

Chartered Institute of Patent Attorneys

response to

USPTO Consultation

Proposed Changes to Require
Identification of Attributable Owner

The Chartered Institute of Patent Attorneys (CIPA) is a body whose membership comprises patent attorneys and other IP professionals. CIPA's membership is primarily UK based. Members of CIPA are involved in managing IP and a significant part of their work involves US patents and applications.

We have seen the proposed USPTO Rules concerning identification of attributable owners of patents and applications and are concerned that the unintended consequences of the proposed rules may be larger than the intended consequences, and mostly adverse.

The background to the proposed rules is the presidential initiatives aimed largely at dealing with so-called "patent assertion entities". The initiatives included a legislative recommendation and proposal for executive action.

The legislative recommendation is to "**Require patentees and applicants to disclose the *Real Party-in-Interest***," by requiring that any party sending demand letters, filing an infringement suit or seeking PTO review of a patent to file updated ownership information, and enabling the PTO or district courts to impose sanctions for non-compliance."

This recommendation appears generally benign, and focussed on the prime aim of correcting some of the problems associated with patent assertion entities.

In the UK we have had experience of penalties for failure to timely record assignments (e.g. loss of rights to damages or to cost awards, for actions occurring prior to recordal of an assignment) and this is relatively easy for courts to handle. We believe that providing such a penalty may obviate any perceived need for executive action.

The executive action is "*Making "Real Party-in-Interest" the New Default. Patent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls. The PTO will begin a rulemaking process to require patent applicants and owners to regularly update ownership information **when they are involved in proceedings before the PTO**, specifically designating the "ultimate parent entity" in control of the patent or application*".

CIPA fear that the broad interpretation of "proceedings before the PTO" to include prosecution of applications and administrative steps such as payment of issue and maintenance fees will cause problems to bona fide patent owners that are disproportionate to any benefit concerning patent assertion entities that might result.

The proposal requires disclosure of:-

- Titleholders
- Enforcement entities (including exclusive licensees)
- Ultimate parent entities
- Beneficial owners

At particular times:

- On filing
- During prosecution within 3 months of a change of attributable owner
- On payment of issue fee
- On payment of maintenance fees
- During post issuance proceedings

The proposed rules impose a duty to report attributable ownership to the USPTO, during a period when no patent exists that can be asserted (i.e. while a patent is in prosecution). This represents cost with no benefit.

The proposed rules impose a duty on the applicant to report on changes of ownership structure within three months of a change. This means, for example, that those who normally exploit their patents through licensing (e.g. universities) will need to institute reporting structures for their licensees to ensure that no change is missed. This represents costs and danger to applicants with no benefit.

The proposed rules impose a duty on the applicant to ensure that the attributable owner is identified on payment of the issue fee. This appears reasonable, although it does represent both a cost and danger to the applicant, particularly if they have licensed the application and need to verify their licensees ultimate owner.

The proposed rule imposes a duty on the patentee to update the attributable ownership on payment of maintenance fees. Given that many contract their maintenance fees to fee payment agencies, this is certain to cause major problems to patentees in co-ordinating payment of fees and ensuring that the attributable owner is correctly identified. Increased costs and a high incidence of error are sure to result.

Looking to the problem that these rules are meant to address, it is stated that "*Patent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls.*"

It is by no means clear that disclosing attributable ownership on patents and applications will solve this problem.

Unless there are sophisticated search facilities on the USPTO register it will be extremely complex and probably expensive for someone threatened by a patent assertion entity to identify patents concerned. If a patent assertion entity holds or has an interest in 10,000 patents the work of identifying which might be relevant to a particular product or process will be extreme.

It should additionally be noted that during the four years from one maintenance fee payment to the next, all sorts of things may happen. The data on USPTO records would be guaranteed largely out of date.

Further, it is not totally clear that the USPTO has the resources to administer such a system.

In short, the proposed rule changes add cost and risk to all patentees and applicants, and are not focussed on dealing with the problem of patent assertion entities.

Signed on behalf of the CIPA Patents Committee



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