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 ORIGINAL

**State Bar Court of California
Hearing Department
Los Angeles
ACTUAL SUSPENSION**

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<p>Counsel For Respondent</p> <p>Arthur W. Francis Jr. 2522 Artesia Boulevard Redondo Beach, CA 90278 (310) 316-1988</p> <p>Bar # 49430</p>	<p>PUBLIC MATTER</p> <p>Submitted to: Settlement Judge</p> <p>STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION AND ORDER APPROVING</p> <p>ACTUAL SUSPENSION</p> <p><input type="checkbox"/> PREVIOUS STIPULATION REJECTED</p>	
<p>In the Matter of: PHILIP THOMAS VIRGA</p> <p>Bar # 165324</p> <p>A Member of the State Bar of California (Respondent)</p>		

Note: All information required by this form and any additional information which cannot be provided in the space provided, must be set forth in an attachment to this stipulation under specific headings, e.g., "Facts," "Dismissals," "Conclusions of Law," "Supporting Authority," etc.

A. Parties' Acknowledgments:

- (1) Respondent is a member of the State Bar of California, admitted **June 24, 1993**.
- (2) The parties agree to be bound by the factual stipulations contained herein even if conclusions of law or disposition are rejected or changed by the Supreme Court.
- (3) All investigations or proceedings listed by case number in the caption of this stipulation are entirely resolved by this stipulation and are deemed consolidated. Dismissed charge(s)/count(s) are listed under "Dismissals." The stipulation consists of **14** pages, not including the order.
- (4) A statement of acts or omissions acknowledged by Respondent as cause or causes for discipline is included under "Facts."
- (5) Conclusions of law, drawn from and specifically referring to the facts are also included under "Conclusions of Law".

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(Effective July 1, 2015)



- (6) The parties must include supporting authority for the recommended level of discipline under the heading "Supporting Authority."
- (7) No more than 30 days prior to the filing of this stipulation, Respondent has been advised in writing of any pending investigation/proceeding not resolved by this stipulation, except for criminal investigations.
- (8) Payment of Disciplinary Costs—Respondent acknowledges the provisions of Bus. & Prof. Code §§6086.10 & 6140.7. (Check one option only):
- Until costs are paid in full, Respondent will remain actually suspended from the practice of law unless relief is obtained per rule 5.130, Rules of Procedure.
 - Costs are to be paid in equal amounts prior to February 1 for the following membership years: **two (2) billing cycles following the effective date of the discipline.** (Hardship, special circumstances or other good cause per rule 5.132, Rules of Procedure.) If Respondent fails to pay any installment as described above, or as may be modified by the State Bar Court, the remaining balance is due and payable immediately.
 - Costs are waived in part as set forth in a separate attachment entitled "Partial Waiver of Costs".
 - Costs are entirely waived.

B. Aggravating Circumstances [Standards for Attorney Sanctions for Professional Misconduct, standards 1.2(h) & 1.5]. Facts supporting aggravating circumstances are required.

- (1) **Prior record of discipline**
- (a) State Bar Court case # of prior case
 - (b) Date prior discipline effective
 - (c) Rules of Professional Conduct/ State Bar Act violations:
 - (d) Degree of prior discipline
 - (e) If Respondent has two or more incidents of prior discipline, use space provided below.
- (2) **Intentional/Bad Faith/Dishonesty:** Respondent's misconduct was dishonest, intentional, or surrounded by, or followed by bad faith.
- (3) **Misrepresentation:** Respondent's misconduct was surrounded by, or followed by, misrepresentation.
- (4) **Concealment:** Respondent's misconduct was surrounded by, or followed by, concealment.
- (5) **Overreaching:** Respondent's misconduct was surrounded by, or followed by, overreaching.
- (6) **Uncharged Violations:** Respondent's conduct involves uncharged violations of the Business and Professions Code, or the Rules of Professional Conduct.
- (7) **Trust Violation:** Trust funds or property were involved and Respondent refused or was unable to account to the client or person who was the object of the misconduct for improper conduct toward said funds or property.

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- (8) **Harm:** Respondent's misconduct harmed significantly a client, the public, or the administration of justice. See page 10.
- (9) **Indifference:** Respondent demonstrated indifference toward rectification of or atonement for the consequences of his or her misconduct.
- (10) **Candor/Lack of Cooperation:** Respondent displayed a lack of candor and cooperation to victims of his/her misconduct, or to the State Bar during disciplinary investigations or proceedings.
- (11) **Multiple Acts:** Respondent's current misconduct evidences multiple acts of wrongdoing. See page 10.
- (12) **Pattern:** Respondent's current misconduct demonstrates a pattern of misconduct.
- (13) **Restitution:** Respondent failed to make restitution.
- (14) **Vulnerable Victim:** The victim(s) of Respondent's misconduct was/were highly vulnerable.
- (15) **No aggravating circumstances** are involved.

Additional aggravating circumstances:

C. Mitigating Circumstances [see standards 1.2(i) & 1.6]. Facts supporting mitigating circumstances are required.

- (1) **No Prior Discipline:** Respondent has no prior record of discipline over many years of practice coupled with present misconduct which is not likely to recur.
- (2) **No Harm:** Respondent did not harm the client, the public, or the administration of justice.
- (3) **Candor/Cooperation:** Respondent displayed spontaneous candor and cooperation with the victims of his/her misconduct or to the State Bar during disciplinary investigations and proceedings.
- (4) **Remorse:** Respondent promptly took objective steps demonstrating spontaneous remorse and recognition of the wrongdoing, which steps were designed to timely atone for any consequences of his/her misconduct.
- (5) **Restitution:** Respondent paid \$ _____ on _____ in restitution to _____ without the threat or force of disciplinary, civil or criminal proceedings.
- (6) **Delay:** These disciplinary proceedings were excessively delayed. The delay is not attributable to Respondent and the delay prejudiced him/her.
- (7) **Good Faith:** Respondent acted with a good faith belief that was honestly held and objectively reasonable.
- (8) **Emotional/Physical Difficulties:** At the time of the stipulated act or acts of professional misconduct Respondent suffered extreme emotional difficulties or physical or mental disabilities which expert testimony would establish was directly responsible for the misconduct. The difficulties or disabilities were not the product of any illegal conduct by the member, such as illegal drug or substance abuse, and the difficulties or disabilities no longer pose a risk that Respondent will commit misconduct.

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- (9) **Severe Financial Stress:** At the time of the misconduct, Respondent suffered from severe financial stress which resulted from circumstances not reasonably foreseeable or which were beyond his/her control and which were directly responsible for the misconduct.
- (10) **Family Problems:** At the time of the misconduct, Respondent suffered extreme difficulties in his/her personal life which were other than emotional or physical in nature.
- (11) **Good Character:** Respondent's extraordinarily good character is attested to by a wide range of references in the legal and general communities who are aware of the full extent of his/her misconduct.
- (12) **Rehabilitation:** Considerable time has passed since the acts of professional misconduct occurred followed by convincing proof of subsequent rehabilitation.
- (13) **No mitigating circumstances** are involved.

Additional mitigating circumstances:

No Prior Discipline, see page 10.
Prefiling Stipulation, see pages 10-11.

D. Discipline:

- (1) **Stayed Suspension:**
- (a) Respondent must be suspended from the practice of law for a period of **two (2) years**.
- i. and until Respondent shows proof satisfactory to the State Bar Court of rehabilitation and fitness to practice and present learning and ability in the general law pursuant to standard 1.2(c)(1) Standards for Attorney Sanctions for Professional Misconduct.
- ii. and until Respondent pays restitution as set forth in the Financial Conditions form attached to this stipulation.
- iii. and until Respondent does the following:
- (b) The above-referenced suspension is stayed.
- (2) **Probation:**
- Respondent must be placed on probation for a period of **two (2) years**, which will commence upon the effective date of the Supreme Court order in this matter. (See rule 9.18, California Rules of Court)
- (3) **Actual Suspension:**
- (a) Respondent must be actually suspended from the practice of law in the State of California for a period of **one (1) year**.
- i. and until Respondent shows proof satisfactory to the State Bar Court of rehabilitation and fitness to practice and present learning and ability in the general law pursuant to standard 1.2(c)(1), Standards for Attorney Sanctions for Professional Misconduct
- ii. and until Respondent pays restitution as set forth in the Financial Conditions form attached to this stipulation.

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iii. and until Respondent does the following:

E. Additional Conditions of Probation:

- (1) If Respondent is actually suspended for two years or more, he/she must remain actually suspended until he/she proves to the State Bar Court his/her rehabilitation, fitness to practice, and present learning and ability in the general law, pursuant to standard 1.2(c)(1), Standards for Attorney Sanctions for Professional Misconduct.
- (2) During the probation period, Respondent must comply with the provisions of the State Bar Act and Rules of Professional Conduct.
- (3) Within ten (10) days of any change, Respondent must report to the Membership Records Office of the State Bar and to the Office of Probation of the State Bar of California ("Office of Probation"), all changes of information, including current office address and telephone number, or other address for State Bar purposes, as prescribed by section 6002.1 of the Business and Professions Code.
- (4) Within thirty (30) days from the effective date of discipline, Respondent must contact the Office of Probation and schedule a meeting with Respondent's assigned probation deputy to discuss these terms and conditions of probation. Upon the direction of the Office of Probation, Respondent must meet with the probation deputy either in-person or by telephone. During the period of probation, Respondent must promptly meet with the probation deputy as directed and upon request.
- (5) Respondent must submit written quarterly reports to the Office of Probation on each January 10, April 10, July 10, and October 10 of the period of probation. Under penalty of perjury, Respondent must state whether Respondent has complied with the State Bar Act, the Rules of Professional Conduct, and all conditions of probation during the preceding calendar quarter. Respondent must also state whether there are any proceedings pending against him or her in the State Bar Court and if so, the case number and current status of that proceeding. If the first report would cover less than 30 days, that report must be submitted on the next quarter date, and cover the extended period.

In addition to all quarterly reports, a final report, containing the same information, is due no earlier than twenty (20) days before the last day of the period of probation and no later than the last day of probation.

- (6) Respondent must be assigned a probation monitor. Respondent must promptly review the terms and conditions of probation with the probation monitor to establish a manner and schedule of compliance. During the period of probation, Respondent must furnish to the monitor such reports as may be requested, in addition to the quarterly reports required to be submitted to the Office of Probation. Respondent must cooperate fully with the probation monitor.
- (7) Subject to assertion of applicable privileges, Respondent must answer fully, promptly and truthfully any inquiries of the Office of Probation and any probation monitor assigned under these conditions which are directed to Respondent personally or in writing relating to whether Respondent is complying or has complied with the probation conditions.
- (8) Within one (1) year of the effective date of the discipline herein, Respondent must provide to the Office of Probation satisfactory proof of attendance at a session of the Ethics School, and passage of the test given at the end of that session.
 No Ethics School recommended. Reason: .
- (9) Respondent must comply with all conditions of probation imposed in the underlying criminal matter and must so declare under penalty of perjury in conjunction with any quarterly report to be filed with the Office of Probation.

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- (10) The following conditions are attached hereto and incorporated:
- | | |
|---|---|
| <input type="checkbox"/> Substance Abuse Conditions | <input type="checkbox"/> Law Office Management Conditions |
| <input type="checkbox"/> Medical Conditions | <input type="checkbox"/> Financial Conditions |

F. Other Conditions Negotiated by the Parties:

- (1) **Multistate Professional Responsibility Examination:** Respondent must provide proof of passage of the Multistate Professional Responsibility Examination ("MPRE"), administered by the National Conference of Bar Examiners, to the Office of Probation during the period of actual suspension or within one year, whichever period is longer. **Failure to pass the MPRE results in actual suspension without further hearing until passage. But see rule 9.10(b), California Rules of Court, and rule 5.162(A) & (E), Rules of Procedure.**
- No MPRE recommended. Reason:
- (2) **Rule 9.20, California Rules of Court:** Respondent must comply with the requirements of rule 9.20, California Rules of Court, and perform the acts specified in subdivisions (a) and (c) of that rule within 30 and 40 calendar days, respectively, after the effective date of the Supreme Court's Order in this matter.
- (3) **Conditional Rule 9.20, California Rules of Court:** If Respondent remains actually suspended for 90 days or more, he/she must comply with the requirements of rule 9.20, California Rules of Court, and perform the acts specified in subdivisions (a) and (c) of that rule within 120 and 130 calendar days, respectively, after the effective date of the Supreme Court's Order in this matter.
- (4) **Credit for Interim Suspension [conviction referral cases only]:** Respondent will be credited for the period of his/her interim suspension toward the stipulated period of actual suspension. Date of commencement of interim suspension:
- (5) **Other Conditions: None.**

ATTACHMENT TO
STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION

IN THE MATTER OF: PHILIP THOMAS VIRGA

CASE NUMBER: 17-J-04122

FACTS AND CONCLUSIONS OF LAW.

Respondent admits that the following facts are true and that he is culpable of violations of the specified statutes and/or Rules of Professional Conduct.

Case No. 17-J-04122 (Discipline in Other Jurisdiction)

PROCEDURAL BACKGROUND IN OTHER JURISDICTION:

1. On September 27, 1993, respondent was registered as a patent attorney with the United States Patent and Trademark Office ("USPTO").
2. On March 10, 2017, the Office of Enrollment and Discipline ("OED") Director for the USPTO and respondent submitted their Proposed Settlement of Disciplinary Matter ("Agreement") pursuant to 37 C.F.R. § 11.26, *in In the Matter of Philip T. Virga, Proceeding No. D2017-14*, to the Under Secretary of Commerce for Intellectual Property and Director of the USPTO ("USPTO Director"), seeking entry of a Final Order approving their Agreement to settle respondent's disciplinary proceeding. (See Exhibit 1 attached hereto, 14 pages.)
3. In the Agreement, respondent stipulated to violating 37 C.F.R. § 11.102(c) (failing to obtain informed consent for limited scope representation), 37 C.F.R. § 11.105(b) (failing to communicate the scope of the representation and the basis of a fee), 37 C.F.R. § 11.103 (failing to act with reasonable diligence and promptness), 37 C.F.R. § 11.104(b) (failing to explain a matter to the extent reasonably necessary to permit the client to make an informed decision regarding the representation), 37 C.F.R. § 11.107(a)(2) (failing to obtain informed consent where a practitioner's responsibilities were materially limited due to a conflict of interest), 37 C.F.R. § 11.108(f)(1) (accepting compensation for representing a client from one other than the client without obtaining informed consent), 37 C.F.R. § 11.108(f)(2) (allowing interference with the practitioner's independent professional judgment), 37 C.F.R. § 11.504(c) (allowing a person who pays the practitioner to render legal services to another to direct/regulate the practitioner's professional judgment in rendering such legal services). (See Exhibit 2 attached hereto, 17 pages.)
4. Respondent further stipulated to violating 37 C.F.R. § 11.102(a) (failing to abide by a client's decision concerning the objectives of the representation), 37 C.F.R. § 11.104(a)(2) (failing to consult with the client about the means by which the client's objectives are to be accomplished), 37 C.F.R. § 11.104(a)(1) (failing to promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required), 37 C.F.R. § 11.104(a)(3) (failing to keep the client reasonably informed of the status of a matter), 37 C.F.R. § 11.504(a) (sharing legal fees with non-practitioner), and 37 C.F.R. § 11.505 (assisting another to practice law in a jurisdiction in violation of the legal profession in that jurisdiction). (See Exhibit 2 attached hereto, 17 pages.)

5. On March 16, 2017, the USPTO Director approved the parties' Agreement and issued its Final Order ("Order"). The Order suspended respondent from practicing before the USPTO in patent, trademark, and non-patent matters for five years, and placed on probation for two years following any reinstatement. The Order thereafter became final. (See Exhibit 3, attached hereto, 13 pages.)

6. The disciplinary proceeding in the other jurisdiction provided fundamental constitutional protection.

FACTS FOUND IN OTHER JURISDICTION:

7. Between May 2014 and May 2016, respondent contracted with Desa Industries, Inc., a New York business corporation, doing business as World Patent Marketing ("WPM") in Miami Beach, Florida. WPM offered respondent a contract to provide overflow patent prosecution services. WPM was not a law firm or authorized to offer or provide legal services.

8. WPM offered respondent a flat fee to prepare, file, and respond to the first Office Action in WPM-referred design and utility patent applications.

9. At no time prior to agreeing to provide patent legal services to WPM, did respondent speak with any registered practitioner, nor any other attorney, either employed by or otherwise associated with WPM.

10. Respondent was unaware of the amounts WPM-referred clients paid WPM for legal services.

11. Documents provided to the OED disclosed that WPM charged individual inventor-applicants \$8,995 for a U.S. design patent application; \$11,995 for a U.S. utility patent application; \$21,995 for both a PCT and U.S. patent application; and \$64,995 for a "global patent," which included U.S., PCT, European Union, and China patent applications, as well as trademark and copyright applications. In at least one instance, a WPM client paid \$7,000 to file a provisional patent application.

12. Respondent did not confirm whether legal fees were properly deposited and kept safe in a client trust account by WPM.

13. WPM-referred clients were also unaware of the compensation for legal services respondent received from WPM.

14. Between May 2014 and May 2016, respondent was involved in the preparation, filing, or prosecution of at least 166 patent applications for WPM-referred clients.

15. Respondent did not enter into written representation agreements with his WPM-referred clients. His clients did not agree to a limited-scope representation and respondent did not inform his clients that his representation of them was limited in scope.

16. Respondent never consulted with his WPM-referred clients regarding the appropriateness of the patent protection sought. Rather, WPM and its agents advised respondent as to which type of patent application to file.

17. Some WPM-referred clients were told by WPM non-practitioner agents to select the type of patent application they could afford.

18. As to provisional and non-provisional utility patent applications, WPM provided respondent with pre-drafted patent applications. WPM employees obtained signatures of the inventor-applicants on oaths, powers of attorney, and micro-entity certifications.

19. Although respondent reviewed the applications and made necessary revisions before he filed the applications with the USPTO, respondent did not ensure that the inventor-applicants reviewed the finalized applications before filing the applications with the USPTO, contrary to the rules of the USPTO.

20. As to design patent applications, WPM provided the disclosures while respondent prepared the design patent applications and outsourced the drawings to a draftsman.

21. WPM employees obtained signatures of the inventor-applicants on oaths, powers of attorney, and micro-entity certifications. Respondent did not ensure that the inventor-applicants reviewed their applications before he filed the patent applications with the USPTO, contrary to the rules of the USPTO.

22. Respondent did not communicate with his WPM-referred clients unless they directly contacted him. As a result, respondent had a pattern and practice of not communicating with his WPM-referred clients prior to filing their applications with the USPTO.

23. Respondent did not consult with his clients about the means by which his clients' objectives were to be accomplished, did not explain matters to his clients so as to permit his clients to make informed decisions, and did not question whether the applications selected by his clients, as advised by WPM, were appropriate for their situation.

24. Because respondent failed to communicate with his clients, the clients for whom respondent filed provisional applications did not understand that their applications would expire by law within 12 months from the date of filing.

25. In many cases, because of respondent's failure to communicate with his clients, their provisional applications expired without their knowledge.

26. Because respondent failed to communicate with his clients, the clients for whom respondent filed utility applications subsequent to filing provisional applications were not advised whether they should claim priority to the earlier-filed provisional application.

27. Because respondent failed to communicate with his clients, clients who chose to file design patent applications were not advised as to the protection afforded by a design patent application, and whether such protection was more or less appropriate than a utility patent application.

28. Respondent failed to communicate adequate information to his clients and explain the material risks of, and reasonably available alternatives to his arrangement with WPM as a third-party payor of legal services. For example, respondent did not alert his clients of the potential conflict arising from his personal financial interest in continuing to receive remuneration from WPM. Nor did he inform his clients of the risk that WPM might not safeguard the funds paid for the procurement of patent legal services. As such, respondent failed to obtain the requisite informed consent from his clients as to such arrangements.

29. After filing applications for his WPM-referred clients, respondent remained attorney of record in such applications.

30. As of September 20, 2016, respondent received numerous Office Actions which he neither informed his clients of, nor forwarded to WPM. Because respondent did not respond to the numerous Office Actions, many patent applications became abandoned.

31. Respondent also did not notify his clients of the abandonments.

32. On September 20, 2016, respondent met with OED at its offices in Alexandria, Virginia. At the September 20, 2016 meeting, respondent acknowledged failing to notify his clients of Office Actions and abandonments and pledged to rectify his shortcomings. Over the course of the proceeding (five months), respondent took no action to do so and did not contact his clients regarding the Office Actions or abandonments, nor forward such information to WPM.

CONCLUSIONS OF LAW:

33. As a matter of law, respondent's culpability of professional misconduct determined in the proceeding before the USPTO warrants imposition of discipline under the laws and rules binding upon respondent in the State of California at the time respondent committed the misconduct in the other jurisdiction, pursuant to Business and Professions Code section 6049.1, subdivision (a).

AGGRAVATING CIRCUMSTANCES.

Multiple Acts of Wrongdoing (Std. 1.5(b)): Respondent's violation of numerous provisions of the California Rules of Professional Conduct and Business and Professions Code in multiple client matters is evidence of multiple acts of wrongdoing. (*See In the Matter of Bach* (Review Dept. 1991) 1 Cal. State Bar Ct. Rptr. 631, 647 [three instances of misconduct although not a pattern or practice are sufficient to support a finding that respondent engaged in multiple acts of misconduct].)

Significant Client Harm (Std. 1.5 (j)): Respondent's misconduct significantly harmed his clients as many of their provisional patent applications lapsed after twelve months and/or became abandoned.

MITIGATING CIRCUMSTANCES.

No Prior Discipline: Respondent was admitted to practice law in California on June 24, 1993 and has been active at all times since. Respondent has been discipline free for approximately 21 years of practice from admission to the time of the misconduct committed herein and is therefore entitled to significant mitigation. (*See Friedman v. State Bar* (1990) 51 Cal.3d 235, 245 [20 years of a discipline free practice is "highly significant" mitigation]; *In the Matter of Riordan* (Review Dept. 2007) 5 Cal State Bar Ct. Rptr. 41 [attorney's many years in practice with no prior discipline considered mitigating even when misconduct at issue was serious].)

Prefiling Stipulation: By entering into this stipulation, respondent has acknowledged misconduct and is entitled to mitigation for recognition of wrongdoing and saving the State Bar significant resources and time. (*Silva-Vidor v. State Bar* (1989) 49 Cal.3d 1071, 1079 [where mitigative

credit was given for entering into a stipulation as to facts and culpability]; *In the Matter of Spaith* (Review Dept. 1996) 3 Cal. State Bar Ct. Rptr. 511, 521 [where the attorney's stipulation to facts and culpability was held to be a mitigating circumstance].)

AUTHORITIES SUPPORTING DISCIPLINE.

The Standards for Attorney Sanctions for Professional Misconduct “set forth a means for determining the appropriate disciplinary sanction in a particular case and to ensure consistency across cases dealing with similar misconduct and surrounding circumstances.” (Rules Proc. of State Bar, tit. IV, Stds. for Atty. Sanctions for Prof. Misconduct, std. 1.1. All further references to standards are to this source.) The standards help fulfill the primary purposes of discipline, which include: protection of the public, the courts and the legal profession; maintenance of the highest professional standards; and preservation of public confidence in the legal profession. (See std. 1.1; *In re Morse* (1995) 11 Cal.4th 184, 205.)

Although not binding, the standards are entitled to “great weight” and should be followed “whenever possible” in determining level of discipline. (*In re Silverton* (2005) 36 Cal.4th 81, 92, quoting *In re Brown* (1995) 12 Cal.4th 205, 220 and *In re Young* (1989) 49 Cal.3d 257, 267, fn. 11.) Adherence to the standards in the great majority of cases serves the valuable purpose of eliminating disparity and assuring consistency, that is, the imposition of similar attorney discipline for instances of similar attorney misconduct. (*In re Naney* (1990) 51 Cal.3d 186, 190.) If a recommendation is at the high end or low end of a standard, an explanation must be given as to how the recommendation was reached. (Std. 1.1.) “Any disciplinary recommendation that deviates from the Standards must include clear reasons for the departure.” (Std. 1.1; *Blair v. State Bar* (1989) 49 Cal.3d 762, 776, fn. 5.)

In this matter, respondent was found culpable of professional misconduct in the other jurisdiction, and to determine the appropriate sanction in this proceeding, it is necessary to consider the equivalent rule or statutory violation under California law. Specifically, respondent’s misconduct in the other jurisdiction demonstrates a violation of Business and Professions Code section 6068(m) [Failure to Communicate with Clients/Failing to Inform Clients of Significant Developments], and California Rules of Professional Conduct, rules 1-300(A) [Aiding the Unauthorized Practice of Law], 1-320 [Financial Arrangements with Non-Lawyers/Fee Splitting], 3-110(A) [Failing to Act Competently], 3-310(F) [Accepting Fees from Non-Client], and 3-700(A)(2) [Improper Withdrawal].

Standard 1.7(a) requires that where a respondent “commits two or more acts of misconduct and the Standards specify different sanctions for each act, the most severe sanction must be imposed.” The most severe sanctions applicable to respondent’s misconduct are found in standards 2.7(b) and 2.8. Standard 2.7(b) provides that actual suspension is the presumed sanction for performance, communication, or withdrawal violations in multiple client matters, not demonstrating habitual disregard of client interests. Standard 2.8 provides that actual suspension is the presumed sanction when a member shares legal fees with a non-lawyer. The degree of the sanction depends upon the extent to which the misconduct interfered with an attorney-client relationship and the extent to which the member failed to perform legal services for which he or she was employed.

Both Standards 2.7(b) and 2.8 provide for the same level of discipline for the misconduct committed by respondent, thus appropriate discipline would include a period of actual suspension. Respondent failed to communicate with his WPM-referred clients, failed to inform them of significant developments, failed to perform with competence in multiple client matters, improperly withdrew from multiple client

matters, accepted legal fees from WPM, allowed WPM to interfere with his client relationships, and aided WPM in the unauthorized practice of law.

While respondent's conduct is significantly mitigated by 21 years of a discipline free practice at the time the misconduct began and by pre-filing stipulation, it is significantly aggravated by the multiple acts of misconduct in the handling of 166 patent applications for numerous clients over the course of two-years, and the significant harm he caused to his clients when their patent applications expired and/or were abandoned.

On balance, the aggravation outweighs the mitigation, and given the serious harm to respondent's clients, actual suspension is warranted. Therefore, a two-year period of stayed suspension and a two-year period of probation with standards conditions including actual suspension of one year is appropriate to protect the public, the courts, and the profession; maintain the highest professional standards; and preserve public confidence in the profession.

This outcome is consistent with case law. In *In the Matter of Smithwick* (Review Dept. 2014) 5 Cal. State Bar Ct. Rptr. 320, the attorney accepted contingency fee cases from a non-legal entity, My US Legal, to represent homeowners in their lender liability lawsuits. Although he received \$15,740 from My US Legal, the attorney in *Smithwick* admitted that he had not performed any work of value on at least 12 homeowners' behalf. The attorney in *Smithwick* entered into a pre-filing stipulation, admitting that he split fees with a non-attorney, failed to perform legal services with competence, failed to refund unearned fees totaling \$15,740 and failed to provide the State Bar with notice that he had employed a resigned attorney. On review, the court found aggravation for multiple acts of misconduct in at least 12 client matters and assigned minimal weight in aggravation to the harm caused to one of his former clients. The attorney in *Smithwick* received mitigating credit for 30 years of a discipline free practice, candor and cooperation, good character, pro bono work and community service, remorse and recognition of wrongdoing. The attorney in *Smithwick* received a one year stayed suspension, sixty days actual suspension and one year probation period with standard conditions, including restitution to one of his former clients.

Like the attorney in *Smithwick*, respondent split fees with a non-legal entity and failed to perform legal services with competence. Both respondent and *Smithwick* completely abdicated all legal decision making to the non-legal entity by allowing the non-legal entity to contract clients, set and collect retainer fees, sign retainer agreements, and determine the legal course of action. Respondent similarly failed to provide his clients any legal work of value as he did not consult with his clients about the means by which his clients' objectives were to be accomplished, failed to inform and advise his clients of the benefits or risks associated with the patent protection sought, failed to inform his clients that their patents were going to expire and failed to respond to numerous Office Actions, resulting in the expiration and abandonment of many patents.

When comparing aggravation, respondent's conduct is more aggravated than that of the attorney in *Smithwick* as respondent not only split fees with a non-attorney and failed to perform in approximately 166 patent applications, but also committed further ethical violations in the handling of these 166 patent applications. On balance, then, a higher sanction than that imposed in *Smithwick* is appropriate in this matter.

In *In the Matter of Brockway* (Review Dept. 2006) 4 Cal. State Bar Ct. Rptr. 944, the attorney was found culpable of fourteen counts of misconduct in four client matters. Among the charges were four counts of failure to perform, four counts of improper withdrawal, two counts of failure to render an accounting and one count each of failing to return a client file, failing to respond to client inquiry, failing to refund unearned fees and seeking to enter into an agreement with a client to withdraw a State Bar complaint. The attorney's misconduct was aggravated by a prior record of discipline, which included a 90 day actual suspension, for willfully misappropriating \$500 from one client and improperly acquiring an adverse interest against a second client. No factors were found in mitigation. The attorney was suspended for five-years stayed, placed on two years probation with standard conditions including two years actual suspension, and until the attorney satisfied the requirements of standard 1.4(c)(ii).

Like the attorney in *Brockway*, respondent failed to competently perform in multiple client matters, abandoned his clients and took no steps to avoid the harm to his clients, allowing many patents to expire and to be abandoned. Unlike the attorney in *Brockway*, respondent has no prior record of discipline. However, the misconduct in the present case was more serious than the misconduct in *Brockway* because not only did it involve numerous client matters, but it also consisted of non-performance related ethical violations such as the aiding of the unauthorized practice of law for approximately two years and fee splitting with non-lawyers. Thus discipline less than that imposed in *Brockway* but greater than that imposed in *Smithwick* is appropriate in this matter.

Therefore, in order to protect the public, the courts, and the legal profession, to maintain the highest professional standards, to preserve public confidence in the profession and in consideration of the mitigating circumstances, discipline consisting of a two years suspension, stayed, two years probation, including one year of actual suspension on the terms and conditions set forth herein is appropriate and will fulfill the purposes of attorney discipline set forth in Standard 1.1.

COSTS OF DISCIPLINARY PROCEEDINGS

Respondent acknowledges that the Office of Chief Trial Counsel has informed respondent that as of March 29, 2018, the discipline costs in this matter are approximately \$2,518. Respondent further acknowledges that should this stipulation be rejected or should relief from stipulation be granted, the costs in this matter may increase due to the cost of further proceedings.

EXCLUSION FROM MINIMUM CONTINUING LEGAL EDUCATION ("MCLE") CREDIT


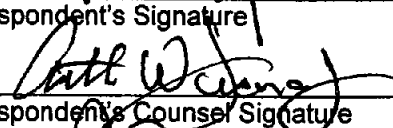

Respondent may not receive MCLE credit for completion of State Bar Ethics School ordered as a condition of probation. (Rules Proc. of State Bar, rule 3201.)

(Do not write above this line.)

In the Matter of: PHILIP THOMAS VIRGA	Case number(s): 17-J-04122
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SIGNATURE OF THE PARTIES

By their signatures below, the parties and their counsel, as applicable, signify their agreement with each of the recitations and each of the terms and conditions of this Stipulation Re Facts, Conclusions of Law, and Disposition.

<u>4-2-18</u> Date	<u></u> Respondent's Signature	<u>Philip Thomas Virga</u> Print Name
<u>4-2-18</u> Date	<u></u> Respondent's Counsel Signature	<u>Arthur W. Francis Jr.</u> Print Name
<u>4/10/18</u> Date	<u></u> Deputy Trial Counsel's Signature	<u>Angie Esquivel</u> Print Name

(Do not write above this line.)

In the Matter of: PHILIP THOMAS VIRGA	Case Number(s): 17-J-04122
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ACTUAL SUSPENSION ORDER

Finding the stipulation to be fair to the parties and that it adequately protects the public, IT IS ORDERED that the requested dismissal of counts/charges, if any, is GRANTED without prejudice, and:

- The stipulated facts and disposition are APPROVED and the DISCIPLINE RECOMMENDED to the Supreme Court.
- The stipulated facts and disposition are APPROVED AS MODIFIED as set forth below, and the DISCIPLINE IS RECOMMENDED to the Supreme Court.
- All Hearing dates are vacated.

The parties are bound by the stipulation as approved unless: 1) a motion to withdraw or modify the stipulation, filed within 15 days after service of this order, is granted; or 2) this court modifies or further modifies the approved stipulation. (See rule 5.58(E) & (F), Rules of Procedure.) **The effective date of this disposition is the effective date of the Supreme Court order herein, normally 30 days after file date. (See rule 9.18(a), California Rules of Court.)**

April 17, 2018
Date

[Handwritten Signature]
YVETTE D. ROLAND
Judge of the State Bar Court



U.S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

5/19/17

(Date)

I hereby certify that this is a true and accurate copy of the Proposed Settlement of Disciplinary Matter Pursuant to 37 C.F.R. § 11.26, in *In the Matter of Philip T. Virga*, Proceeding No. D2017-14.



By authority of the
DIRECTOR OF THE U.S. PATENT AND TRADEMARK OFFICE

Hermod Robinson

Certifying Officer.

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

In the Matter of)

Philip T. Virga,)

Respondent)

Proceeding No. D2017-14

**PROPOSED SETTLEMENT OF DISCIPLINARY MATTER
PURSUANT TO 37 C.F.R. §11.26**

After being fully advised, the Director of the Office of Enrollment and Discipline ("OED Director") for the United States Patent and Trademark Office ("USPTO" or "Office") and Mr. Philip T. Virga ("Respondent") desire to settle, without a hearing, this disciplinary proceeding. Accordingly, the OED Director and Respondent present this Proposed Settlement Agreement ("Agreement") to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office ("USPTO Director") and request entry of a Final Order approving this Agreement ("Final Order").

Jurisdiction

1. At all times relevant hereto, Respondent of Redondo Beach, California, has been a patent attorney registered to practice before the Office in patent matters (Registration No. 36,710) and is subject to the USPTO Rules of Professional Conduct, 37 C.F.R. §§ 11.101 through 11.901.
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. §§ 11.19, 11.20, and 11.26.

Preamble

3. Pursuant to 37 C.F.R. § 11.26, the OED Director and Respondent jointly propose settlement of this disciplinary proceeding.
4. The parties agree that this Agreement resolves all disciplinary actions by the Office arising from the stipulated facts set forth below.
5. Respondent acknowledges that he can be subject to disciplinary action by the Office with respect to any violations of the USPTO Rules of Professional Conduct not specifically addressed in the Complaint or this Agreement.
6. Respondent is legally competent and freely and voluntarily enters into this Agreement and acknowledges that he is not acting under duress or coercion.

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7. Respondent acknowledges that he is entitled to have a hearing conducted in accordance with the provisions of 37 C.F.R. §§ 11.34 through 11.57. Respondent hereby waives his right to any such hearing, provided that the USPTO Director agrees to the terms and conditions of this Agreement.

8. Respondent is fully aware of the charges set forth in the following stipulated facts and legal conclusions, and he understands the nature of these charges.

9. Respondent is fully aware of the implications of the USPTO Director accepting this Agreement. Respondent also understands and agrees that, unless the USPTO Director enters a Final Order in accordance with the terms of this Agreement, this disciplinary matter has not been resolved and this Agreement is without effect.

10. The OED Director and Respondent also understand and agree that, pursuant to 37 C.F.R. § 11.26, if the USPTO Director does not approve this Agreement, no reference to the offer of settlement, the contingent acceptance thereof, or the fact that the parties stipulated to facts and legal conclusions in support of this Agreement shall be admissible as evidence in any disciplinary proceeding brought against Respondent.

11. The OED Director and Respondent also understand and agree that this Agreement may be executed in counterparts, the counterparts may be exchanged in portable data format ("PDF"), and the PDF of the executed signature page will constitute an original executed document.

Stipulated Facts

12. Respondent became registered as a patent agent on April 19, 1993.

13. Respondent became registered as a patent attorney on September 27, 1993.

14. Respondent's registration number is 36,710.

15. Respondent is admitted to practice law in California.

16. Between approximately May 2014 and May 2016, Respondent contracted with Desa Industries, Inc., a New York business corporation, doing business as World Patent Marketing ("WPM") in Miami Beach, Florida. WPM does not appear to be a law firm or otherwise authorized to offer or provide legal services.

17. Respondent claims that WPM offered him a contract to provide overflow patent prosecution services. At no time prior to agreeing to provide patent legal services did Mr. Virga speak with any registered practitioner, nor any other attorney, either employed by or otherwise associated with WPM.

18. Respondent claims that WPM offered him a flat fee to prepare, file, and respond to the first Office Action in WPM-referred design and utility patent applications.

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19. Respondent was involved in the preparation, filing, or prosecution of at least 166 patent applications for WPM-referred clients.

20. According to documents provided to OED, WPM charged individual inventor-applicants \$8,995 for a U.S. design patent application; \$11,995 for a U.S. utility patent application; \$21,995 for both a PCT and U.S. patent application; and \$64,995 for a "global patent," which included U.S., PCT, European Union, and China patent applications, as well as trademark and copyright applications. In at least one instance, a WPM customer claimed that he paid \$7,000 to file a provisional patent application.

21. Respondent represents that he was unaware of the amounts WPM-referred clients paid WPM for legal services. Similarly, Respondent represents that his WPM-referred clients were likely not aware of what he received in compensation for legal services. At no time did Respondent confirm whether legal fees were properly deposited and kept safe in a client trust account.

22. Respondent admits that he did not consult with his WPM-referred clients regarding the appropriateness of the patent protection sought. Rather, Respondent claims that WPM and its agents advised Respondent as to which type of patent application to file. Some WPM customers stated to OED that WPM's non-practitioner agents told them to select the type of patent application they could afford.

23. As to provisional and nonprovisional utility patent applications, Respondent represents that: a) WPM provided pre-drafted patent applications; b) WPM employees obtained signatures of the inventor-applicants on oaths, powers of attorney, and micro-entity certifications; c) Respondent would review the applications and make revisions as necessary and then file these applications with the USPTO. Respondent did not ensure that the inventor-applicants reviewed the finalized applications before filing, contrary to the rules of the USPTO.

24. As to design patent applications, Respondent represents that: a) WPM provided a disclosure and Respondent prepared design patent applications, outsourcing the drawings to a draftsman; b) WPM employees obtained signatures of the inventor-applicants on oaths, powers of attorney, and micro-entity certifications; c) Respondent would then file these applications with the USPTO. Respondent did not ensure that the inventor-applicants reviewed the applications before filing, contrary to the rules of the USPTO.

25. Respondent represents that he generally did not communicate with his WPM-referred clients, unless they directly contacted him.

26. As a result, Respondent had a pattern and practice of not communicating with his WPM-referred clients prior to filing their applications with the USPTO. Respondent did not consult with his clients about the means by which his clients' objectives were to be accomplished. Respondent did not explain matters to his clients so as to permit his clients to make informed decisions. Respondent did not question whether the applications selected by his clients, as advised by WPM, were appropriate for their situation.

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27. Because Respondent failed to communicate with his clients, clients who Respondent filed provisional applications for did not understand that their applications would expire by law within 12 months from the date of filing. In many cases, because of Respondent's failure to communicate with his clients, their provisional applications expired without their knowledge.

28. Because Respondent failed to communicate with his clients, clients who Respondent filed utility applications for subsequent to filing provisional applications were not advised as to whether they should claim priority to the earlier-filed provisional application.

29. Because Respondent failed to communicate with his clients, clients who chose to file design patent applications were not advised as to the protection afforded by a design patent application, and whether such protection was more or less appropriate than a utility patent application.

30. Respondent failed to communicate adequate information and explain the material risks of, and reasonably available alternatives to, his arrangement with WPM as a third-party payor of legal services. For example, Respondent did not alert his clients of the potential conflict arising from his personal financial interest in continuing to receive remuneration from WPM. Nor did he inform his clients of the risk that WPM might not safeguard the funds paid for the procurement of patent legal services. As such, Respondent failed to obtain the requisite informed consent from his clients as to such arrangements.

31. After filing applications for his WPM-referred clients, Respondent remained attorney of record in such applications. As of September 20, 2016, Respondent had received numerous Office Actions which he neither informed his clients of, nor forwarded to WPM.

32. Because Respondent did not respond to the numerous Office Actions, many patent applications became abandoned. Respondent did not notify his clients of the abandonments.

33. Respondent had not entered into written representation agreements with his WPM-referred clients. His clients had not agreed to a limited-scope representation and Respondent had not informed his clients that his representation of them was limited in scope.

34. On September 20, 2016, Respondent met with OED at its offices in Alexandria, Virginia. At the September 20, 2016 meeting, Respondent acknowledged failing to notify his clients of Office Actions and abandonments and pledged to rectify his shortcomings. Over the course of the proceeding five months, Respondent took no action to do so and did not contact his clients regarding the Office Actions or abandonments, nor forwarded such information to WPM.

Joint Legal Conclusions

35. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.102(c) (failing to obtain informed consent for limited-scope representation) by failing to obtain his clients' informed consent to representation limited only to the filing of applications, and not the continuing prosecution of such applications.

36. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.105(b) (failing to communicate the scope of the representation and the basis of a fee) by failing to advise his clients at the outset of the representation of the scope of his representation and the basis of his fee.

37. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.103 (failing to act with reasonable diligence and promptness) by failing to advise his clients promptly regarding Office Actions and Notices of Abandonment.

38. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.104(b) (failing to explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation) by failing to explain the material risks of, and reasonably available alternatives to, his employment arrangement with WPM and the benefits and risks of the patent protection sought.

39. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.107(a)(2) (failing to obtain informed consent where a practitioner's responsibilities were materially limited due to a conflict of interest) by representing WPM-customer clients where his representation of those clients was materially limited by (a) his responsibilities under his contract with WPM, and (2) his personal interest in maintaining the steady flow of referrals from WPM.

40. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.108(f)(1) (accepting compensation for representing a client from one other than the client without obtaining informed consent) by accepting compensation from WPM while failing to explain to his clients the material risks of, and reasonably available alternatives to, WPM acting as a third-party payor, or to obtain the clients' informed consent.

41. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. §§ 11.108(f)(2) (allowing interference with the practitioner's independent professional judgment) and 11.504(c) (allowing a person who pays the practitioner to render legal services to another to direct or regulate the practitioner's professional judgment in rendering such legal services) by allowing WPM personnel to direct him to file various types of patent applications without independently determining in his own professional judgment whether the patent protection his clients sought was appropriate for them.

42. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. §§ 11.102(a) (requiring a practitioner to abide by a client's decision concerning the objectives of the representation) and 11.104(a)(2) (requiring that a practitioner reasonably consult with the client about the means by which the client's objectives are to be accomplished) by failing to consult with his clients as to the means by which their objectives were to be pursued.

43. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.104(a)(1), (3) (failing to promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required, and failing to keep

the client reasonably informed of the status of a matter) by failing to notify multiple clients that their provisional patent applications were going to expire.

44. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.504(a) (sharing legal fees with a non-practitioner) by allowing WPM to bill clients for legal services.

45. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.505 (assisting another to practice law in a jurisdiction in violation of the legal profession in that jurisdiction) by assisting WPM's practice of patent law, to wit: assisting WPM's non-practitioner employees in consulting with or giving advice to clients in contemplation of filing a patent application.

Additional Considerations

46. Respondent has accepted responsibility for his misconduct. Respondent recognizes the seriousness of his misconduct and has expressed remorse for it and for its detrimental effect on his former clients as well as on the reputation of the legal profession.

47. Respondent no longer accepts referrals from third-party payors.

48. Respondent has not been previously disciplined.

49. Respondent cooperated with OED's investigation into his conduct. Respondent also traveled at his own expense to meet with OED to provide information relevant to the investigation.

50. Respondent has sought to mitigate the harm to his clients by providing them with legal services at no charge.

51. During the course of the investigation, Respondent experienced a substantial physical injury causing him some delay in taking corrective action.

Agreed Upon Sanction

52. Based on the foregoing, the OED Director proposes, and Respondent freely and voluntarily agrees, that the USPTO Director shall enter a Final Order that:

- a. Incorporates the substance of the above stipulated facts;
- b. Incorporates the substance of the above joint legal conclusions;
- c. Directs that Respondent be suspended from practice before the Office in patent, trademark, and other non-patent matters for five (5) years commencing on the date the Final Order is signed;

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- d. Provides that Respondent may, at any time after twenty-four (24) months from the date the Final Order is signed, file a petition for reinstatement pursuant to 37 C.F.R. § 11.60 requesting reinstatement;
- e. Provides that Respondent shall remain suspended from the practice of patent, trademark, and non-patent law before the USPTO until the OED Director grants a petition requesting Respondent's reinstatement pursuant to 37 C.F.R. § 11.60;
- f. Directs that, as a condition of being reinstated, Respondent (1) take the Multistate Professional Responsibility Examination ("MPRE"), (2) attain a score of 85 or better, and (3) provide a declaration to the OED Director verifying his compliance with this subparagraph;
- g. Directs that Respondent be granted limited recognition to practice before the Office beginning on the date the Final Order is signed, and expiring thirty (30) days after the date the Final Order is signed, with such limited recognition being granted for the sole purpose of facilitating Respondent's compliance with 37 C.F.R. § 11.58(b);
- h. Directs that Respondent shall comply with 37 C.F.R. § 11.58;
- i. Directs that Respondent shall serve a 2-year probationary period commencing on the date of reinstatement;
- j. Directs that that Respondent be permitted to practice before the USPTO in patent, trademark, and other non-patent law before the USPTO during his probationary period, unless his probation is revoked and he is suspended by order of the USPTO Director or otherwise no longer has the authority to practice;
- k. Directs that:
 - (1) if the OED Director is of the opinion that Respondent, during the probationary period, failed to comply with any provision of this Agreement, the Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:
 - (A) issue to Respondent an Order to Show Cause why the USPTO Director should not enter an order immediately suspending the Respondent for up to one additional year for the violations set forth in the Joint Legal Conclusions, 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;

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and

(2) in the event that 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 this Agreement, Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:

- (A) deliver to the USPTO Director or his designee: (i) the Order to Show Cause, (ii) Respondent's response to the Order to Show Cause, if any, and (iii) argument and evidence supporting the OED Director's position; and
 - (B) request that the USPTO Director enter an order suspending Respondent from practice before the USPTO for up to one additional year for the violations set forth in the Joint Legal Conclusions, above;
- l. Directs that nothing therein shall prevent the OED Director from seeking discrete discipline for any misconduct that formed the basis for an Order to Show Cause issued pursuant to the preceding paragraph "k" above;
 - m. Directs that, in the event the Respondent seeks a review of any action taken pursuant to paragraph "k" above, such review shall not operate to postpone or other hold in abeyance such action;
 - n. Directs that the OED Director electronically publish the Final Order at OED's electronic FOIA Reading Room, which is publicly accessible at:
<http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
 - o. Directs that the OED Director publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Suspension and Probation

This notice concerns Mr. Philip T. Virga of Redondo Beach, California, who is a registered practitioner (Registration No. 36,710). In settlement of a disciplinary proceeding, the Director of the United States Patent and Trademark Office ("USPTO" or "Office") has suspended Mr. Virga from practice before the Office in patent, trademark, and non-patent matters for five years and placed him on probation for two years following any reinstatement. Mr. Virga may petition for reinstatement after serving twenty-four (24) months of his suspension, but he must, *inter alia*, take and pass the Multistate Professional Responsibility Exam, with a score of 85 or better, as a condition of reinstatement.

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The suspension is predicated upon Mr. Virga's violations of numerous provisions of the USPTO Rules of Professional Conduct in connection with his providing patent preparation, filing, and prosecution services for inventors who contracted with a non-practitioner company. Between approximately May 2014 and May 2016, Mr. Virga contracted with Desa Industries, Inc., a New York business corporation, doing business as World Patent Marketing ("WPM") in Miami Beach, Florida. Mr. Virga received referrals of clients seeking patent legal services from WPM. WPM employees appear to have advised inventor-applicants as to which type of patent application to file and had inventor-applicants sign oaths of inventorship without regard to whether they had actually reviewed the application to be filed with the Office, and generally before Mr. Virga had even prepared the application. Mr. Virga did not obtain informed consent from the inventor-applicants to be paid by the non-practitioner company (37 C.F.R. § 11.108(f)(1)); did not communicate the scope of the representation and basis of fee to the inventor-applicants (37 C.F.R. § 11.105(b)); did not obtain informed consent from the inventor-applicants to represent the inventor-applicants in light of actual or potential conflicts of interest (37 C.F.R. § 11.107(a)(2)); did not explain a matter to the extent reasonably necessary to permit the inventor-applicants to make informed decisions regarding the representation (37 C.F.R. § 11.104(b)); did not communicate Office Actions and Notices of Abandonments to his clients in a reasonable and prompt manner (37 C.F.R. § 11.103); did not consult with the inventor-applicants as to the means by which their objectives were to be accomplished (37 C.F.R. §§ 11.102(a) and 11.104(a)(2)); did not obtain informed consent for limited scope representation (37 C.F.R. § 11.102(c)); did not promptly inform the inventor-applicants of any decision or circumstance with respect to which the inventor-applicants' informed consent was required, and did not keep the inventor-applicants reasonably informed of the status of their matters (37 C.F.R. § 11.104(a)(1), (3)); allowed the non-practitioner company to interfere with and/or to direct or regulate his professional judgment (37 C.F.R. §§ 11.108(f)(2) and 11.504(c)); shared legal fees with the non-practitioner company (37 C.F.R. § 11.504(a)); and assisted the non-practitioner company to practice before the Office in patent matters in violation of the Office's rules regarding unauthorized practice before the Office (37 C.F.R. § 11.505). In short, Mr. Virga disregarded his important ethical obligations to each inventor-applicant who contracted with the non-practitioner company for patent legal services.

Mr. Virga has expressed contrition and understands how his actions violated the USPTO Rules of Professional Conduct.

Practitioners are reminded that the USPTO Director has disciplined practitioners for having violated their professional responsibilities to inventors under circumstances where a non-practitioner third party—such as a company that aims to assist inventors in protecting and/or marketing their inventions—refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party. *See, e.g., In re Cohen*, Proceeding No. D2002-15

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(USPTO Dec. 4, 2002); *In re Colitz*, Proceeding No. D1999-04 (USPTO Jan. 2, 2003); *In re Bender*, Proceeding No. D2000-01 (USPTO Sept. 30, 2003); *In re Kaardal*, Proceeding No. D2003-08 (USPTO Feb. 24, 2004); *In re Schoonover*, Proceeding No. D2008-24 (USPTO July 14, 2009); *In re Gibney*, Proceeding No. D2009-33 (USPTO Mar. 4, 2010); *In re Galasso*, Proceeding No. 2009-17 (USPTO Aug. 20, 2010); *In re Sung*, Proceeding No. D2010-19 (USPTO Jan. 18, 2011); *In re Campbell*, Proceeding No. D2009-39 (USPTO Feb. 18, 2011); *In re Mackenzie*, Proceeding No. D2010-27 (USPTO Oct. 12, 2011); and *In re Harrington*, Proceeding No. D2012-14 (USPTO Apr. 18, 2012). *See also In re Meyer*, Proceeding No. D2010-41 (USPTO Sept. 7, 2011) (referral of trademark applicants). Accordingly, practitioners should be mindful that several interrelated provisions of the USPTO Rules of Professional Conduct apply to such situations.

First, prior to entering into a practitioner-client relationship with an inventor who is referred by a non-practitioner third party, the practitioner should properly consider the various conflicts of interest that already exist or may arise during the relationship. *See generally* 37 C.F.R. §§ 11.107 and 11.108. Such conflicts may include those between the inventor and other inventors previously referred to the practitioner by the non-practitioner third party. Such conflicts may also include those between the inventor and the practitioner due to the practitioner's personal financial interest in continuing to receive inventor referrals from the non-practitioner third party. One specific conflict of interest is addressed by the USPTO Rules of Professional Conduct, which require the practitioner to obtain "informed consent" from the inventor to accept compensation from someone other than the client. *See* 37 C.F.R. § 11.108(f). Informed consent means the agreement by a prospective client to be represented by a practitioner after the practitioner has communicated adequate information and explanation about the material risks of and reasonably available alternatives to the client being represented by the practitioner. The mere fact that the inventor authorizes the third party to pay the practitioner is not informed consent. *See In re Colitz*, Proceeding No. D1999-04 (USPTO January 2, 2003). Hence, under circumstances where a non-practitioner third party refers inventors to a registered practitioner to provide the patent legal services purchased by inventors from the third party, the inventor would likely be unable to provide the requisite informed consent absent a meaningful discussion with the practitioner that fully informs the referred inventor of the actual and potential conflicts of interest arising from the fee arrangement between inventor, third party, and practitioner. Additionally, the practitioner must communicate the scope of the representation and the basis or rate of the fee and expenses for which the client will be responsible, *see* 37 C.F.R. § 11.105(b), and shall obtain informed consent whenever limiting the scope of the representation (*e.g.*, such as when only preparing and filing an application and not prosecuting it), *see* 37 C.F.R. § 11.102(c).

Second, a practitioner must exercise independent professional judgment and render candid advice in representing a client. *See* 37 C.F.R. § 11.201. In part, this means that a practitioner shall not share legal fees with the non-practitioner third party that

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refers the inventors to the practitioner. See 37 C.F.R. §11.504(a). Under circumstances where a non-practitioner third party regularly refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party, practitioners may unwittingly violate the fee-sharing prohibition if the practitioner does not know the amount the inventor has paid to the third party for patent legal services. If the entire amount received by the third party for the practitioner's compensation is not distributed to the practitioner and any undistributed compensation held by the third party is not returned to the inventor, then the practitioner has likely impermissibly shared fees with a non-practitioner. Hence, a practitioner is reasonably expected to question carefully the inventor and the referring non-practitioner third party about the amounts being charged to the inventor for the patent legal services to ensure the entire amount is remitted to the practitioner.

Third, exercising independent professional judgment and rendering candid advice also means that a practitioner may not form a partnership with a non-practitioner if any of the activities of the partnership consist of the practice of law. See 37 C.F.R. §11.504(b). Nor may a practitioner assist a non-practitioner in committing the unauthorized practice of law. See 37 C.F.R. §11.505. Where a non-practitioner third party refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party, the practitioner may not merely fill a purchase order. Instead, the practitioner must independently assess the suitability of the sought-after patent protection and communicate his or his assessment to the inventor. For example, prior to the referral of an inventor to a practitioner, it is not uncommon for an inventor to have direct communication with a non-practitioner company that aims to assist inventors in protecting and/or marketing their inventions—e.g., the company may review the inventor's submission and, thereafter, provide the inventor with a patent search report or marketing report that induces the inventor to purchase a provisional, design, or utility patent application from the company. By remaining passive and merely providing the patent legal services purchased by the referred inventor, a practitioner may be found to have formed a *de facto* partnership with the non-practitioner and also may be assisting the company commit the unauthorized practice of law. Hence, when a practitioner receives a referral for patent services from a non-practitioner company that aims to assist inventors in protecting and/or marketing their inventions, the practitioner is reasonably expected to obtain copies of all documents exchanged between the company and the inventor so that the practitioner may understand whether company is engaging in practice before the Office in patent matters as defined in 37 C.F.R. §11.5(b)(1). If the documents indicate that the company is doing so, the practitioner should be mindful that he or she may likely be in violation of both 37 C.F.R. §§11.504(b) and 11.505 by accepting the referral and providing the purchased patent legal services.

Fourth, a practitioner is ethically obligated to communicate with the inventor. Ethical communication between a practitioner and an inventor requires the practitioner to consult reasonably with the inventor about the means by which the

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inventor's objectives are to be accomplished; keep the inventor reasonably informed about the status of the application, including informing the inventor promptly of Office correspondence; and explain a matter to the extent reasonably necessary to permit the inventor to make informed decisions regarding the prosecution of the application. See 37 C.F.R. §11.104; see also 37 C.F.R. §11.102(a). The communication with an inventor under circumstances where a non-practitioner third party refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party should be no different in the scope or substance from the communication with inventors that directly engaged the practitioner. Furthermore, practitioners may not delegate their ethical responsibilities to communicate with their clients regarding the substance of their representation by using subordinates or others, including third parties. See, e.g., *In re Meyer*, Proceeding No. D2010-41 (USPTO Sept. 7, 2011) (practitioner reprimanded for, *inter alia*, failing to directly communicate with his clients regarding their trademark applications).

Finally, regarding communications with clients, the USPTO Director is aware that a practitioner may communicate with someone other than the client in cases where there is a bona fide corporate liaison or a foreign agent who conveys instructions to the practitioner. In such an arrangement, the practitioner may rely upon instructions of the corporate liaison or the foreign agent as to the action to be taken in a proceeding before the Office so long as the practitioner is aware that the client has consented to have instructions conveyed through the liaison or agent. Accordingly, nothing in this notice should be construed as contradictory to the discussion entitled "Practitioner's Responsibility to Avoid Prejudice to the Rights of a Client/Patent Applicant" set forth in *Official Gazette* Notice published at 1086 OG 457 (Jan. 12, 1988) or the discussion entitled "Responsibilities of Practitioners Representing and Clients in Proceeding Before The Patent and Trademark Office" set forth in *Official Gazette* Notice published at 1421 OG 2641 (Dec. 29, 2015). Nevertheless, this notice is to be read as providing additional, specific guidance to practitioners under circumstances where a non-practitioner third party refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party.

This action is the result of a settlement agreement between Mr. Virga and the OED Director pursuant to the provisions of 35 U.S.C. §§2(b)(2)(D) and 32 and 37 C.F.R. §§11.19, 11.20, and 11.26. Disciplinary decisions involving practitioners are posted for public reading at the OED Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.


- p. Directs that nothing in this Agreement or the Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including the Final Order: (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office; (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline

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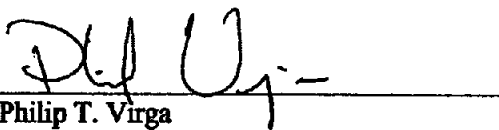
to be imposed, and/or (ii) to rebut any statement or representation by or on Respondent's behalf; and (3) in connection with any request for reconsideration submitted by Respondent pursuant to 37 C.F.R. § 11.60;

- q. Directs that Respondent waives all rights to seek reconsideration of the Final Order under 37 C.F.R. § 11.56, waives the right to have the Final Order reviewed under 37 C.F.R. § 11.57, and waives the right otherwise to appeal or challenge the Final Order in any manner; and
- r. Directs that each party shall bear their own costs incurred to date and in carrying out the terms of this Agreement and any Final Order.

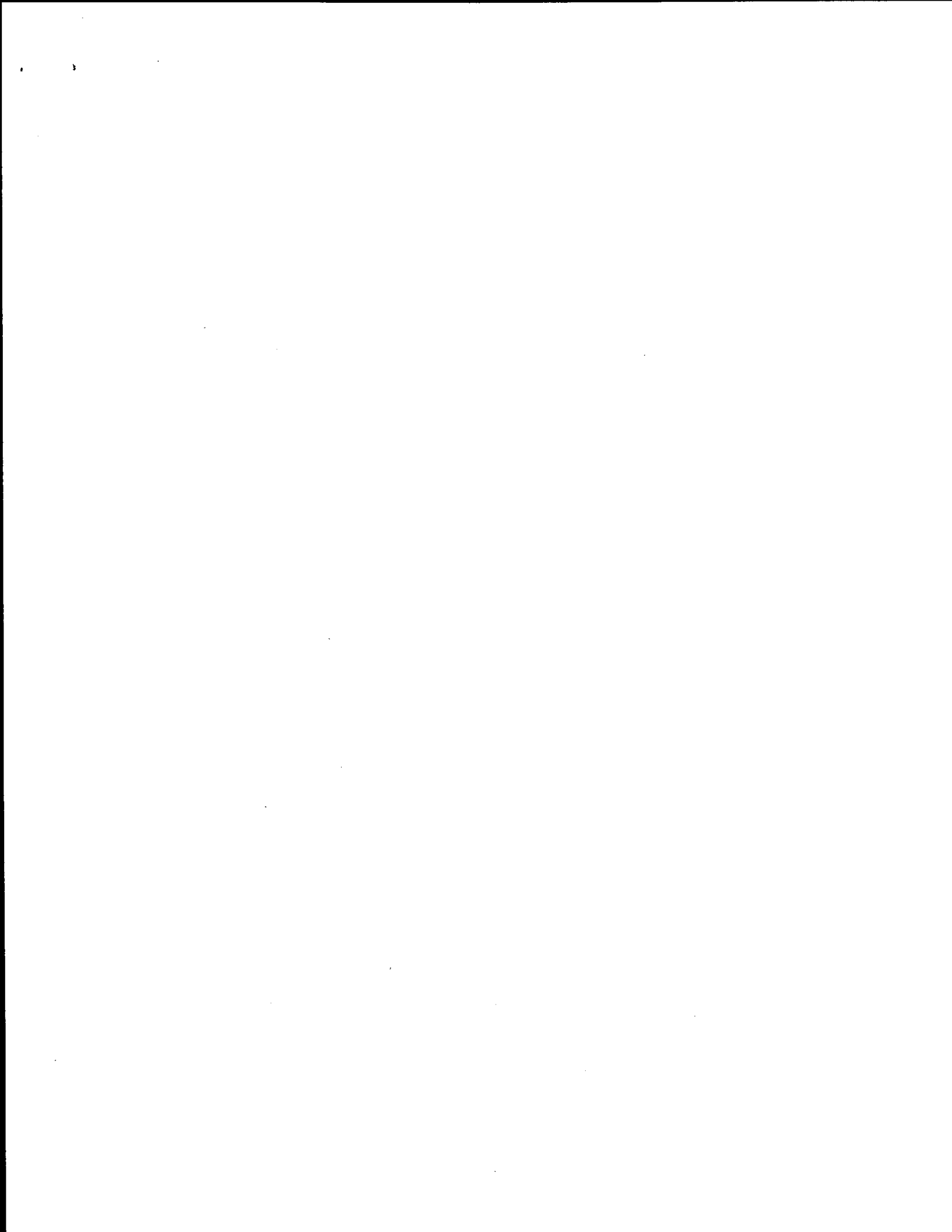
The foregoing is understood and agreed to by:

for: 
William R. Covey
Deputy General Counsel for Enrollment and Discipline and
Director of the Office of Enrollment and Discipline

3-10-2017
Date


Philip T. Virga

3/9/2017
Date



37 CFR 11.102

This document is current through the October 2, 2017 issue of the Federal Register. Pursuant to 82 FR 8346 ("Regulatory Freeze Pending Review"), certain regulations will be delayed pending further review. See Publisher's Note under affected rules. Title 3 is current through September 8, 2017.

Code of Federal Regulations > TITLE 37 -- PATENTS, TRADEMARKS, AND COPYRIGHTS > CHAPTER I -- UNITED STATES PATENT AND TRADEMARK OFFICE, DEPARTMENT OF COMMERCE > SUBCHAPTER A -- GENERAL > PART 11 -- REPRESENTATION OF OTHERS BEFORE THE UNITED STATES PATENT AND TRADEMARK OFFICE > SUBPART D--USPTO RULES OF PROFESSIONAL CONDUCT > PRACTICE BEFORE THE PATENT AND TRADEMARK OFFICE > CLIENT-PRACTITIONER RELATIONSHIP

§ 11.102 Scope of representation and allocation of authority between client and practitioner.

(a) Subject to paragraphs (c) and (d) of this section, a practitioner shall abide by a client's decisions concerning the objectives of representation and, as required by § 11.104, shall consult with the client as to the means by which they are to be pursued. A practitioner may take such action on behalf of the client as is impliedly authorized to carry out the representation. A practitioner shall abide by a client's decision whether to settle a matter.

(b) [Reserved]

(c) A practitioner may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent.

(d) A practitioner shall not counsel a client to engage, or assist a client, in conduct that the practitioner knows is criminal or fraudulent, but a practitioner may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good-faith effort to determine the validity, scope, meaning or application of the law.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

Research References & Practice Aids

NOTES APPLICABLE TO ENTIRE CHAPTER:

EDITORIAL NOTE: Chapter I -- Patent and Trademark Office, Department of Commerce, Subchapter A -- General, contains patent and trademark regulations. Subchapter A has been restructured to allow parts pertaining to patent regulations and trademark regulations to be grouped separately.

[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: *78 FR 61185*, Oct. 3, 2013.]

NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

[PUBLISHER'S NOTE: "The parts in chapter I, subchapter A are regrouped according to subject matter. All parts pertaining to patents--parts 1 and 5--appear sequentially. All parts pertaining to trademarks--parts 2 and 6--follow, also in sequence. Part 3 which pertains to both patents and trademarks follows part 1."]

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37 CFR 11.103

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§ 11.103 Diligence.

A practitioner shall act with reasonable diligence and promptness in representing a client.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

Research References & Practice Aids

NOTES APPLICABLE TO ENTIRE CHAPTER:

EDITORIAL NOTE: Chapter I -- Patent and Trademark Office, Department of Commerce, Subchapter A -- General, contains patent and trademark regulations. Subchapter A has been restructured to allow parts pertaining to patent regulations and trademark regulations to be grouped separately.

[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: 78 FR 61185, Oct. 3, 2013.]

NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

37 CFR 11.103

[PUBLISHER'S NOTE: "The parts in chapter I, subchapter A are regrouped according to subject matter. All parts pertaining to patents--parts 1 and 5--appear sequentially. All parts pertaining to trademarks--parts 2 and 6--follow, also in sequence. Part 3 which pertains to both patents and trademarks follows part 1."]

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§ 11.104 Communication.

(a) A practitioner shall:

- (1) Promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required by the USPTO Rules of Professional Conduct;
- (2) Reasonably consult with the client about the means by which the client's objectives are to be accomplished;
- (3) Keep the client reasonably informed about the status of the matter;
- (4) Promptly comply with reasonable requests for information from the client; and
- (5) Consult with the client about any relevant limitation on the practitioner's conduct when the practitioner knows that the client expects assistance not permitted by the USPTO Rules of Professional Conduct or other law.

(b) A practitioner shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

Research References & Practice Aids

NOTES APPLICABLE TO ENTIRE CHAPTER:

EDITORIAL NOTE: Chapter I – Patent and Trademark Office, Department of Commerce, Subchapter A -- General, contains patent and trademark regulations. Subchapter A has been restructured to allow parts pertaining to patent regulations and trademark regulations to be grouped separately.

[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: *78 FR 61185*, Oct. 3, 2013.]

NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

[PUBLISHER'S NOTE: "The parts in chapter I, subchapter A are regrouped according to subject matter. All parts pertaining to patents--parts 1 and 5--appear sequentially. All parts pertaining to trademarks--parts 2 and 6--follow, also in sequence. Part 3 which pertains to both patents and trademarks follows part 1."]

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Code of Federal Regulations > TITLE 37 -- PATENTS, TRADEMARKS, AND COPYRIGHTS > CHAPTER I -- UNITED STATES PATENT AND TRADEMARK OFFICE, DEPARTMENT OF COMMERCE > SUBCHAPTER A -- GENERAL > PART 11 -- REPRESENTATION OF OTHERS BEFORE THE UNITED STATES PATENT AND TRADEMARK OFFICE > SUBPART D--USPTO RULES OF PROFESSIONAL CONDUCT > PRACTICE BEFORE THE PATENT AND TRADEMARK OFFICE > CLIENT-PRACTITIONER RELATIONSHIP

§ 11.105 Fees.

(a) A practitioner shall not make an agreement for, charge, or collect an unreasonable fee or an unreasonable amount for expenses. The factors to be considered in determining the reasonableness of a fee include the following:

- (1) The time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal service properly;
- (2) The likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the practitioner;
- (3) The fee customarily charged in the locality for similar legal services;
- (4) The amount involved and the results obtained;
- (5) The time limitations imposed by the client or by the circumstances;
- (6) The nature and length of the professional relationship with the client;
- (7) The experience, reputation, and ability of the practitioner or practitioners performing the services; and
- (8) Whether the fee is fixed or contingent.

(b) The scope of the representation and the basis or rate of the fee and expenses for which the client will be responsible shall be communicated to the client, preferably in writing, before or within a reasonable time after commencing the representation, except when the practitioner will charge a regularly represented client on the same basis or rate. Any changes in the basis or rate of the fee or expenses shall also be communicated to the client.

(c) A fee may be contingent on the outcome of the matter for which the service is rendered, except in a matter in which a contingent fee is prohibited by law. A contingent fee agreement shall be in a writing signed by the client and shall state the method by which the fee is to be determined, including the percentage or percentages that shall accrue to the practitioner in the event of settlement, trial or appeal; litigation and other expenses to be deducted from the recovery; and whether such expenses are to be deducted before or after the contingent fee is calculated. The agreement must clearly notify the client of any expenses for which the client will be liable

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whether or not the client is the prevailing party. Upon conclusion of a contingent fee matter, the practitioner shall provide the client with a written statement stating the outcome of the matter and, if there is a recovery, showing the remittance to the client and the method of its determination.

(d)[Reserved]

(e)A division of a fee between practitioners who are not in the same firm may be made only if:

(1)The division is in proportion to the services performed by each practitioner or each practitioner assumes joint responsibility for the representation;

(2)The client agrees to the arrangement, including the share each practitioner will receive, and the agreement is confirmed in writing; and

(3)The total fee is reasonable.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

Research References & Practice Aids

NOTES APPLICABLE TO ENTIRE CHAPTER:

EDITORIAL NOTE: Chapter I -- Patent and Trademark Office, Department of Commerce, Subchapter A -- General, contains patent and trademark regulations. Subchapter A has been restructured to allow parts pertaining to patent regulations and trademark regulations to be grouped separately.

[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: 78 FR 61185, Oct. 3, 2013.]

NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

[PUBLISHER'S NOTE: "The parts in chapter I, subchapter A are regrouped according to subject matter. All parts pertaining to patents--parts 1 and 5--appear sequentially. All parts pertaining to trademarks--parts 2 and 6--follow, also in sequence. Part 3 which pertains to both patents and trademarks follows part 1."]

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§ 11.107 Conflict of interest; Current clients.

(a) Except as provided in paragraph (b) of this section, a practitioner shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:

- (1) The representation of one client will be directly adverse to another client; or
- (2) There is a significant risk that the representation of one or more clients will be materially limited by the practitioner's responsibilities to another client, a former client or a third person or by a personal interest of the practitioner.

(b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a) of this section, a practitioner may represent a client if:

- (1) The practitioner reasonably believes that the practitioner will be able to provide competent and diligent representation to each affected client;
- (2) The representation is not prohibited by law;
- (3) The representation does not involve the assertion of a claim by one client against another client represented by the practitioner in the same litigation or other proceeding before a tribunal; and
- (4) Each affected client gives informed consent, confirmed in writing.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

Research References & Practice Aids

NOTES APPLICABLE TO ENTIRE CHAPTER:

EDITORIAL NOTE: Chapter I -- Patent and Trademark Office, Department of Commerce, Subchapter A -- General, contains patent and trademark regulations. Subchapter A has been restructured to allow parts pertaining to patent regulations and trademark regulations to be grouped separately.

[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: *78 FR 61185*, Oct. 3, 2013.]

NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

[PUBLISHER'S NOTE: "The parts in chapter I, subchapter A are regrouped according to subject matter. All parts pertaining to patents--parts 1 and 5--appear sequentially. All parts pertaining to trademarks--parts 2 and 6--follow, also in sequence. Part 3 which pertains to both patents and trademarks follows part 1."]

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37 CFR 11.108

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§ 11.108 Conflict of interest; Current clients; Specific rules.

(a) A practitioner shall not enter into a business transaction with a client or knowingly acquire an ownership, possessory, security or other pecuniary interest adverse to a client unless:

(1) The transaction and terms on which the practitioner acquires the interest are fair and reasonable to the client and are fully disclosed and transmitted in writing in a manner that can be reasonably understood by the client;

(2) The client is advised in writing of the desirability of seeking and is given a reasonable opportunity to seek the advice of independent legal counsel in the transaction; and

(3) The client gives informed consent, in a writing signed by the client, to the essential terms of the transaction and the practitioner's role in the transaction, including whether the practitioner is representing the client in the transaction.

(b) A practitioner shall not use information relating to representation of a client to the disadvantage of the client unless the client gives informed consent, except as permitted or required by the USPTO Rules of Professional Conduct.

(c) A practitioner shall not solicit any substantial gift from a client, including a testamentary gift, or prepare on behalf of a client an instrument giving the practitioner or a person related to the practitioner any substantial gift unless the practitioner or other recipient of the gift is related to the client. For purposes of this paragraph, related persons include a spouse, child, grandchild, parent, grandparent or other relative or individual with whom the practitioner or the client maintains a close, familial relationship.

(d) Prior to the conclusion of representation of a client, a practitioner shall not make or negotiate an agreement giving the practitioner literary or media rights to a portrayal or account based in substantial part on information relating to the representation.

(e) A practitioner shall not provide financial assistance to a client in connection with pending or contemplated litigation or a proceeding before the Office, except that:

(1) A practitioner may advance court costs and expenses of litigation, the repayment of which may be contingent on the outcome of the matter;

37 CFR 11.108

- (2) A practitioner representing an indigent client may pay court costs and expenses of litigation or a proceeding before the Office on behalf of the client;
- (3) A practitioner may advance costs and expenses in connection with a proceeding before the Office provided the client remains ultimately liable for such costs and expenses; and
- (4) A practitioner may also advance any fee required to prevent or remedy an abandonment of a client's application by reason of an act or omission attributable to the practitioner and not to the client, whether or not the client is ultimately liable for such fee.
- (f) A practitioner shall not accept compensation for representing a client from one other than the client unless:
- (1) The client gives informed consent;
 - (2) There is no interference with the practitioner's independence of professional judgment or with the client-practitioner relationship; and
 - (3) Information relating to representation of a client is protected as required by § 11.106.
- (g) A practitioner who represents two or more clients shall not participate in making an aggregate settlement of the claims of or against the clients, unless each client gives informed consent, in a writing signed by the client. The practitioner's disclosure shall include the existence and nature of all the claims involved and of the participation of each person in the settlement.
- (h) A practitioner shall not:
- (1) Make an agreement prospectively limiting the practitioner's liability to a client for malpractice unless the client is independently represented in making the agreement; or
 - (2) Settle a claim or potential claim for such liability with an unrepresented client or former client unless that person is advised in writing of the desirability of seeking and is given a reasonable opportunity to seek the advice of independent legal counsel in connection therewith.
- (i) A practitioner shall not acquire a proprietary interest in the cause of action, subject matter of litigation, or a proceeding before the Office which the practitioner is conducting for a client, except that the practitioner may, subject to the other provisions in this section:
- (1) Acquire a lien authorized by law to secure the practitioner's fee or expenses;
 - (2) Contract with a client for a reasonable contingent fee in a civil case; and
 - (3) In a patent case or a proceeding before the Office, take an interest in the patent or patent application as part or all of his or her fee.
- (j) [Reserved]
- (k) While practitioners are associated in a firm, a prohibition in paragraphs (a) through (i) of this section that applies to any one of them shall apply to all of them.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

Research References & Practice Aids

NOTES APPLICABLE TO ENTIRE CHAPTER:

EDITORIAL NOTE: Chapter I -- Patent and Trademark Office, Department of Commerce, Subchapter A -- General, contains patent and trademark regulations. Subchapter A has been restructured to allow parts pertaining to patent regulations and trademark regulations to be grouped separately.

[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: *78 FR 61185*, Oct. 3, 2013.]

NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

[PUBLISHER'S NOTE: "The parts in chapter I, subchapter A are regrouped according to subject matter. All parts pertaining to patents--parts 1 and 5--appear sequentially. All parts pertaining to trademarks--parts 2 and 6--follow, also in sequence. Part 3 which pertains to both patents and trademarks follows part 1."]

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§ 11.504 Professional independence of a practitioner.

(a) A practitioner or law firm shall not share legal fees with a non-practitioner, except that:

(1) An agreement by a practitioner with the practitioner's firm, partner, or associate may provide for the payment of money, over a reasonable period of time after the practitioner's death, to the practitioner's estate or to one or more specified persons;

(2) A practitioner who purchases the practice of a deceased, disabled, or disappeared practitioner may, pursuant to the provisions of § 11.117, pay to the estate or other representative of that practitioner the agreed-upon purchase price;

(3) A practitioner or law firm may include non-practitioner employees in a compensation or retirement plan, even though the plan is based in whole or in part on a profit-sharing arrangement; and

(4) A practitioner may share legal fees, whether awarded by a tribunal or received in settlement of a matter, with a nonprofit organization that employed, retained or recommended employment of the practitioner in the matter and that qualifies under *Section 501(c)(3) of the Internal Revenue Code*.

(b) A practitioner shall not form a partnership with a non-practitioner if any of the activities of the partnership consist of the practice of law.

(c) A practitioner shall not permit a person who recommends, employs, or pays the practitioner to render legal services for another to direct or regulate the practitioner's professional judgment in rendering such legal services.

(d) A practitioner shall not practice with or in the form of a professional corporation or association authorized to practice law for a profit, if:

(1) A non-practitioner owns any interest therein, except that a fiduciary representative of the estate of a practitioner may hold the stock or interest of the practitioner for a reasonable time during administration;

(2) A non-practitioner is a corporate director or officer thereof or occupies the position of similar responsibility in any form of association other than a corporation; or

(3) A non-practitioner has the right to direct or control the professional judgment of a practitioner.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

Research References & Practice Aids

NOTES APPLICABLE TO ENTIRE CHAPTER:

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[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: *78 FR 61185*, Oct. 3, 2013.]

NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

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§ 11.505 Unauthorized practice of law.

A practitioner shall not practice law in a jurisdiction in violation of the regulation of the legal profession in that jurisdiction, or assist another in doing so.

History

[78 FR 20180, 20201, Apr. 3, 2013]

Annotations

Notes

[EFFECTIVE DATE NOTE:

78 FR 20180, 20201, Apr. 3, 2013, added Subpart D, effective May 3, 2013.]

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[PUBLISHER'S NOTE: For Federal Register citations concerning Chapter I Notices, see: 78 FR 61185, Oct. 3, 2013.]

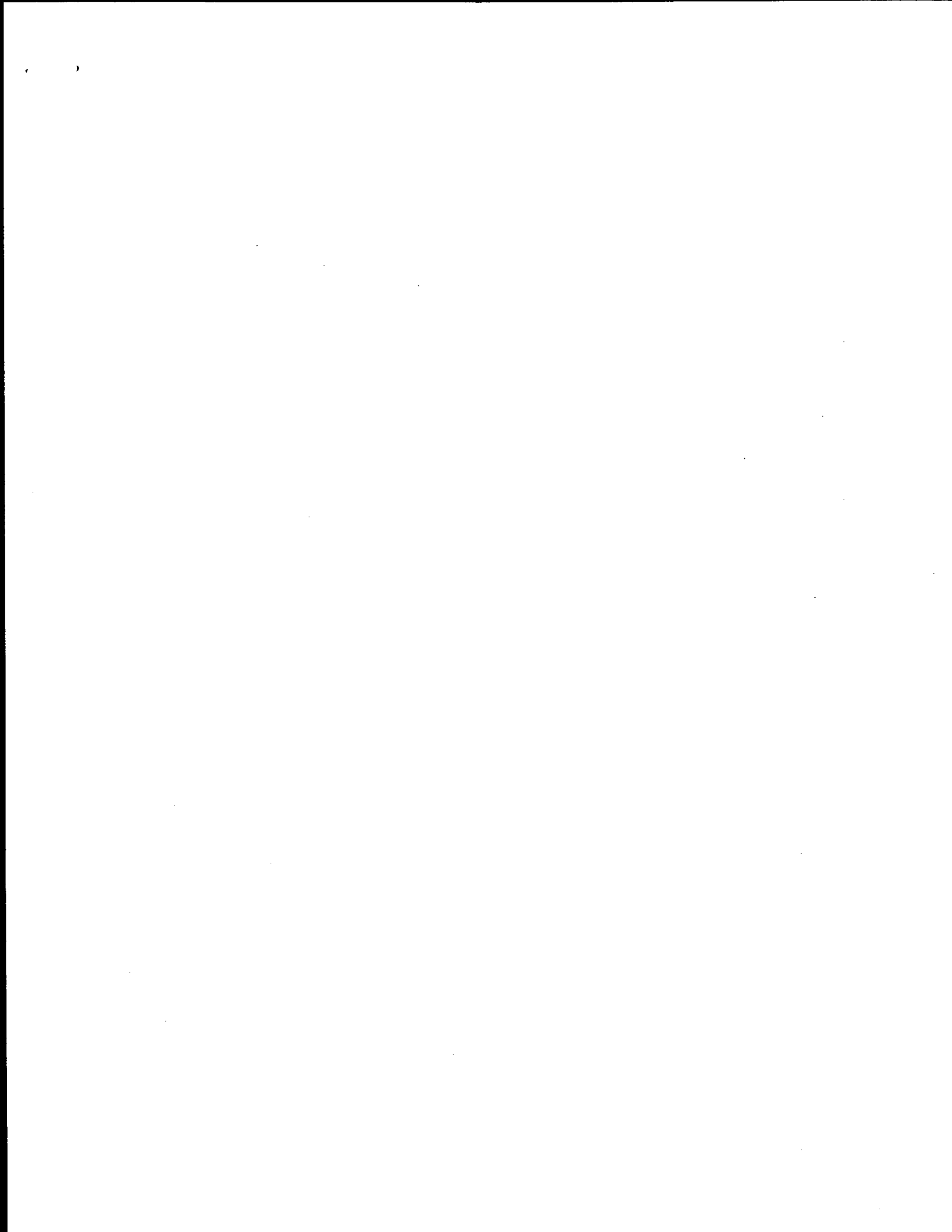
NOTES APPLICABLE TO ENTIRE SUBCHAPTER:

[PUBLISHER'S NOTE: "The parts in chapter I, subchapter A are regrouped according to subject matter. All parts pertaining to patents--parts 1 and 5--appear sequentially. All parts pertaining to trademarks--parts 2 and 6--follow, also in sequence. Part 3 which pertains to both patents and trademarks follows part 1."]

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U. S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

5/19/17

(Date)

I hereby certify that this is a true and accurate copy of the Final Order in *in the Matter of Philip T. Virga*, Proceeding No. D2017-14.



By authority of the
DIRECTOR OF THE U. S. PATENT AND TRADEMARK OFFICE

Harold Robinson
Certifying Officer

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

In the Matter of)

Philip T. Virga,)

Respondent)

Proceeding No. D2017-14

FINAL ORDER

The Director of the Office of Enrollment and Discipline ("OED Director") for the United States Patent and Trademark Office ("USPTO" or "Office") and Mr. Philip T. Virga ("Respondent") have submitted a Proposed Settlement Agreement ("Agreement") to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office ("USPTO Director") for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties' stipulated facts, legal conclusions, and agreed upon sanctions.

Jurisdiction

1. At all times relevant hereto, Respondent of Redondo Beach, California, has been a patent attorney registered to practice before the Office in patent matters (Registration No. 36,710) and is subject to the USPTO Rules of Professional Conduct, 37 C.F.R. §§ 11.101 through 11.901.
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. §§ 11.19, 11.20, and 11.26.

Joint Stipulated Facts

3. Respondent became registered as a patent agent on April 19, 1993.
4. Respondent became registered as a patent attorney on September 27, 1993.
5. Respondent's registration number is 36,710.
6. Respondent is admitted to practice law in California.
7. Between approximately May 2014 and May 2016, Respondent contracted with Desa Industries, Inc., a New York business corporation, doing business as World Patent Marketing ("WPM") in Miami Beach, Florida. WPM does not appear to be a law firm or otherwise authorized to offer or provide legal services.

8. Respondent claims that WPM offered him a contract to provide overflow patent prosecution services. At no time prior to agreeing to provide patent legal services did Mr. Virga speak with any registered practitioner, nor any other attorney, either employed by or otherwise associated with WPM.

9. Respondent claims that WPM offered him a flat fee to prepare, file, and respond to the first Office Action in WPM-referred design and utility patent applications.

10. Respondent was involved in the preparation, filing, or prosecution of at least 166 patent applications for WPM-referred clients.

11. According to documents provided to OED, WPM charged individual inventor-applicants \$8,995 for a U.S. design patent application; \$11,995 for a U.S. utility patent application; \$21,995 for both a PCT and U.S. patent application; and \$64,995 for a "global patent," which included U.S., PCT, European Union, and China patent applications, as well as trademark and copyright applications. In at least one instance, a WPM customer claimed that he paid \$7,000 to file a provisional patent application.

12. Respondent represents that he was unaware of the amounts WPM-referred clients paid WPM for legal services. Similarly, Respondent represents that his WPM-referred clients were likely not aware of what he received in compensation for legal services. At no time did Respondent confirm whether legal fees were properly deposited and kept safe in a client trust account.

13. Respondent admits that he did not consult with his WPM-referred clients regarding the appropriateness of the patent protection sought. Rather, Respondent claims that WPM and its agents advised Respondent as to which type of patent application to file. Some WPM customers stated to OED that WPM's non-practitioner agents told them to select the type of patent application they could afford.

14. As to provisional and nonprovisional utility patent applications, Respondent represents that: a) WPM provided pre-drafted patent applications; b) WPM employees obtained signatures of the inventor-applicants on oaths, powers of attorney, and micro-entity certifications; c) Respondent would review the applications and make revisions as necessary and then file these applications with the USPTO. Respondent did not ensure that the inventor-applicants reviewed the finalized applications before filing, contrary to the rules of the USPTO.

15. As to design patent applications, Respondent represents that: a) WPM provided a disclosure and Respondent prepared design patent applications, outsourcing the drawings to a draftsman; b) WPM employees obtained signatures of the inventor-applicants on oaths, powers of attorney, and micro-entity certifications; c) Respondent would then file these applications with the USPTO. Respondent did not ensure that the inventor-applicants reviewed the applications before filing, contrary to the rules of the USPTO.

16. Respondent represents that he generally did not communicate with his WPM-referred clients, unless they directly contacted him.

17. As a result, Respondent had a pattern and practice of not communicating with his WPM-referred clients prior to filing their applications with the USPTO. Respondent did not consult with his clients about the means by which his clients' objectives were to be accomplished. Respondent did not explain matters to his clients so as to permit his clients to make informed decisions. Respondent did not question whether the applications selected by his clients, as advised by WPM, were appropriate for their situation.

18. Because Respondent failed to communicate with his clients, clients who Respondent filed provisional applications for did not understand that their applications would expire by law within 12 months from the date of filing. In many cases, because of Respondent's failure to communicate with his clients, their provisional applications expired without their knowledge.

19. Because Respondent failed to communicate with his clients, clients who Respondent filed utility applications for subsequent to filing provisional applications were not advised as to whether they should claim priority to the earlier-filed provisional application.

20. Because Respondent failed to communicate with his clients, clients who chose to file design patent applications were not advised as to the protection afforded by a design patent application, and whether such protection was more or less appropriate than a utility patent application.

21. Respondent failed to communicate adequate information and explain the material risks of, and reasonably available alternatives to, his arrangement with WPM as a third-party payor of legal services. For example, Respondent did not alert his clients of the potential conflict arising from his personal financial interest in continuing to receive remuneration from WPM. Nor did he inform his clients of the risk that WPM might not safeguard the funds paid for the procurement of patent legal services. As such, Respondent failed to obtain the requisite informed consent from his clients as to such arrangements.

22. After filing applications for his WPM-referred clients, Respondent remained attorney of record in such applications. As of September 20, 2016, Respondent had received numerous Office Actions which he neither informed his clients of, nor forwarded to WPM.

23. Because Respondent did not respond to the numerous Office Actions, many patent applications became abandoned. Respondent did not notify his clients of the abandonments.

24. Respondent had not entered into written representation agreements with his WPM-referred clients. His clients had not agreed to a limited-scope representation and Respondent had not informed his clients that his representation of them was limited in scope.

25. On September 20, 2016, Respondent met with OED at its offices in Alexandria, Virginia. At the September 20, 2016 meeting, Respondent acknowledged failing to notify his clients of Office Actions and abandonments and pledged to rectify his shortcomings. Over the course of the proceeding five months, Respondent took no action to do so and did not contact his clients regarding the Office Actions or abandonments, nor forwarded such information to WPM.

Joint Legal Conclusions

26. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.102(c) (failing to obtain informed consent for limited-scope representation) by failing to obtain his clients' informed consent to representation limited only to the filing of applications, and not the continuing prosecution of such applications.

27. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.105(b) (failing to communicate the scope of the representation and the basis of a fee) by failing to advise his clients at the outset of the representation of the scope of his representation and the basis of his fee.

28. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.103 (failing to act with reasonable diligence and promptness) by failing to advise his clients promptly regarding Office Actions and Notices of Abandonment.

29. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.104(b) (failing to explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation) by failing to explain the material risks of, and reasonably available alternatives to, his employment arrangement with WPM and the benefits and risks of the patent protection sought.

30. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.107(a)(2) (failing to obtain informed consent where a practitioner's responsibilities were materially limited due to a conflict of interest) by representing WPM-customer clients where his representation of those clients was materially limited by (a) his responsibilities under his contract with WPM, and (2) his personal interest in maintaining the steady flow of referrals from WPM.

31. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.108(f)(1) (accepting compensation for representing a client from one other than the client without obtaining informed consent) by accepting compensation from WPM while failing to explain to his clients the material risks of, and reasonably available alternatives to, WPM acting as a third-party payor, or to obtain the clients' informed consent.

32. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. §§ 11.108(f)(2) (allowing interference with the practitioner's independent professional judgment) and 11.504(c) (allowing a person who pays the practitioner to render legal services to another to direct or regulate the practitioner's professional judgment in rendering such legal services) by allowing WPM personnel to direct him to file various types of patent applications without independently determining in his own professional judgment whether the patent protection his clients sought was appropriate for them.

33. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. §§ 11.102(a) (requiring a practitioner to abide by a client's decision concerning the objectives of the representation) and 11.104(a)(2) (requiring that a practitioner reasonably consult with the client about the means by which the client's objectives are to be accomplished)

by failing to consult with his clients as to the means by which their objectives were to be pursued.

34. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.104(a)(1), (3) (failing to promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required, and failing to keep the client reasonably informed of the status of a matter) by failing to notify multiple clients that their provisional patent applications were going to expire.

35. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.504(a) (sharing legal fees with a non-practitioner) by allowing WPM to bill clients for legal services.

36. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.505 (assisting another to practice law in a jurisdiction in violation of the legal profession in that jurisdiction) by assisting WPM's practice of patent law, to wit: assisting WPM's non-practitioner employees in consulting with or giving advice to clients in contemplation of filing a patent application.

Additional Considerations

37. Respondent has accepted responsibility for his misconduct. Respondent recognizes the seriousness of his misconduct and has expressed remorse for it and for its detrimental effect on his former clients as well as on the reputation of the legal profession.

38. Respondent no longer accepts referrals from third-party payors.

39. Respondent has not been previously disciplined.

40. Respondent cooperated with OED's investigation into his conduct. Respondent also traveled at his own expense to meet with OED to provide information relevant to the investigation.

41. Respondent has sought to mitigate the harm to his clients by providing them with legal services at no charge.

42. During the course of the investigation, Respondent experienced a substantial physical injury causing him some delay in taking corrective action.

Agreed Upon Sanction

43. Respondent agrees and it is hereby ORDERED that:

- a. Respondent is hereby suspended from practice before the Office in patent, trademark, and other non-patent matters for five (5) years commencing on the date the Final Order is signed;

- b. Respondent may, at any time after twenty-four (24) months from the date the Final Order is signed, file a petition for reinstatement pursuant to 37 C.F.R. § 11.60 requesting reinstatement;
- c. Respondent shall remain suspended from the practice of patent, trademark, and non-patent law before the USPTO until the OED Director grants a petition requesting Respondent's reinstatement pursuant to 37 C.F.R. § 11.60;
- d. As a condition of being reinstated, Respondent shall (1) take the Multistate Professional Responsibility Examination ("MPRE"), (2) attain a score of 85 or better, and (3) provide a declaration to the OED Director verifying his compliance with this subparagraph;
- e. Respondent shall be granted limited recognition to practice before the Office beginning on the date the Final Order is signed, and expiring thirty (30) days after the date the Final Order is signed, with such limited recognition being granted for the sole purpose of facilitating Respondent's compliance with 37 C.F.R. § 11.58(b);
- f. Respondent shall comply with 37 C.F.R. § 11.58;
- g. Respondent shall serve a 2-year probationary period commencing on the date of reinstatement;
- h. Respondent shall be permitted to practice before the USPTO in patent, trademark, and other non-patent law before the USPTO during his probationary period, unless his probation is revoked and he is suspended by order of the USPTO Director or otherwise no longer has the authority to practice;
- i. (1) If the OED Director is of the opinion that Respondent, during the probationary period, failed to comply with any provision of the Agreement, this Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:
 - (A) issue to Respondent an Order to Show Cause why the USPTO Director should not enter an order immediately suspending the Respondent for up to one additional year for the violations set forth in the Joint Legal Conclusions, 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 that 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 Agreement, Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:

- (A) deliver to the USPTO Director or his designee: (i) the Order to Show Cause, (ii) Respondent's response to the Order to Show Cause, if any, and (iii) argument and evidence supporting the OED Director's position; and
 - (B) request that the USPTO Director enter an order suspending Respondent from practice before the USPTO for up to one additional year for the violations set forth in the Joint Legal Conclusions, above;
- j. Nothing therein shall prevent the OED Director from seeking discrete discipline for any misconduct that formed the basis for an Order to Show Cause issued pursuant to the preceding paragraph "i" above;
 - k. In the event the Respondent seeks a review of any action taken pursuant to paragraph "i" above, such review shall not operate to postpone or other hold in abeyance such action;
 - l. The OED Director shall electronically publish the Final Order at OED's electronic FOIA Reading Room, which is publicly accessible at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
 - m. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Suspension and Probation

This notice concerns Mr. Philip T. Virga of Redondo Beach, California, who is a registered practitioner (Registration No. 36,710). In settlement of a disciplinary proceeding, the Director of the United States Patent and Trademark Office ("USPTO" or "Office") has suspended Mr. Virga from practice before the Office in patent, trademark, and non-patent matters for five years and placed him on probation for two years following any reinstatement. Mr. Virga may petition for reinstatement after serving twenty-four (24) months of his suspension, but he must, *inter alia*, take and pass the Multistate Professional Responsibility Exam, with a score of 85 or better, as a condition of reinstatement.

The suspension is predicated upon Mr. Virga's violations of numerous provisions of the USPTO Rules of Professional Conduct in connection with his providing patent preparation, filing, and prosecution services for inventors who contracted with a non-practitioner company. Between approximately May 2014 and May 2016, Mr. Virga contracted with Desa Industries, Inc., a New York business

corporation, doing business as World Patent Marketing ("WPM") in Miami Beach, Florida. Mr. Virga received referrals of clients seeking patent legal services from WPM. WPM employees appear to have advised inventor-applicants as to which type of patent application to file and had inventor-applicants sign oaths of inventorship without regard to whether they had actually reviewed the application to be filed with the Office, and generally before Mr. Virga had even prepared the application. Mr. Virga did not obtain informed consent from the inventor-applicants to be paid by the non-practitioner company (37 C.F.R. § 11.108(f)(1)); did not communicate the scope of the representation and basis of fee to the inventor-applicants (37 C.F.R. § 11.105(b)); did not obtain informed consent from the inventor-applicants to represent the inventor-applicants in light of actual or potential conflicts of interest (37 C.F.R. § 11.107(a)(2)); did not explain a matter to the extent reasonably necessary to permit the inventor-applicants to make informed decisions regarding the representation (37 C.F.R. § 11.104(b)); did not communicate Office Actions and Notices of Abandonments to his clients in a reasonable and prompt manner (37 C.F.R. § 11.103); did not consult with the inventor-applicants as to the means by which their objectives were to be accomplished (37 C.F.R. §§ 11.102(a) and 11.104(a)(2)); did not obtain informed consent for limited scope representation (37 C.F.R. § 11.102(c)); did not promptly inform the inventor-applicants of any decision or circumstance with respect to which the inventor-applicants' informed consent was required, and did not keep the inventor-applicants reasonably informed of the status of their matters (37 C.F.R. § 11.104(a)(1), (3)); allowed the non-practitioner company to interfere with and/or to direct or regulate his professional judgment (37 C.F.R. §§ 11.108(f)(2) and 11.504(c)); shared legal fees with the non-practitioner company (37 C.F.R. § 11.504(a)); and assisted the non-practitioner company to practice before the Office in patent matters in violation of the Office's rules regarding unauthorized practice before the Office (37 C.F.R. § 11.505). In short, Mr. Virga disregarded his important ethical obligations to each inventor-applicant who contracted with the non-practitioner company for patent legal services.

Mr. Virga has expressed contrition and understands how his actions violated the USPTO Rules of Professional Conduct.

Practitioners are reminded that the USPTO Director has disciplined practitioners for having violated their professional responsibilities to inventors under circumstances where a non-practitioner third party—such as a company that aims to assist inventors in protecting and/or marketing their inventions—refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party. *See, e.g., In re Cohen*, Proceeding No. D2002-15 (USPTO Dec. 4, 2002); *In re Colitz*, Proceeding No. D1999-04 (USPTO Jan. 2, 2003); *In re Bender*, Proceeding No. D2000-01 (USPTO Sept. 30, 2003); *In re Kaardal*, Proceeding No. D2003-08 (USPTO Feb. 24, 2004); *In re Schoonover*, Proceeding No. D2008-24 (USPTO July 14, 2009); *In re Gibney*, Proceeding No. D2009-33 (USPTO Mar. 4, 2010); *In re Galasso*, Proceeding No. 2009-17

(USPTO Aug. 20, 2010); *In re Sung*, Proceeding No. D2010-19 (USPTO Jan. 18, 2011); *In re Campbell*, Proceeding No. D2009-39 (USPTO Feb. 18, 2011); *In re Mackenzie*, Proceeding No. D2010-27 (USPTO Oct. 12, 2011); and *In re Harrington*, Proceeding No. D2012-14 (USPTO Apr. 18, 2012). *See also In re Meyer*, Proceeding No. D2010-41 (USPTO Sept. 7, 2011) (referral of trademark applicants). Accordingly, practitioners should be mindful that several interrelated provisions of the USPTO Rules of Professional Conduct apply to such situations.

First, prior to entering into a practitioner-client relationship with an inventor who is referred by a non-practitioner third party, the practitioner should properly consider the various conflicts of interest that already exist or may arise during the relationship. *See generally* 37 C.F.R. §§ 11.107 and 11.108. Such conflicts may include those between the inventor and other inventors previously referred to the practitioner by the non-practitioner third party. Such conflicts may also include those between the inventor and the practitioner due to the practitioner's personal financial interest in continuing to receive inventor referrals from the non-practitioner third party. One specific conflict of interest is addressed by the USPTO Rules of Professional Conduct, which require the practitioner to obtain "informed consent" from the inventor to accept compensation from someone other than the client. *See* 37 C.F.R. § 11.108(f). Informed consent means the agreement by a prospective client to be represented by a practitioner after the practitioner has communicated adequate information and explanation about the material risks of and reasonably available alternatives to the client being represented by the practitioner. The mere fact that the inventor authorizes the third party to pay the practitioner is not informed consent. *See In re Colitz*, Proceeding No. D1999-04 (USPTO January 2, 2003). Hence, under circumstances where a non-practitioner third party refers inventors to a registered practitioner to provide the patent legal services purchased by inventors from the third party, the inventor would likely be unable to provide the requisite informed consent absent a meaningful discussion with the practitioner that fully informs the referred inventor of the actual and potential conflicts of interest arising from the fee arrangement between inventor, third party, and practitioner. Additionally, the practitioner must communicate the scope of the representation and the basis or rate of the fee and expenses for which the client will be responsible, *see* 37 C.F.R. § 11.105(b), and shall obtain informed consent whenever limiting the scope of the representation (*e.g.*, such as when only preparing and filing an application and not prosecuting it), *see* 37 C.F.R. § 11.102(c).

Second, a practitioner must exercise independent professional judgment and render candid advice in representing a client. *See* 37 C.F.R. § 11.201. In part, this means that a practitioner shall not share legal fees with the non-practitioner third party that refers the inventors to the practitioner. *See* 37 C.F.R. § 11.504(a). Under circumstances where a non-practitioner third party regularly refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party, practitioners may unwittingly violate the fee-

sharing prohibition if the practitioner does not know the amount the inventor has paid to the third party for patent legal services. If the entire amount received by the third party for the practitioner's compensation is not distributed to the practitioner and any undistributed compensation held by the third party is not returned to the inventor, then the practitioner has likely impermissibly shared fees with a non-practitioner. Hence, a practitioner is reasonably expected to question carefully the inventor and the referring non-practitioner third party about the amounts being charged to the inventor for the patent legal services to ensure the entire amount is remitted to the practitioner.

Third, exercising independent professional judgment and rendering candid advice also means that a practitioner may not form a partnership with a non-practitioner if any of the activities of the partnership consist of the practice of law. See 37 C.F.R. § 11.504(b). Nor may a practitioner assist a non-practitioner in committing the unauthorized practice of law. See 37 C.F.R. § 11.505. Where a non-practitioner third party refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party, the practitioner may not merely fill a purchase order. Instead, the practitioner must independently assess the suitability of the sought-after patent protection and communicate his or his assessment to the inventor. For example, prior to the referral of an inventor to a practitioner, it is not uncommon for an inventor to have direct communication with a non-practitioner company that aims to assist inventors in protecting and/or marketing their inventions—*e.g.*, the company may review the inventor's submission and, thereafter, provide the inventor with a patent search report or marketing report that induces the inventor to purchase a provisional, design, or utility patent application from the company. By remaining passive and merely providing the patent legal services purchased by the referred inventor, a practitioner may be found to have formed a *de facto* partnership with the non-practitioner and also may be assisting the company commit the unauthorized practice of law. Hence, when a practitioner receives a referral for patent services from a non-practitioner company that aims to assist inventors in protecting and/or marketing their inventions, the practitioner is reasonably expected to obtain copies of all documents exchanged between the company and the inventor so that the practitioner may understand whether company is engaging in practice before the Office in patent matters as defined in 37 C.F.R. § 11.5(b)(1). If the documents indicate that the company is doing so, the practitioner should be mindful that he or she may likely be in violation of both 37 C.F.R. §§ 11.504(b) and 11.505 by accepting the referral and providing the purchased patent legal services.

Fourth, a practitioner is ethically obligated to communicate with the inventor. Ethical communication between a practitioner and an inventor requires the practitioner to consult reasonably with the inventor about the means by which the inventor's objectives are to be accomplished; keep the inventor reasonably informed about the status of the application, including informing the inventor promptly of Office correspondence; and explain a matter to the extent reasonably

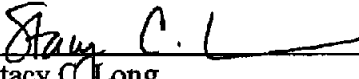
necessary to permit the inventor to make informed decisions regarding the prosecution of the application. See 37 C.F.R. §11.104; see also 37 C.F.R. § 11.102(a). The communication with an inventor under circumstances where a non-practitioner third party refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party should be no different in the scope or substance from the communication with inventors that directly engaged the practitioner. Furthermore, practitioners may not delegate their ethical responsibilities to communicate with their clients regarding the substance of their representation by using subordinates or others, including third parties. See, e.g., *In re Meyer*, Proceeding No. D2010-41 (USPTO Sept. 7, 2011) (practitioner reprimanded for, *inter alia*, failing to directly communicate with his clients regarding their trademark applications).

Finally, regarding communications with clients, the USPTO Director is aware that a practitioner may communicate with someone other than the client in cases where there is a bona fide corporate liaison or a foreign agent who conveys instructions to the practitioner. In such an arrangement, the practitioner may rely upon instructions of the corporate liaison or the foreign agent as to the action to be taken in a proceeding before the Office so long as the practitioner is aware that the client has consented to have instructions conveyed through the liaison or agent. Accordingly, nothing in this notice should be construed as contradictory to the discussion entitled "Practitioner's Responsibility to Avoid Prejudice to the Rights of a Client/Patent Applicant" set forth in *Official Gazette* Notice published at 1086 OG 457 (Jan. 12, 1988) or the discussion entitled "Responsibilities of Practitioners Representing and Clients in Proceeding Before The Patent and Trademark Office" set forth in *Official Gazette* Notice published at 1421 OG 2641 (Dec. 29, 2015). Nevertheless, this notice is to be read as providing additional, specific guidance to practitioners under circumstances where a non-practitioner third party refers inventors to registered practitioners to provide the patent legal services purchased by inventors from the third party.

This action is the result of a settlement agreement between Mr. Virga and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, and 11.26. Disciplinary decisions involving practitioners are posted for public reading at the OED Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- n. Nothing in the Agreement or this Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including the Final Order: (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office; (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed, and/or (ii) to rebut any statement or representation by or on Respondent's behalf; and (3) in connection with any request for reconsideration submitted by Respondent pursuant to 37 C.F.R. § 11.60;

- o. Respondent waives all rights to seek reconsideration of the Final Order under 37 C.F.R. § 11.56, waives the right to have the Final Order reviewed under 37 C.F.R. § 11.57, and waives the right otherwise to appeal or challenge the Final Order in any manner; and
- p. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of the Agreement and this Final Order.



Stacy C. Long
Acting Deputy General Counsel for General Law
United States Patent and Trademark Office

Date 3/16/17

on behalf of

Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc: Director of the Office of Enrollment and Discipline
United States Patent and Trademark Office

Mr. Robert Schruhl, Esq.
23429 Kingston Place
Valencia, CA 91354
Counsel for Respondent

Mr. Philip T. Virga
Law Office of Philip T. Virga
1525 Aviation Blvd., Suite 105
Redondo Beach, CA 90278

CERTIFICATE OF SERVICE

[Rules Proc. of State Bar; Rule 5.27(B); Code Civ. Proc., § 1013a(4)]

I am a Court Specialist of the State Bar Court of California. I am over the age of eighteen and not a party to the within proceeding. Pursuant to standard court practice, in the City and County of Los Angeles, on April 18, 2018, I deposited a true copy of the following document(s):

**STIPULATION RE FACTS, CONCLUSIONS OF LAW AND DISPOSITION AND
ORDER APPROVING**

in a sealed envelope for collection and mailing on that date as follows:

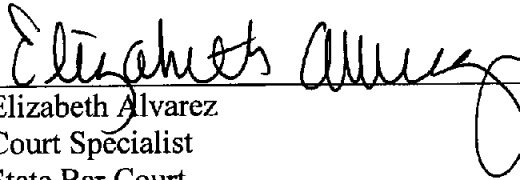
- by first-class mail, with postage thereon fully prepaid, through the United States Postal Service at Los Angeles, California, addressed as follows:

ARTHUR W. FRANCIS JR
2522 ARTESIA BLVD
REDONDO BEACH, CA 90278

- by interoffice mail through a facility regularly maintained by the State Bar of California addressed as follows:

Angie Esquivel, Enforcement, Los Angeles

I hereby certify that the foregoing is true and correct. Executed in Los Angeles, California, on April 18, 2018.



Elizabeth Alvarez
Court Specialist
State Bar Court