

April 24, 2014

Via Electronic Mail
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Attention: James Engel, Senior Legal Advisor
Office of Patent Legal Administration
Office of the Deputy Commissioner for Patent Examination Policy

IBM Corporation Comments in response to "Changes To Require Identification of Attributable Owner," 79 Fed. Reg. 4105 (January 24, 2014) ("Notice") and "Notice of Public Hearings and Extension of Comment Period on the Proposed Changes To Require Identification of Attributable Owner," 79 Fed. Reg. 9677 (February 20, 2014) ("Supplemental Notice")

IBM fully supports the goal of the United States Patent and Trademark Office (Office) to obtain more complete, current, and accurate patent and application ownership information. However, we have significant concerns regarding the scope of the disclosure obligations, standards for evaluating compliance, and penalties for noncompliance described by the rules proposed in the Notice. IBM proposes amendments to the rules, described in more detail below, to address these concerns. We also strongly urge the Office to implement a pilot program to determine the optimal parameters for enhancing and improving disclosure of ownership information, and amend the rules accordingly.

IBM has long advocated for increased ownership transparency and was an early supporter of the Office's efforts to obtain patent and application ownership information, as expressed in our January 2012 comments.¹ Improved ownership information will enhance the Office's ability to properly examine pending applications and to review issued patents; benefit the public in managing business affairs increasingly influenced by IP rights; and help fulfill the public notice function of the patent system by enabling members of the public to determine what areas of endeavor are covered by unlicensed patents and patent portfolios and what areas are not. The requirement to properly identify a patent owner also balances the existing requirement for challengers in *inter partes* patent proceedings to identify all their real parties in interest, thus leveling the playing field for challengers struggling to determine which patents warrant attention.

Achieving the important goal of enhanced ownership information requires a balanced approach. If requirements are too onerous, they will present an

¹ IBM Comments Eliciting More Complete Patent Assignment Information, January 23, 2012 (IBM Comments 2012), submitted herewith.

impediment to patent protection and licensing. If the requirements are easily avoided or do not include meaningful information, then they will not provide the public or the Office any benefit. In answering the questions posed in the Supplemental Notice, below, we propose modifications that we believe will achieve the needed balance and allow the Office to obtain useful ownership information. We also propose a pilot program designed to address the concerns of the patent community and the Office by exploring what information can reasonably be obtained and the best means for doing so. We urge the Office to carefully examine comments received from the public in response to the Notice and the Supplemental Notice to help determine the optimal parameters for such a pilot program.

Question 1: The proposals set forth a definition for attributable owner. The Office invites public comment on whether changes could be made to the scope of the information proposed to be collected while still achieving the objectives of the Office as set forth in the proposal.

IBM believes changes must be made to the scope of the definition of "attributable owner" to collect useful information without hampering patenting and licensing. IBM supports identification of the exclusive or joint titleholder, opposes identification of entities necessary to be joined for standing to sue, supports identification of the ultimate parent entity in a way that does not burden applicants and owners, and opposes the requirements in subsection (d) regarding entities used to divest or prevent the vesting of title.

a. Legal titleholder and ultimate parent

The legal title holder of a patent is the most basic and useful ownership information. If the public and the Office can accurately identify the legal title holder, including the assignment history or chain of title, then the goals set forth in the Notice such as identifying prior art and whether or not a member of the public is licensed, can be achieved in most instances.²

Many patent holders distribute patents among subsidiary and affiliate entities within a larger corporate structure. Sometimes these entities are not named in a way that allows the public or the Office to easily determine the complete portfolio of the larger corporate entity, thus obscuring the helpful ownership information that would otherwise be provided through identification of the legal titleholder. Therefore, IBM continues to support the Office's inclusion of the "ultimate parent" within the scope of the "attributable owner" for recordation purposes, as this information will enable identification of the complete portfolio held by an entity comprising multiple affiliates and/or subsidiaries.³ We do not, however, believe that the definition of "ultimate parent" must be tied to the coverage rules under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR), *i.e.* the

² See IBM Comments 2012.

³ See *Id.*

definition contained in 16 CFR § 801.1(a)(3). The Office is proposing to collect information for every application and issued patent at multiple times during the lifecycle of every patent, while HSR describes required pre-merger notifications. We urge the Office to consider the differing purposes and circumstances of these disclosures to determine if a different or modified definition of ultimate parent is needed to ensure that the information collected will be appropriately tailored for patent applications and issued patents, and collection of this information will not unduly burden the patent community. As described further below on pages 9-10 of these comments, the proper scope of ownership disclosure, including the definition of "ultimate parent" may be determined by running an appropriately tailored pilot program.⁴

b. Parties required for standing and entities used to divest or prevent the vesting of title.

Identification of parties necessary to be joined to a suit to provide standing is a requirement that does not provide clear boundaries, is likely to necessitate disclosure of confidential information that will chill licensing, and is unlikely to provide a substantial benefit to the Office or the public.

Standing in patent cases is governed by a complex body of Federal Circuit case law. If a party obtains "all substantial rights" to a patent in an assignment transaction, that party is deemed the patent owner and has standing to sue without joining anyone.⁵ If, however, a party obtains less than all substantial rights from the patent owner, but obtains sufficient exclusive rights, it has standing to sue if it joins the patent owner.⁶ A party that does not have sufficient exclusive rights is deemed a mere nonexclusive licensee and does not have standing to sue even if the patent owner is joined.⁷ Given the wide variety of license arrangements, and the fact-intensive nature of the inquiry, it may be difficult for parties to determine whether and under what circumstances they or their licensees have standing to sue. For example, a party's standing to sue may be context-dependent, *i.e.* if a patent owner exclusively licenses another in a limited field, the exclusive licensee may have standing to sue in some but not all circumstances. Moreover, it is very common for the existence or the content of license agreements to be kept in confidence, since licenses often reflect pre-commercialization business plans and financial information, the disclosure of which could be costly to both the licensee and the patent owner. Thus,

⁴ IBM acknowledges our reference to 16 CFR 801.1(a) in our prior comments to the Office (See IBM Comments 2012). We did not, however, recommend wholesale adoption of the HSR standard, as appears to be the intent of the proposed rules. We did not (nor could we have) anticipated the issues any applicant or patentee would need to address in complying with that or any other standard. Hence, we strongly urge the Office to conduct a pilot to help define the appropriate rule for identifying the ultimate parent in the context of patent applications and issued patents, one that may be unique to proceedings before the Office.

⁵ See *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870 (Fed. Cir. 1991).

⁶ See *Abbott Labs. v. Diamedix Corp.*, 47 F.3d 1128 (Fed. Cir. 1995).

⁷ See *Propat Int'l Corp. v. RPost US, Inc.*, 473 F.3d 1187 (Fed. Cir. 2007).

disclosure of parties with standing to sue presents both a compliance problem and an impediment to exclusive licensing. The patent professional responsible for prosecution may not have access to relevant agreements, especially if the professional is not an employee of the patent owner but works for a firm hired by the patent owner. Even if the agreements can be obtained, determining who has standing to sue is a difficult inquiry, not susceptible to clear results, and will impose a heavy burden on the prosecutor.

Disclosure of parties with standing to sue provides no substantial benefit to the Office or the public that would justify the burdens imposed or the negative effect on business arrangements. Information on who has standing to sue – apart from identification of the legal title holder – will not assure the “power of attorney” is current, nor will it identify the assignee filer under 35 USC § 118, nor will it help identify prior art.⁸ It seems tangential to the need to avoid potential conflicts of interest, and of little relevance to the public seeking to submit prior art during prosecution or to challenge an issued patent under any of the post-issuance challenge proceedings.⁹

We recognize and support the goals of the Office to provide ownership information that is not misleading and to help foster competition, enhance technology transfer, and avoid abusive patent litigation.¹⁰ However, forcing patentees and applicants to provide information about arrangements such as confidential exclusive licenses will not achieve these goals. Potential licensees will be discouraged from approaching patentees for fear that their patent and technology licenses may become public information. The U.S. patent system has traditionally avoided these problems, in contrast to many foreign jurisdictions, whose various license recordation requirements are viewed as impediments to patent transactions. For example, requirements in Japan to record exclusive license agreements have proved an impediment to licensing despite the growth of patenting in that country.¹¹ And since the legal title holder must be joined in any suit to enforce the patent, identification of others who may have standing to sue along with the patent owner is at most ancillary information. As explained above, the public can obtain the necessary information regarding patent holdings through disclosure of the legal title holder and the ultimate parent entity (if different), without engendering the negative consequences of forcing disclosure of license arrangements.

IBM does not understand the purpose of the requirement to disclose entities used to divest or prevent the vesting of title. This is a confusing requirement that appears to require an inquiry into the intent of the applicant or patent owner. We believe the obligation of candor and good faith under 37 CFR § 1.56 is sufficient

⁸ Notice, pp. 4107-8.

⁹ *Id.*

¹⁰ *Id.* at pp. 4108-09

¹¹ See Nahoko Ono, Avoid Japanization: Lessons from Japanese Gridlock on the Patent Recordation System, 94 J. Pat. & Trademark Off. Soc'y 228 (2012).

to ensure compliance with the Office's requirements for disclosure of ownership information.¹² If the proposed section 1.271(c) is meant to add requirements not covered by 37 CFR § 1.56 but nevertheless related to the state of mind of an applicant or patentee, it is unclear how the Office will enforce this provision. To the extent this provision is not related to intent or state of mind, it is unclear what additional disclosure requirements are included, *i.e.* why would the Office need to identify or distinguish between the various forms of ownership described in the notice? As with license agreements, we observe that identifying the contracts, arrangements, or devices described in the proposed rule is likely to be beyond the knowledge of the patent professional responsible for the application or patent in proceedings before the Office, and to the extent we understand this section, would be a difficult task even if such contracts, arrangements, or devices can be accessed by the patent professional.

c. Definition of the term "entity"

We do not understand why the Office is using the proposed sweeping and detailed description of the types of entities that may own a patent or application. If attributable owner is defined in a clear fashion easily followed by the patent community (such as legal title holder and any ultimate parent entity), it should not be necessary to include in the rules a comprehensive listing of the types of entities that are capable of identification as attributable owners. If the Office's intent is to provide guidance to the community to aid compliance, we observe that an accurate comprehensive list is not achievable, as any list will be soon be incomplete or obsolete as new entity types emerge. In any event, a list of this type should not be included in a rule but in guidance since it appears to be informational.

Question 2: Part of the current proposed definition of attributable owner incorporates by reference the definition of ultimate parent entity set forth in 16 CFR 801.1(a)(3). The Office welcomes comments on how this definition might be modified for use at the Office.

Please see above comments regarding the definition of ultimate parent. We again refer the Office to pages 9-10 of these comments regarding a pilot program.

Question 3: The proposal sets forth when attributable owner information must be supplied to the Office. The Office invites public comments as to whether and when attributable owner information should be collected. For example, are there additional times during prosecution (e.g. with each reply to an Office action) when the applicant should be required to update or verify attributable owner information? Is requiring updates on changes during prosecution within three

¹² See IBM Comments 2012.

months of any change in attributable owner the appropriate time frame (i.e. should the time frame be more or less than three months?).

IBM believes it is reasonable to require disclosure of attributable owner information at filing, issuance, payment of maintenance fees, and at appropriate times during *ex parte* and *inter partes* post issuance proceedings. We are concerned, however, that the specific timing requirements proposed by the Office for updating attributable owner information during prosecution are overly burdensome. Patent professionals responsible for prosecuting applications, especially professionals who are not employees of the patent owner but who work at outside law firms, are unlikely to be aware of changes to ownership, unless independently supplied by the owner. To ensure compliance with the proposed timing requirements, all practitioners might need to take on overly burdensome procedures such as docketing reminders every three months to ask the client if any changes in attributable owner information have been made. If all of the complex disclosure requirements the Office proposes are included, it would be costly and burdensome to comply within the time frame allotted, and in some cases may be impossible, especially since the three month time limit for reporting a change to attributable owner during prosecution is not extendible.

IBM appreciates the importance of obtaining accurate ownership information during prosecution – to identify prior art, enable effective use of the pre-issuance submissions program, and to provide public notice regarding enforceable patent rights since royalties are available in some circumstances for published applications if the patent ultimately issues with substantially identical claims.¹³ To help practitioners and applicants easily update ownership information during pendency, we suggest the Office focus on the publication date as a critical date for obtaining updated information if the ownership information has changed since the filing date. The public will become aware of the application only when it is published, and the Office is unlikely to have begun prosecution. Disclosure at publication will enable effective use of the pre-issuance submissions program (which is not available beforehand), help identify prior art when needed, provide public notice regarding potentially enforceable rights, and thus help improve patent quality and notice before a patent issues. Disclosure at publication will also give patent professionals a fixed date to inquire regarding changes in ownership.

IBM also has concerns regarding proposed rule 1.279 which sets forth a “good faith” standard for excusing an applicant for failure to provide the attributable owner notification, or errors therein. We do not understand if this standard is meant to be different from the standard set forth in 37 CFR § 1.56 for all dealings with the Office. If not, we are not sure why it must be separately stated; and if it is we would like to understand what additional or different obligations this section is intended to create. If a “good faith” standard has been chosen because the proposed definition of attributable owner is not objectively clear (*e.g.* as it

¹³ See 35 USC § 154(d).

includes entities with standing to sue or entities created to divest or prevent vesting of title), we see this as further evidence the definition should be narrowed so that both the patent owner and the Office can reasonably apply an objective definition for all applications.

For the above reasons, we recommend the Office limit the requirement to update attributable ownership information during prosecution to the publication date, and provide the requested clarifications and limitations to the definition of attributable owner. Alternatively, the Office is likely to learn from the recommended pilot program what requirements are reasonable for the patent community at large.

Question 4: The Office plans to work with its user community to implement the attributable owner information reporting system in a user-friendly manner and welcomes input on how this can best be accomplished. Subject to financial and resource constraints, for example, the Office would like to explore means to allow for the bulk processing of changes to attributable owner for portfolios of applications and patents. The Office also welcomes input on how the updating or verifying by the applicant or owner should be structured in conjunction with the payment of maintenance fees, particularly in light of the practice of outsourcing payment of maintenance fees to third parties.

IBM suggests inclusion of attributable owner information on the Application Data Sheet (ADS). The ADS is part of the application and contains needed bibliographic information for a newly-filed application. Any subsequent disclosures should be as easy as possible. If there is no change, we suggest that the patent practitioner could simply check a box to that effect on the issue fee transmittal form, the maintenance fee transmittal form, or the appropriate forms for post issuance proceedings. If there is a change in attributable owner information, then either an assignment should be filed or if the change is not an assignment but, for example, a change to the identity of the ultimate parent, we suggest the Office provide a simple form for reporting the change.

IBM requests clarification regarding who will have authority to provide attributable owner information. For example, can an applicant's legal counsel or patent agent prosecuting an application check the box on an issue fee transmittal form indicating no change to attributable owner? If there is a change to attributable owner that does not affect the power of attorney (such as a change in ultimate parent), is the answer the same?

We support the Office's suggestion regarding a tool for bulk processing of changes to attributable owner for patent portfolios. Such a tool would be needed to enable timely compliance with notification requirements for large transactions. Automating the notification process also may avoid recordation errors.

While accurate and complete reporting of attributable owner information is very important, it is just as important to provide this information in a transparent and useful way to the public. One way to do this would be through the Assignment database. It would be preferable if the information were accessible so that it could be searched and downloaded into a report format.

Question 5: The Office further seeks comments on whether the Office should expand the current Official Gazette practice of allowing patent owners to list patents as available for license or sale to permit all patent applicants and owners to voluntarily report additional licensing information for the Office to make available to the public in an accessible online format. The Office welcomes input on what such licensing information should include (i.e., willingness to license, as well as licensing contacts, license offer terms, commitments to license the patent, e.g., on royalty-free or reasonable and nondiscriminatory terms) and the interface of the online system.

Answer: IBM generally supports the Office's efforts to provide a platform for voluntary disclosure of licensing information.

Additional views on the Notice and Supplemental Notice

IBM has grave concerns regarding the Office's proposed penalty of abandonment for failure to comply with the attributable owner disclosure requirements during patent prosecution (no penalty for post issuance failure is indicated in the proposed rules). The penalty of abandonment seems disproportionately harsh and inconsistent with the character of the requirement. While complete and accurate ownership information helps fulfill the public notice function of the patent system, it is not a condition of patentability such as novelty or nonobviousness, nor is it a part of the statutory requirements for a complete patent application.¹⁴ IBM believes the duty of candor and good faith is sufficient to ensure compliance with requirements to disclose attributable owner information and refers the Office to our January 2012 comments submitted herewith.

The penalty of abandonment is also disproportionate to the harm to the public of failure to disclose ownership information during prosecution, especially since it is easy to correct such harm. Harm to the public is most likely to occur after issuance, when the patent can be enforced. If the owner violated its duty of candor and good faith, the patent will be unenforceable, and if any prior art was not identified as a result of incorrect ownership information, the patent could be reexamined.

¹⁴ See 35 USC § 111.

Attributable Owner Pilot Program

IBM strongly encourages the Office to conduct a pilot program to determine the appropriate scope of the definition of “attributable owner” and the optimal means for reporting this information to the Office. We support certain aspects of the Office’s proposed rules and have concerns, ranging from minor to major, with others. Inevitably, the majority of the patent community will have concerns, as the requirements the Office proposes are new and their impact on businesses are thus unknown. A pilot program would allow the Office to evaluate compliance and impact on an experimental basis, and avoid widespread misunderstandings or gaps created by unworkable elements of the overall system.

The burden imposed by new requirements must be gauged against, and specifically targeted to, the goals of the Office. There is evidence that certain patentees obscure ownership information, but some argue that this problem is rare. Unfortunately we do not know how widespread the problem is since we do not have access to this information. An appropriate pilot will allow the Office to learn how often ownership information is hidden, and craft targeted rules.

The first important element of a pilot program is whether compliance is voluntary (using incentives such as fee reduction or expedited prosecution) or mandatory (imposing fees for failure to comply, or loss of patent term, for example). The same reasons supporting the disclosure of the ultimate parent entity – *i.e.* the use of subsidiaries and affiliates to “hide” the contents of a patent portfolio – counsel in favor of a mandatory program, since the owners who might otherwise wish to keep ownership information under wraps are unlikely to change their approach based on voluntary incentives.

An effective pilot should also include filed applications and issued patents at each proposed stage where disclosure may be required. For example, the Office should include a random sample of patents from a variety of technology centers that are filed, published, issued, and for which maintenance fees are due within a sufficient time period to obtain a good distribution of cases. There should also be large, small, and microentities represented in the pilot. The Office should also include a representative number of patents subject to post issuance proceedings, including *inter partes* review, *ex parte* re-examination and supplemental examination. Because evidence indicates that ownership information is hidden most often by non-practicing entities (NPEs) that purchase already-issued patents for enforcement, it is important to collect ownership information after issuance, such as when maintenance fees are paid. Once a sufficient number of applications and patents are identified for inclusion in the pilot, the Office should follow them for a long enough time to ensure compliance (or failure to comply) with at least one round of attributable owner disclosure.

The very nature of a pilot program is to experiment with requirements to determine the optimal parameters for a permanent program. Therefore, applicants and patentees subject to a mandatory pilot may be forced to disclose information that is not part of any final rules. We suggest the Office allow applicants and patentees to maintain the confidentiality of such information within the Office, for example if a petition is filed explaining why the information should remain confidential. The information would be protected, and the Office would nevertheless have access to it for evaluating the pilot.

While the pilot should be very helpful in identifying compliance issues and appropriate scope of disclosure, we suggest the Office carefully examine public comments before finalizing details or implementing the pilot in the first instance. The patent community may provide the Office with invaluable guidance for structuring the pilot in a way likely to point to a successful outcome, such as by helping identify a simple way to interpret "ultimate parent". Once the pilot is over, we hope the Office will provide data and analysis to the public to help understand how best to proceed and obtain useful ownership information in a way that does not unduly burden applicants and patentees.

Conclusion

In conclusion, IBM supports the Office's efforts to fulfill the public notice function of patents by obtaining complete and accurate ownership information. We support certain aspects of the Office's proposed rules, but have concerns about others. We believe the best path forward is for the Office to conduct a pilot program to explore the optimal scope and means for providing ownership information. We look forward to working with the Office on ownership transparency and other projects to improve patent quality and the patent system as a whole.

Respectfully submitted,

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IBM Corporation Comments in response to the Notice entitled “Request for Comments on Eliciting More Complete Patent Assignment Information,” 26 Fed. Reg. 72372 (Nov. 23, 2011) (the “Notice”).

IBM appreciates the opportunity afforded by the United States Patent and Trademark Office (the “Office”) to provide IBM’s views regarding proposed changes to 37 CFR for eliciting more complete patent assignment information by the Office.

IBM’s comments begin with a general discussion of the importance of providing complete ownership information, and authority for the Office to require it, before specifically addressing the proposed rule changes and questions raised in this Notice. In particular, IBM will address (1) reasons why patent assignee transparency is beneficial and necessary; (2) how identification of the ultimate parent would promote transparency; (3) the bases for the Office’s authority to promulgate these rule changes; (4) the specific amendments proposed by the Office; (5) ways these new rules could be enforced; and (6) the specific questions raised by the Office.

1. Patent Assignee Transparency Is Necessary

IBM unequivocally supports the Office's goal of obtaining and recording up-to-date information which reflects complete and accurate ownership of patent applications and issued patents. As we explain, the availability of complete, current and accurate ownership information will not only enhance the Office's ability to perform its statutorily-mandated duty of properly examining pending applications and issued patents,¹ but it will also benefit members of the public in managing important business affairs that are essential for promoting and expanding domestic and international commerce,² which is increasingly influenced by intellectual property ("IP") rights—particularly patent rights—in the marketplace.³ These business activities are uniquely within the purview of the Commerce Department, with the disposition of patent matters exclusively delegated to the Office.⁴

It has long been acknowledged that patents are “affected with the public interest.”⁵ A patent conveys the very powerful right to exclude others from practicing the claimed invention, but that right comes with a corresponding obligation—namely, to

¹ See 35 U.S.C. § 2(a)(1) (“The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce . . . shall be responsible for the granting and issuing of patents and the registration of trademarks”).

² See 15 U.S.C. § 1512 (“It shall be the province and duty of [the Commerce] Department to foster, promote, and develop the foreign and domestic commerce . . .”).

³ See, e.g., Ryan Dezember & Gina Chon, *Year in Deals: Patents and Pipelines*, WALL ST. J., Dec. 28, 2011, also available at <http://blogs.wsj.com/dealjournalindia/2011/12/28/year-in-deals-patents-and-pipelines/>; Suzanne Cunningham, *Update: Mobile Patent Suits – Graphic of the Day*, THOMSON REUTERS THE KNOWLEDGE EFFECT (Aug. 17, 2011), <http://blog.thomsonreuters.com/index.php/mobile-patent-suits-graphic-of-the-day/>.

⁴ As the Office website acknowledges, “The USPTO is housed under the United States Department of Commerce—the cabinet-level department that promotes U.S. economic development and technological advancement” <http://usptocareers.gov/Pages/WhyWork/About.aspx>.

⁵ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971); *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945).

provide the public with proper notice of the patented invention.⁶ Appropriate notice of the patent property rights must be clear,⁷ or the public may opt not to invest in new products, research and development, or other innovation endeavors, where there might be risk of infringement.⁸ IBM agrees with the Office that proper notice must reveal not only the scope and extent of patented inventions, but also the identity of the true owner of those patent rights, so the IP marketplace can function at optimum efficiency to encourage investment and innovation and “promote the Progress of Science and useful Arts”⁹

a. Benefit to the Public

Under the current system, when an assignment of a patent or application is recorded, only the entity holding legal title is identified.¹⁰ However, state laws authorize companies to create subsidiaries, partnerships, LLCs, and other legal entities that can hold title to various assets such as patents.¹¹ These sub-entities and affiliates may not be connected in any apparent way to their corporate parent or other related sub-entities, such as by name similarity or some other accessible and searchable public record.¹² As one

⁶ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730–31 (2002) (“[L]ike any property right, its boundaries should be clear. . . . A patent holder should know what he owns, and the public should know what he does not.”).

⁷ *Id.* (“This clarity is essential to promote progress, because it enables efficient investment in innovation.”).

⁸ *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–51 (1989).

⁹ U.S. CONST. art. I, § 8, cl. 8.

¹⁰ Patents and patent applications have the attributes of personal property and are freely transferable. *See* 35 U.S.C. § 261.

¹¹ *See, e.g.*, N.Y. B.S.C. Law § 202(a)(15) (permitting a corporation “[t]o be a promoter, partner, member, associate or manager of other business enterprises or ventures, or to the extent permitted in any other jurisdiction to be an incorporator of other corporations of any type or kind”).

¹² *See* Federal Trade Commission, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, at 130 (Mar. 2011) (the “*FTC Report*”) (“Testimony suggested that

commentator observed, “[D]ue to the multiple ways a company can be referred to, and the ‘games’ companies play in order to hide their patent holding[s], determining what patents a company owns is a difficult task. Because there is no requirement to record patent transfers, it is impossible to identify with absolute certainty a company’s complete patent holdings—or who owns a patent—from the public record.”¹³ When the chain of title involves one or more LLCs, as is increasingly occurring in patent litigation,¹⁴ the difficulties in identifying all the entities in a corporate family are further exacerbated— “[t]he LLC is a nearly perfect corporate form . . . as most jurisdictions offer maximum privacy for businesses of this form.”¹⁵ Thus, a corporation may control multiple portfolios of patents through various subsidiaries having no clearly-discernable relationship to one another.¹⁶

While certain business concerns unrelated to patent ownership may favor allowing such use of subsidiary entities, the use of such subsidiaries does serve to obscure information about patent assets, to the detriment of the public interest. For example, if a member of the public (or an examiner) were to search the Office’s publicly-available assignment database, he or she would be unable to determine the complete

parties often fail to report assignments to the PTO or list ‘shell companies’ as assignees, ‘making it as difficult as possible, apparently, to trace back to the true assignee of the patent.’” (footnotes omitted)), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>; see Colleen V. Chien, *From Arms Race to Marketplace*, 62 HASTINGS L.J. 297, 319 (2010).

¹³ Colleen V. Chien, *Predicting Patent Litigation*, 90 TEX. L. REV. 283, 313 (Dec. 2011) (footnotes omitted); see also *FTC Report* at 130.

¹⁴ Tom Ewing, *Indirect Exploitation of Intellectual Property Rights by Corporations and Investors: IP Privateering and Modern Letters of Marque and Reprisal*, 4 HASTINGS SCI. & TECH. L.J. 1, 40 (Winter 2012) (“observing that, “[f]rom January 2008 until September 2010, some 448 companies with the LLC form filed one or more patent lawsuits” against nearly 4500 total defendants).

¹⁵ See *id.*

¹⁶ See *id.* at 30–74.

ownership picture of patent rights where the corporation has distributed legal title to the various patents in its portfolio among multiple sub-entities. Thus, a product developer desiring a license to some or all of these patents is at a distinct disadvantage when facing such an uncertain landscape of patent ownership.¹⁷

Product developers should be able to locate reliable and current patent ownership information to determine whether and from whom a license is needed or desired, and to guide research, development, and marketing efforts. For example, should a product-developer wish to obtain a license under a particular patent that would otherwise present a barrier to entry, it needs accurate ownership information to determine if, for example, the developer may already be licensed under the patent based on an existing license with the current owner or a previous owner.¹⁸ If such pre-existing license is absent, it will be difficult for a developer to evaluate whether it could obtain a license under reasonable terms if it cannot identify the proper patent owner.¹⁹ And, as described above, if a corporate patentee's subsidiaries or affiliates control rights to other relevant patents, it will be difficult (and perhaps impossible) for the developer to ascertain the full extent of that corporation's portfolio.²⁰ The resulting uncertainty could very well impede, and may possibly be intended to prevent, the developer from securing a comprehensive license and

¹⁷ See Chien, *Arms Race*, *supra* note 12, at 320 (recognizing that with regard to patent ownership and assignment information, and the proliferation of affiliates, subsidiaries, and holding companies, “the opacity of the market creates information asymmetries and opportunities for arbitrage”); *id.* at 351 (concluding that “patentees use secrecy to increase hold-up, a term that refers to inflation in the bargaining power of a patentee due to choices made by the accused prior to the time of bargaining.”).

¹⁸ See *FTC Report* at 130–31.

¹⁹ See *id.* The *FTC Report* also points out that lack of assignee information thwarts those who wish to clear a product potentially covered by many patents, by focusing on particular assignees who may be of high risk for enforcement.

²⁰ See *supra* notes 12–16 and accompanying text.

obtain the freedom to operate needed for market introduction. There is no current mechanism for the developer to independently discover or verify the full scope of the corporation's patent portfolio in a time- or cost-effective fashion.²¹ If the developer is incorrect about the extent of portfolio ownership, the developer may overpay for a license or unknowingly enter the market without appropriate license protection, resulting in unexpected licensing costs and/or infringement liability. The corporation's ability to distribute a portfolio of patents among many sub-entities, while shielding its full holdings, places innovators at a significant disadvantage because they may make decisions based on incomplete information or ignorance.²²

As a result of incomplete or inaccurate ownership information, and the potential for unnecessary transaction costs and risks, developers may ultimately decide to refrain from entering the market completely.²³ Similarly, the lack of comprehensive patent ownership information enables patentees to conceal relevant patents until long after a developer's product is on the market, at which time a patent owner's leverage over the developer will increase dramatically because of the substantial investment already made by, and the potential monetary exposure of, the developer.²⁴ The patentee's continuing ability to shield the full scope of its holdings thus places the developer/potential licensee

²¹ *See id.*

²² *See supra* note 17.

²³ Incomplete information creates transaction costs that interfere with marketplace efficiency and could prevent parties from entering into licenses. *See generally* CARL SHAPIRO & HAL R. VARIAN, INFORMATION RULES: A STRATEGIC GUIDE TO THE NETWORK ECONOMY (1998).

²⁴ *See supra* note 17. Similar concerns for protecting the public from enforcement of patent claims whose issuance is delayed until long after commercial development are addressed by the recently-revived doctrine of prosecution laches. *See, e.g., Symbol Techs. Inc. v. Lemelson Med.*, 277 F.3d 1361 (Fed. Cir. 2002).

at a significant disadvantage throughout the entire lifecycle of its product.²⁵ In either event, the increased costs sustained by the developer will necessarily be borne by the public as consumers, either through increased prices to offset licensing or litigation costs or through decreased competition when products are never brought to market.²⁶ The ultimate consequence will have a significant negative impact on commerce and the IP marketplace.

b. Benefit to the Office

It is equally imperative that the Office have complete patent or patent application ownership information in order to discharge its statutorily-mandated examination responsibilities. While true under current law, it is even more compelling following the changes being implemented under the recently-enacted America Invents Act (“AIA”). If the entity holding legal title to a patent application is an affiliate in a larger corporate structure, a prior art use or sale by another entity in that structure will be much easier to identify if the Office is aware of the affiliate’s corporate parent. An examiner’s search strategy may include ownership information because, first, an important means for identifying relevant prior art is to search for art owned by or originating from the same assignees; and second, the prior art status of a publication, disclosure, use/sale, patent or application depends in part upon ownership.²⁷ Under current 35 USC § 103(c) and new section 102, exceptions exist for certain prior art having common ownership with a

²⁵ *See id.*

²⁶ These increased costs are unjustified because they result from an information asymmetry regarding the ownership of the patents and the extent of the portfolio, not any inherent value of the patents themselves. *See, e.g.,* Chien, *supra* note 12, at 300–02.

²⁷ *See* USPTO Notice of Proposed Rulemaking, *Changes to Implement the Inventor’s Oath or Declaration Provision of the Leahy-Smith America Invents Act*, 77 Fed. Reg. 982, 984 (Jan. 6, 2012) (“The Office . . . needs to know the identity of the inventors to determine what prior art may be applied against the claimed invention or whether to issue a double-patenting rejection.”).

pending application.²⁸ The Office needs accurate assignee information before evaluating the patentability of a claim so that it can avoid improper rejections based on a reference that is, in fact, commonly owned. Similarly, accurate ownership information is required to determine if a double-patenting rejection is appropriate and/or if it can be overcome with a terminal disclaimer.²⁹ Inaccurate or incomplete assignee information will thus frustrate the Office's ability to conduct examinations in accordance with statutory requirements by hindering identification of the best proper prior art.³⁰

The Office also needs accurate information regarding entity-size to determine if an applicant or patentee is entitled to small entity discounts, both during prosecution and after issuance.³¹ Congress recognized the continued importance of reduced fees as incentives for encouraging and protecting innovation through patent filings from small businesses and independent inventors by adding, in the AIA, a new "micro entity"

²⁸ See 35 U.S.C. § 103(c) and AIA (H.R. 1249, Leahy-Smith America Invents Act) § 3(b)(1) (new 35 U.S.C. § 102(b), exceptions to prior art for commonly-owned applications and patents).

²⁹ While common ownership information may primarily help applicants "disqualify" prior art, it is possible that a reference may appear on its face to be commonly owned as a result of improper or missing identification of the true assignee. See 35 U.S.C. § 103(c).

³⁰ Although "common ownership" creates certain exceptions for patent prior art, applicants typically do not reveal this information unless and until faced with a specific rejection they seek to obviate, which allows applicants, under current regulations, to take advantage of the negotiation leverage described *supra* even at the expense of allowing a rejection to stand. Because such information is uniquely in the possession of the assignee, and because it is required for the Office to properly examine applications, it follows that the assignee should provide this information to the Office up-front to avoid inefficiencies and make it possible for the examiner to obtain the closest prior art. For all the reasons described in this paper, including providing proper notice to the public, patent owners should not have the option of sacrificing claim scope to preserve anonymity. Prompt disclosure of current ownership information will increase examination efficiency and reduce pendency, benefiting both the Office and applicants, because examiners will be better equipped to find the closest prior art, to avoid unnecessary office communications, and lost time waiting for applicants to respond to a rejection by asserting common ownership under MPEP 702.02(1)(2).

³¹ See 35 U.S.C. § 41(h)(1) and MPEP 509.02. Fees which are reduced include: basic filing fee, search fee, examination fee, application size fee, excess claims fees, and maintenance fees, among others. MPEP 509.02.

category of applicants/patentees with lower thresholds for income and number of employees.³² Compliance with these statutory requirements is thus an important component of a well-balanced patent system that depends on accurate and up-to-date assignee information.

The AIA also expands the public's right to contribute to the examination process by, *inter alia*, (1) allowing submission of prior art and commentary during patent prosecution; (2) creating new post-grant review proceedings; and (3) amending *inter partes* reexamination.³³ The public cannot intelligently exercise these new rights (or existing ones such as through *ex parte* reexamination) without proper information concerning the owner of the patent or patent application. Even the basic threshold decision of whether to pursue these proceedings requires correct identification of the patent owner.³⁴ Prompt availability of accurate ownership identification is particularly critical for pre-issuance submissions and post-grant review because these proceedings have limited time windows.³⁵

The imbalance between the interests of the public and the patentee created by a lack of accurate patent ownership information is readily apparent in the post-issuance

³² See AIA §§ 10(b) (setting forth reduced fees for “Small and Micro Entities”) 10(g) (“§ 123. Micro entity defined”).

³³ See AIA § 8, pp. 32–33 (preissuance submissions by third parties), § 6(d), pp. 22–28 (new post grant review process), § 6(a), pp. 16–21 (new *inter partes* review). The AIA leaves intact *ex parte* reexamination and also creates a new “Transitional Program For Covered Business Method Patents.” AIA § 18, pp. 46–48.

³⁴ See *FTC Report* at pp. 130–31 & n.333.

³⁵ Preissuance submission must be “made in writing before the earlier of – (A) the date a notice of allowance under section 252 is given or mailed in the application for patent; or (B) the later of – (i) 6 months after the date on which the application for patent is first published under section 122 by the Office, or (ii) the date of the first rejection under section 132 of any claim by the examiner during the examination of the application for patent.” AIA, § 8(a), pp. 32–33. A Post-Grant Review petition “may only be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be).” AIA, § 6(d), p. 23.

proceedings under the AIA. The AIA requires identification of the petitioner's real-party-in-interest³⁶ for post-grant review and *inter partes* review. The inclusion of this new requirement was controversial, as the prospective challenger would effectively identify itself as a target for an infringement allegation.³⁷ Some have argued that the real-party-in-interest requirement for challengers is needed to avoid conflicts of interest at the PTO.³⁸ This would be equally true for patentees and for applicants. Others argued that the real-party-in-interest requirement is needed to prevent harassment by challengers

³⁶ IBM will provide further views on defining the assignee's real-party-in-interest as the Office invited in the Notice. *See* section 2, *infra*.

³⁷ *E.g.*, Ben M. Davidson, *Reexamining Reexaminations: Reexaminations May Become a More Powerful Tool in Patent Litigation in Light of the New Patent Law*, 34 LOS ANGELES LAWYER 26, 30 (Dec. 2011) ("Although postgrant review offers a less expensive way to challenge the validity of a patent, it is not without its risks. A company seeking such a review must identify itself and any other real parties in interest. An unsuccessful PTO challenge may therefore identify the challenger as a target of patent litigation."); Steven G. Kunin & W. Todd Baker, *Inter Partes Reexamination Overview, Trends and Strategies*, 991 PLI/PAT 85, 95 (Jan.–Mar. 2010) ("The third party must also consider the risks of inter partes reexamination. This includes the need to disclose his or her identity when filing for an inter partes reexamination and the consequent chance that it will be an opportunity for the patent owner to target the third party as a possible infringer."); Ronald A. Bleeker & Nikolas J. Uhlir, *A Small Charge of Infringement: Strategic Alternatives for Nanotech Patent Defendants*, 4 NANOTECHNOLOGY L. & BUS. 433, 443 (Winter 2007) ("However, several factors weigh heavily against the use of *inter partes* reexamination. First, as implied above, *inter partes* procedure requires the requestor to identify itself. Of course, in the case of a nanomaterials company that has already been confronted by an aggressive patent owner, the lack of anonymity presents no true disadvantage. However, for the undetected nanotech company, requesting *inter partes* reexamination of a patent of concern sends a clear message to the patentee that the requestor may be a ripe target for an infringement action."); *see also* Kunin & Baker, *supra*, at 95 ("Additionally, the estoppel provisions of *inter partes* reexaminations might prevent an accused infringer or defendant from raising certain defenses in litigation which were made or could have been made during *inter partes* reexamination. Thus, third parties generally file for *inter partes* reexamination only if they are confident that they have identified most or all of the closest patents and publications that can be used to reject original patent claims as lacking novelty or being obvious.").

³⁸ *See* MPEP 1205.02 ("The identification of the real party in interest allows members of the Board to comply with ethics regulations associated with working in matters in which the member has a financial interest to avoid any potential conflict of interest. When an application is assigned to a subsidiary corporation, the real party in interest is both the assignee and either the parent corporation or corporations, in the case of joint ventures.").

bringing serial petitions.³⁹ But without full disclosure of the patentee’s real-party-in-interest, a product developer can be serially harassed by piecemeal patent assertions through a corporation’s shell entities and subsidiaries, without ever knowing the full scope of the corporation’s patent holdings.⁴⁰ In addition, discovery in post-issuance proceedings will often require the availability of information in the possession of the patentee, such as prior use or sale for post-grant review proceedings.⁴¹ However, it will be difficult for the challenger to obtain complete information, or even know that it has complete information, if the real-party-in-interest is not known. The challenger will be unable to formulate a fully-informed challenge if it can not obtain complete ownership information, because, for example, the extent of relevant prior art may not be accurately identifiable (such as whether an item of art is commonly owned).⁴² Lack of assignee transparency for all issued patents undermines full and efficient use of the new and/or expanded low-cost litigation alternatives for validity challenges, and similarly defeats one of the important goals endorsed by Congress when enacting the AIA.

³⁹ Thus, the AIA contains various checks on challengers to limit subsequent challenges by the same challenger against the same patent. *See, e.g.*, AIA §§ 315(e), 325(e).

⁴⁰ For example, a patent owner who is a subsidiary may sue for infringement. After judgment or settlement, the parent company or another subsidiary or affiliate may assert (either in court or in licensing negotiations) that the same product developer needs a license to a previously unidentified—and unidentifiable—patent owned by a different entity in the corporate family. The product developer has no way of achieving “peace.” The product developer is then incapable of formulating an intelligent strategy for operating its business, let alone for using post-issuance challenges, such as deciding which patents among an assignee’s portfolio are the most important ones to challenge to obtain freedom to operate. The challenger may not even know if it wishes to challenge a particular patent because it may think it is licensed. *See FTC Report* at 130–31.

⁴¹ *See* AIA, § 6(a), at p. 19 (§ 316(a)(5), *Inter Partes* Reexamination); AIA, §6(d), p. 25 (§ 326(a)(5), Post-Grant Review).

⁴² *See FTC Report* at 130–31.

2. Identification of the “Ultimate Parent” Would Promote Transparency

IBM believes that the goal of accurate ownership information can be further advanced by defining the real-party-in-interest to include both the entity having legal title to the patent or patent application and the “ultimate parent” of that entity, if one exists, where the ultimate parent is defined as the entity in the title holder’s ownership chain that is not controlled by any other entity.⁴³ Identification of the ultimate parent would allow the public to readily determine necessary ownership information. As discussed above, a corporate parent may have a number of patent holding sub-entities and/or affiliates. If the sub-entity or affiliate patent-holder also identifies its “ultimate parent”, a potential licensee will be able to determine the full scope of rights associated with that ultimate parent, and thus will be able to properly evaluate its licensing needs and costs. This information will enable the public to identify patents or applications of interest for licensing, pre-issuance submissions or post-issuance challenges, and to investigate IP marketplace issues such as the likelihood of obtaining a license or whether the patent is already licensed.⁴⁴

Identification of the ultimate parent also serves the needs of the Office. Examiners will be able to perform effective searches to find prior art such as prior uses or sales associated with the owner. The examiner could thus limit searches to true prior art

⁴³ See 16 CFR § 801.1(a) (defining “ultimate parent entity” as “an entity which is not controlled by any other entity”) and examples contained therein. Our proposal is directed only to identification of the legal title holder’s ultimate parent entity, if one exists. We do not mean to suggest any change in who does or can hold legal title to a patent or application.

⁴⁴ Compare to the current situation, where assignments are often not recorded at all or recorded in the name of “shell companies,” making it difficult to identify the actual owner of the patent at any time in the lifecycle of the patent. See *FTC Report* at 130.

as required, and similarly avoid wasting time evaluating pending claims in light of references that do not qualify as prior art.

In the FTC's comprehensive IP marketplace report, the only patentee complaint identified by the FTC with respect to revealing ownership information involved the potential to expose business strategies.⁴⁵ Any such burden placed on those patent owner-transferors by the revelation of business strategies inherent in the identity of the ultimate parent of an assignee is far outweighed by the public's and Office's needs to obtain accurate patent ownership information.⁴⁶

3. *The Office Has Authority to Make the Proposed Changes*

The new regulations proposed by the Office are procedural requirements that are well within its rulemaking authority. Under 35 U.S.C. § 2(b)(2), the Office "may establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office." This is "the broadest of the Office's rulemaking powers."⁴⁷ The Federal Circuit has repeatedly observed that, through this statute, Congress has "delegated plenary authority over PTO practice" to the Office.⁴⁸

⁴⁵ *FTC Report* at 131 & n.336.

⁴⁶ *Id.* at 131; *see Stevens v. Tamai*, 366 F.3d 1235, 1333 (Fed. Cir. 2004) ("It seems appropriate to us that the Office can allocate burdens associated with [its] goal[s] in a reasonable manner not inconsistent with the existing statutory scheme."); *see also* 35 U.S.C. § 2(b)(2) (setting forth the Office's authority "to establish regulations not inconsistent with law", including, *inter alia*, to "govern the conduct of proceedings in the Office", and to "facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically").

⁴⁷ *Stevens*, 366 F.3d at 1333.

⁴⁸ *Cooper Tech. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008); *Stevens*, 366 F.3d at 1333; *Gerritson v. Shirai*, 979 F.2d 1524, 1527 n.3 (Fed. Cir. 1992).

While the Office does not possess *substantive* rulemaking power,⁴⁹ these are procedural, not substantive rules. In particular, courts have held that a “critical feature” of a procedural, non-substantive rule “is that it covers agency actions that do not themselves alter the rights or interests of parties, although it may alter the manner in which parties present themselves or their viewpoints to the agency.”⁵⁰ The proposed amendments specified in the Notice will not affect—in any way—the rights or interests of any patentee or applicant.

Indeed, these proposed amendments are narrower than other Office regulations which have survived judicial scrutiny. In *Star Fruits*, for example, the plaintiff challenged 37 CFR § 1.105, which provided that the examiner or other Office employee may require the submission of such information as may be reasonably necessary to properly examine or treat the matter.⁵¹ Rule 105 gives individual examiners broad discretion to request a variety of types of information. As the Federal Circuit noted, “under 37 C.F.R. § 1.105 the Office can require information that does not directly support a rejection.”⁵² In dismissing the applicant’s challenge to Rule 105, the Federal Circuit allowed that “the Office can require the applicant to submit such information when it is known or readily available.”⁵³

The Office is required to provide the public with information about patents, and it has for a long time provided the public with assignee information. In particular, 35 U.S.C. § 41(i) requires that “[t]he Director shall assure full access by the public to, and

⁴⁹ See *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996).

⁵⁰ *JEM Broad. Co. v. FCC*, 22 F.3d 320, 326 (D.C. Cir. 1994).

⁵¹ *Star Fruits v. United States*, 393 F.3d 1277, 1280 (Fed. Cir. 2005).

⁵² *Id.* at 1281–82.

⁵³ *Id.* at 1283.

dissemination of, patent and trademark information,”⁵⁴ and “shall maintain, for use by the public . . . collections of United States patents . . . arranged to permit search for and retrieval of information.”⁵⁵ 35 U.S.C. § 41(i) also requires that “[t]he Director shall provide for the full deployment of the automated search systems of the Patent and Trademark Office so that such systems are available for use by the public . . . using a variety of automated methods, including remote access by users to mass storage and retrieval systems.”⁵⁶ With few exceptions, such as for national security, and pursuant to these duties, the Office already provides a publicly-searchable database of assignment information.⁵⁷ In addition, the Office permits public searches of both its published patent database⁵⁸ and published patent application database⁵⁹ for various fields of assignee information.⁶⁰ However, there is no current mechanism to assure that the ownership data provided by the Office is accurate, complete, or up-to-date.⁶¹ “Full access” to data

⁵⁴ 35 U.S.C. § 41(i)(2).

⁵⁵ 35 U.S.C. § 41(i)(1).

⁵⁶ 35 U.S.C. § 41(i)(2).

⁵⁷ Available at <http://assignments.uspto.gov/assignments/?db=pat> .

⁵⁸ Available at <http://patft.uspto.gov/netahtml/PTO/search-adv.htm> .

⁵⁹ Available at <http://appft.uspto.gov/netahtml/PTO/search-adv.html> .

⁶⁰ Both the published patent and patent application databases already permits searching by, and provide search fields for, Assignee Name, Assignee City, Assignee State, and Assignee Country. See <http://www.uspto.gov/patft/help/helpflds.htm> (describing these fields for the Patent Full-Text Database, *supra* note 59 and accompanying text) and <http://appft.uspto.gov/netahtml/PTO/help/helpflds.html> (describing these fields for the Published Application Full-Text Database, *supra* note 58 and accompanying text).

⁶¹ See <http://appft.uspto.gov/netahtml/PTO/help/helpflds.html> (explaining that the information in the Assignee Name, Assignee City, Assignee State, and Assignee Country fields is provided for published applications as of the time of the publication), <http://www.uspto.gov/patft/help/helpflds.htm> (explaining that the information in the Assignee Name, Assignee City, Assignee State, and Assignee Country is provided for published patents as of the time of issuance).

necessarily requires that the information is accurate, complete, and up-to-date; the “information” provided to the public should not be misinformation.⁶²

As detailed further below, the proposed rule changes are appropriate and do not substantively change the law, nor deprive individuals and patent owners of their substantive rights, nor “foreclose effective opportunities” provided under the present statute.⁶³ To the contrary, the new rules are fully consistent with—and indeed will improve the functioning of—the statutory rights of *bona fide* purchasers for value, protected under 35 U.S.C. § 261, and the statutory rights of the public to “full access . . . to . . . patent and trademark information” required by 35 U.S.C. § 41(i).⁶⁴

In formulating final rules, we strongly urge the Office to include an opportunity for applicants and patentees to “cure” any errors in compliance. Such errors may occur for a number of reasons, and may often be administrative error. For example, in complex transactions where patent or application assignments are only one aspect, assignees may be faced with administrative difficulties complying with a variety of requirements associated with the transaction. We believe that the Office should allow extensions of time for recordation and correction of information as appropriate.

⁶² Accurate, complete, and up-to-date information includes the identity of the ultimate parent or real-party-in-interest.

⁶³ See *Lamoille Valley R.R. Co. v. ICC*, 711 F.2d 295, 328 (D.C. Cir. 1983); see also *JEM Broad. Co.*, 22 F.3d at 326–28.

⁶⁴ To the extent that these proposed new regulations are adopted, any judicial review of them would be carried out under the deferential framework of the Supreme Court’s decision in *Chevron U.S.A., Inc. v. Natural Resources Defense Council*, 467 U.S. 837, 844 (1984) (“We have long recognized that considerable weight should be accorded to an executive department’s construction of a statutory scheme it is entrusted to administer, and the principle of deference to administrative interpretations.”). See *Lacavera v. Dudas*, 441 F.3d 1380, 1383 (Fed. Cir. 2006) (“Because the PTO is specifically charged with administering this statute, we analyze a challenge to the statutory authority of its regulations under the *Chevron* framework.”).

Thus, the proposed rules will not act to deprive owners of rights already granted under the law, but will instead aid in preserving their rights, and will also enhance the public's access rights to patent information. The PTO is fully authorized to adopt such procedures which serve to strengthen rights of patent owners and the public already provided in the statutes.

4. Specific Amendments Proposed by the Office

Proposed Amendment (1)

The first proposed amendment is “[a]mending 37 CFR to require that any assignee or assignees be disclosed at the time of application filing.”⁶⁵ As explained above, the complete identity of the owner is necessary for determining the scope of proper prior art.⁶⁶ This simple requirement is thus necessary for complete examination and is well within the authority of 35 U.S.C. § 2(b)(2)(A). As in *Star Fruits*, this proposed rule calls for the applicant to provide information that “may be reasonably necessary to properly examine or treat the matter.”⁶⁷ In rejecting the plaintiff's challenge, the Federal Circuit stated, “we are convinced that the Office can require the applicant to submit such information when it is known or readily available.”⁶⁸ The same logic applies to the first proposed amendment which requires submission of readily

⁶⁵ Notice, p. 1. As stated in the Notice, reference to the “assignee” or “assignees” in the proposed rules is intended to include the real-party-in-interest. As explained above, we do not view the requirement to disclose the real-party-in-interest as affecting the patent or application's legal title holder.

⁶⁶ 35 U.S.C. § 103(c); *see supra* notes 27–30 and accompanying text.

⁶⁷ 37 CFR § 1.105(a)(1).

⁶⁸ *Star Fruits*, 393 F.3d at 1283.

available or known ownership information that will aid in defining the scope of prior art under 35 U.S.C. § 103(c) and new § 102.

Proposed Amendment (2)

The second proposed amendment is “[a]mending 37 CFR 3.81 to require that the application issue in the name of the assignee or assignees as of the date of payment of the issue fee.”⁶⁹ As noted above, and in the Notice, this requirement will enhance the efficiency of the IP marketplace and is required for properly initiating or conducting post-issuance challenges. It is also needed to examine applications for which the issued patent may be prior art.⁷⁰ Furthermore, it is specifically authorized by the Office’s duty “for disseminating to the public information with respect to patents and trademarks,”⁷¹ “maintain[ing], for use by the public . . . collections of United States patents . . . arranged to permit search for and retrieval of information,”⁷² and “assur[ing] . . . full access by the public to, and dissemination of, patent and trademark information, using a variety of automated methods, including . . . remote access by users to mass storage and retrieval systems.”⁷³ Amending 37 CFR § 3.81 “to no longer predicate issuance in the name of the

⁶⁹ Notice, p. 1. As previously stated, we do not mean to suggest altering the patent’s legal title holder. *See supra* note 65.

⁷⁰ *See supra* notes 27–30 and accompanying text.

⁷¹ 35 U.S.C. § 2(a)(2).

⁷² 35 U.S.C. § 41(i)(1) (“The Director shall maintain, for use by the public, paper, microform or electronic collections of United States patents . . . arranged to permit search for and retrieval of information.”).

⁷³ 35 U.S.C. § 41(i)(2) (“The Director shall provide for the full deployment of the automated search systems of the Patent and Trademark Office so that such systems are available for use by the public, and shall assure full access by the public to, and dissemination of, patent . . . information, using a variety of automated methods, including electronic bulletin boards and remote access by users to mass storage and retrieval systems.”).

assignee on whether or not the applicant decides to make ‘a request for such issuance’”⁷⁴ will ensure that the Office fulfills its corresponding obligation to provide accurate “information” rather than misinformation or out of date information.

Proposed Amendment (3)

The third proposed amendment is “[a]mending 37 CFR 1.215(b) to require the identification of assignment changes after filing date for inclusion on the patent application publication (PGPub).”⁷⁵ For many of the same reasons expressed with respect to proposed amendments (1) and (2), this amendment is beneficial to the Office and the public and it is within the express authority of the Office. Requiring up-to-date ownership information during prosecution will allow the examiner to define the field of relevant prior art under 35 U.S.C. § 103(c) and new § 102 and allow the public to intelligently apply the pre-issuance procedures of the AIA. It will also allow the public to determine the scope of prior art for post-issuance challenges, as a pending patent application may nevertheless be prior art to an issued patent of interest to a challenger. Requiring disclosure of this “readily available” information is clearly authorized,⁷⁶ and publishing it on PGPub fulfills the Office’s responsibility “for disseminating to the public information with respect to patents and trademarks,”⁷⁷ “maintain[ing], for use by the public . . . collections of United States patents . . . arranged to permit search for and

⁷⁴ Notice, p. 2.

⁷⁵ Notice, p. 1.

⁷⁶ *See Star Fruits*, 393 F.3d at 1283. Requiring disclosure of “readily available” information concerning the real-party-in-interest is similarly authorized. *See id.*

⁷⁷ 35 U.S.C. § 2(a)(2).

retrieval of information,”⁷⁸ and “assur[ing] . . . full access by the public to, and dissemination of, patent and trademark information, using a variety of automated methods, including . . . remote access by users to mass storage and retrieval systems.”⁷⁹ Amending 37 CFR § 1.215(b) “to require the identification of assignment changes after filing date for inclusion on the patent application publication (PGPub)”⁸⁰ will ensure that the Office fulfills its corresponding obligation to provide accurate “information” rather than misinformation or out-of-date information.

Proposed Amendment (4)

The fourth proposed amendment is “[a]mending 37 CFR 1.27(g) to require timely identification of any new ownership rights that cause the application or issued patent to gain or lose entitlement to small entity status.”⁸¹ This requirement basically effectuates two changes. First, the notification must be “timely.” Under the current regulations, notification of loss of entitlement to small entity status must be provided only “prior to paying, or at the time of paying, the earliest of the issue fee or any maintenance fee due after the date on which status as a small entity . . . is no longer appropriate.”⁸² The second change requiring “identification of any new ownership rights” is a logical

⁷⁸ 35 U.S.C. § 41(i)(1) (“The Director shall maintain, for use by the public, paper, microform or electronic collections of United States patents . . . arranged to permit search for and retrieval of information.”).

⁷⁹ 35 U.S.C. § 41(i)(2) (“The Director shall provide for the full deployment of the automated search systems of the Patent and Trademark Office so that such systems are available for use by the public, and shall assure full access by the public to, and dissemination of, patent . . . information, using a variety of automated methods, including electronic bulletin boards and remote access by users to mass storage and retrieval systems.”).

⁸⁰ Notice, p. 1.

⁸¹ Notice, p. 1.

⁸² 37 CFR § 1.27(g)(2).

extension of the current 37 CFR § 1.27(g)(2), which requires notification only of the loss of entitlement to small entity status, not the reasons the status was lost.⁸³ Here again, both of these changes are clearly authorized under 35 U.S.C. § 2(b)(2)(A).

As to the timing issue, the Office is clearly authorized to “establish regulations” that “govern the conduct of the proceeding in the Office” as to when information is submitted.⁸⁴ As courts have recognized, time schedule issues such as this are “definitely at the procedural end of the spectrum running from ‘procedural’ to ‘substantive.’”⁸⁵

The new requirement to identify why small entity status is no longer appropriate is also authorized under 35 U.S.C. § 2(b)(2)(A). The office is required to charge small-entity fees under 35 U.S.C. § 41(h) and it is well within its rule-making authority to establish procedures by which patent applicants or owners establish their qualifications to such discounted fees. In addition, as explained with respect to proposed amendments (1) and (3), to the extent this amendment requires identification of a change in ownership, it will aid examination of any affected application by allowing the examiner to more easily identify the field of relevant prior art under 35 U.S.C. § 103(c) and new § 102. This same benefit also accrues for issued patents because there may be pending applications that are commonly owned by the “new” assignee or no longer owned by the “old” assignee, thereby affecting the prior art status of the issued patent *vis-à-vis* those pending applications. For the reasons explained with respect to proposed amendment (1), requirement of the submission of this “readily available” information is well within the

⁸³ Notice, p. 2.

⁸⁴ 35 U.S.C. § 2(b)(2)(A).

⁸⁵ See *Lamoille Valley R.R. Co.*, 711 F.2d at 328.

authority of the Office and is indeed narrower than the provisions of 37 CFR § 1.105 upheld in *Star Fruits*.⁸⁶

Proposed Amendment (5)

The fifth proposed amendment is “[a]mending 37 CFR to provide for discounted maintenance fees in return for verification or update of assignee information either when a maintenance fee is paid or within a limited time period from the date of maintenance fee payment.”⁸⁷ As the Notice correctly explains, these discounts are clearly authorized under § 10 of the AIA.⁸⁸ Furthermore, that same authority would allow the office to require either the update or verification of the “ultimate parent” with the benefits that would enure to both the Office and the public as described above. IBM wholeheartedly endorses this proposed amendment, not just because it represents a potentially significant cost savings to a large patent holder such as itself, but because it will likely allow the Federal Courts to provide effective and appropriate enforcement of the proposed new regulations as described in the enforcement section below.

This proposed amendment should also provide a phased mechanism to incorporate identification of the real-party-in-interest for all issued patents over a reasonable time. Maintenance fee payments are due 3 ½, 7 ½, and 11 ½ years after issuance.⁸⁹ Most in-force issued patents should thus be compliant within 4 years, and all newly-filed applications and newly-issued patents will be immediately compliant under

⁸⁶ See *Star Fruits*, 393 F.3d at 1283.

⁸⁷ Notice, p. 1.

⁸⁸ *Id.* at p. 2. Conditioning this discount on verification or update of real-party-in-interest information is similarly justified. See *id.*

⁸⁹ 35 U.S.C. § 41(b).

other proposed amendments. The proposed amendments will therefore result in full compliance with respect to identification of the real-party-in-interest for in-force patents in a reasonable time based solely on their prospective application.

5. Enforcement

The “duty of candor and good faith” in dealing with the Office compelled by Supreme Court precedent⁹⁰ and codified under 37 CFR § 1.56 extends beyond the mere duty to disclose material prior art.⁹¹ That duty of good faith and candor will necessarily apply to compliance with any new regulations promulgated by the Office. The Office has long recognized that enforcement of that duty of good faith and candor is best handled by the courts.⁹² It is IBM’s view that enforcement of any new regulations relating to assignee transparency is similarly best left to the discretion of the Federal Courts.

By analogy, the Office’s current proposal to provide discounted maintenance fees in return for verified or updated ownership information should be subject to enforcement by the Federal Courts. In the past, the courts have enforced the Office requirement of good faith and candor in procuring fee discounts for small entity status. For example, in

⁹⁰ See *Kingsland v. Dorsey*, 338 U.S. 318, 319 (1949) (“By reason of the nature of an application for patent, the relationship of attorneys to the Patent Office requires the highest degree of candor and good faith. In its relation to applicants, the Office . . . must rely upon their integrity and deal with them in a spirit of trust and confidence. . . .”).

⁹¹ 37 CFR § 1.56 (“Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, *which includes* a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section.” (emphasis added)).

⁹² *Patent and Trademark Office Implementation of 37 CFR Sec. 1.56*, 1095 OFF. GAZ. PAT. & TRADEMARK OFFICE 16 (Oct. 11, 1988) (“The Office is not the best forum in which to determine whether there was an ‘intent to mislead’, such intent is best determined when the trier of fact can observe demeanor of witnesses subjected to cross-examination. . . . A court, with subpoena power, is presently the best forum to consider duty of disclosure issues . . .”).

2003, the Federal Circuit in *ULead Sys., Inc. v. Lex Computer & Mgmt Corp.* affirmed a district court holding of patent unenforceability under the doctrine of inequitable conduct for fraudulently utilizing small entity maintenance fees:

Historically issues of unenforceability have arisen in cases involving inequitable conduct occurring in the prosecution of patents. But, we see no reason why the doctrine should not extend into other contexts, like the present one, where the allegation is that inequitable conduct has occurred after the patent has issued and during the course of establishing and paying the appropriate maintenance fee. In this context, it is equally important that the PTO receive accurate information from those who practice before it.⁹³

Similarly, in 2007, the Federal Circuit in *Nilssen v. Osram Sylvania, Inc.*, again affirmed a holding of patent unenforceability for deliberate misrepresentation of small entity status for maintenance fees, while commenting that it “is not strictly speaking inequitable conduct in the prosecution of a patent.”⁹⁴ Although the Federal Circuit’s *en banc* opinion in *Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) made significant pronouncements regarding the law of inequitable conduct, the Federal Courts should still possess sufficient authority for effectively enforcing the Office’s proposed new regulations. Thus, for example, while *Therasense* applied a new “but-for” test for materiality under the inequitable conduct doctrine, it recognized an exception for “affirmative egregious misconduct.”⁹⁵

⁹³ *ULead Sys., Inc. v. Lex Computer & Mgmt Corp.*, 351 F.3d 1139, 1144 (Fed. Cir. 2003) (citations omitted).

⁹⁴ *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1231 (Fed. Cir. 2007) (“While a misrepresentation of small entity status is not strictly speaking inequitable conduct in the prosecution of a patent, as the patent has already issued if maintenance fees are payable (excepting an issue fee), it is not beyond the authority of a district court to hold a patent unenforceable for inequitable conduct in misrepresenting one’s status as justifying small entity maintenance payments.”).

⁹⁵ 649 F.3d at 1292.

Consequently, the courts will have, as they always do, inherent power to redress failures of compliance. In a particular case, the effect of non-compliance will depend on the precise wording of the ultimate rules on ownership transparency—e.g., whether they contain a provision similar to that in 37 CFR § 1.27(h) concerning attempted fraud through intentional non-compliance—and the final determination will depend on the totality of prevailing circumstances, which will be developed after an opportunity for full discovery on the matter. IBM believes that the Federal Courts are best equipped to fashion appropriate remedies for enforcing the proposed Office regulations, as they are ultimately promulgated.

6. Responses to Office Questions

(1) Is there any reason that the mandatory disclosure of any assignee or assignees should not take place at the time of application filing?

No. The identity of the assignee will be important for determining what qualifies as prior art under 35 U.S.C. § 103(c) and new § 102. Requiring applicants to disclose this information from the outset should enhance the efficiency of examination and reduce pendency times, particularly because the information is uniquely in the hands of the applicants.

(2) Would it be in the public interest for the USPTO to obtain from applicants updated identification of the assignee at the time of allowance, e.g. in response to the Notice of Allowance?

Yes. For the reasons stated above, this would allow the Office to disseminate this updated information to the public, facilitate use of post-issuance proceedings, and improve the efficiency of the IP marketplace.

Are there limitations on the USPTO's rights and powers to require the reporting of such information?

No. As explained above, each of the proposed amendments is well within the Office's rulemaking authority, supported by a statutory grant of authority, and consistent with case law.

(3) Would it be in the public interest for the USPTO to obtain from applicants updated identification of the assignee during prosecution of the application?

Yes. The identity of the assignee is required for determining what qualifies as prior art under 35 U.S.C. § 103(c) and new § 102. Up-to-date information regarding the assignee will aid the Office in examining applications and members of the public in exercising their rights under the pre-issuance provisions of the AIA. As also explained, it will help reduce pendency times and improve the public's access to patent information.

Are there limitations on the USPTO's rights and powers to require the reporting of such information?

Not as proposed in the Notice. As explained above, each of the proposed amendments is well within the Office's rulemaking authority, supported by a statutory grant of authority, and consistent with case law.

Should the USPTO consider requiring the identification of assignment changes after filing date for inclusion on the patent application publication (PGPub)?

Yes. Publication of this information will allow third parties to intelligently exercise their rights under the pre-issuance provisions of the AIA. As explained above, it is also necessary for proper search and examination efforts by the examiner, and for bringing post-issuance challenges based on prior art that may include pending applications.

At what time should changes be recorded relative to the assignment, and what are the appropriate consequences of non-compliance?

IBM believes that "timely identification" as specifically called out in proposed amendment (4) with respect to entity size should be sufficient for any change in assignee. As to enforcement, the Office likely needs to take no further action beyond the general imposition of the "duty of candor and good faith" under 37 CFR § 1.56. Other enforcement of these regulations can be left to the Federal Courts, as indicated above with respect to 37 CFR § 1.27(h).

(4) Would it be in the public interest for the USPTO to obtain from applicants updated identification of the assignee after issue of the patent?

Yes. This information is required to identify the scope of prior art applicable to pending applications owned by both the "new" and "old" assignees under 35 U.S.C. § 103(c) and new § 102; it improves the efficiency of the IP marketplace; it fulfills the Office's obligation to assure full access by the public to, and dissemination of, patent and trademark information; and it allows the public to intelligently exercise its rights under the post-issuance procedures of the AIA.

Are there limitations on the USPTO’s rights and powers to require the reporting of such information?

Not as proposed in the Notice. As explained above, each of the proposed amendments is well within the Office’s rulemaking authority, supported by a statutory grant of authority, and consistent with case law.

At what time should such identification be made to the Office relative to a change?

IBM believes that “timely identification” as specified in proposed amendment (4) with respect to entity size should be sufficient for any change in assignee. The goal should be the submission and recordation of complete, accurate and current ownership information, including identification of the real-party-in-interest.

Should the USPTO consider requiring the identification of assignment changes during the maintenance period of the patent right, *i.e.*, after grant, but prior to patent expiration?

Yes. This information is required to identify the scope of prior art applicable to pending applications owned by both the “new” and “old” assignee under 35 U.S.C. § 103(c) and new § 102; improves the efficiency of the IP marketplace; it fulfills the Office’s obligation to assure full access by the public to, and dissemination of, patent and trademark information; and allows the public to intelligently exercise its rights under the post-issuance procedures of the AIA.

What are the appropriate consequences of non-compliance?

The Office likely needs to take no further action beyond the general imposition of the “duty of candor and good faith” under Supreme Court precedent and 37 CFR § 1.56. Other enforcement of these regulations should be left to the Federal Courts.

(5) To accomplish adequate and timely recording, are changes to Agency regulations necessary?

Yes.

What are the most effective and appropriate means for the USPTO to provide the public with a timely and accurate record of the assignment of patent rights and the assignee?

IBM strongly supports the amendments proposed by the Office. In addition, IBM suggests that requiring identification and update of the real-party-in-interest after issuance will promote transparency and improve the functioning of the IP marketplace.

(6) Would it help the USPTO's goal of collecting more updated assignment information if 37 CFR 1.27(g)(2) were amended to require identification of any new ownership rights that caused the application or issued patent to lose entitlement to small entity status?

Yes.

(7) Given the passage of the America Invents Act, is it proper for the Office to provide for financial incentives for disclosure of assignment information by way of discounts in fee payments?

Yes. Such discounts will provide both an incentive to comply and allow the Federal Courts to provide a strong deterrent to fraudulent procurement of these discounts. IBM believes that the earlier experiences with discounts offered to small entities amply demonstrate that economic incentives like the proposed discounts will be effective.

For example, would it be more likely for patentees to update assignment information and record assignment documents on in-force patents if a maintenance-fee discount were available in return?

Yes. The cost of maintenance fees is an important consideration for all patent holders. It is important that any such discounts be sufficient to offset the administrative expense of providing these updates. In addition, the existence of a discount will likely provide the Federal Courts with the discretion to severely penalize any patent holder who fraudulently obtains such discounts.

What are the appropriate consequences for failure to provide accurate information when accepting such a discount?

IBM suggests that the Office promulgate regulations requiring the patent owner to submit an affidavit in order to qualify for such discounts and amend 37 CFR § 1.27(h) to explicitly define improper attempts to secure these discounts as fraud or attempted fraud on the Office as the existing regulations do with respect to small-entity discounts.⁹⁶ Together, these two changes will make it most likely that the Federal Courts can adequately police these regulations under existing precedents, as explained in the enforcement section above.

(8) In order to provide a more complete record for transactional purposes, what changes do you recommend that USPTO make in its requirements or incentives relating to the disclosure of assignment information during the patent application process and for issued in-force patents?

⁹⁶ See 37 CFR § 1.27(h).

IBM strongly supports the amendments proposed by the Office. In addition, IBM suggests that requiring identification and update of the real-party-in-interest after issuance will promote transparency and improve the functioning of the IP marketplace.

Conclusion

IBM thanks the Office for providing the opportunity to submit comments on the proposed rule changes for eliciting more complete patent assignment information. We look forward to working with the Office to achieve its important goal of improving transparency in the patent system.

Respectfully submitted,

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IBM Corporation Comments in response to the Notice entitled “Request for Comments on Eliciting More Complete Patent Assignment Information,” 26 Fed. Reg. 72372 (Nov. 23, 2011) (the “Notice”).

IBM appreciates the opportunity afforded by the United States Patent and Trademark Office (the “Office”) to provide IBM’s views regarding proposed changes to 37 CFR for eliciting more complete patent assignment information by the Office.

IBM’s comments begin with a general discussion of the importance of providing complete ownership information, and authority for the Office to require it, before specifically addressing the proposed rule changes and questions raised in this Notice. In particular, IBM will address (1) reasons why patent assignee transparency is beneficial and necessary; (2) how identification of the ultimate parent would promote transparency; (3) the bases for the Office’s authority to promulgate these rule changes; (4) the specific amendments proposed by the Office; (5) ways these new rules could be enforced; and (6) the specific questions raised by the Office.

1. Patent Assignee Transparency Is Necessary

IBM unequivocally supports the Office’s goal of obtaining and recording up-to-date information which reflects complete and accurate ownership of patent applications and issued patents. As we explain, the availability of complete, current and accurate ownership information will not only enhance the Office’s ability to perform its statutorily-mandated duty of properly examining pending applications and issued patents,¹ but it will also benefit members of the public in managing important business affairs that are essential for promoting and expanding domestic and international commerce,² which is increasingly influenced by intellectual property (“IP”) rights—particularly patent rights—in the marketplace.³ These business activities are uniquely within the purview of the Commerce Department, with the disposition of patent matters exclusively delegated to the Office.⁴

It has long been acknowledged that patents are “affected with the public interest.”⁵ A patent conveys the very powerful right to exclude others from practicing the claimed invention, but that right comes with a corresponding obligation—namely, to

¹ See 35 U.S.C. § 2(a)(1) (“The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce . . . shall be responsible for the granting and issuing of patents and the registration of trademarks”).

² See 15 U.S.C. § 1512 (“It shall be the province and duty of [the Commerce] Department to foster, promote, and develop the foreign and domestic commerce . . .”).

³ See, e.g., Ryan Dezember & Gina Chon, *Year in Deals: Patents and Pipelines*, WALL ST. J., Dec. 28, 2011, also available at <http://blogs.wsj.com/dealjournalindia/2011/12/28/year-in-deals-patents-and-pipelines/>; Suzanne Cunningham, *Update: Mobile Patent Suits – Graphic of the Day*, THOMSON REUTERS THE KNOWLEDGE EFFECT (Aug. 17, 2011), <http://blog.thomsonreuters.com/index.php/mobile-patent-suits-graphic-of-the-day/>.

⁴ As the Office website acknowledges, “The USPTO is housed under the United States Department of Commerce—the cabinet-level department that promotes U.S. economic development and technological advancement” <http://usptocareers.gov/Pages/WhyWork/About.aspx>.

⁵ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971); *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945).

provide the public with proper notice of the patented invention.⁶ Appropriate notice of the patent property rights must be clear,⁷ or the public may opt not to invest in new products, research and development, or other innovation endeavors, where there might be risk of infringement.⁸ IBM agrees with the Office that proper notice must reveal not only the scope and extent of patented inventions, but also the identity of the true owner of those patent rights, so the IP marketplace can function at optimum efficiency to encourage investment and innovation and “promote the Progress of Science and useful Arts”⁹

a. Benefit to the Public

Under the current system, when an assignment of a patent or application is recorded, only the entity holding legal title is identified.¹⁰ However, state laws authorize companies to create subsidiaries, partnerships, LLCs, and other legal entities that can hold title to various assets such as patents.¹¹ These sub-entities and affiliates may not be connected in any apparent way to their corporate parent or other related sub-entities, such as by name similarity or some other accessible and searchable public record.¹² As one

⁶ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730–31 (2002) (“[L]ike any property right, its boundaries should be clear. . . . A patent holder should know what he owns, and the public should know what he does not.”).

⁷ *Id.* (“This clarity is essential to promote progress, because it enables efficient investment in innovation.”).

⁸ *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–51 (1989).

⁹ U.S. CONST. art. I, § 8, cl. 8.

¹⁰ Patents and patent applications have the attributes of personal property and are freely transferable. *See* 35 U.S.C. § 261.

¹¹ *See, e.g.*, N.Y. B.S.C. Law § 202(a)(15) (permitting a corporation “[t]o be a promoter, partner, member, associate or manager of other business enterprises or ventures, or to the extent permitted in any other jurisdiction to be an incorporator of other corporations of any type or kind”).

¹² *See* Federal Trade Commission, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, at 130 (Mar. 2011) (the “*FTC Report*”) (“Testimony suggested that

commentator observed, “[D]ue to the multiple ways a company can be referred to, and the ‘games’ companies play in order to hide their patent holding[s], determining what patents a company owns is a difficult task. Because there is no requirement to record patent transfers, it is impossible to identify with absolute certainty a company’s complete patent holdings—or who owns a patent—from the public record.”¹³ When the chain of title involves one or more LLCs, as is increasingly occurring in patent litigation,¹⁴ the difficulties in identifying all the entities in a corporate family are further exacerbated— “[t]he LLC is a nearly perfect corporate form . . . as most jurisdictions offer maximum privacy for businesses of this form.”¹⁵ Thus, a corporation may control multiple portfolios of patents through various subsidiaries having no clearly-discernable relationship to one another.¹⁶

While certain business concerns unrelated to patent ownership may favor allowing such use of subsidiary entities, the use of such subsidiaries does serve to obscure information about patent assets, to the detriment of the public interest. For example, if a member of the public (or an examiner) were to search the Office’s publicly-available assignment database, he or she would be unable to determine the complete

parties often fail to report assignments to the PTO or list ‘shell companies’ as assignees, ‘making it as difficult as possible, apparently, to trace back to the true assignee of the patent.’” (footnotes omitted)), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>; see Colleen V. Chien, *From Arms Race to Marketplace*, 62 HASTINGS L.J. 297, 319 (2010).

¹³ Colleen V. Chien, *Predicting Patent Litigation*, 90 TEX. L. REV. 283, 313 (Dec. 2011) (footnotes omitted); see also *FTC Report* at 130.

¹⁴ Tom Ewing, *Indirect Exploitation of Intellectual Property Rights by Corporations and Investors: IP Privateering and Modern Letters of Marque and Reprisal*, 4 HASTINGS SCI. & TECH. L.J. 1, 40 (Winter 2012) (“observing that, “[f]rom January 2008 until September 2010, some 448 companies with the LLC form filed one or more patent lawsuits” against nearly 4500 total defendants).

¹⁵ See *id.*

¹⁶ See *id.* at 30–74.

ownership picture of patent rights where the corporation has distributed legal title to the various patents in its portfolio among multiple sub-entities. Thus, a product developer desiring a license to some or all of these patents is at a distinct disadvantage when facing such an uncertain landscape of patent ownership.¹⁷

Product developers should be able to locate reliable and current patent ownership information to determine whether and from whom a license is needed or desired, and to guide research, development, and marketing efforts. For example, should a product-developer wish to obtain a license under a particular patent that would otherwise present a barrier to entry, it needs accurate ownership information to determine if, for example, the developer may already be licensed under the patent based on an existing license with the current owner or a previous owner.¹⁸ If such pre-existing license is absent, it will be difficult for a developer to evaluate whether it could obtain a license under reasonable terms if it cannot identify the proper patent owner.¹⁹ And, as described above, if a corporate patentee's subsidiaries or affiliates control rights to other relevant patents, it will be difficult (and perhaps impossible) for the developer to ascertain the full extent of that corporation's portfolio.²⁰ The resulting uncertainty could very well impede, and may possibly be intended to prevent, the developer from securing a comprehensive license and

¹⁷ See Chien, *Arms Race*, *supra* note 12, at 320 (recognizing that with regard to patent ownership and assignment information, and the proliferation of affiliates, subsidiaries, and holding companies, “the opacity of the market creates information asymmetries and opportunities for arbitrage”); *id.* at 351 (concluding that “patentees use secrecy to increase hold-up, a term that refers to inflation in the bargaining power of a patentee due to choices made by the accused prior to the time of bargaining.”).

¹⁸ See *FTC Report* at 130–31.

¹⁹ See *id.* The *FTC Report* also points out that lack of assignee information thwarts those who wish to clear a product potentially covered by many patents, by focusing on particular assignees who may be of high risk for enforcement.

²⁰ See *supra* notes 12–16 and accompanying text.

obtain the freedom to operate needed for market introduction. There is no current mechanism for the developer to independently discover or verify the full scope of the corporation's patent portfolio in a time- or cost-effective fashion.²¹ If the developer is incorrect about the extent of portfolio ownership, the developer may overpay for a license or unknowingly enter the market without appropriate license protection, resulting in unexpected licensing costs and/or infringement liability. The corporation's ability to distribute a portfolio of patents among many sub-entities, while shielding its full holdings, places innovators at a significant disadvantage because they may make decisions based on incomplete information or ignorance.²²

As a result of incomplete or inaccurate ownership information, and the potential for unnecessary transaction costs and risks, developers may ultimately decide to refrain from entering the market completely.²³ Similarly, the lack of comprehensive patent ownership information enables patentees to conceal relevant patents until long after a developer's product is on the market, at which time a patent owner's leverage over the developer will increase dramatically because of the substantial investment already made by, and the potential monetary exposure of, the developer.²⁴ The patentee's continuing ability to shield the full scope of its holdings thus places the developer/potential licensee

²¹ *See id.*

²² *See supra* note 17.

²³ Incomplete information creates transaction costs that interfere with marketplace efficiency and could prevent parties from entering into licenses. *See generally* CARL SHAPIRO & HAL R. VARIAN, INFORMATION RULES: A STRATEGIC GUIDE TO THE NETWORK ECONOMY (1998).

²⁴ *See supra* note 17. Similar concerns for protecting the public from enforcement of patent claims whose issuance is delayed until long after commercial development are addressed by the recently-revived doctrine of prosecution laches. *See, e.g., Symbol Techs. Inc. v. Lemelson Med.*, 277 F.3d 1361 (Fed. Cir. 2002).

at a significant disadvantage throughout the entire lifecycle of its product.²⁵ In either event, the increased costs sustained by the developer will necessarily be borne by the public as consumers, either through increased prices to offset licensing or litigation costs or through decreased competition when products are never brought to market.²⁶ The ultimate consequence will have a significant negative impact on commerce and the IP marketplace.

b. Benefit to the Office

It is equally imperative that the Office have complete patent or patent application ownership information in order to discharge its statutorily-mandated examination responsibilities. While true under current law, it is even more compelling following the changes being implemented under the recently-enacted America Invents Act (“AIA”). If the entity holding legal title to a patent application is an affiliate in a larger corporate structure, a prior art use or sale by another entity in that structure will be much easier to identify if the Office is aware of the affiliate’s corporate parent. An examiner’s search strategy may include ownership information because, first, an important means for identifying relevant prior art is to search for art owned by or originating from the same assignees; and second, the prior art status of a publication, disclosure, use/sale, patent or application depends in part upon ownership.²⁷ Under current 35 USC § 103(c) and new section 102, exceptions exist for certain prior art having common ownership with a

²⁵ *See id.*

²⁶ These increased costs are unjustified because they result from an information asymmetry regarding the ownership of the patents and the extent of the portfolio, not any inherent value of the patents themselves. *See, e.g.,* Chien, *supra* note 12, at 300–02.

²⁷ *See* USPTO Notice of Proposed Rulemaking, *Changes to Implement the Inventor’s Oath or Declaration Provision of the Leahy-Smith America Invents Act*, 77 Fed. Reg. 982, 984 (Jan. 6, 2012) (“The Office . . . needs to know the identity of the inventors to determine what prior art may be applied against the claimed invention or whether to issue a double-patenting rejection.”).

pending application.²⁸ The Office needs accurate assignee information before evaluating the patentability of a claim so that it can avoid improper rejections based on a reference that is, in fact, commonly owned. Similarly, accurate ownership information is required to determine if a double-patenting rejection is appropriate and/or if it can be overcome with a terminal disclaimer.²⁹ Inaccurate or incomplete assignee information will thus frustrate the Office's ability to conduct examinations in accordance with statutory requirements by hindering identification of the best proper prior art.³⁰

The Office also needs accurate information regarding entity-size to determine if an applicant or patentee is entitled to small entity discounts, both during prosecution and after issuance.³¹ Congress recognized the continued importance of reduced fees as incentives for encouraging and protecting innovation through patent filings from small businesses and independent inventors by adding, in the AIA, a new "micro entity"

²⁸ See 35 U.S.C. § 103(c) and AIA (H.R. 1249, Leahy-Smith America Invents Act) § 3(b)(1) (new 35 U.S.C. § 102(b), exceptions to prior art for commonly-owned applications and patents).

²⁹ While common ownership information may primarily help applicants "disqualify" prior art, it is possible that a reference may appear on its face to be commonly owned as a result of improper or missing identification of the true assignee. See 35 U.S.C. § 103(c).

³⁰ Although "common ownership" creates certain exceptions for patent prior art, applicants typically do not reveal this information unless and until faced with a specific rejection they seek to obviate, which allows applicants, under current regulations, to take advantage of the negotiation leverage described *supra* even at the expense of allowing a rejection to stand. Because such information is uniquely in the possession of the assignee, and because it is required for the Office to properly examine applications, it follows that the assignee should provide this information to the Office up-front to avoid inefficiencies and make it possible for the examiner to obtain the closest prior art. For all the reasons described in this paper, including providing proper notice to the public, patent owners should not have the option of sacrificing claim scope to preserve anonymity. Prompt disclosure of current ownership information will increase examination efficiency and reduce pendency, benefiting both the Office and applicants, because examiners will be better equipped to find the closest prior art, to avoid unnecessary office communications, and lost time waiting for applicants to respond to a rejection by asserting common ownership under MPEP 702.02(1)(2).

³¹ See 35 U.S.C. § 41(h)(1) and MPEP 509.02. Fees which are reduced include: basic filing fee, search fee, examination fee, application size fee, excess claims fees, and maintenance fees, among others. MPEP 509.02.

category of applicants/patentees with lower thresholds for income and number of employees.³² Compliance with these statutory requirements is thus an important component of a well-balanced patent system that depends on accurate and up-to-date assignee information.

The AIA also expands the public's right to contribute to the examination process by, *inter alia*, (1) allowing submission of prior art and commentary during patent prosecution; (2) creating new post-grant review proceedings; and (3) amending *inter partes* reexamination.³³ The public cannot intelligently exercise these new rights (or existing ones such as through *ex parte* reexamination) without proper information concerning the owner of the patent or patent application. Even the basic threshold decision of whether to pursue these proceedings requires correct identification of the patent owner.³⁴ Prompt availability of accurate ownership identification is particularly critical for pre-issuance submissions and post-grant review because these proceedings have limited time windows.³⁵

The imbalance between the interests of the public and the patentee created by a lack of accurate patent ownership information is readily apparent in the post-issuance

³² See AIA §§ 10(b) (setting forth reduced fees for “Small and Micro Entities”) 10(g) (“§ 123. Micro entity defined”).

³³ See AIA § 8, pp. 32–33 (preissuance submissions by third parties), § 6(d), pp. 22–28 (new post grant review process), § 6(a), pp. 16–21 (new *inter partes* review). The AIA leaves intact *ex parte* reexamination and also creates a new “Transitional Program For Covered Business Method Patents.” AIA § 18, pp. 46–48.

³⁴ See *FTC Report* at pp. 130–31 & n.333.

³⁵ Preissuance submission must be “made in writing before the earlier of – (A) the date a notice of allowance under section 252 is given or mailed in the application for patent; or (B) the later of – (i) 6 months after the date on which the application for patent is first published under section 122 by the Office, or (ii) the date of the first rejection under section 132 of any claim by the examiner during the examination of the application for patent.” AIA, § 8(a), pp. 32–33. A Post-Grant Review petition “may only be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be).” AIA, § 6(d), p. 23.

proceedings under the AIA. The AIA requires identification of the petitioner's real-party-in-interest³⁶ for post-grant review and *inter partes* review. The inclusion of this new requirement was controversial, as the prospective challenger would effectively identify itself as a target for an infringement allegation.³⁷ Some have argued that the real-party-in-interest requirement for challengers is needed to avoid conflicts of interest at the PTO.³⁸ This would be equally true for patentees and for applicants. Others argued that the real-party-in-interest requirement is needed to prevent harassment by challengers

³⁶ IBM will provide further views on defining the assignee's real-party-in-interest as the Office invited in the Notice. *See* section 2, *infra*.

³⁷ *E.g.*, Ben M. Davidson, *Reexamining Reexaminations: Reexaminations May Become a More Powerful Tool in Patent Litigation in Light of the New Patent Law*, 34 LOS ANGELES LAWYER 26, 30 (Dec. 2011) ("Although postgrant review offers a less expensive way to challenge the validity of a patent, it is not without its risks. A company seeking such a review must identify itself and any other real parties in interest. An unsuccessful PTO challenge may therefore identify the challenger as a target of patent litigation."); Steven G. Kunin & W. Todd Baker, *Inter Partes Reexamination Overview, Trends and Strategies*, 991 PLI/PAT 85, 95 (Jan.–Mar. 2010) ("The third party must also consider the risks of inter partes reexamination. This includes the need to disclose his or her identity when filing for an inter partes reexamination and the consequent chance that it will be an opportunity for the patent owner to target the third party as a possible infringer."); Ronald A. Bleeker & Nikolas J. Uhlir, *A Small Charge of Infringement: Strategic Alternatives for Nanotech Patent Defendants*, 4 NANOTECHNOLOGY L. & BUS. 433, 443 (Winter 2007) ("However, several factors weigh heavily against the use of *inter partes* reexamination. First, as implied above, *inter partes* procedure requires the requestor to identify itself. Of course, in the case of a nanomaterials company that has already been confronted by an aggressive patent owner, the lack of anonymity presents no true disadvantage. However, for the undetected nanotech company, requesting *inter partes* reexamination of a patent of concern sends a clear message to the patentee that the requestor may be a ripe target for an infringement action."); *see also* Kunin & Baker, *supra*, at 95 ("Additionally, the estoppel provisions of *inter partes* reexaminations might prevent an accused infringer or defendant from raising certain defenses in litigation which were made or could have been made during *inter partes* reexamination. Thus, third parties generally file for *inter partes* reexamination only if they are confident that they have identified most or all of the closest patents and publications that can be used to reject original patent claims as lacking novelty or being obvious.").

³⁸ *See* MPEP 1205.02 ("The identification of the real party in interest allows members of the Board to comply with ethics regulations associated with working in matters in which the member has a financial interest to avoid any potential conflict of interest. When an application is assigned to a subsidiary corporation, the real party in interest is both the assignee and either the parent corporation or corporations, in the case of joint ventures.").

bringing serial petitions.³⁹ But without full disclosure of the patentee’s real-party-in-interest, a product developer can be serially harassed by piecemeal patent assertions through a corporation’s shell entities and subsidiaries, without ever knowing the full scope of the corporation’s patent holdings.⁴⁰ In addition, discovery in post-issuance proceedings will often require the availability of information in the possession of the patentee, such as prior use or sale for post-grant review proceedings.⁴¹ However, it will be difficult for the challenger to obtain complete information, or even know that it has complete information, if the real-party-in-interest is not known. The challenger will be unable to formulate a fully-informed challenge if it can not obtain complete ownership information, because, for example, the extent of relevant prior art may not be accurately identifiable (such as whether an item of art is commonly owned).⁴² Lack of assignee transparency for all issued patents undermines full and efficient use of the new and/or expanded low-cost litigation alternatives for validity challenges, and similarly defeats one of the important goals endorsed by Congress when enacting the AIA.

³⁹ Thus, the AIA contains various checks on challengers to limit subsequent challenges by the same challenger against the same patent. *See, e.g.*, AIA §§ 315(e), 325(e).

⁴⁰ For example, a patent owner who is a subsidiary may sue for infringement. After judgment or settlement, the parent company or another subsidiary or affiliate may assert (either in court or in licensing negotiations) that the same product developer needs a license to a previously unidentified—and unidentifiable—patent owned by a different entity in the corporate family. The product developer has no way of achieving “peace.” The product developer is then incapable of formulating an intelligent strategy for operating its business, let alone for using post-issuance challenges, such as deciding which patents among an assignee’s portfolio are the most important ones to challenge to obtain freedom to operate. The challenger may not even know if it wishes to challenge a particular patent because it may think it is licensed. *See FTC Report* at 130–31.

⁴¹ *See* AIA, § 6(a), at p. 19 (§ 316(a)(5), *Inter Partes* Reexamination); AIA, §6(d), p. 25 (§ 326(a)(5), Post-Grant Review).

⁴² *See FTC Report* at 130–31.

2. Identification of the “Ultimate Parent” Would Promote Transparency

IBM believes that the goal of accurate ownership information can be further advanced by defining the real-party-in-interest to include both the entity having legal title to the patent or patent application and the “ultimate parent” of that entity, if one exists, where the ultimate parent is defined as the entity in the title holder’s ownership chain that is not controlled by any other entity.⁴³ Identification of the ultimate parent would allow the public to readily determine necessary ownership information. As discussed above, a corporate parent may have a number of patent holding sub-entities and/or affiliates. If the sub-entity or affiliate patent-holder also identifies its “ultimate parent”, a potential licensee will be able to determine the full scope of rights associated with that ultimate parent, and thus will be able to properly evaluate its licensing needs and costs. This information will enable the public to identify patents or applications of interest for licensing, pre-issuance submissions or post-issuance challenges, and to investigate IP marketplace issues such as the likelihood of obtaining a license or whether the patent is already licensed.⁴⁴

Identification of the ultimate parent also serves the needs of the Office. Examiners will be able to perform effective searches to find prior art such as prior uses or sales associated with the owner. The examiner could thus limit searches to true prior art

⁴³ See 16 CFR § 801.1(a) (defining “ultimate parent entity” as “an entity which is not controlled by any other entity”) and examples contained therein. Our proposal is directed only to identification of the legal title holder’s ultimate parent entity, if one exists. We do not mean to suggest any change in who does or can hold legal title to a patent or application.

⁴⁴ Compare to the current situation, where assignments are often not recorded at all or recorded in the name of “shell companies,” making it difficult to identify the actual owner of the patent at any time in the lifecycle of the patent. See *FTC Report* at 130.

as required, and similarly avoid wasting time evaluating pending claims in light of references that do not qualify as prior art.

In the FTC's comprehensive IP marketplace report, the only patentee complaint identified by the FTC with respect to revealing ownership information involved the potential to expose business strategies.⁴⁵ Any such burden placed on those patent owner-transferors by the revelation of business strategies inherent in the identity of the ultimate parent of an assignee is far outweighed by the public's and Office's needs to obtain accurate patent ownership information.⁴⁶

3. *The Office Has Authority to Make the Proposed Changes*

The new regulations proposed by the Office are procedural requirements that are well within its rulemaking authority. Under 35 U.S.C. § 2(b)(2), the Office "may establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office." This is "the broadest of the Office's rulemaking powers."⁴⁷ The Federal Circuit has repeatedly observed that, through this statute, Congress has "delegated plenary authority over PTO practice" to the Office.⁴⁸

⁴⁵ *FTC Report* at 131 & n.336.

⁴⁶ *Id.* at 131; *see Stevens v. Tamai*, 366 F.3d 1235, 1333 (Fed. Cir. 2004) ("It seems appropriate to us that the Office can allocate burdens associated with [its] goal[s] in a reasonable manner not inconsistent with the existing statutory scheme."); *see also* 35 U.S.C. § 2(b)(2) (setting forth the Office's authority "to establish regulations not inconsistent with law", including, *inter alia*, to "govern the conduct of proceedings in the Office", and to "facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically").

⁴⁷ *Stevens*, 366 F.3d at 1333.

⁴⁸ *Cooper Tech. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008); *Stevens*, 366 F.3d at 1333; *Gerritson v. Shirai*, 979 F.2d 1524, 1527 n.3 (Fed. Cir. 1992).

While the Office does not possess *substantive* rulemaking power,⁴⁹ these are procedural, not substantive rules. In particular, courts have held that a “critical feature” of a procedural, non-substantive rule “is that it covers agency actions that do not themselves alter the rights or interests of parties, although it may alter the manner in which parties present themselves or their viewpoints to the agency.”⁵⁰ The proposed amendments specified in the Notice will not affect—in any way—the rights or interests of any patentee or applicant.

Indeed, these proposed amendments are narrower than other Office regulations which have survived judicial scrutiny. In *Star Fruits*, for example, the plaintiff challenged 37 CFR § 1.105, which provided that the examiner or other Office employee may require the submission of such information as may be reasonably necessary to properly examine or treat the matter.⁵¹ Rule 105 gives individual examiners broad discretion to request a variety of types of information. As the Federal Circuit noted, “under 37 C.F.R. § 1.105 the Office can require information that does not directly support a rejection.”⁵² In dismissing the applicant’s challenge to Rule 105, the Federal Circuit allowed that “the Office can require the applicant to submit such information when it is known or readily available.”⁵³

The Office is required to provide the public with information about patents, and it has for a long time provided the public with assignee information. In particular, 35 U.S.C. § 41(i) requires that “[t]he Director shall assure full access by the public to, and

⁴⁹ See *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996).

⁵⁰ *JEM Broad. Co. v. FCC*, 22 F.3d 320, 326 (D.C. Cir. 1994).

⁵¹ *Star Fruits v. United States*, 393 F.3d 1277, 1280 (Fed. Cir. 2005).

⁵² *Id.* at 1281–82.

⁵³ *Id.* at 1283.

dissemination of, patent and trademark information,”⁵⁴ and “shall maintain, for use by the public . . . collections of United States patents . . . arranged to permit search for and retrieval of information.”⁵⁵ 35 U.S.C. § 41(i) also requires that “[t]he Director shall provide for the full deployment of the automated search systems of the Patent and Trademark Office so that such systems are available for use by the public . . . using a variety of automated methods, including remote access by users to mass storage and retrieval systems.”⁵⁶ With few exceptions, such as for national security, and pursuant to these duties, the Office already provides a publicly-searchable database of assignment information.⁵⁷ In addition, the Office permits public searches of both its published patent database⁵⁸ and published patent application database⁵⁹ for various fields of assignee information.⁶⁰ However, there is no current mechanism to assure that the ownership data provided by the Office is accurate, complete, or up-to-date.⁶¹ “Full access” to data

⁵⁴ 35 U.S.C. § 41(i)(2).

⁵⁵ 35 U.S.C. § 41(i)(1).

⁵⁶ 35 U.S.C. § 41(i)(2).

⁵⁷ Available at <http://assignments.uspto.gov/assignments/?db=pat> .

⁵⁸ Available at <http://patft.uspto.gov/netahtml/PTO/search-adv.htm> .

⁵⁹ Available at <http://appft.uspto.gov/netahtml/PTO/search-adv.html> .

⁶⁰ Both the published patent and patent application databases already permits searching by, and provide search fields for, Assignee Name, Assignee City, Assignee State, and Assignee Country. See <http://www.uspto.gov/patft/help/helpflds.htm> (describing these fields for the Patent Full-Text Database, *supra* note 59 and accompanying text) and <http://appft.uspto.gov/netahtml/PTO/help/helpflds.html> (describing these fields for the Published Application Full-Text Database, *supra* note 58 and accompanying text).

⁶¹ See <http://appft.uspto.gov/netahtml/PTO/help/helpflds.html> (explaining that the information in the Assignee Name, Assignee City, Assignee State, and Assignee Country fields is provided for published applications as of the time of the publication), <http://www.uspto.gov/patft/help/helpflds.htm> (explaining that the information in the Assignee Name, Assignee City, Assignee State, and Assignee Country is provided for published patents as of the time of issuance).

necessarily requires that the information is accurate, complete, and up-to-date; the “information” provided to the public should not be misinformation.⁶²

As detailed further below, the proposed rule changes are appropriate and do not substantively change the law, nor deprive individuals and patent owners of their substantive rights, nor “foreclose effective opportunities” provided under the present statute.⁶³ To the contrary, the new rules are fully consistent with—and indeed will improve the functioning of—the statutory rights of *bona fide* purchasers for value, protected under 35 U.S.C. § 261, and the statutory rights of the public to “full access . . . to . . . patent and trademark information” required by 35 U.S.C. § 41(i).⁶⁴

In formulating final rules, we strongly urge the Office to include an opportunity for applicants and patentees to “cure” any errors in compliance. Such errors may occur for a number of reasons, and may often be administrative error. For example, in complex transactions where patent or application assignments are only one aspect, assignees may be faced with administrative difficulties complying with a variety of requirements associated with the transaction. We believe that the Office should allow extensions of time for recordation and correction of information as appropriate.

⁶² Accurate, complete, and up-to-date information includes the identity of the ultimate parent or real-party-in-interest.

⁶³ See *Lamoille Valley R.R. Co. v. ICC*, 711 F.2d 295, 328 (D.C. Cir. 1983); see also *JEM Broad. Co.*, 22 F.3d at 326–28.

⁶⁴ To the extent that these proposed new regulations are adopted, any judicial review of them would be carried out under the deferential framework of the Supreme Court’s decision in *Chevron U.S.A., Inc. v. Natural Resources Defense Council*, 467 U.S. 837, 844 (1984) (“We have long recognized that considerable weight should be accorded to an executive department’s construction of a statutory scheme it is entrusted to administer, and the principle of deference to administrative interpretations.”). See *Lacavera v. Dudas*, 441 F.3d 1380, 1383 (Fed. Cir. 2006) (“Because the PTO is specifically charged with administering this statute, we analyze a challenge to the statutory authority of its regulations under the *Chevron* framework.”).

Thus, the proposed rules will not act to deprive owners of rights already granted under the law, but will instead aid in preserving their rights, and will also enhance the public's access rights to patent information. The PTO is fully authorized to adopt such procedures which serve to strengthen rights of patent owners and the public already provided in the statutes.

4. Specific Amendments Proposed by the Office

Proposed Amendment (1)

The first proposed amendment is “[a]mending 37 CFR to require that any assignee or assignees be disclosed at the time of application filing.”⁶⁵ As explained above, the complete identity of the owner is necessary for determining the scope of proper prior art.⁶⁶ This simple requirement is thus necessary for complete examination and is well within the authority of 35 U.S.C. § 2(b)(2)(A). As in *Star Fruits*, this proposed rule calls for the applicant to provide information that “may be reasonably necessary to properly examine or treat the matter.”⁶⁷ In rejecting the plaintiff's challenge, the Federal Circuit stated, “we are convinced that the Office can require the applicant to submit such information when it is known or readily available.”⁶⁸ The same logic applies to the first proposed amendment which requires submission of readily

⁶⁵ Notice, p. 1. As stated in the Notice, reference to the “assignee” or “assignees” in the proposed rules is intended to include the real-party-in-interest. As explained above, we do not view the requirement to disclose the real-party-in-interest as affecting the patent or application's legal title holder.

⁶⁶ 35 U.S.C. § 103(c); *see supra* notes 27–30 and accompanying text.

⁶⁷ 37 CFR § 1.105(a)(1).

⁶⁸ *Star Fruits*, 393 F.3d at 1283.

available or known ownership information that will aid in defining the scope of prior art under 35 U.S.C. § 103(c) and new § 102.

Proposed Amendment (2)

The second proposed amendment is “[a]mending 37 CFR 3.81 to require that the application issue in the name of the assignee or assignees as of the date of payment of the issue fee.”⁶⁹ As noted above, and in the Notice, this requirement will enhance the efficiency of the IP marketplace and is required for properly initiating or conducting post-issuance challenges. It is also needed to examine applications for which the issued patent may be prior art.⁷⁰ Furthermore, it is specifically authorized by the Office’s duty “for disseminating to the public information with respect to patents and trademarks,”⁷¹ “maintain[ing], for use by the public . . . collections of United States patents . . . arranged to permit search for and retrieval of information,”⁷² and “assur[ing] . . . full access by the public to, and dissemination of, patent and trademark information, using a variety of automated methods, including . . . remote access by users to mass storage and retrieval systems.”⁷³ Amending 37 CFR § 3.81 “to no longer predicate issuance in the name of the

⁶⁹ Notice, p. 1. As previously stated, we do not mean to suggest altering the patent’s legal title holder. *See supra* note 65.

⁷⁰ *See supra* notes 27–30 and accompanying text.

⁷¹ 35 U.S.C. § 2(a)(2).

⁷² 35 U.S.C. § 41(i)(1) (“The Director shall maintain, for use by the public, paper, microform or electronic collections of United States patents . . . arranged to permit search for and retrieval of information.”).

⁷³ 35 U.S.C. § 41(i)(2) (“The Director shall provide for the full deployment of the automated search systems of the Patent and Trademark Office so that such systems are available for use by the public, and shall assure full access by the public to, and dissemination of, patent . . . information, using a variety of automated methods, including electronic bulletin boards and remote access by users to mass storage and retrieval systems.”).

assignee on whether or not the applicant decides to make ‘a request for such issuance’”⁷⁴ will ensure that the Office fulfills its corresponding obligation to provide accurate “information” rather than misinformation or out of date information.

Proposed Amendment (3)

The third proposed amendment is “[a]mending 37 CFR 1.215(b) to require the identification of assignment changes after filing date for inclusion on the patent application publication (PGPub).”⁷⁵ For many of the same reasons expressed with respect to proposed amendments (1) and (2), this amendment is beneficial to the Office and the public and it is within the express authority of the Office. Requiring up-to-date ownership information during prosecution will allow the examiner to define the field of relevant prior art under 35 U.S.C. § 103(c) and new § 102 and allow the public to intelligently apply the pre-issuance procedures of the AIA. It will also allow the public to determine the scope of prior art for post-issuance challenges, as a pending patent application may nevertheless be prior art to an issued patent of interest to a challenger. Requiring disclosure of this “readily available” information is clearly authorized,⁷⁶ and publishing it on PGPub fulfills the Office’s responsibility “for disseminating to the public information with respect to patents and trademarks,”⁷⁷ “maintain[ing], for use by the public . . . collections of United States patents . . . arranged to permit search for and

⁷⁴ Notice, p. 2.

⁷⁵ Notice, p. 1.

⁷⁶ *See Star Fruits*, 393 F.3d at 1283. Requiring disclosure of “readily available” information concerning the real-party-in-interest is similarly authorized. *See id.*

⁷⁷ 35 U.S.C. § 2(a)(2).

retrieval of information,”⁷⁸ and “assur[ing] . . . full access by the public to, and dissemination of, patent and trademark information, using a variety of automated methods, including . . . remote access by users to mass storage and retrieval systems.”⁷⁹ Amending 37 CFR § 1.215(b) “to require the identification of assignment changes after filing date for inclusion on the patent application publication (PGPub)”⁸⁰ will ensure that the Office fulfills its corresponding obligation to provide accurate “information” rather than misinformation or out-of-date information.

Proposed Amendment (4)

The fourth proposed amendment is “[a]mending 37 CFR 1.27(g) to require timely identification of any new ownership rights that cause the application or issued patent to gain or lose entitlement to small entity status.”⁸¹ This requirement basically effectuates two changes. First, the notification must be “timely.” Under the current regulations, notification of loss of entitlement to small entity status must be provided only “prior to paying, or at the time of paying, the earliest of the issue fee or any maintenance fee due after the date on which status as a small entity . . . is no longer appropriate.”⁸² The second change requiring “identification of any new ownership rights” is a logical

⁷⁸ 35 U.S.C. § 41(i)(1) (“The Director shall maintain, for use by the public, paper, microform or electronic collections of United States patents . . . arranged to permit search for and retrieval of information.”).

⁷⁹ 35 U.S.C. § 41(i)(2) (“The Director shall provide for the full deployment of the automated search systems of the Patent and Trademark Office so that such systems are available for use by the public, and shall assure full access by the public to, and dissemination of, patent . . . information, using a variety of automated methods, including electronic bulletin boards and remote access by users to mass storage and retrieval systems.”).

⁸⁰ Notice, p. 1.

⁸¹ Notice, p. 1.

⁸² 37 CFR § 1.27(g)(2).

extension of the current 37 CFR § 1.27(g)(2), which requires notification only of the loss of entitlement to small entity status, not the reasons the status was lost.⁸³ Here again, both of these changes are clearly authorized under 35 U.S.C. § 2(b)(2)(A).

As to the timing issue, the Office is clearly authorized to “establish regulations” that “govern the conduct of the proceeding in the Office” as to when information is submitted.⁸⁴ As courts have recognized, time schedule issues such as this are “definitely at the procedural end of the spectrum running from ‘procedural’ to ‘substantive.’”⁸⁵

The new requirement to identify why small entity status is no longer appropriate is also authorized under 35 U.S.C. § 2(b)(2)(A). The office is required to charge small-entity fees under 35 U.S.C. § 41(h) and it is well within its rule-making authority to establish procedures by which patent applicants or owners establish their qualifications to such discounted fees. In addition, as explained with respect to proposed amendments (1) and (3), to the extent this amendment requires identification of a change in ownership, it will aid examination of any affected application by allowing the examiner to more easily identify the field of relevant prior art under 35 U.S.C. § 103(c) and new § 102. This same benefit also accrues for issued patents because there may be pending applications that are commonly owned by the “new” assignee or no longer owned by the “old” assignee, thereby affecting the prior art status of the issued patent *vis-à-vis* those pending applications. For the reasons explained with respect to proposed amendment (1), requirement of the submission of this “readily available” information is well within the

⁸³ Notice, p. 2.

⁸⁴ 35 U.S.C. § 2(b)(2)(A).

⁸⁵ See *Lamoille Valley R.R. Co.*, 711 F.2d at 328.

authority of the Office and is indeed narrower than the provisions of 37 CFR § 1.105 upheld in *Star Fruits*.⁸⁶

Proposed Amendment (5)

The fifth proposed amendment is “[a]mending 37 CFR to provide for discounted maintenance fees in return for verification or update of assignee information either when a maintenance fee is paid or within a limited time period from the date of maintenance fee payment.”⁸⁷ As the Notice correctly explains, these discounts are clearly authorized under § 10 of the AIA.⁸⁸ Furthermore, that same authority would allow the office to require either the update or verification of the “ultimate parent” with the benefits that would enure to both the Office and the public as described above. IBM wholeheartedly endorses this proposed amendment, not just because it represents a potentially significant cost savings to a large patent holder such as itself, but because it will likely allow the Federal Courts to provide effective and appropriate enforcement of the proposed new regulations as described in the enforcement section below.

This proposed amendment should also provide a phased mechanism to incorporate identification of the real-party-in-interest for all issued patents over a reasonable time. Maintenance fee payments are due 3 ½, 7 ½, and 11 ½ years after issuance.⁸⁹ Most in-force issued patents should thus be compliant within 4 years, and all newly-filed applications and newly-issued patents will be immediately compliant under

⁸⁶ See *Star Fruits*, 393 F.3d at 1283.

⁸⁷ Notice, p. 1.

⁸⁸ *Id.* at p. 2. Conditioning this discount on verification or update of real-party-in-interest information is similarly justified. See *id.*

⁸⁹ 35 U.S.C. § 41(b).

other proposed amendments. The proposed amendments will therefore result in full compliance with respect to identification of the real-party-in-interest for in-force patents in a reasonable time based solely on their prospective application.

5. Enforcement

The “duty of candor and good faith” in dealing with the Office compelled by Supreme Court precedent⁹⁰ and codified under 37 CFR § 1.56 extends beyond the mere duty to disclose material prior art.⁹¹ That duty of good faith and candor will necessarily apply to compliance with any new regulations promulgated by the Office. The Office has long recognized that enforcement of that duty of good faith and candor is best handled by the courts.⁹² It is IBM’s view that enforcement of any new regulations relating to assignee transparency is similarly best left to the discretion of the Federal Courts.

By analogy, the Office’s current proposal to provide discounted maintenance fees in return for verified or updated ownership information should be subject to enforcement by the Federal Courts. In the past, the courts have enforced the Office requirement of good faith and candor in procuring fee discounts for small entity status. For example, in

⁹⁰ See *Kingsland v. Dorsey*, 338 U.S. 318, 319 (1949) (“By reason of the nature of an application for patent, the relationship of attorneys to the Patent Office requires the highest degree of candor and good faith. In its relation to applicants, the Office . . . must rely upon their integrity and deal with them in a spirit of trust and confidence. . . .”).

⁹¹ 37 CFR § 1.56 (“Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, *which includes* a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section.” (emphasis added)).

⁹² *Patent and Trademark Office Implementation of 37 CFR Sec. 1.56*, 1095 OFF. GAZ. PAT. & TRADEMARK OFFICE 16 (Oct. 11, 1988) (“The Office is not the best forum in which to determine whether there was an ‘intent to mislead’, such intent is best determined when the trier of fact can observe demeanor of witnesses subjected to cross-examination. . . . A court, with subpoena power, is presently the best forum to consider duty of disclosure issues . . .”).

2003, the Federal Circuit in *ULead Sys., Inc. v. Lex Computer & Mgmt Corp.* affirmed a district court holding of patent unenforceability under the doctrine of inequitable conduct for fraudulently utilizing small entity maintenance fees:

Historically issues of unenforceability have arisen in cases involving inequitable conduct occurring in the prosecution of patents. But, we see no reason why the doctrine should not extend into other contexts, like the present one, where the allegation is that inequitable conduct has occurred after the patent has issued and during the course of establishing and paying the appropriate maintenance fee. In this context, it is equally important that the PTO receive accurate information from those who practice before it.⁹³

Similarly, in 2007, the Federal Circuit in *Nilssen v. Osram Sylvania, Inc.*, again affirmed a holding of patent unenforceability for deliberate misrepresentation of small entity status for maintenance fees, while commenting that it “is not strictly speaking inequitable conduct in the prosecution of a patent.”⁹⁴ Although the Federal Circuit’s *en banc* opinion in *Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) made significant pronouncements regarding the law of inequitable conduct, the Federal Courts should still possess sufficient authority for effectively enforcing the Office’s proposed new regulations. Thus, for example, while *Therasense* applied a new “but-for” test for materiality under the inequitable conduct doctrine, it recognized an exception for “affirmative egregious misconduct.”⁹⁵

⁹³ *ULead Sys., Inc. v. Lex Computer & Mgmt Corp.*, 351 F.3d 1139, 1144 (Fed. Cir. 2003) (citations omitted).

⁹⁴ *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1231 (Fed. Cir. 2007) (“While a misrepresentation of small entity status is not strictly speaking inequitable conduct in the prosecution of a patent, as the patent has already issued if maintenance fees are payable (excepting an issue fee), it is not beyond the authority of a district court to hold a patent unenforceable for inequitable conduct in misrepresenting one’s status as justifying small entity maintenance payments.”).

⁹⁵ 649 F.3d at 1292.

Consequently, the courts will have, as they always do, inherent power to redress failures of compliance. In a particular case, the effect of non-compliance will depend on the precise wording of the ultimate rules on ownership transparency—e.g., whether they contain a provision similar to that in 37 CFR § 1.27(h) concerning attempted fraud through intentional non-compliance—and the final determination will depend on the totality of prevailing circumstances, which will be developed after an opportunity for full discovery on the matter. IBM believes that the Federal Courts are best equipped to fashion appropriate remedies for enforcing the proposed Office regulations, as they are ultimately promulgated.

6. Responses to Office Questions

(1) Is there any reason that the mandatory disclosure of any assignee or assignees should not take place at the time of application filing?

No. The identity of the assignee will be important for determining what qualifies as prior art under 35 U.S.C. § 103(c) and new § 102. Requiring applicants to disclose this information from the outset should enhance the efficiency of examination and reduce pendency times, particularly because the information is uniquely in the hands of the applicants.

(2) Would it be in the public interest for the USPTO to obtain from applicants updated identification of the assignee at the time of allowance, e.g. in response to the Notice of Allowance?

Yes. For the reasons stated above, this would allow the Office to disseminate this updated information to the public, facilitate use of post-issuance proceedings, and improve the efficiency of the IP marketplace.

Are there limitations on the USPTO's rights and powers to require the reporting of such information?

No. As explained above, each of the proposed amendments is well within the Office's rulemaking authority, supported by a statutory grant of authority, and consistent with case law.

(3) Would it be in the public interest for the USPTO to obtain from applicants updated identification of the assignee during prosecution of the application?

Yes. The identity of the assignee is required for determining what qualifies as prior art under 35 U.S.C. § 103(c) and new § 102. Up-to-date information regarding the assignee will aid the Office in examining applications and members of the public in exercising their rights under the pre-issuance provisions of the AIA. As also explained, it will help reduce pendency times and improve the public's access to patent information.

Are there limitations on the USPTO's rights and powers to require the reporting of such information?

Not as proposed in the Notice. As explained above, each of the proposed amendments is well within the Office's rulemaking authority, supported by a statutory grant of authority, and consistent with case law.

Should the USPTO consider requiring the identification of assignment changes after filing date for inclusion on the patent application publication (PGPub)?

Yes. Publication of this information will allow third parties to intelligently exercise their rights under the pre-issuance provisions of the AIA. As explained above, it is also necessary for proper search and examination efforts by the examiner, and for bringing post-issuance challenges based on prior art that may include pending applications.

At what time should changes be recorded relative to the assignment, and what are the appropriate consequences of non-compliance?

IBM believes that "timely identification" as specifically called out in proposed amendment (4) with respect to entity size should be sufficient for any change in assignee. As to enforcement, the Office likely needs to take no further action beyond the general imposition of the "duty of candor and good faith" under 37 CFR § 1.56. Other enforcement of these regulations can be left to the Federal Courts, as indicated above with respect to 37 CFR § 1.27(h).

(4) Would it be in the public interest for the USPTO to obtain from applicants updated identification of the assignee after issue of the patent?

Yes. This information is required to identify the scope of prior art applicable to pending applications owned by both the "new" and "old" assignees under 35 U.S.C. § 103(c) and new § 102; it improves the efficiency of the IP marketplace; it fulfills the Office's obligation to assure full access by the public to, and dissemination of, patent and trademark information; and it allows the public to intelligently exercise its rights under the post-issuance procedures of the AIA.

Are there limitations on the USPTO’s rights and powers to require the reporting of such information?

Not as proposed in the Notice. As explained above, each of the proposed amendments is well within the Office’s rulemaking authority, supported by a statutory grant of authority, and consistent with case law.

At what time should such identification be made to the Office relative to a change?

IBM believes that “timely identification” as specified in proposed amendment (4) with respect to entity size should be sufficient for any change in assignee. The goal should be the submission and recordation of complete, accurate and current ownership information, including identification of the real-party-in-interest.

Should the USPTO consider requiring the identification of assignment changes during the maintenance period of the patent right, *i.e.*, after grant, but prior to patent expiration?

Yes. This information is required to identify the scope of prior art applicable to pending applications owned by both the “new” and “old” assignee under 35 U.S.C. § 103(c) and new § 102; improves the efficiency of the IP marketplace; it fulfills the Office’s obligation to assure full access by the public to, and dissemination of, patent and trademark information; and allows the public to intelligently exercise its rights under the post-issuance procedures of the AIA.

What are the appropriate consequences of non-compliance?

The Office likely needs to take no further action beyond the general imposition of the “duty of candor and good faith” under Supreme Court precedent and 37 CFR § 1.56. Other enforcement of these regulations should be left to the Federal Courts.

(5) To accomplish adequate and timely recording, are changes to Agency regulations necessary?

Yes.

What are the most effective and appropriate means for the USPTO to provide the public with a timely and accurate record of the assignment of patent rights and the assignee?

IBM strongly supports the amendments proposed by the Office. In addition, IBM suggests that requiring identification and update of the real-party-in-interest after issuance will promote transparency and improve the functioning of the IP marketplace.

(6) Would it help the USPTO's goal of collecting more updated assignment information if 37 CFR 1.27(g)(2) were amended to require identification of any new ownership rights that caused the application or issued patent to lose entitlement to small entity status?

Yes.

(7) Given the passage of the America Invents Act, is it proper for the Office to provide for financial incentives for disclosure of assignment information by way of discounts in fee payments?

Yes. Such discounts will provide both an incentive to comply and allow the Federal Courts to provide a strong deterrent to fraudulent procurement of these discounts. IBM believes that the earlier experiences with discounts offered to small entities amply demonstrate that economic incentives like the proposed discounts will be effective.

For example, would it be more likely for patentees to update assignment information and record assignment documents on in-force patents if a maintenance-fee discount were available in return?

Yes. The cost of maintenance fees is an important consideration for all patent holders. It is important that any such discounts be sufficient to offset the administrative expense of providing these updates. In addition, the existence of a discount will likely provide the Federal Courts with the discretion to severely penalize any patent holder who fraudulently obtains such discounts.

What are the appropriate consequences for failure to provide accurate information when accepting such a discount?

IBM suggests that the Office promulgate regulations requiring the patent owner to submit an affidavit in order to qualify for such discounts and amend 37 CFR § 1.27(h) to explicitly define improper attempts to secure these discounts as fraud or attempted fraud on the Office as the existing regulations do with respect to small-entity discounts.⁹⁶ Together, these two changes will make it most likely that the Federal Courts can adequately police these regulations under existing precedents, as explained in the enforcement section above.

(8) In order to provide a more complete record for transactional purposes, what changes do you recommend that USPTO make in its requirements or incentives relating to the disclosure of assignment information during the patent application process and for issued in-force patents?

⁹⁶ See 37 CFR § 1.27(h).

IBM strongly supports the amendments proposed by the Office. In addition, IBM suggests that requiring identification and update of the real-party-in-interest after issuance will promote transparency and improve the functioning of the IP marketplace.

Conclusion

IBM thanks the Office for providing the opportunity to submit comments on the proposed rule changes for eliciting more complete patent assignment information. We look forward to working with the Office to achieve its important goal of improving transparency in the patent system.

Respectfully submitted,

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