

In the Matter of

Proceeding No. D2009-33

Respondent

Office of Enrollment and Discipline Director Harry I. Moatz (“OED Director”) and Lawrence J. Gibney (“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.

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

Stipulated Facts

Representation of Mr. L.

2. In 2004, Mr. L. entered into a contract with Invention Submission Corporation (“ISC”), an invention development company, to assist him in obtaining a utility patent on his invention.

3. ISC allegedly placed a portion of the money Mr. L. paid to it in an escrow account to pay for patent law services to be provided by the patent practitioner who would represent Mr. L. At all relevant times, Respondent was aware of the escrow arrangement.

4. ISC referred Mr. L. to Respondent, and Respondent agreed to represent Mr. L.

5. Respondent agreed to represent Mr. L. without first obtaining Mr. L.'s consent after full disclosure to accept compensation from ISC for patent legal services he intended to provide to Mr. L. Thereafter, Respondent accepted compensation from ISC for patent legal services rendered to Mr. L.

6. Respondent agreed to represent Mr. L. without first divulging his business relationship with ISC to Mr. L. nor the actual or potential conflict of interest it presented in representing Mr. L.'s interests. Respondent accepted employment without first obtaining Mr. L.'s consent to represent him before the Office after full disclosure of Respondent's business relationship with ISC.

7. On or about June 27, 2005, Respondent filed U.S. Patent Application No. 11/167,522 on behalf of Mr. L. and reported the filing to Mr. L. Mr. L., however, claimed he did not review the specification set forth in the application before it was filed by Respondent in the Office.

8. The Office mailed Respondent a non-final Office Action dated March 7, 2006, and, in turn, Respondent reported the action to Mr. L. stating he would file a response thereto.

9. On or about May 5, 2006, Respondent replied to the March 7, 2006, non-final Office Action, but he did not adequately consult with Mr. L. about the reply prior to filing it in the Office.

10. The Office mailed Respondent a final Office Action dated June 7, 2006, and, in turn, Respondent reported the action to Mr. L. stating he would file a response thereto.

11. On or about June 23, 2006, Respondent replied to the June 7, 2006, final Office Action, but he did not adequately consult with Mr. L. about the reply prior to filing it in the Office.

12. The Office mailed Respondent an Advisory Action dated July 6, 2006, and, in turn, Respondent reported the action to Mr. L. and recommended that Mr. L. file a Request for Continued Examination ("RCE"). Respondent informed Mr. L. that the cost for pursuing the RCE would be \$895.00 for his patent law services and Office fees.

13. On or about October 3, 2006, Mr. L. provided Respondent with a check for \$895.00 for the RCE.

14. Respondent deposited the \$895 in his law firm's operating account.

15. Respondent did not pursue the RCE, and the application went abandoned without Mr. L.'s knowledge or consent. Respondent did not timely inform Mr. L. that he had decided not to pursue the RCE.

16. Respondent represents that he did not pursue the RCE because, after speaking with the USPTO examiner about the rejection, Respondent did not believe it would result in a patent being issued.

17. The Office mailed Respondent a Notice of Abandonment dated January 8, 2007.

18. On or about January 9, 2007, Respondent filed a request to rescind a non-publication request that Respondent had previously filed in the application. Respondent, however, did not consult with Mr. L. prior to filing the rescission request, nor did Respondent inform Mr. L. about the filing. Respondent represents that he filed the request to rescind the non-publication request so that the public would be placed on notice that Mr. L. was the architect of the invention and, hence, obtain some benefit therefrom.

19. After being contacted by the Office of Enrollment and Discipline, Respondent took corrective action by informing Mr. L. about the abandonment of his application and the rescission of the non-publication request and by refunding to Mr. L. an amount reflecting the monies that had been paid by ISC to Respondent for having provided patent legal services to Mr. L.

20. Respondent also returned the \$895.00 to Mr. L. in 2009 upon realizing that the sum had not been previously refunded.

Representation of Mr. M.

21. In 2005, Mr. M. entered into a contract with ISC to assist him in obtaining a design patent on his invention.

22. ISC allegedly placed a portion of the money Mr. M. paid to it in an escrow account to pay for patent law services to be provided by the patent practitioner who would represent Mr. M.

23. ISC referred Mr. M. to Respondent, and Respondent agreed to represent Mr. M.

24. Respondent agreed to represent Mr. M. without first obtaining Mr. M.'s consent after full disclosure to accept compensation from ISC for patent legal services he intended to provide to Mr. M. Thereafter, Respondent accepted compensation from ISC for patent legal services rendered to Mr. M.

25. Respondent agreed to represent Mr. M. without first divulging his business relationship with ISC to Mr. M. nor the actual or potential conflict of interest it presented in representing Mr. M.'s interests. Respondent accepted employment without first obtaining

Mr. M.'s consent to represent him before the Office after full disclosure of Respondent's business relationship with ISC.

26. Respondent prepared a draft application and arranged for drawings of Mr. M.'s invention to be prepared and reviewed by Mr. M. The preparation of the final drawings became delayed.

27. During the course of preparing the application, Respondent expressed concerns to Mr. M. and ISC that Mr. M.'s invention warranted a utility application, not a design application. Hence, through ISC, Mr. M. opted to proceed with a utility application and that decision led to delays in finalizing his application.

28. Due to the delays and a purported lack of responsiveness from Respondent, Mr. M. asked ISC to remove Respondent from his case and assign him a new attorney.

29. Accordingly, in or around August 2006, Respondent no longer represented Mr. M.

Additional Information

30. Respondent represents that he no longer accepts referrals from ISC or other invention development companies.

31. Respondent represents that he fully comprehends his duties as a registered practitioner: (a) to obtain consent, after full disclosure, to accept compensation from some one other than the client for patent legal services rendered to the client and (b) to divulge actual or potential conflicts of interest presented in representing a client's interest and obtain consent, after full disclosure, to represent the client in light of such conflicts and otherwise in accordance with the USPTO Disciplinary Rules.

32. Respondent represents that he now sends all correspondence he receives from the Office to the client and discusses the correspondence with the client via telephone or by e-mail.

33. Respondent represents that he maintains a trust account for client funds that is separate from his law firm's operating account.

Legal Conclusion

34. Based on the information contained in paragraphs 1 through 33, Respondent acknowledges that his conduct violated 37 C.F.R. §§ 10.68(a)(1) by accepting compensation from one other than his client for legal service to or for the client without first receiving the client's consent after full disclosure; 10.62(a) by accepting employment without first receiving the consent of a client after full disclosure under circumstances where the exercise of Respondent's professional judgment on behalf of the client will be or reasonably may be affected by the Respondent's own financial, business, property, or personal interests;

10.23(b)(6) by taking action on the client's behalf without the client's knowledge or consent and failing to inform the client on a timely basis of such actions; and 10.112 (a) and (b) by commingling client funds with his law firm's operating funds.

Sanctions

1. Respondent agreed, and it is ORDERED that:
 - a. Respondent is suspended for a period of six (6) months from the practice of patent, trademark, and non-patent law before the USPTO commencing on the date the Final Order is signed; the suspension is immediately stayed as of the date the Final Order is signed and the stay shall remain in effect until further order of the USPTO Director or his designate;
 - b. Respondent shall serve a twenty-four (24) month probationary period commencing on the date the Final Order is signed;
 - c. Respondent shall be permitted to practice patent, trademark, and non-patent law before the USPTO during his probationary period unless the stay of the suspension is lifted by order of the USPTO Director or his designate;
 - d. if the stay of the suspension is not lifted by order of the USPTO or his designate prior to the end of the probationary period, Respondent is not required to serve the suspension;
 - e. (1) in the event that the OED Director is of the opinion that Respondent, during the probationary period, failed to comply with any provision of the Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility, the OED Director shall:
 - (A) issue to Respondent an Order to Show Cause why the USPTO Director or his designate should not order that the stay of the suspension be lifted and Respondent be immediately suspended for up to six (6) months for the violations set forth in paragraph 34, above;
 - (B) 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
 - (C) 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, failed to comply with any provision of the Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility, the OED Director shall:

(A) deliver to the USPTO Director or his designate: (i) the Order to Show Cause, (ii) Respondent's response to the Order to Show Cause, if any, and (iii) evidence causing the OED Director to be of the opinion that Respondent failed to comply with any Disciplinary Rule of the USPTO Code of Professional Responsibility during the probationary period, and

(B) request that the USPTO Director or his designate immediately lift the stay of the suspension and suspend Respondent for up to six (6) months for the violations set forth in paragraph 34, above;

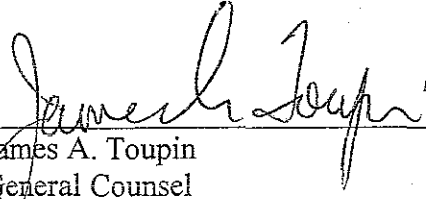
- f. the OED Director shall publish the Final Order at the Office of Enrollment and Discipline's Reading Room electronically located at:
<http://des.uspto.gov/Foia/OEDReadingRoom.jsp>;
- g. the OED Director shall publish the attached Notice of Stayed Suspension in the *Official Gazette*;
- h. pursuant to 37 C.F.R. § 11.59, the OED Director shall give notice of the public discipline and the reasons for the discipline to disciplinary enforcement agencies in the state(s) where Respondent is admitted to practice (Florida and Georgia), to courts where Respondent is known to be admitted, and to the public;
- i. pursuant to 37 C.F.R. § 11.20(a)(4), Respondent shall: (i) provide, within thirty (30) days of the date of the Final Order, a copy of the Final Order to Mr. L. and Mr. M.; and (ii) file, within forty-five (45) days of the date of the Final Order, an affidavit with the OED Director stating that Respondent has complied with the requirements of this subparagraph;
- j. in the event that the USPTO Director or his designate lifts the stay of the suspension and Respondent seeks a review of the USPTO Director's decision to lift the stay, any such review shall not operate to postpone or otherwise hold in abeyance the immediate suspension of Respondent;
- k. 37 C.F.R. §§ 11.58 and 11.60 do not apply unless the stay of the suspension is lifted;
- l. if the stay of the suspension is lifted, the OED Director shall disseminate information in accordance with 37 C.F.R. § 11.59;
- m. nothing in the proposed Settlement Agreement or the Final Order shall prevent the Office from seeking discipline against Respondent in accordance with the

provisions of 37 C.F.R. §§ 11.34 through 11.57 for the misconduct that caused the stay of the suspension to be lifted;

- n. the record of this disciplinary proceeding, including the Final Order, shall be considered: (i) when addressing any further complaint or evidence of the same or similar misconduct brought to the attention of the Office; and/or (ii) 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; and
- o. the OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this agreement.

MAR - 4 2010

Date


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

on behalf of

David Kappos
Undersecretary of Commerce for Intellectual Property and
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

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Notice of Stayed Suspension

Lawrence J. Gibney of Jacksonville, Florida, a registered patent attorney (Registration Number 49,062). The United States Patent and Trademark Office has suspended Mr. Gibney for six months, with the entirety of the suspension stayed, and placed him on probation for twenty-four (24) months 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 service to or for the client without first receiving the client's consent after full disclosure; 10.62(a) by accepting employment without first receiving the consent of the client after full disclosure under circumstances where 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; 10.23(b)(6) by taking action on the client's behalf without the client's knowledge or consent and failing to inform the client on a timely basis of such actions; and 10.112 (a) and (b) by commingling client funds with his firm's business funds. Mr. Gibney is permitted to practice before the Office during his probation unless the stay of the suspension is lifted.

Mr. Gibney received two referrals from an invention development company and accepted the representations and subsequent compensation from the company without first obtaining the referred clients' consent after full disclosure to accept compensation from a third party for patent legal services he intended to provide to the clients. Mr. Gibney also accepted the representation without divulging his business relationship with the company to the clients as well as the actual or potential conflict of interest it presented in representing the clients' interests in light of the business relationship. Moreover, with respect to one of the referrals, Mr. Gibney did not adequately consult with the client prior to taking action on the client's behalf or keep the client timely informed of the actions taken. Finally, Mr. Gibney received an \$895.00 check from one client for patent law services and filing fees and placed the check in his firm's operating account rather than in a client trust account as required by the USPTO Disciplinary Rules.

Where a third party receives funds advanced by a practitioner's client and intends to distribute part of those funds to the practitioner as compensation for the practitioner's patent legal services to or for the client, the USPTO Disciplinary Rules requires a practitioner to obtain the client's consent after full disclosure of the arrangement. See 37 C.F.R. § 10.68(a)(1). 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 a Disciplinary Rule such as 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

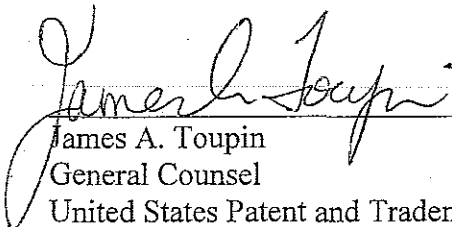
is not returned to the client, then, in effect, the practitioner may be sharing compensation with a non-practitioner in violation of the USPTO Disciplinary Rules. Furthermore, concomitant with making such inquiry, in order to represent zealously the client's interests, the practitioner should communicate 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).

Also, where a practitioner's livelihood is predicated in some measure upon regularly receiving referrals and compensation from a third party, the USPTO Disciplinary Rules require a practitioner, prior to accepting employment, to obtain 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. See 37 C.F.R. § 10.62(a). Absent a frank and meaningful discussion that fully informs the client of the actual and potential conflicts of interest arising from the referral, the client would likely be unable to provide the requisite consent thereby subjecting the practitioner to potential disciplinary action.

This action is the result of a settlement agreement between Mr. Gibney 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>.

MAR - 4 2010

Date


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

on behalf of

David Kappos
Undersecretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office