

AIPLA

AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

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February 7, 2004

The Honorable Jon Dudas
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of the United States Patent and Trademark Office
2121 Crystal Drive
Crystal Park II
Suite 906
Arlington, VA 22202

Notice of Proposed Rulemaking
Changes to Representation of Others Before
the United States Patent and Trademark Office
68 Federal Register 69442 (December 12, 2003)

Dear Mr. Under Secretary,

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to offer comments on the rule and practice changes proposed by the United States Patent and Trademark Office (PTO) in the subject notice. In accordance with the extension of time granted by the PTO to submit comments on Subpart D – USPTO Rules of Professional Conduct published at 69 Fed. Reg. 4270 (January 29, 2004), the comments and suggestions below will address the rule and practice changes proposed by the PTO except for those of Subpart D. AIPLA appreciates the additional time provided to address this significant and complex proposal by the PTO.

AIPLA is a national bar association whose more than 15,000 members are primarily lawyers in private and corporate practice, in government service, and in the academic community. The AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

AIPLA appreciates the opportunity to comment on the proposed rule and practice changes as well as the extension of time to comment on Subpart D. However, we

would like to express grave concerns regarding the very short period of time which the public was given to respond – two months over a holiday period - to this very significant proposal which has been in preparation for over three years. This 122 page proposal contains provisions that will affect every registered practitioner in a broad range of areas in which the majority have little experience. Some of the proposed provisions are new, are totally foreign to a patent system that has prospered for over 200 years, and many are still being debated in state bar associations. We would urge the PTO to exercise caution and restraint before adopting proposals that could cause unnecessary harm to practitioners, the PTO, and the patent system.

Please consider the following comments and suggestions on the proposed rule and practice changes described in Part 1 and Part 11, Subparts A-C in the Notice:

We have no comments at this time on the definitions in proposed § 11.1 as they apply to Subparts A-C, but comments may be necessary when we study these definitions in the context of the proposed provisions in Subpart D. For example, concerns that have already been identified are “full disclosure” as it applies to obtaining waivers of conflicts and “giving information” which by its definition applies only to proposed § 11.804(h)(1).

The provision of proposed § 11.3(d) that no claim or action in tort may be predicated on a complaint submitted to the OED raises the question of whether claims in the nature of malicious prosecution would be precluded where the complaint was groundless and made in bad faith. If so, this would be unfair to the innocently charged practitioner.

Proposed §§ 11.2(c)-(e) sets a 30-day period for taking action. The PTO should consider setting a uniform period, for example, for filing a petition to any PTO official seeking review of an action taken by the PTO. The provisions of § 1.181(f) provide for filing a petition within two months of the date of the action complained of, recently proposed § 41.3(e)(1)(i) sets a 14 calendar day period from the date of the action for which a party is requesting relief to file a petition to the Board, and proposed § 11.2 would set a 30 day period from the action complained of to file a petition to the OED Director. In the absence of a compelling reason for these differences, and none has been identified, the PTO should look beyond individual practices in various areas of the PTO and seek to provide some consistency and uniformity in its regulations to reduce unnecessary complexities and promote compliance with its regulations. Further, for ease of calculation of these time periods for both the PTO and members of the public affected, these time periods should be set in whole months whenever possible. Finally, proposed § 11.2(d) indicates that a petition to review a decision of the OED Director requires payment of a petition fee, unlike a petition to review the action of a PTO employee under § 1.181. If a fee is charged for filing a petition of this type, it should be refunded if it is determined that the OED Director acted improperly.

In the commentary (68 Fed. Reg. at 69446), it is stated that “Paragraph (a)(3) of § 11.7 would explicitly place the burden of proof of good moral character and reputation on the applicant, and provide ‘clear and convincing’ as the standard of proof.” However, there is no paragraph (a)(3) in § 11.7 that corresponds to this statement. It is further noted that proposed § 11.7(c) also contains provisions relating to petitions to the OED Director. We repeat our comments regarding consistency and uniformity set forth above in relation to proposed § 11.2.

In the commentary (68 Fed. Reg. 69449), the PTO seeks comments on two alternatives for accepting a state bar’s determination on the moral character of persons seeking to become registered practitioners for purposes of meeting the requirements set forth in § 11.7(g). As we understand the first option, it would require applicants who are attorneys to submit a certified copy of their state bar application and moral character determination that would be accepted by the PTO as meeting the requirements of § 11.7(g). The second option, on the other hand, would require the same submission but would require the PTO to independently review the information and if the PTO finds no substantial discrepancy between the information provided with the PTO application and the state bar application and moral character determination, the PTO would conclude that the requirements of proposed § 11.7(g) were met. While we do not have sufficient information or experience to make an educated recommendation, we would think that the first option would be preferable because it would relieve the PTO of an apparently unnecessary burden unless experience has indicated that such an approach could cause problems of some undefined character.

Proposed § 11.8(d) contains a requirement that each registered patent attorney or agent shall annually pay a fee to the PTO Director. The payment period for registered patent attorneys and agents would be based on the first initial of each individual’s last name. It is unclear from the PTO proposal whether the fee could be paid in advance of the assigned period for payment to simplify the administration of this requirement for practitioners, particularly those associated with small firms or small patent departments in a large firm or organization. The PTO states that the funds received from this annual fee will cover the costs of the disciplinary system and maintaining the roster of registered practitioners up-to-date.

Conceptually, the AIPLA is not opposed to an annual fee for registered practitioners, but is very concerned about the assumptions made by the PTO regarding funds obtained from these fees and the huge administrative burdens that both the requirement for an annual fee and a continuing education requirement are going to impose on both the PTO and practitioners. First, the PTO has stated that funds received from the annual fee would be directed to the activities of OED and would not be diverted to support other proposals or other programs. Unfortunately, neither the PTO nor other interested parties have been able to solve the problem of PTO fee diversion. The PTO does not have control over the use of the funds it receives. Accordingly, AIPLA is reluctant to endorse the imposition of additional fees until the fee

diversion problem is solved. Accordingly, we are very concerned that the additional administrative burdens that would be created by the proposals for an annual fee and a continuing education requirement would be underfunded, understaffed, and create significant problems that would reverberate throughout PTO patent operations.

We understand that a failure to pay the annual fee in a timely manner would subject a registered practitioner to administrative suspension in accordance with proposed § 11.11(b). After the procedural requirements of proposed § 11.11(b) have been satisfied, a suspended practitioner would no longer be authorized to practice before the PTO (proposed § 11.11(b)(2)), and an administratively suspended practitioner is subject to investigation and discipline for his or her conduct during or after the period he or she was administratively suspended. While these provisions might at first reading sound fair and appropriate in principle, we question how it will work in practice, and particularly how much it will adversely affect the patent examination process and put further strain on the understaffed and underfunded patent examination process. Consider, for example, just one practitioner who inadvertently fails to pay the annual registration fee on time, and fails to receive the prescribed notices from OED regarding payment of this fee (e.g., we understand that 20% of registered practitioners who are mailed a notice with a data sheet to update bibliographic information fail to respond to that notice the first time). This practitioner would be administratively suspended, but not realize it, and would in all likelihood continue to sign papers (e.g., replies to Office Actions) until the practitioner receives actual notice and recognizes that he or she has been suspended. Quite apart from the administrative burdens for both OED and the practitioner in resolving the inadvertent untimely payment of the annual registration fee and any disciplinary action that OED initiates, what is the status of the applications or proceedings containing papers signed by the practitioner when he or she was suspended? If the Office takes the position that a paper signed by an administratively suspended practitioner is not valid, this could result in abandonment of a host of applications and proceedings and would magnify the administrative burdens for both the PTO and practitioners several fold. Unless the PTO can avoid this explosion in administrivia and potential adverse affects on patent applicants, we can not support either the introduction of an annual fee or a continuing education requirement at this time. In addition, until the fee diversion problem is solved, AIPLA considers it unwise to introduce additional administrative burdens on the PTO that will be underfunded and understaffed, or even worse, withdraw scarce resources from an underfunded and understaffed patent examination operation to provide additional resources to OED.

Proposed § 11.10(a) indicates that only practitioners who are registered or are given limited recognition are permitted to prosecute patent applications of others before the Office. Although “prosecution” is unclear and not defined in the proposed regulations, proposed § 11.5(b) defines practice before the Office as including a variety of activities that include preparing and prosecuting any patent application, participating in drafting the specification or claims of a patent application and participation in drafting

an amendment or reply to a communication from the PTO. One of the concerns that arises because of this lack of clarity in proposed § 11.10(a) relates to nonpractitioner assistants who work under the direction of a registered practitioner. While this type of assistant appears to be addressed in proposed § 11.503, it is unclear whether a nonpractitioner assistant would be violating proposed § 11.10(a) if he or she assisted, for example, in the preparation of a patent application, even under the direction and guidance of a registered practitioner. There may be a distinction between “practice before the Office” defined in proposed § 11.5(b) and “prosecute patent applications of others before the Office” in proposed § 11.10(a), but this distinction is not clearly defined in the proposed regulations. We believe it is common practice for nonpractitioner assistants to work under the supervision of a registered practitioner in conducting many of the activities associated with practice before the Office, and that the proposed regulations should continue to authorize this activity.

The explanation for proposed § 11.10(b) indicates that these provisions are intended to parallel the restrictions in 18 U.S.C. § 207. We believe the items listed in paragraphs (b)(1)(i)-(iii) and (b)(2)(i)-(iii), should not be in the alternative as proposed, but should be linked with “and” so as to include all three conditions.

Proposed § 11.12 sets forth a mandatory continuing education requirement that will be required from time-to-time by the PTO Director. Under this proposed program, no more than one mandatory continuing education program would be required each fiscal year and the requirement may be as infrequent as every three years. According to the PTO proposal, the program can be given by a sponsor pre-approved by the OED Director or a program will be available on the Internet from the PTO. Although AIPLA supports this proposed requirement in principle, it is very concerned of the administrative burdens that will be imposed on the PTO and practitioners by this program, and the potential adverse effects that will be caused by implementation of such a requirement. We incorporate the concerns we raised above with regard to the requirement of a mandatory annual registration fee, and believe all of those concerns (funding, administrative burdens on the PTO and registered practitioners, potential adverse impacts on the patent examination operation, and further delays in the granting of valid patents) are also applicable to the proposed continuing education requirement. There are simply too many more important problems in the PTO to be addressed and solved at this time without introducing additional burdens that are unlikely to produce benefits to the patent system that will outweigh the potential costs of the program as proposed.

In addition to the concerns raised above, the PTO would be required to pre-approve a program that satisfied the continuing education requirement. If this requirement is ultimately adopted by the PTO, we would encourage it to approve the programs that have also been approved for obtaining continuing legal education credit from a state bar. Before adopting this requirement, however, it is suggested that the PTO offer an exemplary program on its website to better inform registered practitioners

of the type of program that would be offered by the PTO as satisfying this requirement. The PTO should carefully test this concept on its website and determine whether the system can effectively handle 28,000 practitioners accessing the Internet program at or near the deadline for satisfying this continuing education requirement.

Proposed § 11.13(g)(4) would preclude law firms, professional corporations, and corporate law departments from being eligible to become approved sponsors of a continuing education program. We believe this restriction is unnecessary, unwise, and unduly restrictive since the identified entities are often sponsors of continuing education programs that are approved by many state bars. The PTO has not provided any justification or reasons to support this prohibition, and none are apparent to us. At least those programs that have been approved for continuing legal education to meet state bar requirements should automatically be approved by the PTO if this requirement is adopted.

Proposed § 11.16 provides that a practitioner, in return for being registered, agrees that the OED Director may examine financial books and records maintained by or for the practitioner for the practice before the Office, and may also examine any trust account maintained by a practitioner whenever the OED Director reasonably believes that the trust account may not be in compliance with the Rules of Professional Conduct. In our view, this provision raises serious questions about the basis for the scope of this authority and serious problems with protection of the confidences of clients other than the client whose matter(s) precipitated the inquiry. The proposed rules should be changed to indicate that only the complaining or commenting client's records may be revealed to the OED Director, and then only if a client consents in writing provided to the practitioner. As currently proposed, this provision would theoretically place the financial records relating to all of a practitioner's clients at risk and, indeed, it is not limited to trust accounts. The same concerns are also applicable to the provisions in proposed § 11.22(k). These proposals may well raise serious questions of constitutionality, due process, attorney-client privilege, and confidentiality.

Under proposed § 11.20(a)(2), the Director may impose an appropriate sanction by striking the filing of any document or dismissing the filing of an application with prejudice. We request that the PTO clarify whether the striking of the filing of any document is similar to expunging a document from the record of a PTO file, and provide representative situations and circumstances in which this authority would be exercised. As we explained in our comments questioning a similar provision in the proposed rules relating to practice before the Board of Patent Appeals and Interferences, improperly expunging a paper could prejudice a party's rights. Further, it is unclear to us what is intended by "dismissing the filing of an application with prejudice" and whether the PTO has authority to take this step. If the PTO retains these provisions in the final rules, it is requested that these provisions be clarified and that a clear statutory basis and standard be established for taking these actions.

Under proposed § 11.21, the OED Director is authorized to issue a warning. This appears to be a non-public matter which is imposed unilaterally by the OED Director and is similar to the informal admonitions that Bar Counsel is authorized to issue, for example, in the District of Columbia. Under proposed § 11.21, the decision to issue a warning is final and not reviewable, whereas in D.C., the respondent has the option to reject an informal admonition and insist upon a trial. It is suggested that proposed § 11.21 be revised to provide respondent with an option to reject a warning and require the OED Director to prove his or her case before a hearing officer.

Under proposed § 11.22(d)(1), the term “complaint” is defined as a communication by a person outside the Office alleging or presenting facts of possible misconduct. The same term “complaint” is used in proposed § 11.34 to define an instrument used in instituting a disciplinary proceeding. To avoid any confusion, it is suggested that different terms or phrases be used in each case where the term “complaint” now appears.

Under proposed § 11.22(i), the time within which a respondent must respond to the OED Director concerning a complaint is no more than 60 days (an initial 30 days and then one extension of no more than 30 days). We consider this time frame to be too limited as these matters are often complex and facts that are necessary to respond to a complaint are often in the hands of a third party that may take some time to obtain (e.g., court transcripts, etc.). We would encourage the PTO to provide some flexibility to the OED Director to grant such additional extensions of time as a particular case may warrant. Such a provision would retain control of the proceeding in the hands of the OED Director, yet provide flexibility for the Director to extend the time when persuaded that it is necessary.

It is unclear whether the OED Director may dismiss a misconduct complaint without approval of the Committee on Discipline. Proposed §§ 11.22(m) and (n) appear to give the OED Director the authority to “close the investigation with neither a warning nor a disciplinary action.” Proposed § 11.23(b), concerning the Committee on Discipline, lists as one of the Committee’s powers “to assign a Contact Member to review and approve or suggest modifications of recommendations by the OED Director for dismissals, and warnings.” Is “closing the investigation” under proposed §§ 11.22(m) and (n) the same as a “dismissal” under proposed § 11.23(b)(3)? If so, then the terminology should be consistent to avoid confusion.

Proposed § 11.23(a) should clarify whether the General Counsel referenced in the third sentence is the General Counsel of the PTO or that of the Department of Commerce.

Proposed § 11.24(c) appears to be incomplete. It is believed that the lists of exceptions to reciprocal discipline, where a practitioner has been found guilty of misconduct in a final adjudication in a disciplinary court, is incomplete and should include “(v) the misconduct elsewhere does not constitute misconduct under Subpart

D.” Further, in proposed § 11.24(e), the cross reference made to the exceptions to the imposition of identical discipline based on one or more of the grounds set forth in “paragraph (a)” of this section should instead refer to “paragraph (c).”

Proposed § 11.35(a)(1) is unclear. Specifically, it is unclear to what alternatives (i) and (ii) of proposed § 11.35(a)(1) refer.

Under proposed § 11.36(d), the failure to timely file an answer to a disciplinary proceeding complaint will constitute an admission of the allegations in the complaint, and may result in entry of default judgment. While we have no concern with this provision where the respondent received the disciplinary proceeding complaint and had an opportunity to respond, the provisions in § 11.36(d) do not appear to address the situation where the complaint was not received and respondent had no opportunity to address the allegations in the complaint. We understand that the last sentence in proposed § 11.36(d) is not intended to apply in a circumstance of non-receipt of the complaint, and this should be clarified.

Proposed § 11.45 refers to an amendment of the complaint or the allegations in the complaint, answer, or reply, as amended, but contains no antecedent basis for an amendment. Presumably this is intended to refer to the additional charge or charges that may arise in the course of a hearing. Clarification is requested.

In the commentary (68 Fed. Reg. at 69460), it is stated that proposed § 11.49 provides that the OED Director would have the burden of proving a violation of the imperative USPTO Rules of Professional Conduct by clear and convincing evidence and that a respondent would have the burden of proving any affirmative defense by clear and convincing evidence. Comments are explicitly invited as to whether the PTO should continue to use the “clear and convincing” standard, or adopt the preponderance of evidence standard established by the Administrative Procedures Act. AIPLA supports retention of the clear and convincing evidence burden of proof standard, but requests the PTO to clarify which regulations are considered “imperative.”

Proposed § 11.56 should be amended to include an authorization for parties to present agreed-upon findings of fact and conclusions of law, including decisions with respect to sanctions, directly to the PTO Director for approval. The proposed PTO rules do not explicitly address this issue, but the process described in the rules does not seem to envision agreed-upon dispositions. See proposed §§ 11.44, 11.53, and 11.54-56. The procedures described in the rules should provide some flexibility and at least allow for, if not encourage, agreed-upon dispositions, rather than clogging up the disciplinary system with unnecessary procedures and complexity.

The requirements in proposed § 11.58(b)(1)(vi) that require every client account, trust account, and deposit account in the Office be closed seems unduly restrictive and burdensome, especially as another practitioner who is not under suspension or exclusion may be able to administer the accounts for the benefit of the suspended

practitioner's clients during the period of suspension, or take over administration permanently in the case of exclusion. There may be situations where complete closure of all accounts may be necessary, but the OED Director should retain some flexibility for different arrangements in appropriate circumstances.

We appreciate the opportunity to provide comments on these proposed rules and practice changes and would be pleased to assist in any way we can.

Sincerely,

A handwritten signature in black ink that reads "Michael K. Kirk". The signature is written in a cursive, flowing style.

Michael K. Kirk
Executive Director