

Comment on Proposed Rules, Federal Register Vol. 79, No. 16, January 24, 2014, "Changes to Require Identification of Attributable Owner" 37 CFR Part 1 [Docket No.: PTO-P-2013-0040]

Sect. 6(a) of the Patent Act lists the duties of the Commissioner. It states: "The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law **respecting the granting and issuing of patents** [Emphasis added] and the registration of trademarks; shall have the authority to carry on studies, programs, or exchanges of items or services regarding domestic and international patent and trademark law or the administration of the Patent and Trademark Office; and shall have charge of property belonging to the Patent and Trademark Office. He may, subject to the approval of the Secretary of Commerce, establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office." The proposed regulations go far beyond this limited grant of authority.

The stated purposes of the proposed regulations are to:

1. Ensure that a "power of attorney" is current in each application or proceeding before the Office;
2. Avoid potential conflicts of interest for Office personnel;
3. Determine the scope of prior art under the common ownership exception under 35 U.S.C. 102(b)(2)(C) and uncover instances of double patenting;
4. Verify that the party making a request for a post-issuance proceeding is a proper party for the proceeding; and
5. Ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading;

for the benefit of the USPTO and

- a. Enhance competition and increase incentives to innovate by providing innovators with information that will allow them to better understand the competitive environment in which they operate;
- b. Enhance technology transfer and reduce the costs of transactions for patent rights since patent ownership information will be more readily and easily accessible;
- c. Reduce risk of abusive patent litigation by helping the public defend itself against such abusive assertions by providing more information about all the parties that have an interest in patents or patent applications; and
- d. Level the playing field for innovators;

presumably for an undefined group of "innovators."

The solution that the proposed regulations espouse to achieve these various purposes is to require the owners to name and describe all “attributable owners” throughout the application process, at various times after a patent is issued (three, seven and eleven years) and through various contested proceedings. “Attributable owners” can be a long and complicated list. At the very least, it includes:

- A. Any entity that, exclusively or jointly, has been assigned title to the patent or application (“**Owners**”)
- B. An entity necessary to be joined in a lawsuit in order to have standing to enforce the patent or any patent resulting from the application (“**Joined Parties**”).
- C. The ultimate parent entity as defined in 16 CFR 801.1(a)(3) of each entity described in A (“**Ultimate Parent**”).
- D. Any entity that, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement, or any other contract, arrangement, or device with the purpose or effect of temporarily divesting such entity of attributable ownership of a patent or application, or preventing the vesting of such attributable ownership of a patent or application, shall also be deemed for the purpose of this section to be an attributable owner of such patent or application (“**Divesting Entities**”).

The foregoing entities can include non-US entities (“**Foreign Entities**”), bankruptcy officers, certain as yet unformed joint ventures and corporations (“**Unformed Entities**”), and any other organization that holds “an interest” in an application or patent (“**Other Interest Holders**”).

For the most part, the proposed solution (i) fails to achieve a number of the stated purposes, (ii) is outside the scope of the USPTO’s authority, (iii) is either extremely burdensome or impossible to meet, and/or (iv) is harmful to very persons it purports to help. Even worse, the penalty for the failure to comply with the requirement of proposed solution is abandonment of the patent. This is an extremely harsh penalty that bears no relationship to the purported problems that the proposed regulations are said to solve.

On a purpose-by-purpose basis,

1. **Ensure that a “power of attorney” is current in each application or proceeding before the Office.** A power of attorney only needs to be signed by Owners. They do not need to be signed by anyone else. Therefore, in order to achieve this purpose, there is no need to extend the proposed regulations to Joined Parties, Ultimate Parents, Divesting Entities, Unformed Entities, or Other Interest Holders. Moreover, it is impossible to list the state of incorporation of any Unformed Entity, but that is what the proposed solution requires. In addition, in situations in which an application or patent has multiple owners, it is possible that all but one of the owners properly report their identities, but that one owner (*e.g.*, a 1% owner) transfers his interest and fails to

report. It is also possible that the other 99% owners either don't know about the transfer or know about the transfer and can't find out who the transferee is. In the case of a Foreign Entity, it may even violate local law to disclose the identity of the transferee. The proposed solution appears to state that an application or patent would be deemed abandoned because a single 1% owner is not acting in good faith. That is grotesquely unfair to the other 99% owners. Finally, if an Other Interest Holder holds "an interest" in an application that does not make the entity an Owner, that entity would have no right to participate in patent prosecution and would have no ability to supply a power of attorney. Finally, a power of attorney is only relevant pre-issuance and during certain post-issuance proceedings. It is, therefore, not necessary to require all patent holders to continue to report if there are no post-issuance proceeding.

2. **Avoid potential conflicts of interest for Office personnel.** The proposed regulations fail to achieve this result for a number of reasons. First, to the extent that the proposed solution applies to issued patents that are not the subject of certain contested proceedings, there are no Office personnel conflicts to avoid. Second, Office personnel may hold interest in a variety of entities that are not covered by the proposed solution but that would still create a potential conflict of interest. For example, an Office employee might hold an interest in an intermediate entity that is neither an Owner nor an Ultimate Parent. The proposed solution would be of no benefit to the employee, who would be required to do his or her own investigation to determine whether a conflict exists. If the employee is already required to conduct his or her own investigation in some cases, it makes sense to ask the employee to conduct his or her own investigation in all cases and avoid a significant cost and burden to applicants and holders that is at best a partial benefit to Office employees. Third, potential conflicts of interest are only problematic if the employee is aware of the conflict. If the employee is not even aware of the conflict, there is not even an appearance of impropriety. This is why the general approach for conflicts is to put the burden on the person who has known conflicts to make them known to others and not on third parties who have no clue what the employee may or may not own.
3. **Determine the scope of prior art under the common ownership exception under 35 U.S.C. 102(b)(2)(C) and uncover instances of double patenting.** This purpose is limited to circumstances of ownership "by the same person or subject to an obligation of assignment to the same person. Moreover, the duty of candor already requires that the pertinent information be disclosed in double patenting situations, and the result is either (i) no second patent will be issued (based on the regular nonobviousness requirement) if the second application is not owned by the same person, or (ii) a terminal disclaimer requirement if it is owned by the same person. In neither case, is the first application abandoned, nor is the second application. An applicant who is not the same person can still argue nonobviousness, and if the

applicant is the same person, it can either argue regular nonobviousness or it can use a terminal disclaimer to keep both applications alive. Finally, because ownership must either be the same person (which can be determined by seeing the list of Owners) or someone else who has an obligation to assign, none of the “attributable owners” other than Owners are relevant to this analysis.

4. **Verify that the party making a request for a post-issuance proceeding is a proper party for the proceeding.** There is no need to list anyone other than Owners in order to achieve this purpose. Moreover, there is no need to require any disclosure unless an actual post-issuance proceeding is pending. Finally, if determining who the proper party is in a post-issuance proceeding is important, the better approach would be to require the necessary information once the proceeding is commenced. If an identity of a holder cannot be determined, the USPTO could deem the listed assignee the proper party unless and until the actual owner files an assignment to it with the Patent Office (subject to the ninety day lookback that already applies to bona fide purchasers of patents). Moreover, the party making the request is often not the holder, and, therefore, information about the holder’s ownership is not relevant in any way to whether the party making the request is the proper party. Indeed, in that circumstance, it is the other party who should be disclosing its ownership.
5. **Ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading.** The public is already protected by the name of the assignee of the application or the patent. If the USPTO is concerned that the information is incomplete for published applications, listing the Owners should be enough. In this regard, it should be noted that during the pendency of the application, even one that has been published, members of the public are not generally at risk for infringement so there is no significant interest to protect. Once the patent has been issued, it is beyond the role of the USPTO to create a new ownership registration system. That is the job of Congress. In addition, because ownership would only be disclosed upon issuance, three years later, seven years later and eleven years later, the proposed regulations do not meet the stated purpose.
  - a. **Enhance competition and increase incentives to innovate by providing innovators with information that will allow them to better understand the competitive environment in which they operate.** Because none of the information that is required to be disclosed will be disclosed to innovators or anyone else until an application is published, this purpose does not require any disclosure until after publication. In some cases, that would last until the date of issuance. In addition, competition would primarily be enhanced by disclosure of

the actual application and the patent file (which are already disclosed no later than issuance) and not by a list of Owners, etc.

- b. **Enhance technology transfer and reduce the costs of transactions for patent rights since patent ownership information will be more readily and easily accessible.** Patent ownership and patent rights would only be disclosed four times (issuance, three years, seven years and eleven years). That would only have coincidental impact on transactions costs associated with patent transfers. Moreover, the only relevant information for a transfer is the identity of Owners. None of the other categories of “attributable owners” is relevant. Finally, ease of transfers of patent rights is far outside of the USPTO’s duties.
- c. **Reduce risk of abusive patent litigation by helping the public defend itself against such abusive assertions by providing more information about all the parties that have an interest in patents or patent applications.** Same comments as b.
- d. **Level the playing field for innovators.** Though “innovators” is not defined by the proposed regulations, it certainly appears that “innovators” as used in the proposed regulations are expected to be someone other than patent applicants and holders. The dictionary definition of “innovator” is a “person who introduces new methods, ideas or products.” That definition certainly implies a high correlation between those who apply for and receive patents and clear the hurdles of first to file, novelty and nonobviousness. That undisputed definition of “innovators” is certainly more closely correlated to applicants for and holders of patents than it is to those who neither file for nor receive patents. It is, therefore, upsidetdown to say that a regulation that can only harm innovators (by providing a new way to cause their applications and patents to go abandoned) is “leveling the playing field for innovators.” It is far more persuasive to say that the proposed regulation tilts the playing field against innovators. In addition, tilting the playing field is outside the scope of what the USPTO is authorized to do by regulation. If Congress wants to tilt the playing field in either direction, it can and has done so by passing legislation.

Based a review of the various purposes listed by the USPTO, the only portion of the proposed regulations that actually achieves one or more of the purposes is a requirement that true Owners be disclosed during the pendency of patent applications and perhaps during the pendency of certain post-issuance proceedings. In the latter case, leveling the playing field would require that all parties to the proceeding (not just the patent holder) make the same disclosures.

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