

Patent Attorneys Subject To Discipline In New York

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Is a patent attorney who is also admitted to practice in New York subject to the same grievance machinery which is applicable to other lawyers under the rules of the Appellate Divisions and the New York Code of Professional Responsibility.

This novel question was decided in the affirmative late last year by District Court Judge Arthur D. Spratt. *Schindler v. Finnerty* and *Kroll v. Finnerty*, 97 CV 2595 and 97 CV 396 (E.D.N.Y.,1999).

Schindler and Kroll were both attorneys registered with the United States Patent and Trademark Office (PTO). One client of Schindler and several clients of Kroll submitted complaints to the Grievance Committee for the Tenth Judicial District. The complaint against Schiller alleged that he had failed to respond to a client's request for the return of a leather book in which she had recorded an idea and inserted professional drawings for which she had paid. Schindler argued that the Grievance Committee lacked jurisdiction to investigate the complaint but the Committee continued to investigate and ultimately dismissed the complaint without qualification.

The complaints against Kroll alleged unprofessional conduct in his work as a patent attorney. All of the complaints were dismissed without qualification except one. On that complaint, the committee issued a Letter of Advisement admonishing Kroll for his lack of professional conduct in perfecting a patent application.

Did Plaintiffs Have Standing To Sue

Schindler and Kroll filed complaints for declaratory judgment in the district court alleging that the Grievance Committee lacked jurisdiction to investigate complaints against them or to discipline them under the New York Code. Both attorneys then moved for summary judgment. The defendant Finnerty, Chief Counsel of the Grievance Committee, cross-moved for summary judgment and to dismiss the complaints under the Federal Rules of Civil Procedure. The court proceeded to analyze the proceedings in the context of a motion for summary judgment.

The first issue before Judge Spratt was the issue of standing to sue. A party lacks standing in federal court if the issue he raises is moot. The jurisdiction of the federal courts is limited to "cases and controversies" and there is neither when the issue presented to the Court is moot.

A litigant is required to have "a personal stake" in the outcome of the litigation.

With respect to those complaints against Schindler and Kroll which had been dismissed by the Grievance Committee, neither attorney had standing to proceed in the federal courts. The determination of the committee was final and dispositive. Further, Schindler and Kroll had failed to show that the

investigations on these complaints would be renewed or repeated, or that the Grievance Committee had attempted to evade review. [Note: Judge Spratt pointed out that a party can avoid the effect of mootness by showing that the injury complained of is “capable of repetition, yet evading review.”]

However, attorney Kroll did have standing before the court to seek a declaratory judgment vacating the findings of the Grievance Committee and its Letter of Advisement disciplining Kroll on the one complaint which had not been dismissed by the committee.

Grievance committee Challenges Court’s Jurisdiction

Judge Spratt then considered the Grievance Committee’s argument that it lacked jurisdiction to consider the motion of plaintiff Kroll. The court found that it had jurisdiction because it was required to interpret two federal statutes before it could resolve Kroll’s claim.

The first statute was 28 U.S.C. 138(a), which gives the federal courts exclusive jurisdiction over civil actions involving patents. The second was 35 U.S.C. 31-32, which gives to the Commissioner of the PTO authority to regulate the conduct of patent attorneys.

The court found that it could not determine whether the New York Grievance Committee had concurrent jurisdiction to review complaints against plaintiff Kroll without construing these statutes. Accordingly, there was a colorable federal claim arising under federal law and the court had jurisdiction to consider Kroll’s complaint.

Grievance Committee Can Discipline Patent Attorneys

After construing the federal statutes before him, Judge Spratt determined that the investigation of the Grievance committee was not a “civil action” as defined in 28 U.S.C. 1338(a). A civil action under that Act must involve a substantive issue of federal patent law.

An investigation by a grievance committee under 22 NYCRR 691.4(e) is not “a civil action...relating to patents”. Consequently, there is no merit in Kroll’s argument that the federal courts have exclusive jurisdiction over the discipline of patent attorneys. The Grievance Committee has at least concurrent jurisdiction with the PTO to investigate client complaints.

Nor is there merit in Kroll’s argument that New York’s grievance machinery has been preempted by the provisions of 35 U.S.C. 31-32 giving the PTO authority to regulate the conduct of patent attorneys. The intent of Congress to preempt state law in a given area must be “clear and manifest.” The court found no evidence that Congress intended to preclude a state’s power to investigate the conduct of attorneys which it had licensed.

As a matter of fact, the court pointed out, the Supreme Court has held “that state law governs where the state law does not hinder the fulfillment of the objectives of the patent system.”

Further, the code established by the Commissioner of the PTO to regulate the conduct of patent attorneys provides that its provisions shall not preempt the authority of the state to regulate the practice of law “except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives.” 37 C.F.R. §10.1

The Court concluded that the investigation by the Grievance Committee did not “frustrate the necessary scope of practice before the PTO. If anything, it supported the maintenance of proper standards for practitioners before the PTO.”

Judge Spratt held that no federal statute precludes the Grievance Committee from regulating the conduct of patent attorneys who are also admitted to practice in New York.