

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Notice of Roundtable on Proposed Requirements for Recordation of
Real-Party-in-Interest Information Throughout Pendency of Patent Term

Docket No. PTO-P-2012-0047

**COMMENTS OF THE COALITION FOR PATENT FAIRNESS AND
THE INTERNET ASSOCIATION**

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INTEREST OF COMMENTERS

The Coalition for Patent Fairness is a diverse group of high-tech companies dedicated to enhancing U.S. innovation, job creation, and competitiveness in the global market by modernizing and strengthening our nation's patent system.

The Internet Association is the unified voice of the Internet economy, representing the interests of America's leading Internet companies and their global community of users. The Association is dedicated to advancing public policy solutions to strengthen and protect Internet freedom, foster innovation and economic growth, and empower users.

The Coalition for Patent Fairness and the Internet Association are ideally situated to comment on this proposal. Each year, Coalition and Association members collectively invest billions of dollars on research and development, frequently driving the development of technological products and societal freedoms through their creativity and innovation. Their members collectively own tens of thousands of patents, which they rely upon to protect their substantial investments in research and development. At the same time, those members also face an unprecedented barrage of patent assertions and litigation. Given the substantial experience of their members on both sides of patent enforcement and litigation, the Coalition for Patent Fairness and the Internet Association can offer a balanced perspective on the PTO proposal.

INTRODUCTION AND EXECUTIVE SUMMARY

These comments address the Notice of Roundtable ("Notice")¹ issued by the PTO to discuss its proposal to require the recordation of real-party-in-interest information² in United States patent applications and patent files. Commenters appreciate the PTO's intention to curb the growing practice of many entities to conceal information about the true owner and/or real party in interest of patents, thereby hindering the fairness and efficiency of the United States

¹ Notice of Roundtable, *Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Pendency of Patent Term*, 77 Fed. Reg. 70387 (Nov. 26, 2012) ("Proposed Requirements").

² The PTO has stated that the definition of "real party in interest" adopted here would "not necessarily" coincide with the use of "real party in interest" or "ownership" elsewhere in the agency. Notice at 70388. This distinction is appropriate and should be maintained in light of the different contexts and purposes for which information regarding interest in a patent is collected. To avoid confusion, the PTO should designate the parties for which it collects information in accordance with this proposal by a title other than "real party in interest," such as "party with interest in the patent." However, to maintain consistency with the Notice and for purposes of this comment only, Commenters use the term "real party in interest" to designate those parties about which patent information will be collected.

patent system. The PTO's Proposed Requirements are a promising first step in addressing this problem.

In the patent system, as in any property-rights regime, a clear understanding of each party's rights is necessary for the success of the participants and ultimately the regime itself.³ In contrast, obscuring information regarding patent ownership and the real party in interest ("RPI") hurts the public in every aspect of the patent system: PTO proceedings, litigation, licensing, and rights-clearing. Because a patent is a potentially powerful government grant that provides the patent holder with the right to exclude others from making, selling, or using a claimed invention, the public deserves notice of ownership. Simply put, allowing "hidden ownership" undermines the notice function of patents and thereby retards the very progress the patent system was designed to promote.

These problems are exacerbated when entities actively conceal patent ownership information. Specifically, many "patent assertion entities" ("PAEs") actively conceal ownership information and use hidden ownership as an inappropriate advantage in patent proceedings and litigation. Given the dramatic rise in PAE activity in the past decade, hidden ownership threatens to further lower the overall efficiency of the patent system for the foreseeable future.

Commenters support the agency's decision to address these issues by requiring that patentees provide timely and accurate RPI information during patent examination and at specific points throughout the patent term.

STATEMENT

I. The PTO Proposal Would Promote Innovation By Increasing The Efficiency Of Agency Proceedings, Litigation And Enforcement, Licensing, And Rights-Clearing Efforts

Disclosure of complete ownership and RPI information in patent applications and during a patent's enforceable term would improve the patent system at every level: in agency proceedings and examination, in litigation and patent enforcement, in licensing arrangements between parties, and in rights-clearing activities. This improvement is significant because of the sheer size of the current patent system. The existence of over two million enforceable U.S. patents compromises the patent system's ability to provide effective notice: it is increasingly difficult to identify prior art and potentially important patents and applications. Hidden ownership of such prior art and inventions exacerbates this problem and injects inefficiency throughout the patent system. Any "benefit" of hidden ownership accrues only to hidden owners

³ See, e.g., Ronald H. Coase, *The Problem of Social Cost*, 3 J.L. & Econ. 1, 19 (1960) ("[A]ll that matters (questions of equity apart) is that the rights of the various parties should be well-defined and the results of legal actions easy to forecast.").

who work to limit public notice of their rights before and during enforcement—and is unrelated to the technological value of the patented invention.

A. Agency Proceedings

Hidden ownership undermines the operation of agency proceedings created by the Leahy-Smith America Invents Act (“AIA”) by making Preissuance Submissions, Inter Partes Review, and Post-Grant Review more difficult for the public to use.⁴

Before filing a petition or submission in these AIA proceedings, a party generally first seeks to identify all potential invalidating art; the search often includes public use, sales, offers to sell, and other prior art under 35 U.S.C. § 102(a)(1).⁵ In many situations, the patent’s current or prior RPI is the party most likely to have publicly disclosed the invention or to have used, sold, or offered to sell a product embodying the patent claims. But if such ownership is hidden from the public, identifying evidence of early public disclosures—which may have occurred through obscure publications, trade shows or other presentations, commercial products, or marketing efforts—is far more onerous than reviewing the disclosures of the known parties in interest. The PTO proposal to provide more transparent ownership would help alleviate this burden.

Transparent ownership information likewise would benefit a third party considering initiating an agency proceeding to challenge patentability of a patent. The party seeking such review must be able to assess the potential business risks and rewards of filing a petition or submission. Merely knowing a patent or publication exists, without knowing the true owner(s) and RPI(s), is not enough to make this assessment. For example, a party may waste considerable time and effort, and PTO resources, when a petition is filed against a patent owned by an entity that would freely license the patent.

These difficulties are increased by the strict timing limits on the Post-Grant Review and Preissuance Submission procedures, each of which provides only a limited filing window. Identifying the RPI with respect to a patent or patent application of interest may take longer than the time allowed to file the petition or submission; and, failure to file a complete petition or submission can have direct consequences for the filing party.

In Post-Grant Review, the petition deadline is nine months after the date of the patent grant.⁶ This provides very little time to search the available prior art and determine the pre-filing

⁴ See 35 U.S.C. § 122(e) (Preissuance Submissions), § 311 (Inter Partes Review), & § 321 (Post-Grant Review); see also 35 U.S.C. §§ 301-307 (covering ex parte reexamination, which remains available even after the AIA becomes fully effective).

⁵ For patents in force today, the public use and on-sale bar provisions may be found in 35 U.S.C. §§ 102 (a), (b) (2010).

⁶ 35 U.S.C. § 321(c).

activities of a hidden owner.⁷ And the repercussions from failing to uncover such information can be grave. If the PTO upholds the challenged claims, the petitioner in a Post-Grant Review proceeding will be estopped—in future Office proceedings, before the International Trade Commission, and in the courts—from challenging the patent “on any ground that the petitioner raised or reasonably could have raised during the review.”⁸

Preissuance Submissions likewise have a short time frame. The submission deadline is (i) the notice of allowance or, where the notice of allowance comes late in prosecution, (ii) the later of six months after publication or the first rejection.⁹ Because the PTO holds patent applications in secret until publication, the window for submissions may be six months or, where the agency acts quickly, even less. While the consequences of failing to file a submission may not be as individually dire as filing an incomplete post-grant petition that fails, the consequences for the system as a whole will be loss of the opportunity to have many patents examined by the agency with the best prior art available.

Finally, the PTO properly has identified other areas within the agency where true ownership/RPI information will lead to a more efficient and fair process. Knowledge of a patent’s true owner and/or the RPI will streamline and improve an examiner’s understanding of what constitutes prior art under 35 U.S.C. § 102(b)(2)(C) and the search for prior art in general.¹⁰ Such knowledge likewise will improve the accuracy and efficiency of identifying conflicts and the appearance of conflicts between agency personnel and patent applicants/owners.¹¹

B. Litigation and Patent Enforcement

Hidden ownership makes litigation and patent enforcement in the courts more expensive and inefficient, for reasons that have nothing to do with promoting innovation, in two primary ways. First, some patent assertion entities (“PAEs”) use hidden ownership as a litigation tactic, and, in so doing, create a significant burden on the litigation system and massive increase in costs for productive, operating companies. Second, hidden ownership can make it exceedingly difficult

⁷ Notice at 70387.

⁸ 35 U.S.C. §§ 325(e)(1), (2). Legislators have recognized that the current “could have raised” estoppel provision of Post-Grant Review is a scrivener’s error that should be corrected through legislation to create estoppel only for those issues actually “raised” during the proceeding. *See* Statement Of Senator Patrick J. Leahy (D-Vt.), Chairman, Committee On The Judiciary, On Senate Passage of H.R. 6621 to Improve Certain Provisions of the Leahy-Smith America Invents Act (Dec. 28, 2012) *available at* <http://www.leahy.senate.gov/press/leahy-hails-passage-of-legislation-to-make-technical-improvements-to-the-bipartisan-leahy-smith-america-invents-act>.

⁹ 35 U.S.C. § 122(e).

¹⁰ Notice at 70387.

¹¹ *Id.* at 70386.

for any business entity to achieve efficient, true settlement of all patent claims with the real party in interest. The Proposed Requirements would help alleviate these problems.

(i) *Patent assertion entity litigation.* Hidden ownership creates inefficiencies and unfairness in the patent litigation system through the activities of some PAEs. PAEs follow a business model of buying and asserting patents for profit.¹² They typically do not engage in research, innovation, invention, production, and sale of ideas, products, and technology.¹³ Instead, they target operating, productive companies by filing patent suits or otherwise asserting patent claims, and they often use hidden ownership to their litigation or negotiation advantage.

In the last several years, PAE litigation has increased markedly to the detriment of a broad range of companies, from web-based startups to coffee shops to large, high-tech corporations.¹⁴ In 2011, operating companies mounted a staggering 5,842 litigation defenses against PAEs—a *four-fold increase* from 2005.¹⁵ Those 2011 PAE suits accounted for 40 percent of all patent litigation.¹⁶ That number rose to over 60 percent during 2012.¹⁷ PAE litigation and activity has placed a heavy burden on productive companies, totaling \$29 billion in direct payouts and associated costs during 2011 and annually averaging a total loss of wealth of over \$80 billion.¹⁸

These burdens are made worse by hidden ownership. PAEs (and some other patent owners) routinely assign patents, or grant exclusive licenses with a right to sue, to other entities without creating any public record that would identify the change in ownership or interest.¹⁹ This

¹² Fed. Trade Comm'n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 50 n.2 (2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>.

¹³ *Id.*

¹⁴ See James Bessen & Michael Meurer, *The Direct Costs from NPE Disputes* 19 (Boston Univ. Sch. of Law Working Paper No. 12-34, June 28, 2012), available at http://www.bu.edu/law/faculty/scholarship/workingpapers/documents/BessenJ_MeurerM062512rev062812.pdf.

¹⁵ *Id.* at 31, Table 4.

¹⁶ Robin Cooper Feldman, Sarah Jeruss & Joshua Walker, *The America Invents Act 500: Effects of Patent Monetization Entities on US Litigation*, 11 Duke L. & Tech. Rev. 357, 361 (2012).

¹⁷ Colleen Chien, *Patent Assertion Entities* 12 (Dec. 10, 2012), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2187314.

¹⁸ James Bessen, Jennifer Ford & Michael Meurer, *The Private and Social Costs of Patent Trolls* 2, 17 (Boston Univ. Sch. of Law Working Paper No. 11-45, Sept. 19, 2011), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1930272; Bessen & Meurer, *The Direct Costs from NPE Disputes*, *supra*, at 31, Table 4.

¹⁹ Robin Feldman & Tom Ewing, *The Giants Among Us*, 2012 Stan. Tech. L. Rev. 1, 4-6 (2012), available at <http://stlr.stanford.edu/pdf/feldman-giants-among-us.pdf>.

practice significantly undermines the ability of operating companies to assess litigation risk. PAEs often wage litigation through shell companies or other third-party proxies, making it difficult for their targets to identify the real party in interest and driver of the lawsuit.²⁰ To make matters worse, PAEs often maintain intentionally opaque organizational structures that cloak the management and control of the entity.²¹ PAEs' hidden ownership practices create a significant asymmetry in information between the parties that disadvantages the defendant by increasing its uncertainty and litigation costs, while decreasing its ability to conduct efficient discovery and negotiate a quick and fair settlement. Indeed, this can be a huge advantage when the litigation objective may be simply to extract numerous quick settlements—in amounts short of the defendant's cost of litigation—regardless of the merits of the case.²² This is certainly one of the goals of hidden ownership.

Ultimately, by injecting greater inefficiency and expense into patent litigation, hidden ownership techniques drive up the uncertainty and therefore the costs associated with challenging invalid patents. This, in turn, deters rather than promotes innovation because resources that ordinarily might be devoted to invention and development are spent litigating or licensing patents that would not survive a fair test under the statute. This deterrence of innovation directly contravenes of the purpose of the patent system.

(ii) *Settlement.* Hidden ownership likewise creates uncertainties and inefficiencies in the settlement process of any patent litigation. Litigants cannot know whether they are settling with the RPI—and the extent of that RPI's portfolio. The Proposed Requirements make it more likely that such information will be available to inform settlement decisions and thus promote “true” settlement between parties. By creating a more complete public record of patent owners and real parties in interest, the Proposed Requirements would help address these problems and make settlement of patent claims more effective, efficient, and attractive.

²⁰ *Id.* at 13.

²¹ See Tom Ewing, *Indirect Exploitation of Intellectual Property Rights by Corporations and Investors*, 4 *Hastings Sci. & Tech. L.J.* 1, 44 n.170, 53, 90 (2012) (discussing the limited liability corporate structure used by many PAEs); see also Colleen V. Chien, *From Arms Race To Marketplace*, 62 *Hastings L.J.* 297, 319 n.142 (2010) (reporting that one PAE holds “more than 100 patent portfolios” through its subsidiaries, while another has “up to 1100 shell companies”).

²² See, e.g., *Parallel Networks, LLC v. Abercrombie & Fitch Co. et al.*, No. 10-00111, Mem. Op. & Order, ECF No. 338 at 4 (E.D. Tex. Mar. 15, 2011) (“Plaintiff stated that its early settlement demands: (1) have been very reasonable; (2) are based on a small fraction of what it believes it could acquire through trial using a reasonable royalty damage analysis; and (3) are substantially less than what a Defendant would need to spend to bring its case to trial or *Markman*.”).

C. Licensing

Commenters agree with the PTO that hidden ownership burdens licensing arrangements and that “[m]arkets operate most efficiently when buyers and sellers can find one another.”²³ For instance, while licensing typically addresses specific patents covering particular products, corporations frequently engage in more comprehensive “cross-licensing” to ensure patent peace. Cross-licensing is difficult without knowing what patents each party controls and may later assert or cause to be asserted against the other. It is sometimes difficult for cross-licensing parties to guard against hidden ownership because the participants in such arrangements may be quite large corporations with many subsidiaries and other related companies whose patent portfolios are not apparent to the participants.

D. Rights-Clearing Activities

To the extent that it is feasible for companies to clear rights in a given technology, such rights clearing is often made more “time consuming, legally risky, and expensive” by hidden ownership.²⁴ Requiring and publicizing more complete information about patent ownership and RPIs would lower the costs of this pre-market-entry work.

The PTO’s emphasis on market entry and the “buyers and sellers” of intellectual property rights, however, captures less than the full picture of rights-clearing activity.²⁵ Often a company, already in the market, is faced with patent assertion from entities previously unknown. Understanding the full portfolio of these now-identified entities helps ensure that rights clearance for individual products is as comprehensive as possible. Thus, reducing hidden ownership also would increase the efficiency of this aspect of rights clearance.

E. The Growing Problem Of Notice Failure

While hidden ownership inherently creates a significant obstacle to the efficient operation of any patent system, the U.S. system is particularly vulnerable due to its sheer size and the relatively new liquid market in patents that has developed, as shown in growing reassignment practice. Patent infringement is a tort of strict liability.²⁶ Traditionally, the strict liability has been rationalized based on the notice provided by PTO records.²⁷ But as shown above, the U.S. system is so complex that simple recordation of patents—even with RPI information—may

²³ Notice at 70386.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (“patent infringement is a strict liability offense”).

²⁷ *See Boyden v. Burke*, 55 U.S. 575, 582 (1852) (“Patents are public records. All persons are bound to take notice of their contents.”).

provide very little notice of the true business risk inherent in a particular patent. When ownership is purposefully hidden, it weakens whatever notice the patent itself may provide.

Currently, there are over 2.1 million enforceable United States patents.²⁸ This represents a steady increase from the 1.6 million enforceable patents in 2004.²⁹ Agency proceedings, litigation, licensing, and rights-clearing activities regarding these millions of enforceable patents, and the future millions that will replace them, require robust knowledge of who owns what patents if the system is to work efficiently and best promote innovation. The patent owner is in the best position to provide that information; and the PTO is doubtless in the best position to disseminate that information to the public.³⁰

Likewise, patent reassignments—the assignment of a patent after a first assignment is recorded—have risen dramatically. Professor Chesbrough’s study indicates that between 1980 and 2003, the number of reassignments rose from “fewer than 2000 reassignments” to “nearly 90,000.”³¹ This explosive growth in patent reassignments far exceeded the increase in issued patents.³²

The large number of patents and reassignments underpins the urgency for needed reform. The Proposed Requirements would increase the public notice regarding patents by clarifying RPI information, and thus provide at least some efficiency gains in agency proceedings, litigation, licensing, and patent examination. Given the growth in patents, patent reassignments, and in the number of patent owners who rely on hidden ownership to extract settlements and other payments from operative companies that are beyond the value of the patented technology, such gains are sorely needed.

Indeed, the FTC recently released an extensive report on the IP marketplace that supports the PTO’s findings in this regard. In recent hearings on certain aspects of the patent system, the FTC heard extensive testimony demonstrating that patent assignment records “play an important role in clearing patent rights,” and that “clearance efforts” should be focused on those “who are likely to sue.”³³ Such efforts are hampered, however, by parties that fail to record assignments

²⁸ World Intellectual Prop. Org., Statistics on Patents, WIPO Statistical Country Profile, United States of America, “Patents in Force” Table (2004-2011), available at http://www.wipo.int/ipstats/en/statistics/country_profile/countries/us.html.

²⁹ *Id.*

³⁰ 35 U.S.C. § 2(a)(2) (The USPTO shall “be responsible for disseminating to the public information with respect to patents and trademarks.”).

³¹ Henry Chesbrough, *Emerging Secondary Markets for Intellectual Property: US and Japan Comparisons* 63 (2006), available at <http://www.inpit.go.jp/blob/katsuyo/pdf/download/H17esm-e.pdf>.

³² *Id.* at 79.

³³ FTC, *The Evolving IP Marketplace*, *supra*, at 130.

or that list “shell companies” to shield the true assignee of the patent.³⁴ Accordingly, the FTC recommended that action be taken to require the public recordation of all patent assignments, and that the record should include “both the formal assignee and the real party in interest.”³⁵ By requiring RPI disclosures at certain times, the Proposed Requirements would increase transparency of reassignments and thereby address some of the FTC’s suggestion.

II. The PTO Should Implement Its Proposed Timing Requirements, With One Addition: Updated RPI Disclosure Whenever An Entity Attempts To Enforce A Patent Outside The Agency

As an initial matter, the PTO should clarify that each time a patent’s RPI information is updated, this updated information is available to the public. The Notice discusses publication in accordance with § 122,³⁶ apparently reflecting that the RPI will be published with the patent application’s initial publication. Each update, after that initial publication, should also be published in order for the information to provide maximum public benefit.

The PTO proposal envisions that RPI information would be disclosed to the PTO in two main circumstances: (1) during active prosecution, including when an application is initially filed for internal examination purposes, prior to publication, and upon issuance; and (2) whenever a patentee returns to the agency to maintain its rights, i.e., when paying maintenance fees or when the patent becomes involved in post-issuance proceedings.³⁷ In other words, the PTO proposal would require updated RPI information only when the patentee already is engaged with the PTO regarding its application or patent. This is the most convenient and least expensive time for providing such information. Commenters agree that RPI disclosures are appropriate at these times. To more fully address the inefficiencies created by hidden ownership tactics in litigation and settlement, the PTO also should require RPI disclosures when the patent is asserted in litigation or through pre-litigation activities.

A. PTO’s Proposed Timing Requirements

The PTO has limited the costs of identifying RPI information by requiring parties to make disclosures only when the patentee already is engaged with the PTO. Each circumstance identified in the proposal is an appropriate point for requiring RPI information or its verification.

(i) Upon filing for internal examination purposes. First, the PTO would limit disclosure costs—and alleged last-minute crises—by focusing on filings “for internal

³⁴ *Id.*

³⁵ *Id.* at 134.

³⁶ Notice at 70389.

³⁷ *Id.*

examination purposes,” e.g., the filing of non-provisional applications under § 111(a).³⁸ When a non-provisional patent application is filed under § 111(a)—many of which claim priority to a provisional or foreign application—or when a patent enters the national stage under § 371(a), the RPI already has made the decision to pursue the technology at least through the examination stage and, in most cases, to bear the requisite costs. It is little burden in most cases for the party paying the bills to be identified.

In contrast, the PTO proposal would not require identification of the RPI for provisional applications under § 111(b), which form a large and growing number of all patent applications. The filing of provisional applications has become part of best practices at many companies because of the term advantage available. Consequently, the number of provisional applications has risen dramatically: over 160,000 were filed in 2012.³⁹ Thus, no additional costs are incurred at what is the earliest priority event in many, if not most, modern patents families. Instead, the costs often occur roughly a year downstream from the priority event: when a non-provisional application is filed claiming priority of a provisional, a patent enters the national stage, or a U.S. application is filed claiming foreign priority.

(ii) During prosecution. During patent prosecution, current and complete RPI information is critical to an efficient and fair examination. As discussed above, the PTO has properly recognized that RPI information will make patent examination more efficient by allowing examiners to identify prior art and exceptions to prior art, and more fair by making potential examiner conflicts more apparent.⁴⁰ And, during prosecution, the patent agent/attorney prosecuting the case is most aware of the ownership, and should incur minimal costs in gathering and providing a complete ownership/RPI disclosure.

(iii) When the patentee receives enforcement rights: publication and issue. Publication of a patent application is the first point in time when the public receives notice of the patent and the first point in time when enforceable rights may be created.⁴¹ Upon issuance of the patent, those rights as well as traditional patent rights may be asserted against the public. Thus, it is appropriate for the agency to require the patentee to verify the RPI information that should already be on file and thereby allow the public a clear picture of rights ownership along with the rights created.

³⁸ *Id.*

³⁹ Dennis Crouch, Abandoning Provisional Applications, Patently-O Blog, Jan. 2, 2013, <http://www.patentlyo.com/patent/2013/01/abandoning-provisional-applications.html>.

⁴⁰ Notice at 70386-87.

⁴¹ *See* 35 U.S.C. § 154(d) (providing that provisional rights to a reasonable royalty may accrue on date of publication).

(iv) When the patentee returns to the agency: maintenance fees and post-issuance agency proceedings. The payment of a maintenance fee maintains the patentee's right to enforce the patent.⁴² Similarly, patentees participating in post-issuance agency proceedings are seeking to maintain or perfect existing patent rights through, e.g., defending Post-Grant Review or seeking a reissue patent. At that time, the patentee is again engaged in an agency proceeding the result of which may be stronger or more perfect patent rights. As discussed above, the public would greatly benefit from knowing the possessor of these patent rights.

B. Commenters' Proposed Additional Timing Requirement

The PTO should further require that the RPI be revealed at the time the patent is asserted, whether in litigation or in pre-litigation enforcement attempts, such as a written demand for a license. Transparency of ownership is required at the time of such assertion because a defendant must be able to evaluate how to respond, and can best do so based on accurate ownership information. The public, likewise, would benefit from being informed of who is asserting the rights in a patent. This will enhance the overall function of the patent system without providing any substantial burden on (1) the RPI, who already must prepare a complaint or demand letter, (2) the courts, which are statutorily required to provide the PTO notice of every patent action, or (3) the agency, which is likewise required to enter party information related to every patent suit into the PTO system.⁴³

III. **The Proposed Requirements Do Not Create Undue Burdens On Patent Owners**

Under the PTO proposal, the benefits of bringing clarity to ownership rights would far outweigh the burdens on patent owners.

A. Costs Of Researching And Reporting RPI Information Are Appropriately Limited

As described above, the costs of identifying and disclosing RPI information can be appropriately limited through tailoring the timing of such disclosures. The PTO proposal works to limit costs by identifying particular points when the patentee is engaged with the agency and seeking to create or maintain rights to require RPI information. Patentees could further ameliorate the costs of identification of RPI at these times by voluntarily reporting all changes in ownership of the patent as they occur throughout the life of the patent. This would create a more seamless, complete record of a patent's ownership, and would minimize the potentially greater costs of later and "last-minute" ownership searches. The PTO should encourage the adoption of such a "best practice."

⁴² See 35 U.S.C. §§ 41(b), (c).

⁴³ 35 U.S.C. § 290.

B. Loss Of Secrecy Cannot Outweigh The Benefits Of The Proposal

Further, it may be alleged that reducing hidden ownership within the patent system will cause a loss in secrecy that reduces the patent's assertion value despite having no effect on the content of the patent or claims; this reduction may then be cast as creating a burden for patent owners. But as the Supreme Court has long recognized "the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is 'to promote the progress of science and the useful arts'" *Motion Picture Co. v. Universal Film Co.*⁴⁴ Given the impediment to innovation that such secrecy can create through delayed or abandoned market entry, the benefits accrued by individual patentees cannot outweigh the overall benefit to the public of removing it.⁴⁵ To the extent such secrecy is a legitimate concern, it is accommodated by the publication schedule (and opt-out provisions) in the Patent Act itself.⁴⁶ The PTO has made clear it would not make the RPI information public except under the ordinary schedule provided by § 122, thereby protecting any business-related secrecy concerns.

IV. **The PTO Should Adopt The "Broad" Definition Of RPI (Alternative Definition 1) With Two Revisions**

To address the inefficiencies created by hidden ownership, the PTO should adopt a broad definition of RPI that requires disclosures of all entities in the chain of patent title, including all entities with an interest in the enforcement of the patent. Only such a "complete picture" can provide the desired increase in ownership transparency to the patent system. Of the two proposed definitions, the "Broad" definition of RPI, Alternative Definition 1, appropriately allows for a more complete picture of both the chain of title and "co-owners" of patents and is therefore preferable to the "Limited" definition, Alternative Definition 2. Two revisions, however, could enhance the clarity of Alternative Definition 1 and better create the complete picture of patent ownership needed.

A. Include Ultimate Parent Entity

The Broad definition of RPI as defined in the PTO proposal does not appear to require disclosure of the "ultimate parent entity," as required by the Limited definition, in every case. To ensure that each of the benefits recited above is actually received by the public, Commenters suggest that the PTO amend the Broad definition to require that the ultimate parent entity be revealed where that entity is not already included.

⁴⁴ 243 U.S. 502, 511 (1917) (citing U.S. Constitution, Art. I, § 8).

⁴⁵ See FTC, *The Evolving IP Marketplace*, *supra*, at 130-31.

⁴⁶ 35 U.S.C. §§ 122(b)(1), (2).

B. Clarify The Parties That Must Be Disclosed

The PTO states that the Broad definition would “likely require disclosure of exclusive licensees in certain cases.” It is unclear what situation constitutes a “certain case” and the RPIs are not coextensive with legal title holders and exclusive licensees. To avoid confusion and ensure the RPIs are fully identified, the PTO should require disclosure of any party that would receive any remuneration, e.g., licensing fees, damages, or settlement money, based on assertion of the patent. This should hold regardless of whether the right to remuneration is derived from a document characterized as an assignment, an exclusive license, or something else. This proposed revision comports with the varied and inventive techniques used today to hide patent ownership throughout patent assertions.⁴⁷

IV. **The PTO Has The Authority To Promulgate These Regulations**

The PTO correctly states that the Office has the authority to require that RPIs identify themselves during prosecution and throughout the period when patent rights are maintained against the public.⁴⁸ This is apparent from the statute, the case law, and the inherent authority necessary for the agency to carry out the numerous duties assigned to it by Congress.

The PTO has the statutory authority to promulgate rules that “shall govern the conduct of the proceedings in the Office.”⁴⁹ The Office may use that authority to require those that appear before it seeking patent rights to provide information pertinent to those proceedings—including the identity of the parties instigating the proceedings and receiving the rights.

The courts have recognized that the PTO’s authority goes beyond merely seeking information material to patentability. For example, the Federal Circuit has upheld rule 1.105, which allows the PTO to require patent applicants to disclose “such information as may be reasonably necessary to properly examine or treat the matter” presented by an application.⁵⁰ In *Star Fruits SNC v. United States*, that court reviewed rule 1.105 and affirmed the agency’s ability to require applicants to submit information by rule that exceeded the requirements of rule 1.56 (requiring disclosure of information “material to patentability”).⁵¹

The PTO proposal here will likewise require information that assists in agency proceedings, even if it may not always be material to patentability, and greatly benefits the public within the agency and beyond. The information sought reduces the potential for conflicts in examination

⁴⁷ See Ewing, *Indirect Exploitation*, *supra* at 5-8 (discussing the growing reliance on “intransparency” of ownership currently permitted in the patent system).

⁴⁸ Notice at 70386.

⁴⁹ 35 U.S.C. § 2(b)(2)(A).

⁵⁰ 37 C.F.R. § 1.105.

⁵¹ 393 F.3d 1277, 1284 (Fed. Cir. 2005).

and post-issuance proceedings, expedites examination through compact prosecution, allows for enforcement of limits on the RPI under the patent rules, and facilitates the public's ability to invoke Post-Grant Review, Inter Partes Review, and Preissuance Submission as well as enhancing the public's understanding of when to invoke such proceedings. In sum, the requirement allows the agency to better "govern the conduct of proceedings in the Office" and is thus statutorily allowed.⁵²

CONCLUSION

Commenters believe there is no cure-all for the issues that hidden ownership creates for patent examination, patent litigation and enforcement (particularly by patent assertion entities), licensing, and post-issuance proceedings. But Commenters believe that the PTO proposal will promote transparency with respect to the holders of patent rights and thus is certainly a positive step to address these issues throughout the patent system.

⁵² 35 U.S.C. § 2(b)(2)(A).