent had been involved in, he would want to know more about them and which of the problems were on-going and that he would have been incrementally involved with Respondent and therefore have limited his financial exposure with Respondent. He further indicated that he would have asked Respondent about any problems had he (Menke) known of them. (Menke Tr.868-69).

On redirect, Menke testified that he initialed every page of his patent application at Respondent's direction. (Menke Tr.877). Menke also testified that his prior experience with two other patent attorneys had been both good and bad (Menke Tr.881-84), and that in comparison, his experience with Respondent on every "count" was more than satisfactory in that Respondent's actions were both helpful and timely and that he never felt neglected by Respondent. (Menke Tr.884-86).

Respondent also called to testify another former client, Sarah Lipschitz. She testified that after some preliminary patent research on her own from 1988-89 and an unsatisfactory experience with another patent attorney group, she engaged Respondent by having him do a patent search, that his work was "thorough" and his fees were "nice . . . cheaper" than a "supposed" non-profit (Lipschitz Tr.894-97), that she eventually got her patent as a result of Respondent's efforts, that she has been involved with

^{9/} While set forth here as being part of Count Two, the testimony of Respondent's lay and expert witnesses was considered also in the analysis and weighing of the charges listed in Count Three.

additional patents but only works regarding them with Respondent, that she only dealt with Respondent via telecommunications, that Respondent grasped the concept of her patent quickly, was helpful in formulating her application, and that she had satisfactory interaction with Respondent. (Lipschitz Tr.900-13).

On cross-examination, Lipschitz testified that Respondent had filed three patent applications on her behalf, (Lipschitz Tr.919), that she would not expect to have gotten a refund if she changed her mind after paying Respondent and he had gotten halfway through completing her application unless such had been agreed upon prior to engaging his professional services (Lipschitz Tr.923-33), and [in response to a question from the undersigned] that she has never in her life asked for a refund for services not performed. (Lipschitz Tr.934).

On redirect, Lipschitz testified that under no circumstances would she have ever asked for a refund from Respondent. (Lipschitz Tr.949).

Respondent also called Jerome J. Norris ("Norris"), a patent attorney who [after voir dire examination by Complainant] was qualified as an expert witness in patent law. Having reviewed the Nelson patent application prepared by Respondent and Nelson's allegation that Respondent should have corrected the mistakes that Nelson brought to Respondent's attention, Norris testified that Respondent had initially filed for a process claim and that Nelson's new attorney added an apparatus claim to the application drafted by Respondent. (Norris Tr.558-61). Norris opined that the successor attorney could not have resurrected, i.e., used the same serial number for, the application had it been fatally defective. (Norris Tr.561). Norris also testified that applications may be changed without adding new matter including a change in the statutory claim, so long as the basis for the change was included in the original application (Norris Tr.564-65), that a specification may be amended to add subject matter that was initially only in the claim and vice versa (Norris Tr.565), adding that the patent eventually awarded to Nelson was based on its description as filed by Respondent. (Norris Tr.567). Norris denied that the change in claims made the errors about which Nelson complained less significant (Norris Tr.568-71) and further testified that dimensions are not required in an application, are generally not put in an application out of fear for limiting the scope of the invention and that a PTO applicant may seek by amendment to delete a paragraph referring to dimensions where the dimensions were left blank without running the risk of being accused of submitting new matter by deletion. (Norris Tr.571-76).

Norris testified that until some notice is provided to it, the PTO considers the last attorney in contact with it as the attorney of record. (Norris Tr.576-77). Norris testified that PTO Rule 56 requires that an attorney of record inform the PTO of any

and all facts known to the attorney affecting the materiality/patentability of a client's invention. (Norris Tr.576-80). Further, Norris testified that Rule 56 precludes an attorney from filing an application which has not been reviewed by the attorney's client/inventor and that if an inventor wants to make changes to an application then the declaration must be signed only after the inventor has had the opportunity to review the revised application. (Norris Tr.581-83). Norris also described the patent application process as being a give and take process between attorney and inventor and that as a result the applications "get invariably revised" and that to his knowledge no first draft of an application is ever perfect but usually has to be revised/changed/corrected because of many factors including the prior art. (Norris Tr.591-92, 744-46). He also described that once an application is filed there is a significant period of time before an interested party can locate its filed application because of the regulatory lag time in assigning serial numbers, that depending on the subject matter of the invention, formal drawings are not usually "needed" or "required," (Norris Tr.585), and that prior art statements are also not required. (Norris Tr.587).

On cross-examination, Norris admitted that if an application is not accurate because it too narrowly describes the invention, such a narrow description could allow new prior art, if no correction is made, to preempt the market. (Norris Tr.597-99). He further described that he never includes dimensions in his applications (Norris Tr.601-02) and admitted if an application had been filed leaving blank dimensions, the subsequent addition of such dimensions would be considered new matter. He noted that by leaving blank the dimensions of Nelson's invention, Respondent had precluded Nelson from adding such dimensions unless Nelson was willing to accept a new filing date. (Norris Tr.602-03). Norris also stated that he does not recommend including dimensions particularly regarding a mechanical invention whose operability or functionality was not dependent on dimensions (particularly an auto window molding) and that an invention may have a preferred embodiment without setting forth the invention's dimensions. (Norris Tr.605-06, 611). He further described the process by which a declaration is signed after a patent is ready to be filed and that he would not file any document with the PTO acting as if he were still an attorney of record after having been fired. (Norris Tr.650-57). He also reiterated the extensive regulatory time lag before applicants are given notice of their filing date and serial number. (Norris Tr.657-61). Finally, Norris testified that once having received the serial number in early December Respondent could have more quickly determined what he had filed. (Norris Tr.665-71).

On redirect, Norris testified giving further example as to a substantive input that Respondent made to the Palmer application. (Norris Tr.724-733). Norris also testified that Respondent was not sure if Palmer's reference to waterproof dealt with the litter

or with the kit and that her follow-up question to Respondent as to the advisability of describing her invention as being "preferably waterproof" demonstrated that such was not the core of her invention. (Norris Tr.749-52).

During questioning by the undersigned, Norris testified that it was his opinion that Nelson's second attorney unnecessarily filed for a method claim in addition to an apparatus claim and that the apparatus claim would have been sufficient itself and that by adding the method statutory claim the second attorney had narrowed Nelson's claim. (Norris Tr.616-27). Norris also testified that the subsequent attorney working on Nelson's patent could have substituted "adhesive" for "sealant" even after the filing without fear of having added new information. (Norris Tr.639-41).

In response to questions from the undersigned, Norris testified that when he compared Palmer's submission with Respondent's first draft and the first draft with Respondent's second draft of the Palmer application, he found that Respondent had made substantive [attorney work product type] changes. (Norris Tr.681-718). Norris testified that he did not conclude that Respondent, when he completed his initial draft, had missed the central thrust of the Palmer invention's waterproof nature when he described the invention as being absorbent, (Norris Tr.736-744), but admitted that Respondent would not have been able to file his final version of the Palmer application because he had failed to include in it a claim which would make the application deficient. (Norris Tr.753-54).

COUNT THREE AND RELEVANT ADMISSIONS/DENIALS

By providing a client with incomplete and incorrect applications to review; and by not promptly delivering to the client unearned fees and other properties in Respondent's possession belonging to the client, Respondent engaged in professional misconduct in violation of 37 C.F.R. §§ 10.23(a), 10.23(b)(6), 10.77 (b) and/or (c), 10.112(c)(4).

51. In or about February, 1993, Diane Palmer (Palmer) did hire respondent to evaluate her invention (Appendix, p. 14 1), and did provide Respondent with invention disclosure material (Appendix, pp. 142-179). **DENIED**

52. In or about March, 1993, Palmer did pay Respondent \$1300.00 to prepare and file a patent application (Appendix, p. 180). **ADMITTED**

53. Based on the Palmer's invention disclosure material, Respondent did prepare an initial draft application, and Respondent did send the initial draft application to Palmer on or

about April 27, 1993 (Appendix, pp. 181-188), but Respondent did not provide Palmer with copies of any drawings (Appendix, pp. 183-188, 218). **ADMITTED**

54. Under 37 C.F.R. § 1.74, "[w]hen there are drawings...the detailed description of the invention shall refer...to the different parts by use of reference letters or numerals (preferably the latter)." **ADMITTED**

55. The initial draft application was incomplete. On information and belief, the initial draft application was incomplete because, inter alia, although the specification describes views of two (2) drawing figures, (i) Respondent did not provide drawings, (ii) the detailed description of the invention did not refer to the different views by specifying the numbers of the figures, and/or (iii) the detailed description of the invention did not refer to the different parts of the invention by use of reference letters or numerals (Appendix, p. 183-188, 218). **DENIED**

56. The initial draft application was incorrect. On information and belief, the initial draft application was incorrect because, inter alia, (i) although Claim I did provide for a "third member made of absorbent material" (Appendix, p. 188), Palmer's disclosure did not describe any member as being absorbent material (Appendix, pp. 147-179, 218), (ii) Claim I did describe the "third member" as being "made of absorbent material" (Appendix, p. 188), whereas Palmer disclosed or considered the exact opposite characteristic to be an essential and unique feature of her invention (Appendix, pp. 142-179, 191), and/or (iii) each claim did not describe the second and third members of the invention as being waterproof, a quality Palmer disclosed or considered absolutely essential to her invention (Appendix, pp. 142-179, 191). **DENIED**

57. Palmer did prepare a revised application (Appendix, pp. 189-198), and on or about May 10, 1993, Palmer did send her revised application to Respondent along with a cover letter (Appendix, pp. 189-190) explaining the inaccuracies in Respondent's initial draft application. **ADMITTED**

58. Respondent, using Palmer's typed revision of the application, did prepare a second draft application (Appendix, p. 227, I numbered 3.d. on or about May 19, 1993, Respondent did send to Palmer the second revised application (Appendix, pp. 199-207). **ADMITTED**

59. On information and belief, the second revised application sent to Palmer was incomplete and incorrect inasmuch as, inter alia, it did not include any claims (Appendix, pp. 199-207, and 211). **DENIED**

60. On information and belief, the second revised application sent to Palmer was incomplete and incorrect inasmuch as, inter alia, it did not include any drawings (Appendix, pp. 199-207, 211), although the specification contains a brief description of several views of nine drawing figures (Appendix, pp. 203-204), the detailed description of the invention does not refer to the different views by specifying the numbers of the figures, and the detailed description of the invention does not refer to the different parts of the invention by use of reference letters or numerals (Appendix, pp. 204-207). **DENIED**

61. On or about May 20, 1993, Palmer discharged Respondent, and requested return of the money she had sent to him (Appendix, p. 211). **DENIED**

62. On or about June 12, 1993, Palmer again requested that Respondent return the money she had sent to Respondent and her materials (Appendix, pp. 212-217). **DENIED**

63. On information and belief, to date Respondent has not returned Palmer's disclosure materials or the money Palmer sent to Respondent to prepare and file a patent application (Appendix, pp. 142-180, 211, and 218-229). OED confirmed the same with Palmer as recently as June 6, 1995. **ADMITTED**

64. Respondent did handle preparation of incorrect, and incomplete applications for Palmer without adequate preparation in the circumstances. **DENIED**

65. Respondent did neglect the preparation of applications for Palmer by providing Palmer with incorrect and incomplete applications. **DENIED**

66. Respondent did not earn all the money Palmer sent to him for preparation and filing of a patent application. **DENIED**

67. Respondent has knowingly participated in the course of conduct described in paragraphs 51 through 66 of this Count 3, and as a consequence thereof, has been in violation of the PTO Code of Professional Conduct in the following respects: **DENIED**

a. Respondent's handling of all aspects of Palmer's patent application and failure to return Palmer's disclosure materials and money constitute gross misconduct in violation of 37 C.F.R. § 10.23(a); **DENIED** and/or

b. Respondent's handling of all aspects of Palmer's patent application and failure to return Palmer's disclosure materials and money constitute conduct which adversely reflects upon Respondent's fitness to practice in violation of 37 C.F.R. § 10.23(b)(6); **DENIED** and/or

c. Respondent's handling of Palmer's patent application in preparing incorrect and incomplete applications constitutes inadequate preparation in the circumstances and failure to act competently in violation of 37 C.F.R. § 10.77(b); **DENIED** and/or

d. Respondent's handling of Palmer's patent application in preparing incorrect and incomplete applications constitutes neglect of a legal matter entrusted to him, and failure to act competently in violation of 37 C.F.R. § 10.77(c); **DENIED** and/or

e. Respondent's failure to refund Palmer's money which Respondent did not earn constitutes failure to promptly pay or deliver to the client as requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive in violation of 37 C.F.R. § 10.112(c)(4). **DENIED**

While Respondent denied complaint allegation 67(f), the undersigned's copy of the complaint contained no such allegation. Accordingly, no legal charge is here being adjudicated under this numbered allegation.

SUMMARY OF EVIDENCE COUNT THREE

Complainant's Relevant Documentary and Testimonial Evidence

Complainant called Diane Palmer to testify in support of Count Three. Palmer testified that for the \$1,300.00 she paid Respondent he agreed to complete a patent application including drawings that would be accepted by the PTO. (Palmer Tr.256, 271-72). Palmer described that she initially sent her invention materials to another attorney for review, that she provided Respondent the materials she had provided the prior attorney as well as the prior attorney's work product, that she wrote to Respondent [in February 1993] and waited for and received his first rough draft dated April 27, 1993 (Exh. 35-C, Bates #724-726), that she read over the rough draft and perceived that it had a number of "major mistakes" and only seemed to regurgitate key words and phrases from her materials. As a result, she testified that she rewrote the application. (Palmer Tr.257-66, 287, Exh. 35-C, Bates #724-26). She described Respondent's major mistakes as being his claim that her invention alleviated the need for constant maintenance of the litter box [as opposed to litter] and his claim that her invention was absorbent rather than waterproof. (Palmer Tr.267-69). Additionally, she testified that Respondent had not included any drawings and that his discussion of the prior art was incomplete. (Palmer Tr.271-72).

Palmer further testified that after May 10, 1993, she re-wrote the application (Exh. 40, Bates #777, 778) [which re-write she felt should have made her concerns perfectly clear to Respondent given her expectation that he would have compared her response to his rough draft]. When Respondent requested that she specifically identify his deficiencies for her, she testified that his response further frustrated her given that she felt that she was doing his work for him while he was getting paid. (Palmer Tr.273-75). After she mailed her revision (Exh. 41, Bates #801-810) to Respondent but before she had gotten her second response from him, she testified that she reflected on her relationship with Respondent and decided to terminate their relationship. She stated that she called Respondent on May 19, 1993, to terminate the relationship and then wrote to him the next day. She further testified that during the telephone conversation of May 19, 1993, Respondent indicated surprise by her decision and dismay with her intention given that he had been up all night working on her application (which Palmer testified she did not believe) and had a second draft ready and insisted on sending it to her and refused to be dissuaded by Palmer who stated that she had already decided to terminate the relationship but finally relented and stated "All right, fax it to me." (Palmer Tr.287-90). Palmer indicated that as a result, on May 19, 1993, she did get several faxes from Respondent a few minutes apart in the late afternoon that same day, the text of which was "pretty much verbatim the revised draft" she had sent him. (Palmer Tr.291-95). Palmer testified that after receiving the fax, in addition to noting that it seemed to be a verbatim copy her draft, she noted that it also failed to have a claim section and had no figures. As a result, she stated that she had several conversations with Respondent during which he hung up on her and during which she informed him of her wish to withdraw from his services while requesting a portion of her money back. Palmer testified that Respondent kept insisting on knowing exactly what deficiencies existed in his work. Palmer described that her letter of May 20, 1993, was intended to get a major portion of her money back which request she later changed to all of her funds based on her frustration with dealing with Respondent. (Palmer Tr.295-303). She noted that she did eventually convey to him the requested specific deficiencies in her letter dated June 12, 1993. (Palmer Tr.270, 279-80).

Palmer also testified that she requested but never got any of her materials returned by Respondent (Palmer Tr.304-07), that she received no detailed billing from Respondent, that Respondent proposed to settle the matter by paying her \$400.00 but mailed on July 23, 1993, a check in the amount of \$500.00, that she could not recall if he ever advised her to seek independent legal counsel regarding the proposed settlement, that she was dissatisfied with the \$500.00 and communicated such to Respondent in a letter dated July 26, 1993, that she therefore hired an attorney who wrote to Respondent and who rejected Respondent's offer of settlement. Finally, Palmer stated that on August 30,

1993, she tried to cash the check but was informed that Respondent had placed a stop payment on the \$500.00 check. (Palmer Tr.307-20).

On cross-examination, Palmer testified that she currently was, and had been, a court reporter for the ten years prior to the time she first contacted Respondent (Palmer Tr.345), that the idea for her kitty litter box invention germinated with her six months to a year prior to the time she contacted Respondent (Palmer Tr.346), that the prior attorney she had hired had given her a written opinion that her invention might face some difficulty in being patented (Palmer Tr.347-49) and might require three various categories of patents (Palmer Tr.353-55), that as a result, she did some patent research of her own and concluded that the prior attorney may not have been fully correct (Palmer Tr.350), that she contacted Respondent in part for a second opinion and hired him because he was closer to the PTO, and that after she terminated her relationship with Respondent, she did not pursue her patent. (Palmer Tr.355-560). Palmer also testified that she had decided to fire Respondent after receiving his initial rough draft and after she had sent her May 10, 1993 letter. (Palmer Tr.356-57). She stated that she felt that Respondent had not "put forth any meaningful effort" which was why she felt she was due a refund of a major portion of her funds. (Palmer Tr.362-3). She described in detail the readily available type of materials she had forwarded to Respondent including the aluminum foil which she considered to be both rigid/semi-rigid and malleable (Palmer Tr.363-367), that Respondent in a telephone conversation agreed to provide her professional drawings for her invention as part of his \$1,300.00 fee (Palmer Tr.373-74), that she would have to pay an additional amount for the filing fee (Palmer Tr.375-77), that she paid for Respondent to complete an acceptable patent including revisions (Palmer Tr.378), that she felt that she was due a refund of her entire fee although she did not expect to get such (Palmer Tr.386), that her concern about the lack of a description of prior art was due to her belief that such was required in an application, that she was unaware of any danger of describing prior art, that, given her impression that Respondent had only given her materials cursory review, she did not believe that he had read the prior art, (Palmer Tr.389-91), and admitted that she had informed Respondent that he either refund her money or she would complain to Bar associations and the PTO. (Palmer Tr.392). She also stated that Respondent did not seem to care if she took such action nor did he attempt to dissuade her. (Palmer Tr.395-96). Finally, during cross-examination, she testified that her attorney recommended that she return to Respondent his \$500.00 check but that she wanted to cash the check and argue about the difference, and that as a result, the two of them could not agree on the process for getting her money back. (Palmer Tr.398-401).

On redirect, Palmer testified that the draft she received from Respondent by fax on May 19, 1993 was still not ready for

filing because of missing drawings. (Palmer Tr.405-06). She further testified that in the letter dated May 10, 1993, she asked Respondent about having drawings professionally prepared as soon as possible and may have orally asked Respondent about such from the outset and that she was under the impression that Respondent was going to provide drawings. (Exh. 41, Bates #801, Palmer Tr.405-06). She confirmed that the attorney she had hired rejected by letter (Exh. 35-F, Bates #733) Respondent's \$500.00 refund offer, but that she did try to cash the check, on which a stop payment had been placed. She further recalled asking Respondent by letter dated June 12, 1993, (Exh. 35-J, Bates #741) to return her materials. (Palmer Tr.406-08).

In rebuttal regarding the Palmer application, Complainant's expert witness Karasek testified that he perceived that Respondent had missed a "prominent" aspect of Palmer's invention. He noted that such was not a subtlety that patent attorneys would often fail to appreciate when making an initial draft. He also stated that Respondent failed to include figures and drawings which would have made the initial and subsequent drafts understandable (Karasek Tr.1534-38), but admitted that Respondent did not take an inordinate amount of time to complete the Palmer application. (Karasek Tr.1544-46).

Respondent's Relevant Documentary and Testimonial Evidence

Respondent testified that he first did work for Palmer in March 1993 after having received a package of materials from her. He could not recall anything being in the package other than written materials nor could he specifically recall her sending him any "physical materials." He further testified that he had quoted Palmer a \$1,300.00 fee for filing her patent, and that, within two to three weeks, he sent her a draft of the proposed application. (Halvonik Tr.1250-53). Additionally, he testified that he felt the drawings that she had provided him, after some touching up and adding some descriptive numerals, could have been used for filing and that the drawings he referred to in the written description provided to Palmer were the same drawings that Palmer had provided him, that after sending her his first draft, he got a retyped version back from Palmer and a telephone call on May 14 or 15, 1993, asking him to speed up the filing. He stated that she also expressed a desire to emphasize a two-part invention whereas he perceived a three-part invention emphasizing fluting to be more appropriate, but that as a result of the interchange with Palmer, he had a better idea how to write the application and what to claim. Respondent testified that he felt Palmer had a patentable invention. Using physical materials he demonstrated his understanding as to how the invention would work. (Halvonik Tr.1254-60). He then described how he stayed up until 4:00 to 5:00 a.m. to finish her application, that he faxed the work to her, that she responded by indicating that she did not want to

move forward with the application, that she complained about deficiencies in his work including missing claims, that he responded that he had sent claims to her and that even though she did not want to go forward she still wanted the claims completed. Respondent testified that he thought his second draft satisfied her initial criticism, and denied that he just did a wholesale copy of what she sent him and detailed the changes he had made (referring to his highlighted portions of Exh. 41-A, Bates #803-10 and Exh. 40-B, Bates #779-89). (Halvonik Tr.1262-78). Respondent admitted that his second version of the Palmer application was not ready for filing but that what he sent her was that portion of the application he had prepared to that point. (Halvonik Tr.1275). Respondent stated that his quote to Palmer for services was a fixed fee for drafting and filing the application and that he believed that he had explained to her that there would be a filing fee, an office action fee, and a fee for formal drawings and that Palmer had indicated that she could not afford the filing fee. (Halvonik Tr.1280). Respondent testified that Palmer told him she could not afford the filing fee at the same time she asked him to stop work and inquired about a refund. (Halvonik Tr.1281). Respondent testified that at the time she was asking for a refund he informed her that she would not receive the claims she was asking be completed and which he had already sent to her. (Halvonik Tr.1281). Respondent further testified that Palmer told him that she had taken his work to a large law firm who according to Palmer told her that Respondent's work was "terrible." In response to Palmer's written request for a refund, he testified that even before he had been contacted by an attorney representing her, he had already sent Palmer a check in the amount of \$500.00 as a "fair refund" given that he felt he had earned the remaining balance and denied ever attempting to limit his liability regarding her case. (Halvonik Tr.1282-86).

On cross-examination, Respondent testified that he offered Palmer a refund but that her attorney refused his offer. He admitted that his earlier retrospective answer that he felt he should have refunded Palmer the \$500.00 was reached only after the filing of this complaint against him. (Halvonik Tr.1298). Respondent further testified and described his understanding of the patent claims process. (Halvonik Tr.1307-1312). He acknowledged that Palmer's initial package (Exh. 43, Bates #831), and her subsequent package (Exh. 43A, Bates #903) to him indicated that she described a two-part alternative invention. (Halvonik Tr.1327-30).

In responses to questions from the undersigned, Respondent acknowledged that he owed a refund in the amount of \$500.00 to Palmer and that Palmer had never received any portion of the \$500.00. (Halvonik Tr.1291-1296). Respondent also stated that Palmer's original proposal contemplated a three-part invention but to him her initial package was ambiguous and contradictory, particularly regarding her claim of it being waterproof because of

her initial intent to use Fe-liners in conjunction with her invention. (Halvonik Tr.1315). Respondent subsequently recanted and acknowledged that Palmer did not refer specifically to Fe-liners but that he concluded that such was what she was referring to when she described her invention as being "eventually or immediately be disposable" and that after he completed the first draft application, Palmer indicated that she wanted to claim a "preferably waterproof" invention and admitted that he had not pointed out this confusion to Palmer at the time he sent her his initial draft. (Halvonik Tr.1316-27). Respondent testified that he could not recall the time of day that Palmer had contacted him on May 19, 1993 and expressed an intent to terminate his services, that he had not planned to call her but given her call to him he did perceive a need to let her know he worked on her project, but could not explain why he did not begin sending his fax to her earlier than 4:44 p.m. (Exh. 40, Bates #814, Halvonik Tr.1364-72). He also admitted that Palmer had requested that he return her materials (Exh. 41, Bates #824) and that he never returned any materials to her. (Halvonik Tr.1421).

During redirect, Respondent testified that he had begun to renumber the drawings (Exh. 80) that Palmer had sent to him after his initial draft describing in detail the renumbering that he was doing as he was preparing the second draft for her. (Halvonik Tr.1332-34, 37-41). He further described their conversation on [May] 19, after his having been up most of the night working on her project as "[a]t first, I think, she didn't want to go ahead. Then she said, 'I'll see what you've got, and maybe I'll go ahead.'" (Halvonik Tr.1334). He also admitted that he had failed to grasp the waterproof nature of the middle member of Palmer's three part invention. (Halvonik Tr.1343).

On re-cross-examination, Respondent testified that he perceived that he had communicated to Palmer the changes he was making to the figures but acknowledged that he had not sent the renumbered drawings back to Palmer by fax. (Halvonik Tr.1345-46).

On further re-direct examination, Respondent testified that he had changed his practice as a result of the Palmer/Nelson incidents and described the detailed and specific efforts including: his improved filing, a new requirement in February 1993 that inventors initial and date each page of an application being filed, keeping better records, responding to clients, explaining to clients what he is trying to do, improving in 1992 the answering system for in-coming telephone calls to include an answering service, and computerizing his application process in 1993. Respondent also testified that the initial package he mails has improved, that he expanded the time frames for getting out initial drafts, and by 1991 started sending out blue filing receipts. (Halvonik Tr.1372-74, 1423-30). He stated that a second draft should have a set of claims. (Halvonik Tr.1436). He also

explained what he meant by his earlier admission that he had "neglected" the Nelson matter. (Halvonik Tr.1443-45).

On further re-cross-examination, Respondent admitted that he was covered by the regulations cited in Counts Two and Three of the Complaint. (Halvonik Tr.1446-49). He admitted that an earlier answer that he had resolved certain financial difficulties in 1991 was not accurate in that the difficulties were not resolved until December 1993. (Halvonik Tr.1451-53). Further, Respondent indicated that he had some doubt as to receiving a letter from PTO's OED on August 2, 1991 (Exh. 61, Bates #1223) about a client's refund but admitted that a letter responding to PTO/OED and check to that client dated August 28, 1991, do bear his signature. (Exh. 82, Halvonik Tr.1468-70). Respondent testified that Exh. 61-E was the type of document that he sent to clients having been contacted by them (Halvonik Tr.1755-60), and acknowledged the assurance contained in Exh. 61-E that clients were "entitled to return of any monies" not used upon discontinuing his services. (Halvonik Tr.1760, Exh. 61-E, Bates #1241). Respondent also acknowledged that a former client had obtained a judgment against him and that the judge on that case asked Respondent how much time he had put into the case before deciding how much of the client's fee was to be returned to the client and that as a result of the client's complaint to PTO, Respondent was warned by PTO about the manner in which he managed his clients' funds. (Halvonik Tr.1775-76, Exh. 23, Bates #596). Respondent admitted that the "fixed fee" he charged Nelson and Palmer was refundable. (Halvonik Tr.1858).

On further redirect examination, Respondent testified that his client load amounted to 250-275 new client matters per year and that such numbers included trademark searches and applications, patent searches and applications, and an occasional copyright filing. (Halvonik Tr.1835-36). Respondent described that the client that got the judgement against him was seeking a return of his entire fee but that the judge ordered slightly less than 50% of the fee returned. (Halvonik Tr.1836). Respondent described that some time after receiving Exh. 23 and reading the various ethics opinions cited therein as well as reading Pennsylvania and Missouri cases which to him appeared to be parallel, he came to the conclusion he could request fixed fee payments and deposit such payments in his general account and that he need not create special trust or escrow accounts; i.e., that he had to change nothing. (Halvonik Tr.1841-44). He further testified that after receiving Exh. 23 he changed his brochures to read "fixed fee" in bold letters. (Halvonik Tr.1843).

During cross-examination regarding the filing of the Palmer application, Respondent's expert witness, Norris, testified that where specifications are involved he normally includes a draft drawing with the application but there were no such drawings associated with the Palmer application. (Norris Tr.676-78).

Norris also conceded that Palmer had initiated the proposition of her invention being changed to two tiers but that Respondent's input was to make the two-part concept the core of her invention. (Norris Tr.718-722).

On redirect examination, Norris testified further regarding the substantive input that Respondent made to the Palmer application. (Norris Tr.724-733). Norris also testified that Respondent was not sure if Palmer's reference to waterproof dealt with the litter or with the kit and that her follow-up question to Respondent as to the advisability of describing her invention as being "preferably waterproof" demonstrated that such was not the core of her invention. (Norris Tr.749-52).

In response to questions from the undersigned, Norris testified that he compared Palmer's submission with Respondent's first draft and the first draft with Respondent's second draft of the Palmer application and found that Respondent had made substantive [attorney work product type] changes. (Norris Tr.681-718). Norris testified that he did not conclude that Respondent had missed the central thrust of the Palmer's invention's waterproof nature when he described the invention as being absorbent (Norris Tr.736-744), but admitted that Respondent would not have been able to file his final version of the Palmer application because he had failed to include in it a claim which made the application deficient. (Norris Tr.753-54).

DISCUSSION AND ANALYSIS

Nelson

The patent application process is in a sense an art form. It is an evolutionary process during which inventor and patent attorney grapple with perfecting the patent application by revising it so that eventually the final application will clearly articulate the inventor's creative genius including "best mode" or preferred embodiment. Additionally, the intent of the inventor and patent attorney is to describe the invention as being unique from prior art yet describe the invention as expansively as possible in an attempt to capture the largest possible market monopoly.

While Respondent continues to deny the legal conclusions drawn by Complainant regarding Count Two, as a result of admissions made in his answer in response to the complaint or in his testimony on the stand, other than the Nelson fee issues, the Respondent does not dispute most of the facts associated with the Nelson charge. See Answer to Complaint and above recitation of testimony.

With respect to the initial draft application for Nelson, Respondent disputes that it was incomplete or incorrect. He testified that the initial draft was a first or rough draft. He and both expert witnesses testified that there is an evolutionary process that takes place in terms of perfecting a patent application. As a result, initial draft applications frequently and normally require corrections/ additions/deletions including changes which would include a correction of a misdescriptive disclosure. Complainant's own expert conceded that Respondent's initial draft was "satisfactory" or "fine". Given this, the factual allegation that Respondent prepared an "incomplete" and/or "incorrect" initial draft application is not valid. Therefore, Count Two's ¶¶'s 24 and 26 pejorative use of "incomplete" and "incorrect" is not found to be not proven by material and probative clear and convincing evidence.

Respondent concedes that the revised draft application was incorrect. The "revised" application was or should have been the third iteration of the application, 10/ and Respondent should have begun to make the changes that had earlier been requested by inventor Nelson through at least two separate communications. In response to Nelson's receipt of Respondent's initial draft application, Nelson had "red lined" his concerns, had retyped the draft and forwarded these to Respondent by fax. Additionally, Nelson discussed the changes with Respondent. Respondent was effectively being spoon-fed by his own client and should have grasped and made the requested changes and likewise should have included a preferred embodiment and a descriptive disclosure as charged in Count Two ¶ 31. He obviously did not.

However, there remains a further question regarding Count Two as to what was said during the last discussion that took place between Nelson and Respondent prior to Respondent filing Nelson's patent application [the basis for the charges in Count Two ¶¶ 32 and 33]. Nelson testified that he and Respondent had a telephone conversation about the October 21, 1992 draft and his AT&T toll records confirm such. While Nelson appeared to exaggerate the extent of his telephone call with Respondent that day, calling it an hour long session when his telephone bill indicates it was only 15 minutes long, I did perceive Nelson to otherwise be a forthright and credible witness who appeared to be more exasperated by Respondent than angry at him. Nelson testified that during that telephone conversation, Respondent clearly understood the changes and additions that Nelson wanted and had instructed to be made. Respondent agreed to make the changes and additions and asked Nelson to sign and send to Respondent the

10/

Respondent's draft was the first iteration, Nelson's reconstruction of the initial draft was the second iteration, and Respondent's next version should have been a third iteration.

necessary paperwork to file the application, i.e; the Small Entity Declaration and the Patent Declaration. Respondent's request was a short cut that essentially circumvented the standard the patent application process. It is undisputed that there was a conversation that day. Respondent recalled its existence but not essence, the AT&T toll record confirms it, and Nelson remembered the content of the conversation. Additionally, Nelson did as he says he was directed the very next day and mailed the declarations that he had earlier signed. Given the foregoing and having viewed Nelson's demeanor and testimony, I did find his testimony credible.

Given that Respondent cannot recall the content of that conversation, there is no factual dispute regarding his instruction to Nelson other than Respondent's statement that the instructions attributed to him by Nelson were be contrary to his standard practice and were also contrary to the instructions that he earlier gave to Nelson. 11/ Accordingly, Respondent did not contradict Nelson's version of the facts.

I do not find that Respondent's failure to recall this conversation to be a convenient lapse of memory. This finding is based on the fact that: (1) Respondent is an attorney with a full case load who has been in contact with numerous individuals since the time of the conversation; (2) the conversation occurred over five years in the past; and (3) Respondent's inability to recall this conversation was similar to Respondent's inability to recall other conversations from the past.

However, I do find that Respondent countermanded his earlier instructions to Nelson and that by doing so, he encouraged and directed his client to circumvent the PTO rules as to when an inventor should sign the declaration. This direction by Respondent to Nelson is troubling in and of itself. Further, Respondent compounded the problem by negligently failing to correct the application as he had been instructed and as he had promised.

I do understand that Respondent was a relatively new practitioner who hung his shingle out with little guidance from a more seasoned practitioner. By doing so, he received significant economic benefits. According to his own testimony, Respondent's marketing strategy of undercutting his competition generated 250-

11/
As a result of what happened vis a vis the Nelson application, Respondent testified that he has brought his practice into conformance with PTO's manual for practitioners, which manual serves as a guide but which instructions are not mandatory, by requiring inventors to initial and date the pages of their patent application before he files same.

275 client actions per year. Essentially, such amounts to over one action per day. This demonstrates a substantial caseload. Just as he received the economic benefits of such a caseload, he also bore the risk associated with it. The undersigned's impression is not that Respondent is an inattentive practitioner, but rather one who undertook more than he could reasonably handle and as a result his practice began to resemble that of the "little Dutch boy" running to put his finger wherever the dike was leaking. Respondent bears the ultimate responsibility for taking on more work than he could responsibly manage. His failure to do so resulted in his gross misconduct.

As a result of his lack of follow-through and failure to carefully scrutinize that which he was about to file, Respondent filed an application which did not conform to the inventor's intentions, which had been clearly expressed to him on several occasions prior to the time Nelson signed the declaration. Respondent's argument that PTO rules preclude an attorney from making any changes to an application after an inventor has signed a declaration misses the point. True, PTO rules do preclude such. However, because Respondent failed to exercise any due care, he never even recognized that he faced such a dilemma. Had he not been grossly negligent, he would have revised and re-submitted the application to Nelson for his re-review. Further, Respondent's attempt to shift the blame for his actions to Nelson because Nelson wanted the application filed "ASAP" does not mitigate his actions. First, I do not conclude that Nelson was putting any significant degree of pressure on Respondent to file the application. Further, had Nelson been applying such pressure, such does not obviate an attorney's responsibility to proofread his filings. Accordingly, I find that there is clear and convincing evidence substantiating that Respondent acted in careless disregard of the requirement that his client sign the oath after reading Respondent's last version. This careless disregard amounts to gross negligence and misconduct. Accordingly, I conclude that his actions in this regard substantiate wilful gross misconduct in violation of 37 C.F.R. § 10.23(a), and that such gross misconduct reflects adversely on his fitness to practice in violation of 37 C.F.R. § 10.23(b)(6). I conclude this particularly given that his client made such a valiant effort through at least three separate communications to make sure that Respondent understood and would make the appropriate changes. Respondent had several bites at the apple to make the appropriate changes, yet failed to make them. Further, as Respondent himself admitted, he did not even closely review what he was about to file with the PTO. Had he reviewed it with any degree of prudent scrutiny, as he himself admitted, he would have seen the blanks for the dimensions which would have kept him

from filing the draft. 12/ I do not find that Respondent wilfully intended to file the draft as Nelson's final application but that he did so as a result of his gross negligence.

With respect to the charge that Respondent neglected a legal matter entrusted to him, thereby failing to act competently in violation of 37 C.F.R. § 10.77(c), I note that Respondent was not charged with violations of 37 C.F.R. § 10.77(a) or (b). Both experts and even Nelson substantiated that Respondent's actions in preparing the Nelson application were timely or responsive to the matter. Based on my interpretation that "neglect" as used in § 10.77(c) is somewhat different from negligence and is intended to insure that practitioners do in fact handle their clients matters and do so promptly and diligently, I conclude that Complainant failed to prove by clear and convincing evidence that Respondent's actions leading to the filing of the application were neglectful except regarding one specific circumstance.

While not specifically noticed as neglect in the Complaint, Respondent did neglectfully fail to timely follow-up and review the PTO file as Nelson requested to determine if the file contained the draft rather than final copy of the application and/or to make any necessary corrections. The Complaint, however, did relate the neglect charge to all of Respondent's handling of the Nelson application. While Complainant did lay out in detail its factual predicate for most of its charges, it did not do so regarding Respondent's failure to follow-up on the Nelson application. Given that this is a civil proceeding, specific fact pleading is not required. The Complaint's notice pleading charging neglect with respect to Respondent's handling of the entire Nelson application was therefore sufficient to notify Respondent that it was charging him with neglect regarding all aspects of his handling of the Nelson application. Accordingly, while grossly mishandling Nelson's application, other than failing

12/

While the issue in the undersigned's mind was whether he had been instructed to make the changes and the circumstances around the filing, Respondent attempted to deflect the gravity of his actions by arguing that there was no harm to his client. While resolution of harm to client was unnecessary to reach a conclusion that the Respondent's actions were grossly negligent, I did not find that the client went unharmed as a result of Respondent's actions. If nothing else, the client was so exasperated by Respondent's inattentiveness in making the corrections that had been brought to his attention through at least three different communications that the client hired a new attorney which cost him an additional \$2,500.00.

to timely follow-up, Respondent's misconduct was not an example of neglect.

Complainant also failed to carry her burden of proof with respect to the charge that Respondent by his actions engaged in conduct involving dishonesty, fraud, deceit, or misrepresentation in violation of 37 C.F.R. § 10.23(b)(4). Complainant based this charge on the fact that Respondent informed PTO's OED that Nelson had approved and instructed him to file the "draft;" and by informing Nelson's personal attorney that Nelson had an outstanding fee balance.

There is no dispute that Nelson and Respondent discussed the Gold patent which had been granted in September 1992. Respondent testified that at his client's request he reviewed the Gold patent, thereby spending additional time and effort beyond that covered by his fixed fee. Nelson did not dispute asking Respondent to take this action and it can be reasonably argued that Nelson owed him for this time. ^{13/} On the other hand, Respondent never mentioned to or billed Nelson for this additional time. Nor did he mention this additional effort to PTO when it was investigating him shortly after the time he reviewed the Gold patent. Respondent's lack of a regularized billing process could explain why no bill was generated. Given the existence of the Gold patent (about which Nelson confirmed he was concerned) and given that there is no dispute that Nelson had discussed such and had asked Respondent to review it, and given Nelson's failure to dispute that Respondent spent additional time reviewing the Gold patent which service was arguably beyond the normal application and follow-up covered by Respondent's fixed fee billing,

^{13/}

There is an open question as to whether Respondent before filing the Nelson application should have known of or been aware of the Gold patent. The Gold patent was granted in September 1992 nearly a month before Respondent filed the Nelson application. The relevance of this issue only arises because Respondent has claimed that Nelson's request that he conduct additional review and research regarding the Gold patent was a request for additional work beyond the scope of his fixed fee. There is no record evidence as to whether Respondent should have known about the Gold patent and therefore addressed it before filing the Nelson patent including whether or not a PTO regulatory time lag exists between the granting of patents and public knowledge of same. If no such delay, then perhaps Respondent should have reviewed the Gold patent prior to filing Nelson's application and if so, such review would appear to be within the scope of duties covered by Respondent's fixed fee.

Complainant failed to demonstrate by clear and convincing evidence that Respondent's statement that Nelson had an outstanding fee balance was the product of wilful deceit, fraud, dishonesty or misrepresentation.

Complainant asserts that by telling PTO and its OED that Nelson had approved the filing of the draft and instructed Respondent to file the draft, Respondent was deceitful, fraudulent, dishonest or making a misrepresentation. The charge that Respondent misrepresented Nelson's approval falls short of clear and convincing proof. Certainly, Nelson has testified that he did not approve the filing of the draft and that he expected that Respondent would comply with his instructions to correct the application before filing it. However, Respondent's Statement under Rule 56 to the PTO stated that Nelson had given him instructions to file but did not state that Nelson had approved the final draft. Complainant failed to note the important distinction that Respondent has consistently articulated throughout this process; i.e. that he **assumed that Nelson had approved** the last draft when he filed the application (See Exh. 32, Bates #685, Exh. 34, Bates #692). Complainant provided no proof to the contrary. Complainant did not charge Respondent with deceit in making this assumption. Accordingly, since Respondent never stated that Nelson approved the final draft as Complainant charged, it is axiomatic that the charge has no basis in fact. Further, the above articulated assumption expressed by Respondent was part of the very basis for the undersigned's conclusion that Respondent's actions amounted to gross negligent misconduct. Accordingly, Complainant failed to demonstrate by clear and convincing evidence that Respondent's statement that Nelson had approved the filing of the draft application was the product of wilful deceit, fraud, dishonesty or misrepresentation.

Complainant also argues that Respondent was dishonest by stating that "Nelson executed the application oath after reading the October 21, 1992 draft application and mailed the 'oath back with instructions to file'." Complainant Reply Memo at 8. Indeed, Respondent's Statement under Rule 56, when taken out of context, might be considered misleading in that it appears to indicate that Nelson had **approved** the first application that was filed, which is clearly not true. It is not misleading when read in total context. Further, Nelson himself testified that in fact he did execute the oath after reading the October 21 draft, expecting that Respondent would make the promised corrections and additions. **Contrary to Complainant's argument, Nelson did not deny giving Respondent instructions to file, he only denied that his note of October 12, 1992, was not such an instruction.** Nelson very clearly wanted Respondent to file; Nelson simply expected

Respondent to file the corrected copy. Nelson's October 12, 1992 note expresses his desire to do so as soon as possible ("ASAP"). While he also stated that he never asked Respondent to "hurry up" the application, he also admitted that he never recanted with Respondent his desire to file "ASAP." The problem with Complainant's argument is that it is premised on the fact that Nelson did not instruct Respondent to file an application. As discussed above, that was not the situation here. There is no doubt that Nelson expected and directed that Respondent would file the corrected draft.

Complainant argues that Respondent made contradictory statements as to the existence of instructions to file as well as how he received such instructions. These statements Complainant argues are clear and convincing evidence of deceit, fraud, dishonesty, or misrepresentation. In response to PTO's interrogatories, Respondent stated that Nelson signed the declaration "with instruction to file ASAP...I recall instructions to file ASAP from a phone conversation at this time." On the other hand, Respondent testified that the instructions to file were included in a note that came in the overnight package with Nelson's signed declaration. The note to file "ASAP" was never produced during PTO's investigation nor the hearing.

First, it is without doubt that Nelson wanted to have his application filed. Nelson did not testify that he never gave Respondent instructions to file. Without such, there can be no clear and convincing proof of deceit as to the lack of Nelson instructions to file in general. With respect to the lack of instructions to file the uncorrected application, there is no dispute. Nelson very clearly never gave such instructions. Respondent does not dispute such since he cannot recall the conversation and admits that he mistakenly filed the incorrect version of the application. However, the evidence clearly and convincingly demonstrates that Nelson expected Respondent to file the corrected version. Certainly, Respondent's current inability to recall that conversation as juxtaposed with his previous ability to apparently remember that same conversation when discussing it with PTO was fertile ground for cross-examination. Complainant never raised or pierced this contradiction. The passage of time would hardly seem to dim the light of memory of so important a conversation. However, without vigorous cross-examination, because Respondent was fairly forthcoming and seemed consistently to have problems recalling conversations, the undersigned had little if any basis to assess Respondent's thinking back at the time when he made the statements to PTO and accordingly, Complainant's evidence fell short of being clear and convincing.

With respect to the charge that Nelson had never given any instructions to file the corrected application, it is clear that Nelson agreed to the scheme to circumvent PTO rules. Second, Nelson never denied instructing Respondent to file, he only denied instructing him to file the October 21, 1992 draft. Nelson had also earlier expressed to Respondent his desire to file "ASAP" which he admitted he had not recanted. The note's "ASAP" terminology was repeated by Respondent in his answer to interrogatories and his testimony. Nelson testified that his expression of desire was not an instruction to file. Nevertheless, his agreement to the scheme to circumvent PTO rules and his signature on the declaration, while perhaps not instructions to file, are certainly indicia of an expectation that a filing would be made. While Respondent admitted charge 38, Nelson never was asked about this specific instruction. Accordingly, while there is indeed some evidence to conclude that Nelson never gave the instruction and that Respondent was aware of the lack of such instruction when he responded to PTO, while the quantum of proof here was tipped more toward Complainant's case, such proof nevertheless fell short of being a clear and convincing substantiation of deceit, fraud, dishonesty or misrepresentation in Respondent's statements regarding Nelson's instructions to file.

Finally, while not charging Respondent with such, Complainant relies upon Respondent's Rule 56 filing as another example of Respondent's pattern of misrepresentation because Respondent labeled himself as "Attorney for applicant." Complainant's continual reliance on this disputable fact undercuts Complainant's argument. The facts clearly show that Nelson fired Respondent before Respondent filed the Rule 56 statement. However, Complainant provided no evidence that Respondent had received PTO's approval of his request to withdraw as attorney for applicant. There can be no doubt that he remained "attorney of record" with PTO for the application even after he was fired. Both experts and Respondent testified that PTO rules place a continuing duty on PTO practitioners to protect the PTO record. It is certainly arguable that he remained in his own mind "attorney for applicant" until his withdrawal was approved by PTO. His withdrawal is no different from when a client changes legal counsel requiring that the former legal counsel seek leave of court to withdraw. Withdrawal is not effective until approved by the forum before which the legal counsel initially sought and obtained appearance. Perhaps, Respondent could have, more appropriately, referred to himself as attorney of record but having done otherwise is certainly not proof of deceit. What if PTO had refused to grant the withdrawal and Respondent had filed as "attorney of record"; would PTO now be accusing Respondent of

deceit because he filed as "attorney of record" rather than as "attorney for applicant"?

Complainant also charged that Respondent attempted to limit his liability to a client for his or her personal malpractice in violation of 37 C.F.R. § 10.78, charging that as part of his efforts to settle with Nelson, Respondent required that Nelson agree not to pursue other damages. Respondent disputed that he made such a requirement as part of his proposed settlement with Nelson. As noted by Respondent, the complaint charges Respondent with asking Nelson not to pursue other "damages." Clearly the charge as drafted does not allege a violation of the regulations cited. Irrespective of the improperly drawn nature of the charges, Nelson testified that Respondent indicated that he [Respondent] "wished" that Nelson not report him. From such, Nelson himself concluded that Respondent's wish was a required part of the settlement. Respondent denied that he intended that Nelson agree such as part of the settlement.

As a PTO practitioner, Respondent understood that he was subject to its rules of practice. As such, there is no dispute that practitioners are accountable for violations of such rules. However, when there has been no warning by PTO in compliance with 558(c), clear and convincing evidence of a simple violation of the rules of practice is not sufficient; instead PTO must prove by clear and convincing evidence that the practitioner wilfully violated the rule. The evidence adduced failed to demonstrate by clear and convincing evidence that Respondent's expression of a wish was a wilful intention to limit his liability.

Finally, Complainant charged that Respondent failed to earn all of the fee he charged Nelson so that his failure to refund a portion of Nelson's money constituted a failure to promptly pay or deliver to Nelson his funds or other property in the possession of the practitioner which Nelson was entitled to receive, thereby violating 37 C.F.R. § 10.112(c)(4), and that his failure to return Nelson's funds reflected adversely on fitness to practice, thereby violating 37 C.F.R. § 10.23(b)(6) and that the failure to return funds amounted to gross misconduct, thereby violating 37 C.F.R. § 10.23(a). I find no clear and convincing evidence that Respondent wilfully violated these provisions with respect to Nelson. There is no dispute that Respondent returned to Nelson his file. The only outstanding issue is whether and to what extent Respondent should have returned Nelson's money.

Respondent did complete and file for Nelson an application. However, the application was clearly not what Nelson had ordered and Nelson was justifiably upset with Respondent's failure to

follow his [Nelson's] direction. However, the failure to follow client direction does not mean that Respondent failed to provide Nelson with valuable work product. Complainant has established by clear and convincing evidence that Respondent committed gross misconduct in the filing of the application. Respondent argues that irrespective of Respondent's mishandling of the application, the resultant impact on Nelson amounted to damnum absque injuria; i.e., that Nelson was not injured by such misconduct and therefore Respondent earned his entire fee. Alternatively, Respondent has argued that even if injury were established, such injury demonstrates the basis for a fee dispute which should not be the basis of a disciplinary action here.

Complainant provided no witness that stated that the patent application filed by Respondent on Nelson's behalf was without value. Clearly, Respondent's "professional" package that Nelson received and described as being helpful in preparing his initial submission of materials to Respondent was value received by Nelson from Respondent. Nelson did pay a new attorney \$2,500.00 to finish the application process. Yet, that finished product was only marginally different textually from the application filed by Respondent. Complainant's expert opined that Nelson was injured because the application Respondent filed may not withstand the test of litigation and that, in effect, Nelson's new attorney was asked to make a silk purse out of a sow's ear. Respondent in fact confirmed that his failure to change "sealant" to "adhesive" caused Nelson's patent an increased exposure to litigation that might otherwise have been avoided. While the changes that Nelson sought as being important were never made, even by the succeeding attorney or the PTO examiner, the succeeding attorney did attempt to bridge the "sealant" versus "adhesive" gap by amending the application and noting the patent's use of a particular trade name of urethane, which hopefully attributed "adhesiveness" to the urethane described in the patent. Respondent's expert opined that Nelson was not injured and that the application could and was easily amended without loss of filing date because the changes needing to be made did not involve "new matter."

There is no doubt that Nelson eventually paid for and received from his new attorney a new improved version of the application, at least in terms of claims made. Perhaps these and the other changes might have been filed by Respondent at no cost to Nelson. Respondent appeared to have been willing to make these changes at no cost to Nelson. However, there is no dispute that Nelson's patent is weaker than it might have been had Respondent not filed the incorrect version of the application. The extent of the weakness will depend on the illusive risk and vagaries of litigation. Accordingly, there is dispute among the expert

witnesses as to what if any extent Nelson suffered injury by Respondent's filing of the draft application. 14/

Complainant argues that Respondent's defense should fail because he completed no quantum meruit analysis. Were Respondent seeking fees from his client, the initial burden of such proof would be on him. Here, however, the initial burden is on Complainant. Complainant never produced evidence of any quantum meruit analysis determining that the value Respondent contributed to the application was less than the fee he charged. Complainant did attempt to argue that Respondent did not complete all of his tasks for which he was hired. Even if Respondent failed to complete all the tasks for which he was hired, such does not mean he had not earned his entire fee, especially given the additional work Respondent did for Nelson regarding the Gold patent. No quantum meruit analysis was completed by either party on this issue. Since the initial burden of proof was on Complainant, her complaint fails. Simply put, it is not clear that Respondent owed Nelson any refund. Accordingly, I conclude that such evidence does not rise to a level of being so clear and convincing as to conclude that Respondent's failure to return a portion of Nelson's funds was gross misconduct, or adversely reflected on Respondent's fitness to practice, or amounted to a failure to pay funds to which a client is entitled in violation of 37 C.F.R. §§ 10.23(a), 10.23(b)(6), and 10.112(c)(4), respectively. 15/

Palmer

With respect to the factual dispute that Palmer hired Respondent to evaluate her invention, I conclude that Palmer hired Respondent to evaluate her invention as part of her request that he prepare a patent application for her invention.

With respect to the factual dispute as to whether the initial draft application prepared by Respondent was incomplete, I do not find that the draft was incomplete for failing to include

14/

As noted above in Applicable Law and Regulation, the lack of client injury does not preclude sanction.

15/

The undersigned hastens to add that such a finding does not mean that the undersigned also concludes that no refund of funds is due Nelson; only that the evidence was not clear and convincing. In a fee dispute, the evidence necessary to support a refund would only be a preponderance of the evidence. The amount of refund may, however, be de minimis.

drawings. There is no requirement that a patent application contain drawings. That does not mean that drawings would not have been helpful for Palmer to better understand what Respondent was proposing. But, clearly, there was no meeting of the minds between Palmer and Respondent as to who was to be responsible for preparing drawings.

I do find, however, that the initial draft was incomplete in that it only contained a set of claims and failed to otherwise contain anything resembling an application including the reference letters or numerals. Reference letters and numerals are required as part of a final application and without such, an understanding of the Palmer invention would be difficult at best. Respondent correctly points out that there are no PTO established standards for what constitutes an acceptable initial draft of an application. As discussed in more detail below, where a fixed fee is involved, the learning curve for inventor and practitioner determine the quality of the draft.

While there is indeed no PTO template for an acceptable initial draft, Respondent and all experts agreed that Respondent's initial draft application for Nelson met the test of being an acceptable first draft. Accordingly, the undersigned used it as a template for reviewing the initial Palmer draft. Respondent's initial Palmer draft application by comparison was obviously substantively lacking in that it only contained a set of claims and nothing else. The lack of much of an application clearly explains in part Palmer's own confusion as to what Respondent was trying to achieve on her behalf. Respondent was responsible for this poor communication because not only did he fail to include much of anything resembling an application including the requisite numerals/letters, he also failed to include a cover letter explaining why he drafted the claims using the language he did. Further, as Respondent himself admitted, he missed the essential feature of the third/middle member of her invention and was inaccurate in his perception of the waterproof nature of the other member parts to her invention. Be that as it may, as described in the Nelson section, the refining of a patent application is an imperfect science and initial drafts frequently and usually do require correction. As noted above, there are indeed learning curves associated with the preparation of each patent application, including the curve associated with the patent attorney's understanding. The beauty of a fixed fee from an inventor's standpoint is that if the attorney's learning curve is not steep, the time necessary to finalize the application comes out of the attorney's pocket. Where time is of the essence because of a constraint or exigency, the fact that the time is coming out of the patent attorney's pocket may be of little or no comfort to the

inventor. Respondent's failure to produce much of anything impaired his own and his inventor's ability to perfect the application. Unfortunately, but understandably given his small amount of effort, Palmer was legitimately frustrated by Respondent's failure to grasp her invention.

With respect to the factual dispute as to whether Respondent's revision to the application was "incomplete and incorrect" because of his failure to include a set of claims, I find that Respondent did not include a set of claims, an essential step, in the revised application. Respondent contends that he did not intend the revision to be a complete application but only sufficient to signify recent work by him. If the revision was intended to only appease his client by showing recent work, one understands why their attorney-client relationship was deteriorating. Further, had Respondent's initial set of claims been more on target regarding Palmer's invention, a repeated enclosure of such claims would not have been necessary and the charge that Respondent's revision was incomplete and incorrect would be without a factual basis. But, here, where Respondent was so far off-base in his initial attempt at drafting claims, the failure to include a new improved set of claims was critical. Given that claims are essential to making an application complete, it is axiomatic that the lack of same make the revision incomplete and incorrect. At trial, Respondent went beyond such a defense and testified that he was not going to provide Palmer a set of claims if she was not going to pursue her application and wanted a refund. If, as he testified, he was up all night completing the Palmer application, any consideration of her proposed actions was impossible given that he was not yet aware of them. The revision, if prepared even before he spoke to Palmer, would have been deficient for failing to include a set of claims. Respondent attempted to explain away his problem with Palmer by describing her as being difficult to work with. If Palmer were so problematic for him, he should have returned her money and ceased his efforts.

The factual allegation that the revision was incomplete and incorrect because it failed to include drawings is groundless. Given that no final application is required to have drawings, the lack of drawings in an intermediate step leading to final application is of little import. In addition to the mere fact that no drawings are required, there seems little basis to charge Respondent for failing to send back to Palmer that which she sent to him, particularly since Respondent found them to be adequate after slight revision. Clearly, such assumes that Palmer kept a copy of what she mailed to Respondent. Respondent could have cleared the air on this point by informing her of his intent and

by inquiring of Palmer as to whether she had retained copies of the drawings she had provided him. He did neither. Again, Respondent's failure to adequately communicate with his client contributed to the breaking of the fabric of their attorney-client relationship.

The revision, like its predecessor, was again deficient in failing to refer to the different parts of the invention by numerals/letters. Further, Respondent failed to include in the specification's detailed description the appropriate numbers for the figures being cited. Without such, Palmer's confusion is again understandable. However, there is no set prototype for an acceptable revision. Whereas the initial draft of Palmer's application, when compared with the Nelson initial draft, was clearly and convincingly deficient, the same cannot be said when comparing the Palmer revision to the Nelson revision. Therefore, Complainant did not demonstrate by clear and convincing evidence that the revision even with all its failings reached a threshold of being gross misconduct or reflecting adversely on Respondent's fitness to practice.

Regarding Palmer's termination of their relationship, the record substantiates that on May 19, 1992, Palmer indicated her intent to terminate Respondent and to seek the return of a "major portion" of the fee she had paid him. After his entreaties that he had been up all night and had work product for her to review, only then she did relent and agree to withhold executing the termination pending her review of the work product. I find that she remained dissatisfied and sent Respondent a termination letter the next day, confirming the prior day's conversation between them. Palmer also requested refund of her entire fee rather than only a major portion of it. Accordingly, she did "again" request a refund when she wrote to Respondent.

Respondent disputes the charge that on June 12, 1993, Palmer "again" requested that Respondent return her materials, contending that this was only her first request for her materials. I find no support for the charge that Palmer had earlier requested her materials.

Regarding the factual charges listed at Nos. 64, 65 and 66 of the complaint, which facts Respondent disputes, such charges will be resolved as part of charge 67.a.-e.

Complainant charged that Respondent's failure to return to Palmer her disclosure material and money constituted gross misconduct, adversely reflected on his fitness to practice, and constituted a failure to promptly pay or deliver to the client as

requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive, thereby violating 37 C.F.R. §§ 10.23(a) and (b)(6), and 10.112(c)(4), respectively. I find clear and convincing evidence that Respondent wilfully violated these rules. I find that there is clear and convincing evidence that his failure to return the \$500.00 [which he knew should be returned] adversely reflected on his fitness to practice. I also find that this single instance amounts to gross misconduct particularly in light of his having been previously advised regarding his questionable management of client funds. His refund of another client's fees only after being contacted by PTO was enlightening. Respondent clearly had a practice of retaining funds that even he knew should be returned to his clients, but that he only returned when faced with PTO pressure. Such is gross misconduct.

Contrary to Respondent's efforts to cast this issue as being a charge that Respondent wrongfully deposited client fees in his own general account rather than in a trust or client account, I find no basis for this coloration of the § 10.112(c)(4) issue before me. The complaint never raised any matter regarding the type of account which Respondent used to deposit funds received from his clients. Had such an allegation been charged, it would have been more likely cited as a 37 C.F.R. § 10.112 (a) and (b)(2) violations. Accordingly, there is no need to resolve the jurisdictional conflict that may be faced by Sperry practitioners involving PTO's rules of practice and their state bar associations regarding the type of accounts in which practitioners are required to deposit funds received from their clients.

Additionally, Respondent has argued that the Complainant's charges are nothing more than a fee dispute which should be of no interest to Complainant. Respondent's argument is quite incorrect. By establishing the opportunity for Sperry practitioners to engage clients throughout the entire United States, PTO has the concomitant responsibility to regulate that which it creates. While PTO has no rule that provides for it to order practitioners to return to their clients any unearned fees, such does not mean that PTO is without interest in or authority to review a practitioner's fee dispute(s). To the contrary and based on the policy noted above, I conclude that such is exactly what is required if an ALJ is to review charges associated with 37 C.F.R. § 10.112(c)(4). When a state bar association has not taken action regarding a fee dispute involving a PTO practitioner, such inaction does not obviate or preclude the PTO from reviewing those same facts and circumstances for purposes of enforcing its own rules of practice.

There is no dispute that Respondent failed to return Palmer's money. Respondent himself admitted that Palmer deserved a return of at least \$500.00 of the fee that she had paid him. As a result of Respondent's admission [which was corroborated by Respondent's sending her a check in that same amount], his failure to return the \$500.00 was a violation of 37 C.F.R. § 10.112(c)(4). Complainant must also show, however, that the violation was wilful in nature. Clearly, Palmer had requested that Respondent refund her entire amount. She even refused to accept his \$500.00 check. Respondent then stopped payment on this check. From such, the undersigned concludes that there is clear and convincing record evidence that Respondent wilfully failed to return the \$500.00 that he knew belonged to Palmer. With respect to the remaining balance that Nelson was due, there is not clear and convincing evidence that he wilfully failed to return to Palmer monies that she was due.

Likewise, I conclude that the evidence clearly and convincingly substantiates that he wilfully failed to return Palmer's disclosure materials. Having observed Respondent on the stand regarding this and other testimony, I concluded that Respondent's confusion regarding the whereabouts of Palmer's materials was related to his being disorganized and his practice being overloaded. While inuring against a wilful violation, there is no excuse for his failure to return his client's materials, even if such caused her no harm.

I do not conclude that Complainant demonstrated by clear and convincing evidence that Palmer was precluded from pursuing her invention because of Respondent's failure to return her materials. As Respondent demonstrated on the stand, the materials used by Palmer in creating her invention were common, everyday household materials which Palmer could easily replicate. Complainant never challenged this demonstration or assertion.

With respect to the charges that he inadequately prepared and failed to act competently and neglected a legal matter entrusted to him, thereby violating 37 C.F.R. §§ 10.77 (b) and (c), respectively, when he prepared incomplete and incorrect applications on Palmers behalf, I find no clear and convincing evidence of wilful violation of 10.77(c). As analyzed earlier vis a vis the parallel Nelson charge, the charge here that he neglected a legal matter entrusted to him is devoid of evidentiary foundation; there is simply no evidence in the record whatsoever that he failed to act with appropriate dispatch regarding the Palmer application.

With respect to the charge that he handled the Palmer application without adequate preparation, thereby failing to act competently, I find that there is clear and convincing proof of a wilful violation of 10.77(b) with respect to the initial draft he prepared for Palmer, but not with respect to the revision. As discussed above, Respondent's submission of a set of claims as a first draft application was a marginal effort on his part and demonstrated a lack of adequate preparation and/or effort when compared with his Nelson template. Even then, the minimal set of claims were not responsive to the disclosure provided him by his client, which he himself admitted.

His revision, however, was a step forward. As discussed above, it did contain a more substantive effort on his part, contrary to Palmer's assertion that he had merely regurgitated to her what she had provided him. The revision, while a step forward, nevertheless contained only a brief description of the invention which failed to refer to the application's different views of the invention by specifying the numbers of the figures and failed to refer to other parts of the invention by use of reference numbers and numerals. The undersigned accepts Respondent's position that the revision was not intended as a final application. The undersigned does understand the evolutionary process of application creation; however, by the revision stage it ought to begin to conform to the basics required in an application, such as appropriate reference designations. But, as discussed above, there is no PTO standard for a revised application and his revision efforts for Palmer were not so distinctive from his efforts for Nelson. Accordingly, I do not find that he inadequately prepared for or prepared the revision.
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I note my conclusion that he did not begin to work on the revision until after Palmer had called him. Palmer's inquiry as to the status of her application did not necessarily mean that Respondent was neglecting it. However, apparently, Respondent was concerned about such and falsely told his client he had been up all night. Palmer stated that she did not believe his statement at that time. His testimony reiterating this fact was less than credible. It stretches credulity that someone would spend all night working on a project and then wait until late afternoon to fax it to a client, particularly a client who was expressing such strong dissatisfaction, who was pressing for immediate product and was threatening to terminate the relationship. Corroborating this conclusion was Respondent's own testimony that he was sending only that part of the application he had completed. Palmer very clearly
(continued...)

FORMAL FINDINGS OF FACT

In addition to the stipulated material facts and admissions noted above, which are incorporated herein as part of these findings of facts, the undersigned finds that:

General Findings

1. Respondent was registered to practice patent matters before the PTO in December, 1987. (Halvonik Tr.963)
2. In March, 1990, Respondent mailed two general information brochures to two different clients, Marcon and Brown. (Exh. 2, Bates #303-312), (Exh. 61-E, Bates #1234-43).
3. Page 7 of the brochure states in part: "You are entitled to the return of any monies I have not used if you wish to discontinue my employment at any time." (Exh. 2, Bates #310), (Exh. 61-E, Bates #1241).
4. In a letter dated November 4, 1992, PTO informed Respondent that failure to place funds from a client for a fixed fee patent application in a trust account and failure to deliver to a client funds to which the client is entitled can warrant disciplinary action under 37 C.F.R. § 10.112(a) and (c)(4). (Exh. 23, Bates #597-98).

16/(...continued)

testified that Respondent had told her he had been up all night and had completed the revision. Finally, Respondent himself testified that he did not include claims in the revision because his client had told him that she did not intend to go forward. In order for Respondent to make this decision, he had to have been working on the revision after Palmer spoke to him. Accordingly, the undersigned concludes that Respondent, after getting the call from Palmer, scrambled to prepare the revision. Given that the undersigned has concluded that Respondent did not act neglectfully, Respondent could have taken his time. Had he taken more time, he may have completed an even better revision. This is a perfect example of how a practitioner's problems can compound themselves, creating additional problems where none should have existed in the first place.

Findings Regarding Count Two (Nelson)

1. Exhibit 69 is a certified copy of the specification and claims filed in application 07/968,355.
2. On or about September 16, 1992, Respondent requested that Nelson send the \$500.00 balance and Respondent acted surprised when Nelson stated that he had not received a draft. (Exh. 24, Bates #600), (Nelson Tr.18, 19, 119).
3. The type-written material in Exhibit 69 represents what Respondent filed on October 29, 1992, for Nelson, the inventor.
4. Exhibit 24-K contains a non-certified copy of the specification (Bates #643-49), claims (Bates #650), drawings (Bates #654-656), transmittal letter (Bates #642), small entity status form (Bates #651) and declaration (Bates #652-53) that Respondent filed on October 29, 1992, for Nelson, the inventor.
5. Figures 5-7 in Exhibit 24-K at Bates #656 assist in explaining the Nelson invention.
6. Exhibit 24-C, Bates #604-09, contains the October 8, 1992, draft that Respondent faxed to Nelson, with Nelson's hand-written comments made after receipt. (Nelson Tr.23)
7. The October 8, 1992, draft that Respondent sent to Nelson contained several errors or omissions. (Exh. 24-C, Bates #604-09)
 - a. The term "sealant" was used throughout the October 8, 1992, draft rather than the term "adhesive." (Exh. 24-C, Bates #604-09) (Nelson Tr.24-25).
 - b. The preferred dimensions of the molding strip contained blank areas for numerical figures to be inserted. (Exh. 24-C, Bates #608).
 - c. The draft contained a sentence and a sentence clause discussing that the foam dam would be removed after the urethane has cured. (Exh. 24-C, Bates #608).
8. The inventor perceived that using the term "sealant" rather than "adhesive" did not properly describe his invention. He stated that the adhesive functioned as a structural component of the automobile, bonding the glass to the metal pinchweld, thus incorporating the glass into the overall eggshell structure of the vehicle. (Nelson Tr.24-25).

9. Nelson asked that the "foam dam removal" language be removed because the foam dam cannot be removed once the adhesive has cured bonding the glass window to the pinchweld. (Nelson Tr.37-38, 42-43, 52-53).

10. Subsequent to Nelson receiving the October 8, 1992, draft, Nelson communicated with Respondent by telephone and by facsimile and suggested changes necessary to be made to the October 8, 1992, draft. (Nelson Tr.26-27), (Exh. 24, Bates #600), (Exh. 32, Bates #684, ¶6), (Exh. 79, at 3), (Halvonik Tr.1055-56).

11. The typewritten matter in Exhibit 78, R0024-25, contains information that Nelson sent via facsimile to Respondent on October 8, 1992. (Halvonik Tr.1205-06), (Exh. 34, Bates #692, 715-18). [The handwritten information contained in Exhibit 78 is not admitted and not relied upon in making this ruling.]

12. Exhibit 34, Bates #708-14, contains information that Nelson sent via facsimile to Respondent on October 12, 1992. Only Bates #708 and 714 are admitted; the remaining pages 709-13 are not admitted and are not relied upon in making this ruling. (Nelson Tr.33-34), (Exh. 34, Bates #692), (Halvonik Tr.1066).

13. On October 14, 1992, Nelson sent a facsimile to Respondent stating that he [Nelson] wanted the following changes made to the draft: (i) "sealant" changed to "adhesive" (ii) the addition of dimensions and (iii) deletion of the language concerning removal of the foam dam. (Exh. 34, Bates #703-07).

14. The handwriting stating "change sealant to adhesive" on Exhibit 34, Bates #704 is Respondent's handwriting. (Halvonik Tr.1049-50).

15. Respondent admits that he knew Nelson wanted the term "sealant" changed to "adhesive," but that he did not make the requested change. (Halvonik Tr.1064, 1080, 1102, 1155).

16. Respondent admits that the missing dimensions were communicated to him. (Halvonik Tr.1058), (Exh. 34, Bates #692, ¶30).

17. Respondent's cover letter accompanying the October 21, 1992, draft stated in full: "Here is what I have so for the trim moulding. The only ting [sic] that I wanted to add was the specific dimensions of the strip, e.g. height and width, and the size of the fingers etc." (Exh. 24-D, Bates #610).

18. Respondent did not intend for the October 21, 1992, draft to be a final draft that was ready to be filed as a patent application. Rather, Respondent expected Nelson to have additional input or comments. (Halvonik Tr.1074-75, 1077, 1129, 1155).

19. The October 21, 1992, draft contained errors that Nelson had previously discussed with Respondent that should have been changed. (Exh. 24-D, Bates #610-21), (Nelson Tr.37, 46), (Exh. 24, Bates #600).

a. The term "sealant" was used rather than "adhesive" in the October 21, 1992, draft. (Nelson Tr.37, 46).

b. The space for dimensions of the preferred size was still blank and the sentence concerning removal of the foam dam was still in the draft. (Nelson Tr.37-38).

c. The disclosure in the October 21, 1992, draft was misdescriptive. (Halvonik Tr.1156)

20. Subsequent to receiving the October 21, 1992, draft, Nelson spoke via telephone with Respondent. (Nelson Tr.44-45), (Halvonik Tr.1157), (Exh. 32, Bates #684, ¶8), (Exh. 79, at 4), (Exh. 24, Bates #600), (Exh. 31, Bates #675).

21. Nelson's handwritten notations on Exhibit 24-D were communicated to Respondent. (Nelson Tr.45-46, 64), (Exh. 31, Bates #675-76).

22. Nelson and Respondent discussed the October 21, 1992, draft page-by-page, line-by-line to insure that all of Nelson's requested changes would be made in the final version. (Nelson Tr.125), (Exh. 31, Bates #675).

23. Respondent informed Nelson that he would make all the requested changes before submitting a final version of the patent application to the Patent and Trademark Office. (Nelson Tr.44-45, 47, 71, 132, 135, 139-40, 146, 147-48), (Exh. 31, Bates #675-76).

24. Respondent's testimony does not contradict Nelson's testimony concerning Respondent's assurances that changes would be made to the October 21, 1992, draft prior to that draft being filed. (Halvonik Tr.1157).

25. Respondent instructed Nelson to sign the declaration for the patent application, assuring Nelson that the changes would be made

prior to the filing of the application. (Nelson Tr.47, 71, 81, 132, 134, 138-40, 147), (Exh. 31, Bates #675 ¶3).

26. On or about October 22, 1992, Nelson sent via overnight delivery to Respondent the signed Small Entity Declaration and Patent Declaration plus the \$355.00. (Exh. 24, Bates#600), (Halvonik Tr.1088).

27. Nelson did not instruct Respondent to file the October 21, 1992, draft as his patent application. (Nelson Tr.47, 83-84), (Exh. 31, Bates #676, ¶1).

28. The October 21, 1992, filing contained the errors that were previously brought to the attention of Respondent. (Halvonik Tr.1137, 1158-59).

29. After the filing of the patent application, Nelson received from Respondent a copy of the October 21, 1992, draft which Respondent indicated was the version that was filed with the PTO. (Exh. 24, Bates #601)

30. Nelson telephoned Respondent on November 3, 13, and December 9, 1992, to ask Respondent to determine which version was actually filed. (Exh. 24, Bates #601), (Halvonik Tr.1104), (Exh. 79).

31. Respondent received the filing receipt for the patent application in December 1992. (Exh. 27, Bates #664), (Halvonik Tr.1179).

32. Nelson made six subsequent calls to Respondent to ask him whether he had determined what was filed with the PTO and/or discuss the Gold patent. (Nelson Tr.47-50), (Exh. 24, Bates #601), (Exh. 31, Bates #625), (Exh. 79).

33. Even though Respondent had the filing receipt which contained the application serial number in December 1992, he did not review the application file until late January 1993 to determine which version of the drafts was filed. (Halvonik Tr.1124).

34. Respondent's explanation (Halvonik Tr.1124) for the delay in reviewing the patent application at the PTO is contradicted by both parties' experts: (i) Norris, a patent expert for Respondent, testified that with a serial number, a patent practitioner could go to the PTO and review the application file. (Norris Tr.666) Norris also testified that in a situation such as Nelson's application, where the patent practitioner was not sure what version of the application was actually filed, he would try to resolve the issue "as swiftly" as he could and that he would not

wait until the first office action by the PTO to resolve the issue. (Norris Tr.667-670); (ii) Karasek, Complainant's expert, testified that once the practitioner had the filing receipt, the practitioner "would move immediately," within a day or two to review the application file. (Karasek Tr.1560-61).

35. In February 1993, when Respondent informed Nelson that the October 21, 1992, draft was filed, he admitted to Nelson that he had "screwed-up" and in a subsequent letter dated February 5, 1993, Respondent offered to refund to Nelson \$1,355.00, representing Nelson's out-of-pocket costs, but did not include a check for that amount. (Halvonik Tr.1138, 1141), (Exhs. 31-A, 24, Bates #601).

36. Subsequent to filing the patent application, Nelson could not have added numerical data to fill in the blanks for the dimensions in the patent specification because such an addition would have added new matter to the application which is prohibited by 35 U.S.C. § 132. (Norris Tr.602-03), (Karasek Tr.1502-03).

37. Subsequent to filing the patent application, Nelson could not have deleted the sentences discussing the "removal of the foam dam," because such a deletion would have constituted new matter by deletion as prohibited by 35 U.S.C. § 132. (Karasek Tr.1512-13).

38. Subsequent to filing the patent application, Nelson could not have amended the patent application by changing the term "sealant" to the term "adhesive" without facing the risk of a new matter rejection pursuant to 35 U.S.C. § 132. (Karasek Tr.1508), (Norris Tr.640-41).

39. "Sealant" and "adhesive" are not synonymous. An adhesive is a material that binds two things together, whereas a sealant is a material or object that keeps one substance away from another substance. (Karasek Tr.1510), (Norris Tr.642-43). The failure to clarify the properties of the invention exposes the invention to potential litigation.

40. Norris's testimony (Tr.639) that both terms, "sealant" and "adhesive" were used in the application and the issued patent oversimplifies the issue. The only mention of urethane adhesive used in the application, and hence the issued patent No. 5,343,662, relates to the description of figure 7 which states "Third step adhering windshield to strip with urethane adhesive." (col.2, l.40-41). Figure 7 merely shows the window being adhered to the F strip, not the window being bonded to the pinch weld with adhesive. (col.3, l. 8-13), (Exh. 72, U.S. Pat. No. 5,343,662).

41. The failure to include the dimensions of the F strip in the patent application raises a question and potential litigation as to a best mode contemplated by the inventor for carrying out his invention (35 U.S.C. § 112) and whether such is contained in the application. (Karasek Tr.1500, 1504, 1587-87).

42. Nelson believed that the dimensions of the F strip were important. (Nelson Tr.26, 154, 158), (Exhs. 34, 704, 707).

43. Norris testified (Tr.612) that the dimensions were not critical to Nelson's invention.

44. Halvonik admitted that he had not done the work his client had instructed him to do. (Halvonik Tr.1137).

45. Halvonik admitted that he filed the patent application "without correcting errors that were brought to [his] attention earlier" in the drafting stages. (Halvonik Tr.1158-59).

46. Complainant provided no clear and convincing evidence that Nelson suffered any injury regarding his patent as a result of Respondent's "screw-up".

47. Nelson discharged Respondent on February 5, 1993. (Exh. 24-E, Bates #622).

48. On February 24, 1993, Respondent filed a document with the PTO concerning Nelson's patent application which stated: "The applicant executed the oath after reading the older draft, signed and dated it 10/22/92 and mailed the oath back with instructions to file." (Exh. 24-I, Bates #638).

49. On September 8, 1993, OED sent Respondent a letter entitled "Second Requirement for Information." (Exh. 29).

50. Interrogatory 12 of the September 8, 1993, letter stated: "Explain why on or about October 28, 1992, you filed or caused to be filed in the Patent and Trademark Office a draft instead of a final version of the application without correction of all the errors that you and Nelson agreed had to be deleted from the draft." (Exh. 29, Bates #669).

51. On October 8, 1993, Respondent responded to OED's September 8, 1993, letter, stating: "Nelson sent back the patent oath already signed with instructions to file ASAP. I believe this was by overnight mail. I recall instructions to file ASAP from a phone conversation at this time. Since he had signed the draft I assumed he approved of the last draft that we had sent him on

10/21 and that he desired that oath to be attached to that draft." (Exh. 32, Bates #685 ¶12).

52. On December 23, 1993, OED sent Respondent a letter entitled "Third Requirement for Information" in which interrogatory 28 of the December 23, 1993, letter states: "Explain what 'instructions to file' you received in the mail. Provide a copy of the instructions." (Exh. 33, Bates #690 ¶28).

53. On January 27, 1992, Respondent responded to OED's December 23, 1993, letter, stating in part: "I did not say that he sent the instructions to file in the mail. I said he mailed back the oath with instructions to file. He informed me of this wish orally over the phone at least once." (Exh. 34, Bates #692).

54. Nelson did not instruct Respondent to file the October 21, 1992, draft as his patent application. (Nelson Tr.47, 83-84), (Exh. 31, Bates #676 ¶1).

55. On September 8, 1993, OED asked Respondent to explain what outstanding bill Nelson had with Respondent at the time Respondent represented to Roseman that an outstanding bill existed. (Exh. 29, Bates #670 ¶22)

56. On October 8, 1993, Respondent responded to OED's inquiry, stating: "I told Ms. Roseman that there might be balance [sic] due in the case due to the time I had spent running around looking for the case and that I might hold the case pending payment. I don't believe I informed Nelson of this." (Exh. 32, Bates #685 ¶22).

57. Consistent with his infrequent billing practice, Respondent never sent Nelson a bill or invoice for additional fees. (Nelson Tr.76), (Halvonik Tr.1182-83), (Exh. 24, Bates #601).

58. Respondent never informed Nelson about any additional fees that were due. (Exh. 32, Bates #685 ¶22), (Nelson Tr.76), (Exh. 24, Bates #601).

59. In offering the settlement, Respondent did not undertake a quantum meruit analysis to determine the fees he earned. (Halvonik Tr.1167).

60. Complainant submitted no quantum meruit analysis or any other clear and convincing evidence demonstrating that Respondent had not earned the \$1,000.00 fee paid him by Nelson. (Halvonik Tr.1167)

61. Nelson is not due to receive a refund of his filing fee from Respondent given that Nelson would have had to pay a filing fee directly to the PTO.

62. Respondent did not neglect the filing of Nelson's patent application.

Findings Regarding Count Three (Palmer)

1. Exhibit 43 at Bates #830-914, Exhibit 35 at Bates #721 and Exhibit 35-A are the written disclosure material Palmer sent to Respondent. (Exh. 35-A, Bates #722), (Palmer Tr.257-261).

2. Palmer also submitted physical specimens with the written disclosure material. (Palmer Tr.257, 306, 365-66), (Exh. 35-A, Bates #722), (Exh. 35, Bates #719).

3. Palmer paid Respondent \$1300.00 to prepare and file a patent application. (Palmer Tr.254-56), (Halvonik Tr.1252), (Answer ¶ 51), (Exh. 35, Bates #719).

4. Palmer's disclosure materials (Exh. 43) reveal her invention.

5. Palmer's materials describe to Respondent a three-part kitty litter box with a hard, thin plastic liner that sits within an aluminum foil container which sits inside a traditional hard plastic litter box, with all three containers conforming in size and shape. The edges of the middle aluminum foil box would be fluted to fold over the other two containers, and may contain a third fluted edge to catch over-spray. (Exh. 43, Bates #898).

6. A two-part embodiment was also disclosed in Palmer's initial disclosure to Respondent. (Exh. 43, Bates #831 & #903).

7. According to the disclosure, the prior art had the following disadvantages. First, litter boxes are made of porous plastic material which absorbs liquids and odors. Odors remain even after washing. (Bates #886). Second, prior art solutions use soft plastic liners similar to trash bags, but these are prone to tears from cat claws. (Bates #886). Other methods used trays which were used until saturated. (Bates #889, 895), (Exh. 43).

8. A commercial product Feliners® is described as being flawed for being absorbent compared with Palmer's "completely nonabsorbent, waterproof liner." (Exh. 43, Bates #909).

9. The description further states "My design is the only one which utilizes completely waterproof, self-contained containers (two, in

fact; one being the thin hard plastic and the other, aluminum foil)." (Exh. 43, Bates #909).

10. The last page of the disclosure material contains a comparison of Palmer's invention with U.S. Pat. No. 4,171,680. (Exh. 43, Bates #914).

11. The April 27, 1993, draft did not include any figures, even though two figures were referenced in the draft. (Exh. 41, Bates #795-800), (Palmer Tr.264, 271), (Halvonik Tr.1254), (Answer ¶53), (Exh. 35, Bates #719).

12. Claim 1 of Respondent's April 27, 1993, draft states in relevant part:

Animal litter box of three piece construction comprising: first member of rigid construction . . . second member of malleable material . . . said third member made of absorbent material.

Claim 2 states in full:

The apparatus of claim 1 wherein said malleable material is aluminum foil.

Claim 3 states in full:

The apparatus of claim 2 wherein said front and back edges are of three separable layer. .
. (Exh. 41, Bates #800)

13. The April 27, 1993, draft contained errors. (Palmer Tr.266), (Exh. 35, Bates #719).

14. The April 27, 1993, draft stated that the invention "alleviates the need for constant removal of kitty litter," (Bates #796) whereas the inventor described a system where constant maintenance of the litter box was "central and core" to the invention. (Palmer Tr.267), (Exh. 41, Bates #825).

15. The April 27, 1993, draft failed to point out that the third member was rigid and waterproof. Instead, the third member was described as "absorbent." (Bates #800), (Palmer Tr.268), (Exh. 41, Bates #825).

16. The April 27, 1993, draft described the second member as malleable material (Bates #800), whereas the inventor wanted the second member to be rigid. (Exh. 41, Bates #825).

17. In claim three of the April 27, 1993, draft, the claim ends with an ellipsis. (Exh. 41, Bates #800), (Exh. 41, Bates #825), (Palmer Tr.273).

18. Having read Respondent's April 27, 1993, draft, Palmer was dissatisfied with the draft because in her opinion either Respondent had not read the disclosure material or had no concept of her invention. (Palmer Tr.267-68).

19. Palmer's dissatisfaction was justified given that Respondent's initial draft of the Palmer application did not measure up to Respondent's own nor the expert's standard for what is an acceptable first draft of an application based on Respondent's initial Nelson draft as a template for what is acceptable.

20. On May 10, 1993, Palmer sent Respondent a two page cover letter, an eight page revision of the patent application, along with eight penciled figures, which Palmer requested to be professionally redone as soon as possible. (Palmer Tr.277), (Exh. 41, Bates #801-810).

21. Palmer's May 10, 1993, letter also suggested using the invention as a two-part, rather than three-part litter box system. (Exh. 41, Bates #801).

22. Subsequent to May 10, 1993, Palmer decided not to continue with Respondent as her patent counsel because she believed he did not understand her invention. (Palmer Tr.287), (Exh. 35, Bates #719).

23. On May 19, 1993, Palmer contacted Respondent to inform him that she no longer wished to go forward with the patent application. Respondent stated that he had been up all night the previous night and that he had another draft which he insisted on faxing to her for her review. (Palmer Tr.288-89), (Exh. 35, Bates #719).

24. On May 19, 1993, at 4:45 P.M., Respondent faxed a second draft to Palmer. (Exh. 41, Bates #814-822), (Palmer Tr.290-92).

25. The May 19, 1993, draft received by Palmer had no claims and no drawings. (Palmer Tr.295-96), (Exh. 41, Bates #815-22), (Answer ¶59), (Exh. 35, Bates #730).

26. Respondent did not intend the May 19, 1993, draft to be a final draft ready for filing at the PTO but rather as an indication to Palmer of Respondent's recent work. (Halvonik Tr.1275), (Answer ¶59).

27. Respondent's testimony that Palmer's disclosure material provided for the use of absorbent material is contradicted by the clear and unambiguous language of the disclosure material. Moreover, when asked to find support in the disclosure material for his assertion, Respondent could not find any support. (Halvonik Tr.1319-23, 1385-1391).

28. On May 19, 1993, Palmer discharged Respondent and asked Respondent to return a portion of the \$1300.00 fee that she had paid. (Palmer Tr.297), (Exh. 35-E, Bates #730).

29. In addition to seeking a refund of fees paid to Respondent, Palmer sought the return of her disclosure materials. (Palmer Tr.306), (Exh. 41, Bates #826), (Answer ¶62), (Exh. 35, Bates #719).

30. On June 12, 1993, Palmer sent another demand for return of the legal fees she had paid to Respondent. (Exh. 41, Bates #826), (Answer ¶62).

31. Respondent never filed a patent application for Palmer at the PTO. (Palmer Tr.305-06).

32. In July 1993, Respondent left a voice message on Palmer's answering machine stating that he reconsidered his early position and offered Palmer \$400.00. (Exh. 35, Bates #720).

33. On July 23, 1993, Respondent sent Palmer a letter and enclosed a check for \$500.00. (Exh. 35-G, Bates #737).

34. The July 23, 1993, letter states:

I [sic] reference to your recent request for a refund of money you paid for a patent application. I am enclosing a check for \$500 based on the original filing fee paid less my hourly rate (\$90) times hours spent on the project.

I feel this is fair as it is based on the time I spent writing two drafts of the application as well as time on the phone with you in the first week of April and second week of May.

If this is unacceptable please call or write.
(Exh. 35-G, Bates #737).

35. On July 26, 1993, Palmer sent Respondent a letter stating that she believed the refund should be for more than \$500.00 (Exh. 35-H, Bates #739).

36. On August 5, 1993, Joel Sachs, an attorney Palmer retained to assist her in recovering her money from Respondent, sent Respondent a letter requesting that Respondent "refund the full retainer amount of \$1,300.00 plus whatever submissions she had transmitted to your office," and informed him that Palmer had been instructed not to cash the \$500.00 check and directed Respondent to forward an additional check for \$800.00 or that the \$500.00 dollar check will be returned so that Respondent can write a check for \$1300.00. (Exh. 35-I, Bates #740).

37. Palmer attempted to cash the check, but her credit union informed her that the check had been returned payment stopped. (Exh. 35-K, Bates #743).

38. Respondent never returned her disclosure material, including the devices that she had sent him. (Palmer Tr.306-07), (Halvonik Tr.1420-21).

CONCLUSIONS OF LAW 4

I. **NEGLECT OF A LEGAL MATTER UNDER 37 C.F.R. § 10.77 AND/OR ENGAGED IN GROSS MISCONDUCT UNDER 37 C.F.R. § 10.23 (A) AND/OR CONDUCT THAT ADVERSELY REFLECTS ON FITNESS TO PRACTICE UNDER 37 C.F.R. § 10.23(b) (6).**

A. **NELSON**

1. PTO Disciplinary Rule 10.77(c) states that a practitioner shall not neglect a legal matter entrusted to the practitioner. 37 C.F.R. § 10.77(c).
2. PTO Disciplinary Rule 10.23(b) (6) states that a practitioner shall not engage in any conduct that adversely reflects on the practitioner's fitness to practice before the PTO. 37 C.F.R. § 10.23(b) (6).
3. PTO Disciplinary Rule 10.23(a) states that a practitioner shall not engage in disreputable or gross misconduct. 37 C.F.R. § 10.23(a).

4. The Act prohibits a patent applicant from introducing new matter into the disclosure of the invention. 35 U.S.C. § 132; see also 37 C.F.R. 1.118.
5. The Act requires the inventor to set forth the best mode contemplated by the inventor of carrying out the invention. 35 U.S.C. § 112, ¶1.
6. The October 21, 1992, draft was incorrect because (i) the word "sealant" was used rather than "adhesive," (ii) a description of the preferred embodiment containing the dimensions was omitted, and (iii) the disclosure was misdescriptive.
7. The application as filed on October 29, 1992, was incorrect and incomplete because (i) the corrections requested by Nelson on or about October 21, 1992, were not made prior to filing, and (ii) the dimensions previously provided by Nelson to Respondent were omitted.
8. Respondent's filing of the October 21, 1992, draft as the final application for Nelson did not constitute neglect of a legal matter entrusted to Respondent but did constitute gross misconduct and conduct that adversely reflected on Respondent's fitness to practice before the PTO.
9. Respondent's delay in determining which version of the application was actually filed constituted neglect of a legal matter entrusted to Respondent but did not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

B. PALMER

10. PTO Disciplinary Rule 10.77(b) states that a practitioner shall not handle a legal matter without preparation adequate in the circumstances. 37 C.F.R. § 10.77(b).
11. The April 27, 1993, draft was incorrect because it described the third member as absorbent whereas the disclosure material provided to Respondent did not describe the third member as being absorbent.
12. The April 27, 1993, draft was incorrect because the draft failed to include the waterproof feature of the invention as clearly disclosed in the disclosure material.

13. The May 19, 1993, draft was incomplete and incorrect because the draft contained no drawings although the specification describes views of nine drawing figures.
14. The May 19, 1993, draft was incomplete and incorrect because the draft contained no claim section.
15. Respondent's drafting of the April 27, 1993, draft patent application for Palmer constitutes inadequate preparation in the circumstances and constitutes conduct that adversely reflects on Respondent's fitness to practice before the PTO.
16. Respondent's drafting of the April 27, 1993, draft patent application for Palmer does not constitute neglect of a legal matter entrusted to Respondent but does constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.
17. Respondent's drafting of the May 19, 1993, draft patent application for Palmer does not constitute inadequate preparation in the circumstances and does not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.
18. Respondent's drafting of the May 19, 1993, draft patent application for Palmer does not constitute neglect of a legal matter entrusted to Respondent and does not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

III. CONDUCT INVOLVING DISHONESTY, FRAUD, DECEIT OR MISREPRESENTATION UNDER 37 C.F.R. § 10.23(b) (4)

19. Respondent's statement to the PTO in the February 24, 1993, submission to the PTO that Nelson approved the October 21, 1992, draft for filing and that Nelson instructed Respondent to file does not constitute conduct involving misrepresentation.
20. Respondent's statement to the Office of Enrollment and Discipline ("OED") in his October 8, 1993, submission to the OED that he assumed that Nelson approved the October 21, 1992, draft for filing and that Nelson instructed Respondent to file does not constitute conduct involving misrepresentation.
21. Respondent's statement to Abigail Roseman that Nelson owed Respondent money when she inquired about the return of

Nelson's files does not constitute conduct involving misrepresentation.

IV. FAILURE TO DELIVER TO THE CLIENT FUNDS OR OTHER PROPERTY WHICH THE CLIENT IS ENTITLED TO RECEIVE UNDER 37 C.F.R. § 10.112(c)(4) AND/OR ENGAGED IN CONDUCT THAT ADVERSELY REFLECTS ON FITNESS TO PRACTICE UNDER 37 C.F.R. § 23(b)(6)

A. NELSON

22. Respondent submitted a final application, albeit not the application Nelson desired, and he never billed Nelson for the additional time of reviewing the Gold patent; but Complainant failed to prove by clear and convincing evidence that some work remained to be done based on a quantum meruit analysis.
23. Complainant failed to prove by clear and convincing evidence that Respondent did not earn the entire \$1,000.00 fee that Nelson had paid to him.
24. Respondent's failure to pay a portion of the \$1,000.00 to Nelson does not constitute a failure to promptly pay to the client as requested by the client, funds in the possession of Respondent which the client is entitled to receive.
25. Respondent's failure to pay a portion of the \$1,000.00 to Nelson does not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

B. PALMER

26. Respondent never filed a patent application for Palmer, thus additional work remained to be done under a quantum meruit analysis.
27. Respondent did not earn the entire \$1,300.00 fee that Palmer paid to him.
28. Respondent could not withhold the \$500.00 which he unmistakably indicated that he did not earn, even though Palmer believed that she was entitled to additional funds.
29. Respondent's failure to pay \$500.00 to Palmer constitutes a failure to promptly pay to the client as requested by the client funds in the possession of Respondent which the client is entitled to receive.

30. Respondent's failure to pay \$500.00 to Palmer constitutes conduct that adversely reflects on Respondent's fitness to practice before the PTO.
 31. Respondent's failure to deliver to Palmer her disclosure materials, including her devices, constitutes a failure to promptly deliver to the client as requested by the client property in the possession of Respondent which the client is entitled to receive.
 32. Respondent's failure to deliver to Palmer her disclosure material, including her devices, constitutes conduct that adversely reflects on Respondent's fitness to practice before the PTO.
- V. **LIMITING LIABILITY TO CLIENT UNDER 37 C.F.R. §10.78 AND/OR ENGAGED IN CONDUCT THAT ADVERSELY REFLECTS ON FITNESS TO PRACTICE UNDER 37 C.F.R. § 10.23(b) (6)**
33. A practitioner cannot attempt to settle a dispute with a client by seeking client assurances that the client will not contact bar or judicial authorities.
 34. An attempt to buy the silence of a client by agreeing to pay money to a client in exchange for the client not filing a complaint with the relevant bar authorities is repugnant to the intent of attorney discipline systems.
 35. Complainant failed to prove by clear and convincing evidence that Respondent's attempt to settle his dispute with Nelson constituted a wilfull attempt to exonerate himself from, or limit his liability to a client for his personal malpractice.
 36. Complainant failed to prove by clear and convincing evidence that Respondent's attempt to settle his dispute with Nelson constituted conduct which adversely reflects on his fitness to practice before the PTO.
 37. Complainant failed to prove by clear and convincing evidence that Respondent's attempt to settle his dispute with Nelson by expressing a "wish" that the client not make a complaint with the Office of Enrollment and Discipline constitute wilful conduct which adversely reflects on his fitness to practice before the PTO.

ORDER


In light of the decision set forth above, Complainant and Respondent are directed to appear before the undersigned at 10:00 a.m. on March 5, 1998, to recommend what sanctions should be imposed on Respondent. The standards for penalties as established by 37 C.F.R. § 10.154(b) are:

- (1) The public interest;
- (2) The seriousness of the violation of the Disciplinary Rule;
- (3) The deterrent effects deemed necessary;
- (4) The integrity of the legal profession; and
- (5) Any extenuating circumstances.

Participants should be prepared to provide oral argument based on the above factors.

APPEAL

Parties have 30 days from the issuance of this initial decision to file an appeal of this decision with the Commissioner of Patents and Trademarks.


Delbert R. Terrill, Jr.
Administrative Law Judge

Washington, D.C.