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PROCEDINGS

MS. GONGOLA: The hearing of portion of our program, I will invite our witnesses one by one to please come forward to the podium to deliver your remarks to the audience. Our first witness is Charles Duan, who is presenting today on behalf of Public Knowledge.

MR. DUAN: Hi, there. Thank you, Janet.

My name is Charles Duan. I work with the organization Public Knowledge. We are a public interest organization. We mostly focus on public interest and technology related issues.

So I wanted to make a fairly short presentation, kind of making three points. The first point being that we believe that the patent ownership information that's being collected in this program will be very useful, both to the Patent Office and to the public, for many of the reasons that we've discussed.

Second that, you know, transparency of ownership is a problem not just for patents, but for a lot of other fields, such as finance and
land ownership and a lot of other things. And, you know, I think that leads to two conclusions. First of all, that, you know, again, this is useful information not just for the Patent Office, but for the public. And second, by looking at some of these other fields -- and this is the third point -- we can learn lessons about how other areas of have dealt with the problem of ownership and identity and possibly incorporate some of those ideas in to the ultimate rulemaking.

So as I mentioned, I work with Public Knowledge. And one of the nice things about being in the public interest community is we get to talk with a lot of people doing public interest work in a lot of other fields. So, you know, a lot of this presentation is based on ideas that I've received from other organizations that work more in corporate disclosure, campaign finance, other sorts of areas like this. So a lot of things I'll be saying, you know, if you want more information on them I can connect you with the appropriate people for that.
So to start off with the first point, patent ownership information is useful. I think that Drew identified a number of very important points that were also identified in the Request for Comments for why ownership information is useful both to the Patent Office and to the public. In terms of the Patent Office, I think I'd categorize a lot of those features as kind of oversights of patent applicants and owners. Drew, you mentioned confirming powers of attorney and identifying conflict of interests and determining after-grant standing for filing post-grant procedure documents. One other thing that I thought of would be determining whether the selection of small entity status is correct. You know, if somebody files an application and they name themselves as the attributable owner, but they're paying large (inaudible) fees, you know, the Patent Office might be able to come in and say, you know, there's some discounts that you can take advantage of there. So, you know, I think that could be very useful.
And additionally, the accuracy of the information given to the public, that's an important function of the Patent Office, to make sure that the public is informed on ownership of patents and having accurate information is important there.

Additionally, this ownership information is very useful to the public at large and to the companies who work in the patent space and who work in the innovation space. Understanding the competitive environments, you know, knowing what other competitors are out there, what they're filing on, you know, knowing that sort of information can be really useful to business.

Additionally, having information can facilitate licensing because you know who you are negotiating with; you know if you see a patent you can go talk to this person and say, you know, hey, I'd like to get a license from you.

Similarly, the Request for Comments identified avoiding abuse of litigation threats because of the fact that we'll know who's behind a
lot of those.

And finally, one other thing that I would add that wasn't in the Request for Comments is facilitating patent landscape research. So, you know, right now we're having a really big policy debate over, you know, what we should do to reform the patent system, both in litigation and patent applications before the Patent Office. And having data on, you know, who's filing applications and who's using their applications for what and who's asserting their patents, you know, that information is very useful for research and for policymaking and for decision makers, so, you know, I think that collecting this information has substantial value to that sort of research effort.

So these are the reasons that go with the first point as to ownership information being useful. So now, moving on to the second point that this is not just a patent problem.

You know, there are lots of other fields in which identifying relevant parties of interest
is very important. You know, land ownership is
one of them. The reason we record title deeds is
so that if I walk up to somebody's land, then I
want to know, you know, whose land am I
trespassing on? You know, I can find that out by
going to the appropriate place.

Legal ethics is another area where
identifying parties is important because I need to
know, you know, if I have a conflict of interest
with a client that I take on.

Campaign finance is another problem --
you know, we work with a lot of people who -- they
work on transparency of corporation donations to
campaigns and, you know, trying to uncover who
owns this nonprofit organization or this LLC
that's donating money to this organization.
That's a fairly important task.

And the final one, which I want to spend
the most time talking about, is financial markets.
So as I'm sure that you all know, we had a
financial crisis a couple years ago. And one of
the things that happened there was Lehman Brothers
collapsed. When Lehman Brothers collapsed, a whole bunch of companies held basically financial securities that may or may not have been owned by Lehman Brothers. The parties were scrambling to figure out whether or not they had rights in some of the bankruptcy assets. But because of the fact that the identifiers for financial entities is very poor, it became very difficult for them to figure out, you know, what's my exposure to their bankruptcy? As a result, there was a great deal of confusion in the financial sector.

So kind of just boiling that story down, basically you have a big financial event, the parties try to figure out the rights are. There's a lack of identifiers for who the parties are and, as a result, you have a great deal of confusion. And you can see very similar problems happening with a lot of the patent issues that we have, right? You have a big patent event. You have, for instance, somebody who sends out a lot of demand letters asserting a patent. The parties receive the letters, they scramble to figure out
what are their rights in view of this assertion, right? They want to know whether or not they assert the patent -- they infringed the patent or now. They want to know whether or not they can take a license. They want to know who to take the license from. Right? But there's a lack of identifiers for the patent owner. And as a result, there's a great deal of confusion. So you see that this is a very similar problem to what the financial sector has faced.

Indeed, the U.S. Treasury, responding to the Lehman Brothers collapse, said, "Subsequently, the financial crisis exposed the depth of the problem of identifying financial connections and underscore the need for a global system to identify and link data so that financial regulators and firms can better understand the nature of risk disclosure across the financial system." All I need to do is change a few words and that applies perfectly well to the Patent Office.

Subsequently, patent assertion events
expose the depth of the problem of identifying patent ownership and underscores the longstanding need for a global system to identify and link data, so the Patent Office and firms can better understand the nature of risk exposure across the patent landscape. Right? We're seeing very similar problems.

And indeed, when we start comparing some of the reasons for having attributable ownership, I think that we can start seeing that there are a lot of similarities. Right?

Oversight of applicants -- well, financial regulators also need to oversee the banks. Accuracy of information to the public -- well, you know, financial regulators need to make sure that the reporting on the nation to the public correctly. Understanding the competitive environment, you know, banks want to understand the competitive environment as well. So, you know, a lot of these things are very similar.

And as a result -- so what I did was I talked to some of the people who work on, you
know, the problem of identifying legal entities in
the financial sector. And there were a couple
things I got out of that discussion with them.

The first is, you know, what are some
good qualities of an identification system? It
should be simple, right. You know, the
identifiers shouldn't be very long, they shouldn't
be complicated. It should be accurate. It should
avoid the possibility of typographical errors.
You know, if somebody puts dot-inc -- if somebody
puts "inc." on one of them and "co." on the other,
you know, those are basically the same company,
but we want to make sure that they look like two
different records. We want them to be unique. We
don't want two companies having the same name,
looking like they're the same company. And we
want them to be consistent. We don't want it to
be the case that if a company changes their name
or they change their location that suddenly they
look like two separate companies. So these are
kind of important factors that people have been
thinking about and I think that they would apply
to identifying owners of patents as well.

The solution that a lot of people are talking about right now and that Treasury has adopted and a lot of other people have been looking at is what's called the Legal Entity Identifier System. This is basically a program that they've been working on ever since the collapse of Lehman Brothers, to develop basically a standard for identifying legal entities, so, you know, LLCs and corporations.

The proposed system, which is in use today, it's being used right now for financial entities, although, you know, the working groups are still working out some of the details. It proposes a unique identifier for every legal entity out there. A legal entity would just go and register. They would, you know, provide certain information about who they are, the registrar would check to make sure that they're not already in the database, and then they would give them this unique identifier. And that unique identifier would be globally consistent. It would
stay the same regardless of all changes, you know, change your name, change your location, you would still have the same identifier.

And kind of in conjunction with that, the regulators would maintain a database of information about, you know, your corporate address that's currently up to date, your legal name. And in, hopefully, a future iteration they'll actually be keeping track of intermediate and ultimate parent entities, which means that you would only need to collect, you know, just one legal entity identifier and you would know the entire chain of ownership automatically. So, you know, I think that's a really valuable thing for the financial industry and I can see it being very valuable for the Patent Office as well.

You know, besides the fact that they'll have that hierarchical system, which, you know, they're working on right now. And one of the advantages of that is that, you know, as people discover new ways to form corporate structures, these guys who are in the working group will be
keeping up to date on that, So they'll keep
updating the standard to deal with that, which,
you know, has the advantage that the Patent Office
doesn't have to keep going back and looking at
kind of corporate structures and figuring out, you
know, what's changed in the landscape.

Other benefits of the legal entity
identifier standard: Simple, accurate data
collection, right? It's just one identifier. You
collect the identifier, you need everything you
need to know about the company. As a result, you
can easily correlate similar assets. You know, I
can easily find all the patents that are owned by
this one company because they all have the same
identifier. Right now, you know, I go to the
assignment database and a lot of times, you know,
some of the names will be misspelled or somebody
will have changed the names a little bit or the
corporation's name will have changed a little bit,
so, you know, trying to correlate that data is
actually a fairly difficult project every once in
a while.
And because of the fact that this is a very open standard that a lot of people are working on it across the world really, people are developing all sorts of really useful visualization and aggregation tools. And, you know, that means that, you know, the Patent Office would be able to benefit from that sort of standard.

So, you know, what can we take out of this? This is kind of the third point. You know, I think one thing that they have suggested to me, some of these people who work in this area, they said, you know, maybe allow optional submission of a legal entity identifier if you have one. Right? And that would have the advantage that, you know, if you change your corporate name, then still the identifier would remain consistent and you would be able to correlate across time.

Additionally, they mention that a lot of states already have programs for identifying corporations uniquely, so they already have ID numbers. So possibly, you know, accepting
submission of those could be useful as well.

And the third thing is, I guess, you
know, this is kind of an ongoing process,
developing the standard, but I think it's one
worth looking into: Figuring out, you know, what
are the challenges that they run against when
trying to develop the standard for identifying
legal entities? You know, what are the solutions
that they've come up with? Because I think
there's a lot to be drawn from that process given
the similarity between, you know, the problems
that the financial sector are facing and the
problems that the Patent Office are facing.

So, you know, I think that this is an
area that is fertile for consideration and, you
know, I hope that you will be interested in it and
will consider it. And I'm happy to talk with you
more about that. Thank you.

MS. GONGOLA: Thank you very much, Mr.
Duan. Our second witness at our hearing today is
Scott Pojunas from Hewlett-Packard Company.

MR. POJUNAS: Good afternoon. As Janet
mentioned, my name is Scott Pojunas and I'm a
director in the patent development group at HP and
I manage a team of attorneys who support HP
software. I wanted to figure thank the USPTO for
the opportunity to be here today and to present
views on the attributable owner package on behalf
of HP; Curt Rose, our senior vice president and
deputy general counsel and chief IP counsel; and
also Bob Wasson, our VP and associate general
counsel for patent development.

I did want to note at the outset that
while HP is a sustaining corporate member of the
Intellectual Property Owners Association, we serve
on the IPO board and we agree with IPO's position
on many issues, our views on this important matter
do differ in some respects from the views that IPO
Executive Director Herb Wamsley will share after
I've concluded my remarks today.

HP continues to support transparency in
patent ownership and the proposal to require
submission of attributable owner information at
various points throughout the life cycle of a
patent. We continue to believe that parties can reasonably expect to disclose their identity as part of the quid pro quo of obtaining a patent. And as the Supreme Court has stated, a patent by its very nature is affected with a public interest.

We also agree with the numerous benefits that were stated by the PTO in the notice. First of all, the proposal would bring increased economic efficiency in the marketplace. Lack of transparency introduces significant transaction costs and receiving and disseminating information regarding the attributable owner would enable innovators to identify the patent owner and seek out licenses in an efficient manner.

Secondly, we think the proposal would level the playing field in licensing and litigation. Some parties rely on intentional obfuscation of the chain of title to gain an upper hand in licensing negotiations and litigation, and this is a genuine problem. Based on extensive research involving numerous public data sources,
IP Checkups and PlainSite.org have identified literally thousands of shell companies that own patents.

Third, we think the proposal would enable attorneys to more effectively serve the critical function of managing risk of their clients. Ultimately, the identity of the owner of a patent is a key consideration when performing a patent clearance analysis. And without ownership information readily available, it becomes significantly more difficult when clearing patent rights to determine whether to seek a license, design around, or avoid entering a market entirely.

And finally, as the PTO spelled out well in the notice, we think it would also provide advantages in examination and post-grant proceedings.

HP has carefully evaluated the cost of complying with the proposed rules with respect to our portfolio and we believe that the benefits of the proposal justify the cost. As I'll explain in
a bit more detail below, we believe that the attributable owner information could be gathered with some costs and process modifications in the beginning, but could ultimately become a routine part of our processes. We would emphasize that stakeholders in the patent system, large and small, have a responsibility to the public to ensure that the patent system works as effectively as it possibly can. Though there will inevitably be some additional costs in identifying and providing the information, it's our view that it's incumbent on all parties who benefit from the patent system to shoulder some of the burdens in ensuring that the system optimally serves its intended purposes.

So I'd now like to turn to the section of the proposed rules discussing the definition of the attributable owner. And in our view, the effectiveness of the rules will turn on the precision of the definition of "attributable owner" and we believe that this portion of the proposal warrants the most discussion.
Section 1.271(a)(1) of the proposal identifies titleholders as "an entity that exclusively or jointly has been assigned title to the patent or application." In our view, ownership is an almost always straightforward question and we believe that this section would be relatively simple to comply with.

Section 1.271(a)(2) refers to entities necessary for a lawsuit and, in particular, requires identification of an entity necessary to be joined in a lawsuit in order to have standing to enforce the patent or any patent resulting from the application. The question of identifying entities under Section (a)(2) is more complex and ultimately turns on analysis of the terms of an agreement to identify the bundle of rights that has been transferred. We believe, though, that this provision or some modification of this language capturing enforcement entities is critical for the rules to have any teeth. In the absence of this provision, the public would be unable to determine parties that could potentially
assert the patent other than the legal titleholder, and this would leave room for parties to continue to obscure ownership or enforcement entities through contractual arrangements. As one specific example, without this provision or some variation, a privateer granted an exclusive license could remain obscured.

The same can be said Section (c) of 1.274, which is similar and needed, in our view, to prevent gamesmanship designed to obscure the attributable owner.

Although this is, in fact, a fact-specific inquiry, we've evaluated the prospect of identifying the parties implicated under Section (a)(2) with respect to our portfolio and although HP has numerous exclusive licenses granted from our IP holding company to other subsidiaries, we could provide the requested information with some modifications to our processes.

HP uses a third-party service provider to maintain a database with information on our
patent portfolio, which includes identifying
information, documents, and data on encumbrances
impacting particular patent assets, such as
exclusive licenses. And this data could be
accessed at each key checkpoint in the life cycle
to provide the attributable owner information.

It's also our view that it's really good
practice in the ordinary course of business for an
entity, whether they're large or small, to
understand the exclusive licenses that impact its
portfolio. As we noted at the -- and it really is
a key question, getting back to the idea that
entities should identify this information in the
ordinary course of business, it's a key question
for licensors that grant licenses to subsidiaries
to external parties. So, for example, if you're
granting an exclusive license, you really need to
know whether any other exclusive licenses have
already been granted and, if so, the impact these
prior licenses would have on the new license.

Existing encumbrances are also key
information for any entity that's involved in
monetization of its assets. So, for example, when
HP sells an application or patent, it's an
important step in our process to accurately
identify all encumbrances that impact each asset
so that the encumbrances can be released or passed
along to the purchaser with the purchaser's
knowledge.

Some parties have claimed that the
disclosures of the attributable owner information
would raise confidentiality concerns. From HP's
perspective with respect to our portfolio, this is
not a major concern. As with many corporations,
we provide licenses from our IP holding company to
subsidiaries and the existence of these entities
is not something we deem to be confidential. For
example, when royalties flow between these
subsidiaries, we are required by law to disclose
the existence of such entities to the tax
authorities and this is public information.

Section 1.271(b) refers to the ultimate
parent entity and, in particular, specifies that
the attributable owner also includes the ultimate
parent entity of any entity that qualifies under Section (a). Again, we think that this section is important to include and that the benefits of the proposal mentioned above depend on the ability to identify the party that ultimately controls the actions of the identify entity. For example, when the entity identified under Section (a) is a subsidiary or shell company, the full benefits of the proposal would only be attainable if the corporate parent was also identifiable.

As we noted at the roundtable last year, we believe that the ultimate parent entity will be identified relatively easily in most cases. If the entity identified in Section 1.271(a), for example, is a company, the ultimate parent or entity which is not controlled by any other entity will be the highest level entity in the corporate structure in the large majority of cases. This entity's readily known or easily identified by the applicant or patentee. If the entity is an individual, it will simply be that person.

In most situations, we think that the
ultimate parent would remain constant, so the
determination of the ultimate parent entity will
need to be made at the beginning of the process
and confirmed at relatively infrequent intervals.
Also, the identification of the ultimate parent
dentity will only need to be made once per entity,
not on a per asset level, so the costs of
providing this information are relatively minimal.

So having discussed the definition of
"attributable owner," I wanted to turn to the
timing of the disclosures and wanted to focus on
four main checkpoints.

We do continue to believe that the
information should be submitted at relatively
frequent intervals during pendency and after grant
to ensure that the attributable owner information
is current. As we advocated at the roundtable in
January of last year, most of the required
information could be submitted at key checkpoints
when the information could be provided in
conjunction with other submissions.

So again, I wanted to turn to four of
the checkpoints. I won't talk about all of them, but wanted to focus on four, we believe, key checkpoints in the process.

So the first is application filing.

When ownership of the application is a key question, as assignments are obtained and a practitioner determines whether the applicant will be the inventors or an assignee, we would suggest allowing applicants to provide this information in an application data sheet or a newly created form for providing this information. We also agree with the proposed approach of mailing a notice of missing parts when the attributable owner information was omitted, as we think this would minimize the potential for abandonment due to an unintentional omission.

The second key checkpoint is when ownership changes during pendency. And again, we support this disclosure. As we noted last year at the roundtable, whether it's in the form of a purchase of a single patent or a merger or acquisition with a portfolio of significant size,
a party will generally be well aware of the
implicated assets and could readily provide this
information to the PTO.

We would propose that the Office
consider expanding this section to include changes
to ownership after the patent grants. In our
view, if this provision were not included,
post-grant updates would be limited to maintenance
fee payments, PTAB proceedings, and some of the
other supplemental examination proceedings, which
could, in many cases -- which will be four years
between maintenance fee windows and, in some
cases, could be significantly more than four years
after the final maintenance fee payment. To us
this time period seems too long, especially in
quickly moving technology areas and because
parties often obtain rights to patents with the
intent of immediately asserting or licensing them.
We think this would warrant further investigation,
but we believe that the PTO arguably has the
rulemaking authority for this requirement
post-grant under USC Section 282, which indicates
that the PTO shall be responsible for

disseminating to the public information with

respect to patents.

And when ownership changes, whether it's
during pendency or after the patent grants, the
information could be provided using the newly
created form I mentioned above or using an
automated system for bulk uploads, which I'll talk
a little bit in more detail later in my remarks.

So the third key checkpoint I wanted to
talk about is the time an application is allowed.
At the time of allowance, ownership is examined,
determined whether the issue fee should be paid,
and whether the assignee will be listed on the
face of the patent. Theatable owner
information could be provided concurrently with
the issue fee payment via submission of the new
form or, alternatively, by modifying the issue fee
transmittal form.

And finally, the fourth checkpoint that
I wanted to spend a fair amount of time on is

payment of maintenance fees. Again, a patent
owner will only pay maintenance fees for patents it owns, so it would be a natural point in time to confirm or provide attributable owner information. We would recommend that the PTO consider a few changes to this section.

First of all, we would suggest that the PTO consider modifying the language "prior to the date the maintenance fee is paid," to "prior to or concurrently with payment of the maintenance fee."

In our view, this is needed to allow for updates of the information at the same time as the payment, such as when the information is provided by a third party payment service.

And the second change HP would suggest is to consider specifying a penalty for failure to provide the information with maintenance fees. In our view, allowing the patent to lapse in these situations would be consistent with the penalties in the other sections of the rules.

One key aspect of updating information at the time of payment of maintenance fees is to allow third-party service providers to make updates
on behalf of a patent owner. We understand from conversations with our service provider that the PTO is considering a project that would modify the storefront to allow patent owners or their designees to upload a data file for bulk payment of maintenance fees. And in our view, a natural extension of this proposal is to allow these data files to also specify a list of entities that qualify under Section (a) and for each of those entities the ultimate parent entity as well.

For HP specifically, we would need to investigate this further, but we would envision our service provider pulling the necessary data from our databases directly, generating the data file in the required format, and then uploading this information with the payment. And we also believe that the method of uploading a data file could be naturally extended to allow assignees to make bulk updates at other times, such as during pendency and after grant.

One final point in terms of the disclosures is that the notice solicited input on
whether three months is sufficient time to provide
the requested information. And in our view, we
think it is, assuming that a method is provided
for bulk uploads of attributable owner information
for large ownership changes.

So, in conclusion, HP believes that
ownership transparency is a key characteristic of
an optimal patent system and that implementing the
proposal would provide benefits to the public, the
USPTO, and to key stakeholders. We would again
emphasize that stakeholders in the patent system,
both large and small, have a responsibility to the
public to ensure that the patent system works as
effectively as it can. In our view, though
complying with these rules would require some
changes in our processes and incur some additional
costs, we believe the benefits outweigh the costs
and are willing to do our part.

Again, we appreciate the opportunity to
speak at this hearing today and we look forward to
collaborating with the USPTO on the path to
implementation of these rules. Thank you.
MS. GONGOLA: Thank you very much, Mr. Pojunas. Our third witness at our hearing is Herb Wamsley, who is presenting on behalf of the Intellectual Property Owners Association.

MR. WAMSLEY: Well, thank you very much. I appreciate the opportunity to be here today to speak on behalf of Intellectual Property Owners Association.

These rules are a very important proposal. The rules, as you know, have a lot of history. I was in this room, I believe, a little over a year ago, speaking on a roundtable and IPO wrote a letter for the record in January 2013. We also wrote a letter for the record a year before that in 2012.

The comments that I'm making today are preliminary IPO comments. We plan to submit our final detailed written comments by the deadline of April 24. And as often happens in a large association, it takes us a while to collect the views of our members and our 50-member board of directors on which Curt Rose of HP is one of the
50 members; is meeting again here in Washington in 2 weeks to consider these rules further. So these are preliminary comments based on the past positions we've taken and based on consideration that we've given to legislation pending in Congress that was introduced since the last roundtable on the rules.

Now, IPO is an association that represents companies and individuals in diverse industries and fields of technology, and they are companies who own or are interested in IP rights. They are companies that generally own patents, but also often are defendants in patent infringement suits. Our members include more than 200 companies and more than 12,000 individuals who are involved through their companies or as law firms or individual IPO members.

Now, I am coming at this from a different direction than my two fellow witnesses who just spoke. I believe that they are trying to improve the proposals that have been put out there and I am suggesting that the Patent and Trademark
Office needs to go back to the drawing board on these rules in a more fundamental way. So I'm going to be speaking not so much to the specifics of the rules as proposed, although I will come to a few specifics later, but to our broader concerns about the effects on innovation in the United States and, in the long term, on United States' economy from requiring such comprehensive and far-reaching additional disclosure of patent ownership information. Although, as I will come to, we do support some increase in the amount of information beyond what is required today under the recording rules under 35 USC 252 and 261.

Now, we agree that identification of attributable owner information may be useful in certain circumstances in reducing abusive patent litigation by helping businesses defend themselves against frivolous patent infringement suits. This is one of five objectives mentioned in your Federal Register notice and, in our view, this is the central objective that you should be looking at in formulating the rules: Helping businesses
defend themselves against frivolous patent 
infringement suits.

The other objectives listed in the
notice, including the objective of providing the
public with more complete information about the
competitive environment in which innovators
operate are problematic, we suggest.

Now, first of all, I'd like to talk
about the need to protect confidential business,
financial, and technological information in
companies. Legitimate business interests in
protecting the confidential information of
ownership and license information needs to be
considered very carefully. Fewer than 10 percent
of granted patents do not have recorded
assignments at the time of grant we were told at
the PTO roundtable last year. So at first glance,

at least it appears that the incentives provided
by existing Section 261 of the Patent Act seem to
be working to provide the basic titleholder
information to the public at the time of the grant
in most cases.
We believe imposing rules to require
more disclosure by the general public and all
patent applications and all patents will require
disclosure of information that companies regard as
business confidential in many cases. Entities may
not want competitors to know immediately that they
have transferred or acquired ownership interests
in specific patent applications or patents.
Intercompany transfers may give strategic
information about R&D investments, R&D and
commercialization priorities. Also, transfers may
not be between companies that are independent of
each other but between subsidiaries within a
company for legitimate business reasons, including
tax considerations.

In IPO, in compiling our annual list of
the top companies receiving patents each year,
those companies that receive the most patents, we
count patents held by subsidiaries as well as
those granted in the names of parents. We have
found that in some large companies the companies
hold their patents in more than 100 subsidiaries.
The transfers between these subsidiaries may reveal the line of business in which a patent is considered relevant or the state of commercialization of a technology. Assignees may not want others to be aware of the development -- their development and commercialization pace of a technology in real time.

Also, patent applicants or owners may not want competitors to know whether an application or patent has been licensed or to whom. Such information may be an indicator of R&D or commercialization plans.

Three weeks ago, IPO testified at a hearing in the Office of the United States Trade Representative about the need for stronger trade secret protection laws in the United States and around the world. Trade secrets information includes financial and business information as well as invention information. The IPO board of directors has voted to support legislation that we believe will be forthcoming in the U.S. Congress to create a federal civil cause of action for
trade secret misappropriation in the United States, and we hope that that will be legislation that will be followed around the world.

So in short, we believe elimination of confidentiality for ownership information could discourage patenting and make strategic information available to foreign competitors of the United States. I am not aware of any country that requires patent ownership information in the detail that's required by these proposed rules.

We wonder whether it's necessary to make this information available for all to see worldwide and all patents and patent applications -- that is in all patents and patent applications considering that somewhere around 2 percent of granted patents are ever litigated.

Now moving on to expense, this was discussed quite a bit in the roundtable last year. The benefits of knowing how owns the patent at every point in time need to be weighed against the significant expense that the proposed rules would impose on applicants and owners. I think it's
important to know every potential burden to understand the reach of the PTO's proposal. We will, I anticipate, outlining more detail of the expense burdens of the rules when we file our final written comments by April 24th.

I would say in addition to the expense burden of gathering the information, the consequences of failing to identify the attributable owner as proposed in these rules appear to be draconian. Last year, we commented that we were opposed to abandonment or invalidity as the consequence for failure to identify ownership. Our board of directors will look at this again on March 26th, but I believe that that's where we'll probably still come out, I would guess. We're also concerned and we raised in previous letters that a failure to identify the owner could lead to a charge of inequitable conduct or result in attorney suspension or disbarment.

Third, I would say that the Federal Register notice, in my view, still does not
adequately explain the need for such far-reaching changes in the requirements for ownership. Any change in ownership before the 18-month publication of the patent application will not be available to benefit the public because the public won't have access to changes made before publication. If ownership information is needed for examination, parties probably already have a duty to report materials changes to the Patent and Trademark Office. Ownership information, including the identity of the highest level parent, already must be disclosed in most Federal Courts when a suit is filed or an appeal is taken.

As we noted last year, we think the PTO should continue to investigate whether it has the statutory authority to require patent ownership information of the extent provided for in these rules. Congress has determined that providing patent ownership information to the PTO is optional and has set forth the consequence for failing to record assignments. It's true that the PTO has other authority under 35 USC Section
2(a)(2) for disseminating information, but we wonder if that is separate from the PTO's responsibility for granting and issuing patents. Dissemination may just refer to relaying information on hand and not collecting additional information.

Now, having expressed these serious concerns about the rules as proposed, let me emphasize that attributable owner information will help some parties who are being subjected to frivolous patent infringement suits. IPO has said in the past, and I believe we will continue to advocate, that more ownership information should be required, either by rule or by legislation. IPO is supporting appropriate transparency proposals in connection with patent litigation reform legislation now in Congress. We're also supporting attorney fee shifting, heightened pleading standards, and stays of infringement suits against end users as ways to curb abusive patent litigation.

We agree that attributable ownership
identification in the legislation or rules should include the highest level parent in a corporate organization. We report this requirement even though obtaining accurate information may be difficult in some circumstances. For example, to identify the ultimate parent entity, a patent practitioner may need to research corporate laws or corporate structures. The structures of IP transactions may be very complex and involve numerous parties, including co-owners and licensees, who may or may not hold all substantial rights. Sometimes practitioners may be required to analyze foreign laws, conflicts between U.S. and foreign law.

Well, moving toward the end of my comments, I would say that while there is a problem here to be solved, certainly with abusive patent litigation, we believe, we wonder if the best approach would be for the requirement to identify attributable owners to be triggered only when a suit is filed. To be triggered only when a suit is filed. That would mean that we would be
burdening maybe 2 percent as many patent owners.

Now, when a suit is filed, the patent owner could
be required to provide ownership information to
the PTO and to keep it updated, as well as
providing that information to the court and to the
litigation parties.

We also wonder whether the PTO should
undertake rulemaking before Congress passes patent
litigation reform legislation. I'm advised today
that the Senate Judiciary Committee may take up
Senator Leahy's bill as early as April 2nd. The
House of Representatives has already passed
Chairman Goodlatte's bill, H.R. 3309. It seems to
us that some of these issues may be best dealt
with by legislation. For example, legislation can
give Congress discretion to keep confidential
business information under seal when necessary to
avoid undesirable access to U.S. and foreign
companies.

Also, Congress has brought authority to
craft penalties for failing to disclose
attributable owner information. One of the
pending bills would do this by denying treble damages or attorneys' fees to a patent owner who failed to comply with disclosure requirements, and require the patent owner to pay the defendants' attorneys' fees for the cost of discovery to obtain ownership information that should have been disclosed automatically. These kinds of sanctions can be fashioned through legislation.

While we haven't endorsed any of the specific bills, I would note that the ownership transparency provisions in Chairman Leahy's bill, S. 1720, and Chairman Goodlatte's bill, H.R. 3309, are simpler and less expensive than the disclosure requirements in the rules being proposed by the PTO. And in both of those bills the disclosure of the attributable ownership information, to use the PTO term, is triggered by the filing of a suit. And I believe in both of those bills once the disclosure is triggered, from that point on the patent owner is required to disclose and update the information to the PTO as well as to the courts and the parties.
In conclusion, I'd say that, in the end, the rules or legislation that are adopted need to be innovator-friendly. I think these rules have a long way to go to be made innovator-friendly.

Thank you for the opportunity to make these comments and we look forward to the further opportunity to file our written comments by April 24. Thank you.

MS. GONGOLA: Thank you very much, Mr. Wamsley. Our fourth witness today is Raymond Van Dyke, who is presenting on behalf of the Inventor Network of the Capital Area.

MR. VAN DYKE: Okay. First, I want to thank Janet Gongola, Bob Bahr, Drew Hirshfeld -- he's spoken on the phone -- and others at the Patent Office here for allowing me to speak on behalf of the Inventor Network of the Capital Area, also known as INCA.

INCA is a nonprofit educational organization founded in 1993, with an interest in providing information regarding patents, the innovation process, marketing, licensing, and
other endeavors. I myself am a patent practitioner since 1990, and I'm fairly active in a variety of legal organizations, particularly here in the Washington, D.C., area, the Licensing Executive Society, where I am the greater Washington, D.C., chair. I'm also a member of INCA, and the members have asked that I raise their concerns with regard to this rulemaking. These are laudable goals set forth by the administration and to transparency in litigation and things like that. These are very laudable goals. But generally, the INCA members have grave concerns about the ongoing attacks on our patent system and the U.S. Patent and Trademark Office. In our view, the patent system is under assault from a variety of sectors: Lobbyists, biased academics, and pundits and others with no regard to our founder's intention to promote innovation in our great nation.

Certainly behavior of some litigants in lawsuits and the threat of lawsuits can be inappropriate, but the courts are already equipped
to deal with frivolous lawsuits without further legislation of this sort. Nonetheless, there is a frenzy in the air that our patent system has again run amok and something must be done, so sayeth Obama. Hence, we are all here today.

Even though the USPTO has made an effort to combat the troll situation in this proposed rulemaking, INCA, myself, and many practitioners, patent professionals, consider the proposed rules entirely unnecessary, seriously onerous, and punitive to the innovation process. Based on my own experience and that of others, we think the entire proposal is not tenable and should be scrapped.

The reasons for our view are many and manifest. A goal or justification for these rules is that they assist a troll victim, that is a recipient of an unwarranted or inappropriate cease-and-desist letter. Even though these recipients are fairly many, perhaps thousands involving many -- perhaps hundreds -- no, maybe thousands involving many hundreds of patents, that
number is minuscule compared to the millions of
active issued patents and the large number, well
over a million, of pending applications, not to
mention the half-million-plus new applications
each year. Any rule, as Herb suggests, much weigh
the benefit and the cost and the burden placed on
all applicants and all patent holders with the
benefits to the small number of aggrieved parties
however vocal. Also, as Herb mentioned, and
earlier today I hosted a lunch with Bernie Knight,
former general counsel here at the Patent Office,
there are concerns about the statutory authority
for this entire rulemaking.

The executive actions, however, driving
this notice include the need to ensure
high-quality patents and which is, of course, the
goal of the USPTO. However, is the new
requirement to provide attributable ownership
verification relevant to examiners in the
examination process? The examiner corps is
already burdened with their duties in examination
and don't need a distraction with information that
could be potentially biased.

Another initiative is to provide the public with more information on the competitive environment. Here, too, as Herb mentioned, this would seem to demand that companies engaging in competition, the heart of capitalism, must somehow tip their hand, show their cards, their trade secrets somehow. The corporate issues involved with technology transfers, acquisitions, divestitures, licensing, joint developments, and a myriad of other ones do not need further government meddling. Ayn Rand's Atlas Shrugged showed the folly of such intervention in the competitive process.

Patent ownership in these contexts is hardly relevant to the goal of the act: The reduction of the cease-and-desist letters and the assistance to those victims. In patent practice generally it is relatively easy to determine who is the owner of a patent in almost all instances except for perhaps some of these few in the troll context.
Of course, the laudable goal of reducing abusive patent litigation and frivolous suits is a good one and a necessary one, but it's unclear to INCA and others how this rulemaking package addresses that rule -- that goal. Just because a rule says it's so does not make it so.

The final justification for these new rules is the apparent need to level the playing field for innovators. I guess it all depends on who is the innovator. On behalf of INCA and many of my clients, who are also innovators, we would like the playing field leveled indeed. With the passage of the AIA, the playing field tilted heavily in favor of large corporations with deep pockets and against the majority of patent -- smaller patent holders now faced with expensive post-grant and other challenges to their patents.

It is clear, however, that the innovators, in this context, who they are. They are the companies receiving the cease-and-desist letters that are unjustifiable or unwarranted. For the rest -- which may be perhaps be -- my
stats show a much smaller percentage than Herb, maybe.1 percent. Herb says 2 percent, so I'll just assume it's 1 percent for the purpose of this discussion. For the rest of the innovators, the 99 percent, this rulemaking package requests that they give up some of their constitutionally granted exclusive rights in leveling the playing field. And again, Ayn Rand has some choice things to say about that.

Turning now to the new nomenclature and duties being imposed to implement the new rules, as the slide said, what is an attributable owner? Already we can determine simply if there's an assignment on file. But apparently, determining these titleholders is not enough. Now for each titleholder you need to further assess all enforcement entities, such as exclusive licensees who would not be titleholders. Okay, but we are not done.

For each entity we will also need to assess and identify with precision all ultimate parent entities. Here things escalate. A
corporation is not an ultimate parent entity
because they are not natural persons. Perhaps the
shareholders are, they are the ultimate owners;
similarly, all partners in a partnership, a board
of directors in a nonprofit, and we could go on.
But we are still not done.

Among all of these entities and persons
discussed so far, each much also be assessed as a
potential divesting entity, whatever that means.
Carol Oppedahl, in his comments to this rulemaking
which are available, goes through great pains to
discuss a variety of these corporate scenarios
involving attributable ownership issue, for
example, with foreign corporations, stock splits,
corporate reshufflings, and a variety of other
situations that are normal out there. He assesses
the cost of these analyses in the tens or perhaps
hundreds of thousands of dollars, not the $100
that the government is assessing. Also, as Herb
mentioned, you know, this could impact trade
secrets and corporate strategy and a variety of
things that are inappropriate.
And the notice proposes regular such
assessments throughout the life of the patent
application and the issued patent. Potentially
every three months during pendency and at least at
each of the three months are the three maintenance
fee periods with a serious penalty, that is the
constructive or deemed abandonment of the
application or patent, three months after any
unreported change in the attributable ownership
list and the other categories. You know, there's
a silent or retroactive abrogation of the patent.
Thus we think the entire proposal should be
dismissed and that the proposed $100 assessment is
not a real assessment.

Indeed, should these rules be
implemented with a serious burden and penalty in
place, a quite strict liability standard, all
patent holders -- the 99 percent -- and the troll
patent holders -- the 1 percent -- could lose
their patent for some inadvertently missed years
before. All of this uncertainty and potentially
huge burden will stifle startups and investment,
another casualty of these rules.

Talk about shifting the playing field, litigators in all patent cases would pounce on any
discrepancy, any misstatement -- for example, missing one shareholder -- any shade of gray in
determining an attributable owner, an enforcement entity, an ultimate parent entity, a divesting
entity, and other information, all in an effort to abrogate the patent at suit. Virtually all patent
holders would taste this bitterness. Judges would be swamped with summary judgments and
interpretation of these terms. Every stock option, corporate structure change, investor
changes, and other ever-shifting facts would be scrutinized.

I myself have felt this kind of nonsense with the stream of McKesson cases that came around
a few years ago. And I recently had a clear typographical error that was the subject of an
entire summary judgment motion. If enacted, these rules, our patent system will die the death of 3
million cuts. Litigants will be forced to employ
these tactics under the new rules because it would be malpractice not to. A plague of litigation could ensue, which would create further calls for patent reform.

The solution? Well, transparency is a reasonable goal, but reasonableness overall is also key. The entire raison d'être for this rule package is to address the advent of trolls: NPEs, PAEs, and other evil actors. Herb, you know, stole my thunder and everything. Why don't we just condition the filing of any cease-and-desist letter with the updating of the attributable ownership? Address the problem at the event horizon, so to speak. Go for the behavior that's at issue and not to the detriment of everyone for the bad behavior of the few.

There is no easy way -- or easy fix to this inappropriate cease-and-desist letter problem, but the solution is not here. The proposed rulemaking is ill-advised, places an inappropriate and enormous burden to every patent holder and applicant, millions of individuals and
companies. Since the problem is during litigation, the solution should be there, also. The USPTO should not go there. This rulemaking package is unwarranted, unjustified, and unreasonable. It constitutes a serious punishment to all inventors, all patentees, and all innocent patent litigants. As a practitioner, any error in this process from one of your own clients could constitute grounds for malpractice.

Our patent system should not be burdened with a rulemaking package imposing an unrealistic goal. The consequences of this rulemaking are too dire, the costs are too great, and the burden is too much.

I want to thank you for allowing me the chance to speak today on behalf of INCA.

MS. GONGOLA: Thank you very much, Mr. Van Dyke. At this time, that concludes those who have prescheduled to give testimony. And by a show of hands, I'd like to ask the audience whether there are any members who would now like to give unscheduled testimony, if you could please
raise your hand.

Yes, we have three members of the audience who would like to give unscheduled testimony. So what I'd like to do now is to take our 15-minute break. And during the break those of you who would like to give further testimony, if you could please see me so we can organize ourselves. And then we will return about 3:05 to resume our hearings with additional witness testimony.

Thank you very much. We'll be back in 15 minutes.

(Recess)

MS. GONGOLA: Good afternoon and welcome back to our attributable owner public hearing. We are going to resume testimony from witnesses. Our first witness following the break with be Rick Neifeld on behalf of Neifeld IP Law.

MR. NEIFELD: Thank you, Janet. I represent, since I'm the only here from the small law firm community and almost the only one here from the small inventor community, I represent the
small side of things.

And it's interesting what happened during the break we just had before we resumed this proceeding. I spoke with my colleague from Hewlett-Packard and he was chatting with a couple folks I'm looking at now. And I said to them, so which side of this issue do you stand on? And they said, well, we're from IBM, so that sort of answers the question.

And then I asked the gentleman from Hewlett-Packard, well, how many cases are you talking about? How many patents? How many applications? And the answer was thousands to tens of thousands. If you recall from his testimony, he said that they would be able to institute a procedure internally for uploading their database structure to their service provider to pay for the fees.

Okay. Most of the people that get patents that I deal with, their organizations have less people in them than HP's representative had in their patent department, so there's a
difference here. Everyone I know who's on the small side of things, who would have to comply with this on a patent-by-patent basis, and that includes every small IP law firm in this country and most of those around the world, will not be able to do that. There is a cost, a real cost, to complying with the proposed rules, and it is not de minimis. It's hundreds of millions to billions of dollars per year.

Unlike the Patent Office rules -- unlike the assertions of fact in the proposed rules about the cost of compliance, I provided the Patent Office with data from the statistics provided by the AIPLA's annual survey of cost for doing things. And I showed them in a very clear and factual basis what the cost would be to comply for each individual action, and the cost of compliance per year would have been a lot. It's not the de minimis amount that the big companies might be able to get away with because they have certain economies of scale. Even for those large companies, there's costs for programming database
compliance and other things. So the costs are not what the Patent Office says.

The issue is, in a large sense, a split between the large electrical-mechanical players in the field, the large companies on the all type of industrial side versus the small people and perhaps the (inaudible) people on the other side, there's a real split. But any way you think about it, the cost, going through the process of complying with the proposed rules, is very large, and that's the point I wanted to make.

Thank you.

MS. GONGOLA: Thank you very much, Mr. Neifeld. Our next witness is Robert Hardy, who's here on behalf of the Council on Government Relations.

MR. HARDY: Thanks, Janet. Excuse me.

I'm Robert Hardy. I'm director of contracts and intellectual property management at the Council on Governmental Relations. We are an association of 189 research universities and some affiliated research institutes and hospitals. And I should
say we represent institutional management and not
the views of individual academics or researchers.

We look at these types of regulations
primarily from the perspective of the ability of
our institutions to commercialize their inventions
and deliver our discoveries to the private sector
for the benefit of the public. And as other
witnesses have mentioned, we have some preliminary
comments and we will be following up with some
formal comments by the comment deadline. And I'd
like to express five concerns at this time that we
have identified with respect to the proposed rule.

The first is we're concerned that the
requirement to disclose exclusive licensees may
have a chilling effect on our ability to
commercialize inventions. Very often the
experience of our member institutions has been
that in order to license inventions, the licensee
insists on holding the license confidential and
many of our licenses have confidentiality terms.

So while this is by no means in 100 percent of the
cases, it is a significant number of cases where
this occurs.

And there's a further problem here in

that the requirement is triggered by payment of

maintenance fees, which means that it's

retroactive. And this could put us in breach of

confidentiality commitments that we have made in

existing licenses. And I think the reasons for

the confidentiality have been well expressed by

previous witnesses and it simply is the case that

many of the companies we deal with do not want the

fact of the license to be made known for

competitive reasons and strategic business

reasons.

The second issue that we have identified

with the NPRM is that the enforcement entity

requirement in 2(a) is phrased in terms of

standing to sue. In our view, standing to sue

really is a conclusion of law for the courts and

not necessarily for the PTO. We think this

probably could be fixed, but we think that

probably to the extent that that's specified, it

should be in terms of the bundle of specific
rights that might be transferred and not by the concept of standing.

The third issue that we have at this time identified, and this has been expressed by previous speakers, is the concern about the burden and cost of compliance that this would occasion our institution, especially with regard to identify ultimate parent entities. As has been expressed before, that involves determinations of corporate structures and corporate transactions that we typically might not be privy to, and this could put us in a situation of inadvertently noncompliance. And even though this could be cured by a good faith petition, again, this has cost and burden implications for us.

The fourth issue, and this is an issue that you may not hear expressed by others, is that the exception to the disclosure requirement for state agencies might apply in some cases to state universities because some state universities under the law of the particular state are state agencies from a standpoint of legal entity. And that then
raises the specter of an uneven playing field
between those state institutions that are, in
fact, state agencies, agencies of the state, and
other public and private institutions that don't
have that status.

And then the fifth issue I think we
would like to put out there is that we do think,
as at least one other speaker has expressed, that
given the pending legislative action in the
Congress, it seems to us that it's premature for
PTO at this time to be putting out proposed rules.
And we think it would really be much more
advisable to wait out the legislative process
before proceeding with rulemaking on this matter.

So those are our preliminary comments.

We value the good working relationship we have
with PTO and we look forward to working further
with you as the process continues. Thank you.

MS. GONGOLA: Thank you very much, Mr.
Hardy. Our third witness is Morgan Reed on behalf
of the Association for Competitive Technology.

MR. REED: Good afternoon. Hopefully,
we'll make this fast. My name is Morgan Reed with
the Association for Competitive Technology, and we
represent over 5,000 companies that make the
mobile ecosystem that you all love work.

Now, it's worth noting that the vast
majority of my members are not inventors. They
are, in fact, innovators. But we have a small
subset that do include those who file patents and
for whom the next great, amazing shift is coming
from their basement lair, hopefully. And that
will be the invention that will be filed for a
patent and that will result in a change in our
entire, hopefully, lifestyle.

And so, when I listened earlier today,
you know, at first I thought this was great
hearing how we're moving forward on how do we fix
RPI, but something Charles Duan said at the
beginning really caught my attention. And I want
to make it clear that ACT and our folks all
support improving real party and interest notice.
But Charles said something I think we all should
remember. He started off by saying, you know,
this is great for competitors to learn about their business choices so they can move forward, not that companies can learn how to execute something and learn from the knowledge that's put into the patent system. Because what I realized he was saying is he was breaking the dichotomy we all agree to here at the Patent Office, and that is I teach you how to do something in exchange for a right.

What Charles was expressing is competitors want to see what you're up to so that I can make a competition decision, not learn from that. And I think that's the really important part that we have to look at on this RPI question. If we're going to move forward with more transparency, how do we do it in a way that doesn't result in the outcome that Charles was describing, which is, awesome, I get to learn what my competitor is doing before they do it, but results in me saying my competitor has done something inventive, maybe I should take a license?
And so I think we have to look at what Goodlatte is putting forth in his legislation right now and that we've heard several speakers on, that is a more scalpel-like maneuver as we address this question of how do we get to more transparency and an improved environment; something that allows businesses to make a conscious choice about what they disclose and when, and understand the consequences of not disclosing in terms of good old-fashioned money. As you'll note from the Goodlatte legislation, he says no trebled damages, so that you have an opportunity to make a choice about your transparency in a way that affects your bottom line, but preserves that original Patent Office purpose, right, to teach you how to do something that no one has ever thought of before: New, useful, and non-obvious.

And what I don't want to see is an RPI procedure that results in the world that Charles described, which is competitors rushing to assist and to learn what their competition is doing so
they don't have to spend the R&D money. I want everyone to try to advance the state of the art, not solely wait for someone else to do the work and figure out how to do it on top of them.

So as we move forward on the RPI, I hope the Patent Office will look to Goodlatte's legislation as advice, possibly holding to see how that resolves. But look for a more scalpel-like solution that increases transparency, but doesn't harm those who are truly innovating.

Thank you very much.

MS. GONGOLA: Thank you very much, Mr. Reed. Our next witness is Tim Sparapani, who is presenting today on behalf of the App Developer Alliance and the Main Street Patent Coalition.

MR. SPARAPANI: Good afternoon. Hi. My name is Tim Sparapani. I'm here on behalf of a really quite large and diverse set of interests involved in the patent system.

First, I speak in my capacity as vice president for the Application Developers Alliance. Like the previous speaker, we, too, represent the
app ecosystem. We have 35,000 members who have
joined us in the 26 months we've been around.
They are the people who are building apps
worldwide. We have 170 companies who are also
corporate members. They are mostly dev shops,
i.e., they are people who build apps for other
people. And so, as Morgan was just saying, we are
typically not the inventors. We are typically the
innovators. And so we have a great stake in the
outcome of this debate.

I also speak on behalf of the Main
Street Patent Coalition, a relatively new
organization, representing an extraordinary
collection of small businesses around the United
States who have been burdened by the current
abuses of the patent system that have been given
the nomenclature of "trolls." Members of the Main
Street Patent Coalition include virtually every
small business in America. By that I mean, the
National Restaurant Association, the National
Retail Federation, the American Hotel and Lodging
Association, the U.S. Travel Association, the real
estate licensing folks, the Credit Union National
Association, the American Bankers Association, the
Small Business Majority, the Latino Coalition
representing a separate 1 million small businesses
around the United States, and so on and so forth.
I could list another dozen members, the Printing
Industry Association, and so on and so forth.

These groups have come together because they have seen and experienced extraordinary
abuses of a system which the Patent Office is
committed to putting in place. And given the
extraordinary abuses that they have witnessed and they have been subject to, they have become experts, against their better judgment, in the patent system. These are not businesses who have been folks who have come here and filed patents. Most of them have never even seen a patent until the last several years. And when they have experienced the patent system, it has been on the losing side of it because they have received unfortunate requests with very little information from shadowy partners -- parties, who are asking
them for large sums of money for patents that they almost certainly did not ever infringe.

As a result, they have come to ask for four types of reform. One of them, most importantly, is transparency. And it is transparency particularly for the small businesses that they represent -- coffee shops, restaurants, credit unions, banks, et cetera -- throughout every city in America. That will give these business the ability to evaluate whether or not the patent that they are allegedly infringing is one they have actually infringed and, if so, whether they should engage in a legitimate licensing conversation, which we think would actually benefit the actual patent holders by speeding up the process of actual negotiation if, in fact, there is a true infringement; or whether or not they should seek legal counsel and, if so, whether the legal counsel they should seek should be prepared to engage in litigation because there was a likely infringement or because there was not. And more importantly, they would love to
know who the parties are in fact who are making
the claims that they have infringed.

So let me make for quick points. One,
we believe that reform is urgently needed for real
party and interest. It is just absolutely
essential that you give America's small businesses
immediate access to very basic information about
who it is that is actually alleging an
infringement and insisting upon a payment. It's
very basic. It's crazy to think that we live in a
world where you can demand money from people, from
small businesses, and not tell them who you are or
why you were there. And that's the situation
these small businesses across America find
themselves in. It's maddening.

Secondly, this reform is common sense.
It should be clear that simply being able to
identify who, in fact, would benefit from your
paying a licensing agreement, engaging in
commerce, or settling an alleged infringement, it
just should be obvious that that information
should be imparted. And we have real trouble in
the face of these clear abuses understanding why
there's opposition to simply telling people who it
is, who's on the other side of a demand.

Third, there have been claims, I think
they're specious, and I say this as a former ACLU
lawyer who practiced First Amendment law for more
than a dozen years. There have been claims that
are First Amendment abuses, that there would be
Noerr-Pennington doctrine problems raised by the
Patent and Trademark Office's proposed rule. I
think this is a specious claim. I've had any
number of our constitutional lawyers who are
friends with, who are my former colleagues at the
ACLU in private practice look at this, and they
have all reached the conclusion that simply
mandating more information, the kind of
transparency that the PTO has suggested, would be
infring on a First Amendment right to be
specious at best. Ridiculous might be another way
to put it. And I would put my stamp as a First
Amendment practicing lawyer on that statement. I
think this claim is baseless.
And then fourth, I would like to make
the broad point that because of the extraordinary
grant of power, a constitutionally granted power
that is given to a patent owner when they receive
a patent, that it is quite obvious to me that
there should come with that great power, great
responsibility. And because of the clear abuses
that we have seen over the last several years and
the multiplicity of patent trolls and their
activity level, that it should be only right and
just that those people who are granted a patent
should have the bare minimum responsibility of at
least giving you the good graces of telling you
who they are when they insist on a check. That
does not seem like an exceptional response to us
when -- the PTO has made given the enormous
monopoly power that is granted with a patent.

So we would urge a swift enactment of
the rules which you have proposed. We are
wholeheartedly supportive of them. We think they
are welcome and overdue. We do not think -- and I
will make this fifth point -- that the PTO needs
to wait for Congress to act because Congress may
never act. And yet, every day we have businesses
from across these coalitions that are literally
going out of business because they do not know who
is on the other end of a demand that's being made
to them.

So I'll stop there. I want to say thank
you again for the opportunity to speak. I am,
again, encouraged, the rapid implementation of
your rule. Thank you so much.

MS. GONGOLA: Thank you very much, Mr.
Sparapani.

(Whereupon, the PROCEEDINGS were
adjourned.)

*   *   *   *   *


CERTIFICATE OF NOTARY PUBLIC

COMMONWEALTH OF VIRGINIA

I, Carleton J. Anderson, III, notary public in and for the Commonwealth of Virginia, do hereby certify that the forgoing PROCEEDING was duly recorded and thereafter reduced to print under my direction; that the witnesses were sworn to tell the truth under penalty of perjury; that said transcript is a true record of the testimony given by witnesses; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was called; and, furthermore, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

(Signature and Seal on File)

Notary Public, in and for the Commonwealth of Virginia

My Commission Expires: November 30, 2016

Notary Public Number 351998