

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE ADMINISTRATIVE LAW JUDGE**

In the Matter of:

KAWAI LAU,

Respondent.

Proceeding No. D2016-37

May 1, 2017

INITIAL DECISION AND ORDER GRANTING DEFAULT JUDGMENT

On February 15, 2017, the Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) filed a *Motion for Entry of Default Judgment and Imposition of Disciplinary Sanction* (“Default Motion”) in the above-captioned matter.¹

PROCEDURAL HISTORY

On September 20, 2016, the OED Director filed a *Complaint and Notice of Proceedings Under 35 U.S.C. § 32* (“Complaint”) against Kawai Lau (“Respondent”) for committing violations of the USPTO Code of Professional Responsibility (37 C.F.R. §§ 10.20 *et seq.*) and the USPTO Rules of Professional Conduct (37 C.F.R. §§ 11.100 *et seq.*).² The essence of the *Complaint* is that, having agreed to represent clients in matters before the Office, Respondent neglected those legal matters entrusted to him, made misrepresentations to his clients, and failed to deliver funds to an interested third-party. In addition, the *Complaint* alleges Respondent failed to cooperate with OED during its investigation of Respondent’s alleged misconduct.

A copy of the *Complaint* was sent via U.S. first-class certified mail, return receipt requested, to the street address in Bellevue, Washington, which Respondent had provided to OED as required by 37 C.F.R. § 11.11. The U.S. Postal Service returned the *Complaint* sent to Respondent’s Bellevue, Washington, address to the USPTO marked, “Return to Sender,” “Unclaimed,” and “Unable to Forward.” The OED Director further attempted to serve a copy of the *Complaint* on Respondent by first-class certified mail, return receipt requested, at the street address where the OED Director reasonably believed Respondent received mail in San Diego, California, but that mailing was not delivered. Lastly, the OED Director attempted to serve a copy of the *Complaint* on Respondent by email at [REDACTED], which was the email

¹ Pursuant to an Interagency Agreement in effect beginning March 27, 2013, Administrative Law Judges of the U.S. Department of Housing and Urban Development are authorized to hear cases brought by the U.S. Patent and Trademark Office.

² May 3, 2013, the USPTO Rules of Professional Conduct (37 C.F.R. Part 11, subpart D) replaced the Code of Professional Responsibility. However, Respondent’s alleged misconduct occurred both prior to and after May 3, 2013. As such, both the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct are applicable in this case.

address he had provided to OED. The email was not returned by server as undeliverable, but there was no confirmation that the email was received and read by Respondent.

Because the OED Director was unable to serve Respondent by mail, the OED Director served notice on Respondent via publication pursuant to 37 C.F.R. § 11.35(b). Notices were published in the *Official Gazette* for two consecutive weeks, on December 27, 2016 and January 3, 2017. As such, Respondent's answer was due within 30 days from the completion of the second publication or February 2, 2017. Respondent did not file a timely answer. When no answer was filed, counsel for the OED Director sent, on February 3, 2017, a letter to Respondent pursuant to 37 C.F.R. § 11.43, informing him that she intended to file a motion for default judgment and imposition of disciplinary sanction against him and inviting him to contact counsel on or before February 10, 2017, prior to the motion being filed. Respondent did not respond to the correspondence.

By *Order to Show Cause* dated March 24, 2017, the Court ordered Respondent to show cause, by April 10, 2017, as to why the Court should not grant the Default Motion. As of the date of this *Initial Decision*, Respondent has not filed an answer, or a request for an extension of time to do so, or otherwise appeared in this matter.

CONSEQUENCES OF FAILURE TO ANSWER COMPLAINT

Section 11.36 of title 27 of the Code of Federal Regulations sets forth the requirement for answering a complaint and the consequences for not doing so. "Failure to timely file an answer will constitute an admission of the allegations in the complaint and may result in an entry of default judgment." 37 C.F.R. § 11.36(e). Because of Respondent's failure to answer the *Complaint*, Respondent is deemed to have admitted the allegations in the *Complaint*, which are set below as the Court's findings of fact.

FINDINGS OF FACT

Respondent was registered as a patent agent by the USPTO on July 7, 1999, and as a patent attorney on December 15, 2003 (Registration Number 44,461). Respondent was licensed to practice law in the Commonwealth of Virginia on November 1, 1999. Respondent was administratively suspended from the practice of law in Virginia on October 15, 2014, for failing to complete his professional liability certification, and on March 18, 2015, for failing to comply with Virginia's mandatory continuing legal education requirements for the 2014 compliance year. As of the date of this *Initial Decision*, Respondent remains administratively suspended from the practice of law in Virginia.

At some time prior to February 6, 2004, Respondent agreed to represent GenSignia, Inc., bioTheranostics, Inc., and Trovagene, Inc. in the continued prosecution of the following four patent applications (collectively, "Patent Applications"):

- U.S. Patent Application No. 10/773,761 ("the '761 application"), titled "Predicting Breast Cancer Treatment Outcome";

- U.S. Application No. 12/391,224 (“the ‘224 application”), titled “Prostate Cancer Survival and Recurrence”;
- U.S. Application No. 12/718,973 (“the ‘973 application”), titled “Tumor Grading and Cancer Prognosis”; and
- U.S. Application No. 13/083,500 (“the ‘500 application”), titled “Grading of Breast Cancer”. At various times during the representation of GenSignia, Inc., bioTheranostics, Inc., and Trovagene, Inc.,

Respondent filed several amendments in the Patent Applications. On the following dates, the USPTO mailed to Respondent the following Office Actions, which noted the shortened statutory period to reply, in the Patent Applications:

Patent Application	USPTO Office Action	Reply Due
‘761 application	June 29, 2012 – Final Rejection	September 29, 2012
‘224 application	March 7, 2013 – Final Rejection	June 7, 2013
‘973 application	August 29, 2011 – Non-Final Rejection	November 29, 2011
‘500 application	March 2, 2012 – Restriction Requirement	April 2, 2012

Respondent received each of the USPTO Office Actions referenced in the table above shortly after the date that each was sent. However, Respondent did not notify GenSignia, Inc., bioTheranostics, Inc., Trovagene, Inc., or anyone acting on their behalf about the USPTO Office Actions. Instead, following his receipt of the Office Actions, Respondent took no further action to respond. As a result, the USPTO issued a Notice of Abandonment in each of the Patent Applications because Respondent did not respond to the Office Actions.³ At no time did Respondent notify GenSignia, Inc., bioTheranostics, Inc., Trovagene, Inc., or anyone acting on their behalf that the Patent Applications had become abandoned.

Between August 9, 2012, and December 3, 2013, Respondent filed a Petition to Revive for each of the Patent Applications, which were later granted by the Office. However, at no time did Respondent notify GenSignia, Inc., bioTheranostics, Inc., Trovagene, Inc., or anyone acting on their behalf, that he had filed the Petitions to Revive or that the Office granted the revivals on the Patent Applications.

Respondent also agreed to represent bioTheranostics, Inc., in the preparation, filing, and prosecution of a patent application. On March 15, 2013, Respondent filed U.S. Provisional Patent Application No. 61/802,063 (“the ‘063 application”), titled “Neuroendocrine Tumors” on behalf of bioTheranostics, Inc. Pursuant to 35 U.S.C. §119(e), any nonprovisional application claiming priority to the ‘063 application was required to be filed within 12 months after the date on which the ‘063 application was filed, or on or before March 15, 2014.

On March 24, 2014, Respondent filed U.S. Nonprovisional Application No. 14/223,473 (“the ‘473 application”) and Patent Cooperation Treaty (“PCT”) international application PCT/US2014/031587 claiming priority to the ‘063 application. Respondent indicated the

³ The Notices of Abandonment were received on the following dates: January 8, 2013 (‘761 application), October 10, 2013 (‘224 application), April 19, 2012 (‘973 application), and September 13, 2012 (‘500 application).

priority date was March 25, 2013. However, Respondent's claim of priority to March 25, 2013 was false, and Respondent knew it was false because he had actually filed the '063 application on March 15, 2013.

On March 24, 2014, the same day that he filed the '473 application and the PCT application, Respondent filed a request in the '063 application to expressly abandon the '063 application. However, at no time did bioTheranostics, Inc., or anyone acting on its behalf consent to the express abandonment of the '063 application. Respondent also did not inform bioTheranostics, Inc., or anyone acting on its behalf, of the express abandonment of the '063 application.

On July 11, 2014, July 14, 2014, and July 15, 2014, Ms. Holly Logue, a patent practitioner retained by GenSignia, Inc., bioTheranostics, Inc., and Trovagene, Inc. to assist with patent procurement and patent counseling, and to serve as patent prosecution counsel, contacted Respondent via email to request a file history for the '063 application. On July 15, 2014, Respondent sent to Ms. Logue a spreadsheet in which he noted that the filing date for the '063 application was March 25, 2013. Respondent also forwarded to Ms. Logue a copy of the file histories for the '473 application and the PCT application in which he asserted that the priority date of the '063 application was March 25, 2013. However, Respondent's statements to Ms. Logue were false, and Respondent knew that they were false, because the filing date for the '063 application was March 15, 2013.

Based on Respondent's statement that the provisional '063 application had been filed on March 25, 2013, Ms. Logue calculated the 30-month date for the PCT application as September 25, 2015. In or about September 2014, Ms. Logue learned for the first time that the actual filing date of the '063 application was March 15, 2013.

Pursuant to the attorney-client agreement between Respondent and his clients, bioTheranostics, Inc. and Trovagene, Inc., Respondent billed his clients for legal services provided. He also billed his clients for expenses related to foreign annuity payments processed by European third parties billed to Respondent. Two of the European third parties were J.A. Kemp, the clients' European foreign associate, and CPA Global, an annuity company. These companies kept track of maintenance fees that had to be paid to various countries to keep foreign patents in effect, and they paid those fees when due. Thereafter, the companies would bill Respondent for payment of the fees (sometimes these fees are called annuities, since in many foreign countries they must be paid annually).

Between April 2013 and approximately March 4, 2014, Respondent received approximately \$100,000 from his clients to be forwarded to J.A. Kemp and CPA Global in payment of their invoices for annuity payments made on behalf of bioTheranostics, Inc. and Trovagene, Inc. However, Respondent did not forward these funds onto J.A. Kemp or CPA Global. Between approximately March 14, 2014 and July 8, 2014, Mr. Graham Lewis, on behalf of J. A. Kemp, attempted to contact Respondent via email and telephone in regard to its unpaid invoices for annuities processed. At no time did Respondent respond to Mr. Lewis' emails or telephone calls. Respondent also did not forward to J.A. Kemp any portion of the \$82,508.14 it was owed and for which Respondent had been paid by his clients. On or about July 2014, Ms.

Logue learned for the first time that J.A. Kemp and CPA Global had outstanding invoices that had not been paid by Respondent. On or about October 2014, bioTheranostics, Inc. and Trovogene, Inc. paid \$82,508.14 to J.A. Kemp and CPA Global.

On September 22, 2015, OED received a grievance regarding Respondents conduct, referenced above, from Ms. Logue which resulted in the opening of an investigation into Respondent pursuant to 37 C.F.R. § 11.22(a). On October 2, 2015, OED mailed to Respondent a Request for Information and Evidence Under 37 C.F.R. § 11.22(f) (the "First RFI"), requesting information regarding Ms. Logue's grievance, at the address Respondent previously provided to OED pursuant to 37 C.F.R. § 11.11, as well as to the following address and email: PATENTique, PLLC, 6464 112th Ave. SE, Suite 200, Bellevue, WA 98006, and [REDACTED]. The First RFI requested that Respondent respond within thirty days, or on or before November 2, 2015. The First RFI was delivered to Respondent on October 23, 2015, and the certified mail receipt was signed by Kalai Wineland, Respondent's sister. Respondent did not respond to the First RFI by the November 2 deadline.

On November 4, 2015, OED Staff Counsel Emil Ali spoke with Ms. Wineland. During this telephone conversation, Ms. Wineland stated, *inter alia*, that she worked for Respondent as an independent 1099 employee, that she acknowledged receiving the First RFI, and that she would forward the First RFI to Respondent. That same day, OED mailed, via certified mail, and emailed a Lack of Response Notice ("Notice") to Respondent at the same email address and two mailing addresses referenced *supra*. The Notice noted that Respondent had failed to respond to the First RFI and provided Respondent an additional fifteen days (or not later than January 31, 2015) to respond to the First RFI. The Notice also included another copy of the First RFI.

On November 19, 2015, OED mailed and emailed a letter to Ms. Wineland requesting information as to whether she forwarded the First RFI to Respondent. On December 4, 2015, Ms. Wineland sent a letter to OED in which she notified OED that she had mailed the First RFI to Respondent on or about November 17 or 18, 2015. She also provided new contact information for Respondent as follows: [REDACTED]; [REDACTED]; and provided three telephone numbers.

On December 10, 2015, OED received both Notices that were sent to Respondent on November 4, 2015 marked "unclaimed." The Notice that was emailed to Respondent was not returned. On January 4, 2016, OED sent Respondent, via certified mail, another Notice to his San Diego mailing address, his address previously provided to OED pursuant to 37 C.F.R. § 11.11, and to his email address. The Notice was delivered to Respondent on January 9, 2016, and the certified mail receipt was signed by Respondent. However, OED did not receive any response to the Notice from Respondent. As of the date of the filing of the *Complaint*, Respondent had not responded to the First RFI or the Notices or otherwise communicated with OED in any manner.

CONCLUSIONS OF LAW

Based upon the foregoing findings of fact, the Court concludes for the reasons that follow, Respondent violated the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct.

Violations of the USPTO Code of Professional Responsibility

1. 37 C.F.R. § 10.23(c)(8) states it is misconduct to fail to inform a client of correspondence received from the Office when the correspondence (i) could have a significant effect on a matter pending before the Office; (ii) is received by the practitioner on behalf of a client or former client, and (iii) is correspondence of which a reasonable practitioner would believe under the circumstances the client should be notified. The USPTO Office Actions and Notices of Abandonment sent to Respondent each constitute correspondence that a reasonable practitioner would believe, under the circumstances, that the clients should be notified. Respondent failed to inform clients GenSignia, Inc., bioTheranostics, Inc., and Trovagene, Inc. of USPTO office correspondence and filings regarding their Patent Applications. As such, Respondent committed misconduct under 37 C.F.R. § 10.23(a) and (b) by violating § 10.23(c)(8).
2. 37 C.F.R. § 10.77 proscribes neglecting a legal matter entrusted to the practitioner. Respondent failed to prosecute patent applications on behalf of clients GenSignia, Inc., bioTheranostics, Inc., and Trovagene, Inc. Respondent also allowed his clients applications to become abandon without their knowledge or consent. By neglecting such legal matters, Respondent violated 37 C.F.R. § 10.77(c).

Violations of the USPTO Rules of Professional Conduct

3. 37 C.F.R. § 11.103 proscribes failing to act with reasonable diligence and promptness in representing a client. By failing to file the '473 application and the PCT application within one year of the '063 application, Respondent violated 37 C.F.R. § 11.103.
4. 37 C.F.R. § 11.104(a)(3) proscribes failing to keep the client reasonably informed about the status of a matter. Respondent failed to inform GenSignia, Inc., bioTheranostics, Inc., and Trovagene, Inc. of the status of their patent applications. Accordingly, Respondent violated 37 C.F.R. § 11.104(a)(3).
5. 37 C.F.R. § 11.115(d) requires that upon receiving funds in which a third party has an interest, a practitioner must promptly notify and deliver to the third party any funds that the third party is entitled to receive. Respondent failed to forward \$82,508.14 paid to Respondent that was due to J.A. Kemp and CPA Global for payment of foreign annuity fees. Accordingly, Respondent violated 37 C.F.R. § 11.115(d).
6. 37 C.F.R. § 11.303(a)(1) proscribes making false statements of fact or law to a tribunal or failing to correct a false statement of material fact or law previously made to the tribunal by the practitioner. Respondent filed a PCT application and a nonprovisional patent

application after the priority date of the '063 application had passed. Respondent also claimed an incorrect priority date and put incorrect information into both applications' specifications about the incorrect date. Those statements were made to the Office. Respondent, therefore, violated 37 C.F.R. § 11.303(a)(1).

7. 37 C.F.R. § 11.401(a) proscribes making false statements to another in connection with the representation. By providing Ms. Logue with incorrect information about the filing date of the '063 application, Respondent violated 37 C.F.R. § 11.401(a).
8. 37 C.F.R. § 11.801(b) proscribes failing to cooperate with OED and failing to respond to a lawful request for information from OED. The First RFI was a lawful request for information. By failing to respond to the First RFI, and/or OED's Notices, Respondent violated 37 C.F.R. § 11.801(b).
9. 37 C.F.R. § 11.804(c) proscribes engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation. Respondent misrepresented the filing date of the '064 application in related applications. Respondent also engaged in a pattern and practice of allowing applications to go abandoned without informing his clients. Such misconduct violates 37 C.F.R. § 11.804(c).

SANCTIONS

Having found Respondent violated the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct, the Court must determine an appropriate sanction. Before sanctioning a practitioner, the Court must consider the following four factors:

- (1) whether the practitioner has violated a duty owed to client, to the public, to the legal system, or to the profession;
- (2) whether the practitioner acted intentionally, knowingly, or negligently;
- (3) the amount of the actual or potential injury caused by the practitioner's misconduct; and
- (4) the existence of any aggravating or mitigating factors.

37 C.F.R. § 11.54(b)

1. Respondent violated his duties to his Clients and the patent bar.

Respondent agreed to represent GenSignia, Inc., bioTheranostics, Inc., and Trovagene, Inc. before the Office in connection with their patent applications. Respondent plainly violated the fiduciary practitioner-client relationship by taking his clients' money, neglecting their patent applications, and attempting to cover up his neglect. In addition, Respondent failed to communicate with the clients and misrepresented to his clients' new counsel the date on which

the '063 application was filed. Respondent also failed to pay the foreign annuity fees on several patents even though he billed the client for the fees and received the money.

Respondent also violated the duty owed to the patent bar. Respondent signed an oath that he would observe the laws and rules of practice of the USPTO. However, Respondent willfully committed the misconduct alleged in the *Complaint*. By so doing, Respondent violated his affirmation to the patent bar that he would observe the USPTO rules of practice. In addition, Respondent engaged in misconduct that decreases the public's confidence in the integrity of patent practitioners by intentionally filing documents that contained misrepresentations. Accordingly, Respondent's misconduct warrants a severe sanction.

2. Respondent acted intentionally and knowingly.

Respondent's acts and omissions were intentional. Respondent knowingly accepted the representation of his clients. He charged fees and was paid by his clients to prepare and file multiple patent applications. However, he failed to properly prosecute the applications and allowed them to go abandoned. Respondent knowingly failed to advise his clients of the status of their matters and, instead, filed petitions to revive the applications without their knowledge or consent in an intentional attempt to cover up his misconduct. Respondent also intentionally lied to Ms. Logue and prepared documents falsely stating the priority date for the '063 application. This misrepresentation was also made to the Office. Last, Respondent intentionally kept for himself the annuity fees that he had received from his client instead of forwarding them to the third parties to which the fees were due. Such intentional misconduct warrants a severe sanction.

3. Respondent's misconduct caused actual injuries.

Respondent failed to file the '471 application and the PCT international application PCT/US2014/031587 in a timely manner. As a result, his clients have suffered the loss of potentially valuable intellectual property rights. Even more egregious is the fact that Respondent's clients sustained significant monetary damage. Specifically, his clients had to pay \$82,508.14 to cover annuity fees for foreign patents. This amount had previously been paid to Respondent, however, Respondent did not forward the money so that the annuity fees could be paid. Additionally, the clients paid Respondent for his legal work that included preparing and filing applications, which were ultimately worthless, since they were untimely. The fact that Respondent's misconduct caused actual injury warrants a severe sanction.

4. Aggravating factors exist in this case.

The Court often looks to the American Bar Association's Standards for Imposing Lawyer Sanctions (2005) when determining whether aggravating or mitigating factors exist. See In re Lane, No. D2013-07 (USPTO Mar. 11, 2014) A review of the record demonstrates that Respondent engaged in the bad faith obstruction of the disciplinary proceeding by intentionally failing to respond to the RFI and this Court's order. Such conduct can be considered to be an aggravating factor. Moreover, Respondent's failure to appear in this matter and his disregard of

the Court's order demonstrates that Respondent may no longer be capable of professionally representing his clients.

In addition, Respondent demonstrated a dishonest or selfish motive. Respondent was paid by his clients, but failed to do the work that he was hired to do. Respondent then attempted to conceal his failure. Respondent clearly had no interest in performing the work that was agreed upon, but still expected to be paid by his clients. This is evidenced by the fact that he kept the \$82,508.14 in foreign patent annuity fees that were paid to him and that should have been forwarded to the appropriate third party. This fact also demonstrates Respondent's indifference to making restitution, which is yet another aggravating factor.

Respondent also engaged in the commission of multiple offenses. Respondent not only neglected several patent applications, but he also attempted to cover up his wrongdoing. Respondent also kept a large sum of money that his clients had paid to him which constitute a separate offense. He then compounded his offenses by failing to cooperate with OED.

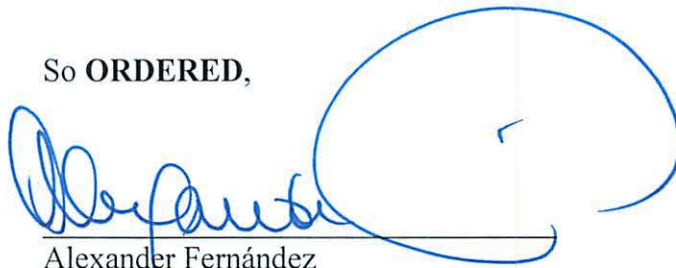
The multitude of aggravating factors in this case supports a severe sanction against Respondent.

CONCLUSION

Respondent has failed to answer the *Complaint* or otherwise appear in this matter. Respondent is found to be in **DEFAULT**. Based on the facts thereby admitted, the Court finds Respondent has violated the foregoing USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct, as alleged. The OED Director requests that the Court sanction Respondent by excluding him from practice before the USPTO in patent, trademark, or other non-patent cases or matters. Based upon its foregoing analysis of all four enumerated sanction factors, the Court concludes that Respondent's misconduct warrants the sanction of exclusion.

Accordingly, Respondent shall be **EXCLUDED** from practice before the U.S. Patent and Trademark Office in patent, trademark, and other non-patent matters.⁴

So **ORDERED**,



Alexander Fernández
United States Administrative Law Judge

⁴ If Respondent petitions for reinstatement, reinstatement may be conditioned, *inter alia*, upon restitution to his clients in this matter.