

a formal complaint has been filed by a Federal or state agency, that the complaint is based on any violation of any law relating to securities, unfair methods of competition, unfair or deceptive acts or practices, mail fraud, or other civil or criminal conduct, and the complaint is pending before a Federal or state court or Federal or state agency, or has been resolved unfavorably by such court or agency, against the invention promoter in connection with invention development services. Another requirement is that the informed or advised registered practitioner fails to fully advise the inventor of the existence of the pending complaint or unfavorable resolution thereof prior to undertaking or continuing representation of the joint venture or inventor. The Federal Trade Commission, Securities and Exchange Commission, and the U.S. Department of Justice are Federal agencies empowered to investigate and file charges included within the scope of the proposed rule. *See Securities and Exchange Commission v. Lawrence Peska Associates, Inc.*, Civil Action 77-2436 (S.D. Fla., Filed: Aug. 8, 1977); *United States v. Beecroft*, 608 F.2d 753 (9th Cir. 1979) (upholding mail fraud convictions of defendant officers of a company which helped inventors promote and market their ideas).

Attorneys General in state agencies also can file charges arising from actions that may also constitute violations of consumer protection laws within the scope of the proposed rules. *See, e.g., Thomas, Invention Development Service and Inventors: Recent Inroads on Caveat Inventors*, 60 J. Pat. Off. Soc'y. 355, 376 n. 75 (1978); Shemin, *Idea Promoter Control: The Time Has Come*, 60 J. Pat. Off. Soc'y. 261, 262 n.7 (1978); and *Illinois v. Lawrence Peska Associates, Inc.*, Civil Action No. 77CH 3771 (Cir.Ct. Cook Cty June 8, 1977). Similarly, a practitioner who represented an inventor referred by an invention promoter, and knew or should have known that the invention promoter was charged by the FTC with engaging in unfair or deceptive acts or practices, could be subject to disciplinary action under the proposed rule if the practitioner does not advise the inventor of the existence of the charges.

In using "invention promoter" and "invention marketing and promotion services," the proposed rule applies the definitions used in § 11.1.

*Paragraph (h)(7) of § 11.804* would provide that a practitioner may not accept or use the assistance from an Office employee in the presentation or prosecution of an application except to the extent that the employee may

lawfully participate in an official capacity. The proposed rule would cover not only situations where an Office employee, such as a patent examiner or other person, is paid for their assistance, but also where the employee is not paid for their assistance. Thus, where claims in an application are rejected over a reference that is in a foreign language, a practitioner may not engage a person, employed by the Office, to translate the reference and use the translation to traverse the rejection. Moreover, the proposed rule would not be limited to situations involving bribery, and would not require a conviction for bribery.

*Paragraph (i) of § 11.804* would provide that a practitioner who acts with reckless indifference to whether a representation is true or false would be chargeable with knowledge of its falsity. Likewise, deceitful statements of half-truths or concealment of material facts shall be deemed actual fraud within the meaning of this part. *See, e.g., United States v. Beecroft*, 608 F.2d 753 (9th Cir. 1979).

*Section 11.805* would provide a practitioner and other persons practicing before the Office with guidance that he or she would be subject to the disciplinary authority and rules of the USPTO. Paragraph (a) of § 11.805 restate long-standing law. The USPTO Director has statutory, 35 U.S.C. 2(b)(2)(D), and inherent authority to adopt rules regulating the practice of attorneys and other persons before the USPTO in patent, trademark, and non-patent law. The USPTO, like other Government agencies, has inherent authority to regulate who may practice before it as attorneys, including the authority to discipline attorneys. *See Goldsmith v. U.S. Board of Tax Appeals*, 270 U.S. 117 (1926); *Herman v. Dulles*, 205 F.2d 715 (D.C. Cir. 1953), and *Koden v. U.S. Department of Justice*, 564 F.2d 228 (7th Cir. 1977). Courts have affirmed that Congress, through the Administrative Procedure Act, 5 U.S.C. 500, did not limit the inherent power of agencies to discipline professionals who appear or practice before them. *See Polydoroff v. ICC*, 773 F.2d 372 (D.C. Cir. 1985); *Touche Ross & Co. v. SEC*, 609 F.2d 570 (2d Cir. 1979).

A practitioner may be potentially subject to more than one set of rules of professional conduct which impose different obligations. The registered patent attorney would be licensed to practice in more than one jurisdiction, *i.e.*, the Office and at least one state. The rules of professional conduct may differ between these jurisdictions. A practitioner may be admitted to practice

before a particular court with rules that differ from those of the Office or other jurisdictions in which the practitioner is licensed to practice. In the past, decisions have not developed clear or consistent guidance as to which rules apply in such circumstances.

*Paragraph (b) of § 11.805* seeks to resolve such potential conflicts. Its premise would be that minimizing conflicts between rules, as well as uncertainty about which rules are applicable, is in the best interest of both clients and the profession (as well as the bodies having authority to regulate the profession). Accordingly, it takes the approach of (i) providing that any particular conduct of a practitioner shall be subject to only one set of rules of professional conduct, and (ii) making the determination of which set of rules applies to particular conduct as straightforward as possible, consistent with recognition of appropriate regulatory interests of relevant jurisdictions.

*Paragraph (b)(1) of § 11.805* would provide that as to a practitioner's conduct relating to practice before the Office, where the practitioner is registered or recognized to practice (either generally or granted limited recognition), the practitioner would be subject to the rules of the Office Rules of Professional Conduct.

*Paragraph (b)(2) of § 11.805* would provide that as to a practitioner's conduct relating to a proceeding in or before a court before which the practitioner is admitted to practice (either generally or pro hac vice), the practitioner would be subject only to the rules of professional conduct of that court. As to all other conduct, § 11.805(b) would provide that a practitioner recognized to practice before the Office would be subject to the rules of the Office in regard to conduct occurring in connection with practice before the Office. The rule also would provide that a practitioner recognized to practice before the Office practicing in multiple jurisdictions would be subject only to the rules of the jurisdiction where he or she (as an individual, not his or her firm) principally practices, but with one exception: if particular conduct clearly has its predominant effect in another admitting jurisdiction, then only the rules of that jurisdiction shall apply. The intention is for the latter exception to be a narrow one. It would be appropriately applied, for example, to a situation in which a practitioner admitted in, and principally practicing in, State A, but also admitted in State B, handled an acquisition by a company whose headquarters and operations were in State B of another,