



April 24, 2014

The Honorable Michelle K. Lee  
Deputy Under Secretary of Commerce for Intellectual Property  
and Deputy Director of the United States Patent and Trademark Office  
600 Dulany Street  
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Alexandria, VA 22313

Submitted to: [AC90.comments@uspto.gov](mailto:AC90.comments@uspto.gov)

**Re: IPO Comments on the USPTO's Proposed "Changes to Require Identification of Attributable Owner," 79 Fed. Reg. 4105 (January 24, 2014)**

Dear Deputy Director Lee:

Intellectual Property Owners Association (IPO) submits the following comments in response to the USPTO's "Changes to Require Identification of Attributable Owner," 79 Fed. Reg. 4105 (January 24, 2014) (Notice).

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or through other classes of membership.

IPO previously submitted comments on patent ownership information in response to the USPTO's "Request for Comments on Eliciting More Complete Patent Assignment Information," 76 Fed. Reg. 72372 (November 23, 2011), and in response to the "Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term," 77 Fed. Reg. 70385 (November 26, 2012).

IPO recognizes the value of improving transparency with respect to patent ownership information. However, IPO has concerns that the burdens associated with complying with many of the proposals enumerated in the Notice outweigh potential benefits from the additional disclosures.

**I. The Attributable Owner Should be Limited to the Titleholder as Set Forth in a Recorded Assignment**

The Notice defines attributable owner as including the following types of entities:

- (a) titleholder: an entity that has been assigned title to the application or patent, e.g., an assignee of the inventor of record;

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- (b) enforcement entity: an entity that is necessary to be joined in a lawsuit in order to have standing to enforce the patent, e.g., exclusive licensees;
- (c) ultimate parent entity (as defined in 16 C.F.R. § 801.1(a)(3)) of titleholders and enforcement entities; and
- (d) hidden beneficial owner: an entity that directly or indirectly creates or uses a trust, proxy, power of attorney, pooling arrangement, or other contract, arrangement or device for temporarily divesting such entity of attributable ownership of a patent or application or for preventing the vesting of attributable ownership.

Notice at 4110; proposed 37 C.F.R. § 1.271.

IPO supports the USPTO's proposal to require identification of titleholders *only* upon the initial filing and allowance of a non-provisional application. IPO does not support additional rules requiring disclosure of enforcement entities, ultimate parent entities, or hidden beneficial owners, because compliance would be extremely burdensome and fraught with potential pitfalls.

Requiring disclosure of enforcement entities would require patent applicants and owners to track which patents and applicants are affected by potentially numerous license agreements prior to enforcement. It is common for a large company to license-in or license-out hundreds, if not thousands, of patents and applications. The sheer number of patents and applications to be tracked and recorded under the proposed rules would divert valuable resources from other activities and discourage or limit licensing activities.

The structure of many licensing arrangements does not necessitate tracking the specific patents and applications that are subject to the license. For example, it is common practice for an exclusive license to be defined by a technological field or based on a definition of the product being licensed, without identifying the particular patents and applications of the licensor that cover that technology or product. Neither the licensor nor the licensee may know (or ever need to know) precisely which patents and applications are covered by the license.

Another factor that would complicate compliance with the proposed rules is that claim scope can change during prosecution, causing the enforcement entity or beneficial owner to change. It would be exceedingly burdensome to require an applicant to assess whether an application falls within a certain license or other business arrangement each time the claims are amended. Often, the prosecuting agent or attorney is wholly unaware of such licenses or arrangements.

A requirement that the enforcement entity or hidden beneficial owner be identified could require early resolution of possible disagreements between licensors and licensees as to whether a specific patent or application is included in a license. A requirement for claim and contract interpretation prior to enforcement would be costly and should be avoided.

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Recent cases illustrate the complexity of determining standing, which would be required under the proposed requirements for disclosing enforcement entities. For example, issues have been raised in patent litigation regarding whether a former spouse of an inventor is a necessary party to an enforcement action. *See, e.g., Enovsys LLC v. Nextel Communications, Inc., et al.*, 614 F.3d 1333 (Fed. Cir. 2010) and *James Taylor v. Taylor Made Plastics* (M.D. Fla. 2013). Those types of investigations are unwarranted during patent prosecution.

Licensors and licensees have a legitimate business interest in keeping the details of a license agreement, or even the existence of an agreement, confidential. If the enforcement entity or hidden beneficial owner must be identified, it is possible that the details of such agreements would be made public. Existing license agreements are unlikely to address the issues raised by the Notice, and future agreements would need to consider these issues, thus increasing the cost and complexity of agreements.

IPO does not support rulemaking to require disclosure of ultimate parent entities. Furthermore, the definition of ultimate parent entity as set forth in 16 C.F.R. § 801.1(a)(3) would require an unduly complicated analysis. That rule was promulgated in support of the premerger filing requirements of the Hart-Scott-Rodino Act and is administered by the Federal Trade Commission (FTC). The FTC has set forth a “Size-of-Person Test” and a “Size-of-Transaction Test” that state the minimum financial value that a transaction must have before one needs to comply with the reporting rules. The transaction minimum for the “Size-of-Transaction Test” in 2014 is \$75.9 million while the minimum for the “Size-of-Person Test” is \$15.2 million. The USPTO’s proposed rules, however, do not contain minimum threshold amounts.

Experience with the FTC’s ultimate parent entity practice has shown that the determination of the ultimate parent entity can be quite involved even for publically traded companies. For example, proxy statements need to be reviewed to determine who, if anyone, owns or controls at least 50% of the company, and more investigation may be needed based upon the nature of the controlling parties. Working with foreign and private entities to obtain the needed information may be difficult and time consuming. Also, adoption of the ultimate parent entity concept would make due diligence activities during M&A activities more complex and expensive.

In addition, the proposed rules could hinder the ability of non-lawyer patent agents to prosecute patent applications. Many of the determinations needed in order to comply with the proposed requirements are legal in nature and based upon state or federal law. Patent agents would need to obtain the services of an attorney to perform the required analyses during the pendency of a patent application.

IPO urges that the definition of attributable owner be limited to titleholder entities.

## II. The Times for Identifying the Attributable Owner Should be Limited to Filing and Allowance

The Notice proposes that the attributable owner be identified, updated, or otherwise verified at the following times:

- (a) upon filing a non-provisional application;
- (b) during prosecution, within three months of the date that the attributable owner changes;
- (c) within three months from the date of notice of allowance;
- (d) prior to the date of payment of each maintenance fee;
- (e) as part of the mandatory notice filed by a patent owner under 37 C.F.R. § 42.8(a)(2) in Patent Trial and Appeal Board (PTAB) proceedings;
- (f) when filing a request for supplemental examination;
- (g) at the time of filing a request for *ex parte* reexamination by the patent owner;
- (h) when the patent owner files a reply in an *ex parte* reexamination; and
- (i) during a proceeding at the PTAB if the attributable owner changes, within twenty-one days from the date of the change.

Notice at 4120.

IPO supports requiring patent applicants to provide “titleholder” information to the USPTO *only* upon the initial filing and allowance of a non-provisional application (i.e., at times (a) and (c)). Congress has determined when and to what extent ownership information is required to be disclosed during various USPTO proceedings, including America Invents Act (AIA) trials, supplemental examination, and *ex parte* reexamination. For example, the mandatory notice under 37 C.F.R. § 42.8(a)(2) already requires disclosure of real party-in-interest information.

The proposed timing requirements would result in a significant expenditure of resources by patent owners. The requirements to regularly update attributable ownership information during prosecution and post-issuance would require practitioners to conduct update inquiries potentially dozens of times. An update is not a simple task. A company would need to conduct internal investigations, which would be particularly onerous for large companies with multiple subsidiaries that participate in large volumes of intellectual property asset transfers.

Proposed Rule 1.381 requires identifying the attributable owner “prior to the date the maintenance fee is paid.” Many companies outsource the payment of maintenance fees to third party vendors, and the payment of such fees is largely a routine clerical activity. The Notice proposal would alter this practice, again requiring patentees in large complex corporate structures to carry out burdensome ownership inquiries each time a maintenance fee comes due.

### **III. Additional Issues Requiring Clarification or Explanation**

#### **A. Authority to Implement the Attributable Ownership Identifications as Proposed**

IPO is concerned that the proposed rules go beyond what is reasonably necessary to conduct proceedings at the USPTO. IPO strongly opposes the proposal to hold a patent application abandoned for failure to comply with disclosure requirements, a proposal that seems to turn the requirements into substantive patentability criteria.

The USPTO states that the proposed rules will facilitate patent examination by helping to determine the scope of prior art under the common ownership exception. The Notice states that the difference between the AIA common ownership exception (35 U.S.C. § 102(b)(2)(C)) and the pre-AIA common ownership exception (35 U.S.C. § 103(c)(1)) presents the possibility that a greater amount of prior art is now subject to this exception. Notice at 4108. The difference in the scope of prior art falling under the pre-AIA and post-AIA exceptions, according to the Office, makes the current method of handling possible common ownership inefficient. Notice at 4108; *see also* MPEP 706.02(I)(3)(I). IPO does not agree that requiring extensive ownership disclosures in *all* applications and patents is the correct mechanism to address the change in the common ownership exception. IPO stands ready to work with the USPTO to address issues related to the AIA common ownership exception, and the resulting scope of prior art under Section 102(a)(2), in a more targeted manner.

With respect to uncovering instances of double patenting, we note that the duty to disclose under 37 CFR § 1.56 requires timely disclosures of changes in ownership when that information is material to patentability.

#### **B. Impact on Treaty Obligations and Harmonization**

We do not know if the USPTO has analyzed whether the proposed rules are permitted under the Patent Law Treaty, which seeks to harmonize national patent formalities throughout the world. IPO is not aware of any similar requirements in other patent offices and is concerned how any new rules would be perceived by other offices.

#### **C. Estimated Cost to Comply**

The USPTO estimates, based on input provided at a 2012 roundtable, that the cost of providing attributable owner information would have a transaction cost of about \$100. IPO questions whether this estimate is accurate for the current proposal. We believe that the previous \$100 cost was based upon the cost of filing the needed paperwork and did not include the analysis required for the determination. We believe a realistic estimate of the actual costs would easily exceed the \$100 million threshold to classify the rulemaking initiative as a “major rule” and thus require further review outside the USPTO.

**D. Penalties for Non-Compliance**

IPO opposes a penalty of abandonment for non-compliance with any rules requiring disclosure of attributable owners. IPO requests clarification on the penalty for non-compliance. The proposed rules do not specify a penalty for failing to comply with the proposed rules after a patent has been granted. Even if there is no other penalty attached to non-compliance, would patent owners still risk being charged with inequitable conduct?

**IV. Pilot Program**

IPO suggests that the Office consider implementing any new rules through a pilot program of appropriate scope and length. A pilot program could provide data to the USPTO and the patent community on the scope of the perceived problem (e.g., whether the new rules uncover ownership information that would not have been discoverable under the current rules in a significant number of cases), as well as data in regard to the actual time and cost burden of complying with any new rules. A pilot program would provide an opportunity to explore the impact of any new rules before making changes that would affect the entire patent community. IPO stands ready to assist the USPTO with a pilot program.

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IPO appreciates the efforts in developing the proposed rules and thanks the USPTO for the opportunity to comment. We look forward to continuing to work with the USPTO to increase transparency of patent ownership while minimizing excessive burdens on patent owners.

Sincerely,



Herbert C. Wamsley  
Executive Director