April 24, 2014

Mr. James Engel
Senior Legal Advisor, Office of Patent Legal Administration
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Dear Mr. Engel:

In response to the Notice of Proposed Rulemaking on Changes to Require Identification of the Attributable Owner dated January 24, 2014 (“Notice”), Hewlett-Packard Company (“HP”) submits the following comments expressing its support for the proposal. In particular, HP submits these comments to reiterate a number of points made at the public hearings held on March 13, 2014, and March 26, 2014, and to address some of the questions and comments raised by other parties at the hearings and in written submissions.

I. HP Supports the Disclosure of Attributable Owner Information at Key Checkpoints During the Lifecycle of a Patent

   A. Parties Should be Required to Disclose Their Identity During the Patenting Process

   In view of the inherent impact of a patent grant on the public, parties that own a patent or have a right to enforce a patent can reasonably expect to disclose their identity as part of the quid pro quo for obtaining a patent. Additionally, requiring patentees to disclose their identities would help to maintain the balance between the competing interests of promoting science and the useful arts and granting limited monopolies to inventions. In particular, such disclosures would ensure that the marketplace remains as free and open as possible through increased transparency. It is therefore also reasonable for the USPTO – and the public – to require submission of attributable owner information.

   B. HP Believes the Benefits of the Proposal Outweigh the Costs

   HP has carefully evaluated the costs of complying with the proposed rules with respect to its portfolio and believes that the benefits of the proposal, described in Section II below, would outweigh the costs. In particular, HP believes it could gather the attributable owner information with some initial costs and process modifications, but that providing this information would ultimately become a routine process in most cases.

   HP would emphasize that, because the patent system is inherently affected with a public interest, stakeholders in the patent system, large and small, have a duty to the public to ensure that the patent system works as effectively as possible. Though there will be some additional costs in identifying and providing the attributable owner information, it is 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.
II. Submission of Attributable Owner Information Would Provide Important Benefits

Requiring submission of attributable owner information would further the underlying goals of the patent system, while providing significant benefits to the public, the USPTO, and key stakeholders.

A. Increased Economic Efficiency in the Marketplace

Submission of attributable owner information would increase economic efficiency in the marketplace. In particular, dissemination of information regarding the attributable owner of a patent would enable innovators to easily identify parties with an interest in the patent and thereby initiate transactions in an efficient manner. By avoiding unnecessary transaction costs incurred due to lack of information, innovators could potentially transfer these efficiencies to consumers in the form of increased competition in the marketplace, increased innovation, and reduced prices, among other benefits.

B. Leveling the Playing Field in Licensing and Litigation

In addition, the submission of attributable owner information would level the playing field for licensing and litigation. Research involving public data sources has revealed that some entities have created hundreds of shell companies to hold patent assets, thereby obscuring the party that ultimately controls the actions of the titleholder. Such entities may rely on this obfuscation of the chain of title or enforcement rights to gain an upper hand in licensing negotiations and litigation.

Suppose, for example, that a parent entity establishes two shell companies, “Entity A” and “Entity B”, and that Entity A sends a demand letter to a recipient. The recipient of the demand letter could potentially negotiate a license with Entity A with little or no knowledge of the assets held by Entity B, only to be faced with a subsequent demand letter from Entity B. In such a situation, the parent entity leverages a lack of transparency to gain an unfair advantage and potentially extract multiple settlements from the target.

C. Enabling More Effective Risk Management

The submission of attributable owner information would also enable innovators to more effectively manage risk, as ownership of a patent is a key consideration when performing a patent clearance analysis for a product or service. In particular, the identity of the patent owner or another party with enforcement rights significantly affects the risk profile when evaluating a patent and is therefore of critical importance when determining whether to obtain a license to the patent, design around the patent, or avoid entering the market entirely.


\[2\] For an actual example of such a scenario and a complete discussion of the theoretical and practical implications of a lack of transparency in the patent system, see Transparency by Professor Robin Feldman, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2402389.
D. Providing Advantages to the USPTO During Examination and Post-Grant Proceedings

Finally, the attributable owner information would provide important benefits to the USPTO during examination and post-grant proceedings. The Notice of Proposed Rulemaking provides a thorough discussion of the benefits to the USPTO.3

III. Definition of “Attributable Owner” Under § 1.271

The effectiveness of the proposed rules in the Notice will turn on the precision of the definition of “attributable owner.” The Notice defines several types of entities that are included within the scope of the term “attributable owner.”

A. Titleholders

According to proposed §1.271(a)(1), a titleholder may be identified as “an entity that, exclusively or jointly, has been assigned title to the patent or application.” Ownership is in almost all cases a simple question and complying with this section of the proposed rules would be straightforward in most situations. In particular, parties should be well aware of the legal title holder and could provide this information at each key checkpoint with minimal costs.

B. Enforcement Entities

According to proposed §1.271(a)(2), enforcement entities are defined to include “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.

This provision or some modification of this language capturing enforcement entities is necessary for the proposed rules to completely capture the benefits of the proposal. In the absence of this provision, the public would be unable to determine parties that could potentially assert the patent other than the legal title holder and parties could therefore obscure enforcement entities through contractual arrangements or other schemes. For example, without this provision or some variation thereof, a party granted an exclusive license to a patent with the right to enforce the patent, such as a patent privateer, could remain obscured.

Many companies have split legal and economic ownership among multiple subsidiary IP holding companies through granting of exclusive licenses. Nevertheless, HP believes that such companies could provide the information requested under proposed § 1.271(a)(2) with some minor modifications to their processes. In particular, most companies with patent portfolios maintain databases with information on their portfolios, which may in some instances include information on encumbrances, such as exclusive licenses. These companies could access the available data at each key checkpoint in the patent lifecycle to identify and provide the attributable owner information with minimal costs.

C. **Ultimate Parent Entities**

According to proposed Section §1.271(b), the attributable owner also includes the “ultimate parent entity” of any entity that qualifies under § 1.271(a). In particular, § 1.271(b) defines the term “ultimate parent entity” with reference to the definition in 16 CFR § 801(a)(3), which in turn defines “ultimate parent entity” as “an entity which is not controlled by any other entity.”

HP believes that it is important that the definition of “attributable owner” encompass the ultimate parent entity of each entity, as the benefits of the proposal depend on the ability to identify the party that ultimately controls the actions of each identified titleholder or enforcement entity. For example, when the entity identified under section (a) is a subsidiary or shell company, the full benefits of the proposal are only attainable if the corporate parent is also identifiable.

Furthermore, the burdens of identifying the ultimate parent entity are limited, as this entity will be identified relatively easily in most situations. For example, if the entity identified under § 1.271(a) 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 is readily known or easily identified by the applicant or patentee. As another example, if the entity is an individual, the ultimate parent entity will simply be the individual. Additionally, in most situations, the ultimate parent will 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. Finally, the identification of the ultimate parent entity will only need to be made once per entity, not for each patent and application.

D. **Entities with the Purpose or Effect of Temporarily Divesting or Preventing Vesting of Attributable Ownership**

Proposed § 1.271(c) requires identification of entities that are used with the purpose or effect of temporarily divesting or preventing vesting of attributable ownership. HP agrees with the goal of this section, which is to prevent gamesmanship designed to obscure the attributable owner through creative contractual arrangements. Accordingly, HP supports the inclusion of proposed § 1.271(c) in the rulemaking.

IV. **Timing of Disclosures Under §§ 1.273-1.279 and 1.381-1.385**

The rules requiring the submission of attributable owner information should be designed to minimize the burdens for submitting the information, while maximizing the accuracy of the information. Requiring a submission or confirmation of attributable owner information at key checkpoints during the life of a patent, as generally proposed in the Notice, would attain a reasonable balance between these competing considerations. In particular, such an approach would allow for simple administration and compliance, while ensuring that the information is

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4 In particular, proposed § 1.271(c) specifies that “any entity that, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement, or any other contract, arrangement, or device with the purpose or effect of temporarily divesting such entity of attributable ownership of a patent or application, or preventing the vesting of such attributable ownership of a patent or application, shall also be deemed for the purpose of this section to be an attributable owner of such patent or application.”
current and accurate for every application and patent. The proposed rules identify several checkpoints at which the information is required, a number of which are discussed in turn below.

**A. At Application Filing**

Ownership of the application is a key question at the time of filing, as assignments are executed and a practitioner determines whether the applicant will be the inventor(s) or an assignee. HP would suggest allowing applicants to provide this information in an Application Data Sheet or a newly-created form for providing attributable owner information. HP also agrees with the proposed approach of mailing a Notice of Missing Parts when the attributable owner information is omitted, as this would reduce the potential for abandonment of an application due to an unintentional omission.

**B. When Ownership Changes**

Whether in the form of a purchase of a single patent or a merger/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 USPTO. HP supports the disclosure of attributable owner information within 3 months of when the information changes during pendency of an application, as proposed in the Notice.

HP strongly suggests that the Office consider expanding the proposed rules to include changes to ownership after the patent grants. If this provision were not included, post-grant updates would be limited to maintenance fee payments and PTAB proceedings, which will be 4 years between maintenance fee windows and potentially well over 4 years after the final maintenance fee payment. This time period is too long, particularly in quickly moving technology areas and because parties often obtain rights to patents with the intent of immediately asserting or licensing them. The USPTO arguably has the rulemaking authority for this requirement post-grant under 35 U.S.C. § 2(a)(2), which indicates that the USPTO “shall be responsible for disseminating to the public information with respect to patents.”

**C. At Application Allowance**

HP agrees with the disclosure of attributable owner information within three months of the mailing date of the notice of allowance. In particular, ownership is examined at this stage to determine whether the issue fee should be paid and whether the assignee will be listed on the face of the patent. The attributable owner information could be provided concurrently with the issue fee payment via submission of a newly-created attributable ownership form or, alternatively, by allowing parties to provide the information on the Issue Fee Transmittal Form (Form PTOL-85).

**D. With Payment of Maintenance Fees**

A patent owner will only pay maintenance fees for patents it owns, so it would be natural to confirm or provide attributable owner information at each maintenance fee payment. With

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5 Under 35 U.S.C. § 118 as amended in the America Invents Act, “A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent.”

6 For a more detailed discussion of the USPTO’s rulemaking authority to require submission of this information, refer to comments by Professor Arti Rai at the January 2013 Roundtable on Real-Party-In-Interest Information, p. 15-22 of the transcript available at [http://www.uspto.gov/ip/officechiefecon/rpi_transcript_130111.pdf](http://www.uspto.gov/ip/officechiefecon/rpi_transcript_130111.pdf).
respect to proposed § 1.381, HP recommends modifying the proposed language from “prior to the date the maintenance fee is paid” to “prior to or concurrently with payment of the maintenance fee.” This change would 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. HP would also recommend specifying a penalty for failure to provide the information at the time of the maintenance fee payment. In particular, specifying that the patent would lapse in such a situation would be consistent with the penalty of abandonment specified for pending applications in other provisions in the rules.

One key aspect of providing the information concurrently with payment of maintenance fees is to enable third party maintenance fee providers to make updates on behalf of patent owners. HP understands that the USPTO is considering a project that would modify the maintenance fee storefront to allow patent owners or their designees to upload a data file for bulk payment of fees. A natural extension of this proposal is to allow the data files to also specify a list of entities that qualify under proposed § 1.271(a) and, for each such entity, the ultimate parent entity. If such a system were implemented, HP would envision its service provider pulling the necessary data from cloud-hosted databases, generating the data file in the required format, and then uploading it to the USPTO along with the maintenance fee payments.

HP believes that allowing third parties to specify maintenance fee information would raise the possibility of an unauthorized party inadvertently updating the attributable owner information if, for example, there is an error in the data. HP would suggest providing owners with a method of correcting the information in such cases without the need for a petition or fees. Alternatively, the USPTO could implement an authorization scheme such that only authorized parties can update the attributable owner information for a particular set of applications and patents.

V. Response to Arguments Against Reporting Attributable Owner Information

During the hearings and in written comments, some parties have raised objections to the proposed rules for various reasons. HP would like to take this opportunity to briefly respond to some of these objections.

A. Burdens of Providing the Information

Some parties have focused on the burdens of the proposed rules, alleging that the costs of complying with the rules would significantly outweigh the benefits. In particular, some parties have argued that gathering the information and providing it at various checkpoints would impose significant burdens on patent practitioners and their clients.

As explained above, the identity of each attributable owner is already known or readily determined by the majority of parties in the ordinary course of business. In particular, as noted above, parties are generally well aware of the titleholder and any parties granted enforcement rights to each application and patent. Furthermore, many of the checkpoints specified in the proposed rules are times at which the applicant or patentee would already be filing documents or otherwise interacting with the USPTO. As a result, in the majority of cases, disclosing the attributable owner information to the USPTO would simply be a matter of providing information
that is already known or readily determined at a time when the party is already interacting with
the USPTO.

Other parties have alleged that the proposal would unduly burden small inventors and companies. HP is certainly mindful of the impact on small entities and encourages the USPTO to carefully consider the interests of such parties in crafting the final rules. That being said, HP believes that the impact on entities with large patent portfolios will be proportionately greater than for small entities. In particular, large entities such as HP are more likely to enter into licensing agreements, have complex corporate structures, and require investigation into the ultimate parent entity. As already noted, despite these additional considerations, HP is willing and able to provide the attributable owner information required by the proposed rules.

B. Proper Tailoring of the Proposed Rules

In opposing the proposed rules, some parties have also alleged that the rules are not narrowly tailored to the problem. In particular, some parties have alleged that the real problem is related to determining the attributable owner in connection with demand letters and litigation. Based on this contention, these parties allege that the rules should be limited to situations in which a patent is asserted in litigation or mentioned in a demand letter or, alternatively, that patent litigation reform pending in Congress is a more appropriate mechanism for dealing with the problem.

Though it is certainly true that a lack of transparency in connection with demand letters and litigation is a significant problem, the problem goes well beyond these situations. As noted above, lack of ownership information can create significant imbalances during licensing negotiations, such that a party that obscures ownership can gain an unfair advantage. Similarly, a complete record of ownership is a critical factor when a party is performing a patent clearance analysis. As a result, the proposal will only fully capture the intended benefits if the USPTO requires attributable owner information for applications and patents, regardless of whether they are the subject of a demand letter or litigation.

VI. Additional Suggestions

A. Alternative Proposal for Timing of Disclosures

Although HP believes that the checkpoint-based approach would create an administrable framework, HP is mindful of the costs created by mandatory disclosures at each checkpoint. If the USPTO desires to reduce the costs of providing attributable owner information, the Office could instead modify the rules to only require disclosure of the information when it has changed. Although such a modification may increase the likelihood of unintentional noncompliance with the rules, this approach would reduce the need for parties to affirmatively confirm the information at each of the checkpoints during the process and potentially reduce the costs of compliance.

B. Suggestion for Pilot Program Prior to Full Implementation

As mentioned above, HP believes the proposed rules would be greatly beneficial to the patent system as a whole. Nevertheless, HP encourages the USPTO to consider implementing the attributable ownership rules package in a phased approach by using a pilot program prior to
final implementation. For example, the USPTO could consider implementing the rules by selecting a small subset of art units or allowing parties to volunteer for the pilot program. Such an approach would allow the USPTO to test and refine the rules on a smaller scale prior to final implementation, thereby ensuring that the rules serve their intended purposes while avoiding unintended consequences.

VII. Conclusion

Ultimately, HP believes that ownership transparency is an important characteristic of an optimal patent system and believes that increased transparency would provide significant benefits to the USPTO, key stakeholders, and, most importantly, the public. HP thanks the USPTO for the opportunity to participate at the public hearings and provide these written comments, and looks forward to collaborating with the USPTO on the path to a final rules package and implementation of the proposal.

Respectfully submitted,
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