

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE UNITED STATES PATENT AND
TRADEMARK OFFICE**

In the Matter of)
)
Andrew S. Marks)
)
_____)

Proceeding No. D05-05

FINAL ORDER

The Director of Enrollment and Discipline (OED Director) Andrew S. Marks (Respondent), USPTO Registration No. 33,259, have submitted a settlement agreement in the above proceeding that meets the requirements of 37 C.F.R. § 10.133(g).

In order to resolve the case without the necessity of a hearing, Respondent and the OED Director agreed to certain stipulated facts, legal conclusions and a stipulated term of exclusion. Pursuant to that agreement this final order sets forth the following stipulated facts, agreed upon legal conclusions and exclusion order.

STIPULATED FACTS

1. In an Information dated September 9, 2003, Respondent was charged in the United States District Court for the District of Massachusetts with one count of insider trading securities fraud, in violation of Title 15, United States Code §§ 8j(b) and 78ff(a), in connection with the sale of publicly traded common stock of Respondent's former employer, Vertex Pharmaceuticals, Inc. ("Vertex").

2. At all times relevant to the matters in this investigation, Vertex was a biotechnology company based in Cambridge, Massachusetts. The company was founded in 1989 and went public in 1991. Vertex stock was publicly traded under the symbol "VRTX" in the nationwide automated quotation system ("NASDAQ") operated by the National Association of Securities Dealers.

3. Respondent was hired by Vertex as Patent Counsel in June 1997, served as Senior

Patent Counsel from December 1998 to December 1999, and was Chief Patent Counsel at Vertex from December 1999 until his resignation from the company.

4. The federal securities laws are intended to ensure honest markets and to promote investor confidence. Insider trading undermines investor confidence in the integrity of the securities markets. Insider trading occurs when corporate insiders, such as directors, officers, or employees, trade company securities on the basis of material, non-public information. Securities Exchange Act Rule 10b-5 prohibits insider trading.

5. As a publicly traded company, Vertex adopted an insider trading policy that prohibited trading in company securities by corporate insiders while in possession of material, non-public information. The policy specifically forbade trading while in possession of material, non-public information, even if the employee had a legitimate reason for the trade such as emergency medical treatment.

6. Vertex's insider trading policy defined material information as any information that "a reasonable investor would consider important in a decision to buy, hold, or sell a particular stock. In short, it is any information which could reasonably be expected to affect the price of the stock." Further, the policy listed the results of clinical trials as a specific example of information that would be considered material.

7. Vertex's insider trading policy included further trading restrictions directed specifically toward particular high-level insiders. These further restrictions required such high-level insiders, including Respondent, to pre-clear all trading in Vertex securities with Vertex's CEO, President, or Vice President - Finance.

8. Vertex's insider trading policy also strongly recommended against employees buying or selling options other than those granted by the company, and required that such transactions were permitted only as part of a pre-arranged written plan that must be pre-cleared by certain high-level Vertex employees.

9. Respondent certified in writing that he had received and read a copy of Vertex's insider trading policy on August 4, 1997.

10. As Chief Patent Counsel at Vertex, Respondent was subject to Vertex's insider trading policy, and Respondent was a high-level insider subject to the requirement of pre-clearing all Vertex securities trades.

11. From June 2001 until September 24, 2001, Respondent was the highest-ranking attorney at Vertex. As such, in addition to his other responsibilities, Respondent was the attorney designated for employees to contact regarding compliance with Vertex's employee securities trading policy.

12. In the summer of 2001, Vertex was conducting clinical and non-clinical trials of a compound designated as VX745, one of a family of anti-inflammatory drugs known as p38 MAP kinase inhibitors. In early August 2001, Vertex discovered that animals exposed to VX745 in the course of long-term, high dose studies showed evidence of adverse neurological effects. A period of internal review ensued and, on September 7, 2001, Vertex's CEO decided to suspend further clinical trials of VX745. That same day, the CEO informed Vertex's Vice President for Corporate Communications of the decision and assigned her to prepare an appropriate public announcement.

13. On September 13, 2001, Vertex's Vice President for Corporate Communications met with her assistant, the Director of Corporate Communications ("DCC"), and asked him to draft a press release to announce the suspension of clinical trials of VX745.

14. By late morning on Thursday, September 20, 2001, the DCC had prepared a draft of the press release, which was to be released the following Monday, September 24, and he circulated the draft press release by e-mail to approximately a dozen senior Vertex executives, including Respondent, for review. The DCC included Respondent on the distribution list because, as Vertex's highest-ranking lawyer, Respondent was routinely consulted on public announcements whether or not they related to patent matters.

15. Believing that Respondent did not already know about the decision to suspend VX745 clinical trials, the DCC walked to Respondent's office before sending the e-mail so that Respondent would understand the significance of the e-mail when he received it. The DCC told Respondent about the decision to suspend the VX745 clinical trials, the proposed press release, and the timing of the announcement. The DCC then returned to his office, and at 12:11 pm he e-mailed the draft press release to Respondent, Vertex's CEO, and others.

16. Vertex's CEO replied to the e-mail approximately ten minutes later. He commented that Vertex might want to include in the press release the multi-page program status update concerning its many other research products in order to suggest that the VX745 news was a "hiccup."

17. At 12:26 pm, Respondent commented on the CEO's response by e-mail stating:

I have to agree with [the CEO] in principle here. No matter how you spin it, this will not be viewed favorably by Wall Street. I think it is imperative that we do whatever we can connected to this release to shore up damage control. Not sure how effective a many page update would be, but I think we need more that (sic) the boilerplate this time. Continuing to review the release from a legal persepective (sic) and will get back to you all on that aspect.

18. Later on Thursday, September 20, Vertex's CEO consulted with Respondent in Respondent's capacity as the Vertex attorney designated to handle issues arising in connection with the Company's securities trading policy. At 5:21 pm, the CEO sent Respondent an e-mail concerning an employee request to sell his Vertex shares. Vertex's CEO consulted with Respondent because of the imminent VX745 announcement, expressing his view that the employee's timing was "awkward." At 5:36 pm, Respondent responded to the CEO by e-mail stating:

Make sure [the employee] ... has no knowledge of the [VX745 draft] press release [the DCC] has been sending around (not sure how to ask him this without giving him the info. Maybe ask if he is aware of any anticipated press releases in the next few weeks). I guess I

am troubled by any employee trading prior to that release because it is likely to have an effect on the stock (looks like I can't sell any shares) and, depending on the degree of that effect, could create the perception of insider trading. What do you think?

Vertex's CEO replied to Respondent by e-mail stating that while it might look bad if the employee were to sell, he thought the employee was insulated enough and the amount was low enough that the perception of insider trading should not be an issue. At 6:27 pm Respondent wrote back stating that he would let the employee go ahead with the sale, explaining "I am comfortable enough once you confirm he has no knowledge of the press release."

19. Still later in the evening of Thursday, September 20, Vertex's CEO e-mailed Respondent and other executives working on the VX745 draft press release, asking that they attend a meeting in his office the following day at 11:30 am to discuss the proposed press release. Respondent replied by e-mail on Friday, September 21, at 9:48 am, stating that he would be at the meeting.

20. Respondent attended the approximately one hour-long meeting which was delayed by about a half hour and commenced around noon. During the meeting, there was a discussion concerning the need to limit distribution of the information contained in the press release to essential Vertex personnel until after the trading markets closed on that day.

21. Shortly after the meeting concluded, at 1:30 pm, the DCC sent others and Respondent by e-mail a "near final version" of the press release which incorporated feedback received over the prior 24 hours. This e-mail also discussed the timing of the final release the following Monday and how the Company anticipated communicating with investors and analysts.

22. In September 2001, Respondent maintained several securities brokerage accounts, including two accounts at Lehman Brothers, Inc. ("Lehman"). One of those accounts held 20,900 shares of Vertex stock as of September 21, 2001.

23. On the morning of September 21, 2001, Respondent spoke by telephone with his broker at Lehman and directed him to sell all of the stock and close out the options position in his two Lehman accounts. Respondent's broker asked him to rethink the request and initially held off from selling the stock. Thereafter, later in the morning of September 21, Respondent again spoke with his broker at Lehman and reaffirmed the decision to sell all of the stock in his accounts.

24. At approximately 11:02 am, Respondent's broker placed an order to sell 10,900 shares of Vertex on his behalf. Later that day, after Respondent had attended the hour-long meeting concerning the draft VX745 press release, Respondent's broker again spoke with him and told him that although he had sold some of his Vertex shares, he had not sold all of them. Respondent's broker asked him if he still wanted to sell the remaining shares. Again, Respondent instructed his broker to sell the Vertex shares. At approximately 3:24 pm, Respondent's broker placed a second order for him, this time to sell the remaining 10,000 shares of Vertex.

25. In sum, as the result of his discussions with his Lehman broker, Respondent sold 20,900 shares of Vertex stock, executed in several lots between 3:29 and 3:48 pm on September 21, and generating gross proceeds of \$476,785. Respondent did not seek pre-approval to sell these Vertex shares as was required by the Company's insider trading policy.

26. Respondent made these sales while in possession of the material, non-public information, first acquired by him the prior day, that Vertex's VX745 clinical trials had been suspended, and after Respondent acknowledged in an e-mail that he could not sell any of his Vertex shares due to his knowledge of the impending press release.

27. Based on the foregoing, the U.S. Attorney alleged in the Information that Respondent "did willfully ... use and employ manipulative devices and contrivances in connection with the purchase and sale of securities, namely, the common stock of Vertex,

in contravention of the rules and regulations prescribed by the Securities and Exchange Commission ... by (a) employing a device, scheme and artifice to defraud and (b) engaging in acts, practices, and courses of dealing that would and did operate as a fraud and deceit." More specifically, the Information alleged that "on or about September 21, 2001, on the basis of material, non-public information regarding the failed clinical trials of VX745, Respondent sold 20,900 shares of Vertex stock, at an average sales price of approximately \$22.81 per share, obtaining gross proceeds of \$476,785, in breach of [his] fiduciary duty not to trade in Vertex stock while in possession of material, non-public information regarding Vertex." The U.S. Attorney charged violations of Title 15, United States Code, §§ 78J(b) and 78ff(a) and Title 17, Code of Federal Regulations, §§ 240.10b-5.

28. Respondent reached a plea agreement with the U.S. Attorney by which he pleaded guilty to the one count Information charging him with insider trading. Respondent expressly and unequivocally admitted that he in fact knowingly, intentionally and willfully committed the crime charged in the Information, and was in fact guilty of those offenses. The plea agreement was accepted on October 3, 2003, and on January 12, 2004 Respondent was sentenced to a term of one year and one day imprisonment, 24 months supervised release, and a \$3000 fine. On February 12, 2004, Respondent began serving his sentence.

29. Respondent was a member of the New York State Bar and the Federal Circuit Bar at all times relevant to the above-described facts.

30. On November 24, 2003, Respondent resigned from the Federal Circuit Bar.

31. On February 19, 2004, the Appellate Division, First Department, of the New York Supreme Court entered an order disbaring Respondent and striking his name from the roll of attorneys and counselors-at-law in the State of New York, effective *nunc pro tunc* to the date of his felony conviction on October 3, 2003.

32. Respondent has not practiced before the Office in patent or trademark matters since at least February 12, 2004.

RESPONDENT REPRESENTATIONS

33. Respondent represents that Respondent is no longer a member of any bar as of November 24, 2003.

34. Respondent represents that since at least as early as February 12, 2004, Respondent has had no active USPTO case file(s) of any client in his possession.

35. Respondent represents that other than USPTO case files which were surrendered at least as early as February 12, 2004, Respondent as of November 1, 2003 has already returned all unearned legal funds and all securities and property to all clients.

36. Respondent represents that at least early as February 12, 2004 no advertisement, statement or representation existed (a) in any telephone, legal or other directory; (b) on any sign identifying Respondent's office; or (c) on Respondent's stationery, which would reasonably suggest that Respondent is authorized to practice patent, trademark or other non-patent law before the Office.

LEGAL CONCLUSIONS

37. Based upon the foregoing stipulated facts, Respondent acknowledges that his conduct violated the following Disciplinary Rules of Professional Conduct as outlined in Section 10 of Title 37, Code of Federal Regulations:

- a. Rule 10.23(b)(4) by engaging in conduct involving fraud and deceit
- b. Rule 10.23(b)(6) by engaging in conduct that adversely reflects on Respondent's fitness to practice before the Office;
- c. Rule 10.23(c)(1) by being convicted of a criminal offense involving breach

of trust;

d. Rule 10.23(c)(5) by being disbarred from practice as an attorney on ethical grounds by the State Bar of New York; and

e. Rule 10.57(b)(3) by using a confidence or secret of a client, without consent after full disclosure, for Respondent's advantage.

EXCLUSION ORDER

38. Based upon the foregoing, it is:

a. ORDERED that Respondent be excluded for five years from practice of patent, trademark and other non-patent law before the USPTO, the period of exclusion beginning *nunc pro tunc* on February 12, 2004. A petition for reinstatement may be filed on or after February 13, 2009.

b. ORDERED that the OED Director will publish the following Notice in the Official Gazette:

Notice of Exclusion

Andrew S. Marks, of Wayland, MA, is a registered patent agent, registration number 33,259. In settlement of a disciplinary proceeding, the Director of the United States Patent and Trademark Office has ordered Mr. Marks be excluded for five years from practice before the United States Patent and Trademark Office in patent, trademark and other non-patent law cases. The exclusion imposed by the Director begins *nunc pro tunc* on February 12, 2004. This action is taken pursuant to the provisions of 35 U.S.C. § 32, and 37 C.F.R. § 10.133(g).

- c. ORDERED that the OED Director will give notice of the final decision to appropriate employees of the Office and to interested departments, agencies, and courts of the United States, and will also give notice to appropriate authorities of any State in which a practitioner is known to be a member of the bar.
- d. ORDERED that while excluded, Respondent shall not engage in the unauthorized practice of patent, trademark and other non-patent law before the USPTO. 37 C.F.R. § 10.158(a).
- e. ORDERED that that within 30 days of the execution of the Final Order, Respondent shall notify all bars of which he is a member and all clients having immediate or prospective business before the Office in separate written communications of the exclusion, and that Respondent shall file a copy of each written communication with the OED Director within the same 30 day period. 37 C.F.R. § 10.158(b)(1).
- f. ORDERED that within 30 days of the execution of the Final Order, Respondent shall surrender each client's active USPTO case file(s) to (1) each client or (2) another practitioner designated by each client. 37 C.F.R. § 10.158(b)(2).
- g. ORDERED that during the period Respondent is excluded any communication relating to a client matter that is addressed to Respondent and/or received by him shall be immediately forwarded to the client or the practitioner designated by the client, and that Respondent will take no other legal action in the matter, enter any appearance, or provide any legal advice concerning the matter that is the subject of the communication. 37 C.F.R. §§ 10.158(a), (b)(2), (b)(6).
- h. ORDERED that within 30 days of the execution of the Final Order, Respondent shall return to any client having immediate or prospective business

before the Office any unearned legal funds, including any unearned retainer fee, and any securities and property of the client. 37 C.F.R. §§ 10.158(b)(8), 10.160(d).

- i. ORDERED that upon the execution of the Final Order, Respondent shall promptly take steps to comply with the provisions of 37 C.F.R. § 10.158(b)(3), (b)(4), (b)(5), (b)(6), and (b)(7). Respondent shall submit with the OED Director proof of compliance with §§ 10.158(b) as is appropriate upon filing a petition for reinstatement under 37 C.F.R. § 10.160;

- j. ORDERED that upon the execution of the Final Order, Respondent shall promptly take steps to comply with the provisions of 37 C.F.R. §§ 10.158(c) and (d).

- k. ORDERED that for the purpose of clarity, it is agreed that (a) Respondent's employment by another practitioner as a paralegal may be full-time or part-time; (b) Respondent's employment does not require him to be physically located in the same geographical location as the other practitioner; and (c) nothing herein will be held to prevent Respondent from engaging in an independent consulting business that does not involve the practice of law and does not involve immediate, prospective or pending business before the Office.

REINSTATEMENT ORDER

39. Further, it is:

- a. ORDERED that following the exclusion in compliance with the foregoing provisions, Respondent may petition for reinstatement on or after February 13, 2009 upon the following conditions:
 - i. Respondent must demonstrate compliance with 37 C.F.R. § 10.158;
and

ii. During the preceding exclusion, Respondent must not violate any of the USPTO disciplinary rules, and it is

b. ORDERED that Respondent shall not be entitled to reinstatement until he satisfies the provisions 37 C.F.R. §§ 10.158 and 10.160.

July 7, 2005
Date

James A. Toupin
James A. Toupin
General Counsel
United States Patent and Trademark Office
on behalf of

Jon W. Dudas
Under Secretary of Commerce For Intellectual Property and
Director of the United States Patent and Trademark Office

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