IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: **Docket** No. PTO–P–2012–0047

77 Fed. Reg. 70385,
(November 26, 2012)

Comments by Intellectual Ventures, LLC on Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term

Attention:

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Introduction

Intellectual Ventures Management, LLC ("Intellectual Ventures") appreciates the opportunity to provide comments with respect to the "Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term" as published in the Federal Register (77 Fed. Reg. 70385, November 26, 2012). We also commend the U.S. Patent and Trademark Office ("USPTO") for seeking public participation through the Roundtable on the proposed real-party-in-interest requirements ("Proposed RPII Requirements").

Intellectual Ventures was founded in 2000. Since its founding, Intellectual Ventures has been deeply involved in the business of invention. Intellectual Ventures creates inventions and files patent applications for those inventions; collaborates with internal and external inventors – some of the brightest minds of today's inventive society – to develop and patent inventions; and builds upon our inventions by licensing and acquiring intellectual property from industrial, government and academic partnerships. We rely upon a strong patent system to protect the innovation that our company fosters. As one of the top patent filers in the world, we also rely on a system that emphasizes quality and efficiency while minimizing cost. For more information about the business model and work of Intellectual Ventures, please visit our website: http://www.intellectualventures.com/index.php/about.

Comments

In the Notice soliciting public comments on the Proposed RPII Requirements, the USPTO acknowledges that intellectual property rights are a key mechanism by which intangible assets can be exchanged. 77 Fed. Reg. at 70386. The exchange of those assets provides compensation to innovators and moves technologies to their most efficient uses in the economy. *Id.* Intellectual Ventures fully supports this assertion. In fact, this is the principle on which Intellectual Ventures was founded.

That being said, Intellectual Ventures strongly disagrees with the assertion that, under current rules, potential purchasers of intellectual property face difficulty finding sellers in this market. *Id.* Intellectual Ventures is a regular purchaser of intellectual property, and thus we are very familiar with the dynamics of the intellectual property market. In our history, Intellectual Ventures has reviewed hundreds of thousands of patent assets (both patents and patent applications), and purchased more than 70,000 of those assets. We have found the market to be robust, and the assignment and correspondence information currently available from the USPTO has been quite sufficient for Intellectual Ventures to support its patent asset purchases. We believe that others active in the market have a similar experience.

Many of the asserted benefits that USPTO attributes to the Proposed RPII Requirements in the Notice, *id.* at 70386-87, are either covered by existing rules or would apply only to a small fraction of issued patents, and therefore would be of limited utility. Here are a number of examples:

- As to Power of Attorney information, USPTO Rule 3.73 already provides for the submission of information to verify a Power of Attorney.

- When an Examiner requires additional information of to examine a patent application at issue, USPTO Rule 105 provides a mechanism for obtaining precisely such information.

- Real-party-in-interest information is already required in appeal briefs to support recusal of USPTO officials in appeals.

- Real-party-in-interest information is also required in Inter Partes Review and Post Grant Review under the America Invents Act.

From Intellectual Ventures' perspective, the USPTO already has sufficient mechanisms for obtaining information, including real-party-in-interest information, in the narrow slice of patents and patent applications where it is necessary for the USPTO to conduct its business.

With respect to patent litigation in the courts, real-party-in-interest information is required by the Federal Rule of Civil Procedure 7.1 Disclosure Statement that calls for such disclosures in every federal case. The Proposed RPII Requirements have little flexibility, unlike U.S. District Court discovery proceedings under the Federal Rules of Civil Procedure, in which a judge or magistrate can decide in a particular case whether to require disclosure of particular sensitive information, often under a protective order tailored for the circumstances.

The Proposed RPII Requirements will also cause market distortion, and likely reduce investment in intellectual property – precisely the opposite result that USPTO desires. It has long been commonplace for patent owners to hold patents and other intellectual property in holding companies, special purpose vehicles and subsidiaries. Intellectual Ventures often uses such indirect holding entities for its investments. While the reasons for such indirect holdings are perhaps as varied and numerous as the patent owners themselves, Intellectual Ventures' rationale is straightforward. Intellectual Ventures invests substantial time and effort researching and forecasting trends in the technology world, often as far as ten years out, and that research guides our patent investment decisions. Due to Intellectual Ventures' prominent role in the intellectual property marketplace, the mere fact that Intellectual Ventures has begun to acquire and is seeking patent sellers in particular technology arenas, were that fact to be publicly known, would serve to reveal, if not provide a roadmap to, the very technologies that our research has indicated are most promising. This would result in other intellectual property investors – many of whom are our competitors in the marketplace – obtaining the benefits of Intellectual Ventures' research, without compensation to Intellectual Ventures. Beyond the simple inequity of that outcome, it would also serve to distort the market as competitors follow the lead of Intellectual Ventures in the marketplace. Consequently, to preserve its competitive position in the invention marketplace, Intellectual Ventures has a legitimate, compelling interest in preventing our competitors from knowing its investment patterns and roadmap. For that reason, Intellectual Ventures frequently chooses not to invest in its own name. The Proposed RPII Requirements would effectively preclude that practice, thereby reducing investment incentives and, in due course, reducing investment in intellectual property.

The business benefits of using indirect holdings entities are real, and such entities are regularly used in other areas of asset management. This raises the question of why, despite the fact that patent law certainly has been shaped under the influence of other areas of the law, would it be appropriate to preclude the use of those vehicles – through these real-party-in-interest rules – for patents, while continuing to permit them for other types of investment and property, such as real estate?

Furthermore, in today's complex marketplace, it is not unusual for hundreds or thousands of patents to trade hands in a single transaction. These complex transactions would be further complicated if patents in the transaction were subject to the risk of later determination that they omitted some real-party-in-interest information. This risk possibility increases the due diligence burden of the purchaser, will increase transaction costs, and will be highly disruptive of the value, transferability and certainty of ownership of patents.

We also anticipate that the burden of the proposed regulations will fall inequitably on small- and medium-sized companies – key sources of innovation, yet least able to bear increased prosecution costs. These small- and medium- sized businesses rely heavily on outside counsel to manage their intellectual property portfolios, and the proposed rules create an increased paperwork burden and litigation risk to patent practitioners working with these companies. An intellectual property practitioner could run afoul of the proposed rules for a reason as mundane as difficulty communicating in a timely manner with an overseas client. These practitioner risks will necessarily result in increased due diligence processes that will quickly translate into higher costs being passed on to clients.

Assuming these transparency rules are meant to foster an efficient marketplace, a number of key questions are presented: Who specifically are these proposed rules intended to benefit, and how will they benefit? What precise interest or cause is furthered by their implementation? What needs will be met that are not already adequately met by existing disclosure rules? The answers to these questions remain unclear, despite the considerable public input at the Roundtable. What is clear, however, is that the proposed rules will add an administrative burden, both to patent holders and to the patent office. In short, the benefits and the beneficiaries of the proposed rules appear to be ill-defined, while the increased costs are very real.

With respect to the proposed definitions themselves, both the "broad" and "limited" definitions in the Proposed RPII Requirements define "real party-in-interest" differently than the term is defined in the Office Patent Trial Practice Guide, 77 Fed. Reg. 48756 (Aug. 14, 2012) governing the Board's post-grant trials. This difference may result in confusion or, worse, an inability to simultaneously comply with both sets of definitions: one set promulgated by the Board and the other set promulgated by the Chief Economist. The Board's definition, which governs mandatory notices in *inter partes* review, post-grant review and covered business method review, defines "'real party-in-interest' [a]s the party that desires review of the patent." *Id.* at 48759. The Board expressly distinguishes its definition from that of the "typical common law expression," noting that the common law expression "does not fit directly into the AIA trial context." *Id.* As an example, "a party that funds and directs and controls an IPR or PGR petition or proceeding constitutes a 'real party-in-interest,'" according to the Board's definition. *Id.* at 48760. Such a party, however, may not necessarily meet either the "broad" or "limited" definitions in the Proposed RPII Requirements because, for example, the party is an outside investor. Conversely, a parent company that meets the Proposed RPII Requirements definition might not meet the Board's definition if the parent does not fund, direct, or control the subsidiary/patentee in the IPR or PGR proceeding. A patentee may therefore need to file two *different* sets of real-party-in-interest information at the post-grant stage, one in a mandatory notice under the Board's definition and the other under the Chief Economist's definition. The patentee will then need to explain this apparent

contradiction when, inevitably, an accused infringer raises it as an inequitable conduct defense in district court litigation.

Finally, the patent office faces daunting challenges such as fee diversion, reduction of the patent backlog, improving patent quality, and fully implementing the AIA's landmark first-to-file changes. Adding the burden of standing-up a real-party-in-interest tracking system to this list, plus taking on the responsibility of tracking real-party-in-interest declarations, would represent a serious misallocation of scarce resources.

Accordingly, Intellectual Ventures opposes the proposed rules, at least in their current form. We ask the USPTO, before proceeding further, to examine in greater depth the perceived benefits of this proposal, identify those to whom those benefits would accrue, and consider carefully the direct and indirect costs of this proposal.

Respectfully submitted,
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Date: January 25, 2013
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