



April 24, 2014

Via Electronic Delivery
AC90.comments@USPTO.gov

United States Patent and Trademark Office
Mail Stop Comments-Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Attn: James Engel, Senior Legal Advisor, OPLA

RE: Comments on Proposed "Changes to Require Identifications of Attributable Owner," Fed. Reg. Vol. 79, No. 16, Jan 24, 2014 pp. 4105-4121

Dear Mr. Engel:

Schwegman Lundberg & Woessner, P.A. ("SLW") thanks the United States Patent and Trademark Office ("the Office") for the opportunity to comment on its proposed rule change to require identification of the "attributable owner" of a patent or patent application. While appreciating the Office's desire to reduce abusive patent litigation, it is our position that the proposed rule change, which significantly burdens each pending patent application in the Office, will do more harm than good, and that the proper cure for abusive patent litigation resides instead with specific changes to patent litigation procedures by the courts, and not with changes to patent prosecution by the Office.

In addition to supporting the April 15, 2014, comments by Corey Salsberg of Novartis, the March 2, 2014, comments by Carl Oppedahl, and the March 17, 2014, comments by Mark Zdeblick of Proteus Digital Health, Inc., we provide the following:

I. Practical Impact and Cost of Compliance

The Office takes the position that the proposed changes will have a "negligible cost" and are "not economically significant" under Executive Order 12866 (Sept. 30, 1993). This position by the Office cannot be maintained for all applicants. While some applicants may have simple ownership structures and existing procedures in place to ensure accurate assignment records, the

cost of reporting for each application may indeed be negligible. Those negligible costs do add up for patent owners with large portfolios. For the majority of patent applicants, including foreign applicants, small businesses, startups, and companies not having in-house legal departments, the cost of the proposed changes may be substantial, and accidental non-compliance may have draconian effects such as loss of a most significant asset.

The Office states that approximately ninety-two percent of patent applications have a recorded assignment at the time of grant, that four percent of patent applications have a second recorded assignment each year reflecting some kind of ownership change, and presumes that the remaining eight percent of patent applications without assignment are filed by the original owners and thus, would require no changes. In using these statistics, the Office fails to appreciate current assignment practice in the United States.

Under current practices, assignment information provided to the Office is voluntary, and the information provided, if incorrect, can be corrected at any time, prior to commencing litigation, essentially without penalty. In practice, title is investigated and perfected at specific times, such as prior to each major investment in a company, transfer or sale of intellectual property, or before commencing patent litigation, at a substantial cost. The fact that the proposed changes acknowledge that enhanced technology transfer and reduced cost of transactions for patent rights is a benefit of the proposed changes is in *direct contrast* to the Office's assertion that the proposed changes will have a "nominal cost." Whereas now, detailed investigations of and perfecting title occur only in a small percentage of patents and patent applications at specific times where the expense is justified, the Office proposes this expense to each pending patent and patent application, even those that will not issue as a patent. Moreover, the current detailed investigations into title will still occur at those specific time periods. Any future reduction in the existing costs of transactions for patent rights due to these proposed changes in the relatively few number of patents and patent applications subject to such transactions will pale in comparison to the increased costs of the proposed changes for each pending patent and patent application.

a. The Burden to Startups and Small Business

More importantly, the proposed changes will most greatly affect those that are least able to afford the additional expense, namely startups and small business. In current practice, patent attorneys typically do little to no investigation into the corporate structure of clients. Many

startups and small businesses are constantly taking investments. For these companies, the proposed changes would require a significant investigation into the structure of the company, and reporting the name of each investor to the Office for publication is a substantial violation of privacy and potential required breach of existing confidentiality. Moreover, under the proposed changes, for startups and businesses that are actively fundraising, the investigation into attributable ownership would have to take place and be updated every three months at significant cost to the startup. For a patent pending in the Office for three years, including filing and issuance, fourteen separate investigations into the attributable owner will be required. Even with a conservative estimate of several hundred dollars per investigation, with the proposed changes, the Office is potentially adding several thousand dollars of cost per patent application for each of these companies.

Compounding the issue, in many startups, the inventors are the founders of the company, are often not under a duty to assign to the company, and frequently purposefully refrain from assigning their intellectual property prior to major investment, transfer, or sale, even while the startup itself is taking initial investment. In these situations, the question of attributable ownership is quite complex.

Further, those most greatly affected, startups and small businesses, proportionately have the most to lose, as failure to comply with the proposed changes would result in loss of what is often their most valuable asset, their patents.

b. The Proposed Changes Will Not Accomplish the Stated Goals

While the proposed changes would in fact facilitate several internal processes at the Office, such as ensuring current "power of attorney" in each application or proceeding, avoiding potential conflicts of interest for Office personnel, aiding in prior art determination or instances of double patenting, or verifying the proper party in post-issuance proceedings, such facilitation of these internal processes must be weighed against the heavy cost and intrusiveness of the proposed changes. The Office has not met such a burden.

The remaining stated benefits include: (1) enhance competition and increase incentives to innovate by providing innovators with information that will allow them to better understand the competitive environment in which they operate; (2) enhance technology transfer and reduce the costs of transactions for patent rights, since patent ownership information will be more readily

and easily accessible; (3) reduce the risk of abusive patent litigation by helping the public defend itself against such abusive assertions by providing more information about all the parties that have an interest in patents or patent applications; and (4) level the playing field for innovators. The first, second, and third remaining stated benefits, in addition to the stated goal of transparency in the patent system, are discussed below. With respect to the fourth remaining stated benefit, the Office fails to speak how the proposed changes will level the playing field for innovators at all.

i. Enhance Competition and Technology Transfer

The Office contends that the proposed changes will enable innovators to better assess the risks and benefits of developing a new business in a different area of technology, and speaks to the advantages of ex-ante versus ex-post licensing and reduced technology transfer costs. Because patent rights are freely transferable at any time, when innovators look to develop a new business in a different area of technology, the fact that the right exists far outweighs the current attributable owner of that right. Moreover, if the attributable owner is willing to transfer at least a portion of their rights, it is in their best interest to provide updated assignee information under the current system, as it will be easier for interested parties to contact them for license or sale.

At worst case, under the current system, assessing the risks of new business or identifying patent rights for ex-ante or ex-post licensing or sale requires some cost. The proposed changes increase and shift that cost from those assessing the risk onto every applicant developing intellectual property, whether innovators are assessing that intellectual property or not, which is clear economic waste. In fact, the Office fails to show any reason why the proposed changes would encourage ex-ante licensing at all, as the Office currently publishes the correspondence and maintenance fee address for each patent and patent application. In no case do these stated benefits justify the costs or intrusiveness of the proposed changes.

ii. Reducing Abusive Patent Litigation

The Office contends that developing a record of attributable owners will help accused patent infringers identify: (i) the parties who control the ability to enter into settlement agreements or licensing arrangements; and (ii) the full range of patent rights held by attributable

owners so that a license to all desired rights may be taken at once. However, the proposed changes fail to control each.

The White House notes that certain patent enforcement entities “set up shell companies to hide their activities.” Because patent rights are freely transferable at any time, the proposed changes cannot stop an assertion entity from, after receiving a license from a company of a patent, immediately purchasing another patent in that field and approaching that company again. More importantly, nothing in the proposed changes would stop an individual or group of individuals from taking advantage of the concession that shareholders of public companies need not be provided, such as by purchasing or creating multiple public companies (e.g., publicly traded penny stocks) as shell companies. Accordingly, the proposed changes fail to accomplish these goals.

iii. Transparency

By statute, procedures exist to ensure confidentiality in the Office, in direct contrast to the stated goal of transparency of the patent system by the White House and the Office. First, patents and patent applications remain secret for eighteen months from the earliest priority date. Second, provisional applications remain secret until a patent or patent application claiming priority thereto publishes. Possibly most importantly, applicants can file nonpublication requests, keeping their applications secret until issuance. The stated goal of transparency by the White House and the Office is in direct contrast to these statutory provisions.

Further, the concession that shareholders of public companies need not be provided, while shareholders of private companies are required, is in direct contrast to the stated goal of transparency, and exists without reason in the proposed rule. We invite justification from the Office why shareholders of private companies must be disclosed, yet shareholders of public companies are not required to be presented.

iii. Weakening the Patent System

Moreover, the proposed changes will act to weaken the patent system by creating an additional procedural attack on otherwise valuable patents, further unnecessarily complicating both patent prosecution and litigation for each pending patent and patent application.

II. Conclusion

SLW again thanks the Office for the opportunity to comment on its proposed rule change to require identification of the attributable owner" of a patent or patent application. In sum, because the proposed rule change will fail to reduce the abusive patent litigation, the heavy costs and intrusiveness of implementation of the proposed rule change to each pending patent and patent application, and the burden on the patent system as a whole, far outweighs the minor benefit to internal processes at the Office. The proper cure for abusive patent litigation resides with specific changes to patent litigation procedures by the courts, and not with changes to patent prosecution by the Office. Accordingly, the proposed rule change to require identification of the "attributable owner" of a patent or patent application should not be adopted.

Respectfully submitted,

/s/ Steven W Lundberg

Steven W Lundberg
Managing Shareholder
Schwegman Lundberg & Woessner, P.A.