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May 26, 2007

The Honorable Jon W. Dudas
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
P.O. Box 1450
Alexandria, Virginia 22313-1450

Comments on “Changes to Representation of Others
Before the United States Patent and Trademark Office”
72 Federal Register 9196 (February 28, 2007)

Dear Under Secretary Dudas:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to offer comments regarding the rules proposed by the U.S. Patent and Trademark Office (PTO) regarding “Changes to the Representation of Others Before the United States Patent and Trademark Office.”

AIPLA is a national bar association whose more than 16,000 members are primarily lawyers in private and corporate practice, in government service, and in the academic community. 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 patent owners and users of intellectual property.

Introduction

We appreciate and note the PTO’s acceptance of changes and comments proposed by AIPLA and others in response to the initial publication of these proposed new rules. Many of AIPLA’s concerns have been addressed, but some remain.

The Notice refers to the earlier Notice of Proposed Rule Making (NPRM) of December 2003, to which the AIPLA made extensive comments. This supplemental notice states that in light of the comments on the earlier NPRM, “the Office has decided to revise several of the rules as then proposed and request additional comments on those revised proposals. Other proposed Rules contained in the earlier Notice of Proposed Rule Making remain under consideration by the Office. This supplemental notice of proposed rule making sets forth revisions that the Office is proposing to the rules governing the conduct of investigations and disciplinary proceedings.” Some of the rules proposed in the 2003 notice were promulgated in a “Final Rule” published in the Federal Register on June 24, 2004, and made effective July 26, 2004. In some cases, it

is unclear whether the current supplemental proposal carries forward rules proposed in the 2003 notice, and in some cases the rules in this supplemental notice are inconsistent with the rules changes that were made effective in July 2004. In addition, we note that some of the rules in this package refer to, and rely upon, the proposed changes in the ethical rules that remain under consideration by the Office. For example, we note that certain rules in this package refer to “imperatives” of the USPTO Rules of Professional Conduct: such “imperatives” may no longer exist if the PTO adopts the still-pending updates to the ethics rules, since those rules no longer carry the imperative/aspirational distinction. Accordingly, we believe that it would be helpful for the Office to set forth fully in a single proposal all of the proposed new rules, to clarify what portions of the prior proposal and previously implemented changes are carried forward and to correct missed cross-references, inconsistencies, and the like.

Comments on Specific Rules

Section 11.1: Definitions

In the paragraph immediately preceding the proposed revision to § 11.1, “add” should be changed to “revise” in reference to the proposed definition of *State*, as there is already a definition of *State* in § 11.1 (see July 2004 rules).

Section 11.2(b)(5): Membership of Committee on Discipline

Section 11.2(b)(5) refers to a “Committee on Discipline,” newly defined in § 11.23(a). While the prior composition of the Committee on Discipline did not provide for non-Office or non-lawyer members, we believe it would be desirable to require that one member of the Committee be a member of the public with experience representing clients before the Office.

Section 11.2(e): Petition Fees

Section 11.2(e) addresses petitions to the PTO Director to review decisions of the OED Director in disciplinary matters. This section does not state one way or the other whether a petition fee is required. It should be clarified whether a fee for a petition to the PTO Director in a disciplinary matter is required. If such a fee is required, we believe the fee should be refunded if it is determined that the OED Director acted improperly.

Section 11.5: Assignments are Reasonably Necessary to Prosecution

We have several concerns about the Office’s commentary to the definition of “practice before the Office in patent matters.” At the outset, the commentary concerning this section and the scope of authority that patent agents have is internally inconsistent in a significant way: the discussion of Section 11.5 states that patent agents may not prepare assignments because they are creatures of state law, but the text of Section 11.5(b)(1) states that patent agents may advise about “alternative forms of protection that may be available under State law.” It does not seem appropriate that an agent can do one, but not the other. Further, our research shows that the weight of authority holds precisely the opposite: that patent agents (or, for that matter, a registered lawyer who is

not licensed in the state where he or she is practicing) may not advise about the content of alternate forms of state IP protection, but may submit assignment in connection with patent applications they're prosecuting.

We do not believe that the Office has the authority to, or should, prohibit a patent agent from preparing an assignment for an application he or she is prosecuting. Congress has authorized patent agents to practice patent law. *Sperry* emphasized that “registration in the Patent Office does not authorize the general practice of patent law, but sanctions only the performance of those services which are reasonably necessary and incident to the preparation and prosecution of patent applications.”¹ Thus, the question is not whether the agent’s advice turns on state or federal law, but instead on whether it is reasonably incident to patent prosecution.

The filing of an assignment, while not legally “required” for prosecution, is no doubt “reasonably necessary and incident to” prosecution, and has been essentially since the inception of our modern patent system.² The fact that assignments are “reasonably necessary” is shown by the fact that, if a patent agent is not authorized to prepare an assignment, patent agents would be unable to practicably prosecute applications in many cases.

The Office’s position also contradicts the views of the states that have commented on this issue. One of the few considered opinions on the subject, for example, prohibits patent agents from preparing contracts or licenses “dealing with patent rights” and also from advising clients “in matters concerning contracts, licenses or assignment dealing with patent rights,” but, nonetheless, permits patent agents to prepare assignments that are “filed simultaneously with a patent application” and to advise clients “concerning contracts, licenses or assignments dealing with patent rights” if they “directly affect and [are] incident to the filing and prosecution of a patent application.”³ Thus, we believe that an agent (or, for that matter, an attorney who is licensed only by the Office) can draft or advise on assignments whenever it is reasonably incident and necessary to the prosecution of a patent application. We do not believe that the text of any rule needs to be changed in light of this, but the comments that accompany the rules that suggest otherwise should be clarified.

Section 11.5(b): Supervising Non-practitioners

The new language in 11.5(b) states: “Nothing in this section proscribes a practitioner from employing non-practitioner assistants under the supervision of the practitioner in preparation of said presentations.” While the clarification is important, we have two comments.

¹ *Sperry v. Florida*, 373 U.S. 379.

² See Richard S. Gruner, *Corporate Patents: Optimizing Organizational Responses to Innovation Opportunities and Invention Discoveries*, 10 MARQ. INTELL. PROP. L. REV. 1, 30 (2006) (“The patents arising out of corporate employees’ discoveries are typically required by employment contracts to be assigned to the inventors’ corporate employers.”).

³ N.J. Comm. on Unauthorized Practice, Formal Op. 9 (1972).

First, the word “employing” should be changed to “employing or retaining” since that is the language used in Model Rule 5.3(a). It is not necessary that the practitioner *employ* the non-practitioner assistant.

Second, the phrase “in preparation of said presentations” is arguably inconsistent and inaccurate. We believe that replacing it with “in matters pending or contemplated to be presented before the Office” would be more accurate and consistent.

Section 11.19(a): Refers to Sections not Brought Forward in Proposed Supplement

Section 11.19(a) continues to refer to “all practitioners administratively suspended under § 11.11(b);” “all practitioners inactivated under § 11.11(c);” and “[p]ractitioners who have resigned under § 11.11(e),” but § 11.11 as promulgated in 2004 did not include any of these provisions and the current Notice does not include them.

If the intent is to bring forward provisions from the December 12, 2003, proposed rule changes, those provisions should be specifically included in another proposed notice and the public given an opportunity to consider and comment on them.

Section 11.20(b): Limits on Restitution

Section 11.20(b) limits restitution to return of unearned fees or misappropriated client funds. We doubt that the Office intended this provision to preclude an award of prejudgment interest, but it appears to do so.

To avoid this problem, the words “, along with any prejudgment interest” should be added to the sentence ending with the phrase “misappropriated client funds”.

Section 11.21: OED Warning

Section 11.21 authorizes the OED Director to issue a warning without input by the practitioner or an appeal from the “warning.” We suggest that the OED Director be required to either provide a hearing before a hearing officer or permit the recipient of the warning to demand a hearing as a form of appeal. Due process probably demands at least one of those options, particularly if any aspect of this is public or is deemed to adversely reflect upon the practitioner’s fitness as a lawyer. This could be accomplished by adding a sentence along the following line to the end of Section 11.21: “A practitioner may appeal the issuance of a warning to the Committee on Discipline.” In addition, a conforming change would be desirable in Section 11.23(b)(1) where, after “practitioner,” a phrase such as “or, if appealed by a practitioner, the issuance of a warning by the OED Director” should be added.

Section 11.22: Investigations

Section 11.22(d) makes no mention of consideration of evidence by the OED Director that indicates that a grievable offense did not occur. We would suggest that the wording be changed to: “The OED Director shall examine all information or evidence

concerning possible grounds for discipline of a practitioner, including evidence which tends to negate a finding that a violation occurred.”

Section 11.22(f)(2), as we understand it, permits the OED Director to request a non-grieving client to disclose even confidential or privileged information to the Office under certain circumstances. Without any basis for knowing whether this authority is truly necessary, we question the wisdom of this provision. If the client turns over such information, there easily could be a waiver of the attorney-client privilege, as well as related protections. We are, therefore, concerned that any suggestion by the OED Director to a non-grieving client to provide information to the Office be accompanied by a clear and accurate warning that disclosure to the Office could waive any attorney-client privilege or other protection.

If this authority is retained, we suggest adding the following sentence to the end of Section 11.22(f): “The OED Director shall not request information or evidence from a non-grieving client absent either written consent of the practitioner or a signed acknowledgement from the non-grieving client acknowledging that complying with the request could jeopardize the privileged or confidential nature of information disclosed to the OED Director as well as other information on the same subject.”

Section 11.22(h)(4) can be read to unduly limit the circumstances under which the OED Director can close an investigation. As written, section 11.22(h)(4) seems to permit closing of an investigation only if the evidence is “insufficient to conclude that there is probable cause to believe that grounds exist for discipline.” We believe this subsection should be revised to read: “There is insufficient clear and convincing evidence for a reasonable fact finder to conclude that there is probable cause to believe that grounds exist for discipline.” While this standard might be fairly read into the rule, we believe it would serve the OED and practitioners better if that burden were made clear.

Section 11.23: Committee on Discipline

This proposed rule permits the Committee to approve a complaint under a “probable cause” standard. We believe that a complaint should not be approved unless sufficient probable cause exists for a fact finder to conclude by clear and convincing evidence that a violation has occurred. See our comments to Section 11.22(h)(4), above. Similar language should be used here. While this standard may be fairly implied from the structure of the rules, expressly stating that burden would assist both the OED Director and practitioners.

We do not see any requirement imposed on the OED Director to present evidence that tends to negate the conclusion that a disciplinary violation occurred. Requiring the OED Director to present that evidence could be accomplished by inserting the phrase “including evidence that tends to negate the conclusion that a violation has occurred” into Section 11.23(b)(1).

Section 11.25: Interim Suspension for Convictions of Certain Crimes

There are several problems with this section. First, as we read the definitions that

accompany these rules, a “serious crime” that violates some federal or State law includes *all* “crimes.” This is because “crime” includes “any offense declared to be a felony by Federal or State law....” and “serious crime” means “any criminal offense classified as a felony under the laws of” the United States or a State. See Section 1.11. Second, as written, a violation of foreign law is only a “serious crime” and never a “crime.”

Third, we are concerned that, if any felony is a “serious crime,” the reporting requirement may be too broad and administratively burdensome. Limiting the reporting requirement to “crimes involving moral turpitude,” deleting the definition of “serious crimes,” and including violations of foreign laws as “crimes” would alleviate our concerns.

Section 11.34: Complaint

This section should be amended to require that the complaint list the specific PTO Rule(s) allegedly violated. That could be accomplished by adding to the end of Section 11.34(a)(2) the phrase, “including citation to every imperative USPTO Rules of Professional Conduct allegedly violated.”

Section 11.34 and 11.36: Time for Answer to Complaint

Sections 11.34(a)(3) provides that a complaint instituting a disciplinary proceeding shall state the place and time, not less than thirty days from the date the complaint is filed, for filing an answer. Section 11.36(a) similarly provides that an answer shall be filed within the time set in the complaint, but in no event shall that time be less than thirty days from the date the complaint is filed. A default may be entered if an answer is not timely filed by the respondent. To assure that respondents have an appropriate time within which to answer a complaint, this time period should be measured from the date the complaint is *served* on the respondent, rather than the date it is *filed*. While § 11.35(b) provides for service by publication in certain cases, and sets the answer date at thirty days from the date of second publication of the Official Gazette notice, this applies only when the complaint cannot be served through one of the procedures specified in § 11.35(a). As § 11.36(b) allows for an extension of time for answer if the motion requesting the extension is filed within thirty days after the date the complaint is served on the respondent, this date (assuming service has been effected) will be known by the Office.

Section 11.44: Hearing Requirement

This Section now permits the hearing officer to decide whether to hold an oral hearing. We believe that the hearing officer should not have the power to overrule a practitioner’s request for an oral hearing. A practitioner should have (and probably constitutionally does have) an absolute right to have a hearing to confront witnesses and present evidence.

That can be accomplished by inserting into the second sentence of Section 11.44(a) after “is appropriate” the phrase “or the practitioner requests one in writing”.

Section 11.50: Prejudicial Evidence

Because the Rules of Evidence do not apply, the limitations on the ability of the hearing officer to consider evidence are important. As this section is written, however, the hearing officer is required to exclude evidence only if it is “irrelevant, immaterial, or unduly repetitious.” We believe this should be expanded to give the hearing officer discretion to exclude evidence if its “probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence.” This is the standard that applies under Fed. R. Evid. 403, and we believe has proven workable and effective.

This could be accomplished by adding at the end of the second sentence in Section 11.50(a) the phrase: “, and may exclude evidence if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence.”

Section 11.51(b): Depositions

As written, the last sentence of this section seems to permit the hearing officer to refuse to admit deposition testimony that both the OED Director and the practitioner agree is admissible. We would therefore suggest that the phrase “Unless the parties agree otherwise,” be placed at the beginning of the last sentence.

Section 11.52(e): Pre-trial Disclosures

As written, this rule permits the hearing officer to decide not to require pretrial disclosures of witnesses, exhibits, and the like. We believe this is inconsistent with a fair proceeding and that, absent either agreement of the parties to waive these disclosures or a showing of “good cause” by a party seeking to avoid them, the disclosures should be mandatory. We therefore suggest that the phrase “The hearing officer may” be replaced with “Absent good cause shown, the hearing officer shall”.

Section 11.56: What is the Standard of Review?

This section permits the PTO Director to review appeals from decisions of hearing officers. The only question we raise is that it appears to be a *de novo* review of the decision, but that is not clear from the section. It may eliminate costs and bring certainty to specify that the review is plenary. This could be clarified by inserting “*de novo*” between “shall” and “decide.” If some other standard is deemed appropriate, we suggest the Office specify that standard.

Section 11.58(b) and Customer Number Practice

One proposed regulation requires that clients be advised when, for example, a practitioner is excluded or suspended, or that a withdrawal notice be filed in each pending application. *E.g.*, 11.58(b)(1) We doubt that it was the Office’s intent to require, for example, a large law firm to notify every client with business before the Office of the

discipline or exclusion of a practitioner who, though designated by the firm through its customer number, nonetheless has no substantive involvement in prosecuting that client's application. We believe that such notice should be required only if the practitioner was substantively involved in any business of the client before the Office. The phrase "substantively involved" is used in Rule 1.56 and would be appropriate to guide practitioners.

Section 11.58(b)(2)(vi): Antecedent reference

Section 11.58(b)(2)(vi) refers to "§ 11.11(a)," a designation not included in the July 2004 rules. This reference should be clarified.

Section 11.59: Records

We assume that, where the OED Director has merely "warned" a practitioner, the records will not be made available to the public. We would therefore suggest this be made clear by inserting into Section 11.59(b) after "be kept confidential" the phrase "or it concerns a warning issued under Section 11.21".

Conclusion

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,



Michael Kirk
Executive Director
AIPLA