

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

In the Matter of)

Donald R. Schoonover,)

Respondent)

Proceeding No. D08-24

Final Order

Office of Enrollment and Discipline Director Harry I. Moatz ("OED Director") and Donald R. Schoonover ("Respondent") have submitted a Proposed Settlement Agreement to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office ("USPTO Director") or his designate for approval.

The OED Director and Respondent's Proposed Settlement Agreement sets forth certain stipulated facts, legal conclusions, and sanctions to which the OED Director and Respondent have agreed in order to resolve voluntarily a disciplinary complaint against Respondent. The Proposed Settlement Agreement, which satisfies the requirements of 37 C.F.R. § 11.26, resolves all disciplinary action by the United States Patent and Trademark Office ("USPTO" or "Office") arising from the stipulated facts set forth below.

Pursuant to such Proposed Settlement Agreement, this Final Order sets forth the parties' stipulated facts, legal conclusions, and agreed upon discipline.

Jurisdiction

1. At all times relevant hereto, Respondent of Nixa, Missouri, has been an attorney registered to practice before the United States Patent and Trademark Office ("USPTO" or "the Office") and is subject to the Disciplinary Rules of the USPTO Code of Professional Responsibility set forth at 37 CFR § 10.20 et seq. Respondent's registration number is 34,924.

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.20 and 11.26.

Stipulated Facts

Representation of Mr. and Mrs. B.

3. In or around February 2004, Mr. and Mrs. B. entered into a contract with Patent and Trademark Institute of America ("PTIA"), an invention development company, to assist them in obtaining a patent on their invention. Mr. and Mrs. B. paid PTIA a lump sum of \$11,970.

4. Respondent did not represent Mr. and Mrs. B. at the time they contracted with PTIA. Nor was Respondent aware of the terms of the contractual agreement between Mr. and Mrs. B. and PTIA, including the amount of money they paid to PTIA.

5. PTIA purportedly placed a portion of the \$11,970 in an escrow account from which a registered patent practitioner would be paid for the patent legal services provided to Mr. and Mrs. B., including a patentability study of their invention and the prosecution of a patent application before the Office. Respondent was not aware of the amount of money PTIA purportedly placed in the escrow account for patent or other legal services.

6. In July 2004, Respondent sent Mr. and Mrs. B. a letter introducing himself and informing them that PTI had asked him to conduct a patentability study of their invention.

7. Respondent informed Mr. and Mrs. B. that it was his understanding that PTIA would pay his fee for patent legal services in connection with the patentability study of their invention. Respondent, however, did not disclose the amount of his fee, and the clients did not otherwise know. Respondent was not aware that the clients did not know the amount of his fee. Hence, Respondent did not obtain the consent of Mr. and Mrs. B., after full disclosure, to accept compensation from PTIA for such patent legal service.

8. After Respondent conducted a patentability study of their invention, Mr. and Mrs. B. agreed that Respondent would prosecute their patent application before the Office.

9. Respondent informed Mr. and Mrs. B. that it was his understanding that PTIA would pay his fee for his prosecuting their patent application before the Office. Respondent, however, did not disclose the amount of his fee, and the clients did not otherwise know. Respondent was not aware that the clients did not know the amount of his fee. Hence, Respondent did not obtain the consent of Mr. and Mrs. B., after full disclosure, to accept compensation from PTIA for such patent legal service.

Representation of Mr. and Mrs. V.

10. In or around July 2004, Mr. and Mrs. V. entered into a contract with PTIA to assist them in obtaining a patent on their invention. Mr. and Mrs. V. paid PTIA a lump sum of \$9,975 to PTIA.

11. Respondent did not represent Mr. and Mrs. V. at the time they contracted with PTIA. Nor was Respondent aware of the terms of the contractual agreement between Mr. and Mrs. V. and PTIA, including the amount of money they paid to PTIA.

12. PTIA purportedly placed a portion of the \$9,975 in an escrow account from which a registered patent practitioner would be paid for the patent legal services provided to Mr. and Mrs. V., including a patentability study of their invention and the prosecution of a patent application before the Office. Respondent was not aware of the amount of money PTIA purportedly placed in the escrow account for patent or other legal services.

13. In February 2005, Respondent sent Mr. and Mrs. V. a letter introducing himself and informing them that PTI had asked him to conduct a patentability study of their invention.

14. Respondent informed Mr. and Mrs. V. that it was his understanding that PTIA would pay his fee for patent legal services in connection with the patentability study of their invention. Respondent, however, did not disclose the amount of his fee, and the clients did not otherwise know. Respondent was not aware that the clients did not know the amount of his fee. Hence, Respondent did not obtain the consent of Mr. and Mrs. V., after full disclosure, to accept compensation from PTIA for such patent legal service.

15. After Respondent conducted a patentability study of their invention, Mr. and Mrs. V. agreed that Respondent would prosecute their patent application before the Office.

16. Respondent informed Mr. and Mrs. V. that it was his understanding that PTIA would pay his fee for his prosecuting their patent application before the Office. Respondent, however, did not disclose the amount of his fee, and the clients did not otherwise know. Respondent was not aware that the clients did not know the amount of his fee. Hence, Respondent did not obtain the consent of Mr. and Mrs. V., after full disclosure, to accept compensation from PTIA for such patent legal service.

Legal Conclusion

17. Based on the information contained in paragraphs 3 through 16, Respondent acknowledges that his conduct violated 37 CFR § 10.68(a)(1) by accepting compensation from one other than the practitioner's client for the practitioner's legal service to or for the client without first receiving the client's full consent after full disclosure.

Sanction

18. Respondent agreed, and it is ORDERED that:

- a. Respondent be suspended from practicing patent, trademark, and other non-patent law before the Office for a period of six (6) months and that the entirety of the six-month period of suspension be, and hereby is, immediately stayed;
- b. Respondent serve a 6-month probationary period commencing on the date on which this Final Order is signed;
- c. (1) in the event that the OED Director is of the opinion that Respondent, during the probationary period, violated any of the current or future Disciplinary Rules of the USPTO Code of Professional Responsibility, the OED Director shall: issue to Respondent an Order to Show Cause why Respondent should not be suspended for up to six (6) months, send the Order to Show Cause to Respondent at the last address of record Respondent

furnished to the OED Director pursuant to 37 C.F.R. § 11.11(a), and grant Respondent fifteen (15) days to respond to the Order to Show Cause; and

(2) in the event after the 15-day period for response and consideration of the response, if any, received from Respondent, the OED Director continues to be of the opinion that Respondent, during the probationary period, violated any of the current or future Disciplinary Rules of the USPTO Code of Professional Responsibility, the OED Director shall:

(a) deliver to the USPTO Director or his designate for imposition of an immediate suspension: (i) the Order to Show Cause, (ii) Respondent's response to the Order to Show Cause, and (iii) evidence causing the OED Director to be of the opinion that Respondent failed to comply with any of current or future Disciplinary Rules of the USPTO Code of Professional Responsibility during the probationary period, and

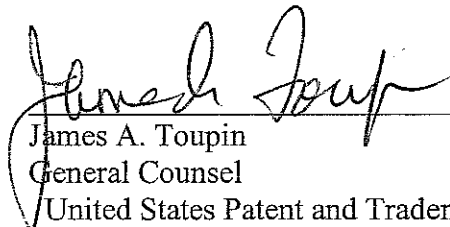
(b) request that the USPTO Director immediately suspend Respondent for up to six (6) months;

- d. in the event that the USPTO Director suspends Respondent pursuant to this Final Order and Respondent seeks a review of the USPTO Director's decision to suspend Respondent, any such review shall not operate to postpone or otherwise hold in abeyance the immediate suspension of Respondent;
- e. if Respondent is suspended during any portion of his probationary period pursuant to the terms of this Final Order, Respondent shall comply with 37 C.F.R. § 11.58;
- f. if Respondent is suspended during any portion of the probationary period pursuant to the terms of this Final Order, the OED Director shall comply with 37 C.F.R. § 11.59;
- g. nothing in the Proposed Settlement Agreement or this Final Order shall limit the number of times during his probation that Respondent may be suspended pursuant to this Final Order;
- h. nothing in the Proposed Settlement Agreement or this Final Order shall prevent the Office from seeking discipline against Respondent pursuant to 37 C.F.R. §§ 11.19 through 11.57 for any misconduct engaged in by Respondent prior to, during, or after his probationary period;
- i. the record of this disciplinary proceeding, including this Final Order, shall be considered (1) when addressing any further complaint or evidence of the same or similar misconduct brought to the attention of the Office, and/or (2) in any future disciplinary proceeding (a) as an aggravating factor to be taken into consideration in determining any discipline to be imposed and/or (b) to rebut any statement or representation by or on Respondent's behalf;

- j. the OED Director shall publish this Final Order;
- k. the OED Director shall publish in the *Official Gazette* the Notice of Discipline set forth as Exhibit A to this Final Order;
- l. in accordance with 37 CFR § 11.59, the OED Director shall give notice of public discipline and the reasons for the discipline to disciplinary enforcement agencies in the State where the practitioner is admitted to practice, to courts where the practitioner is known to be admitted, and the public; and
- m. the OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this agreement.

JUL 14 2009

Date


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

on behalf of

John J. Doll
Acting Under Secretary of Commerce for
Intellectual Property and Acting Director of the
United States Patent and Trademark Office

cc:

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

EXHIBIT A

Notice of Discipline

Donald R. Schoonover of Nixa, Missouri, who is a registered patent attorney (Registration Number 34,924), has been suspended for six months, with the entirety of the suspension stayed, and placed on a six-month probation by the United States Patent and Trademark Office for violating 37 C.F.R. § 10.68(a)(1) by accepting compensation from one other than the practitioner's client for the practitioner's legal services to or for the client without first receiving the client's consent after full disclosure. Mr. Schoonover received two referrals from an invention development company. In each case, he informed the clients that it was his understanding the invention development company would pay his fees for the patent legal services he would provide to them and that such funds would be paid out of an escrow account that had been funded with part of the money the clients had paid to the invention development company. Mr. Schoonover, however, did not disclose the amount of his fee, and the clients did not otherwise know the amount. Mr. Schoonover was not aware that the clients did not know the amount of his fee. Under such facts, Mr. Schoonover did not obtain the consent of the clients, after full disclosure, to accept compensation from the invention development company.

Where a third party receives funds advanced by a practitioner's client and distributes part of those funds to the practitioner as compensation for the practitioner's patent legal services to or for the client, a practitioner's failure to obtain the client's consent to the arrangement after full disclosure—in addition to being a violation of 37 C.F.R. § 10.68(a)(1)—potentially violates other USPTO Disciplinary Rules. In order to meet the "full disclosure" requirement, the practitioner should make inquiry from both the third party and the client about the funds being collected and distributed for the practitioner's compensation. Absent such inquiry, the practitioner may fail to recognize an impending violation of 37 C.F.R. § 10.48, which proscribes sharing legal fees with a non-practitioner. For example, where a practitioner receives referrals and compensation from a third party, such as an invention development company, the practitioner's inquiry of both the third party and the client about the funds being collected and the amount of the funds to be distributed for the practitioner's compensation may be necessary to avoid a possible violation of § 10.48 because, if (a) the third party is not a practitioner, and (b) the entire amount received by the third party for the practitioner's compensation is not distributed to the practitioner and any undistributed compensation funds being held by the third party is not returned to the client, then, in effect, the practitioner may be sharing compensation with a non-practitioner in violation of the USPTO Disciplinary Rules. Concomitant with making such inquiry, in order to represent zealously the client's interests, the practitioner should communicate with the client to ensure that the client is aware that a non-practitioner third party is typically not obligated by USPTO Disciplinary Rules to refund unearned legal fees maintained in the third party's escrow account, whereas the practitioner is obligated by those rules to refund to the client unearned legal fees in the practitioner's possession. See 37 C.F.R. §§ 10.40(a) and 10.112(c)(4). Equally important, where a practitioner's livelihood is intertwined with receiving referrals and compensation from a third party and the practitioner does not make an appropriate inquiry regarding the fund arrangements between the client and third party and does not discuss those arrangements with the client, the practitioner may be in violation of 37 C.F.R. § 10.62(a), which proscribes a practitioner from accepting employment, except with the consent of the client after full disclosure, if the exercise of the practitioner's professional judgment on behalf of the

client will be, or reasonably may be, affected by the practitioner's own financial, business, property, or personal interests. Hence, absent a meaningful discussion that fully informs the client of the actual and potential conflicts of interest arising from the fee arrangement between client, third party and practitioner, the client would likely be unable to provide the requisite consent thereby subjecting the practitioner to potential disciplinary action. Summing up, a practitioner should assist in maintaining the integrity of the legal profession, see 37 C.F.R. § 10.21; exercise independent professional judgment on behalf of a client, see 37 C.F.R. § 10.61; avoid even the appearance of professional impropriety, see 37 C.F.R. § 10.110; and zealously represent a client within the bounds of the law, see 37 C.F.R. § 10.83.

This action is the result of a settlement agreement between Mr. Schoonover and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.20, 11.26 and 11.59. Disciplinary decisions involving practitioners are posted at the Office of Enrollment and Discipline's Reading Room located at:
<http://des.uspto.gov/Foia/OEDReadingRoom.jsp>.

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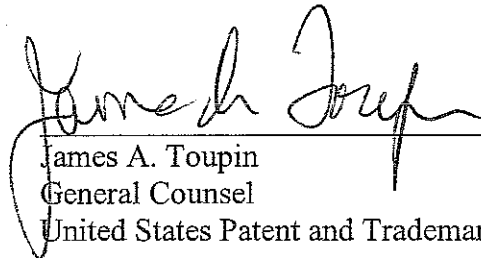
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