

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: Changes to Require Identification of
Attributable Owner

Docket No. PTO-P-2013-0040
79 Fed. Reg. 4105

COMMENTS OF ENGINE ADVOCACY

April 24, 2014

Attn: James Engel, Senior Legal Advisor
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Mail Stop Comments—Patents

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Engine Advocacy respectfully submits the following comments in response to the request for comments on Changes to Require Identification of Attributable Owner dated January 16, 2014.

Engine Advocacy is a non-profit organization that supports the growth of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues. As part of its advocacy efforts, Engine has built a coalition of more than 500 high-growth businesses and associations, pioneers, innovators, investors, and technologists from all over the country, committed to taking action on the policy issues that affect the way they run their businesses.

Lack of transparency in the ownership of patents often serves to enable patent litigation abuse, and such abuse by patent assertion entities increasingly targets the smallest—and often most productive—businesses in the economy. Engine Advocacy, as the voice of startups in government, has a vested interest in supporting policies that level the playing field for all innovators. We believe that transparency of ownership is fundamental to a well-functioning patent system and commend the PTO for proposing these important rules.

I. Transparency in the Identification of Patent Ownership Is a Key Component of the Patent Examination Process and Levels the Playing Field for Inventors and the General Public

As the PTO noted in issuing the Notice of Proposed Rulemaking, requiring identification of attributable ownership will facilitate the examination of patent applications and provide much-needed transparency concerning the ownership of patents and patent applications. Making comprehensive patent ownership information readily available will reduce transaction costs and make the process less opaque for innovators who are threatened with abusive patent litigation.

Maintaining current and timely information about attributable ownership is also essential for the PTO to be able to perform its core function of examining patent applications, and for the PTO to discharge its responsibilities both to applicants and to parties to supplemental reexamination, ex parte reexamination, or any of the PTO's

post-grant trial proceedings. Put simply, the PTO – and ultimately the public -- has a right to know who owns a patent application or a patent, which is, of course, a government-conferred monopoly.

We commend the PTO for undertaking this rulemaking and proposing these important and necessary changes. By proposing to require that the attributable owner, including any ultimate parent entity, be identified during the pendency of a patent application – and at certain touch-points after issuance – the PTO is fulfilling its statutory mandate of disseminating information about patents to the public and, in so doing, is leveling the playing field for small companies, startups, and innovators who may be threatened with litigation or otherwise find themselves before the Patent Office.

35 U.S.C. § 2 lays out only two fundamental jobs for the PTO: one is to grant and issue patents and trademarks and the other is “disseminat[e] to the public information with respect to patents and trademarks.” The FTC said it best in its 2011 report on notice: “Clear notice of what a patent covers can increase innovation by encouraging collaboration, technology transfer and design-around. Clearly defined patent rights can help companies identify and license technology they wish to develop or adopt”, the report said. Conversely, it noted, inadequate notice “undermines the patent system’s ability to fulfill this role. Potential collaborators or licensees may not find relevant patents, or they may hesitate to invest in technology when the scope of patent protection is unclear.”

Information about Patent Ownership Is Opaque and Unduly Inaccessible

Despite the PTO’s statutory mandate to disseminate information, the same FTC report went on to find that “PTO records provide poor notice regarding current ownership of patents.” (FTC Report at 130). “Testimony suggested that parties often fail to report assignments to the PTO or list ‘shell companies’ as assignees, ‘making it as difficult as possible, apparently, to trace back to the true assignee of the patent.’ Moreover, testimony indicated, the information is difficult to locate: it is ‘buried somewhere on the website’ rather than included with the patent record.” (FTC Report at 130).

As Professor Colleen Chien wrote: “Due to the multiple ways a company can be referred to, and the ‘games’ companies play in order to hide their patent holding, determining what patents a company owns is a difficult task. Because there is no requirement to record patent transfers, it is impossible to identify with absolute certainty a company’s complete patent holdings—or who owns a patent—from the public record.”

And Professor Robin Feldman and Tom Ewing’s work on this is particularly instructive: after extensive research into one well-known non-practicing patent holder, they were able to determine that this entity – Intellectual Ventures – owns somewhere between 30,000 and 60,000 patents through a variety of shell entities.

Ownership is, of course, one of the most basic facts of a patent. And yet, small companies and individuals navigating the system who need this information to assess risk and make informed business decisions are very often left in the dark. The patent system is a public system after all, and users should not need to hire a lawyer or engage in exhaustive research in an attempt to find out who owns a patent. And today, this information may not be obtainable even then.

Inaccurate or Inaccessible Ownership Data Can Enable Patent Litigation Abuse

The problem of inadequate information about ownership is exacerbated by the fact that concealing information about attributable ownership in patents enables, and is characteristic of, patent trolling. Patent trolls typically create shell corporations in order to insulate themselves from liability, and a start-up or small company that receives a demand letter or a notice of suit from a patent troll typically has to expend a great deal of time and energy simply trying to ascertain who owns the patent that is alleged to be infringed. Moreover, Professor Colleen Chien found that information regarding changes in a patent’s ownership and transaction history are some of the most important predictors of whether a patent has been – or will be – litigated. (Predicting Patent Litigation). In fact, Prof. Chien also found that in many cases the transfer of a patent was a precursor to its assertion in litigation. One more data point here: Prof. Chien studied 915 patent litigation filings made by patent trolls or PAEs and found that in about

one-third of the cases, the plaintiff was not the patent owner of record as of the day the litigation was initiated.

Therefore, any entity that is accused of infringing the patent will certainly need to know who the real party in interest is in order to be able to assess its risk. And yet basic information surrounding the patent's true ownership tends to be as scarce as it is vital. And any small company or start-up that wants to create and invent needs to be able to access information surrounding a patent's ownership to make strategic decisions about litigation, to make offers on licenses, and to make knowledgeable design-around decisions.

Information about Ownership Is Particularly Crucial During the Pendency of an Application

The proposed rule changes are particularly necessary during examination because, as the Notice indicates, ownership of an application is an important factor in examining an application. It will enable the Office to determine the scope of prior art under the common ownership exception, help uncover instances of double patenting, and ensure against any conflicts of interest. Involving PTO personnel involved in examining an application.

For these reasons, Engine believes that requiring notification of changes in ownership within 90 days, as the Notice proposes, is too long a period of time for this information to be out of date. We recommend that the window for reporting changes in ownership should be reduced to 45 days.

Post-Issuance Requirements Should be Expanded to Assignments

We applaud the PTO for proposing to require that ownership information be updated when issuance and maintenance fees are due, and whenever the patent becomes involved in post-issuance proceedings before the PTO. As the Notice indicates, the PTO believes that the examination process is best served by collecting ownership information of not just the titleholder, but also of other entities that are real-

parties-in-interest because they have rights to enforce an existing patent, as well as information about parent entities who ultimately control these entities.

In order to fully achieve the transparency that the Notice calls for, we recommend that such information also be required every time an assignment is made. Extending the requirement to assignments is also relatively easy to achieve in that 37 CFR 3.11 (MPEP 302) already requires that assignments be recorded via a simple one-page form. It would be relatively easy to require that something similar be filed with the Office every time an ownership event happens that affects titleholders, enforcement entities, ultimate parent entities, or hidden beneficial owners.

These Changes Can Be Implemented In a Way that Reduces Any Burden on Applicants and Patent Owners

Although Engine is not persuaded by the protests of those who claim that it is too great a burden to tell the PTO who owns a patent in a reasonable time frame as contemplated by these proposed rules, Engine does believe that the PTO can and should implement these requirements in a manner that makes it easy and inexpensive for small companies, independent inventors and start-ups to comply. Engine notes that the PTO has already reduced fees associated with recordation of assignments, and recommends that it consider more ways to streamline the process that would enable applicants and owners to update ownership information online and without the need for attorney assistance. The PTO's Proposal to Enable Voluntary Reporting and Publication of Licensing Offers and Related Information is commendable and should be adopted

The PTO notes that it already permits patent holders to seek publication in the Official Gazette of the availability of their patents for sale or license for a fee. Permitting patent applicants and owners to voluntarily provide information about licensing which the Office would then make available to the public in a searchable online database would further enhance the transparency and efficiency of the marketplace by providing a clearinghouse for patent owners to post licensing terms. Engine Advocacy supports this proposal because it would make it easier for start-ups to post or obtain information about licensing opportunities and facilitate licensing and technology transfer while reducing the costs of such transactions.

Conclusion

The PTO's proposed new rules on requiring identification of attributable ownership are commendable, and will enable the PTO to better discharge its statutory duties while making this information available to third parties, policymakers, and the public. The PTO deserves great credit for addressing the existing lack of transparency in ownership information and proposing changes that, if implemented, will shed much-needed light on the ownership of titleholders, enforcement entities, ultimate parent entities and hidden beneficial owners. Making this information readily available will enable the PTO to do its job better and serve the public interest.

Respectfully submitted,

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