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Via E-mail (AC90.comments@uspto.gov)

James Engel  
Senior Legal Advisor  
Office of Patent Legal Administration  
Office of the Deputy Commissioner for Patent Examination Policy  
Mail Stop-Comments-Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Re: Comments on Notice of Proposed Rulemaking – Changes to Require Identification of Attributable Owner [Docket No. PTO-P-2013-040] RIN 0651-AC90 – 79 Fed. Reg. 4105 (Jan. 24, 2014); and Notice of Public Hearings and Extension of Comment Period on the Proposed Changes to Require Identification of Attributable Owner [Docket No. PTO-P-2014-0004] – 79 Fed. Reg. 9677 (Feb. 20, 2014)

Dear Mr. Engel:

Cook Group Incorporated appreciates the opportunity to comment upon the United States Patent and Trademark Office ("USPTO") Notice of Proposed Rulemaking, proposing to change the rules of practice to require identification of attributable owner information, [Docket No. PTO-P-2013-040] 79 Federal Register 4105 (Jan. 24, 2014), with comment period extended to and including April 24, 2014, [Docket No. PTO-P-2014-0004] 79 Federal Register 9677 (Feb. 20, 2014) (hereinafter "Notice").

I am General Counsel of Cook Group Incorporated, and Cook Group Incorporated is affiliated with Cook Incorporated ("Cook"). Cook was founded a little over 50 years ago by the late Mr. Bill Cook and his wife Mrs. Gayle Cook in a spare bedroom of their apartment in Bloomington, Indiana. From this small beginning, Cook has grown to become a leading worldwide medical device manufacturer, and the largest privately held medical device company in the world.

Cook believes in research and development, and reinvests in product development to help physicians improve patient outcomes. As a result of its

research and development investments, Cook's patent portfolio has increased in size from about 12 U.S. Patents in force in 1980 to about 978 U.S. Patents in force in 2013. Cook has spent considerable resources to develop its patent portfolio and believes a strong and cost-effective patent system contributes to the economic vitality of the United States of America. However, the current proposed rules, requiring extensive identification of confidential business relationships and individual personal information, would create excessive costs and drain resources of private companies that could otherwise be put to more economically productive uses.

Although Cook supports certain targeted legislative initiatives directed to "patent assertion entities" or "trolls," Cook submits that the current rulemaking will do more harm than good to innovative operating companies. To be sure, Cook comes to this conclusion and submission based on first-hand knowledge of patent assertion entities/trolls in having defended against them in numerous patent lawsuits. Cook agrees that such entities are taking advantage of a litigation system that was developed to not be used in the way they are currently using that system. These trolls divert their targets' limited resources to legal defense; resources better spent developing and selling new products and commercial services that create long-term jobs and contribute to the economic vitality of our country. Instead of making positive economic contributions, these entities create a drain on lasting economic growth.

But Cook believes the proposed rulemaking offers no cure to this disease of trolls. Operating companies need less costly, not more costly, regulations. The current proposed rulemaking is undoubtedly more costly to innovative companies like Cook.

I. The Costs Of The Proposed Rules Will Be Excessive To Cook And Every Operating Company That Collaborates With Others to Bring Innovative Products To Market

A. The Notice Fails To Recognize The Real World Compliance Costs

The proposed rules require an intensive analysis of entities holding legal title, beneficial title, exclusive licenses and/or patent standing, and an analysis of ultimate parent entity as to all of these entities. As proposed, this analysis must be done at the time of filing of all non-provisional patent applications, during all patent application prosecution activities, when all patents are issued, and at times just before all maintenance fees are paid, as well as during other specified USPTO proceedings. And this analysis is far from a static exercise, because some ownership obligations may be based upon inventorship, and inventorship is based on claim scope, and so every time a claim amendment is made, a new analysis of ownership obligations and rights may be required under the proposed rules to

determine whether there is a "change to the attributable owner" under proposed rule 1.275. Indeed, for the typical prosecution activity of a claim amendment, the proposed rules require a legal analysis just to confirm that nothing has changed in the previously submitted identification of attributable ownership.

Business realities also complicate the analysis required by the proposed rules. Contracts can create obligations to assign or obligations to exclusively license, or can make these obligations ineffective, based on conditions that are defined by marketplace or other commercial inputs. A vibrant technology development company like Cook will participate in license agreements and product development contracts that could become potentially relevant under the proposed rules. Under the proposed rules, USPTO practitioners on behalf of Cook will be expected to not only know the involved contractual terms, but also keep abreast of all business activities that impact the conditions making the terms operative or inoperative, which will create an inordinate burden on them. Moreover, regardless of whether there are conditions that make contractual obligations active or inactive, practitioners must spend time to analyze contracts to merely confirm that nothing has changed from the identification previously submitted to the USPTO.

I make the above observations to underscore the fact that the proposed rules will involve attorney fees far in excess of prosecution activities associated with the payment of maintenance fees. To be sure, since the penalty for both non-submission of maintenance fees and non-submission of information under the proposed rules is abandonment, internal processes will have to be created and employed similar to that involved in maintenance fee payment. Activities will be extensive and time consuming, such as docketing a submission due date, following up to confirm information supporting the submission has been received, docketing USPTO requests for such submissions, communicating with business people on the involved contractual or other obligations, docketing receipt of responses from business people or other client instructions, reviewing same, preparing the submission based on this information and filing it with the USPTO, docketing this USPTO submission, confirming the filing with the client and/or involved business people, among other things. These additional legal costs will necessarily be required under the proposed rules, even when there is a submission of no change in information from the previous submission.

#### B. Cook's Anticipated Costs Will Be More Than Five Times That Estimated

Cook believes the cost to comply with the proposed rules will be well in excess of the 0.1 hours of attorney time estimated in the Notice as the cost involved for each submission under the proposed rules. Assuming that internal patent department and outside counsel processes are optimized, it is conservatively estimated that the cost to comply with the proposed rules, given the commercial realities of Cook's business, will be at least 0.5 hours of attorney time, which is

**five times** the amount estimated. It is also believed that in about 10% of the cases, an involved legal analysis will be required that will involve more than 1.5 hours of attorney time, or more than **fifteen times** that estimated in the Notice.

The substantial additional expense from this proposed rulemaking will result in the filing of fewer Cook patent applications. The additional cost from the proposed rulemaking will directly impact Cook's research and development budget such that Cook would be required to analyze and quite possibly reduce the number of patent application filings annually in order to balance out these extraordinary proposed additional costs. There is a cost versus benefit decision with every patent application filing, and the cost and uncertainty from the proposed rules must be factored in when considering this balance going forward if these proposed rules are promulgated in their current form. These proposed rules will change the decision on some invention disclosures, resulting in a decision to not file as a patent application. The end result of these proposed rules will mean fewer Cook medical device innovations made available to the public by way of published patent applications, and there will therefore be less incentive to Cook and others to innovate in the future. Thus, in a sense, these proposed rules run counter to the USPTO's mission to promote the progress of the useful arts and sciences.

II. The Required Identification Of The "Entity Necessary To Be Joined In A Lawsuit In Order To Have Standing" And The "Ultimate Parent Entity" Are Vague and Unnecessary

A. Identification Of Other Than Legal Titleholder Will Be Very Difficult

Cook submits that the requirement of proposed rule 37 CFR 1.271(a)(2) to identify all entities that would have standing to enforce a patent or any patent application resulting in a patent is far from clear. As for standing, there are numerous court opinions addressing both constitutional and prudential standing, that provide a patchwork of compliance instructions, and if anything, the case law demonstrates that a slight difference in the facts presented in an individual case can have substantial ramifications on the legal conclusion of whether or not an entity has standing.

The requirement of proposed rule 37 CFR 1.271(b) to identify all ultimate parent entities is just as unclear. This proposed rule expressly incorporates and relies upon 16 CFR 801.1(a)(3), a rule promulgated for the purpose of determining the size of a party and its related entities so as to determine reporting thresholds for antitrust review of certain proposed mergers, acquisitions or transfers of securities or assets under the Hart Scott Rodino Act. This concept from 16 CFR is thus unrelated to the express purpose of the proposed rules, to attribute ownership of patents to particular entities, and thus is likely to have unintended consequences and undue burdens upon operating companies. For example, with 16 CFR 801.1

providing the definition for compliance, then a legal analysis will be required of whether a natural person controls 50 percent or more of the voting stock of a privately held company and whether there is a contractual ability to designate 50 percent or more of corporate directors. For private companies such as Cook, these proposed rules will require an analysis of stock class rights as they affect the composition of the Board of Directors, as well as percentage stock ownership for each class of voting shares, among other things, all of which may change periodically if not annually. In addition, other provisions of the proposed rules, such as 37 CFR 1.271(c) require an analysis of whether an entity, directly or indirectly, uses a trust, proxy, power of attorney, pooling arrangement, or any other contract, arrangement or device to affect attributable ownership. These provisions are similarly directed to trust and estate planning matters that will vary over time, if not annually, and impose an undue burden on family-run private companies. Identification of all entities under proposed rule 1.271(a)(2), (b), (c), and (d) will be unduly burdensome to Cook, and so challenging that it will be virtually impossible for Cook's practitioners to certify that the information provided is completely accurate. Cook's practitioners will be required to analyze all existing license agreements and product development contracts, which are numerous since Cook collaborates with a diverse range of companies, individuals, and non-profit organizations to bring innovative medical devices to market. Cook will be forced to analyze corporate governance documents, assignment contracts, licenses, employee agreements, and product development agreements, among other legal documents, for not only existing rights and obligations, but also for any contingencies that might be triggered by a variety of events and conditions. Given the disparate and far-ranging commercial inputs in the analysis, there is a high likelihood that Cook's patent practitioners charged with the tasks of compliance could not even be aware of some of the obligations triggered by the multi-faceted commercial activities of the company.

**B. The Proposed Ultimate Parent Entity Identification Requirements Imposed Upon Private Family-Run Companies Are Intrusive, Create Personal Security Risks, And Unfairly More Burdensome Than What Is Required Of Public Companies**

In addition to the uncertainty involved with what constitutes an ultimate parent entity, there is the undue burden of and invasive nature of the identification requirements imposed by the proposed rules. The proposed rules require not only identification of individual stockholders in a private company, but also their "residence, and correspondence address." See proposed rule 1.271(f)(4). By requiring this personal information, the proposed rules create a personal security risk to stockholders of privately held companies. Moreover, this required identification invades individual investor privacy because an ancillary, but nevertheless important, benefit of private company formation is protection of individual investors from indiscriminate publicity. These proposed rules thus

necessarily create another disincentive to private company formation, which historically has been an important vehicle for capital formation and economic growth in this country. Cook is but one example. The proposed rules eviscerate this important attribute of private companies – the confidentiality of individual investors – which will deter the creation of future private companies focused on innovation.

Private companies should be placed on the same level as public companies under the proposed rules, with identification of a private company's name, business address, and state of incorporation being sufficient. With this information, further information about a private company can be obtained from state agencies of the state of incorporation, among other sources. Further, when it has been justified under the law with a proper showing of a demonstrated need and under suitable confidentiality safeguards such as court ordered protective orders, there are legally established means to obtain individual investor names and personal information, when relevant. Indeed, when patent assertion entities/trolls are involved, the Federal Trade Commission can seek more relevant information than this, as it has done earlier this year. Federal Trade Comm'n, Agency Information Collection Activities, 78 Fed. Reg. 61352 (Oct. 3, 2013) (FTC proposed information collection from about 25 patent assertion entities). When there is a demonstrated need for collection of specific information, the Federal Trade Commission and the Courts are better equipped than the USPTO to obtain this information. The proposed rules, by destroying a fundamental privacy expectation of private company investors, will create a disincentive to angel investors and other individual investors to provide seed capital to start-ups and early innovators. By requiring much greater identification information from private companies than public companies, the proposed rules unfairly discriminate against private companies and may very well lead to less investment in innovation by private companies.

### III. Legal Titleholder Information Is Sufficient For The USPTO's Purposes

#### A. Proposed Rule 1.271(a)(1), Requiring Legal Titleholder Identification, Is Sufficient

Cook is a private company that innovates to improve physicians' abilities to improve patients' potential outcomes, and strives to be a good corporate citizen in every community where it operates. Cook also has been, and continues to be, a target of patent assertion entities/trolls. Accordingly, Cook understands the Administration's admirable attempts at requiring identification of information surrounding the commercial realities associated with patents. But Cook submits that the systemic costs imposed upon all participants in this innovation ecology should not be so great so as to create a negative incentive to innovate.

To that end, Cook submits that the rules should only require identification of the

legal titleholder of a non-provisional patent application or patent. Indeed, Cook interprets current proposed rule 1.271(a)(1) as providing for this identification, and submits that the proposed rules should stop at that requirement.

B. Identification Of The Legal Titleholder Should Be Required At Reasonable Times

Legal titleholder identification can be provided to the USPTO at a time when many, if not most, practitioners currently consider the matter of legal title, and so the incremental cost from the proposed rules can be within reason. For example, this identification could be required at the time of the filing of a non-provisional patent application, or within a reasonable time after that filing such as at 3 months from filing. Further, the identification could be required after claim allowance, at the time when a practitioner completes the issue fee transmittal to the USPTO, when a practitioner can specify the name of the legal title assignee(s) to be printed on the resulting published patent.

Legal titleholder identification is a relatively straightforward task, which may in many cases only require patent agent or paraprofessional involvement to consider an assignment and complete and submit a formal paper to the USPTO on the subject. Accordingly, the costs associated with supplying this type of information would be reasonable. On this latter point, Cook notes that the Intellectual Property Owners' Board of Directors adopted resolutions in favor of identifying only legal titleholder information to the USPTO, and expressly against requiring ultimate parent entity or beneficial owner information, on March 26, 2014.

C. Legal Titleholder Information Is All That Can Be Justified As To All Applicants

Further, legal titleholder information appears to be all that is properly justified as required information for purposes of USPTO practices. For example, it is only after issuance that supplemental examination under 35 U.S.C. 257 occurs, and legal titleholder information is the only relevant information involved since only legal titleholders may request this post-grant procedure (exclusive licensees or beneficial owners do not have standing to request this procedure per the USPTO's FAQ webpage). The attached exhibit prepared by a patent practitioner details how the Notice's proffered justifications support, at most, requiring legal titleholder information as to all patent applications. Cook submits that legal titleholder information is more than sufficient for purposes of USPTO practices involving all patent applications, and the Notice has not justified requiring all applicants to provide more information than that. If the USPTO is to require identification, then legal titleholder identification more reasonably balances the policy justifications for the proposed rules with the compliance costs imposed upon all patent applicants.

#### IV. Abandonment Is An Excessive Penalty Under The Proposed Rules – A Fee Reduction For Providing Legal Titleholder Information Is More Appropriate And Would Spur Innovation

##### A. The Proposed Sanction Of Abandonment For Non-Compliance Is Excessive

The proposed rules would require abandonment of any patent application that meets all statutory requirements for patentability, as well as all other regulatory requirements, merely because of a non-identification of an attributable owner. The patent statute does not require this; 35 U.S.C. 261 merely requires the USPTO to maintain a record of any document affecting ownership “upon request.” This provision of the statute is simply not an obligation upon a patentee to provide information subject to recordation.

The proposed rules therefore effectively create another basis to challenge the validity of patent claims in the USPTO; claims that would otherwise be deemed patentable and subject to issuance. All that it will take will be an oversight or delay in submitting attributable owner information, or confirming the accuracy of same. But even then, after issuance, the proposed rules may provide a new basis to challenge enforceability of a patent by way of inequitable conduct, when for example, a practitioner asserts in a petition to the Commissioner to revive an abandoned application or patent that the delay or error in submitting attributable owner data was unintentional, when in actuality it was intentional.

Abandonment is an excessive sanction under the proposed rules, and will particularly burden Cook. Because of the extreme sanction of loss of patent rights, all Cook docketing systems will need to be updated, and all data associated with all pending patent applications, all future patent applications, and all patents subject to future maintenance fees will need to be supplemented to comply with the requirements of the proposed rules. In addition, Cook will be subject to substantial compliance burdens under the proposed rules because of the involvement of numerous overseas subsidiaries in the patenting process. There will be difficulties in communication about very complex business relationships and there are a range of contractual obligations involving these subsidiaries that will need to be analyzed in a period of less than three months under the proposed rules, or else there will be an automatic abandonment of patent rights. Abandonment of a patent or patent application as a penalty for not providing or confirming attributable owner information under the proposed rules, despite satisfying all conditions of patentability under the Patent Statute and paying all fees necessary to not only support the USPTO but provide an annual surplus for the federal government general operations, is an excessive penalty under these circumstances. Cook is not alone in opposing the sanction of abandonment. The Intellectual Property Owners Association’s Board of Directors passed a Resolution on March

26, 2014, expressly opposing the sanction of abandonment for non-compliance with the proposed rules.

B. A Fee Reduction For Compliance With Identification Rules Is More Appropriate

Instead of abandonment, Cook respectfully submits that a fee reduction would be more appropriate for compliance with proposed rules that are limited to identification of legal titleholders. By providing information that is commercial in nature, and of limited value to USPTO substantive practice and processes, the public and other federal agencies would benefit from this information, and information transfer has transaction costs. Accordingly, to recoup this cost, the fees associated with when this additional information is provided should be reduced so that there is no tax on innovation. To incentivize stakeholders, Cook submits that a 10% fee reduction in patent application filing fees and patent issue fees would provide proper incentives to the innovative members of the public to obtain a recoupment in the costs associated with compliance. By providing a fee reduction to innovative operating companies who constructively participate in the patenting process, companies such as Cook will be incentivized to not only participate in the identification of legal titleholders, but also be encouraged to file more patent applications than under the currently proposed rules. Such a regulatory environment would provide additional incentives to publicly disclose, through published patent applications, innovative medical device technologies that might spur further innovation to help physicians improve patient outcomes.

Further, Cook notes that currently there is no sanction associated with non-compliance with the proposed rules as to maintenance fees. Cook does not see the need to burden the process of maintenance fee payments with legal titleholder identification. However, if sanctions in this context are considered, then Cook submits the USPTO should incentivize the private sector to update legal titleholder information with a 10% reduction in maintenance fees for providing this information. Cook believes that such a reduction will permit the stakeholders to recoup the costs associated with the changes in internal processes and paperwork required, and incentivize USPTO stakeholder involvement in this activity.

IV. Summary Of Cook's Proposed Modification To The Proposed Rules

Cook submits that if the proposed rules are finalized, they should be limited to requiring identification of legal titleholder information. When information is to be provided about other than natural persons, then corporate or partnership name, state of incorporation or creation, and business address for corporations or partnerships or the like is all that should be required, so that public and private corporations are placed on the same level playing field. Further, Cook submits that abandonment is a punitive sanction for non-compliance. Rather, stakeholders should

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be incentivized to comply with the proposal suggested by Cook, by way of a 10% reduction in the filing and issue fees, and a 10% reduction in maintenance fees if there is a sanction imposed surrounding identification at the time of maintenance fee payments.

Cook appreciates the opportunity to comment on the Notice, and respectfully submits that the proposed rules should be modified as outlined above.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Cynthia Kretz', written in a cursive style.

Cynthia Kretz  
General Counsel

## Exhibit – Information Beyond Legal Titleholder Information Is Unjustified

It is respectfully submitted that the five reasons provided in the Notice do not justify the wide range of information required by the proposed rules. The justifications only support the requirement of providing legal titleholder information. Accordingly, there is no sound policy basis for the breadth of the proposed rulemaking. Each asserted justification is addressed below:

### The First Asserted Justification, Ensuring That A Power Of Attorney Is Current, Is A Red Herring

This asserted justification is a red herring because for many patent applications, there is never a power of attorney. Pursuant to 37 CFR 1.34, a registered practitioner can file, prosecute to allowance, and obtain an issued patent without filing a power of attorney.

In any event, for purposes of prosecution of patent applications, it is the legal titleholder (the named assignee in an assignment) that generally has the authority to file and prosecute a patent application to issuance. Accordingly, this is the relevant information for typical patent prosecution activities. Current 37 CFR 3.73 provides for the submission to the USPTO of information as to whether a party has the authority to direct a practitioner to prosecute an application, and the USPTO has not shown that this rule is inadequate for those rare occasions when an issue may arise on the subject of authority to prosecute a patent application.

### The Second Asserted Justification, Avoiding Potential Conflicts of Interest, Is Illusory

Under published ethical guidance, USPTO personnel conflicts of interest should be based on subject matter rather than on entity identification. For example, U.S. Department of Commerce, Office of General Counsel – Ethics Division, “Summary of Ethics Rules – U.S. Patent and Trademark Office,” at Ethics Rules-10 (2000), explains that patent examiners are not to consider patent applications owned by companies in which they hold significant stock positions (in excess of \$5,000), or similar financial interests, and they should not consider patent applications in technological areas that compete against companies they own. Accordingly, if the USPTO seeks to avoid conflicts of interest, the USPTO should screen examiners and other substantive decision makers by way of utilizing technological subject matter screens, and not merely by way of ownership interest information. In any event, there has been no showing in the Notice that conflicts avoidance procedures currently employed by the USPTO have been deficient.

### The Third Asserted Justification, Determining Applicability of the Common Ownership Exception of 35 USC 102(b)(2)(C), Only Justifies Legal Titleholder Information

Not only has the USPTO failed to quantify how often this prior art exception occurs in prosecution, so as to quantify the purported burden on the USPTO under current practices, but it also wholly disregards rules implementing the America Invents Act. According to USPTO rules, a clear statement from the applicant will make the common ownership exception applicable, M.P.E.P. 2154.02(c) (9th ed. Mar. 2014), and so the proposed rules will not obviate the typical practice of an examiner rejection followed by an applicant response substantiating the exception. In any event, there is every reason to believe that only legal titleholder information is material to the question of the applicability of this exception, and there has been no showing in the Notice that any information beyond this information is necessary to determine this exception.

The Fourth Asserted Justification, Verifying Party Requesting Post-Issuance Proceeding Is Proper, Is Unfounded As To All Information Other Than Legal Titleholder Information

This asserted justification is misplaced as to Inter Partes Review, Covered Business Method, and Post Grant Review because, among other things, the statute and implementing regulations supporting these USPTO America Invents Act proceedings require disclosure of the real party in interest of the petitioner or party requesting the proceedings. If there is a concern over improper identification of ownership interests in a proceeding, then it stands to reason that the Patent Trial and Appeal Board is capable of addressing the issue in that proceeding, and the Notice has not demonstrated otherwise. Moreover, if there is a justifiable concern over a systemic deficiency of this information in these proceedings, then rulemaking focused upon, and limited to, these proceedings would be better policy. To burden all applicants with information identification when the need for that information, if a need exists, arises only in a small fraction of 1% of all applicant matters is not sound policy.

Moreover, as to Supplemental Examination, the implementing regulations provide that this proceeding may only be filed by the owner of the entire right, title and interest in a patent. 37 CFR 1.601(a). Indeed, the USPTO website FAQs on this procedure state that exclusive licensees cannot request such proceedings. Only legal titleholder information is material to the issue of commencement of this proceeding, and the current rules require a positive statement of this information by the legal titleholder before supplemental examination will commence. E.g., 37 CFR 1.610.

The Fifth Asserted Justification, Improving the Accuracy of Information Made Publicly Available by the USPTO and Ensuring the Information is Not Misleading, is Unsubstantiated

An attorney or agent authorized to practice before the USPTO is not to engage in conduct involving deceit or misrepresentation under USPTO Rule 11.804. 78 Fed. Reg. 20180 (Apr. 3, 2013). There has been no showing in the Notice of a systemic failure of those practicing before the USPTO in this regard. Without this showing, there is more than sufficient reason to believe that legal titleholder information provided to the USPTO will be accurate and not misleading, and this is the extent of ownership information that the USPTO can reasonably utilize for purposes of examining all patent applications.