Comments on the U.S. Patent and Trademark Office

February 10, 2004

Harry I. Moatz, Esquire
Director of Enrollment and Discipline
Mail Stop OED-Ethics Rules
U.S. Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Note: *The views expressed herein represent only those of the Intellectual Property Law Section of the D.C. Bar and not those of the D.C. Bar or of its Board of Governors.*

RE: Comments on the U.S. Patent and Trademark Office's proposed regulations covering recognition to practice before the USPTO, investigations and disciplinary proceedings in that venue and rules of professional conduct for practitioners before the USPTO.

Dear Director Moatz:

On January 28, 2004, a majority of the Steering Committee Members of the Intellectual Property Law Section of the District of Columbia Bar (hereinafter "the IPL Section") endorsed a public statement concerning the proposed rules package published by the United States Patent and Trademark Office (USPTO) on December 12, 2003. The public statement was prepared through the contributions of Section Co-chairs Paul Rivard and Christopher Philip Wrist, Patent Committee Chair Richard Litman, and Steering Committee Members Lawrence Stahl, Michael Kaminski, and John Hornick. The IPL Section is one of the nation's largest bar organizations devoted to intellectual property law with more than 2,200 members. The views expressed herein represent only those of the IPL Section and not those of the D.C. Bar or of its Board of Governors.

The proposed rules published December 12, 2003 in the Federal Register relate to three major areas: I) Recognition to Practice Before the USPTO; II) Investigations and Disciplinary Proceedings; and III) Rules of Professional Conduct.

The IPL Section applauds the USPTO effort to adopt rules consistent with the USPTO 21st Century Strategic Plan, and generally supports the adoption of the proposed rules. However, as more fully elaborated upon herein, we respectfully submit that certain rules should be modified or not adopted at all. Of primary concern are the proposed rules relating to recertification, the payment of financial restitution as part of a disciplinary sanction, the "written client consent requirement" for handling matters for a foreign associate, and the "should have known" standard relating to frivolous inventions.

I. Recognition to Practice Before the USPTO

The IPL Section welcomes the steps the Office is taking to make it less cumbersome to become registered as a practitioner. The progressive approach for individuals to take the registration examination, as well as the proposed web-based CLE delivery system, are clearly on the leading edge of e-government initiatives.

Our Section, however, is concerned that the proposed rules expand the scope of authority of the Office beyond what was intended by Congress. Moreover, the proposed rules do not clearly address some fundamental issues, such as providing a clear definition of the scope of permitted activities of a patent agent or the extent to which the USPTO Rules preempt state law.

Section 11.5 (b)
The definition of “practice” before the Office in the proposed rule is an all inclusive definition which provides USPTO jurisdiction with regard to matters beyond its statutory authority such as the conduct of non-patent law [matters].”
Section 11.5(b)(1) provides for USPTO authority in patent matters with regard to “considering the advisability of relying upon alternative forms of protection under State law.” Clearly, patent agents are not permitted to delve into state law matters and, as such, this type of activity should not be considered practice before the Office in patent matters.

Section 11.5(b)(2) addresses practice before the Office in trademark matters. It does not specifically include advising a client about the registrability of a trademark, yet Section 11.5(b)(1) specifically includes “considering and advising a client as to the patentability of an invention under statutory criteria.” There are several non-lawyer services which offer trademark searches or other services. These entities should be either clearly excluded from USPTO jurisdiction or be subject to the USPTO jurisdiction to the same extent as patent search firms.

Section 11.5(b)(3) relates to private conduct reflecting adversely on a person’s fitness to the practice of law. The jurisdiction of the USPTO to include “private” activity as practice before the Office is seriously questioned. Also, the use of “practice of law” in this Section could be interpreted not to include patent agents. It is recommended that either this Section be deleted, reworded to be within USPTO jurisdiction, and limited to patent practitioners (agents and attorneys), as well as trademark attorneys and pro se applicants, to the extent permitted.

Section 11.7
Page 69448 of the Federal Register notice discusses the new approach to the registration examination required in this Section. The test will no longer be “open book” in that paper forms will not be permitted at the examination site. However, individuals will be able to use resources, such as the M.P.E.P., which will be available on the computer used for the test. Those adept in using computer hardware and software such as Windows will have an advantage over those who are not as computer proficient. Prohibiting paper resource material will, to some extent, adversely impact some individuals. The IPL Section believes that passing the test should not be affected at all by an individual’s computer skills.

Section 11.7(g)
On page 69449 of the Federal Register notice, the USPTO specifically seeks comments on accepting State bar determinations of moral character. The IPL Section believes the second option, which allows for more discretion by the OED Director, is the better approach.

Section 11.8(d)
The IPL Section is not opposed to the requirement of an annual fee for practitioners, provided that such payments directly support the operations of OED. This fee is consistent with state bar dues presently charged lawyers. However, the collection of these fees each quarter for selected practitioners whose last names begin with certain letters could cause confusion and create an accounting burden, particularly for large law firms. This procedure should be replaced with a single due date for all annual fee payments. The language in this section relating to the rotating schedules should be deleted, and the date and manner of the collection of annual dues should be left to the discretion of the OED Director.

Sections 11.12 and 11.13
The IPL Section generally supports continuing legal education for patent practitioners. Continuing legal education (CLE) is essential for maintaining competence and proficiency within the patent bar and also serves to increase public confidence in our national patent system.

Many lawyers already take CLE courses voluntarily or to satisfy state bar requirements for a specified number of CLE credits earned annually or over a longer period such as three years. The D.C. Bar has offered such courses for many years, and like other CLE providers, will offer courses on topics, such as ethics, which are required by state bars throughout the country. Similarly, the D.C. Bar would want to offer courses which satisfy the USPTO CLE requirements. Some states will allow credit for online or distance learning courses, but others may not be as progressive. Although the IPL Section supports the USPTO's use of this leading edge CLE delivery approach, we encourage the Office to liberally allow any CLE courses which pass muster for state bar credit to be taken in lieu of the online training provided that the subject matter of the CLE is consistent with USPTO CLE objectives.

Section 11.13(d) of the proposed rules appears to permit some "for profit" entities (such as professional liability insurance carriers or companies which are not professional corporations) to offer USPTO-approved CLE. However, it improvidently restricts law firms, professional corporations and corporate law departments from sponsoring CLE programs. In virtually every area of law practice, members of the profession participate in teaching CLE programs for the benefit of fellow members. This practice, in turn, benefits those members of the public served by the profession. Consonant with prevailing practice in states having mandatory CLE requirements, the USPTO should revise the proposed rules to permit these private organizations to sponsor USPTO-approved CLE programs.

Practitioners could be given the option of completing either an online question-and-answer program (as currently proposed) or an appropriate course sponsored by a law firm, private organization, professional organization, and/or local bar association.

Section 11.12(a) allows for the CLE course to be offered on an as-needed basis. This could result in confusion. The USPTO should instead set certain CLE requirements either for each fiscal year or for a longer reporting period.

The proposed requirement that practitioners answer questions as part of the USPTO-delivered course as described in Section 11.13(b) does facilitate practitioners achieving a certain level of proficiency. An alternative approach would be to require each practitioner to sign a periodic certification that certain rules or other material were read and understood by the practitioner. This certification could be incorporated into the annual dues payment form, similar to certifications included on dues payment forms of some state bars.

In summary, the IPL Section is in favor of the OED Director being authorized to exercise discretion to ensure competence of practitioners through a wide range of approaches, such as continuing education or self study, whether online or otherwise. It is suggested that the rules not specifically mandate all of the specific requirements, such as the required answering of online questions, but, rather provide for alternative approaches more in line with modern law practice.

II. Investigations and Disciplinary Proceedings

The IPL Section supports an approach to the USPTO disciplinary process which fosters cooperation between the Office and registered practitioners. When situations are brought to the attention of the Office, particularly relating to client representation, every effort should be made to help the practitioner comply with the rules and reach a resolution with the client if at all possible.

One observation is that the proposed rules are not an outgrowth of self-regulation by registered practitioners, as is often seen among state bars which have adopted the Model Rules. Rather, these rules are being written, mandated and administered by the government. Even though outside practitioners are not included in the investigation and disciplinary process (as they would be in many states), the IPL Section believes that more practitioners will be compliant with

the proposed rules if the Office adopts a non-confrontational, service-oriented approach to compliance. In their current form, some of the wide-sweeping provisions could snag even the most diligent practitioner in a violation of a rule.

Section 11.20
Proposed section 11.20 purports to give the USPTO authority to require practitioners to pay restitution to persons financially injured by the practitioner's misconduct. The IPL Section opposes this provision as exceeding the USPTO's statutory authority for governing the recognition and conduct of attorneys and agents (35 U.S.C. § 2). The USPTO is ill-equipped to assess the value of inventions or patents, on which restitution apparently would be based. A rule making restitution administratively available would spawn spurious claims and would place an undue burden on those practitioners having to defend such claims. The courts, not the Patent Office, are the appropriate forum for litigating legal malpractice disputes.

Section 11.23
This Section provides that members of the Committee on Discipline should be USPTO employees that are members of a state bar. Certainly, legal knowledge may be helpful. However, in a patent matter, registered practitioners having a working knowledge of both the USPTO Rules of Professional Conduct as well as the realities of patent practice may be better suited for this role. Although the use of USPTO employees may be a practical approach, every effort should be made to ensure that the composition of the Committee not be biased against a practitioner who practices outside the Office.

Section 11.49
The USPTO requests comments on the use of a "clear and convincing" standard in disciplinary proceedings. The IPL Section supports the use of this standard.

III. Rules of Professional Conduct
The IPL Section generally supports the USPTO's proposed Office Rules of Professional Conduct (Sections 11.100-11.806) based on the ABA Model Rules of Professional Conduct. The ABA Model Rules now have been adopted in forty-two states. The proposed Office Rules would increase uniformity between local bar rules and USPTO ethics rules governing most patent practitioners. However, some of the provisions, as identified below, appear to be vague and over-inclusive.

Section 11.100–11.806 Generally
Many provisions of the proposed rules require a patent practitioner to comply with a higher standard than that imposed by state bars. For example, unlike the Model Rules which require consent of a client following consultation, the proposed rules would require the client give informed consent in writing after full disclosure. Page 69464 of the Federal Register notice states that this departure is intended to provide both the client and practitioner with certainty regarding communication, and a stronger record. There is no justification provided as to why patent practitioners need a stronger record or greater certainty regarding communication. The IPL Section does not believe that the benefit of adopting stricter rules than the Model Rules outweighs the extra burden and increased cost of representation such proposed rules would have on the practitioner on a daily basis.

Section 11.101(c)
Conduct defined in proposed Section 11.101(c)(3) as violating the "competence" requirement includes "employ[ing] one or more procedures that the Office no longer authorizes practitioners to use…" In its current form, the rule does not distinguish between major deviations from Office

practice and minor mistakes in following the letter of new Office procedures. Given the highly complex and ever-changing regulations governing patent prosecution, few practitioners could meet such an unreasonably high standard of competence. The IPL Section recommends deleting this provision or at least limiting the scope of the provision to serious or repeated failures to follow Office procedures.

Section 11.101(c)(4) would sanction practitioners for filing or prosecuting claims to "frivolous" inventions. Frivolous inventions are said to exist "where the claim of patentability is known or should have been known by a reasonably prudent registered practitioner to be unwarranted under existing law…" The italicized language would create a duty to investigate claims of patentability. Such a duty directly conflicts with the longstanding U.S. practice of not requiring a pre-filing novelty search. A de facto requirement of pre-filing novelty searches would result in unjustified additional expense and delay in patent prosecution. The provision also creates undue tension with a practitioner's duty of diligence and zeal to seek the broadest scope of protection available (See Section 11.103). The IPL Section recommends limiting section 11.101(c)(4) to instances in which a practitioner has actual knowledge that an asserted claim of patentability is clearly unwarranted under existing law and cannot be supported by a good faith argument for an extension, modification, or reversal of existing law.

Section 11.104(a)(2)

Section 11.104(a)(2) would require a practitioner to obtain "written informed consent" from an inventor or other client who is referred to the practitioner through a foreign attorney or agent, before the practitioner may communicate directly with the foreign attorney or agent. Although this provision may provide additional safeguards for foreign inventors, it deviates from prevailing custom and introduces uncertainty for U.S. practitioners. The USPTO should indicate whether, for example, the "informed consent" may be included as part of a standard power of attorney or declaration form, or whether something more, such as a letter of engagement acknowledged by the foreign inventor or client, is required. Also, for a non-English speaking client, the USPTO should explain whether the informed consent needs to be in the language of the inventor.

Section 11.104(d)(1)

This proposed rule establishes a duty to notify clients as well as former clients of correspondence received from the USPTO or opponents in inter partes matters, and, if they cannot be found, to timely notify the USPTO of the inability to locate a client. Although practitioners will likely send such correspondence to former clients as a courtesy, a rule requiring this appears unreasonable. Many questions remain unanswered, such as what point after correspondence is received should a practitioner abandon efforts to locate the client or former client, and provide "timely" notice to the USPTO. As for this notice to the USPTO, does it relieve the practitioner from further responsibility or stay the deadline to which the correspondence relates?

As discussed in the commentary on pages 69467 of the Federal Register notice, the handling of maintenance fees and Section 8 and 15 reminders and payments would clearly present some risk to the practitioner. A better approach would be to terminate a power of attorney granted by the client as a matter of law upon issuance of a patent or trademark registration and have the correspondence address be that of the client, unless a new power of attorney and correspondence address is submitted relating to post-registration activities. This would save time and paper relating to subsequent requests to withdraw as attorney of record.

Section 11.105

The proposed rule requirement for "directly" communicating with a client about the basis or rate of the fee "in writing" does not mention the "informed consent following full disclosure" language. Accordingly, this proposed rule is interpreted to require something less in the way of

communication to the client and that the client's signature on a writing would not be required. In the instance where a client is referred through a foreign associate, the Office should explain whether communication in writing with the associate would be sufficient after the client authorized the foreign associate to act on the client's behalf by the client's written consent following full disclosure.

Sections 11.107, 11.108 and 11.109
An ever increasing number of articles and CLE courses address the conflict of interest issues, particularly subject matter conflicts between existing clients, or an existing client and a former client, in representing a client before the Office. Examples in the rules or in comments to the rules would be helpful to practitioners.
For example, if a former client allowed a patent to expire, would there still be a potential conflict with a new client seeking protection for an invention in the same field? How about a former client who allowed their application to become abandoned?

If a practitioner is still handling maintenance fee payments for a client, is the standard different in evaluating conflicts than if the practitioner had withdrawn from representation? What if the practitioner is sending courtesy reminders about the maintenance fees to such former clients?

Section 11.117
This proposed rule, as written, may be unnecessary because of its focus on the sale of a law practice. State bar rules govern lawyers selling their practices to lawyers. If the language of the proposed rule is modified to relate to patent agents, it may then be more appropriate. However, the rule should address the special issues relating to the sale of a practice involving attorneys and patent agents, including whether a prosecution practice can be transferred between attorneys and patent agents or from a patent attorney to another patent attorney where the seller is ceasing representation of prosecution clients before the USPTO but wants to sell that part of the practice to another practitioner, while the lawyer continued with the handling of other legal matters. If this provision is meant to preempt provisions in state bar rules which are inconsistent, the rule should state this.

Sections 11.601–11.604
These proposed rules which, in essence, apply only to lawyers are already addressed in state bar rules and do not seem necessary for inclusion in the USPTO Rules.

Section 11.704
This provision relating to the use of designations such as Patent Attorney could be expanded to make it clearer as to the use of related designations of Trademark Attorney or variations thereof, such as Patent and Trademark Attorney. Also, paragraph (e) relating to Admiralty designations seems unnecessary.

Section 11.804
Specific prohibited acts of misconduct are described. The IPL Section approves of providing examples of misconduct to guide practitioners, but does not favor applying such prohibitions as per se violations. Allowing the OED Director to exercise discretion and evaluate all of the facts and mitigating factors would be a better approach.

Conclusion
In summary, the IPL Section favors the adoption of the USPTO's adoption of the Model Rules with the changes suggested herein. However, we submit that the more stringent requirements, such as the "written consent after full disclosure" provision, should be reevaluated, particularly

with regard to foreign clients. In addition, the “should have known” language with respect to frivolous applications should be eliminated or clarified as to what is required as far as pre-filing searches or other investigations. The restitution provision is a potential floodgate for complaints from disillusioned inventors and should be deleted. Finally, the CLE requirement should be made less burdensome on practitioners by offering more alternatives consistent with those offered in modern law practice.

Respectfully submitted,

DISTRICT OF COLUMBIA BAR
SECTION OF INTELLECTUAL PROPERTY LAW

Christopher Philip Wrist, Co-chair
Paul Michael Rivard, Co-chair