

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

IN THE MATTER OF:	)	
	)	
JOHN P. HALVONIK,	)	Proceeding No. D06-15
	)	
	)	
Respondent	)	

INITIAL DECISION

DATE: July 31, 2008

JUDGE: Barbara A. Gunning, Administrative Law Judge, EPA<sup>1</sup>

APPEARANCES:

For Complainant: Raymond T. Chen, Esq.  
Ronald K. Jaicks, Esq.  
Sidney O. Johnson, Esq.  
Office of Enrollment and Discipline  
U.S. Patent and Trademark Office/OED  
P.O. Box 16116  
Arlington, VA 22215

For Respondent: John P. Halvonik, Pro Se  
1517 Gerard St.  
Rockville, MD 20850

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<sup>1</sup> The Administrative Law Judges of the United States Environmental Protection Agency are authorized to hear cases pending before the United States Department of Commerce, Patent and Trademark Office, pursuant to an Interagency Agreement effective for a period beginning March 22, 1999.

## I. PROCEDURAL HISTORY

On June 28, 2006, Harry I. Moatz ("Complainant")<sup>2</sup>, Director of the Office of Enrollment and Discipline ("OED"), United States Patent and Trademark Office ("USPTO"), issued a Complaint and Notice of Proceedings Under 35 U.S.C. § 32 ("Complaint") against Respondent John P. Halvonik ("Respondent" or "Mr. Halvonik") pursuant to 37 C.F.R. § 10.134. The Complaint charges Respondent with three counts of professional misconduct sufficient to warrant suspension or exclusion from practice, by reason of violating the regulations governing the Representation of Others Before the Patent and Trademark Office, 37 C.F.R. part 10 ("the USPTO Rules").<sup>3</sup>

On September 14, 2006, Respondent, acting *pro se*, filed an Answer to the Complaint ("Answer"), denying the violations.<sup>4</sup> In accordance with the Order Scheduling Prehearing Procedures and Hearing dated March 30, 2007, ("Prehearing Order") Complainant submitted his Prehearing Exchange on June 8, 2007, and Respondent submitted his Prehearing Exchange on or about June 29, 2007. On or about June 29, 2007, Respondent also submitted a Supplemented Prehearing Exchange. Complainant amended his Prehearing Exchange on August 24, 2007. Respondent's July 5, 2007 submission of a supplement to his Prehearing Exchange was deemed a motion to amend his Prehearing Exchange, which the undersigned granted.<sup>5</sup>

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<sup>2</sup> The term "Complainant," as it is used herein, represents the party who filed the Complaint, and, as such, is synonymous with the term "Director," as that term is used by the USPTO and 40 C.F.R. part 10.

<sup>3</sup> Subsequently, by Motion dated July 10, 2007, Complainant withdrew Count III of the Complaint. See OED Director's Mot. to Withdraw Count 3 from the Complaint and Withdraw Certain Discovery Requests, discussed *infra*, at 3.

<sup>4</sup> The undersigned granted Respondent's Unopposed Motion to Extend Time Period for Filing Respondent's Answer, submitted on July 12, 2006, revising the due date for the Answer to August 14, 2006. The undersigned subsequently granted Respondent's (Second) Unopposed Motion to Extend Time Period for Filing Respondent's Answer, submitted on August 8, 2006, further revising the due date for the Answer to September 14, 2006. See Order Granting Resp.'s Mot. for Ext.

<sup>5</sup> See Discovery Order, discussed *infra*, at 3.

Pursuant to the Prehearing Order, Complainant submitted a Director's Status Report on May 10, 2007. The Status Report stated that the parties engaged in a settlement conference on April 25, 2007, but that the negotiations were unproductive and no agreement was reached to date.

On June 4, 2007, Complainant filed an OED Director's Motion for Limited Discovery Pursuant to 37 C.F.R. § 10.152 ("Complainant's Motion for Discovery") and attached thereto the OED Director's Discovery Requests Directed to John P. Halvonik. On July 2, 2007, Respondent submitted Respondent's Objection to Discovery Request ("Respondent's Objection to Discovery") objecting to some of the requests.<sup>6</sup>

On July 10, 2007, Complainant filed OED Director's Motion to Withdraw Count 3 from the Complaint and Withdraw Certain Discovery Requests ("Complainant's Motion to Withdraw").<sup>7</sup> The undersigned entered an Order on Complainant's Motion for Discovery ("Discovery Order") on July 19, 2007. The Discovery Order granted Complainant's OED Director's Motion for Extension of Time to File Dispositive Motion ("Motion to Extend"), dated July 3, 2007, extending the deadline for filing dispositive motions to August 10, 2007. Additionally, the Order granted Complainant's Motion to Withdraw. With regard to discovery, the Order directed that the unpublished Administrative Law Judge ("ALJ") decision appealed in *Halvonik v. Dudas*, 2005 WL 2739478 (D.D.C. 2005) be included in the record of proceeding in the instant case. See Disc. Order at 2,5. Furthermore, the Order directed Respondent to submit all available records and answers requested in Interrogatories ## 1-5, 7, 12, and 13, and Document Production Requests ## 1-10 and 12-13.<sup>8</sup> *Id.* at 5. Respondent submitted Respondent's Response to the Discovery Order ("Response to Discovery Order") on July 13, 2007.

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<sup>6</sup> Respondent attached to this motion a list of Respondent's witnesses and the matters they were expected to testify to.

<sup>7</sup> Complainant explained that based on Respondent's prehearing exchange, Complainant moved to withdraw Count 3 of the Complaint and those discovery requests in Complainant's Motion for Discovery that pertain to Count 3, specifically Interrogatories ## 8-11 and Document Production Request # 11.

<sup>8</sup> In an Amendment to Order on Complainant's Motion for Discovery, the deadline for Respondent's submissions was clarified as no later than August 13, 2007.

On July 13, 2007, Respondent filed the following motions with the undersigned Administrative Law Judge: a Motion to Produce Evidence of Statutory Requirements or in the Alternative, to Dismiss Complaint ("Respondent's Motion to Produce Evidence of Statutory Requirements"); a Motion for Limited Discovery of the Director ("Respondent's Motion for Limited Discovery"); a Motion for Summary Judgment ("Respondent's Motion for Summary Judgment"); and a Motion in Limine and/or Motion to Dismiss ("Respondent's Motion in Limine"). On July 30, 2007, Complainant filed the OED Director's Combined Opposition and Response to Respondent's Motions to Produce Evidence of Statutory Requirements, For Limited Discovery, For Summary Judgment and In Limine ("Complainant's Combined Opposition and Response to Respondent's Motions"). On August 15, 2007, Respondent submitted Respondent's Response to Director's Combined Opposition and Response to Respondent's Motions ("Respondent's Response to Complainant's Combined Opposition").

On August 17, 2007, the undersigned issued an Order on Respondent's Motion to Produce Evidence of Statutory Requirements or in the Alternative to Dismiss Complaint, Motion in Limine and/or Motion to Dismiss, Motion for Summary Judgment, and Motion for Limited Discovery ("Order on Respondent's Various Motions"). In the Order on Respondent's Various Motions, Respondent's motion for an oral hearing was denied, and Respondent's Motion to Produce Evidence of Statutory Requirements was denied as moot. Order on Resp.'s Var. Mots. at 2. The Order also denied Respondent's Motion for Limited Discovery. *Id.* at 2-3. Additionally, the Order denied Respondent's Motion for Summary Judgment, finding that there was a genuine issue of material fact concerning the effect of OED's Request for Statement letters<sup>9</sup> that Respondent received and replied to and that Respondent, the moving party, had not established that he is entitled to judgment as a matter of law. *Id.* at 4-6. Finally, the Order denied Respondent's Motion in Limine, finding Complainant's arguments concerning the holding of *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004) and its applicability to the instant case more persuasive. *Id.* at 6-9; see Compl.'s Combined Opp'n and Response to Resp.'s Mots. at 17-21.

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<sup>9</sup> As previously noted in the Order on Respondent's Various Motions, the inquiry letters Respondent received from OED containing either the heading "Request for Statement of Respondent's Position" or "Request for Comments" are, for purposes of this proceeding, collectively referred to as "Request for Statement letters." Order on Resp.'s Var. Mots. n.4.

On August 10, 2007, Complainant filed a Motion for Summary Judgment ("Complainant's Motion for Summary Judgment") and a Motion for Continuance of Hearing Date ("Complainant's Motion for Continuance of Hearing"). On August 15, 2007, Respondent filed his second Motion for Summary Judgment and Memorandum in Support Thereof ("Respondent's Second Motion for Summary Judgment"). In an Order on Complainant's Motion for Summary Judgment, Order on Complainant's Motion for Continuance of Hearing Date and Order on Respondent's Second Motion for Summary Judgment, dated August 22, 2007, ("Order on Parties' Cross Motions for Summary Judgment"), the undersigned denied these three motions.<sup>10</sup>

On August 24, 2007, Complainant filed a Motion in Limine ("Complainant's Motion in Limine") seeking to prohibit Respondent from calling Ms. Lyn Halvonik, Mr. Alfred Hoyte, and Dr. Michael Carter as witnesses in his case in chief. Compl. Mot. in Limine at 1. On this date Complainant also filed a Motion to Amend OED Director's Prehearing Statement with Director's First Updated Prehearing Statement ("Motion to Amend Director's Prehearing Statement"), which was accompanied by a black binder of exhibits ("Complainant's First Updated Prehearing Statement"). Respondent did not file a response to either of these motions.

Similarly, on August 24, 2007, Respondent filed a Motion in Limine ("Respondent's Motion in Limine"), seeking to exclude from the record: (1) any discussions concerning his fees between himself and Mr. Hartzell and/or Ms. Chess; and (2) any references or submission of evidence having to do with the November 4, 1992 letter from the USPTO to Respondent ("1992 USPTO letter"). Resp.'s Mot. in Limine at 1. On August 24, 2007, Respondent also filed a Motion for a Bill of Particulars requesting that the OED Director furnish a bill of particular or a more definite statement explaining the charges against Respondent, in terms of which of his alleged acts are alleged to violate which regulations. Resp's Mot. for Bill of Partics. at 1. On August 27, 2007, Respondent filed an Amendment to Prehearing Statement ("Respondent's Motion to Amend the Prehearing Statement") to add evidence concerning his medical and legal records relating to his mental status in May of 2005. On September 10, 2007, Complainant filed an Opposition to Respondent's Motion in Limine as well as

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<sup>10</sup> As previously explained, although each party was not accorded the full 15-day period of time to respond to the opposing party's motions before the undersigned issued the Order on Parties' Cross Motions for Summary Judgment, such Order was appropriate because neither party was prejudiced by the ruling. Order on Parties' Cross Mots. for Summ. J. n.1.

an Opposition to Respondent's Motion for Bill of Particulars.

On September 10, 2007, Complainant additionally filed a Motion for Leave to Submit Additional Hearing Exhibits ("Motion to Submit Additional Exhibits") requesting permission to add four exhibits to his Prehearing Exchange. Specifically, Complainant sought to further amend his Prehearing Exchange with: (1) the 1992 USPTO letter issued to Respondent concerning USPTO Disciplinary Rules,<sup>11</sup> which was an exhibit in Respondent's previous disciplinary hearing, *Bovard v. Halvonik* (Proceeding D96-03), and was referenced in the corresponding Initial Decision included in Complainant's Prehearing Exchange as Exhibit 17; (2) an August 2, 1991 letter from the former OED Director to Respondent, which was also an exhibit in Respondent's previous disciplinary hearing, *Bovard v. Halvonik*, and was referenced in the corresponding Initial Decision included in Complainant's Prehearing Exchange as Exhibit 17; (3) portions of the November 18, 1997, transcript from the *Bovard v. Halvonik* disciplinary proceeding; and (4) a portion of the March 5, 1998, transcript from the penalty determination component of the *Bovard v. Halvonik* disciplinary proceeding. Compl. Mot. to Submit Add'l Exs. at 2. Complainant's Motion to Submit Additional Exhibits was filed fifteen (15) days after the August 24, 2007 deadline for motions to amend the parties' prehearing exchanges had passed.

On September 13, 2007, the undersigned issued an order entitled: Order on Complainant's Motion in Limine; Order on Complainant's Motion to Amend its Prehearing Statement with OED Director's First Updated Prehearing Statement; and Order on Complainant's Motion for Leave to Submit Additional Hearing Exhibits; Order on Respondent's Motion in Limine; Order on Respondent's Motion for a Bill of Particulars; and Order on Respondent's Motion to Amend Respondent's Prehearing Statement ("Order on Parties' Motions in Limine"). The Order denied Complainant's Motion in Limine with respect to Ms. Halvonik, but granted Complainant's Motion in Limine with respect to Mr. Hoyte and Dr. Carter. Order on Parties' Mots. in Limine at 2-3. The Order granted Complainant's Motion to Amend Director's Prehearing Statement, dated August 24, 2007. The Order denied Complainant's Motion to Submit Additional Exhibits, dated September 10, 2007, due to Complainant's failure to abide by the procedural requirements established in this proceeding. Specifically, Complainant did not demonstrate the existence of extraordinary

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<sup>11</sup> See 37 C.F.R. §10.20(b) (detailing the USPTO Disciplinary Rules).

circumstances that excused his untimely request to amend his prehearing exchange with documents existing under the Complainant's control. *Id.* at 4-5.

Regarding Respondent's motions, the Order on Parties' Motions in Limine denied Respondent's Motion in Limine with respect to Respondent's discussions with Mr. Hartzell and Ms. Chess, finding that Respondent had not demonstrated such were confidential settlement discussions warranting exclusion. *Id.* at 4. Additionally, the Order on Parties' Motions in Limine denied Respondent's Motion in Limine with respect to his request to exclude any references to the 1992 USPTO letter, but granted Respondent's Motion in Limine with respect to his request to exclude the submission of the 1992 USPTO letter itself. *Id.* at 7. Further, the Order on Parties' Motions in Limine denied Respondent's Motion for a Bill of Particulars, finding Complainant's argument sufficiently persuasive that the Complaint adequately notifies Respondent of the charges against him. *Id.* at 7-8. Finally, the Order on Parties' Motions in Limine granted Respondent's Motion to Amend the Prehearing Statement. *Id.* at 8.

A hearing was held in this matter before the undersigned on September 19 and 20, 2007, in Washington, D.C.<sup>12</sup> See Order Scheduling Hearing Location, dated August 22, 2007. The Complainant presented the testimony of five witnesses at the hearing: Mr. Alan Sprague, Mr. James Hartzell, Ms. Susan Chess, Mr. John Halvonik (Respondent), and Mr. Reid Trautz. Respondent testified on his own behalf at the hearing and additionally presented the testimony of one other witness, Ms. Lyn Halvonik. Complainant premarked for identification two volumes of exhibits, which contained individually tabbed and numbered exhibits from 1-#38.<sup>13</sup> Complainant's exhibits numbers 1-9, 14-28, 32-33, and 35 were offered and admitted into evidence (hereinafter cited as

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<sup>12</sup> Citation to the transcript of the hearing will be in the following form: "Tr."

<sup>13</sup> Complainant's proposed Exhibits 1-33 consist of material that Complainant exchanged prior to the hearing in his Prehearing Exchange, dated June 8, 2007, and his updated Prehearing Exchange, dated August 24, 2007. Complainant's proposed Exhibits 34-38 consist of attachments that were submitted with his Motion for Leave to Submit Additional Hearing Exhibits, which, as discussed, *supra*, was denied. Order on Parties' Mots. in Limine at 4-5.

"C's Ex. \_\_").<sup>14</sup> During the hearing, Respondent used a volume of his prehearing exchange exhibits that Complainant consecutively paginated for ease of reference, as Respondent's prehearing exchange consisted of a single binder containing 177 pages of various information that was not tabbed or otherwise marked.<sup>15</sup> Tr. at 18-19, 25. Respondent stipulated that the paginated volume was identical to his prehearing exchange submission in all regards except pagination. *Id.* This volume of exhibits was offered and received into evidence as Respondent's Exhibit 1 (hereinafter cited as "R's Ex. \_\_").<sup>16</sup> Respondent also offered three additional documents, which were numbered and received as Respondent's Exhibit 2. Tr. at 553-56, 559.

The transcript of the hearing was received by the undersigned on October 17, 2007. The parties were given the opportunity to file post-hearing briefs, pursuant to the schedule agreed upon by the parties and set in the Order Setting Briefing

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<sup>14</sup> Complainant's Exhibits 1-9, 14-28, and 32-33 were received after the parties made joint stipulations on the record at the hearing as to their admissibility and authenticity. Tr. at 9-10, 17-27. I note that there is an error in the transcript regarding one stipulated grouping of Complainant's Exhibits that were marked received; the transcript mistakenly denotes Complainant's Exhibits 14-38 as being received through stipulation. Tr. at 3, 25, 27. The notes of the undersigned and her staff attorney reflect that the stipulation at issue concerned, *inter alia*, Complainant's Exhibits 14 through 28. Additionally, Mr. Johnson's statements on behalf of the USPTO elsewhere in the transcript reflect that the stipulation at issue concerned Complainant's Exhibits 14 through 28. Tr. at 20. Moreover, logic dictates that the parties would not separately stipulate to Complainant's Exhibits 32-33 if they had already inclusively stipulated to those exhibits. Therefore, because the parties did not move to correct the transcript, I correct it here, *sua sponte*: Transcript pages 3, 25, and 27 should read "Exhibits 14-28" wherever "Exhibits 14-38" is denoted.

<sup>15</sup> These documents were previously exchanged by Respondent on or about June 29, 2006, in Respondent's Prehearing Exchange and Supplemented Prehearing Exchange.

<sup>16</sup> Respondent's Exhibit 1 was received after the parties made joint stipulations on the record at the hearing as to its admissibility and authenticity. Tr. at 9-10, 20-21, 24-27.

Schedule, issued October 18, 2007.<sup>17</sup> Tr. 612-16; see 37 C.F.R. 10.153. Complainant filed OED Director's Post Hearing brief ("Complainant's Post-Hearing Brief") on November 20, 2007. See Order Setting Br'g Sched. Respondent filed Respondent's Brief ("Respondent's Post-Hearing Brief") on December 11, 2007. See Order Setting Br'g Sched. The record closed with the filing of the Director's Post-Hearing Reply Brief ("Complainant's Post-Hearing Reply Brief") on December 20, 2007.<sup>18</sup>

## **II. STANDARDS FOR IMPOSITION OF SANCTIONS**

### **A. Disciplinary Rules**

The Regulations governing the representation of others before the Patent and Trademark Office provide at 37 C.F.R. § 10.130(a), in pertinent part, that "[t]he Commissioner may, after notice and opportunity for a hearing, (1) reprimand or (2) suspend or exclude . . . any individual [or] attorney . . . shown to be incompetent or disreputable, who is guilty of gross misconduct, or who violates a Disciplinary Rule."<sup>19</sup>

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<sup>17</sup> The Order Setting Briefing Schedule contains a typographical error. The Order states that it is dated September 18, 2007; however, as demonstrated by the certificate of service that accompanies the Order, the Order was in fact issued on October 18, 2007.

<sup>18</sup> 37 C.F.R. § 10.139(c) authorizes the ALJ presiding over a disciplinary proceeding to set times and exercise control over the course of that proceeding. Although § 10.139(c) expresses the preference that the ALJ issue an initial decision under § 10.154 within six months of USPTO's filing of the complaint, the section authorizes the ALJ to "issue an initial decision more than six months after a complaint is filed if in his or her opinion there exist unusual circumstances which preclude issuance of an initial decision within six months of the filling of the complaint." 37 C.F.R. § 10.139(c). In the instant proceeding, a multitude of prehearing motions, including summary judgment motions, precluded the occurrence of a hearing until nearly fifteen months after the issuance of the Complaint. Further, the undersigned's docket, including hearing schedules and other attendant duties, prevented the issuance of this initial decision until the present date.

<sup>19</sup> 37 C.F.R. §10.20(b) specifies those sections of the Code considered "Disciplinary Rules," which are defined as being

Complainant has alleged, in two separate counts, that Respondent violated the USPTO's Disciplinary Rules at 37 C.F.R. §§ 10.40(a), 10.77(c), 10.112(a) and (b), and 10.112(c)(3) and (4).

The Disciplinary Rule at 37 C.F.R. § 10.40, entitled "Withdrawal from Employment," provides, in pertinent part:

\* \* \*

[A] practitioner shall not withdraw from employment until the practitioner has taken reasonable steps to avoid foreseeable prejudice to the rights of the client, including giving due notice to his or her client, allowing time for employment of another practitioner, delivering to the client all papers and property to which the client is entitled, and complying with applicable laws and rules. A practitioner who withdraws from employment shall refund promptly any part of a fee paid in advance that has not been earned.

37 C.F.R. § 10.40(a).

The Disciplinary Rule at 37 C.F.R. § 10.77, entitled "Failing to Act Competently," provides, in pertinent part:

A practitioner shall not:

\* \* \*

(c) Neglect a legal matter entrusted to the practitioner.

37 C.F.R. § 10.77(c).

The Disciplinary Rule at 37 C.F.R. § 10.112, entitled "Preserving Identity of Funds and Property of Client," provides, in pertinent part:

(a) All funds of clients paid to a practitioner or a practitioner's firm, other than advances for costs and expenses, shall be deposited in one or

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"mandatory in character and state the minimum level of conduct below which no practitioner can fall without being subject to disciplinary action."

more identifiable bank accounts maintained in the United States. . .

(b) No funds belonging to the practitioner or the practitioner's firm shall be deposited in the bank accounts required by paragraph (a) of this section except as follows:

(1) Funds reasonably sufficient to pay bank charges may be deposited therein.

(2) Funds belonging in part to a client and in part presently or potentially to the practitioner or the practitioner's firm must be deposited therein, but the portion belonging to the practitioner or the practitioner's firm may be withdrawn when due unless the right of the practitioner or the practitioner's firm to receive it is disputed by the client, in which event the disputed portion shall not be withdrawn until the dispute is finally resolved.

(c) A practitioner shall:

\* \* \*

(3) Maintain complete records of all funds, securities, and other properties of a client coming into the possession of the practitioner and render appropriate accounts to the client regarding the funds, securities, or other properties.

(4) Promptly pay or deliver to the client as requested by a client the funds, securities, or other properties in the possession of the practitioner which the client is entitled to receive.

37 C.F.R. §§ 10.112(a)-(b), .112(c)(3) and (4).

## **B. Standard of Proof**

The function of a standard of proof is to "instruct the factfinder concerning the degree of confidence our society thinks he should have in the correctness of factual conclusions for a particular type of adjudication." *Addington v. Texas*, 441

U.S. 418, 423 (1979) (quoting *In re Winship*, 397 U.S. 358 (1970) (Harlan, J., concurring)).

Regarding the standard of proof in these proceedings, the Regulations governing the representation of others before the Patent and Trademark Office provide, at 10 C.F.R. § 10.149, that

In a disciplinary proceeding, the Director shall have the burden of proving his or her case by clear and convincing evidence and a respondent shall have the burden of proving any affirmative defense by clear and convincing evidence.

See also, *Jaskiewicz v. Mossinhoff*, 822 F.2d 1053, n.8 (Fed. Cir. 1987).

This "intermediate standard of clear and convincing evidence" lies "between a preponderance of the evidence and proof beyond a reasonable doubt." *Addington*, 441 U.S. at 425.

The clear and convincing standard of proof has been variously defined ... as evidence which produces in the mind of the trier of fact a firm belief or conviction as to the truth of the allegations sought to be established, evidence so clear, direct and weighty and convincing as to enable [the factfinder] to come to a clear conviction, without hesitancy, of the truth of the precise facts in issue.

*Cruzan v. Missouri Dep't of Health*, 497 U.S. 261, 285 n.11 (1990) (alteration in original) (internal quotation omitted).

### III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

#### A. Findings of Fact

1. At all times relevant to this action, Respondent, John P. Halvonik, was an attorney, a member of the Pennsylvania Bar, and was registered to practice and represent others in the prosecution of patent applications before the USPTO, Registration No.

32,796.<sup>20</sup>

2. Respondent, upon withdrawal from employment, failed to promptly refund to Ms. Susan Chess fees paid in advance that had not been earned.
3. Respondent, upon withdrawal from employment, failed to promptly refund to Mr. Arlen Sprague part of a fee paid in advance that had not been earned.
4. Respondent neglected to prosecute in a timely manner the patent application entrusted to him by Ms. Susan Chess.
5. Respondent failed to timely and adequately communicate with and respond to Mr. Arlen Sprague in connection with Mr. Sprague's multiple requests for the return of his advance fees.
6. Respondent failed to deposit and maintain funds of Ms. Susan Chess and Mr. Arlen Sprague in a separate account until due, and commingled funds advanced by these clients with funds belonging to himself.
7. Respondent failed to maintain complete records of all funds from Ms. Susan Chess and Mr. Arlen Sprague that came into his possession and failed to render appropriate accounting to these clients.
8. Respondent failed to promptly pay or deliver to Ms. Susan Chess and Mr. Arlen Sprague, upon their individual requests, funds in his possession which these clients were entitled to receive.

#### **B. Conclusions of Law**

1. Respondent is subject to the USPTO Disciplinary Rules set forth at 37 C.F.R. part 10.

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<sup>20</sup> As reflected in public records, in an Order dated October 11, 2007, the Supreme Court of Pennsylvania ordered that Respondent is suspended from the practice of law in the Commonwealth of Pennsylvania consistent with the Mandate of the United States Court of Appeals for the Federal Circuit issued November 3, 2006, and Notice of Suspension of the USPTO dated November 27, 2006. See <http://www.courts.state.pa.us/OpPosting/Supreme/out/1231dd3-2.pdf>

2. Respondent violated 37 C.F.R. § 10.40(a) by failing to promptly refund, upon withdrawal from employment, fees paid in advance that had not been earned to Ms. Susan Chess and part of a fee paid in advance that had not been earned to Mr. Arlen Sprague.
3. Respondent violated 37 C.F.R. § 10.77(c) by failing to prosecute in a timely matter the patent application entrusted to him by Ms. Susan Chess, neglecting an entrusted legal matter.
4. Respondent violated 37 C.F.R. § 10.77(c) by failing to communicate with and respond to Mr. Sprague in connection with Mr. Sprague's multiple requests for the return of his advanced fees, neglecting an entrusted legal matter.
5. Respondent violated 37 C.F.R. § 10.112(a) and (b) by failing to deposit and maintain funds of Ms. Susan Chess and Mr. Arlen Sprague in a separate account until due, and commingling funds advanced by these clients with funds belonging to himself.
6. Respondent violated 37 C.F.R. § 10.112(c)(3) by failing to maintain complete records of all funds from Ms. Susan Chess and Mr. Arlen Sprague that came into his possession and failing to render appropriate accounting to these clients.
7. Respondent violated 37 C.F.R. § 10.112(c)(4) by failing to promptly pay or deliver to Ms. Susan Chess and Mr. Arlen Sprague, upon their individual requests, funds in his possession which these clients were entitled to receive.
8. Respondent's violations of 37 C.F.R. §§ 10.40(a), 10.77(c), 10.112(a), (b), (c)(3) and (c)(4) were proven by clear and convincing evidence. 37 C.F.R. § 10.149.
9. Upon consideration of the public interest, the seriousness of Respondent's violations of the Disciplinary Rules, the deterrent effects deemed necessary, the integrity of the legal profession, and any extenuating circumstances, Respondent's exclusion from practice before the USPTO is warranted. 37 C.F.R. § 10.154(b).

## C. Discussion

### **1. Jurisdiction**

Respondent, John P. Halvonik, is an attorney registered to practice before the USPTO, Registration No. 32,796, who engaged in the prosecution of patent applications before the USPTO during the period of time cited in the Complaint.<sup>21</sup> Compl. 1; Jt. Stip. ¶ 1; C's Ex. 12, 13; C's Ex. 17 (1998 ALJ Decision)<sup>22</sup> at 21; C's Ex. 18 (1999 Comm'r Decision)<sup>23</sup> at 24. At all times relevant hereto, Mr. Halvonik maintained his main office for the practice of law in Rockville, MD. Tr. at 62, 265-66.

The undersigned has jurisdiction of this proceeding under 35 U.S.C. §§ 2(b)(2)(D) and 32, and under 37 C.F.R. §§ 10.132 and 10.139.

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<sup>21</sup> See n.20, *supra*.

<sup>22</sup> For ease of reference, I expand the citations of Complainant's case law exhibits with a parenthetical notation. All page numbers pinpointed correspond with the USPTO's pagination of their exhibits, not the formal case page. The case received as Complainant's Exhibit 17 is the Initial Decision for *Bovard v. Halvonik*, Proceeding D96-03, (ALJ February 26, 1998), ("1998 ALJ Decision"), which is referenced by and appealed in *Halvonik v. Dudas*, 398 F.Supp.2d 115 (D.D.C. 2005).

<sup>23</sup> As explained in n.22, *supra*, this is an expanded citation. The case received as Complainant's Exhibit 18 is the Commissioner of Patent and Trademark's Final Decision on the 1998 ALJ Initial Decision, *Bovard v. Halvonik*, Proceeding D96-03 (Comm'r March 4, 1999), ("1999 Commissioner Decision"), which rose on cross-appeals and mostly affirmed the 1998 ALJ Decision. The 1999 Commissioner Decision was appealed to the District Court for the District of Columbia and is referenced by the District Court's corresponding decision, *Halvonik v. Dudas*, 398 F.Supp.2d 115 (D.D.C. 2005), which is Complainant's Exhibit 14 ("2005 Dist. Ct. Decision"). The District Court in *Halvonik v. Dudas* affirmed the findings below. In turn, on further appeal, in an unpublished decision, the United States Court of Appeals for the Federal Circuit affirmed *Halvonik v. Dudas*. *Halvonik v. Dudas*, 192 Fed.Appx. 964 (Fed. Cir. (Dist.Col.) August 8, 2006) (unpublished). The United States Supreme Court denied *certiorari*, *Halvonik v. Dudas*, 127 S.Ct. 1889 (March 26, 2007).

## 2. Respondent's Prior Disciplinary Proceeding

Several years prior to the issuance of the Complaint in this matter, on April 2, 1997, the former Director of OED brought a disciplinary action against Respondent, entitled *Bovard v. Halvonik* (Proceeding D96-03). C's Ex. 17 (1998 ALJ Decision) at 3. The ALJ's Initial Decision in *Bovard*, referenced herein as the "1998 ALJ Decision," found that Respondent violated the USPTO rules set forth at 37 C.F.R. §§ 10.23(a) [engaging in disreputable or gross misconduct], 10.23(b)(6) [engaging in conduct that adversely reflects on his ability to practice before the USPTO], 10.77(b) [failing to act competently by handling a legal matter without adequate preparation], 10.77(c) [failing to act competently by neglecting a legal matter entrusted to him], and 10.112(c)(4) [failure to promptly pay or deliver to the client as requested by the client funds in his possession which the client was entitled to receive]. *Id.* at 96-100. The ALJ presiding over *Bovard* issued a Suspension Order on March 5, 1998, which suspended Respondent from practice for a period of seven months, with the opportunity for a three-month reduction upon Respondent's completion and passage of the Multi-State Bar Examination section on Professional Responsibility and enrollment and completion of a bar association course(s) regarding office management for sole practitioners that included a section on client communication. *Id.* at 102-103.

On cross-appeals, the Commissioner of the USPTO mostly, and in pertinent part with regard to the instant proceeding, affirmed the 1998 ALJ Decision and seven month suspension, with the opportunity to vacate three months of the suspension. C's Ex. 18 (1999 Comm'r Decision) at 24. In 2005, the United States District Court for the District of Columbia affirmed the 1999 Commissioner decision. See *Halvonik v. Dudas*, 398 F.Supp.2d 115 (D.D.C. 2005), referred to herein as C's Ex. 14 (2005 Dist. Ct. Decision). In 2006, the U.S. Court of Appeals for the Federal Circuit affirmed without opinion the 2005 District Court Decision. See 192 Fed.Appx. 964 (Fed. Cir. 2006), rehearing and rehearing *en banc* denied (October 27, 2006). The Supreme Court denied Respondent's petition for certiorari on March 26, 2007. See *Halvonik v. Dudas*, 127 S.Ct. 1889 (2007). The USPTO formally published Respondent's seven-month suspension from practice on November 27, 2006. C's Ex. 32.

Respondent's suspension from practice before the USPTO lasted for seven months, as he did not take the optional steps necessary to reduce his seven-month suspension by three months. That is, Respondent did not complete and pass the Multi-State

Bar Examination section on Professional Responsibility, nor did he enroll in and complete a bar association course(s) regarding office management for sole practitioners that included a section on client communication. Tr. at 579.

### **3. Respondent's Clients**

This proceeding involves a two-count Complaint, issued June 28, 2006, discussed *supra*. The Complaint was initiated after Ms. Susan Chess and Mr. Arlen Sprague, in their respective individual capacities, provided the USPTO's OED with information and documents detailing their interactions with Respondent.<sup>24</sup> Ms. Chess filed a grievance with OED on July 27, 2004. C's Ex. 1; Answer ¶ 12. Mr. Sprague filed a grievance with OED on July 12, 2005. C's Ex. 7.

#### **a) Ms. Chess**

In 2003, Ms. Chess came up with an idea for a device that secures a laptop computer to the user's lap. Tr. at 224. In or about January 2004, Ms. Chess provided information to Respondent so that he could conduct a prior art search on her invention. Jt. Stip. ¶ 2; Answer ¶ 1. At the time Ms. Chess pursued her patent application with Respondent, her husband, Mr. James Hartzell, was also pursuing a patent application with Respondent for another unrelated item. Tr. at 225-26. Ms. Chess explained that she did not communicate directly with Respondent and that Mr. Hartzell "interfaced" with Respondent on her behalf. Tr. at 227-28.<sup>25</sup>

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<sup>24</sup> Ms. Chess's July 27, 2004 grievance letter to the OED was prompted at the suggestion of a representative for the OED hotline, which Ms. Chess originally contacted for assistance. C's Ex. 1. Mr. Sprague's July 12, 2005 grievance letter, on the other hand, was a responsive summary that he provided to the OED upon being contacted by the OED after he filed a complaint against Respondent in the District Court of Maryland for Montgomery County (small claims) on February 23, 2004. C's Ex. 7; Tr. at 84-85.

<sup>25</sup> Ms. Chess testified that she was "in on the whole process," having knowledge of all written materials between Mr. Hartzell and Respondent because she approved and signed the respective papers. Tr. at 227-28. Ms. Chess further testified that she listened to the telephone calls between Mr. Hartzell and Respondent. *Id.*

By letter dated March 11, 2004, and addressed to Mr. Hartzell, Respondent stated that his prior art search revealed "the invention is very likely patentable," and encouraged pursuit of the patent application. C's Ex. 3, at 8; Jt. Stip. ¶ 3; Answer ¶ 2. Respondent requested a legal fee of \$2,300 for preparation of a patent application and indicated that he could prepare the patent application in "about 6 weeks from start to finish and this includes a first draft, and another draft and further corrections to that." C's Ex. 3, at 8; Jt. Stip. ¶ 3; Answer ¶ 2. See Jt. Stip. at ¶¶ 4-5.

On or about March 15, 2004, Ms. Chess and Mr. Hartzell paid Respondent \$2,300 to prepare Ms. Chess's patent application. Jt. Stip. ¶ 6; Answer ¶ 3. Respondent deposited the \$2,300 check into his general Wachovia checking account.<sup>26</sup> Jt. Stip. ¶ 7; C's Ex. 3 at 2,3; Tr. at 264-67. As of June 21, 2004, more than thirteen weeks after the check for Ms. Chess's patent application was deposited, Ms. Chess had not received a first draft of a patent application for her invention. Jt. Stip. ¶ 8; Answer ¶ 5. On or about June 23, 2004, Mr. Hartzell contacted Respondent by facsimile, conspicuously informed Respondent that Ms. Chess no longer wished to proceed with the patent application, and requested that Respondent call him to discuss a refund.<sup>27</sup> Jt. Stip. ¶ 9; Answer ¶ 7; C's Ex. 3 at 5-7. Respondent sent a reply facsimile to Mr. Hartzell the following day, June 24, 2004, stating that he had "[n]o problem . . . giving a full refund on that." C's Ex. 3 at 10; Answer ¶ 9.<sup>28</sup>

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<sup>26</sup> Although the Joint Stipulations and post-hearing briefs refer to this general Wachovia account by denoting Respondent's checking account number, this decision does not reference the specific account number in the interest of maintaining Respondent's privacy.

<sup>27</sup> The facsimile reminded Respondent that the "inventor is Susan L. Chess," and that the "cover letter should have been addressed to her and not me [Mr. Hartzell]." C's Ex. 3 at 5.

<sup>28</sup> Respondent further stated:

I see the check for \$2,300 on March 19, can you tell me when the check for this patent was cashed? Not that I don't believe you, it just that obviously my records got messed up between you and Susan. I see another entry I have marked with ? in my docket can you tell me when the fee was sent for the "Lift and

Mr. Hartzell sent a letter back to Respondent that very day again requesting a \$2,300 refund on Ms. Chess's application payable to "Susan L. Chess" at the address of 1599 Lincoln Road, Columbus, OH 43212, which was also the letter's return address. C's Ex. 3 at 15, 16.

Ms. Chess's July 27, 2004, grievance letter to the OED alleges that Respondent neglected the prosecution of her patent application and did not return the \$2,300 she had paid him for this patent application, despite her repeated requests for such refund.<sup>29</sup> C's Exs. 1, 3. Ms. Chess described that Respondent gave her an approximate 6 week time estimation for his completion of her patent application "from start to finish," that she provided Respondent with the funds he requested to perform this work, and that she did not receive any correspondence from Respondent concerning her application during the 12 weeks following the transfer of such funds. C's Ex. 1 at 3. At the time of her grievance letter, Ms. Chess stated that it had been thirty-three days since she requested her \$2,300 refund. Respondent had not returned any money to her despite his acknowledgment that he would give her a full refund and later assurances that the check was being sent. *Id.* at 1.<sup>30</sup>

Respondent does not refute Ms. Chess's account of how he handled monies received from Ms. Chess, including their communication over a full refund. Tr. at 264-65, 470-71, 508-21, 528, 563. In fact, Respondent's own testimony acknowledged,

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Clean [Mr. Hartzell's invention]."

C's Ex. 3 at 10; Answer ¶ 9.

<sup>29</sup> As fully explored in the record, Mr. Hartzell often acted on Ms. Chess's behalf in correspondence with Respondent. See, e.g., C's Ex. 1.

<sup>30</sup> The record reflects that on July 22, 2004, Respondent mailed Ms. Chess a \$2,125 refund check to an address other than the 1599 Lincoln Road address he was instructed to use. C's Ex. 16. In October 2004, weeks after Respondent learned that Ms. Chess filed her grievance with USPTO, Respondent sent a full \$2,300 refund check to Ms. Chess at the correct Lincoln Road address. R's Ex. 1 at 125. Ms. Chess did not know of the first check sent to the wrong address until after she received the second check sent to the correct address because she did not check the other mailing address frequently. Tr. at 213-217. The first check was never cashed. C's Ex. 16 at 3.

"I do not wish to minimize the pain and anguish I caused these clients [Ms. Chess and Mr. Sprague]. . . [whose] testimony is evidence of their frustration." Tr. at 470.

**b) Mr. Sprague**

Mr. Sprague met with Respondent in August 2002 to discuss patenting an idea for a filter for un-popped microwave popcorn kernels. Tr. at 38-39; Answer ¶ 18. Mr. Sprague gave Respondent a check in the amount of \$325 to conduct a patent search regarding this idea. Tr. at 40-41; C's Ex. 7 at 11. Respondent did not discuss any other expenses in association with this patent search, such as a fee associated with the office visits or docketing fees, with Mr. Sprague. Tr. at 40, 43, 112-13. After meeting again with Respondent in July and August 2003 to further discuss the popcorn kernel filter invention, Mr. Sprague informed Respondent that he should proceed with the patent application. Tr. at 47-49. On or about August 14, 2003, Mr. Sprague paid Respondent \$2,000 for his legal services to prepare a patent application. Jt. Stip. ¶ 10; Answer ¶ 19; C's Ex. 7 at 1, 12; Tr. at 48-49. Mr. Sprague testified that Respondent viewed this money as a "flat fee," which would cover all the work needed to receive the patent, and that he did not discuss with Mr. Sprague what would happen to the \$2,000 if Respondent did not complete any work. Tr. at 48-50. Mr. Sprague further testified that it was his expectation the \$2,000 would be returned should Respondent not perform the patent application work. Tr. at 50.

On or about September 14, 2003, Mr. Sprague found a U.S. patent similar to his own invention and sent an e-mail to Respondent advising him of such and directing him to contact Mr. Sprague immediately. Jt. Stip. ¶ 11; Answer ¶ 20; C's Ex. 7 at 1, 4; Tr. at 52-53. Even though Respondent reviewed the patent that Mr. Sprague found and opined that he did not think such would preclude Mr. Sprague's patent application for the popcorn kernel filter, Mr. Sprague decided to no longer pursue the application and, on or about October 3, 2003, requested by e-mail that Respondent refund the \$2,000 that Mr. Sprague paid for preparing the patent application. Jt. Stip. ¶¶ 12-13; Answer ¶¶ 21-22; C's Ex. 7 at 5-6. At the time of Mr. Sprague's initial refund request, Respondent had already informed Mr. Sprague that he had suspended efforts working on Mr. Sprague's patent application. C's Ex. 7 at 5. Also at the time of the refund request, Mr. Sprague had not received any draft work from Respondent regarding the patent application, nor had any reason to believe Respondent had performed any work in furtherance of the application. Tr. at 57-58.

Mr. Sprague testified that he followed up on his October 3, 2003, e-mail in the following weeks by leaving several telephone messages and handwritten notes at Mr. Halvonik's office regarding return of his \$2,000, but to no avail. Tr. at 60-63; see C's Ex. 9 at 4. On or about October 20, 2003, Respondent e-mailed Mr. Sprague advising that it was Respondent's opinion that Mr. Sprague's patent application could still proceed, but noting that Mr. Sprague should contact Respondent if he still wanted a refund or if he wished to pursue the patent application. Jt. Stip. ¶ 14; Answer ¶ 23; C's Ex. 7 at 6.

Mr. Sprague further requested his \$2,000 refund in a December 3, 2003, letter, and again in a January 22, 2004, letter. C's Ex. 7 at 8,9; see Jt. Stip. ¶¶ 15,16; Answer ¶¶ 25,26. Mr. Sprague further recalled that he telephoned Respondent in the weeks between sending the two aforementioned letters. Tr. at 70-71. Mr. Sprague testified that Respondent did not respond to Mr. Sprague's telephone call, nor his December 3rd or January 22nd letters, nor otherwise communicate with him through February 23, 2004. Tr. at 70-73; see C's Ex. 7 at 1.

On or about February 20, 2004, Mr. Sprague filed a civil lawsuit against Respondent in the District Court of Maryland for Montgomery County (small claims) seeking the return of his \$2,000. C's Ex. 7 at 10, Tr. at 73-74; see C's Ex. 7 at 1. Shortly thereafter, Mr. Sprague received a March 3, 2004, letter from Respondent, which included a \$1,400 refund check and an itemization of \$600 in expenses, which included meeting times, docketing work, and an office rental space fee. C's Ex. 9 at 6; Tr. at 75-77. Mr. Sprague testified that he interpreted the itemization as Respondent's view as to why Respondent returned \$1,400 of the \$2,000, yet felt he was entitled to keep the remaining \$600. Tr. at 78-79. Mr. Sprague testified that he and Respondent had not discussed any of these charges in advance, nor had Respondent ever previously sent him a similar itemized statement. Tr. at 76-77. Mr. Sprague further testified that he viewed the March 3, 2004, letter with the itemized statement and \$1,400 check enclosed as an offer of settlement, even though it was not labeled or discussed to be such. Tr. at 77-78. Mr. Sprague decided to take the \$1,400 and move on, deciding it was not worth his time to try and collect the remaining \$600, and on or about May 3, 2004, Mr. Sprague requested to dismiss the small claims lawsuit he had filed in the District Court of Maryland. Tr. at 79-83; C's Ex. 7 at 13.

The OED Director sent Respondent a "Request for Statement of Respondent's Position" letter on August 9, 2005, which

notified Respondent that allegations of professional misconduct were being investigated by USPTO OED in response to a July 12, 2005 communication Mr. Sprague had with USPTO OED. C's Ex. 8; see C's Ex. 7 at 1-3. On August 19, 2005, Respondent mailed a check in the amount of \$600 to Mr. Sprague to cover the balance of the \$2,000 fee that Respondent had not yet returned to Mr. Sprague. Jt. Stip. ¶ 19; Answer ¶ 33; C's Ex. 8 at 2; C's Ex. 9 at 1,3.

Mr. Sprague's July 12, 2005, grievance letter alleges that Respondent failed to communicate with him and failed to promptly return the \$2,000 provided to prepare and file a patent application, despite Mr. Sprague's repeated requests for such refund. C's Ex. 7 at 1. Mr. Sprague described that he paid Respondent \$500 to do a patent search, and, after Respondent informed him nothing similar was currently patented, subsequently paid Respondent \$2,000 to proceed with filing a patent application. *Id.* Shortly thereafter, Mr. Sprague found a very similar existing patent and informed Respondent that he wished to abandon pursuing his own patent application. *Id.* Mr. Sprague requested a refund of the \$2,000 he paid Respondent to pursue the patent application, but considered Respondent to have earned the \$500 provided for the patent search. *Id.* Mr. Sprague accepted and cashed a \$1,400 refund check from Respondent, noting "Since he had curiously never billed me for any office visits I figured the amount was about right." *Id.*

Respondent does not refute Mr. Sprague's account of how he handled monies received from Mr. Sprague, including their communication over a refund, nor the other factual allegations of Mr. Sprague's grievance letter. Tr. at 264-65, 470-71, 492-99, 502-03, 508, 563. In fact, Respondent's own testimony acknowledged, "I do not wish to minimize the pain and anguish I caused these clients [Ms. Chess and Mr. Sprague] . . . [whose] testimony is evidence of their frustration." Tr. at 470.

### **3. Respondent's Conduct At Issue**

- a) The monies that Ms. Chess and Mr. Sprague paid to Respondent were "funds" belonging to these clients and not belonging to Respondent and "fees paid in advance" that had not been earned by Respondent, as described in 37 C.F.R. §§ 10.112 and 10.40, respectively.

Respondent argues that he is not subject to the Disciplinary Rules found at 37 C.F.R. §§ 10.40 and 10.112

because the monies in question were fixed fees and not client funds. Answer ¶¶ 14, 15, 31. Respondent in essence argues that the monies belonged to him or were earned by him upon receipt.

In evaluating whether Respondent is subject to the disciplinary rules, as charged in the Complaint, I must determine whether the monies in question are "fees earned" and "funds." 37 C.F.R. §§ 10.40 and 10.112. My review of Respondent's "fixed fee agreement," which he used with Ms. Chess and Mr. Sprague, and other undisputed evidence in the record before me reveals that the monies paid by these two clients did not belong to Respondent and were not earned by Respondent when paid. R's Ex. 1 at 174-77. Rather, the monies paid were "funds" belonging to a client and not belonging to Respondent and "fees paid in advance that [had] not been earned" by Respondent. 37 C.F.R. §§ 10.112 and 10.40, respectively.

The fee agreement makes no mention of what would happen to the monies paid if such were never earned, does not provide that it served as a nonrefundable retainer, nor that the monies collected would be earned upon receipt with the informed consent of the client, nor that the monies collected were otherwise nonrefundable or earned upon payment. R's Ex. 1 at 174-77; See Tr. at 378-79, 402-30. Moreover, this general fees classification question has already been addressed by the authorities in Respondent's previous disciplinary proceeding, which involved similar factual situations and fee agreement. Specifically, the USPTO Commissioner rejected Respondent's contention that the advance fees he receives from clients belong to him upon receipt, stating "[Respondent's] argument that the \$1,300 advance fee [from his client] belongs to [Respondent] and is not 'client funds' is equally without merit." C's Ex. 18 (1999 Comm'r Decision) at 15. The District Court for the District of Columbia agreed, again according little merit to Respondent's defense that the advance fee that he received from his client was not client funds and, instead, immediately belonged to him. C's Ex. 14 (2005 Dist. Ct. Decision) at 13. Additionally, the District Court observed, "Erroneously retaining money that one knows is owed to a client is a breach of fiduciary duties and would be tantamount to forcing litigation on a matter." *Id.*

Thus, because I find that the monies paid to Respondent by Ms. Chess and Mr. Sprague were "funds" belonging to these clients and not belonging to Respondent, and "fees paid in advance that [had] not been earned" by Respondent, Respondent is subject to the Disciplinary Rules at 37 C.F.R. §§ 10.112 and

10.40.

- b) Respondent violated 37 C.F.R. § 10.40(a) by failing to promptly refund, upon withdrawal from employment, fees paid in advance that had not been earned to Ms. Chess and part of a fee paid in advance that had not been earned to Mr. Sprague.

I find that upon Respondent's withdrawal from employment with Ms. Chess and Mr. Sprague, respectively, Respondent did not promptly refund the fees that these clients paid in advance to him that had not been earned. This finding is established by clear and convincing evidence. Respondent performed no work for Ms. Chess other than opening a file for her application and cashing her check for advance fees, which was in direct contravention of his written agreement to complete the patent application within six weeks of his employment. C's Ex. 3 at 8. Although Respondent performed some work for Mr. Sprague on his patent application, Respondent's own itemization of expenses for work performed reflects that he was entitled to no more than \$600 of Mr. Sprague's \$2,000 fees.<sup>31</sup>

Mr. Reid F. Trautz testified in this matter as Complainant's expert witness in the field of ethics and law office management. Tr. at 312-44, 361-462; C's Ex. 33 at 1-5. In applying 37 C.F.R. § 10.40(a) to the instant case, I find Mr. Trautz's testimony is particularly credible, informative, and persuasive.<sup>32</sup> Mr. Trautz testified that 37 C.F.R. § 10.40(a) requires that, where a lawyer and client separate, the lawyer must promptly return property belonging to the client that is in the lawyer's possession and the client is entitled to receive. Tr. at 379-80. Mr. Trautz explained that the USPTO Rules do not define "prompt," and instead determines the meaning of the term on a case-by-case basis because "there are a myriad of facts" that can impact the time frame for due course and consideration. Tr. at 380-81.

Mr. Trautz opined that Respondent should have returned Ms.

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<sup>31</sup> I need not reach the question of whether Mr. Sprague was entitled to a full refund of his \$2,000 in fees paid to Respondent.

<sup>32</sup> Respondent presented no expert testimony to rebut Mr. Trautz's testimony.

Chess's full \$2,300 on July 13, 2004, in accordance with his promises and her expectations that he would send the refund on that date. Tr. at 391, 456. Mr. Trautz opined that because Respondent failed to send Ms. Chess the full refund to which she was entitled to on that date, let alone even close to that date, Respondent did not act promptly. Tr. at 389-94. Mr. Trautz noted that even though Respondent eventually refunded Ms. Chess's entire \$2,300, he did not promptly make this refund. Tr. at 435.

With regard to Mr. Sprague, Mr. Trautz similarly opined that Respondent "certainly" should have refunded Mr. Sprague's \$2,000 payment after receiving Mr. Sprague's December 3, 2003, letter, Mr. Sprague's January 22, 2004, letter, and before Mr. Sprague filed his small claims case on February 23, 2004. Tr. at 382-87. Mr. Trautz testified that based on the facts of this case, Mr. Sprague was entitled to a full \$2,000 refund because "no work had been completed." Tr. at 387.

The expert testimony together with Respondent's admitted apathy towards clients who had decided to quit working with him (Tr. at 501) is compelling with regard to Respondent's improper delay in refunding his clients' money. Moreover, Respondent admitted that he did not promptly return Ms. Chess's and Mr. Sprague's refunds upon their requests. Tr. at 562. Thus, I find by clear and convincing evidence that Respondent violated 37 C.F.R. § 10.40(a) by failing to promptly refund, upon withdrawal from employment, fees paid in advance that had not been earned to Ms. Susan Chess and part of a fee paid in advance that had not been earned to Mr. Arlen Sprague.

- c) Respondent violated 37 C.F.R. § 10.77(c) by failing to prosecute in a timely manner the patent application entrusted to him by Ms. Chess and by failing to timely and adequately communicate with and respond to Mr. Sprague in connection with Mr. Sprague's multiple requests for the return of his advanced fees, neglecting an entrusted legal matter.

I find by clear and convincing evidence that Respondent untimely delayed in the prosecution of the patent application entrusted to him by Ms. Chess, which in and of itself reflects his neglect of an entrusted legal matter and failure to act competently. Respondent assured Ms. Chess that he would complete her patent application within six weeks, yet the record reveals he never worked on it. C's Ex. 3, at 8; Jt. Stip. ¶ 3; Answer ¶

2; Tr. at 471. See Jt. Stip. at ¶¶ 4-5. Ms. Chess, through Mr. Hartzell, initially began following up with Respondent after not hearing nor receiving any work from him more than thirteen weeks after paying him to prosecute her patent application. Jt. Stip. ¶¶ 8, 9; Answer ¶¶ 5, 7; C's Ex. 3 at 5-7.

I further find by clear and convincing evidence that Respondent failed to timely and adequately communicate with and respond to Mr. Sprague in connection with Mr. Sprague's multiple requests for his return of his advanced fees, which further reflects his neglect of an entrusted legal matter and failure to act competently. Mr. Sprague, beginning in October 2003, made numerous attempts to contact Respondent, both telephonically and in person, regarding Mr. Sprague's patent application and his refund. Tr. at 61-63; C's Ex. 7 and 6; C's Ex. 9 at 4,5. Respondent's failure to timely and properly respond to Mr. Sprague prompted Mr. Sprague to file a civil law suit in the District Court of Maryland for Montgomery County (small claims) against Respondent on February 23, 2004. C's Ex. 7 at 1; Tr. at 73-75.

In applying the requirements of 37 C.F.R. § 10.77(c) to the instant case, I find expert witness Trautz's testimony quite illuminating and persuasive. Mr. Trautz testified that neglect of an entrusted legal matter includes everything in the attorney-client relationship, including a failure to return telephone calls or communicate in a timely manner. Tr. at 396-98. Mr. Trautz opined that the standard time for returning telephone messages is 24 hours, that the standard response time for e-mail messages is maybe even faster than 24 hours, and that most diligent lawyers would very promptly respond to a client stopping by his or her office. Tr. at 397-98. Mr. Trautz further testified that neglect of an entrusted legal matter also includes missing deadlines and not taking action on the case within the time frame set between the lawyer and the client. Tr. at 396-97.

Mr. Trautz opined that with regard to Respondent's interactions with Ms. Chess, Respondent engaged in a pattern of neglect by not completing Ms. Chess's application, having no recollection of her patent application, and not responding to her and Mr. Hartzell's inquiries at the proper address. Tr. at 399-400. Additionally, Mr. Trautz summarized Respondent's professional conduct towards Mr. Sprague was particularly "egregious . . . [because] there were opportunities along the way to communicate with the client . . . to talk about any fees that might have been in dispute . . . [or] a time frame to return the money . . . [b]ut there was just no communication . .

. [and it is] incumbent upon [Respondent] as the professional, as the businessperson, to try and resolve . . . and at least do some minimal communication." Tr. at 385-86.

Respondent himself admitted that his "poor communication skills and poor office management skill . . . resulted in neglect in responding to clients, neglect in promptly returning fees." Tr. at 470. He specifically admitted, with regard to Ms. Chess's patent application, "I didn't do her patent, and I neglected her patent." Tr. at 471; see Tr. at 563

Informed by the expert testimony and Respondent's own admissions, I find by clear and convincing evidence that Respondent violated 37 C.F.R. § 10.77(c) by failing to prosecute in a timely manner the patent application entrusted to him by Ms. Chess, thereby neglecting a legal matter entrusted to him. I further find by clear and convincing evidence that Respondent's failure to timely and adequately communicate with and respond to Mr. Sprague in connection with Mr. Sprague's multiple requests for his refund constitutes neglect of an entrusted legal matter, and that such neglect is a violation of 37 C.F.R. § 10.77(c).

- d) Respondent violated 37 C.F.R. § 10.112(a) and (b) by failing to deposit and maintain advance fees from Ms. Chess and Mr. Sprague in a separate account until earned and due, thereby commingling funds advanced by and belonging to these clients with funds belonging to himself.

I find by clear and convincing evidence that Respondent failed to deposit and maintain advance fees from Ms. Chess and Mr. Sprague in a separate account until earned and due, thereby commingling funds advanced by these and belonging to these clients with funds belonging to himself. The record reflects that Respondent deposited Mr. Sprague's \$2,000 check and Ms. Chess's \$2,300 check into Respondent's general Wachovia checking account,<sup>33</sup> which, in addition to using for legal business, he also uses for his personal funds. Tr. at 267; Jt. Stip. ¶¶ 7, 18. At the hearing, Respondent admitted that he has not changed his accounting system, nor his practice of placing fees from clients into his general checking account. Tr. at 575-76.

With regard to commingling issues, I accord no weight to

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<sup>33</sup> See n.26.

Respondent's argument that Pennsylvania rules of ethical conduct do not require the practitioner to maintain separate account(s) for the funds of clients paid to the practitioner until earned or until the funds no longer belong to the client and are not disputed by the client. I do so because, as persuasively explained by Mr. Trautz, the USPTO Disciplinary Rules, not the Pennsylvania ethical rules, control Respondent's representation before the USPTO.<sup>34</sup> Moreover, as observed by Mr. Trautz, the Pennsylvania ethical rules provide a narrow exception to commingling a client's and a practitioner's funds when there is "informed consent" by the client. Tr. at 378.

In applying the 37 C.F.R. § 10.112 (a) and (b) to the instant case, I find Mr. Trautz's testimony particularly compelling and enlightening. Mr. Trautz explained that Respondent had not yet earned the \$2,300 from Ms. Chess nor the \$2,000 from Mr. Sprague at the time he deposited such checks into his general account because Respondent charged a fixed fee for patent applications, which means the fee covers multiple events in the filing of a patent application and is potentially earned, but not immediately earned. Tr. at 377-78; 453-57. Mr. Trautz testified that the USPTO Disciplinary Rules do not permit commingling of accounts, which is when a lawyer mixes his or her personal funds with someone else's money, such as a client's money, which is not yet earned. Tr. at 371. Rather, the Rules require practitioners to keep their own money in an account separate from money belonging to their clients and not yet due. Tr. at 371-72.

Respondent admitted that he used the general Wachovia checking account, which he deposited Ms. Chess's and Mr. Sprague's funds into, for both personal and business transactions. Jt. Stip. ¶ 18; Answer ¶ 32; C's Ex. 9 at 7-17. Respondent testified that he used this account to deposit advance fees from clients, such as the checks he received from Ms. Chess and Mr. Sprague in the instant case, as well as his personal monies, such as tax refunds or proceeds of a sale. Tr. at 266-67. He further testified that he uses funds from this general Wachovia checking account to pay both business expenses and personal expenses. Tr. at 267-68.

The expert testimony concerning the standard practice that practitioners keep client monies in separate accounts was quite

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<sup>34</sup> I need not reach the question of whether the separate bank account for funds belonging to a client must be an IOLTA account, as insinuated by Mr. Trautz. Tr. at 373-75.

compelling and persuasive. Respondent's admissions demonstrate he did not keep client monies, such as the advance fees he received from Ms. Chess and Mr. Sprague that did not belong to him and that had not been earned by him, in separate accounts. Thus, I find by clear and convincing evidence that Respondent's use of his personal Wachovia checking account for depositing the checks received from Ms. Sprague and Mr. Chess, prior to earning or being due such funds, was commingling in violation of 37 C.F.R. § 10.112(a) and (b). Tr. at 374-76.

- e) Respondent violated 37 C.F.R. § 10.112(c) (3) by failing to maintain complete records of all funds of Ms. Chess and Mr. Sprague that came into his possession and failing to render appropriate accounting to these clients.

The plain language of 37 C.F.R. § 10.112(c) (3) is self-explanatory. Although specific accounting methods and practices are not prescribed, the language of the regulation clearly reflects that the practitioner must maintain complete records of clients' funds and provide an accounting to the client. 37 C.F.R. § 10.112(c) (3).

Here, the record reflects that Respondent operates his business with the type of poor recordkeeping practices and unsuccessful law office management procedures that prompted the previous ALJ in the 1998 ALJ Decision to recommend that Respondent enroll in a state or local bar association course on office management for sole practitioners. See C's Ex. 17 (1998 ALJ Decision) at 102. The documents that Respondent produced as his account records in connection with the Sprague and Chess matters, i.e. C's Exs. 25 and 26 and R's Ex. 1 at 137, are unacceptable and incomplete. C's Exs. 25, 26; R's Ex. 1 at 137; Tr. at 329-41. In fact, Respondent himself testified that his bookkeeping for his clients was inadequate. Tr. at 562; see C's Ex. 3 at 10 (Respondent admits "my records got messed up"). Respondent further admitted that he had "office problems, namely, poor communications and poor management and recordkeeping."<sup>35</sup> Tr. at 523.

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<sup>35</sup> In testifying to his poor office management, Respondent explained that he believed that his "personality problems contributed to a lot of the office problems." Tr. at 523. While I take note of the details concerning Respondent's personal problems, as reflected in the record, such does not excuse Respondent's liability for failing to maintain the level of

Mr. Trautz testified that the primary purpose behind the USPTO's recordkeeping requirements is "not for the lawyer . . . [but] [f]or the client, and even for the disciplinary system" in the event of a dispute over money which the lawyer has been entrusted with. Tr. at 337-38. I find that the undisputed record reflects that Respondent did not maintain complete records of Ms. Chess's and Mr. Sprague's funds and that Respondent did not render appropriate accounts to these clients regarding such funds. Indeed, Respondent's account records were essentially nonexistent. As such, the evidence that Respondent violated 37 C.F.R. § 10.112(c)(3) by failing to maintain complete records of all funds from Ms. Chess and Mr. Sprague that came into his possession and failing to render appropriate accounting to these clients is clear and convincing.

- e) Respondent violated 37 C.F.R. § 10.112(c)(4) by failing to promptly pay or deliver to Ms. Chess and Mr. Sprague, upon their individual requests, funds in Respondent's possession that these clients were entitled to receive.

As similarly determined as to Respondent's failure to refund promptly any part of a fee paid in advance that has not been earned, in violation of 37 C.F.R. § 10.40(a), I find that the record clearly and convincingly shows that Respondent failed to promptly pay or deliver to Ms. Chess and Mr. Sprague, upon their individual requests, funds in Respondent's possession that these clients were entitled to receive.

Mr. Trautz's testimony with regard to this charge is persuasive. Mr. Trautz opined that based on Mr. Sprague's repeated requests for a refund, Respondent's failure to initiate a discussion about any dispute he had regarding Mr. Sprague's entitlement to a full refund, and Respondent's failure to do any work on the patent application, Mr. Sprague was entitled to a full \$2,000 refund, which Respondent did not return to Mr. Sprague promptly. Tr. at 382-87; see Tr. at 388-89, 441-44. In fact, Respondent himself admitted that he did not promptly return Mr. Sprague's funds once Mr. Sprague requested them. Tr. at 562-63. Respondent similarly admitted that he did not promptly return Ms. Chess's refund upon her request, and

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conduct expected from a member of the professional patent bar; instead, I consider the effect of Respondent's personal problems in the context of determining an appropriate sanction in this matter, discussed *infra*.

acknowledged that he should have had a system in place to ensure that such did not occur. *Id.*

Informed by the expert testimony and Respondent's own admissions, I find by clear and convincing evidence that Respondent violated 37 C.F.R. § 10.112(c)(4) by failing to promptly pay or deliver to Ms. Chess and Mr. Sprague, upon their individual requests, funds in Respondent's possession that these clients were entitled to receive.

**4. Respondent's violations were willful and Respondent had notice under 5 U.S.C. § 558(c).**

As discussed immediately *infra*, I find by clear and convincing evidence that Respondent's above-mentioned violations were willful.

The Administrative Procedure Act ("APA"), 5 U.S.C. §§ 500-596, applies to agency actions such as the instant proceeding. In exercising authority to impose sanctions, such as the suspension or revocation of licenses, the agency must abide by Section 558 of the APA. In relevant part, 5 U.S.C. § 558(c) states:

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 therefor, 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.

5 U.S.C. § 558(c). Thus, for the reasons set forth below I determine that Respondent's violations of the disciplinary rules, as alleged in the Complaint, were willful. Therefore, I need not reach the question of Section 558(c) notice. Nevertheless, as discussed, *infra*, I do reach this question for argument's sake, and I find that Respondent received Section 558(c) notice of the allegations of misconduct brought against him in the Complaint.

As detailed by the authorities involved in Respondent's prior USPTO disciplinary hearing, courts generally describe willfulness for purposes of APA Section 558(c) as: conduct reflecting the intentional performance of a prohibited act, "irrespective of evil motive or reliance on erroneous advice," or conduct reflecting an act done with "careless disregard of statutory requirements;" or as "an intentional misdeed or such gross neglect of a known duty as to be the equivalent thereof." C's Ex. 14 (2005 Dist. Ct. Decision) at 9 (citations omitted); see C's Ex. 18 (1999 Comm'r Decision) at 12-13(citations omitted). The District Court for the District of Columbia in Respondent's prior disciplinary proceeding explained that "the fact that the Complaint [does] not specifically employ the word 'willful' is inconsequential" if the Complaint charges a knowing disregard of the USPTO Disciplinary Rules, charges misconduct involving a practitioner's violation of his legal obligation to his clients, or, alternatively, if the conduct described in the Complaint clearly establishes a pattern of conduct that meets the accepted definition of 'willful misconduct,' described above. C's Ex. 14 (2005 Dist. Ct. Decision) at 9.

With regard to Respondent's instant violations of 37 C.F.R. § 10.77(c) (i.e. failure to timely prosecute a patent application entrusted to him and failure to timely and adequately communicate with and respond to his client, neglecting an entrusted legal matter), I adopt the logic that the previous ALJ employed in the 1998 ALJ Decision when analyzing a past violation of this same provision to find by clear and convincing evidence that Respondent's instant violations are similarly willful. In the 1998 ALJ Decision, the ALJ determined that Respondent neglectfully failed to timely follow-up and review the PTO file as requested by his client. C's Ex. 17 (1998 ALJ Decision) at 70. As summarized by Complainant in its post-hearing brief, Respondent's conduct in the instant matter reflects a continuing and established pattern of neglect and careless disregard of his legal obligations to his client. See Compl.'s Post-Hr'g Br. at 45-46. For example, Respondent told Ms. Chess he would prosecute her application within six weeks, yet thirteen weeks later she had received nothing from him. C's Ex. 3 at 8; Jt. Stip. ¶¶ 4, 8.

Moreover, as expert witness Trautz testified, Respondent's disregard in response to Ms. Chess and Mr. Hartzell's efforts to follow-up on Ms. Chess's application and receive a refund demonstrated a pattern of neglect where he fell short of his client's expectations. Tr. at 399-400. Additionally, after deciding he no longer wished to prosecute his patent application because of duplication of another patent, Mr. Sprague repeatedly

made calls, dropped by Respondent's office, and sent letters to Respondent seeking Respondent's reply only to experience disjointed and haphazard communication from Respondent similar to what Ms. Chess experienced. See, e.g., Tr. at 60-73, 117, 495. C's Ex. 9 at 4-5, C's Ex. 7 at 6-9. In fact, Respondent admitted at the hearing that he lost interest in communicating with clients who decided not to have Respondent continue the patent applications that they initially brought to him. Tr. at 501. This overall attitude and pattern of neglect establishes the willfulness of Respondent's violations of 37 C.F.R. § 10.77(c)

With regard to Respondent's instant violations of 37 C.F.R. §§ 10.112(c)(4) (i.e. failure to promptly pay or deliver to his clients funds in his possession that the clients were entitled to receive), and 10.40(a) (i.e. failure to promptly refund to his clients, upon his withdrawal from employment, fees paid in advance that had not been earned) I again adopt the logic that the previous ALJ employed in the 1998 ALJ Decision when analyzing past violations of 37 C.F.R. §§ 10.112(c)(4) and 10.23 (general provision prohibiting misconduct) to find by clear and convincing evidence that Respondent's instant violations are similarly willful. Respondent was previously disciplined for a violation of 37 C.F.R. § 10.112(c) in the 1998 ALJ Decision, which expressly warned him he was required to make prompt refunds when the client is entitled to such. C's Ex. 17 (1998 ALJ Decision) at 81, 99-100. In fact, the 1998 ALJ Decision determined that Respondent's failure to return money which he knew should be returned amounted to "gross misconduct particularly in light of his having been previously advised regarding his questionable management of client funds . . . 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 [US]PTO pressure. Such is gross misconduct." *Id.* at 81 (emphasis added); see C's Ex. 17 (1998 ALJ Decision) at 84.

As discussed, *supra*, in the instant matter, Respondent accepted money from Ms. Chess and Mr. Sprague to pursue their patent applications, yet he had not performed work on Ms. Chess's application nor substantial work on Mr. Sprague's patent application at the time of their respective withdrawal and refund requests. Respondent purposefully failed to promptly refund Ms. Chess's and Mr. Sprague's money, admitting he "put it off" and "lost interest in making a timely refund, as I should have" because clients who quit on him were not a high priority for him. Tr. at 501, 515-16, 520, 525-26. Such conduct establishes the willful nature of Respondent's violations of 37

C.F.R. §§ 10.112(c)(4) and 10.40(a).

With regard to Respondent's instant violation of 10.112(c)(3) (i.e. failure to maintain complete records of all client funds coming into his possession and failure to render appropriate accounting to his clients), I adopt the logic that the previous ALJ employed in the 1998 ALJ Decision when considering allegations of misconduct, in general, to find that Respondent's instant violations were similarly willful. The record establishes that Respondent's account records in the instant case were poorly labeled, inconsistent, incomplete, and generally unacceptable. C's Exs. 25 and 26; Tr. at 279, 283-84, 333-38. Respondent himself could not explain certain entries in his accounting records and admitted he does not conduct regular reviews of his bank statements. C's Post-Hr'g Br. at 73 (citing Tr. at 279, 283-84, 291-92, and 294-95). In short, Respondent continues to lack a regularized billing practice, as observed by the previous ALJ. C's Ex. 17 (1998 ALJ Decision) at 71. Respondent's blatant disregard of his legal obligations to his clients under 37 C.F.R. § 10.112(c)(3) and the general safekeeping of his clients' funds establishes by clear and convincing evidence that Respondent's violations of 37 C.F.R. § 10.112(c)(3) were willful.

Finally, with regard to Respondent's instant violation of 37 C.F.R. § 10.112(a) and (b) (failure to deposit and maintain advance fees from clients in a separate account, commingling client funds with his personal funds), I find that such was willful. As succinctly explained by Complainant in his post-hearing brief, 37 C.F.R. § 10.112 (a) and (b) require the establishment of an identifiable account into which only clients' funds are to be deposited; that is, the USPTO Rules require a practitioner to use an account separate from his or her personal account and not to withdraw funds from the separate account until they are earned.<sup>36</sup> C's Post-Hr'g Br. at 61. Respondent refuses to recognize this legal obligation, carelessly disregarding regulatory requirements with such gross neglect so as to amount to an intentional misdeed. See C's Ex. 14 (2005 Dist. Ct. Decision) at 9 (citations omitted) and C's Ex. 18 (1999 Comm'r Decision) at 12-13 (citations omitted). The record is replete with Respondent's persistent position that advance fees from Ms. Chess and Mr. Sprague belong to him,

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<sup>36</sup> Mr. Trautz's expert testimony that on this point, that USPTO Rules clearly prohibit commingling and require a lawyer to segregate funds coming into the lawyer's possession into a separate account, was particularly persuasive. Tr. at 362-63.

regardless of the work performed, and may be freely deposited into his personal account. This position flies in the face of the language of 37 C.F.R. § 10.112 (a) and (b), which require practitioners to preserve the identity of client funds by depositing such into an identifiable bank account(s), which does not contain funds belonging to the practitioner.<sup>37</sup> I thus find by clear and convincing evidence Respondent's violations of 37 C.F.R. § 10.112(a) and (b) are willful.

Moreover, *assuming arguendo* that any or all of Respondent's aforementioned instant violations were not willful, for the reasons set forth below, I find by clear and convincing evidence that Respondent received the notice required under 5 U.S.C. § 558(c).<sup>38</sup> Respondent argues that while he received several Request for Statement letters<sup>39</sup> providing him with notice of the facts and conduct alleged in this proceeding, such letters did not properly give Respondent an opportunity to correct his behavior before the present action was commenced, thereby violating the notice provision of 5 U.S.C. § 558(c). See Order on Resp.'s Var. Mots. at 4-5; Order on Parties' Cross Mots. for Summ. J. at 3-4. While I declined to grant summary judgment in the instant matter on the factual issues involved with Section 558(c) notice, I did make the legal determination that such letters were deemed relevant, that they were discoverable, and that their use did not violate the procedural safeguards afforded to Respondent in this administrative proceeding. Order on Respondent's Various Motions at 4-9.

The USPTO sent multiple Request for Statement letters to

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<sup>37</sup> 37 C.F.R. § 112 (b) provides an exception for certain practitioner funds to be placed into the separate client account, such as funds needed to pay bank charges and advanced fees that are not yet due to the practitioner.

<sup>38</sup> The parties do not dispute that the Section 558(c) notice requirements apply to the revocation of a license to practice law before the USPTO. Due to their mutual position regarding the applicability of Section 558(c) in USPTO disciplinary proceedings, I do not challenge this interpretation.

<sup>39</sup> As noted in the Order on Respondent's Various Motions, the inquiry letters Respondent received from the OED Director containing either the heading "Request for Statement of Respondent's Position" or "Request for Comments" are collectively referred to throughout this proceeding for as "Request for Statement letters" for ease of reference.

Respondent prior to initiating this proceeding. The USPTO sent a Request for Comments letter on September 13, 2004, and two follow-up letters seeking Respondent's reply to such letter on November 8, 2004 and June 2, 2005. C's Exs. 4, 5. Respondent replied on July 5, 2005, maintaining that he complies with all USPTO laws and regrets oversights. C's Ex. 6. On August 9, 2005, the USPTO sent another Request for Statement letter to Respondent, in connection with the Sprague matter. C's Ex. 8. Respondent replied on August 19, 2005. C's Ex. 9. The USPTO sent a responsive Request for Statement letter to Respondent on September 13, 2005. C's Ex. 21. Respondent did not reply to this final Request for Statement letter, which arrived nine months prior to the filing of the instant Complaint. These letters adequately advised Respondent of the charges that the USPTO would bring against him should he fail to take corrective action, and afforded him the opportunity to correct his conduct before the USPTO issued the instant Complaint.

Additionally, well before the Request for Statement letters were issued, the 1992 USPTO letter, admitted in this proceeding as incorporated in the 1998 ALJ Decision, informed Respondent that the instant conduct was prohibited by the disciplinary rules. C's Ex. 17 (1998 ALJ Decision) at 84. In fact, the previous ALJ specifically found that in the 1992 USPTO letter, the "[US]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)." C's Ex. 17 (1998 ALJ Decision) at 84 (citations omitted). Respondent's previous argument that the 1992 USPTO letter is too stale to provide Section 558(c) notice has been rejected. Order on Parties' Motions in Limine at 6-7; see Resp.'s Mot. in Limine at 1. While Respondent's argument may have had merit if the 1992 USPTO letter stood alone, Respondent's position concerning the staleness of the 1992 USPTO letter fails in light of its inclusion in the 1998 ALJ Decision and its continued discussion on appeal, the finality of which did not occur until 2007. Quite frankly, given the various documents that advised Respondent of the USPTO's position that his conduct was in violation of the USPTO Disciplinary Rules, Respondent's repeat arguments that he was without Section 558(c) notice of such interpretation is disingenuous.

Therefore, upon consideration of the various advisements Respondent received from USPTO, I find by clear and convincing evidence that the USPTO provided Respondent with Section 558(c) notice in the instant proceeding because it: (1) apprised

Respondent of the facts and conduct that the OED Director believed would warrant disciplinary action and (2) gave Respondent ample opportunity to correct his behavior to come into compliance with the USPTO Disciplinary Rules. This is particularly so in light of the decisions issued in Respondent's prior proceeding, which clearly informed him that he did not earn clients funds when they were paid to him simply because of a fee agreement, rather such funds were earned when they were due to him.

### **5. Respondent's Arguments Previously Resolved**

Throughout his filings in the instant matter, Respondent has made several arguments despite the previous ALJ's resolution of such arguments. For example, Respondent continues to contest the application of the Disciplinary Rules to his conduct at issue based on his position of the legal implications of his fee agreement. Additionally, as discussed immediately *supra*, Respondent contests jurisdiction by arguing that he did not receive proper notice of the pending action under 5 U.S.C. § 558(c) and that his conduct was not willful.

Furthermore, Respondent argues in his post-hearing brief that under *Sperry v. Florida*, 373 U.S. 379 (1963), the USPTO's disciplinary authority is limited to those areas that do not fall within the disciplinary authority of the State bars, so State bars' ethical requirements control how a practitioner handles and where a practitioner may deposit client funds. Resp.'s Post-Hr'g Br. at 6-9; see Tr. at 424. In his case, Respondent argues Pennsylvania law governs and allows him to place client monies into a general operating account. Resp.'s Post-Hr'g Br. at 3-6.

Respondent's aforementioned arguments were previously litigated and ruled against in the 1998 ALJ Decision (*Bovard v. Halvonik*, discussed *supra*). Furthermore, Respondent again raised these arguments on appeal from the 1998 ALJ Decision and, again, these arguments were unsuccessful. Although Respondent seeks a different result here, I will not extensively discuss arguments that were dismissed repeatedly by the authorities in his prior disciplinary proceeding. I agree with the findings of the previous ALJ, as upheld by the appellate bodies and explained in detail in the 1998 ALJ Decision, and thus do not significantly re-address them here. See C's Ex. 17 (1998 ALJ Decision).

Regarding Respondent's *Sperry* argument, I note that such is

without merit. The state of Pennsylvania and USPTO share jurisdiction to discipline attorneys in cases alleging violations of both USPTO regulations and State ethical rules. C's Post-Hr'g Reply Br. at 8-9, citing *Bender v. Dudas*, 2006 WL 89831 (D.D.C. 2006) at \*8. In USPTO disciplinary proceedings, USPTO has broad authority to discipline practitioners for misconduct. C's Post-Hr'g Reply Br. at 8-9, citing *Bender v. Dudas*, 2006 WL 89831 (D.D.C. 2006) (internal citation omitted) at \*8. In USPTO disciplinary proceedings alleging violations of USPTO Disciplinary Rules, the State ethical rules, which may dually apply to a dually-admitted practitioner, do not control. I need not resolve the question of Respondent's obligations under Pennsylvania law because the USPTO has authority to enforce its own Disciplinary Rules regardless of the position a particular State bar takes on a practitioner's conduct. Moreover, I note that the Pennsylvania bar suspended Respondent from practice on October 11, 2007, based on the USPTO's November 27, 2006, suspension of Respondent for professional misconduct, as discussed *supra*.

## **6. Conclusion**

After considering all of the information in the record before me, I find by clear and convincing evidence that Respondent has violated the Disciplinary Rules of Professional Conduct as alleged in Counts I and II of the Complaint. See 37 C.F.R. § 10.149.

## **IV. SANCTION**

Complainant currently requests that the undersigned exclude Respondent from practice before the USPTO. Compl. Post-Hr'g Br. at 73-85; see Compl. at 6. Respondent has not offered an alternative sanction he would deem appropriate if found liable; instead, Respondent has argued throughout this proceeding that Complainant has failed to prove his case. See Resp.'s Post-Hr'g Br. at 39.

### **A. Factors Considered**

In determining a penalty in disciplinary proceedings against practitioners licensed to practice before the USPTO, the USPTO Rules governing such proceedings provide that, "the following [factors] should normally be considered: (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." 37 C.F.R. § 10.154(b); see

*Weiffenbach v. Logan II*, Proceeding No. D91-11, 1993 Commr. Pat. LEXIS 2, 27 U.S.P.Q.2d (BNA) 1870, at \*19-20 (Comm'r January 19, 1993) (penalty considerations applied on a case-by-case basis by reviewing the record in its entirety).

## **1. The Public Interest**

Rules governing professional conduct, such as the USPTO Rules at 37 C.F.R. part 10, exist, in large part, to protect the public interest. See, e.g., *In re Ruffalo*, 390 U.S. 544, 550 (1968) (disbarment is designed to protect the public interest). Indeed, Respondent's violative conduct, discussed *supra*, is contrary to the public interest. *Weiffenbach v. Logan II*, 1993 Commr. Pat. LEXIS 2, at \*19. Inventors, such as Ms. Chess and Mr. Sprague, should feel secure that the practitioner with whom they entrust their patent applications is competent and financially accountable.

The record reflects that, as a result of the previous disciplinary action brought against Respondent by the USPTO OED, Respondent was suspended from practice before the USPTO for a period of seven months, commencing November 27, 2006. C's Ex. 32. At the hearing, Respondent testified that he had not been reinstated. Tr. at 586; see 37 C.F.R. §§ 10.158(d), 10.160. Nonetheless, as pointed out by Complainant, Respondent has continued to use his professional stationery that identifies him as a patent attorney. C's Exs. 28, 29. Such conduct by Respondent misrepresents his USPTO practitioner status and is contrary to the public interest.<sup>40</sup>

## **2. Seriousness of the Violations**

Respondent's violations are quite serious, as they involve not only the commingling of practitioner and client funds, but also practitioner neglect. Respondent's violations are not in the nature of mere "paperwork" violations. Rather, these violations are fundamental to Respondent's practice of patent law and his office management. Additionally, Respondent's flawed handling and view of his entitlement to clients' funds is egregious and unethical.

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<sup>40</sup> Respondent is reminded that his employment as "general manager" in the office of Attorney Alfred Hoyte must comply with the regulatory requirements for such work set forth at 37 C.F.R. § 10.158(c).

### 3. Necessary Deterrent Effects

Due to their very nature, the violations of the USPTO Disciplinary Rules demonstrated in the instant proceeding warrant a sanction that will achieve both specific and general deterrence. Respondent has a history of discipline, which reflects conduct that is quite similar to that demonstrated by the instant record. Even though Respondent was previously sanctioned for such conduct and ultimately suspended from practice for a period of seven months, such result did not deter Respondent from committing future violations.<sup>41</sup> I find such behavior reprehensible and worthy of significant deterrence. Respondent's clients, as well as the clients of all practitioners duly licensed to practice before the USPTO, deserve to expect competence and character from those whom they entrust.

Moreover, I find the deterrent effect of sanctioning Respondent is warranted in light of Respondent's disregard of the previous ALJ's suggestion, in the Suspension Order issued after the 1998 ALJ Decision, that Respondent complete and pass the Multi-State Bar Examination section on Professional Responsibility and enroll in and complete a bar association course(s) regarding office management for sole practitioners that included a section on client communication. C's Ex. 17 (1998 ALJ Decision) at 102-103. While I recognize that the previous ALJ made this suggestion to Respondent in the context of a mechanism Respondent could use to reduce his seven-month suspension by a period of three months, and that the previous ALJ thus did not firmly order Respondent to take these steps, I find Respondent's choice not to avail himself of these programs troubling.

Respondent's testimony reveals that he has not made

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<sup>41</sup> It is additionally noteworthy that the previous ALJ decided to lessen the sanction imposed, and thus its deterrent effect, from the sanction he believed warranted in that proceeding. Specifically, the ALJ concluded in the 1998 ALJ Decision that while he believed Respondent's previous violations of the USPTO Disciplinary Rules warranted a suspension of one year and four months, he would reduce the suspension imposed to seven months in light of (1) the passage of time since the violations occurred, (2) the absence of other complaints filed against Respondent, and (3) indication in the record that Respondent had worked to improve his office management and client communication. C's Ex. 17 (1998 ALJ Decision) at 102.

significant changes in the management of his law office, as he is still his own bookkeeper, continues to rely on a manual system of arranging cases in a "to do" box, admits that he only enters "a little bit more information on the docketing" (Tr. at 573), has not changed his accounting system, and continues to place client fees into his general checking account. Tr. at 568-76. Had Respondent taken the Multi-State Bar Examination section on Professional Responsibility and had Respondent completed an office management course designed for sole practitioners, Respondent may very well have informed himself enough to avoid, or at least mitigate, the severity of the conduct at issue in the instant proceeding.

#### **4. Integrity of the Legal Profession**

The legal profession depends upon the integrity of its members. See *In re Quimby III*, 359 F.2d 257, 258 (D.C. Cir. 1966) ("The administration of justice under the adversary system rests on the premise that clients and the courts must be able to rely without question on the integrity of attorneys"). The disciplinary rules that courts and individual bars hold their members accountable to, and the disciplinary proceedings instituted for violations pursuant thereto, exist to maintain the integrity of the courts and the legal profession. *In re Patterson*, 176 F.2d 966, n.1 (9th Cir. 1949). If a practitioner's repeated disciplinary violations are "not sanctioned in a meaningful way, the public (including other members of the bar association) are not likely to believe the [US]PTO is serious in carrying out a program to maintain high ethics among those it registers." *Weiffenbach v. Logan II*, 1993 Commr. Pat. LEXIS 2, at \*20. The appearance of a tolerant attitude toward conduct worthy of discipline would give the public grave cause for concern and undermine public confidence in the profession of law. *In re Quimby III*, 359 F.2d at 258.

Here, Respondent previously received a generously reduced sanction for his earlier violations of the Disciplinary Rules in his prior USPTO OED disciplinary proceeding. The patent bar, as well as the public, would not have confidence in the USPTO's enforcement of its disciplinary rules and canons of ethics if Respondent's additional and more recent violations at issue here are not more severely sanctioned.

#### **5. Extenuating Circumstances**

In arriving at an appropriate sanction to be imposed in such disciplinary cases, courts have ordered a wide spectrum of sanctions after considering a variety of factors in mitigation

and aggravation of the violation, including, *inter alia*, motive, number of offenses, history of discipline, existence of emotional or psychological problems, chemical dependency, and demonstrated remorse. See, e.g., *Coombs v. State Bar of California*, 779 P.2d 298 (Cal. 1989) (tribunal disbarred attorney for one DWI conviction and 13 instances of professional misconduct, after considering DWI caused injury, prior alcohol related driving offenses, inconsistent cooperation with investigation, no prior history of discipline, misconduct did not involve trust funds, attorney possessed excellent legal skills, personal circumstances, community involvement, and alleged rehabilitation); *In re Carr*, 761 P.2d 1011 (Cal. 1998) (where attorney twice convicted of DWI, tribunal suspended attorney for 2 years, all but 6 months of execution stayed, with 5 years probation, reinstatement conditioned upon satisfactory proof of rehabilitation, fitness to practice, and passing of professional responsibility examination).

Here, Respondent testified that his mental illness and admitted addiction to marijuana should be considered a mitigating circumstance absolving or significantly lowering any sanction. Tr. at 499-501, 514, 522, 524, 529, 535; Resp.'s Ex. 2; see Resp.'s Post-Hr'g Br. at 28-29. During the hearing, Respondent also alluded to experiencing financial problems and having familial concerns, including the birth of a baby and his father's illness, during the period in question. Tr. at 495-505, 526, 533. While Respondent's mental status was considered in connection with mitigating circumstances surrounding an appropriate sanction, such does not alter my finding that Respondent committed violations of the USPTO Disciplinary Rules worthy of significant sanction, especially in light of the findings of the previous Initial Decision of *Bovard v. Halvonik*, as upheld on appeal. See C's Ex. 17 (1998 ALJ Decision). Even if Respondent's misconduct occurred during a time when he may have been encountering substantial personal problems, this does not excuse his conduct, as the record reflects Respondent has a history of violating the USPTO Disciplinary Rules. *In re Riggs*, 240 F.3d 668, 670 (7th Cir. 2001) (attorney's substantial financial and other troubles encountered in a proceeding do not excuse his conduct, considering attorney's long history of ignoring deadlines and judicial orders); see C's Ex. 17 (1998 ALJ Decision). Respondent had a duty to his clients, and, as such, Respondent must be accountable to them or seek to withdrawal his representation when personal circumstances affect his professional performance. *Id.* ("when personal troubles become intense, counsel must seek aid from others who can protect their clients' interests.")

Additionally, and perhaps similarly, Respondent testified as to his arrest in May 2005 and subsequent criminal proceeding and argues that such should be considered a mitigating circumstance when contemplating a sanction for his alleged disciplinary violations in the instant matter. Tr. at 503, 505-07, 530-31, 540, 548. In making the liability determination expressed herein, I place no reliance on information concerning Respondent's 2005 arrest and criminal proceeding, as I am confined to the allegations alleged in the Complaint. However, because Respondent has introduced his criminal matter into the record, I will comment that, in light of Respondent's history of disciplinary violations, explained in the previous Initial Decision of *Bovard v. Halvonik*, I would not find Respondent's criminal proceeding a mitigating circumstance that would influence his responsibility for the similar disciplinary violations he committed in the instant matter. See C's Ex. 17 (1998 ALJ Decision).

Respondent also testified that he is now in recovery, having stopped smoking marijuana. Tr. at 535-44. He also has sought medical care and therapy for his addiction and personality disorder and mental illness. *Id.* While such action is laudable and is encouraged, it does not cure Respondent's violations of the USPTO Disciplinary Rules or warrant a reduction of the sanction.

#### **B. Sanction Imposed**

In conclusion, I find that the record supports the sanction of exclusion as requested by the USPTO. Upon consideration of the variety of mitigating and aggravating factors at play in this case, discussed, *supra*, I find Respondent is not, at this time, fit to practice patent and trademark law. As such, I order that Respondent, John P. Halvonik, is excluded from practice before the USPTO for a period of five years, effective from the date of this order. 37 C.F.R. § 10.130(a).

I admonish Respondent, for, as discussed *supra*, his failure to act on the previous ALJ's recommendation that Respondent take steps to significantly change and improve his poor office management practices. Respondent's continued failure to comply with the USPTO Disciplinary Rules is reckless and warrants this sanction. I note that upon possible reinstatement, should Respondent's future professional conduct repeat this disregard for proper accounting of client funds and proper handling of entrusted legal matters, such could, in my opinion, warrant a permanent disbarment.

V. ORDER

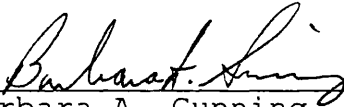
After careful and deliberate consideration of the above findings and conclusions, as well as the factors identified in 37 C.F.R. § 10.154(b),

**IT IS HEREBY ORDERED** that Respondent, John P. Halvonik, USPTO Registration No. 32,796, be excluded from practice before the United States Patent and Trademark Office.

Respondent's attention is directed toward 37 C.F.R. § 10.158 regarding responsibilities in the case of suspension or exclusion, and 37 C.F.R. § 10.160 concerning any subsequent petition for reinstatement.

Pursuant to 37 C.F.R. § 10.155, any appeal by Respondent from this Initial Decision, issued pursuant to 35 U.S.C. § 32 and 37 C.F.R. § 10.154, must be filed in duplicate with the Director of Enrollment and Discipline, U.S. Patent and Trademark Office, P.O. Box 16116, Arlington, VA 22215 within thirty (30) days of the date of this Decision. Such appeal must include exceptions to the Administrative Law Judge's Decision. Failure to file such an appeal in accordance with Section 10.155 above will be deemed to be both an acceptance by Respondent of the Initial Decision and that party's waiver of rights to further administrative and judicial review.

The facts and circumstances of this proceeding shall be fully published in the U.S. Patent and Trademark Office's official publication.

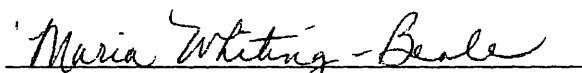
  
\_\_\_\_\_  
Barbara A. Gunning  
United States Administrative Law Judge

Dated: July 31, 2008  
Washington, DC

**In the Matter of Harry I. Moatz, Director Office of Enrollment and Discipline,  
Complainant v. John P. Halvonik, Respondent.  
Proceeding No. D06-15**

**CERTIFICATE OF SERVICE**

I certify that the foregoing **Initial Decision**, dated July 31, 2008 was sent this day in the following manner to the addressees listed below.

  
Maria Whiting-Beale  
Staff Assistant

Original By Hand Delivery to:

Maria Whiting-Beale  
Office of Administrative Law Judges  
1099 14<sup>th</sup> Street, N.W.  
Suite 350  
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Copy by Certified Mail to:

Raymond T. Chen, Esq.  
Sydney O. Johnson, Esq.  
Ronald K. Jaicks, Esq.  
Office of Enrollment and Discipline  
U.S. Patent and Trademark Office / OED  
P.O. Box 15667  
Arlington, VA 22215

Copy by Certified Mail, Regular Mail and Facsimile to:

John Halvonik  
1517 Gerard Street  
Rockville, MD 20850

**Dated: August 1, 2008  
Washington, D.C.**