

**Minnesota Intellectual Property Law Association (MIPLA)**  
**IP Law Revisions Committee**  
**Comments on Proposed Rulemaking for**  
**“Changes to Require Identification of Attributable Owner”**

These comments are submitted by the MIPLA IP Law Revisions Committee in response to the Notice of Proposed Rulemaking Entitled “Changes to Require Identification of Attributable Owner,” 79 Fed. Reg. 4105.

In general, our committee has mixed opinions regarding the overall value of the proposed rules on identification of attributable owners for patents and patent applications. While we appreciate that enhanced visibility and transparency of patent ownership can be an important and beneficial improvement to the U.S. Patent system, we urge the Office to make every effort to minimize the burden on applicants and patent owners and to improve the clarity of any final rules that may be promulgated with respect to required identification of attributable owners.

Our committee is concerned that the proposed rules may be broader than necessary to implement the Executive Order directing the Office to promulgate rulemaking on attributable owners of patents. The goal of this Executive Order is to address the concern that a lack of public knowledge about the ultimate parent entity “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.”<sup>1</sup> This goal is focused squarely at curbing abusive patent litigation tactics, and does not appear to be focused on any other aspects of patent prosecution.

The comments on the proposed rules, however, cite to a laundry list of other reasons why the proposed rules are needed. Some of these reasons include: (1) ensuring that the power of attorney is current; (2) avoiding potential conflicts of interest for Office personnel; (3) determining prior art under AIA §102(b)(2)(C) and pre-AIA double patenting; (4) verifying proper parties in a post-issuance proceedings; and (5) ensuring that the assignee printed on the face of the patent is correct.

If the proposed rules are truly intended to curb abusive patent litigation tactics, then we encourage the Office to focus the rules on ensuring that the public and patent litigants know of those patents and patent applications having an ultimate parent entity in common with any patents asserted in a patent suit. By mixing in these other reasons for promulgating the proposed rules, the proposed rules may be more burdensome than necessary. The number of patent suits filed is only around 1% of the total number of patents issued in any given year.<sup>2</sup> So, there are actually only a relatively small number of patent owners and applicants who are the focus of the stated goal of the Executive Order. Requiring the overwhelming majority of patent owners and applicants to comply with the proposed rules even though they have no common ownership with

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<sup>1</sup> FACT SHEET: White House Task Force on High-Tech Patent Issues (Jun. 4, 2013), <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues>.

<sup>2</sup> See attached article, “Patent Litigation: Too Much as Compared to What,” Pedersen and Woo, IPWatchDog, July 8, 2013, <http://www.ipwatchdog.com/2013/07/08/patent-litigation-too-much-as-compared-to-what/id=42868/>.

any patents being asserted in any patent suit appears unnecessary and does not represent the least onerous approach by which the Office could achieve the stated goal.

As a possible alternative to the universal application of the proposed rules to every patent owner and applicant, our committee suggests that the Office consider a more limited application of the proposed rules applicable only to those patents and applications that are commonly owned with a patent currently being asserted in patent litigation. For example, the stated goal of the Executive Order may be better achieved by triggering a more focused set of requirements for identification of attributable ownership based on the notice of patent suit required to be filed pursuant to 35 USC § 290. Once such notice is filed, the Office could issue a notification to the patent owner and attorney of record for any asserted patent in the patent suit that compliance with the rules regarding identification of attributable ownership has been triggered and compliance with updating identification of ownership of any and all patents and patent applications having an ultimate parent entity in common with any patents asserted in a patent suit must be completed, and a corresponding certification of such compliance must be filed, within a specified time period. In addition, a heightened set of requirements for ownership identification could be required of patent owners and applicants during the pendency of the patent suit.

While certain of the proposed rules may be helpful in clarifying identification of attributable ownership for proceedings other than original patent prosecution at the Office, we ask the Office to consider why the proposed rules for updating ownership for pending patent applications and patent maintenance fees for patents not related to any litigated patents needs to be different than the current obligations on patent owners for updating small/large entity status. It would appear that the remaining goals identified in the notice of proposed rulemaking can be accomplished by requiring submission of then-current attributable owner information only when (i) a patent application is filed, (ii) an issue fee is paid, and (iii) a maintenance fee is paid. The onerous requirements in the proposed rules for updating attributable owner information while an application is pending and within a period of time after a transfer of ownership of patents or patent applications (37 CFR §§ 1.275 and 1.279) should be narrowed so as to only be required during the pendency of a patent suit that served to trigger a notice by the Office as discussed above. We are also concerned about the ambiguity and potential severe consequence of an abandonment for any patent or patent application for which the requirements of the proposed rules have not been met and a petition to correct was not granted (37 CFR §§ 1.378).

#### **Comments on Specific Rules:**

##### **1. 37 CFR § 1.271(a)(2)**

This proposed rule is ambiguous and may be unworkable as it may be difficult or impossible to comply with this provision based on standing in a court case in all situations, as the facts may not be known relative to the defendants, jurisdiction and fact patterns being alleged. Additionally, the analysis of the “Estimated Total Annual Respondent Burden Hours” does not appear to include an evaluation of the time required to attempt an analysis of whether this rule applies. This rule should be either omitted or clarified to specify precisely which entity or entities are included.

##### **2. 37 CFR § 1.271(b)**

This rule should be amended to clarify whether it includes include any intervening entities between the corporate owner as evidenced by recorded assignment and the ultimate parent entity of that corporate entity.

3. 37 CFR § 1.271(c)

This proposed rule is unclear regarding what is meant by the term “temporarily.” Is the term “temporarily” intended to cover some specified time in relation to the events for which an attributable owner is to be reported? For example, to avoid naming a particular attributable owner, a holding company could be created to temporarily divest the attributable owner during the payment of maintenance fees. To preclude any ambiguity, and potentially this scenario, the rule should be clarified.

4. 37 CFR § 1.271(d)

The listing of these supposed legal entities in this rule appears to be U.S.-centric and does not seem to encompass legal entities in other jurisdictions. Complying with this rule, as well as other rules, will be especially challenging and time consuming for practitioners with foreign entities as clients. The rule should be amended to clarify which foreign entities should be identified in a manner that is practical for U.S. patent practitioners.

5. 37 CFR §1.271(e)

This rule exempting U.S. states appears to inherently exempt all public higher education entities, but does not exempt private higher education entities. There may be a Bayh-Dole issue here, as well as other due process fairness issues. This rule also raises questions regarding how to address licensing and joint ventures between universities and private enterprises. Analysis should be performed regarding the legality of this rule. The rule should then be either omitted or clarified as to how it applies to public and private higher education entities as well as joint ventures between universities and private enterprises.

6. 37 CFR §1.275

As discussed above, our committee believes that 37 CFR § 1.275 should be limited only to situations involving patent applications having an ultimate parent entity in common with a patent being asserted in a patent suit as the least burdensome manner in which to achieve the goals of patent transparency; however, in the alternative, we submit the following comments:

A change to attributable owner during the pendency of prosecution is immaterial to many of the authority bases for why these rules are being promulgated. The Section 102(b)(2)(C) exception expressly applies to common ownership, etc. *as of the effective filing date*. Whatever happens after filing cannot change the application of this exception. Additionally, the 3 month time limit may be problematic for changes in ownership, as many entity M&A transactions take several months to complete and the definitions of attributable owner would seem to apply before a final announced completion of such transactions. Moreover, identifying the attributable owner during pendency of patent application will have little or no effect on reducing abusive litigation—the ultimate goal of the executive action—as a patent must issue before it is enforceable. Analysis should be performed as to whether this rule requiring identification conflicts with any other laws.

Analysis should also be performed as to whether this rule is practical given the realities of M&A transactions or whether this rule would create undesired incentives and disincentives for entities attempting to complete transactions without violating these rules. This rule should then be either omitted or modified so as to avoid problems identified in such analyses. The time period could be extended or the rule could be omitted if it is determined that this rule offers insufficient benefit given the burden of potentially complex business transactions involving transfers of patent ownership.

7. 37 CFR §1.277

Comments identified above with respect to 37 CFR § 1.275 also apply to § 1.277. In addition, the penalty of abandonment is incredibly harsh in situations where there may be confusion about how to accomplish this during an actual or pending change of ownership.

8. 37 CFR §1.279

This proposed rule is ambiguous, as there is no guidance on what the Office will or will not consider as a good faith effort. Additionally, the rule does not indicate what types of errors are correctable, and which errors are not. This rule is also unclear as to how the rule would apply to any requirement other than § 1.275 (change during pendency). Failure to identify at filing appears to be covered by a notice by the Office under § 1.273, but it is unclear whether a petition will also be required. Failure to identify at payment of issue fee would result in a notice of abandonment, and again it is unclear whether a petition will be required for both revival and acceptance, or only an acceptance petition would be needed and not a revival. The rule should be clarified.

9. 37 CFR §1.381

This rule creates a practical problem of requiring identification of the attributable owner (something that would require analysis and judgment) at a stage that has not generally required any analysis and judgment (except for entities claiming small entity status). Indeed, maintenance fees are routinely handled by specialized annuity companies for many patents. An analysis should be performed regarding whether the benefit of identifying the attributable owner at this stage is commensurate with the burden of requiring analysis (which could be substantial in some cases) at a stage that had been previously handled by annuity companies.

10. 37 CFR §1.383

A 21 day non-extendable time limit may be problematic, not only for M&A transactions, as discussed above with respect to § 1.275, but also for a change in ownership for other reasons. It is an extremely short and unforgiving period of time to become aware of, investigate, analyze, and report changes in attributable ownership. Additionally, there is no indication of the penalty for non-compliance with this particular deadline.

This rule does not deal with the issues of change in attributable ownership during the period between filing of a petition and a decision on whether to institute trial. Further, the real-party-in-interest and privity issue is primarily used to evaluate the one-year limit for filing an IPR under § 315(b). But PTAB decisions to date indicate that it is the date of filing the petition that is the

sole date for evaluation of these issues; so, any change in attributable ownership after a trial is instituted is entirely unrelated to those requirements. There are potential issues regarding conflicts of interest, but additional time and flexibility should be provided. This rule should be modified to extend the time period for compliance and consider alternative mechanisms to achieve the desired benefits. For example, this rule could be amended to require the party for whom a potential change of attributable ownership may have or will occur to contact the Board by conference call to determine whether a motion related to any such issues should be authorized.

#### 11.37 CFR §1.385

This proposed rule is unclear as to whether the patent owner has three months to file a notice identifying the current attributable owner in cases where a response is due in less than three months. For example, if there is a change in attributable ownership one day before a response is due by the patent owner, must a notice be filed with that response or does the patent owner have a three month period measured from the change in ownership? The rule should be clarified.

#### 12.37 CFR §1.387

This proposed rule is ambiguous as there is no guidance on what the Office will or will not consider as a good faith effort. Additionally, the rule does not indicate what types of errors are correctable and which are not. Finally, the rule could be clarified to make clearer the consequences in the event that a petition is not granted under this rule.

#### **Additional Comments:** Time Estimates for Compliance - 79 Fed. Reg. 4105 at 4119

The comments in the proposed rules provide an estimate of 0.1 hour of attorney time necessary to identify the attributable owner pursuant to the proposed rules. While it is helpful that such analysis has been made, the underlying data appears to be inaccurate and unreliable. For example, the estimate of 0.1 hour to identify attributable owner is unreasonably low. Even if the practitioner with the aid of his or her assistant simply prepares and files a form without spending any time actually considering or investigating the actual owner of a new or existing application or patent (which we expect may not comport with the intent of the rules), such a ministerial task will take more than 0.1 hour in most cases. If the practitioner is to actually contact the client, discuss the rules, and consider issues that will require little or substantial research and investigation, the amount of time will be increased either slightly or substantially.

The MIPLA IP Law Revisions Committee has surveyed its membership regarding the expected time burden, with the results attached. The results are estimates of 0.1 to 0.5 hours for easy cases and 0.9 to 3.0 hours or more for hard cases. The MIPLA IP Law Revisions Committee does not consider this survey data to be a complete analysis of the issue, but does consider it to be an indication that the current estimates on the Federal Register are inaccurate and unreliable. Further analysis should be performed to determine an accurate estimate of the burden due to the any further proposed or final rules.

Today's Date: April 16, 2014

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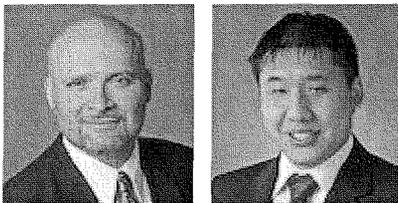
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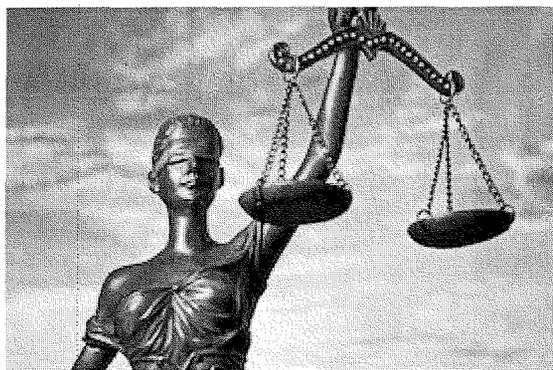


Written by **Brad Pedersen** & **Justin Woo**  
**Patterson Thuente Pederen, P.A.**

Posted: July 8, 2013 @ 9:25 am

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The current debate in Congress on patent litigation reform is focused on patent monetization entities, including the so-called "patent trolls." But another theme underlying this debate is a supposed explosion in

patent litigation. [1] Many fear that patent litigation is stifling innovation in the United States and the upcoming report by the GAO will hopefully shed some light on these fears. To get a sense of what the GAO report might include, this article looks at historical patent litigation trends to evaluate whether the supposed explosion in patent litigation is real and what factors contribute to patent litigation trends.

The America Invents Act (AIA) changed the joinder rules to restrict a patent owner from suing multiple defendants in the same lawsuit. It is clear that these reforms have resulted in numerically more patent lawsuits being filed in the last two years. [2] What is unclear is whether this increase in lawsuits is due only to the AIA reforms, or whether there are more fundamental changes occurring in patent litigation trends. To put recent patent litigation trends into perspective, an analysis was made of patenting and patent litigation in the US over the last 40 years in comparison to overall US economic activity.

As President Lincoln recognized in his famous line, "The patent system added the fuel of interest to the fire of genius." [3] It is in our nature to innovate. In fact, the ability to innovate is part of what makes us human. [4] Patent protection is not meant to encourage innovation; rather patent protection should serve to encourage economic investment in commercializing our innovations. So, it is appropriate to measure our patent system in comparison to our economic activity.

Chart 1 shows US patent activity by year for the last 40 years in terms of numbers of patent applications filed (green), patents issued (red) and patent lawsuits filed (aqua). The number of patent lawsuits filed is represented on this chart at 100x the actual number of unique lawsuits in order to allow the value to be scaled to the axis of the chart. Chart 1 also shows US economic activity over the same 40-year period in terms of GDP (blue in constant 2012 dollars), the Dow Jones Industrial Average (orange) and an estimated value representing the portion of GDP attributable to intangible assets (purple). Based on the reported inversion of the ratio of tangible to intangible assets over the last 40 years, [5] the estimated value of GDP intangible assets used in Chart 1 starts at 30% of GDP in 1972 and increases linearly to 70% of GDP by 2012. What Chart 1 clearly shows is that there is a strong and persistent relationship between patent activity and economic activity.

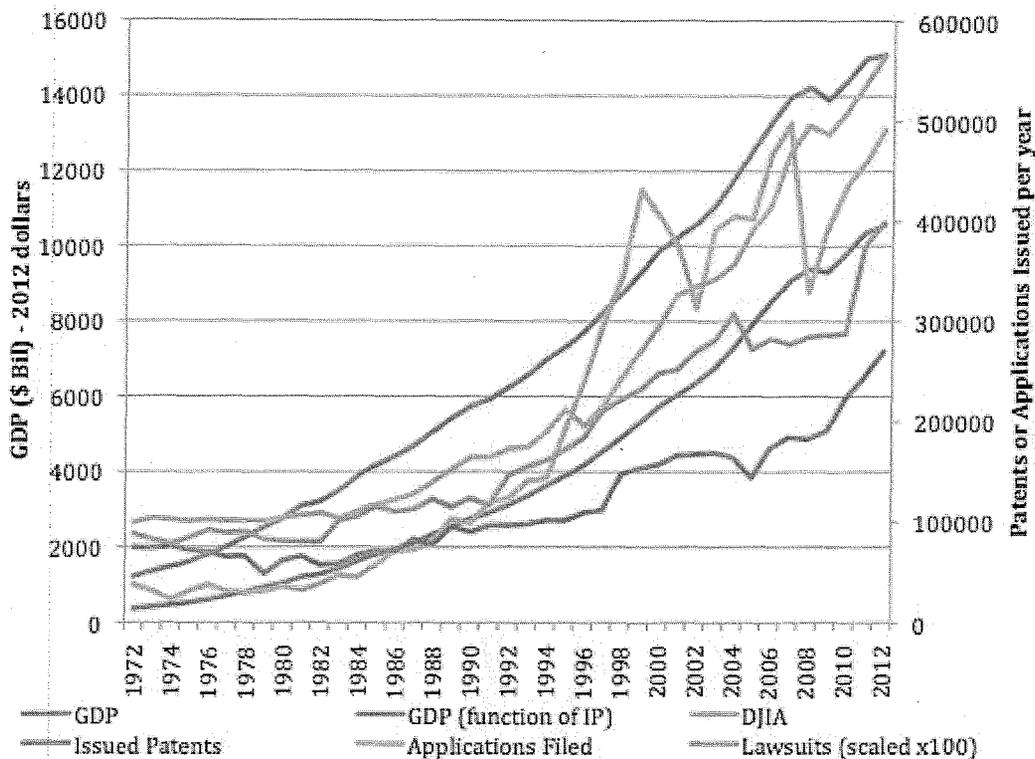
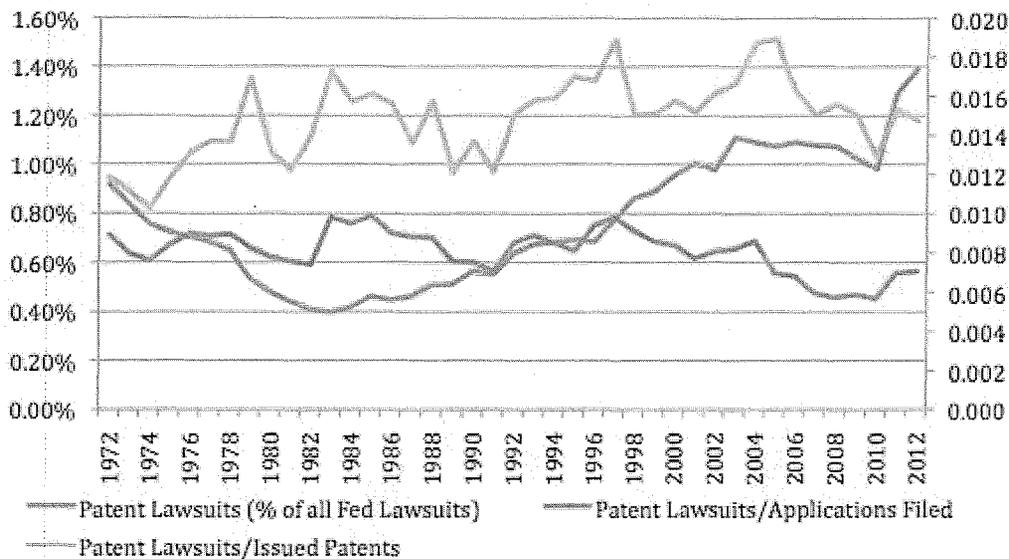


CHART 17

Over the last 40 years the number of patent lawsuits filed in the US has stayed relatively constant as a percentage of patents issued. As Chart 2 shows, when normalized against the number of issued US patents, the number of US patent lawsuit filings have varied between 1-2% of the total number of patents issued each year. Given this relationship, and the apparent relationship between patent application filings and economic activity, it is not surprising there was a continuing increase in the total number of patent lawsuits filed over the last 40 years.



**CHART 2**

Chart 3 is an alternative representation of the data shown in Chart 1, but presenting the information as five-year moving averages so as to smooth each curve. There are two periods of time in Chart 3 where the apparent relationship between patent activity, particularly patent lawsuit filings, and economic activity appears not to track as closely as the data otherwise suggests for the majority of the last 40 years

The first period of interest is from 1972-1981 (Period 1). While GDP growth appears to follow a rather consistent line of growth, the lines for patent activity present a period of relatively flat growth. After 1981, the growth of patent activity starts to track more closely with the growth of economic activity. It is interesting to note that the end of this period, 1981, was the year in which the Federal Circuit was formed. While creation of a single court for patent appeals appears to have achieved its goals of more consistent and predictable treatment of patent cases, it should also be noted that the economic growth activity for Period 1 was also relatively flat.

The second period of interest is from 2003-2010 (Period 2). During this period, the number of patent lawsuits filed initially drops and then appears to remain relatively constant, only to spike up in 2011. This deviation in the number of patent lawsuits filed compared to historical trends may be attributable to the rise of the phenomenon of multiple defendant patent lawsuits, a kind of reverse class action tactic that had been especially favored by patent monetization entities (PMEs). While the total number of patent lawsuit filings in Period 2 was lower than would be expected, it is speculated that a graph of the total number of patent defendants would not show the same kind of decrease during this period. Instead of filing more unique patent lawsuits during this period, PMEs started using the practice of filing a single lawsuit against multiple

patent defendants on the same patent. The passage of the AIA in 2011 severely restricted this practice, and the number of patent lawsuits filed went back to a level that would have been expected based upon the corresponding increase in economic activity over this second period. But, as with Period 1, it should be noted that overall economic activity during Period 2 was relatively flat which also may have also contributed to lower patent lawsuit filings during this period.

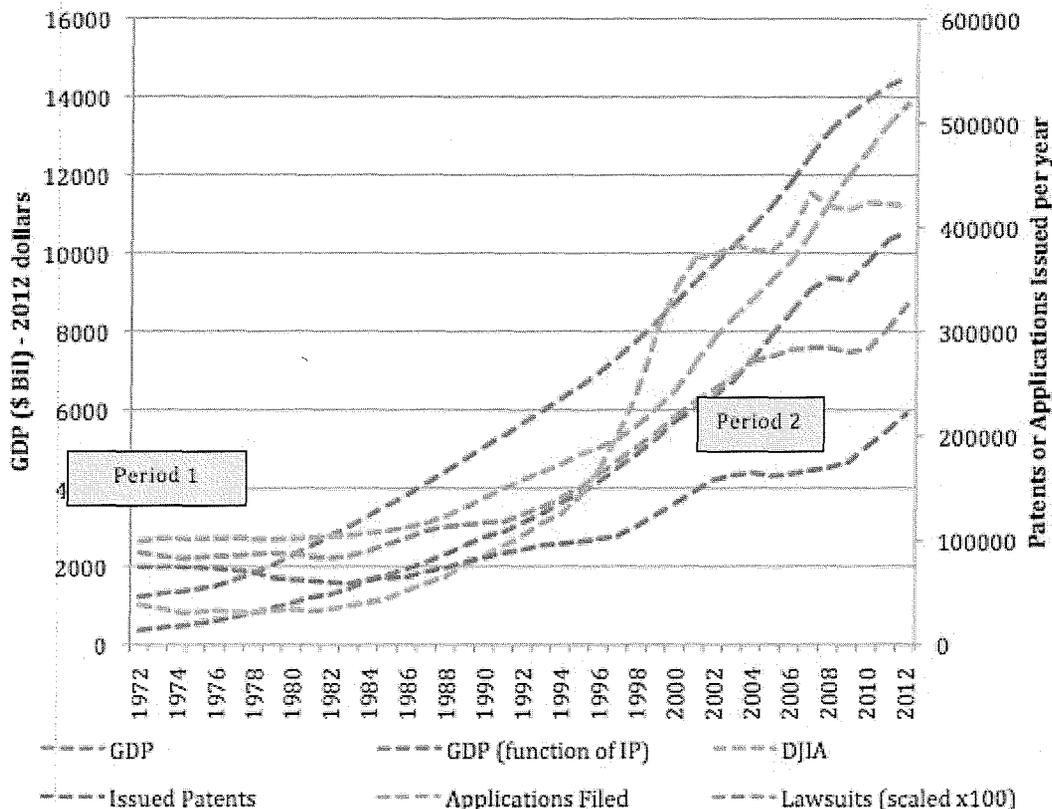


CHART 3

Although these charts do not represent a rigorous analysis, they do show two things. First, patent activity appears to have a relatively consistent correlation to economic activity. Whether Lincoln was correct that there is a cause relationship or whether this is simply an effect relationship can be debated, but the existence of a relationship seems to be well-established. Second, patent litigation also appears to be following the longer-term trend of the relationship between patent activity and economic activity. The recent jump in the number of patent lawsuits filed, while significant in the short term, does not appear to represent a significant deviation from what would be expected based on longer-term historical trends.

*EDITORIAL NOTE:* The charts were prepared with data obtained from the following sources:

USPTO Performance and Accountability Reports

[http://www.uspto.gov/web/offices/ac/ido/oeip/taf/ann\\_rpt\\_intermed.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/ann_rpt_intermed.htm)

Federal Judicial Caseload Statistics, <http://www.uscourts.gov/Statistics.aspx>

The World Bank, <http://data.worldbank.org/country/united-states>

S & P Dow Jones Indices, <http://www.djindexes.com/averages/>

## About the Authors

Mr. Pedersen is a shareholder with Patterson Thuente Pedersen, P.A. and is a frequent speaker and author on patent reform and the America Invents Act. Mr. Woo is an associate with Patterson Thuente Pedersen, P.A.

## Footnotes

[1] Chris Barry, Ronen Arad & Kris Swanson, *2013 Patent Litigation Study: Big cases make headlines, while patent cases proliferate* 6 (2013).

[2] Sara Jeruss, Robin Fledman, & Joshua Walker, *The America Invents Act 500: Effects of Patent Monetization Entities on US Litigation*, 11 Duke L. & Tech. Rev. 357 (2012).

[3] President Abraham Lincoln, Second Lecture on Discoveries and Inventions (February 11, 1859)

[4] Howard Bloom, *The Genius of the Beast* (2010), Prometheus Books.

[5] Kevin Hassett & Robert Shapiro, *What Ideas Are Worth: The Value of Intellectual Capital and Intangible Assets in the American Economy*, (2011).

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## About the Authors

Brad Pedersen is a partner with Patterson Thunte Pedersen, P.A. and chair of the firm's patent practice group. He concentrates his practice on post-grant review proceedings and patent prosecution strategy, licensing and litigation.

Justin Woo is an associate with Patterson Thunte whose practice centers on the technology areas of biotech, chemical, medical devices, mechanical arts and materials science.

## 9 comments

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1. PatentBuddy July 8th, 2013 9:48 am

Gene is dead on right. Without patents, there would be no innovation. Patents also are clearly effective at increasing economic productivity and GDP. Astounding.

The scope of subject matter that is eligible for patenting also needs to be expanded immensely – the GDP and economic productivity of America would sky-rocket.

I'm optimistic for America. We are on the cusp of a patent golden age never before seen in history.

2. Top 10 Weekly Patent & IP News Update - Article One Partners July 8th, 2013 2:17 pm

[...] Patent Litigation – Too Much as Compared to What? – IPWatchdog [...]

3. Anon July 8th, 2013 8:04 pm

According to the numbers (and another nice graph) at:

<http://ipkitten.blogspot.com/2013/06/more-on-us-patent-litigation-statistics.html>

The actual RATE of patent litigation as a function of patent case over the number of live patents has actually **dropped**.

That is not a message that those hurling the invectives and pejoratives in the first place will want to hear.

4. Paul F. Morgan July 14th, 2013 6:44 pm

It would be nice to see more accurate statistics from more impartial sources.

Re the above "http://ipkitten.blogspot.com/2013/06/more-on-us-patent-litigation-statistics.html" charts" note the critical comments on that same blog. Also note that a ratio of current patent grants to current patent litigation has a large error source due to the fact that the vast majority of patents sued on are not recently granted patents and a large percentage of older issued patents are now abandoned early by non-payment of patent maintenance

fees and thus are not “live patents.” Also, re the effect of the AIA non-joinder provision [except for a few more venue transfers]? The economic impact of twenty patent suits against twenty different companies is not significantly different from one suit against twenty companies on the same patents. If anything, the AIA non-joinder provision has made the patent litigation statistics more realistic in that sense.

5. Paul F. Morgan July 15th, 2013 11:21 am

Further demonstrating the wide variations in alleged troll suit numbers from various interested parties, see the 1,638 patent suits allegedly just from Erich Spangenberg’s “IPNav” alone just reported in the NYT:  
<http://nyti.ms/16zhcwh>

6. Anon July 15th, 2013 5:39 pm

Paul,

You raise good points. But what caught my eye on the drop was that the data reflecting the drop was using ONLY the US patents within the first maintenance period.

In other words, the drop is likely GREATER when the full pool of live patents is considered.

And if you read the article carefully, the 1638 number is NOT suits. It is COMPANIES sued over the last five years.

The AIA joinder provision has – not shockingly – altered that landscape a bit – but that is a self-induced and (thus to me) false change.

7. Anon July 16th, 2013 10:27 am

Upon a fresh read, I find the irony of Paul’s admonition at 4 for “impartial sources” juxtaposed against the supplied source of the NYT article at 5 to be either the ultimate in hypocrisy or a stunning example of LACK of impartiality (in the NYT article).

The NYT article rehashes bad numbers previously debunked and leans on sources with a known agenda against the patent system.

The reverberations from the echo chamber need to be recognized for what they are.

8. Paul F. Morgan July 16th, 2013 1:56 pm

Anon, it should be obvious [to an impartial reader not personally financially affected either way by troll issue debates, like myself] from my use of the words “alleged,” “allegedly” and “interested parties,” as well as my prior comment] that I was NOT endorsing the alleged troll suit numbers in that NYT article, OR those of any other interested parties.

I have also questioned some of the other patent related numbers and assumptions of academics, including those in the widely quoted book “Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk” (Princeton 2008) by James Bessen and economist Michael J. Meurer. [James Bessen’s “Curriculum Vitae” under “Education” that I found lists only “A.B. Harvard College, 1972; Graduate courses in economics” even though

he is now apparently listed as an "instructor" at the B.U. law school?] Especially, conjectures as to how much of the total economic costs of patent litigation is recoveries returned to the original inventors [by which I think they meant the original assignees doing the R&D?] and if that is representative of troll suits?

P.S. I doubt if you will find the quotes and other reported details about Erich Spangenberg in that NYT article to be helpful in defending patent trolls to Congress and the courts, irrespective of the alleged numbers?

9. Anon July 16th, 2013 2:08 pm

I reiterate my point at 6 – you raise good points; in particular, it would be nice to have some objective accurate stats from impartial sources.

Alas, such may be more mythical than real given the charged climate and the active philosophical camps doing battle for control of public perception.

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