UNITED STATES PATENT AND TRADEMARK OFFICE

ROUNDTABLE ON REAL-PARTY-IN-INTEREST INFORMATION

Alexandria, Virginia

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PARTICIPANTS:

Welcoming Remarks

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United States Patent and Trademark Office

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MR. KAPPOS: Well, good morning, everyone. Thank you very much for coming over to USPTO here bright and early on a Friday morning in now mid-January. I'm Dave Kappos, Director of the USPTO. And I think it's not too late still to say Happy New Year, as we're still quite early in 2013.

You know, each of the last few years has brought pretty exciting, far-reaching changes for our IP laws; and even though we're very early in the year 2013, I'll make my own little prediction that 2013 promises to be no exception. And, as always, input from the intellectual property community -- from those of you seated around the large horseshoe-shaped table this morning, as well as others who have joined us both in person here in Alexandria, Virginia, as well as on our webcast -- input from the intellectual property and innovation community of the United States is extremely important. To understate it, it's
Looking back over the last several years, I really believe that roundtables like this one, and of course in the case of the America Invents Act, the many roadshows that we conducted over the last year-plus have been truly indispensable to the agency in making us more transparent and more user friendly and more informed and, frankly, better equipped to put in place good rules, good interpretations, good policy. 

So, in advance of anyone even speaking this morning, let me say thank you again for your preparation, for your participation, for your guidance to our agency. We benefit from it, you benefit from it -- "you" being everyone who cares about innovation in this country -- and, most importantly, the American people benefit from it. And it's this kind of dialogue that creates win-win results all around for our country.

Now, of interest to us today is your input on our proposal to collect so-called
real-party-in-interest, or RPI, information
regarding patent applications and patents and even
other related processes and, specifically, the
question of: Do you agree that we should collect
this kind of information and, if so, what are your
thoughts about how we do it and when we do it, in
what forms we do it and how deep we reach into
determining what a real-party-in-interest means
and what definitions we should use for determining
what a real-party-in-interest is and any other
points that have been raised in our notice that
sparked this meeting.

Now, at a macro level -- right? -- at a
high level, our perspective is simply that the
marketplace cannot work effectively unless
innovators know what a patented invention covers
and know some reasonable amount about who owns it.
We need as much transparency as possible in order
to get intellectual property rights into the hands
of those who are best able to make the investments
and create the jobs and drive growth and generate
economic activity that, after all, is the purpose
for having a patent system in the first place.

Now, this new RPI initiative that we're here to talk about today can have several benefits, not only, we think, hopefully improving the marketplace for innovation but also reducing gamesmanship in litigation strategies and improving the operation of the USPTO all around the board.

Now, with a more complete ownership record, the public has a more comprehensive understanding of what patent rights are being maintained and by whom; the financial markets have more complete information about the valuable assets being generated and held by patent owners; and inventors and manufacturers have a better understanding of the competitive environment in which they are operating, allowing them to be more efficient in obtaining and allocating resources that they need.

Now, RPI information also could benefit the USPTO, in fact, in several pretty important ways. First, it enables our Patent Trial and
Appeal Board to identify potential conflicts of interest much more effectively. Second, it alerts our Board to potential statutory bars to conducting proceedings. And perhaps most importantly and certainly very importantly, it enables our Examiners to do a more effective job, to understand whose patent application they're actually examining as they look at it.

Now, for the agency, we're willing to do our part in creating an effective set of rules and guides here. In fact, we're already doing our part. If you look at our fees, we have dropped our assignment recording fee, which was $40, to $0. So, we're sending a very strong message. We're not going to charge anyone anything, not a single penny, right? You know, when people ask the question, "Well, define 'zero.'" It's nothing. And we're trying to send a message that we'll do our part, we will absorb the cost to do that work, because it's important and we want to make it as easy as possible for folks to provide this information.
Now, who constitutes a real-party-in-interest or a privy is, in fact, a highly fact-bound question, especially the issue of whether a party who is not a named participant in a given proceeding nonetheless constitutes a real-party-in-interest or a privy to that proceeding. Courts and commentators certainly agree that there's no bright line test -- we get that -- for determining the necessity or the necessary quantity and qualities, degrees of participation that make one a real-party-in-interest or a privy based on what we know to be the so-called control concept.

So, it's a difficult area to analyze. There is certainly a lot of jurisprudence on it; and, as a result, the USPTO hasn't tried to enumerate particular factors regarding any control theory or real-party-in-interest or privy in the proposal that we put out. And instead, to resolve the RPI or privy dispute that may arise in various proceedings, we want to hear from the people in this room, which, as you can see from our notice,
we're open to considering on a case-by-case and very, very fact-specific basis.

So, in sum, the USPTO is here today looking for input on our RPI proposal, all input that the folks here in the room and those watching by webcast can offer us, input on parties and their ability to establish standing, input on challenging standing, input on flexibility to consider the specific facts and relevant case law in resolving real-party-in-interest disputes.

But the core of our objective in this matter is to come back to where I started: Transparency, transparency. We're in an era of transparency, and with this roundtable today we want to hear your thoughts on how we can improve transparency about the subject real-party-in-interest. We welcome, we encourage your comments on the definitions we proposed, suitability of other definitions or standards, everything that you want to offer input on.

So, thanks again for your participation, and now I'm going to turn it over to my truly
close colleague here at USPTO, our chief economist, Dr. Stuart Graham.

DR. GRAHAM: Thank you, David. Good morning. I am pleased to be moderating our roundtable this morning. Director Kappos has highlighted some of the benefits of collecting real-party-in-interest information, benefits that extend to operational efficiencies for the USPTO, transactional efficiencies in the marketplace for invention, and information efficiencies in the litigation and licensing environment.

The USPTO published a Request for Comments on November 23, 2011, regarding whether regulations should be promulgated for the collection of assignment and real-party-in-interest information for both applications and issued patents. In reviewing the comments that we received from the public, all of which are available on the USPTO website, we heard that without specific proposals many of the respondents felt unable to adequately respond. In response to that, in the November Federal Register notice that
announced this roundtable, we offered what amounted to straw men definitions of real-party-in-interest to facilitate discussion at this roundtable today.

The first of these definitions, an admittedly broader definition, RPI would correspond to those entities having the legal right to enforce the patent, in other words, those parties that would be necessary and sufficient to bring a legal infringement action. We anticipate that this information is directly relevant to identifying conflicts of interest that might arise in examination context and is consistent with the need to make prior art determinations, because it identifies all parties that might have a claim to ownership of the patent application or issued patent. This definition would likely require disclosure of exclusive licensees in certain cases.

Under the second admittedly narrower definition, the interested parties needing to be disclosed would be limited to the legal title
holders and ultimate parent entities of the patent application or issued patent. The term "ultimate parent entity" could be based on the definition along with the accompanying examples set forth in our regulations, which define it as an entity that is not controlled by any other entity. Such a definition may limit the entities that need to be identified based on the assumption that although not every interested entity would be listed, information about these other parties, if needed, could in most cases be deduced or obtained from the information provided.

We set these definitions out as an opportunity to begin a discussion and offer an opportunity to respond to particular definitions. But certainly we are open, as Director Kappos suggested, to more thought on this issue, and it's one of the reasons why having a roundtable like this one today is so important.

So, we are interested in hearing today from the roundtable participants about the workability of these or other definitions, as well
as the timing of collecting such information.

What are the consequences, for instance, of requiring such information during the prosecution of the application? And what about after issue? And what are the appropriate trigger events for collecting this information?

With that as background, let me begin the discussion by thanking all of you live in our offices here in Alexandria, Virginia, and also the webinar audience for joining us today.

As you can see by the agenda that you received upon arrival, we have 20 guests prescheduled to share commentary. When I call your name, I ask that each of you please speak from the podium.

Also, because of the tight timeline today, each guest has been allotted either 5 or 10 minutes to share commentary with us. I will raise a red card at the 1-minute warning mark to request that you conclude your commentary so that we may stay on scheduled as much as possible, and that will allow us to have sufficient time at the end
for a robust interactive discussion.

Lastly, after prescheduled commentary is complete, we will open the floor to the audience for any additional views.

Now, with that, let us begin with Professor Arti Rai from Duke University School of Law.

Professor Rai.

PROFESSOR RAI: Thank you very much to the U.S. Patent and Trademark Office, Director Kappos, Dr. Graham for inviting me to speak at this very important event.

Let me preface my remarks by saying I'm speaking as somebody who teaches not only patent law but also administrative law, in fact have written and taught in the area of administrative law for about 10 years now. I am also co-chair of the American Bar Association Administrative Law Section's Committee on Intellectual Property. So, I will be speaking on some of the administrative law issues with respect to the PTO proposal. I should emphasize, however, that my comments
represent only my own personal views.

So, as noted, I'd like to focus my commentary on a somewhat narrow but nonetheless very important threshold question, and that is, of course, the threshold question of whether the PTO has the administrative authority to promulgate rules such as those in question. Some of my commentary is based on written comments I submitted to the PTO on this issue a year ago. These are in the public record, and I incorporate those comments by reference, if you will, in my commentary today.

Let me begin, however, by emphasizing one overarching principle, and this is a principle that is important for administrative law in addition to being an important overarching principle, and that is what Congress wants and thinks about PTO authority.

I think that Congress has, with the passage of the America Invents Act, placed the PTO even more squarely than previously was the case in the world of the patent marketplace, in other
words, in the world of what happens after a patent issues, not simply what happens during the examination process.

So, in addition to the specific authorities in the Patent statute upon which the PTO can draw -- and I will talk about those in a moment -- we have a statute, the America Invents Act, that places what happens to a patent after it issues squarely in the PTO's bailiwick.

To put the point another way, with the AIA's passage -- AIA's passage -- we have a sort of congressional endorsement of the agency power that courts like the U.S. Supreme Court have looked to in administrative law cases to determine the contours of agency authority. So, that's an overarching principle.

Now, to the details of PTO statutory powers. Under the Supreme Court precedent of Chrysler v. Brown, the threshold question is whether an agency can promulgate rules with "the force of law." Under Chrysler, an agency can do so if the rules are "reasonably within the
contemplation" of a congressional grant of
rulemaking authority. Here, I believe the
proposed rules are within the PTO's fairly
comprehensive § 2(b)(2) authority to "govern the
conduct and proceedings in the Office."

For example, the 2005 Federal Circuit
decision in the Startfords case upheld, as within
PTO power, a fairly muscular regulation requiring
the applicant to provide all information
reasonably relevant to examination. In that
regard, the court emphasized the PTO's goal of
using the regulation to "perform the best quality
examination possible."

In this case, the rules proposed by the
PTO requiring submission of continuously updated
information will, in the words of Startfords, help
the agency implement "the best quality examination
possible."

As the recent Notice points out in
detail, and as Dr. Graham and Director Kappos have
noted already, the AIA makes the question of
ensuring that the PTO has accurate information
regarding ownership of prior art significantly more important than it was prior to the AIA.

I should emphasize, however, that the PTO's statutory power to issue rules governing the conduct of proceedings is not limited to examination. In cases like Coopertec v. Judas and Stevens v. Tamai, the Federal Circuit has emphasized and upheld, as within the scope of PTO authority, regulations governing inter partes reexamination and interferences. In Coopertec v. Judas, for example, the Federal Circuit held that the PTO could use its regulatory authority over procedures to define the term "original application" in a statutory provision that establishes procedures for inter partes reexamination.

Similarly, in this case, identification of real-parties-in-interest will greatly facilitate proper use and disposition of the host of new post-grad proceedings set out by the America Invents Act.

Now, the PTO also has a duty under § 2A2
of the Patent Statute to "disseminate to the public information with respect to patents." The detailed contours of this power have not been fleshed out as clearly by the Federal Circuit as the contours of the 2(b)(2) power. But on the plain meaning, reading of the language with respect to the duty, it would appear to require giving the public information regarding who the current owner of the patent is.

In general, administrative law has as its core the principle of transparency that Director Kappos emphasized. This transparency principle is particularly important where the public is going to be subject to a government-imposed legal requirement, i.e., a patent. We are all subject to the requirements of patent law. If we are going to be subject to these patent requirements, we must know not only what the metes and bounds of the claims are but also who is asserting the claim. Transparency is, as I have indicated, a core principle of administrative law that has been upheld time and
again by the Supreme Court.

So thus far I have spoken to the threshold question of PTO power to promulgate the rules in question, and that is the core of my remarks today. But let me conclude with one brief comment about the substance, again from an administrative law perspective.

As a matter of administrative law, the PTO must not only show that it has the power to regulate — to promulgate, excuse me — the rules in question but also that the rules are ultimately based on a reasoned assessment of cost and benefits. What courts look to in determining whether the agency has done a thorough job of doing this reasoned assessment is precisely the sort of proceedings in which the PTO has engaged over the last year and is engaging today. The agency should carefully lay out a record for why there are real benefits not only for the PTO but for the patent system as a whole and for the public with respect to a more complete record of information about ownership. I think the PTO is
doing that, and the comments today will assist in
that regard.

I thank you for the opportunity to
present.

DR. GRAHAM: Thank you very much,
Professor Rai. Our next speaker -- I will ask
Marian Underweiser to come to the lectern. Ms.
Underweiser is representing International Business
Machines.

DR. UNDERWEISER: Thank you very much.
I'd also like to thank the Patent Office for the
opportunity to speak about this important issue
this morning.

As I think the director explained pretty
well in his opening remarks, patent ownership
information is an important part of what we
consider to be the complete disclosure of a patent
right that provides notice to the public. And I
think certainly after hearing my remarks but the
remarks of the other panelists and some of the
comments that have been submitted, for most people
who operate out there in the patent community
innovating and creating products and services,
this is a pretty important element of promoting
transparency in the patent system, and I think we
all should support creating a more transparent
patent system and not be looking for ways, in
worse case scenarios, that overbroad regulations
or requirements might create problems for
disclosure.

So, I think this is something we should
all actually be trying to achieve, and in
particular I think the question is really: What
kind of requirements can be in place that will
give us the information that we're really looking
for without imposing an undue burden on applicants
and patentees? So, the PTO has described some of
the reasons why enhanced ownership information
will help them in examining patent applications
and in fulfilling their functions.

Ownership transparency also has a
tremendous benefit to the patent community and the
public, like IBM. And what are these? A lot of
them are related to market transparency. We need
to be able to identify the complete patent portfolios, for example, of entities that may distribute these patents amongst uninformatively named subsidiaries and affiliates, which makes it very difficult to determine what the complete portfolio is of that entity.

We also need to determine whether or not we're licensed to particular patents. And, as you know, patents can pass through the hands of many owners, and one of them may be a licensor. So, in order to determine that, you really need accurate ownership information. You also need to be able to figure out what is your ability to obtain a license, whether it's to a particular patent or a comprehensive license to a portfolio.

And when I talk about all of these things, I'm talking about making assessments about the patent landscape up front before you may invest a great deal of resources and research and development, before you make go-to-market decisions about your products and services. These are important issues that have to be resolved.
early in the innovation process, and the way that you do that in a patent landscape where there are lots of issued patents out there, lots of applications, is you need to have a sense for who are those owners? Are those licensors? Are those people who are likely to license you or not likely to license you? Are you better off designing around? So, these kinds of questions can only be answered with accurate and complete ownership information.

One example of this that's become of interest recently is in the area of standards licensing. How do you know if a patent is subject to a standards commitment unless you know who owns it?

Another aspect of this -- so from another viewpoint in thinking about how to deal with patents of interest, how do I identify patents of interest for the purpose of using or taking advantage of the new and existing patent quality provisions?

With the new patent quality provisions
created under the AIA, you have pre-issuance
submissions; you have post-grant review. And
both of these proceedings have limited time
windows, and the parties who are using them,
certainly in post-grant review and in inter partes
review, are making a big investment in putting
together materials; and certainly the fee for
using the system is not insignificant. And what
you may be aware of is that in the context of the
AIA, there was a hard-fall requirement that
challengers would reveal the real-party-in-interest when they challenge the patent.
And in doing so, one takes a risk that the
patentee is now aware of you and may look into
your activities. You may expose yourself to a
risk of an infringement suit. And isn't it only
fair in those circumstances, and in fact
necessary, for a party taking that risk to have
accurate information about patent ownership and to
make decisions in the first place about which
patents that challenger may want to investigate
more fully.
So, these are a lot of the reasons why members of the patent community, like IBM, are really interested in obtaining as complete ownership information as possible.

Now, that brings me to the second part of the inquiry here, which is really how do we do it? There are a number of different ways to go about this. I'm sure -- in many different ways the PTO has suggested two possible definitions for the real-party-in-interest. IBM submitted comments in response to the earlier Federal Register Notice last year.

We discussed a proposal certainly similar to the PTO's proposal, the more narrow proposal, to use the ultimate parent definition. I think this definition eliminates some of the problems people may see with a broader definition, such as disclosing what may be confidential relationships that give rise to exclusive licenses and is, in our view, a lighter touch on obtaining the kind of information that would allow you to identify a complete portfolio that again may be
distributed amongst various different affiliates and subsidiaries. So, this is a narrow requirement that yet should give the patent community enough information to assess the landscape.

And another aspect of compliance involves when and how to make these disclosures. So, certainly patent filing and certainly before substantive exam or publication, that way, for example, the published application also has the necessary ownership information so the public can use the pre-issuance submissions proceeding. And at issuance and likely at payment of maintenance fees, we are confident that the public can work through any compliance issues and work and create a procedure that is reasonable and not overly burdensome for obtaining this information through the patent life cycle.

IBM, as I'm sure you're aware, has many pending patent applications and issued patents at any given time. We have for some years. And we are willing to shoulder whatever burden is
required here to have this benefit that we think
is very important of having the more complete
ownership information for both patent applications
and issued patents, which we think is a very
important added element of serving the public
notice function of the patent system.

So, thank you very much. That concludes
my remarks.

DR. GRAHAM: Thank you, Dr.

Underweiser. Our next speaker, Courtenay
Brinckerhoff from Foley & Lardner.

MS. BRINCKERHOFF: Thank you. I'd also
like to thank the Patent Office, Director Kappos,
and Dr. Graham for the opportunity to speak here
this morning. I am a partner at Foley & Lardner,
but my comments here today do not necessarily
represent those of my partners or clients.

I may be the voice of dissent here
today, certainly the first voice of dissent that
you are hearing this morning. I certainly will
defer to Professor Rai on the administrative law
issues, but I do question the Patent Office's
authority to impose its requirements. The patent statute has traditionally made identification and recordation of ownership information optional, and that has not changed with the AIA. The AIA still makes it optional to name the assignee as the applicant and makes it optional to have a patent granted in the name of the assignee.

Also, recently there was a treaty statute implementation that also amended § 261 and, again, provided that the Patent Office should record information upon request. So, I think that the tradition of optional recordation, optional disclosure of information needs to be kept in mind.

Also, I think this does seem to be a policy issue. Economics marketplace seems to be more the realm of Congress where Congress can hear the sides of all parties and balance the interest.

I'd also like to touch on some of the Patent Office'sjustifications. In the Federal Register Notice, there were a number of
justifications. Some of them seemed convincing on
the surface, but as a practitioner for over 20
years I have a question on when you dig deeper.
One of the justifications was to verify that the
power of attorney is from the proper authority.
There are already rules that require or ensure
that under 3.73 the need for board members to
recuse themselves in appeal, that there are
already requirements in your appeal brief that you
identify the real-party-in-interest.

The new definition of "prior art" under
the AIA, while the definition is broader in some
respects, it's also narrower in other respects.
It will only come into play if the earlier prior
art was not published before the second
application. So, I still think that exception
will only apply to a fraction of applications, and
I don't think it justifies imposing a burden
across all applications where there may not be any
grace period commonly in prior art at issue.

The only thing of interest was the
possibility that Examiners would recuse themselves
from examination, and so I'd like to know if the Patent Office is really doing that. Do they do that now? Are they really thinking of implementing a program where applications would be screened and assigned dependent on the Examiners, I guess, investment in relationships with corporations and with the Patent Office change examination assignment midstream if ownership changed.

Looking at the definitions from the perspective of a practitioner -- I work with a lot of foreign clients -- there needs to be clarity in definitions if there's going to be a rule requiring this. As Dr. Kappos said, there's not a bright line for real-party-in-interest, and that's a problem. The first definition relating to the necessary party brings in litigation. A lot of patent practitioners are patent agents who have no experience with litigation. It's burdensome for them to have to understand litigation rules and determine who needs to be disclosed.

There's also a question of whether the
Patent Office decided not to invoke Rule 17 of the Civil Rules of Procedure, which is a real-party-in-interest provision. If it wants to take this route, maybe it should look at that, because there is a body of case law around that that could provide guidance if that's the definition the Patent Office wants to take. Otherwise, there's a question over whether there is a difference.

On the limited definition, again, there is a question of clarity of the statute or the rule that the Notice invokes. It's from 16 CFR, which I've never visited in my 20 years of practicing. So, again, it's bringing another body of law into the patent fields, and is that something that patent practitioners, particular patent agencies or patent attorneys who do not have access to business lawyers -- to help them interpret these statutes. Is that a reasonable burden to impose?

For example, the rule that the Notice sites indicates an actual person who controls an
entity can be the real-party-in-interest, so are we going to be naming the person at the end of the chain or are we supposed to stop at the corporate level?

I also question on the broader definition, the authority, and the justifications for requiring the exclusive licensing information. Most of the Patent Office's justifications or all of the Patent Office's justifications really would be satisfied with only disclosing the record title holder. This also, I think, brings in a lot more difficulty of knowing the current information, deciding -- knowing whether it has to be disclosed or not, because an exclusive licensee can be territorial; it could be product related; it could be claim-by-claim related; it can raise a whole host of complicating issues.

And all of these issues are even more complicated when you consider international applicants, particularly if you're working through foreign law firms, that there is usually little communication directly with the corporate, the
client, the owner entity; and in many foreign cultures there is much more secrecy around ownership, licensing, business relationships. All of these could be seen as very intrusive from their perspective.

The final points I'm going to go through are sort of the nitty-gritty of the details that were proposed. The rules seem to propose disclosure at least four times during patent prosecution: When the application is filed; before it's published; if there's any change during prosecution with the issue fee payment; and at the maintenance fee.

It's important to keep in mind that every transaction that requires a form to be filed is going to involve 10th action cost, and especially in this situation where the person handling the patent applications might not know inherently the information, it's going to require communication to the client. Again if you got a foreign client through the foreign agent to the corporate entity, back again, these are not
anything that can cause -- it's not an insignificant burden.

   Additionally, with the maintenance fee payments, while that seems like an easy task, I'm sure the Patent Office knows that most maintenance fees are paid by non-lawyer entities. So, again, you're going to have to involve a lawyer at a time in a patent life when it's usually outsourced to a company that's just handling a fee payment transaction.

   So, hopefully I've given everyone who's in favor of these decisions some things to think about.

   Thank you.


   MR. NIGON: Thank you very much. AIPLA appreciates the opportunity to comment on the RPI Initiative. While there may be some benefit to knowing the RPI in some patents and applications,
we remain concerned that the administrative burden of the proposed procedures is too high and likely will outweigh any perceived benefits.

Moreover, we would need to know the cost to stakeholders and at the Office and have a greater understanding of the ability of the Office to manage the process, as prior similar studies have failed to confirm this capacity. If the PTO decides it needs RPI information, we strongly recommend that a less burdensome procedure be adopted.

We understand that the Office and the public need to know information about RPIs. Non-practicing entities sometimes hide their ownership, and it's very difficult to determine the true owner of the patent. Examiners need to know so that they can evaluate a prior art reference under 102(b)(2)(C) and evaluate the credibility of evidence. Office personnel also need to know the RPI to determine whether there's a potential conflict of interest.

The number of patents that this
information is needed in, we believe, is very small compared to the total number of patents that the Office processes and the number that are already issued. Here the Office has not provided any data to show the number of applications where the information would be needed. But if you look at it, in less than one percent of patents who have litigated, there are existing incentives to ownership that result in the real-party-in-interest actually being disclosed as recorded assignments. And 37 CFR, Rule 42.8, already requires patent owners to provide RPI information in a PGR and IPR proceeding.

In addition, during examinations the Examiners, if they believe the RPI information is important, could request it under Rule 105. The burden on the patentees, the procedure, we believe greatly exceeds the benefits gained. As Courtenay pointed out, four times during patent prosecution and with each maintenance fee payment, the practitioner would be required to investigate the RPI status and file a paper with the Patent
Office. This would result in a lot of unnecessary work, again, because in most cases the real-party-in-interest is already recorded. IBM has a lot of patents, but they record their assignments. So, there's no real problem for IBM in that regard, and there's no real need for them to make these additional filings.

Also, in some instances it may be difficult to determine the RPI. As Courtenay pointed out, in other countries they may not understand the difference between a patent owner and an RPI, and you have to convey this through a translation barrier in many cases.

Startup companies may have made many different investors, going from friends and family to angel investors to venture capitalists, who have different rights in who's going to determine who the real-party-in-interest is there.

Many patent practitioners are patent agents who cannot make legal judgments. Both of these requirements -- both the broad and the limited RPI requirements -- would require a legal
judgment. So, the patent agent would then have to get a lawyer involved or the client would have to get a lawyer involved.

Many patent firms also outsource their maintenance fee payments, as Courtenay pointed out, so the procedure would require coordination with a payment service to make sure that the verification is made on time, and it would also require additional docketing. Many law firms don't docket maintenance fee payments anymore, because these payments are outsourced to the services.

Again, even if the proposed requirement of broad limited definitions is adopted, information may not be available to the public as needed. Maintenance fees are only due at four, eight, and twelve years after the patent issues. There will be relatively large gaps in time when there will be no duty to record the real-party-in-interest or update the real-party-in-interest. So, it could still be hidden.
I also believe that a determined RPE or NPE, whatever system you can come up with, will be able to game it and under the limited definition put the patent in an entity under which it has no control, however it's defined, but then can obtain it when it's ready to file suit.

Determining the rights of a party under a licensing agreement may be difficult, and they may be subject to confidentiality agreements. So, it would be difficult for a patent practitioner, even if he wanted to, to disclose this information in those situations.

Finally, we think if the PTO is determined that this is necessary, we recommend a more focused procedure that we believe can produce essentially the same results with a much lower administrative burden. For pending applications, we have the Rule 105, but we also think that requiring the RPI information to be submitted only at the payment of the issue fee or filing and payment of the issue fee would be much less burdensome than the concept need to update it.
For issued patents, we believe one possibility may be to develop a new procedure in the Patent Office by which a member of the public could anonymously ask the PTO to request RPI information. Then the PTO would request it and then put it into the file. And this of course would have to be limited to prevent harassment and also maybe with a fee to prevent harassment at the Patent Office.

I thank you very much. We thank you very much for the opportunity to bring these issues to your attention.

DR. GRAHAM: Thank you, thank you, Mr. Nigon. Our next speaker, Jeffrey Wilder. Mr. Wilder is from the U.S. Department of Justice, Antitrust Division.

MR. WILDER: Thank you. So, I should begin with a disclaimer, which is the views I express here today are not purported to represent those of the Antitrust Division. That having been said, I think it is fair to say that at the Antitrust Division there is considerable
enthusiasm for consideration of new rules that would require disclosure of real-party-in-interest information.

Making information about the true controlling owner of a patent available is likely to improve the Notice function of our patent system and promote competition and innovation to the benefit of U.S. consumers by facilitating bilateral licensing, increasing design freedom, and allowing firms to better manage risk.

At this point, let me take a step back and talk a little bit about the benefits of transparency to a well-functioning IP marketplace, and I think the easiest way to approach this is simply to set up two extremes, to think about a world in which IP licensing works very well and a world in which it does not.

And so consider the first world. Technologies are well known; it's clear who owns what; and also it's clear what all the options are on the table. And therefore when a potential licensee goes out, the licensee can weigh the
relative technologies, consider the relative costs of each, and decide which is the best route to go.

Now, if we consider instead a marketplace in which licensing is not working well, rights aren't going to be well defined, technologies may not be well known, and it may be incredibly difficult to know who precisely owns what. And in a world like this, a licensee might be basically forced to bring a product to market without pursuing any licensing options at all, and what will ultimately happen, of course, is that someday down the road after unrecoverable costs have been sunk, the potential licensee should expect a licensor to show up at his doorstep and say, basically you've infringed our IP.

Now, it's well documented in a world like that when the potential licensor is arriving after these investments have been made that we should expect to see very high royalties. And this ability of the licensor to hold up the potential licensee is inherently a very inefficient outcome from the perspective of
1 competition policy.

2 Now, you might say, look it's just a
3 transfer. But in truth it's not, both because the
4 royalties I impose might change my marginal costs
5 to produce but also because anticipating how this
6 game is going to play out, I might choose, as a
7 potential firm looking to develop a new product,
8 simply not to develop the product at all in the
9 first place. And that is a real, pronounced,
10 economic harm.

11 The rules being proposed or the rules
12 being considered, rather, by the USPTO improve
13 transparency by making clear who precisely owns
14 what. Now, are they going to solve the holdup
15 problem? By no means. But in my view, they are
16 certainly a step in the right direction, a step
17 toward greater transparency.

18 Now, there's one caveat that I should
19 note here, and that is in certain contexts it is
20 the case that transparency -- too much
21 transparency -- can actually reduce incentives to
22 invest in information, say, and I think that the
The context in which this tends to come up most often, the canonical example, is financial markets. In a context like that, are the institutional investors of the world going to go out and make the investments necessary to learn which stocks are under- or over-valued unless ultimately they're going to be able to trade on that information before others trade in front of them. In that context, there is an acknowledgment that we need to basically weigh the two effects, and we allow large firms to engage in block trades. We allow them to engage in anonymous trades to essentially balance the two.

Now, I think similar arguments can be made here, and I think they are theoretically valid. However, based on my understanding that has arisen in the course of our investigations, also our PAE workshop in December of the prior year, I think that the weighing is pretty obvious, or at least how the weighing comes out, and this is a market that would benefit incrementally from a move toward greater transparency.
Now, of course in order to increase transparency, the rules need to have some bite. They have to have some teeth. And what we do not want to have is a world in which the rules are put in place and sophisticated entities can essentially evade the rules by virtue of setting up a vast web of subsidiaries and shells. And as I revoke the rules that are being proposed here today, they are both adequate in that respect. What I think I would say is, at a minimum as we consider different rules it should be necessary -- in all cases we should require identification of the ultimate parent entity.

Now, I would go even further and say that there would be clear benefits to requiring recordation with each change in the RPI. And this gets back to comments made before. That would ensure that the RPI data at hand at a particular point in time were never stagnant.

Now, I'll conclude with just an observation or two. I've spoken a little bit about the benefits of transparency on the whole,
but I'll make an observation or two that are more specific to enforcement of the competition laws and how rules of this sort would help us. I think better information on RPI would allow us to better identify the competitive impact of acquisitions, because we would know exactly who owned what.

And then I'll also flag that what we oftentimes care about is somewhat broader than the rules that are being suggested here. So, what we will occasionally care about is who stands to benefit from the exercise of an IP right? So, consider, for example, a situation where a particular IP is asserted and an exclusion order is sought. Well, in an instance like that, a competitor to the product against which the IP is being asserted stands to benefit. And we care about that, especially if that competitor was the source of the IP to begin with.

To the extent that there's more information about how IP travels from entity one, to two, to three, that might make it harder for firms to engage in strategies that are potentially
problematic that involve the sale of IP to be asserted against a competitor and effectively raise that competitor's costs.

Thank you.

DR. GRAHAM: Thank you, Mr. Wilder. Our next speaker is Michael Lubitz. Michael comes from Global Technology Transfer Group.

MR. LUBITZ: Good morning, everybody.

Thank you, Director Kappos for making this roundtable a reality.

You know, today I think really is about change in that the patent marketplace has evolved very, very quickly, and we really don't have laws in place to support that marketplace and foster its growth. And so what we're really dealing with is what I would call an inflection point and an attempt to modernize.

Today one of the things that I want to challenge everyone here is to think about what's best for the marketplace over the long run. We're for transparency. We want to know who owns what. But what about the nature of the assignment? Was
it an asset transaction? Was it the result of an M&A deal? Is it just a security interest? That kind of information and transparency will help us understand the health of the patent marketplace.

The first item I want to talk about is just a little background on us, because we're really in the trenches here in dealing with the transparency of information and trying to figure out what happens in the marketplace. And I can tell you, it's a struggle. So first, our firm, GTT Group, was founded in '97, and we've always been doing buy- and sell-side advisory, but another important function for us is providing information on the marketplace to the participants.

In 2007 we started publication of a quarterly report, which had a key indicator, and continues to, called a patent market index, which keys off of assignment-generated information. And when we saw the proposal from the USPTO we got very excited, but we really wanted to see if we could look at the information that's being
recorded, how it's being handled within the USPTO, and is there any way to improve the qualitative nature -- not just the nature of who the owner is but what is actually happening.

The other thing that we just introduced in 2012 was a patent ticker, which basically takes information as it's published by the USPTO and tries to determine transaction activity and inform the marketplace, and it's a very difficult thing to do given the present information that's being provided to the USPTO. Some of the problems that we have are related to just how things are recorded. Some entities love to just record every single asset transfer rather than recording them as one. And so it's very hard for us to really understand the dynamics of what's happening in the marketplace. I can't tell you, I mean, just this week there were maybe 148 different instances of recordings by Honehigh, creating another company called Golden Charm, and we're trying to simulate that data and understand the nature of the deal. And so one thing is maybe to take a step back and
think about how we require the recordings, why we allow for the variance, and what is the best practice. So, we really can have an informed marketplace.

The other thing that we are very concerned about on the buy- and sell-sides is the timing to make a report, to identify who the real-party-in-interest is. Many transactions are fluid in that they're multi-staged, and assets will go to different owners over a very relatively short period of time. And if it's triggered based upon maintenance windows, sometimes you really don't know who the owner is. And you have other items that are happening, like, for instance, DOJ reveals certain transactions. Who should record when, at what time? Who really is the owner? So, some type of safe harbor or some (inaudible) a time period that allows for ultimate compliance.

It was mentioned earlier that they'd like to see changes at every point in time, and a lot of these deals are very structured so it would probably be more realistic to wait till the
transaction settles to record who the real-party-in-interest is.

Today the real quest is for quality, quality in the assets that are issued by the USPTO, and that information provided to consumers so they know what is actually happening. And so in terms of this bigger picture, the real challenge I think is not only to record who the party is, the actual partying interest, but to think about the nature of the assignment.

And, finally, how quickly can we get that information out? What we've seen is a backlog. So, if we look at assignment activity for a certain period of time, it always is growing and growing. Eventually it settles down, but if there's any way that this process can be modernized -- I don't know what happens within the USPTO right now in terms of assignments and whether that data is published on the fly or whether it sits, but being able to provide that information on a timely basis is critical to the smooth functioning of markets. And we don't have
that right now.

Thank you for letting me speak today,

and good luck.

DR. GRAHAM: Thank you, Mr. Lubitz. Our next speaker is Fiona Scott Morton, and she comes to us from Yale School of Management.

DR. SCOTT MORTON: Good morning. Thank you, Director Kappos and Dr. Graham for the invitation to speak today.

I'm a professor of economics at the Yale School of Management, but I recently finished serving as the economics deputy in the Antitrust Division of the Department of Justice. December 31st was my last day, so it's nice to be back in Washington so soon.

I just should say while it's clear that my experience at the Department of Justice shaped my thinking on this issue and gave me some insights and examples from behavior, I am now giving my personal and scholarly opinion I fully support the PTO's initiative to increase transparency in this sector, and I just have a
couple of, actually, suggestions for improvements in terms of what Mr. Nigon brought up with the gap that would arise with infrequent recordation. I think that that's something that could be solved by just requiring that each change in the real-party-in-interest be recorded with the PTO, which would allow the various efficiencies that people have discussed to be available at all times.

I also think that the definition of the real-party-in-interest -- I will defer to the lawyers for sort of what's legally important, but in terms of the economics of what's important there, you really want to be able to understand who's financially going to benefit from exercise of the rights of the patent. So, for example, if there's a legal definition that says, Party A shell company gets to decide when there's litigation or gets to decide on a royalty but it's really Party B that extracts all the money that's earned from the patent, then we'd like to know about Party B as well. So, that's an important
feature, I think, of a successful definition; the financial gain from exercising that patent can't be hidden.

One of the things that Jeff Wilder talked about is the improvement in markets when you have more transparency and you're available to think about how to design your product and how to license the technology you need because you know what's out there and you know who owns it.

I think that there has been some criticism of this. By thinking about the software industry, for example, there are so many broad, duplicative, and vague software patents that we don't really think people are going to say, oh, I'm going to use this database to look up the one person from whom I need a license for my widget, okay? That's a little simplistic, and I think it's a straw man in terms of the criticism. I think it's much more illuminating to use this information to analyze which players are active, rather, as IBM described. You know, are you licensed? What's in the portfolio? What's my
ability to license from this party? Are they a competitor of mine? And so forth. So, I think that that's a huge efficiency that we would imagine coming from this.

I also think that the issues with strategic use of these patents depend a great deal, in some cases, on secrecy and that transparency would remove some of the strategies that we currently see used by both product companies and trolls. So, for example, why, given the real disaster of this marketplace for ideas, do we have the ability to produce widgets at all? And it's partly because there's a system of broad cross-licensing that goes on between large companies. So, company A and company B will agree to a cross-license at a price of zero, and that's part of their general relationship in terms of standards-setting organizations working together on different products or projects, lobbying the government. You know, all those things are part of the long-term relationship between companies A and B.
Well, suppose company A has a very valuable patent that they'd really like to extract a lot from? They can't, because they have a cross-license with B, even though they know B would pay a lot. So, the easy thing to do is to sell that patent to a third party for a lot of money, and the third party can sue from B, because they don't have a cross-license. And in that way, firm A can monetize its patents more profitably.

Okay, now, you might ask, well, you know, what's the problem with that? They own the patent. Well, the problem is that they have a long-term relationship with B, and B is going to be upset when they discover that their money is being extracted in this way. But they can't be upset, because they don't know where the patent came from, and they don't know that it was really firm A's patent that's causing them this trouble.

If you shed some sunshine in that setting, if you have some transparency, B understands that the patent used to belong to A; now it's been sold to a troll, and it's being used
to attack them. Then the whole relationship between A and B comes back into play just the way it was before, right? There was a reason that A and B weren't suing each other; it's because they had a lot of long-term relationships and projects, and now they're going to be working together for the foreseeable future and that discipline returns when whatever A sells is known by B.

Okay, and again I should emphasize that I completely agree with what Jeff Wilder said about issues with competitors. It's very important for antitrust agencies, for competition enforcement agencies to be able to understand when the product market is being impacted by strategies around patents and enforcement of patents, because those can harm competition in a way that consumers lose from.

So, while I won't go through the arguments in favor of keeping secrecy, which Jeff also alluded to, I think that the balance is clear in this sector that we have really a lack of information, and that's holding back efficient
transactions, and I think consumers would benefit and innovation would benefit from more transparency over patent ownership.

Thank you very much.

DR. GRAHAM: Thank you, Dr. Scott Morton. Next on our list of participants, Herbert Wamsley.

Herbert's here from the Intellectual Property Owners Association.

MR. WAMSLEY: Well, thank you. I appreciate the opportunity to be here this morning on behalf of IPO, which is a trade association representing companies and individuals in diverse industries and fields of technology. Our members include people who own intellectual property rights and others who are interested in the rights. We have more than 200 member companies and more than 12,000 individuals who are involved in the Association through their companies or law firms or as individual members.

Now, ten minutes is a short time to address a big topic, and I sympathize with those
after the break who apparently only have five minutes. But I would like to make some preliminary comments on behalf of IPO, and we do plan to file more detailed written comments at the end of the month after our diverse 50-member board of directors meets to review this.

We do tend to believe that more information would be useful about RPIs than is available today. And we would tend to favor the second definition of RPIs in the Federal Register Notice, which includes disclosing the highest level parent. But having said that, I want to emphasize the long list of burdens that disclosing this information will place on practitioners and companies and law firms, those down in the trenches. I don't want to duplicate what Ken Nigon of the AIPLA said, but I believe that he identified a number of significant burdens that need to be fully explored and understood before moving forth with the proposal.

It's also important to understand that different companies operate in different ways in
recording the ownership of their patents. Some large companies and IPOs get all of the patents in the name of the parent, but we have other companies that have patents assigned to dozens of subsidiaries for legitimate business reasons, and keeping track of and periodically updating this information is more burdensome for the latter type of company.

I think that looking at how this would work, we would not favor requiring additional statements about RPI information where there's been no material change. I think more attention needs to be given to what the penalty for failure to comply with identifying RPI information would be. We need to be careful not to have a system that would lead to charges of inequitable conduct in this area.

Now, another point beyond the burdens -- we shouldn't automatically dismiss the legitimate business interests in protecting the confidential nature of ownership and licensing information. But every company is interested in participating
in the marketplace of licensing. Patent applicants may not want competitors to know whether an application has been licensed or to whom.

We could go so far with transparency in eliminating confidentiality of ownership information that we could discourage patenting and innovation. I think we need to keep in mind what the competitors of the owners can do to help make the system operate well.

There's a lot of concern today, of course, about the amount and cost of litigation. But according to the information we have, in many industries very few product clearances are being done today, and not all companies have a policy of not infringing patents that appear to be valid.

I think it's also important to understand -- to emphasize that a fair amount of RPI information already is available. When you go into court, you have to disclose the ultimate parent, and I believe that's true at the PTAB as well.
Finally, I would say that in any event
the Patent and Trademark Office should investigate
further whether it has the authority to require
the patent ownership information before it moves
ahead with the proposal. 35 U.S.C. 261 seems to
make recording of assignments optional, and it
prescribes the harm you will suffer if you don't
record the assignment within a certain time;
namely, you won't have rights against a subsequent
purchaser without notice. Can that statute be
squared with the idea that the PTO can require RPI
information in every case?

Well, thank you again for going into
this topic. As I say, more RPI information should
be available, but it's got to be done in a way
that holds down the burden and expense.

Thank you.

DR. GRAHAM: Thank you, Mr. Wamsley.

Our next speaker on the agenda is Lisa Marks
McIntye, and Ms. McIntye comes from Google.

MS. McINTYRE: Thank you to the U.S.

Patent Office, Dr. Graham, and Director Kappos for
allowing me to address this important issue today.

Google supports the PTO's proposal to require identification of the real-party-in-interest. The public notice function of the patent system is served by disclosure of what a patent covers, who owns it, and the identity of the real-party-in-interest, that is, the identity of the true owner of those patent rights. Transparency in patent ownership and real-party-in-interest information is, we believe, a critical aspect of the public notice function.

For purposes of my brief comments today, I will refer to patent ownership broadly as including essentially both the proposed broad and narrow definitions of real-party-in-interest. So, when I refer to patent ownership, I'm referring to both ownership and the real-party-in-interest information, or the ultimate parent, because both categories are necessary to support a well-functioning patent system that promotes innovation.
The Patent Office has correctly recognized the lack of transparency in patent ownership burdens, rights clearing, and simple licensing. It also burdens other forms of free-market entry endeavors, such as freedom-to-operate activity.

Large multi-national companies, like Google, spend billions of dollars each year funding research to support the innovation necessary to bring great products to consumers. We evaluate various market dynamics, including patent ownership, to minimize legal and business risks as our business expands into new areas.

Accurate ownership information is integral to clearing patent rights and assessing risk from a family of patents or a specific patentee. Accurate ownership information is also needed to make decisions about who to seek a license from or with whom to collaborate. For example, if an existing market participant owns patents that are closely related to and/or may be complementary to technologies that Google is
evaluating, ownership information about those patent assets may lead to a decision to partner with the assignee of record or seek a license from that party. On the other hand, incomplete or inaccurate ownership information could lead to a decision to, say, avoid market entry or to enter an already patented market and risk unexpected license costs or infringement liability.

In-house patent departments conduct these types of strategic analyses to ensure freedom to operate the technologies and products developed by their companies. While simple licensing typically addresses specific patents covering particular products, corporations frequently engage in more comprehensive cross-licensing to ensure patent peace. Patent peace between parties is not possible without knowing what patents each party controls and may later then assert or cause to be asserted against the other.

The PTO's proposal also supports the public's ability to initiate pre- and
post-issuance proceedings under the Leahy-Smith America Invents Act, including, specifically, post-grant review, inter partes review, and pre-issuance submissions.

To pursue a petition or submission under the AIA proceedings, a party must disclose public use, sales, offers to sell, and other prior art under 35 U.S.C. § 102(a)(1). This is far more difficult when the patent owner is unknown, because merely knowing a patent or publication exists without knowing the owner is not enough for a sufficient assessment of the business risks or rewards of filing a petition or making a submission. These difficulties are exacerbated by the strict timing limits of post-grant review petitions and pre-issuance submissions.

In addition, actions may be initiated against a prior owner who, for example, may no longer have interest in the asset, and that results in wasted time and resources of both the patent owner and the U.S. Patent and Trademark Office.
Transparency in ownership of patents will lead to efficiencies in litigation as well. It will lead to reduced discovery costs associated with identifying ownership interests of patents in suit and also patents put forth as prior art. To this point, the rising tide of non-practicing entity litigation and the difficulty of identifying the real-party-in-interest in those cases also supports the need for greater transparency in ownership requirements.

Further, litigants cannot know whether settling will buy peace for their products without knowing that they are settling with the real-party-in-interest and also having information and being able to determine the extent of the real-party-in-interest portfolio. The PTO proposal ensures that such information will be available to inform settlements decisions and thus promote true settlement between parties.

It is unfair for patent holders to hold their patents in secret and preserve the element of surprise for their assertion campaigns or to
otherwise insulate their patents from reexamination or post-grant review challenges. The PTO's proposal helps level this playing field. There are currently over 2.1 million enforceable U.S. patents. Rights clearing, licensing, agency proceedings, and litigation 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 progress of science and the useful arts. The PTO has also recognized that requiring greater transparency in ownership will come with some costs. But it has limited these costs appropriately by requiring real-party-in-interest information only when applicants or assignees are otherwise required to have substantial interaction with the Patent and Trademark Office. In conclusion, the PTO's proposal addresses the concerns caused by lack of transparency in ownership in the patent system,
and implementation of the proposal will improve efficiency in PTO proceedings, litigation, licensing, and patent examination.

Thank you. That concludes my remarks.

DR. GRAHAM: Thank you Ms. McIntye.

Next on the agenda is a replacement.

Unfortunately one of the speakers is indisposed today, and so from Schwegman, Lundberg & Woessner speaking today is Kevin Greenleaf.

Kevin?

MR. GREENLEAF: Thank you all for allowing me to speak today. I've been really impressed and interested in everybody's comments, particularly regarding the APA discussion and whether the Patent Office has the authority to make rules requiring people to identify the real-party-in-interest, and I agree with Mr. Wamsley's comment that 261 defines the penalty for not disclosing the real-party-in-interest, or the assignee in that case, as not being able to enforce rights against subsequent purchasers for value.
I don't really see any other penalty that Congress gives the U.S. Patent Office the authority to make other than the fact that I think we need this information. And a large part of my practice involves post-grant proceedings, and I'm concerned when advising clients and reviewing prior art in preparation for a post-grant petition whether the prior art that I'm looking at wouldn't be applicable to a particular patent due to a 102(b)(2)(C) exception to the prior art.

So, another concern that I have is we're primarily focused today on identifying the real-party-in-interest from the patent owner perspective. However, the rules, the statutes, the MPEP provide many other definitions for what a real-party-in-interest is. So, I've identified at least seven different contexts in which the real-party-in-interest is identified or required to be identified, and first off 102(b)(2)(C), which we've all been discussing today; second of all, at issuance, § 118 under the AIA uses the term "real-party-in-interest," that the patent
must issue to the real-party-in-interest. Is that the same as 102(b)(2)(C)? I think probably, but we'll get to that.

And then again after issuance we need to know the real-party-in-interest for, as I said, 102(b)(2)(C) purposes for preparing post-grant petitions, and then for the other reasons people have identified, such as licensing and market fluidity.

Fourth, the MPEP and the PTAB require that the real-party-in-interest be identified both for the appellant in ex parte and inter partes appeals.

Fifth, in inter partes appeals, the respondent needs to identify the real-party-in-interest.

And then sixth, the rules -- CFR 42.8 requires the identification of the real-party-in-interest from the patent owner and as mandatory notices after post-grant petition has been filed.

And, seventh, the petitioners need to
identify themselves in the post-grant petition
when they file one.

So, is there one definition that can
satisfy these at least seven different instances
of identifying the real-party-in-interest? I
don't think so. There are at least five
definitions that I've identified for
real-party-in-interest, the first of which is the
person under 102(b)(2)(C). Secondly is under 118
you have a real-party-in-interest. And the MEPE,
§ 1205, defines a real-party-in-interest for
purposes of appeal. And then the fourth
definition is 37 CFR 42.8, which I mentioned, is
the requirement for parties to an inter partes
proceeding to identify themselves as the
real-party-in-interest in a proceeding. And then
finally there's a common law definition, which the
Office in its practice guides is not satisfactory
for purposes of Patent Office proceedings.

So, which of these five definitions
applies to the seven different categories? I
think perhaps we could combine 102(b)(2)(C) and
118 to be the person and the real-party-in-interest being the same thing. They are different terms, but perhaps they mean the same thing. After issuance I think, also, perhaps that would be the same definition, because the reason we need to know the assignee after issuance is for 102(b)(2)(C) purposes for valuing prior art in preparation for filing a post-grant petition, because if the assignee changes after the patent issues and that assignee files another patent application, then the patent that issued previously would not be prior art to that new application.

And then we have appellants. So, the justification for asking for the real-party-in-interest at appeal is the Board needs to know whether there's a conflict of interest. So, I don't know that the definition for the first three instances would apply to appellants, and the same would hold true for respondents and inter partes proceedings and the patent owner at post-grant review. I think those
three should have a third definition, probably a
definition geared toward notifying the Board
whether there might be a conflict.

And then the seventh instance in which
the Patent Office requires real-party-in-interest
information is when the petitioner files a
petition, post-grant petition et cetera. And in
that instance, we need to know who the
real-party-in-interest is for purposes of
estoppel, whether that party is estopped from
filing that petition or in order to enforce
estoppel later on after the trial concludes. So,
I think that would be a third definition.

But then another problem occurs, because
the patent owner in a post-grant proceeding also
faces estoppel. He's not allowed to apply for
claims that were substantially similar to the
claims that were finally rejected in the post-
grant proceeding. So, I think six and seven are
somewhat related. But I think the patent owner
and the petitioner are somewhat related, but I
think the patent owner is more applicable to the
appeal definition. So, it's all very confusing.

But my recommendation is that to avoid muddying the waters by vaguely defining what a real-party-in-interest is for one purpose and whether that definition applies for other purposes, I think we should clearly separate the three: Whether a person for 102(b)(2)(C) purposes at issuance and after issuance -- that would be one real-party-in-interest; purposes of appeal to avoid conflicts with the Board -- that would be a second definition; and then, a third definition would be for petitioners for post-grant proceedings for application of estoppel when that becomes necessary.

So, I hope that the suggestion helps you, and I feel for your problem, and I think it's going to be difficult to solve. So, I wish you luck.

DR. GRAHAM: Thank you, Mr. Greenleaf.

Our last speaker is arriving by telephone, and since we're running a little bit early I want to see if she's actually called in.
MS. CHIEN: Hi, Dr. Graham.

DR. GRAHAM: Colleen Chien is here.

Hello, Professor Chien. Professor Chien is joining us from Santa Clara University School of Law.

MS. CHIEN: Thanks, Dr. Graham. I'm really honored to present today. I commend the PTO and Director Kappos and Dr. Graham for their leadership and real willingness to listen as well as engage in these really important issues. So bravo, PTO.

Because I am doing this presentation over a phone conference -- you can't see me -- I'm going to take a bit of an unconventional approach (inaudible) is what I'm trying to say, so please bear with me.

Okay, here we go. I'm going to read you a line from a patent that I picked out. Here we go. "A key formula is distancet = sigma wi x.25."

Let me repeat that in case you didn't get it the first time. "A key formula is distancet = sigma wi x.25."

Okay, what the heck am I talking about?
Before the PTO cuts my line off, let me offer some additional context.

This key formula is in a patent in which one of the inventors is Tim Westergren. Now, if you're a music lover, you might be familiar with his work. If you've looked on the front page of the patent you see it's been issued to a company called Pandora, which now I think probably more of us are familiar with. Now you might have a hunch of what this patent is, right? It's the music mapping algorithm set Pandora patented back in 2002.

So, if I'm a company that's either (inaudible) or wants to be, this patent could be super critical for understanding liability to compete and be in this space. The fact that it's owned by Pandora, one of the most successful online music companies, it's just important as the (inaudible) I was saying before, the formula itself. With that bit of context, I would argue, the context about who actually owns this patent, the information itself is useless. With, though,
the context of Pandora being the owner, I get
information that can help me at least do things if
I'm a user looking for information.

One, if I'm a competitor and I'm
interested in making sure that I can manage risk,
knowing that Pandora has these rights in this
algorithm puts me on notice, lets me know that I
need to be careful not to tread on it.

But, secondly, as a tool of technology
transfer, which I think is one of the best and
highest uses of the patent system, this
information could be critical. Let's say I'm a
startup in this space and I want to reverse
engineer what others have done. I'm going to look
at what they've done, and I want to know what
Pandora has done.

There are two messages here. Thank you
for bearing with my initial introduction here that
I want to relay. But first we've got onset, which
is as important as content, which is known in
many, many fields. In the patent area, it seems
that if I don't know who owns this patent, it
doesn't mean as much to me. There are tons of patents out there. There are probably tons on different music algorithms. But the ones that I'm most interested in are connected to real companies that I can also look at, I can test out; and having that additional bit of information does make that much more interesting.

Secondly, there are a lot of different reasons to look at patents, and I believe that the (inaudible) administration has done a great job in thinking about all the "customers of patent information." Here it talked about patents as a tool of transfer for a startup but also one as defensive -- a rule of -- source of the best information I can use strategically. And as we think about our different consumers and customers of patent information, we want to keep this in mind.

So, what does any of this have to do with real- party-in-interest? Let's go back to hypotheticals. Say that the initial patent was assigned to Pandora and I searched for Pandora and
I found it, but by searching by Pandora I also
missed a bunch of patents assigned to the Music
Genome Project. In an earlier version of Pandora,
that was a (inaudible) to it. And I also missed a
bunch of patents assigned to, let's say, Music,
LLP, which Pandora acquired later on, let's say.

Now, the genius of what the PTO has
suggested through the RPI rules is that because
Pandora -- the company now has rights to all these
patents, I should be able to find them all through
a search for RPI even though I would have missed
them through a search of unpaid assignee or
potentially even subsequent recordable assignee
information. Had they not been recorded or been
recorded in a slightly different name, Pandora
Inc. versus (inaudible), et. cetera.

Now, these are things that experienced
searchers can overcome easily. But if we want to
make the patent system accessible to everyone, we
want to make it easy for these because these types
of searches to yield the right information. So,
what I've said so far is that I've got context
that's really important in real-party-in-interest
(inaudible) crucial part of this context. And I
think the key contribution -- a lot of people have
talked about different types of (inaudible) and
patent holders, but what I think is mechanically
very important about real-party-in-interest is
(inaudible) of aggregate subsidiaries and
affiliates and group them by a common real-
party-in-interest.

And for anyone who's been in the
trenches, and many folks have already testified
that are, you now know what a huge problem in
patent law (inaudible) what I call the subsidiary
matching problem is, which is to say that IBM has
hundreds, maybe even thousands of different names
in the PTO recordation database. It's been
referred to. It's has kinds of different series.
And this is true of most large companies, and as
we become an information economy where there's a
lot of transfer of information and changes,
different regions to record entities and just
(inaudible) to different entities, you have a lot
of different subsidiaries that don't all kind of
tie back to the same parent.

So, I like this ultimate parent
authority that's (inaudible), because, for
example, if competitor y wants to know what
competitor X has, (inaudible) referred to earlier
by the companies, they can do so by searching the
real-party-in-interest, this ultimate authority
that has the power.

Now, for RPI to do this ultimately, this
problem really has to catch front and center. So,
when you actually execute it, RPI should be
(inaudible) unique identifier, like a dropdown
menu with that identifier rather than a text box
that allows some spelling (inaudible) must be
used.

The question of broad versus limited RPI
-- I think those eventually could, if implemented
correctly, accomplish what I've been talking
about. It would also be very helpful in terms of
both broad RPI scenario and licensees as well, but
even to get RPI in a limited form would also be
tremendously useful.

Okay, so I want to talk about the benefits so far but not at all about cost, and I think it is important, as Professor Rai reminded us, in a number of testimonial (inaudible) to compare and balance these benefits and costs.

And when you read through the submissions from the 2011 ROC that Dr. Graham referred to in his opening remarks, what you see is something interesting, which is that as today, the companies tended to favor the (inaudible) disclosure all but once reported it, but the lawyer groups and law firms -- because the lawyer groups and law firms tended to disfavor the proposal as burdensome.

Now, why did the companies like it? In short, because it would make their jobs easier. There's not really a downside but only an upside. It makes it easier to make products and goods; understand competitors; and it makes their jobs easier.

Now, why did the lawyers not like it?
Because it would make their jobs harder. They don't get any of the benefits of greater availability of information, but they only have to bear the risk in a downsize. There are increased costs, complications, and a potential liability if they don't record or provide information accurately. They've got to go chase it down; they've got to learn corporate law. One of the things they talked about earlier by (inaudible).

So, my suggestion with respect to this is that if the companies want this information, and they are getting the benefits, then they should actually pay for them as well. So, they should be the ones responsible for providing the information to their lawyers, determining who the real RPI is, making that call, and making the companies responsible for the information that's incorrect, not their patent lawyers.

If we can potentially shift the risk in a downsize associated with this new requirement and reduce the burden from this, I think that that would be helpful.
I want to make one final suggestion, which is a little bit outside the scope of this discussion today, which is going back to the comments that context is an important as content -- excuse me, context, which is as important as content. Even for whatever reason -- if the PTO does not go forward on RPI information, it has a lot of rich context information it already had, and only that ownership of security interest or citations, et cetera, whether or not patents are maintained. I believe this context information should be more readily exposed in the PTO (inaudible) 2011 ROC make that point. So, if a company is worried about risk management, it should be possible to search among expired patents only or non-expired ones to figure out what its exposure is. It shouldn't have to kind of sort through and look up the maintenance fee records to see what's in force or not. And I know that commercial providers also give us information, but startups can't afford this and they should have access to this information as well.
I also echo the comments of Michael Lubitz as someone who has been in the trenches and (inaudible) to find records, and to normalize the recordation procedure would provide a lot of benefits. So, right now there are a number of checkboxes you can check for what your conveyance is actually doing. But there should be more checkboxes. There should be no other form. And we should standardize the information that's been processed in automated way. It's very difficult to do so right now.

In short, I support and applaud the PTO's efforts in this area and am excited to see how it goes forward.

Thank you very much.

DR. GRAHAM: Thank you Professor Chien.

So, we've reached the point where we are going to take a break, after which we'll hear from more interested parties. If is now 10:22 on my Blackberry. Let's take 15 minutes, so let's be back here at 10:37.

(Recess)
DR. GRAHAM: Thanks, thank you for rejoining us for the real-party-in-interest roundtable here at the USPTO. Our next speaker will be Matthew Rappaport from IP Checkups.

For the next series of people we had scheduled five minutes, but because we're running a bit ahead of schedule I think we can be a little bit flexible with that. So, what I'll do for Matthew and the other folks is at five minutes, I will raise the one-minute warning.

So, Matthew, please.

MR. RAPPAPORT: Just wanted to thank Dr. Graham and Director Kappos for inviting me to speak here today. It's a pleasure to be here.

I believe we're included in god-multinous discussion fairly recently. My company, IP Checkups, is a boutique patent analytic firm. We provide competitive patent landscape analysis and patent strategy services to all kinds of different customers and clients and patent holders.

One of the things that we did in October
was we went out to try to create more transparency based on requests from our clients. In fact, we have a number of clients who have said to us over the years: You know, you've done a great job of providing us information on who the big companies are in this particular patent landscape; you're able to provide us information on who the small companies are and the startups; and you're able to provide us information on the individual inventors and the research institutions and the universities. But one area that we're stuck with is this whole list of companies that we can't identify. We don't know who they are. They have a name; we go to a website; there's nothing there. We see that they own patents. We don't know how diverse or broad their portfolio is within each of these independent shell companies. And so they started to ask us, well, how do we identify these things? Well, we started to do the research and realized that it was nearly impossible, in many cases, to find anything more than a website that leads to the Delaware LLC website, which leads to
some information that's very difficult to track
down to the ultimate parent or the ultimate parent
or the ultimate party of interest.

So, we started asking our clients:
Would you be willing to fund an effort to go out
and uncover who these folks are who actually own
these assets? And the answer was: Well, for a
small set of patents or for a small area that
we're focused on, but in aggregate we're not
really interested.

At which point we came across with an
idea that we ought to go out and try to crowd-fund
this effort and try to engage the IP community,
the technical community, as well as the general
community through a crowd-funding website called
Indiegogo to try to raise $80,000, which we
thought was a reasonable amount of money to go out
and uncover this data and publish it for free on
the website -- excuse me, on the World Wide Web.

So, we were not actually ultimately
successful with raising $80,000. We had a lot of
interest and a lot of people talked to us about
how interested they were in seeing this information. But when it came time to putting money on the table to do it, very few people were willing to do that.

However, we have gone forward with our effort. We've hired an intern to help us, and we've gotten a lot of interest from some law school students from various law schools to participate in this process, and we are actually going through the process of trying to uncover these entities, and we will be making the information available publicly on the World Wide Web. In the meantime, another organization in the Bay Area has recently released a set of 2,000 shell companies that are allegedly associated with intellectual ventures, which is currently publicly available.

We believe that this is a very important issue, and we think that the main reasons behind that are due to the benefactors of non-transparency versus the benefactors of transparency. And we believe that, in fact,
benefactors of non-transparency are typically folks who are well-heeled and have access to a lot of resources; and they thrive in an inefficient and uncertain marketplace.

It makes it extremely difficult for startups and small companies and folks that are just trying to go about their business if you identify a patent of interest or a patent that you'd like to license and you realize that there's nobody that you can contact at that organization or at that shell company to actually go forward with the license. And that may be because the ultimate party of interest has no interest in licensing the technology, which is fine, but at a minimum we believe that they should have to disclose who they are to the public. This is a right -- a patent is a right that's granted by the United States government, and a requirement should be implicitly there to require these individuals that apply for these patents to publish that information for the public.

The main benefactors that we see of
non-transparency are the non-practicing entities, specifically, the PAEs that are creating the subsidiaries and shells. We think that the increase in the threat of litigation and litigation itself stems from these issues. We also believe that large operating companies are now starting to create shells, and we're seeing a lot of that activity more recently where big companies are out there with the shell company development and going after these same targets.

From the benefactor perspective, we certainly see that universities and research institutions and startups and small companies will benefit tremendously from transparency, but we also see that those same entities, such as MPEs and PAEs and large operating companies, will also benefit from those rights that are now available publicly that people can see. We think it will increase the ability for these organizations to license these assets and for other folks to access them.

As to some of the other comments about
recordation, we would agree that the idea of recording with each change in RPI makes a lot of sense. And I think I'm going to limit my comments to that.

Thank you.

DR. GRAHAM: Thank you very much. Next speaker is Scott Pojunas. Scott comes from Hewlett Packard.

MR. POJUNAS: So, good morning, everyone. I'm currently a patent development director with HP, so I head up our efforts for HP software.

So, I'm pleased to be here today to share HP's support for the PTO's efforts to require greater transparency of patent ownership, and I thank the PTO for the opportunity to be here today.

I wanted to start off by giving a bit of context on HP's portfolio.

So, we currently have well over 20,000 granted U.S. Patents and over 7,000 pending U.S. Applications. So, we're a pretty significant
stakeholder in the patent system, and we really have a significant interest in ensuring that the system functions as effectively as it possibly can. As a result, we fully support the proposal to require the submission of information identifying the real-party-in-interest at key points during the life of the patent.

And I think, as the Supreme Court has stated, a patent by its very nature is affected with a public interest. In view of this, we think it's reasonable for the PTO and for the public to expect a party to disclose its identity as part of the quid pro quo for obtaining or owning a patent.

In addition, many of the other panelists have spoken to various benefits of this proposal, and we fully agree with those, including increased economic efficiency in the marketplace; enabling innovators to more effectively manage risk; and also benefits to the USPTO during examination and post-grant proceedings.

So, in terms of the mechanics of a potential rule, we believe that the submission
should include an identification of both the current legal title holder and the real-party-in-interest where the real-party-in-interest is defined as the ultimate parent or highest-level parent in the corporate structure. In our view, this is typically going to be a pretty straightforward question that will be easily determined in the large majority of cases.

In terms of the timing of collection of information, we think it's important that the information should be submitted relatively frequently to ensure that the information is current and is really serving the purposes that we've spoken about today.

The real-party-in-interest information can be submitted with minimal cost at key checkpoints during the life of a patent: When ownership is often examined and when the information can be provided in conjunction with other submissions. So, we believe that there are at least four checkpoints during the life of a
patent in which this information could be submitted.

First of all, at application filing ownership is obviously a key question. You're going to be obtaining assignments from the vendors, and under the new rules you need to determine whether the applicant will be the inventors or an assignee.

Secondly, at patent grant typically ownership would be confirmed prior to payment of the issue fee, and the real-party-in-interest information could be provided concurrently with the issue fee payment.

Third, when ownership changes, really regardless of the size of the transaction, a party is going to be aware of what assets they require. They're going to know what the new owner is. And in many cases, they're going to be filing a new power of attorney that would be filed in any case, and the real-party-in-interest information could be provided concurrently without power of attorney.
And then, finally, payment of maintenance fees. We think the information should be submitted at that point. The party is only going to pay maintenance fees for patents it owns, and in our view it wouldn't require a whole lot of effort to confirm ownership at the time of payment of each maintenance fee.

One item we'd like to emphasize here is that HP will feel any burdens imposed by the requirements of any potential rule in proportion to the size of our portfolio, which, as I mentioned at the outset, is quite large. In addition, there are situations where we may have patents in subsidiaries for legitimate reasons. That being said, we think it's, as I mentioned, pretty straightforward to provide this information, and we ultimately feel that the cost of complying with these requirements are, without a doubt, justified by the benefits.

In any event, to the extent that there are difficulties in gathering this information in exceptional cases or fringe cases, these can be
addressed with flexibility and leniency in the rules that are ultimately passed provided, of course, that any potential loopholes are avoided. But that could all be borne out in the rulemaking process.

So, one example is that an unavoidable or unintentional standard could be adapted to this situation to excuse delays in providing the information when for some reason it wasn't possible to gather it. And, really, any other exceptional cases could be, as I mentioned, identified and addressed in the ultimate rules that are passed.

So, ultimately, HP believes that ownership transparency is a really critical characteristic of an optimal patent system, and we think that implementing the proposal would provide benefits to the public, the USPTO, and to key stakeholders of the patent system. So, going forward, we hope to have the opportunity to collaborate with the USPTO to develop rules that make this really important initiative a reality.
So, thank you very much.

DR. GRAHAM: Thank you, Mr. Pojunas.

Next on the scheduled agenda is Professor Dennis Crouch, although I don't believe he has arrived. So, one must assume there are weather difficulties or whatever it is that happens between here and Missouri. (Laughter)

So, I will go on to our next speaker, Kristi Nicholes. Kristi comes from Burton, Arent Fox.

Ms. Nicholes.

MS. NICHOLES BURTON: Good morning.

Thank you for inviting me here today.

Actually, I've been a patent practitioner for approximately 10 years, first in-house at a large corporation and now working for Arent Fox as a patent attorney.

DR. GRAHAM: Thank you.

MS. NICHOLES BURTON: No problem. Most of my practice is focused on transactional as well as prosecution matters, so I'm going to focus primarily on some of those considerations today.
But first I just want to make clear that I'm speaking on behalf of myself mostly today and that not all of the partners at the firm necessarily agree with all the positions that I'll be making.

So, the primary considerations that we have or I have concern fees and costs, assets, asset transfers, the prosecution and mechanics of submitting the information, and any penalties and incentives that may be imposed. I'm not sure if I'll be able to get to all of those in this five minutes, but I will do my best.

So, Scott just covered the various times at which ownership information is anticipated to be required for submission during prosecution and the life of a patent. So, clearly, there is some sort of administrative burden. I was happy to hear that the fee, actually, for recordation has been abolished. But, still, if there's a form or an action that is required, it's going to require attorneys fees and other efforts from the folks involved. So, there is an administrative cost. However, I think that it is important to
disseminate and collect the information and to make it available.

I would like to point out that if an ownership or ownership in a case changes, then I would think that the costs associated with recording the information could actually be negotiated in the transaction or ultimately sort of distributed between the buyer and the seller in the market. So, it's not necessarily the inventor or the applicant but, you know, it's going to be distributed amongst various parties involved in the transfers.

I would like to mention the mechanics of submissions, so, you know, will it be required for both recordation as well as submission of the ownership interest information both through the assignments database or within the prosecution file? I think that that, too, would actually add to the administrative burden and could significantly increase the costs and time involved.

I think another issue that's been
discussed is the amount of time that it takes to research title issues in a case, and I think that that's significantly enhanced when you're looking at requiring information retroactively. So, for cases that have already been filed or patented, if you do need to go back into the file histories now because of a mandatory requirement, that could absolutely take a significant amount of time and cost in order to ascertain what the ownership or chain of title is for a particular case. So, I think that that needs to be balanced and considered in terms of should it just be prospective. However, if it's only prospective, then the amount of information, the value of information that's available would not be complete or thorough and therefore may not be as helpful as what we're looking for.

With regard to asset transfers, transparency and accuracy of the ownership information is imperative, and when doing due diligence it absolutely would reduce the fees and time associated with determining who are the
parties at play? Who are we buying from? Who are we selling to? Or who's involved in the transaction?

When researching or performing due diligence on a patent, one of the first steps I do is actually go to the USPTO website and perform a search of patents in the database and also patent applications. Once I do get my set of inquiries, then I have to go to the assignments database in order to determine if there have been any changes in ownership or updates to title or change in assignment. And subsequently, after that usually I'll look at the inventors of the patents and then go back and search for the inventors in the database to see if there are any other potential patents or applications that may be included in the portfolio.

Then, obviously, there's another step to go back to the assignments database if you've uncovered any additional documents, and this process takes a significant amount of time, particularly when the information is not clear or
available.

So, one of the proposals that I think is very critical to making this requirement valuable is somehow having interaction or integration of the assignments database with peer and also the searching engines so that you don't have to go to three different places for the information; it's just one search somewhere and you can click on a link and you get the agreement right there, and you don't have to spend additional time and expense of obtaining copies.

So, now with respect to prosecution and the mechanics, I want to first discuss the requirements for proof of ownership in the cases where an applicant has established ownership in a patent application just to make the point that we don't want to add an additional step or level or requirement during prosecution. If an applicant has already established ownership, then is this going to be a second requirement on top of that to also provide further evidence?

And, finally, I would also like
clarification on the requirements. Is this going to be a free submission, sort of like an IDS, within three months, and then if it's not filed within three months and there's a fee imposed or something of that nature? So, mechanics are also very important.

Thank you very much.

DR. GRAHAM: Thank you, Ms. Nicholes Burton from Arent Fox.

Next on the list we'll hear from David Martin. David comes from M*CAM.

DR. MARTIN: I have the good fortune of being one of the longstanding critics of the United States Patent Office and its practice, so it's unusual when I get to stand in front of the Patent Office and actually commend it for (a) doing a great job on something and (b) something I fully support. And that's really important. If you're going to be a critic, you have to also acknowledge when things are being done exceptionally well.

The second thing is in the interest of
five minutes, those of you familiar with my speaking and my lecturing know that five minutes is my enemy, so I have prepared remarks, which I am going to turn to and uncharacteristically also read them so that we actually stay focused.

Essential for the banking and capital markets securities since the 1950s, Article 9 of the Uniform Commercial Code acknowledges the importance of the unambiguous real-party-in-interest as a feature of perfection of security interests for collateral. Under 35 U.S. Code 261, which has been mentioned several times today, the recordation is actually something that happens inside of a limited time frame, and we actually fully support the notion that the reasonability of three months is actually reasonable in transactions, and we think that the current UCC practice is actually fully acceptable, although we know that it's often not done by many financial institutions.

With respect to the RPI question, the USPTO is considering a broad and limited
definition of RPI, focusing primarily on the internal procedural implications, litigation, licensing, and infringement matters; and people today have actually brought those issues up quite frequently. But in the changing economic times we're in, the majority of patents are actually not subject to any of these issues. They are actually subject to senior secured and perfected lien interests. That's where the real economics of patents now lives. And increasingly, the failure to address those issues is actually becoming significantly critical both from a bankruptcy-trustee standpoint as well as from secured regulatory capital issues. And it's important to realize that we're in changing times, and changing times require an adaptation, and we really appreciate that we're having this conversation.

While I am sympathetic to the view that the USPTO is currently taking, it may be informative to consider the UCC Article 9 precedent, particularly in bankruptcy, given the
centrality of these assets to now the majority of U.S. Businesses. Within this context, RPI might not be limited definition to just the entity with a legal right to enforce but may also potentially look at any party subject to subsequent encumbrances as defined under the pre-petition definition of parties of interest for financial transactions, which I think is actually extremely important to harmonize.

The implications of accurate RPI transparency become increasingly essential as the financial markets become more educated as to the importance of intellectual property in the capital markets.

One only needs to read the newspaper to see the number of significant financial transactions when RPI is relevant on two levels. Was Kodak's Digital Imaging Portfolio worth 2.2 to $2.6 billion as was imagined by Mike Luzinski at 284 Capital Partners, or was it worth the $525 million, the subject of a bid between -- are you ready for this? -- competing parties who are now
operating as though they work together?

Well, how could the valuation disparity be so vast? Quite simply. The value of patents is not merely assessed by the substance of the artifact or their claims but the context in which they are enforced. That's an enormous difference. If you don't get that right, you don't get the number right.

The senior secured noteholders, the beneficiaries of general intangibles and specified intangibles like Citibank and Blackstone, cannot rationalize estimates of collateral value if they don't know the owners of the related parties. If you don't have that visibility, there is no way to clarify whether somebody is a competitor, whether somebody is a licensee or a potential litigant.

In the DOJ's Antitrust Division's June 26, 1997, review of MPEG LA enforcement intentions, the department's position was informed under the explicit understanding that independent parties qualify and administer the properties on a day-to-day basis to ensure that there were not
embedded conflicts from a competitiveness standpoint.

To establish essentiality, an independent expert was deemed necessary to allay antitrust concerns. The chief of the Technology Division of the Antitrust Division of the United States DOJ, James Tierney, when commenting on the growing patent pooling activities in non-operating entities, stated that the DOJ's challenge is to know whether separate companies -- and that's a legal term under the Justice Department's concern -- are in fact colluding. If you don't know the parties, you cannot determine whether or not there is collusion, and that is an impossibility in the present regime. He is understating the impediments facing law enforcement and financial regulators.

When addressing Apple and Google's investigations, Acting Assistant Attorney General Joseph Whalen stated that the DOJ review is directed to reasonable and non-discriminatory or RAND licenses but did not do anything to look at
related parties. And as a result, the ability to understand what patents were actually RAND-subsequently-attached versus non-RAND-attached was impossible.

At no point did the DOJ consider the non-RAND-encumbered, non-standard-essential patents, and properties held by non-disclosed corporate entities controlled by or in contracted relationship with Apple and Google. And, by the way, this is not the fault of Apple and Google; it's actually the fault of a system that doesn't make this transparent. This is actually just a practical failure.

RPI definition must accord all parties of interest, particularly the investing public in the operating businesses of America, a clear picture of the beneficiary of patent rights at all times. Ambiguity of recordation timeliness beyond the limit of three months inside the UCC Article 9 is harmful to markets. Incomplete disclosures undermine collateral confidence, making capital flow to critical businesses impossible and
impractical.

I commend the harmonization of regulations promulgated by the USPTO with the established UCC Article 9 provisions that we already have in place, and I also commend the consideration of economic interests to be drawn from the securities and banking laws, which actually are equally enforceable and also clearly defined in bank (inaudible) statutes.

Thank you very much.

DR. GRAHAM: Thank you. Next on the agenda, William Hulsey. William Hulsey is from Hulsey PC. And William Hulsey is also not in attendance, so we move on to the next speaker.

Next speaker is George Spencer. George Spencer comes to us from Antonelli, Terry, Stout & Kraus.

MR. SPENCER: Well, thank you very much for inviting me to speak here and of course the usual disclaimer. Whatever I say has nothing to with the firm. In fact, I'm a counselor, I'm not a partner there. So, I'm at liberty to speak.
I'm here on a topic of what may be considered gamesmanship in a way, namely, take a situation where a company has an agreement with an inventor to assign whatever the employee makes. But the company does not require the inventor to sign an assignment, and no assignment is in existence. So, the prosecution continues, the patent is issued, possibly in the name of the inventor, but there does exist an obligation to assign. Now, the attorney may or may not know that, but assuming the attorney does and the attorney gets paid by the company, well, I supposed the attorney would consider that to be the real-party-in-interest.

But how would the Office treat that particular situation where there exists an obligation to assign but no assignment has actually come into being. There's nothing to be recorded. Maybe the agreement to assign might ultimately come to light in the course of litigation. That is a problem that may need to be considered.
Now, going a step further, suppose there does not exist an obligation on the part of an inventor to assign the invention that he's made and for which an application has been filed. But let us say that there's a mere possibility or perhaps even a probability that an assignment will come into being. Would the potential assignee be considered a party in interest? I really don't know how that should be handled at this point, but I leave it to the wisdom of the authorities of the PTO to come up with a decision on that.

Thank you very much.

DR. GRAHAM: Thank you, Mr. Spencer.

And for our final discussant today, formal discussant, Erik Lieberman. Mr. Leiberman comes from Food Marketing Institute.

MR. LIEBERMAN: I'd like to thank the PTO for the opportunity to speak this morning. We really appreciate it.

I'm with the Food Marketing Institute.

We are the trade association for the supermarket industry, and many of you may be wondering what
the heck are the supermarkets doing here this morning.

Well, I've got two words for you: "patent trolls." Patent trolls have become an enormous headache for our industry, costing retailers and wholesalers millions of dollars in legal fees, settlements, and other resources each year. While retailers bear the brunt of this burden, many of these costs are passed down the supply chain to consumers, and with food costs rising this is the last thing consumers need.

This is not just a high-tech issue; it's a business issue. Tens of thousands of businesses outside of the high-tech area are affected by patent trolls every year.

Patent trolls, also known as patent assertion entities, purchase patents solely for the purposes of enforcing them with no intention of further developing, manufacturing, or marketing the patents. Retailers have been sued or shaken down for licensing fees over such commonly used technologies as store locator technologies on
their website or WiFi. I just saw an article about a small business that was sued for using a scanner. It's a huge problem.

Licensing fees are often priced precisely at the level where it makes economic sense for a business to pay rather than to pay the legal fees to fight the PAE.

And the activities of patent trolls do nothing to help our economy or further innovation. It's legal extortion, and something must be done to stop it.

Most businesses simply don't have the resources to track hundreds of thousands of patents, patent trolls, and the specifics of the technology they're using in many cases. And I can tell you we represent some enormous retailers, and they don't have the resources to do that. They're in the business of selling food. They're dealing with a host of other legal and regulatory obligations related to real estate, food safety, labor law. They don't have time to do this, and they shouldn't have to deal with these types of
Fighting trolls is a real challenge, given the limited resources of business and the fact that patent trolls are very adept at manipulating the system. Some patent assertion entities have hundreds, even thousands of shell companies, and it's simply impossible for our members to keep track of them.

So, we need greater transparency in patent ownership where the public can easily see who owns what and where they acquired it. The system should require acknowledgment of agreements between shells and other entities. We believe that troll issues should be addressed through competition laws and regulatory enforcement, so we're very encouraged that DOJ is here this morning, and we're also encouraged that the FTC and DOJ held a public workshop on the issue last month.

We also think the PTO should consider some proposals such as penalties for not recording assignments. Also, the PTO needs to think about
what they can do to ensure that the
real-party-in-interest records as opposed to a
shell with a misleading name. Additionally, how
do we keep assignment information updated? What
are the things the PTO can do that -- when
maintenance fees are due, do you require some sort
of update? These are measures we think can help
address this problem of patent trolls, which is
affecting a huge proportion of the economy beyond
just the high-tech area.

Thank you.

DR. GRAHAM: Thank you, Mr. Lieberman.

So, that ends our formal presentations. Before
moving on to possible commentary from the
audience, I would like to engage in some
discussion among the speakers here since we're in
a roundtable. And to do that, I'd like to invite
questions both from the several representatives of
the PTO who are around this table as well as
comments from speakers directed to things you've
heard today.

Since we do want to keep things civil, I
ask that you direct all questions or comments to me, and then I will redirect your questions to the group and the appropriate people.

So, with that, let me introduce Michelle Lee, who is the USPTO's director of the Silicon Valley Office of the USPTO, and in addition Saurabh Vishnubhakat, who is an expert advisor here at the Agency.

I know that Michelle has a question, and so I'll ask Michelle to kick us off here.

MS. LEE: So, thank you all for the very, very helpful comments today. The USPTO very much appreciates it.

I have a question for those of you in the room and for those of you who are participating via Webinar or who may be considering submission of written comments later on. If you could and have thoughts on this question, the PTO would appreciate it.

But in the request for comments, the proposal is to disclose RPI information at the time of filing, at the time of publication, and
when the maintenance fees are due. Also, during
the time of prosecution there's a suggestion that
if there's a change that occurs in ownership that
that change be recorded within a reasonable period
of time. And in the request for comments, we
suggest a reasonable period of time as being three
months.

The PTO would welcome some input on the
burden of that to the companies and their lawyers.
Is that a reasonable period of time, particularly
in a situation where a company may be doing a lot
of acquisition activity of large portfolios, and
are there circumstances in which you may need
additional time and perhaps suggestions on how the
PTO might be able to accommodate you so that we
have a workable system but yet we're also getting
the information that we need in a timely manner?
That's issue number one.

Issue number two is, on the issue of
penalties what do the stakeholders and what does
the public think is appropriate?

DR. GRAHAM: Thank you, Michelle. I
should state at this point that we are leaving the written comment period open for two weeks until Friday, the 25th of this month, and so those who are with us via Webinar or otherwise may do that. But does anyone have a specific response to that question? I ask you, if you do, to put up your tent cards in the standard fashion.

David, please.

DR. MARTIN: I think as a practical matter, the recommendations that we've commented on with respect to the lien interest filings and so forth have been informative in this, and the way in which they've been informative is in the transfer of interest particularly in subordination agreements and credit agreements. It is not unusual to find a disentanglement period where there may be assets that transfer very cleanly and there are assets that do not. So, the idea that you can have a complete period inside of that 90 days is unreasonable because of the disentanglement issue with respect to our experience in the credit agreement space.
So, I just wanted to raise the issue that there is a legitimate intent to disclose that probably is appropriate, but the full disclosure that would be recorded against every patent may not be feasible in that time frame. So, I think there needs to be an awareness of that issue, because we've seen that as a significant impact. So, just from experience I would comment that that's important.

DR. GRAHAM: Thank you, David Martin.

One follow-up question. How is that resolved in your field?

DR. MARTIN: Well, as a practical matter, and the Kodak bankruptcy is informative in this particular instance because -- and the GE sale of GE Plastics to SABIC is informative in this. These are two cases that are very easily researched. What you'll find is that the senior debt holders typically will be the lien interest holders that are identified. But the secondary lien holders will be parties that are not disclosed, because they live
inside of the general and tangible lien. And that general and tangible lien is much more difficult to untangle, particularly in syndicated credit agreements. And so what typically is happening is a subset of the assets is transferred immediately as a consummation of the transaction, and then over a period of time the rest get resolved.

But from the standpoint of the intent of the rule, having that, it is appropriate to leave open a filing period that says that within 90 days it's reasonable to say that there is an intent to comply. But the intent to comply may, just as a practical matter, take time to fully implement, and that's what happening right now.

DR. GRAHAM: Thank you very much. I see that Kristi Nicholes Burton would like to comment.

MS. NICHOLES BURTON: In considering the acquisition of patents, I think the most efficient or the best time to record the information is literally within months of completion of the transaction. So, a three-month period seems reasonable, however with extensions, because there
are various issues that can crop up. Maybe the seller doesn't provide you the documentation right away. It could be a foreign entity, and you're having difficulty getting, you know, records or things that you need. So, I think that there does need to be a balance or contingency, but for something that's clear cut, if you have the document in hand it would be best to record it at that time.

DR. GRAHAM: Thank you very much. I see -- very good. He's point to you, so Herbert Wamsley.

MR. WAMSLEY: On the question of when the information should be provided, I would note that I think the timing is less urgent to provide the information during the first 18 months after filing, because the application normally has not been published. And looking at it from the viewpoint of IPO members, at least, I think, we see the RPI information valuable in knowing who owns the patents. But I don't believe that there's so much benefit in having that information
1 for the first 18 months.

2 On Michelle Lee's other question about penalties, we don't believe that the penalty should at all touch the area of inequitable conduct, patent enforceability. I would be wary of saying that penalty include ethical sanctions against practitioners.

3 One of our members suggested monetary fines for failure to disclose RPI information as a possible penalty, assuming the PTO would have the authority to do that.

4 DR. GRAHAM: Thank you. Michael Lubitz.

5 MR. LUBITZ: Thank you. Michelle, your questions -- I'm going to deal from the transaction side and particularly with the time period, and of course the danger there is when you set a time period it's rather arbitrary. And there are special circumstances. And in our day-to-day life, what we see is a lot of transactions happening where the entity that's acquiring the assets is behaving as a pass-through entity. And there might be a variety of parties
involved. So, as a consequence, you really don't know where the assets are eventually going to settle.

And from an administrative -- from a burden side, there needs to be flexibility until the transaction finally completes.

In addition, you're seeing extended periods of review. I think there's a voluntary compliance with the DOJ of any deal that's over, I think, 66 million or so that needs review.

And so there are other regulatory implications, and so even -- you know, so, that will impact the time. But also if you're handling these assets and all of a sudden these maintenance fees are opening up and you have an obligation to report changes but you know that the ownership is going to change, what do you do in those kind of hybrid situations?

So, I think that there needs to be a provision that doesn't -- in general, the timeline is great, but there should be some type of exception that allows parties to comply based upon
the nature of the transaction and some
reasonableness.

DR. GRAHAM: Thank you. And I see
Kenneth Nigon.

MR. NIGON: My problem is with small
inventors, and we represent a number of small
inventors. I've even had small inventors
contacted by Intellectual Ventures to buy their
patents. Now, I don't know if they sold patents
or not, because Intellectual Ventures dealt
directly with them. And what I'm trying to point
out here is a patent practitioner is very often
not going to know whether these transactions
occurred, but they're going to be the ones
responsible for filing these statements. And if
the client is uncommunicative, the practitioner is
not going to be able to get the information.

So, I agree with Herb that I don't think
inequitable conduct should be a penalty. I don't
know what kind of penalty to have, and I don't
know how to deal with this situation, because if
you allow the amount of time, which may be a year
or two between the time you talk to a client after a transaction has occurred, then the duty to record becomes meaningless, because there will be these huge gaps that won't be covered.

DR. GRAHAM: Thank you very much. Do you have a follow-on? Please, go ahead. This is Kristi Nicholes Burton.

MS. NICHOLES BURTON: Yes. On the other side of penalties could also be incentives to timely or promptly record. So, whereas, you know, maybe the time period is a little longer, I think there are times, like when the application is pending before it's published -- there are considerations there, and maybe in certain transactions that need a longer period -- but maybe if recorded within a certain time, it could also be considered to have an incentive to do that. And that way, that would facilitate getting the information promptly available and in the record.

DR. GRAHAM: Thank you. Ken, was that another follow-on? Please.
MR. LUBITZ: Just a quick comment. The way that I understand the proposed rules or proposed framework is that the obligation is on the new owner. So, in the case of the inventor, there really wouldn't be an obligation, and they wouldn't be subject to a penalty. It would be the buyer or the new assignees. I don't think that's really a concern. What we're trying to do is bring parties who actually own the assets into compliance.

A question, though, is what about how do we orchestrate this retroactively, and who does it apply to? And so should it only apply to certain threshold owners so we don't unfairly burden small inventors?

DR. GRAHAM: Thank you. And for the transcription, let me just correct that that was Michael Lubitz who just spoke. Yes, I see Courtenay -- Courtenay Brinckerhoff.

MS. BRINCKERHOFF: This is just a general comment. It's sort of slightly related to the open question.
I just wanted to point out that if you assume a transaction cost of a hundred dollars per disclosure, which I think probably underestimates in most circumstances, especially if any inquiry is involved, and you take that three times per application and you multiply that by HP's 7,000 applications, that's $2.1 million. And is that how the money should be spent to promote innovation?

DR. GRAHAM: Since that implicated HP (laughter), I'll let HP respond. Mr. Pojunas.

MR. POJUNAS: Yeah, I think this sort of gets back to one of my points, which was that this information would be provided at key checkpoints in prosecution when we'd be touching the case and we'd be touching ownership in any case. So, in my view, the hundred dollars seems a bit much to me. It would essentially be confirming do we still own the case, and if so, you know, maybe it's a checkbox on a form or a pretty simple question ultimately.

DR. GRAHAM: Thank you. That raises an
issue, if I may inject something here, and I do
want to get to these other comments. You know, I
heard from Mr. Wamsley and others that this could
be, you know, burdensome -- enormously burdensome
-- and we're sensitive to that here in the Office,
having looked at the patent records and studied
them as the economist. You know, it's clear that,
you know, a very large portion of the patents, the
applications that are pending, and the patents
that are issued every year are held by, you know,
a relatively few number of companies, which are
largely those represented in your organization.

That said, of course, independent
inventors are extremely important, too, and these
burdens can at the margin -- right? -- when you're
operating at the margin can be important as well.
So, what I'd like to hear is whether there is
anything that can be done in a way in which our
information systems work or the way in which we
organize the collection of data here at the USPTO
that could facilitate the reporting of these
things across large portfolios -- that can be the
case -- or in the case in which it's really firms, 
law firms, acting for many autonomous inventors. 
Both those things are, I think, are important for 
us to understand if we're going to understand the 
consequences of doing something like this. 
So, if I can ask -- I see Courtenay 
Brinckerhoff. 

MS. BRINCKERHOFF: Sure, some ideas on 
that. One thing that was sort of touched on that 
-- this seems to be proposed as a separate 
requirement that we filed in an application. So, 
you would be duplicating recording in assignment 
and filing a form in an application. That 
duplicity should be eliminated if possible. 
Also, the proposals -- although one of 
the proposals was to initially provide the 
information in the ADS; the other proposals were 
requiring new forms at each stage of prosecution. 
Again, that seems wasteful. So, any -- it seems 
like -- I'm not sure there should be a requirement 
to confirm at critical stages. If you've had to 
identify the information once and you have an
obligation to update, then you should only have to disclose it once unless there's a change.

And then having a mechanism where you could blanket -- make the disclosure in a number of applications, with one paper, and also have that account for your recordation. Those are ways that it could reduce the cost. But I know that would take some changes on the Office side of how the systems are integrated.

DR. GRAHAM: Thank you. I had seen comments from down the table. Professor Rai, did you have a comment? It may have been directed to the earlier discussion. Please feel free to --

PROFESSOR RAI: Yeah, it was directed a little bit to a comment that I think was made with respect to retroactivity. So, that's a really important concept to keep in mind for purposes of administrative law.

As I see the proposal as currently structured, I don't see retroactivity issues in it. But it's a complex concept regarding what constitutes primary retroactivity versus secondary
1 retroactivity and something that's worth thinking
2 about for the PTO.
3
4 DR. GRAHAM: Thank you. Kenneth Nigon?
5
6 MR. NIGON: I just want to bring up a
7 point that other people have brought up but just
8 to emphasize that it would be great to have the
9 actual document available to look at without
10 having to request a certified copy the way it is
11 in the trademark system right now.
12
13 DR. GRAHAM: Thank you very much.
14
15 MS. NICHOLES BURTON: So, I think -- I
16 don't know if it's possible. You'd mentioned the
17 systems you have available, but if you could get
18 some data as to what is the average number of
19 transfers per case in its lifetime, and what kinds
20 of entities are the ones involved in that. That
21 could possibly give us a little bit more
22 understanding of what the administrative costs
23 might be ultimately.
24
25 DR. GRAHAM: Thank you. That was Ms.
26 Nicholes Burton. Thank you for that. I suppose
27 that raises another issue that I actually wanted
to direct to Michael Lubitz, if I could. So, seemingly the way that we could collect that information about the frequency of transfers is in our assignments data. But I've always suspected -- and this is one of the questions I wanted to put to Mr. Lubitz, because he could help us to understand what a voluntary system gives us.

To the extent that you've been able to compare the data we have against what's actually going on in the marketplace, actually going on in the transactional space, how well does this voluntary system of recordation reflect what's really going on out there?

MR. LUBITZ: That's a really good question, because part of the answer is we don't know, really. And, you know, I don't necessarily -- most of what we find is the majority of parties record eventually -- the questions eventually. So, we see, based upon parties' practice, that they'll -- and we'll know of the transaction through whatever channel, and we'll see the recording happening, you know, three, six, nine --
a year out. And so things tend to eventually get recorded. The issue is more about how that information is recorded and then distributed to the public. And so the question that you asked is a great question about what can we do to make this data more available and useful.

And so one thing, just off the top of my head, is that we would love to be able to show the relevant personnel at the USPTO the payment we're dealing with on a daily basis and the issues that we have to deal with in terms of looking at the feeds and trying to establish some type of standardization.

I don't know if I answered your question, but the difficulty is that even though the recordings are happening, it's understanding them.

DR. GRAHAM: I see David Martin.

DR. MARTIN: Once again, using a triangulation approach, because that's the only way we can tackle this question, we actually look at two sources. One is a very general database
that's available fairly easily, which is the recordation of liens by the State Corporation Commissions or the Secretaries of State, depending on the UCC-adopted standard, because Article 9 has -- you know, some states have the updated Article 9, some states are using the preceding one. We find that that record is actually the most accurate right now, because it actually records the real interest. It is the financial interest that is actually taking an interest in the intangibles. So, right now that's the best data, and it has very little overlap with the USPTO record. So, we find that the error rate internally at USPTO has a lag of probably somewhere in the two to three quarters where the State Corporation Commission records are actually much more refreshed.

The other place that we look, and we use this very extensively globally, is in securities filings, because typically in footnotes of transfers, releases of liens, things like senior security agreements, and so forth, give us the
actual title name where we can then go back and
actually look at where the records actually are.
And that's why I think one of the things that I
would encourage is actually the USPTO to do a
better job of promoting the existing structures,
because right now there are some really good
recordation processes that are actually not
complied with if you look at a lot of banks, if
you look at a lot of securities firms. And we
think that you guys could do a better job of
promoting what you already have as a way to catch
up with other systems. But I think -- I would
encourage us to look at places that we already
have solutions rather than having to create
redundancies. I mean, if there's a place that we
can learn from or adopt best practices from, I
think that's ideal, and that's where we go for the
data more often than the USPTO current
collections.

So, I think the system macro actually is
working better than we think it is. I think it's
maybe not working here as optimally as it can, but
it's not that it's not available. I think it's available, just not implemented.

DR. GRAHAM: Thank you. It would be helpful, if you are going to be submitting follow-on comments in written form, if you could give us some sense, if it's available and possible, some sense of what the lag looks like and also some sense of what really just never arrives.

DR. MARTIN: (off mic)

DR. GRAHAM: Great, thank you. Yes, Michael Lubitz.

MR. LUBITZ: I just had a comment on David's comments. David's really focusing on secure transactions involving financial entities where they have really an incentive to record so they can perfect their interests, and if they fail to do that, they lose that collateral. What we try to encourage -- and this is about the education, this is what David recommended -- is that everyone should be in the practice of recording changes in ownership at the USPTO to
1 protect their interests. And it seems that a lot
2 of the discussion on the legal side was about, you
3 know, if you don't record your interest as the
4 real owner, then you're going to lose your
5 standing to pursue remedies that you have under
6 the regulations or the law. And so that seems --
7 and that's kind of the crux of the issue, that
8 people should record on a timely basis whether
9 they have a security interest or not and then to
10 make that process as painless as possible, because
11 the people only record what they have to
12 generally, and so that's -- the real challenge is
13 how do you implement this to get that type of
14 information on a timely basis.

15 DR. GRAHAM: Courtenay Brinckerhoff.

16 MS. BRINCKERHOFF: I just have one minor
17 comment that Mr. Lubitz comments brought to mind.
18 It has nothing to do with the change in the law,
19 but under the current assignment recordation
20 practice, if something is assigned in error, the
21 only person that can correct it is the person who
22 recorded it. So, if we discover that someone
transposed numbers and inadvertently recorded an
assignment document under our client's patent, we
are at the mercy of asking that person to correct
their error. So, I think it's the Patent Office
that is going to be looking at the significance
and criticality of the assignment database, that
something that you all should also look at is
letting the actual patent owner correct any errors
that have been recorded against it.

DR. GRAHAM: Thank you very much.

There's an issue also, Courtenay, that you brought
up about how there are several places in the
statute that talk about the optionality, that this
is actually -- it's optional to provide this
information. I would just like to hear if there
are any views from the roundtable on that
particular issue.

Professor Rai?

PROFESSOR RAI: It is the case that §
261 of the patent statute does not require
recordation; it provides an incentive to record,
because if you don't record, you can't assert
against a subsequent purchaser. That said, I think to say that § 261 provides the exclusive venue by which these issues can be dealt with I think would be a very strong interpretation - and forgive my Latin here -- of the expressio unius principle. The expressio unius principle is a principle of statute interpretation that says if Congress stated something in one section of the statute that prohibits interpretations that would either be supplementary to that or even perhaps in slight tension with that provision. I think that would be a very strong interpretation of expressio unius to say that 261 is the exclusive remedy in this particular context, particularly given, as I said, the patent authorities, the patent regulatory authority given under § 2.

DR. GRAHAM: Thank you. And Courtenay Brinckerhoff.

MS. BRINCKERHOFF: I would just also add that also overlying this issue is the AIA, which newly created this ability to name an applicant that’s not an inventor but made that wholly
optional. So, even is an application is assigned, under the AIA you can still name the inventors as the applicant. I think that colors my questions about the authority as well.

DR. GRAHAM: Thank you. Saurabh Vishnubhakat, USPTO.

MR. VISHNUBHAKAT: So, I'd like to kind of propose a general question to the panel about the way in which we've discussed this being, you know, kind of a -- how to frame it, even -- we don't know what we don't know, right? The extent of our ignorance is unknown to us in some sense in this area, because we are unable, perhaps except in the case of secured transactions, we really don't know how best to calculate the cost and benefits at a very high level of granularity. So, what I've heard from some of the panelists is that if the benefits aren't high, then all we're introducing is transaction costs that are unknown and perhaps unknowable until we're in the thick of it. So, should we perhaps go further and start from the idea that unless we can do this well we
shouldn't do this at all, and so ask for something
more muscular like recording of all transactions,
recording of all assignments, and do away with
this, you know, kind of checkpoint-based approach?

I think I heard Ms. Brinckerhoff say
that if we have an obligation, an ongoing
obligation, to update once the initial requirement
has been satisfied, then the checkpoint approach
may be moot. So, is that something that the panel
would be supportive of, to step back from this,
you know, maintenance fee-only or particular
points during prosecution, and just say that
there's a real ongoing obligation to just record
all assignments and make sure that the record is
updated that way?

MS. LEE: If I could just add a point to
what my colleague was saying, because I think
that's a very good point, because I think there
have been academic studies that indicate that NPEs
tend to buy patents near expiration. So, if it's
ture that that's the case and if it is, you know,
something that is of interest to the companies and
the stakeholders -- right? -- it is truly the
checkpoint at maintenance fee payment stage,
which, as you know, toward the end of the patent
gets to be very -- I mean, that's a long period of
time. Is the proposal really the most effective
proposal?

DR. GRAHAM: Thank you. For the
stenographer, that was Michelle Lee. I see David
Martin.

DR. MARTIN: I think the Constitution is
very clear that the benefit is to a party. That's
why we have this thing in the first place. So,
we've got to remember that the Constitution starts
with saying this is a benefit which is a social
contract between the public, who actually
acknowledges a commercial aberration, and the
beneficiary, who is a beneficiary. And they were
jumping so far into the weeds of procedure to
forget the actual constitutional framework, which
is pretty important.

That would suggest that the beneficiary,
over the duration of the statutory period, is
actually material at every point during that period. That's what the Constitution is unequivocally stating. So, I don't think there's a question of whether or not the social benefit, which is the social half of the contract, is ever subject to a cancellation of interest of the public until the cancellation of the right, which is it's actually statutory life. So, I think that the duration on a milestone procedural basis is actually somewhat irrelevant. And I actually agree that procedurally if there is no change, the additional burden of reporting it still the way it was is actually just a burden. I don't think society benefits from that. I do think that society does benefit from finding out that the beneficiary has changed, and to my point of the bankruptcy of Kodak, it's very material. There is a difference between those patents held by Kodak and those patents held by now an association of RPX and Intellectual Ventures and Google and Apple and everybody else. That's a material alteration of the operating conditions of the economy.
When the Patent Office was moved to the Commerce Department -- because, remember, this used to be another jurisdiction -- when it was moved to Commerce, it was moved to Commerce specifically for the point I'm raising. This is actually part of the economic engine of growth, and it was for the incentivization of growth. That's why we moved it out of Interior. And it's important to understand that the legislative framework of the migration of the Patent Office and the constitutional framing actually answers our question, and that is as long as the patent is outstanding, the beneficial interest holder is material to the public, because that is the social contract under which the patent is established.

DR. GRAHAM: Thank you. I see Marian Underweiser.

DR. UNDERWEISER: Yes, thank you. It's an interesting question. I think we've heard that most of the business interest here is in favor of transparency, and I think it's really important that we're talking about the burden, and the
burden is primarily to the patent practitioner community or it's at least borne by the patent practitioners, which I think Colleen Chien pointed out very clearly. So, we're talking about having this benefit of having the accurate ownership information. Maybe we only need it updated when that information changes. Maybe that reduces the burden on our practitioners on -- I'm a patent lawyer -- on actually complying with these burdens. And what I would suggest is that whereas most of the more sophisticated parties who are buying and selling patents will know or ought to know when it's time to record their patent assignments and their new interests perhaps with the smaller parties, and we've talked about them today.

Something that would help might be to not necessarily require another statement or paper or due diligence at a lot of these checkpoints, but perhaps there can be reminders. Reminders can be sent. Reminders can be sent at issuance or at payment of maintenance fee. Has there been an
assignment check, the assignment record? -- so
that if the practitioners and the small entities
are aware that they may have this ongoing
obligation, we have to have accurate ownership
information. Then, you know, that's well and
good. But there are these checkpoints where they
will really read the paper and then be able to say
well, you know, have I complied with this duty?
So, this may be another way to accomplish the
goal.

DR. GRAHAM: Thank you. And Michael

Lubitz.

MR. LUBITZ: I think that, you know,
this is really -- there's a larger issue here
about competitiveness of the Office and of
intellectual property function within the United
States. And we want to be operating at the
highest level and lead the leader. And so if
there's some way that -- I look, really, at this
most as a module modernization where the
assignment module is modernized to create the
least burden but maximize the usefulness of the
information within the various objectives of businesses.

But I also think, from the standpoint of the U.S. Economy and remaining competitive, that we need to push and be the leader here. And, I mean, there's no question that the marketplace for patents -- the U.S. is the leader. And so how do we maintain that?

DR. GRAHAM: Thank you very much. I did want to have an opportunity to give people who are here visiting in the gallery today an opportunity to make a comment. If there's anyone who feels compelled to give some commentary--

Okay. Seeing none, and seeing no additional requests, and given that we are close on our appointed time, are there any questions from any of the participants today that you would like to share?

Okay, I see none there either. So, with that, let me officially close this roundtable on collecting real-party-in-interest information. We at the USPTO thank you for your candid thoughts,
and the agency will be following up on this meeting today with more consideration on this important topic.

I remind everyone listening and everyone here in the room that we are keeping the written comment period open until Friday, January 25th, so you still have an opportunity to participate for two more weeks through written comments. Please see our Federal Register notice for more information on how to comply with that.

And with that, thank you, and have a safe trip home.

(Whereupon, the PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

COMMONWEALTH OF VIRGINIA

I, Irene Gray, 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.

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Notary Public, in and for the Commonwealth of Virginia

My Commission Expires: September 30, 2014

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