



April 24, 2014

Deputy Director Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director for the United States Patent and Trademark Office
United States Patent and Trademark Office
Mail Stop Comments – Patents
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Alexandria, VA 22313-1450

Sent Via Email: AC90.comments@uspto.gov

Deputy Under Secretary Lee:

Thank you for the opportunity to submit views to the United States Patent and Trademark Office (USPTO) regarding the request for comments on the proposed changes to the rules of practice around disclosure of patent ownership.

ACT | the App Association has 5,000 startups and small business members around the world. Since 1998, ACT has worked to advocate for the needs of small tech businesses and software developers. ACT fully supports requiring additional transparency around attributable owner rules. Transparency is incredibly important to combat patent trolls and shorten patent litigation generally. However, we have concerns that the existing proposal could have unintended consequences for startups and small firms focused on innovation.

Importance of Transparency

Transparency in ownership of patents could have a positive effect on small businesses engaged in innovation. Our members are without the financial resources to retain legal departments, and they rely on a stable and predictable environment in which to build their businesses. Where transparency of patent ownership can provide stability, it serves to foster the small business environment.

Transparency will also serve to decrease the destructive power patent trolls have had on our industry. Patent trolls are a real threat to our members and use of shell companies to hide ownership of patents makes fighting litigation against bogus patents much more difficult. When our members win litigation against trolls, they often find any damages or attorney's fees awarded to them not paid, as the shell company used to sue them contains no assets.

ACT has worked to create useful transparency in patent ownership. In 2013, ACT worked with House Judiciary Committee Chairman Goodlatte and supported passage of H.R. 3309, the Innovation Act. This Act contained provisions which would require greater transparency of patent

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ownership in litigation. ACT has supported similar provisions in the legislation currently being considered by the United States Senate.

Weighing Burden with Benefits

The benefit of requiring transparency with patent ownership is that it provides notice as to who owns the interest in an individual patent. Too often, patent trolls take advantage of the lack of transparency to bring suits against businesses who have no way of knowing who they are actually facing. Knowing the real party of interest would allow those facing patent trolls to more clearly evaluate their options, find previous suits brought by this party, and better and more quickly present a defense.

As published, the proposed rules require ownership and power of attorney disclosure during the filing period of a patent. The benefit of transparency, however, is not equal to the burden this requirement will place on individuals and businesses applying for patents, and on the innovation economy generally.

Companies and researchers take enormous risks, invest in long-term R&D, and are building the technologies on which the next wave of innovation will ride. Expanding attributable owner rules at the filing stage could make it more difficult for those companies to raise capital and find partners for potential commercialization. The most likely investors for these startups are strategic investors tied to larger companies, often companies who are not currently working on similar technology. These strategic investors are considering the potential for these technologies to be part of long-term product roadmaps. In many cases, these investors want to keep their investments quiet for pro-competitive and pro-innovation reasons. For example, look to Apple's acquisition of companies, technology, and people in the lead-up to the launch of the original iPod. Most of the acquisitions were kept quiet to allow the company to launch the iPod without competitors having a chance to get a head start on responding, or copying, their strategic direction.

We believe that the proposed changes would make this kind of strategic investment far less appealing. Not only would this make it much harder for inventive, R&D-based startups to raise capital, but also make it less likely that they apply for patents, thus depriving them of the benefits patents can provide. At a time when the patent system has finally turned the corner on software patent quality and we're looking for new inventions to fuel the next technological wave, expanding attributable owner requirements to the patent application and grant stage is unnecessary and could do real harm to startups and investments in long term R&D.

Instead of creating new hurdles of today's inventors, the PTO should focus on increasing transparency requirements on existing patents. According to recent data, the patents used by patent trolls are generally in the last three years of their lives. These older patents are part of a group of overly-broad and weak patents that slipped through the PTO during the 1990s. Transparency in current patent applications would little to address the patents that trolls use most often to go after small businesses.

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The vast majority of startups filing patents today are exactly the kind of companies and patents we should want. The primary patent danger for small businesses and startups today are the patents which have already been granted.

Best Transparency Balance

For small businesses with and without patents, the best balance for transparency is a system closer to what Members of Congress have proposed in the legislation passed by the House of Representatives. In H.R. 3309, transparency in patent ownership is required when a lawsuit for patent infringement is filed. The owner of the patent must disclose to the USPTO, the court, and each adverse party the identity of the: assignee of the patent, any entity with the right to enforce the patent or with financial interest in the patent, and every ultimate parent entity.

If required before a patent has been issued and the property right conferred on its owner, the disclosure of attributable ownership is overly-burdensome on the prospective patentee and not outweighed by any perceived benefit.

Transparency requirements are aimed at those who would hide behind shell companies and misuse the patent system. Therefore, ACT proposes that such ownership disclosure occur at a reasonable time after the patent has been granted or when the patent is first used in litigation, whichever comes first. This would allow the benefits of transparency and help businesses battle patent trolls while not causing harm to the innovation economy.

The patent system is built around rewarding those who invest time and capital in building our innovation economy and allowing their breakthroughs to teach and inform others. As such, we must implement transparency in a way that furthers our goal of promoting invention and innovation without unintentionally harming those inventors.

Thank you for the opportunity to comment and we look forward to working with the USPTO on patent ownership transparency.

Sincerely,

A handwritten signature in black ink that reads "Morgan Reed". The signature is written in a cursive, flowing style.

Morgan Reed

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The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
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Via email: AC90.comments@uspto.gov

**Re: Response to the Notice of Proposed Rulemaking entitled
“Changes to Require Identification of Attributable Owner”
79 Fed. Reg. 4105 (January 24, 2014); Extension of Comment
Period, 79 Fed. Reg. 9677 (February 20, 2014)**

Dear Deputy Under Secretary Lee:

The American Intellectual Property Law Association (AIPLA) is pleased to have the opportunity to present its views on the United States Patent and Trademark Office (the “Office”) Notice of Proposed Rulemaking entitled “Changes To Require Identification of Attributable Owner” as published in the January 24, 2014 issue of the Federal Register, 79 Fed. Reg. 4105 (the “Notice”).

AIPLA is a national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, government service and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law. Our members represent both owners and users of intellectual property.

The proposed regulations are in response to an Executive Action issued by the White House on June 4, 2013, entitled “Making ‘Real Party in Interest’ the New Default.”¹ This Executive Action calls for rulemaking to require patent applicants and patent owners to regularly update ownership information that includes titleholders and enforcement entities when the applicant or patent owner is involved in a proceeding before the Office.

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

Summary of Previous Related AIPLA Comments

In January 2012, AIPLA submitted comments to the Office in response to the “Request for Comments on Eliciting More Complete Patent Assignment Information.” 76 Fed. Reg. 72372, November 23, 2011. These comments responded to eight specific questions in the request and in general stated that the proposal would dramatically change the current procedure and impose substantial additional work and costs on applicants without providing significant benefits. Further, AIPLA said that while the request for comments gave reasons for the proposed change, the alleged problem was not substantiated with empirical data. In conclusion, AIPLA took the position that the proposed changes should not be implemented.

In January 2013, AIPLA submitted comments to the Office in response to the “Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term.” 77 Fed. Reg. 70385, November 26, 2012. These comments recognized that real party in interest information would be beneficial both during and after prosecution, and noted that publication indicating the real party in interest could aid in identifying conflicts within the Office. The comments expressed concern that the proposed requirements were unduly burdensome and may not provide the intended information. In addition, the comments suggested that the objective of making real party in interest information available to the public in the few applications and patents where it is needed may be achieved using much less burdensome procedures.

General Comments With Respect to the Current Proposed Rulemaking

As a preliminary matter, we wish to note that the stated goal of the White House Executive Action is to promote more complete disclosures of attributable ownership information to alleviate abusive patent litigation practices. According to the Executive Action, “[p]atent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls.” However, as noted below, there is a general dearth of evidence that NPEs “often” set up such shell companies, necessitating these rules, or even if that is the case, whether this can be corrected by adoption of procedures within the Office. Additional evidence that the proposed rules would actually correct behavior that is of concern would be helpful prior to making any significant proposed changes to the rules on stating ownership. We are extremely concerned that any rules that are adopted not place a huge burden on the largest customers of the Office, which are not by any accounts the players that are engaging in the behaviors that are causing concern.

AIPLA well appreciates that the draft rules attempt to address a legitimate concern (hiding ownership of patents). Unfortunately the rules as proposed try to address this concern through overly harsh consequences (abandonment) and potentially high burdens on all users of the patent system. We believe that the frequency of occurrence of hiding ownership is unknown, because one cannot in practice know how often something has been truly hidden. As a consequence,

AIPLA suggests that the rules, subject to our further comments below, be tested through a limited pilot program. Such a program should be designed on an appropriate scale to make the burdens manageable but also allow the Office to determine how frequently patent ownership is actually being concealed. Whatever information is collected during the pilot could be maintained in confidence by the Office, and the results could be presented statistically, followed by an analysis of the program and resubmission of proposed rules for comment. Further, the pilot should be structured so as to ensure that the parties already known to hide patent ownership would not be able to easily avoid participation in the pilot. AIPLA stands ready to work with the Office and other stakeholders to work out the details of such a pilot program, which should not be adopted without further thought and consideration.

Under 35 U.S.C. §102(b)(2)(C), a disclosure in a patent application is not prior art if the disclosed subject matter and the claimed invention were owned by the same person or obligated to be assigned to the same person not later than the effective filing date. Arguably, this provision imposes on the Office a need to know the identity of the patent owner. However, in cases where the Office has cited prior art where the applicant can demonstrate co-ownership, the applicant typically does so in that instance; there is no proffered evidence that this arrangement causes any undue added burden to the work of the Office.

The proposed regulations do not state how knowledge of the attributable owner will alleviate abusive patent litigation practices. Nor do they state how the identity of an enforcement entity is needed to “govern the conduct of proceedings in the Office” under Section 2(b)(2)(A). Further, the proposed regulations do not describe why the currently available procedures to determine the patent owner for the purposes of § 102(b)(2)(C) are not sufficient, given that they have governed practice before the office and with respect to myriad applicants without evident issue.

While each section of the proposed rules will be discussed in greater detail below, the following general comments are provided as a summary and backdrop.

- (1) While the stated problem in the executive order results from activities relating only to a very small percentage of patents, the proposed rule affects all patent applicants and any patentee or other party paying a maintenance fee, placing a tremendous collective burden on all patent applicants and many or most patent owners.
- (2) Practically speaking, determining the “attributable owner” in some cases will require an understanding of complex legal issues and business practices, as well as a legal opinion involving the law of specific jurisdictions (e.g., national, State, foreign, etc.), making the determination a potentially expensive exercise that will nevertheless result in information that may remain irreducibly vague (e.g., entities “required to be joined” in lawsuits). Moreover, the definition of “attributable owner” reaches far beyond the title holder and readily identifiable parent entities with a controlling ownership interest.
- (3) While the failure of a patent applicant to comply with the proposed rule during prosecution would result in the harsh penalty of “abandonment,” there is no explicit

penalty for the patent owner that fails to provide the mandatory update of attributable ownership for patents involved in Patent Trial and Appeal Board Trial Proceedings or subject to maintenance fee payments, which may leave those procedures ineffective.

(4) Some portions of the proposed rule seem to exceed the rulemaking authority of the Office. For example, AIPLA believes that the Office would exceed its statutory authority under 35 U.S.C. § 2(b)(2) to require disclosure of an enforcement entity.

(5) There are confusing or unclear terms in the proposed rule.

(6) The proposed rule may include public disclosure of confidential ownership information and confidential exclusive license arrangements, which may adversely affect existing and future contractual relationships.

Statutory Authority

The statutory authority for the proposed rules appears at 35 U.S.C. § 2(b)(2)(A), which states that the Office “may establish regulations, not inconsistent with law, which ... shall govern the conduct of proceedings in the Office.” In *Star Fruits S.N.C., v. United States*, the Federal Circuit found 37 C.F.R. § 1.105 to be within the rulemaking authority of the USPTO. 393 F.3d 1277 (Fed. Cir. 2005). The examiner used this rule to require an applicant to provide information on sales of the claimed plant variety anywhere in the world. *Id.* at 1280. The Court upheld the rule even though the requested information – sales outside of the United States – would not have been prior art under 35 U.S.C. § 102. The request was deemed proper because the information was relevant to the examination of the patent application. *Id.* at 1282.

Applying *Star Fruits* to the proposed rules, it is arguable that the Office has the authority to require applicants to identify the owner of the claimed invention so that the examiner may determine which references are disqualified as prior art under 35 U.S.C. § 102(b)(2)(C), on the grounds that they were commonly owned as of the effective filing date of the claimed invention being examined. 79 Fed. Reg. at 4108. Also, Office personnel need to know whether they have a conflict of interest in examining an application, for example if they own stock in the ultimate patent owner. *Id.* It is doubtful, however, that the Office has the authority to require applicants to identify the enforcement entities of an issued patent, or those with other financial interests.

It is also doubtful that the Office has the authority to require applicants to update the ownership information when maintenance fees are paid on an issued patent. The justification given for this requirement in the Notice is based on the post-grant proceedings under the Leahy-Smith America Invents Act. The Notice states that a person initiating one of these procedures needs to know the attributable owner. *Id.* Both Post Grant Review and Inter Partes Review, however, already require the patent owner to identify the real party in interest in the patent owner’s response. The Notice does not indicate why that information is not sufficient to meet the needs of the Review requesters and/or the Office in those proceedings.

It is also doubtful that the Office has the statutory authority to require disclosure of assignees and licensees of applications and patents filed before the effective date of the rules. These assignments and licenses may be confidential. Requiring their disclosure would be a substantive rule change as it would “‘effect a change in existing law or policy’ which ‘affect[s] individual rights and obligations.’” *Cooper Technologies Co. v. Dudas* 536 F.3d 1330, 1336 (Fed. Cir. 2008). At least to the extent that these rules would require disclosure of information that the parties had previously agreed would be held in confidence, the rules would affect individual obligations and, thus, would be substantive. The Office does not have the authority under 35 U.S.C. § 2(b)(2) to issue substantive rules. *Cooper Technologies*, 536 F.3d at 1336.

Detailed Comments on the Proposed Provisions

Proposed § 1.271 -- Attributable Owner (Real-parties-in-interest for reporting purposes).

Proposed § 1.271(a)(2) may require public disclosure of confidential ownership information and confidential exclusive license arrangements. Because it could adversely affect an existing contractual relationship by, for instance, requiring one of the contracting parties to violate a confidentiality provision, it cannot be considered merely procedural, and hence exceeds the Office’s rulemaking authority. It is also irreducibly vague, resulting in the danger that the failure to identify a marginal party could result in forced abandonment. Applying such a broad and vague requirement, subject to significant post-hoc variance and analysis, with the potential penalty of abandonment puts patent applicants at a serious disadvantage, which might engender vast over-disclosure of potential interests that might, in hindsight, be considered to possibly require “joinder,” arguably hurting not helping accurate disclosure of attributable ownership.

Proposed § 1.271(b) incorporates by reference definitions from unrelated volumes of the CFR. This leaves many terms undefined. For example, it remains unclear what an unincorporated “foundation, fund or institution” is for the purposes of attributable ownership. The patent rules should be self-contained.

Proposed § 1.271(c) is unclear and confusing. It is vague as to what types of agreements are covered and the effects of these agreements. Also, the term “vesting” is not defined, especially as it concerns an enforcement entity.

While proposed § 1.271(d) provides a definition of “entity” that overrides the definition in 16 C.F.R. 810.1, the terms “control” and “hold” remain defined in that section. To provide the requested information, the patent applicant or owner would need to understand these terms as well.

In proposed § 1.271(e), the exclusion of governmental bodies from the definition of “entity” may make it difficult to determine the identity of the ultimate parent entity when a majority share of a corporation is owned by one or more governmental entities. In this case, there may be no “ultimate parent entity” because the controlling entity is not an “entity” under the definition.

With respect to proposed § 1.271(f), there is no justification for the disclosure of the information required by § 1.271(f). For example, of what benefit is the stock symbol and stock exchange of a publicly traded company? What is the benefit of requiring the residence address of a natural person? Furthermore, important information is not included, such as an address for service.

Proposed § 1.271(g). This further significantly and vaguely expands the potential sphere of “attributable owners.” Further, even given a corporate parent company that has been properly disclosed, if e.g. an individual shareholder acquires stockholder control (whether by purchasing more than 50% of stock or other equivalent control), patent practitioners would be required to keep abreast of such corporate and shareholder matters on behalf of all of their clients, or risk potential abandonment of applications.

The estimated burden of providing the required information about all of the attributable owners as being approximately six minutes is grossly underestimated. Given the complex corporate structures of many multinational corporations, it may be very difficult to provide all of the information required in § 1.271(f) to identify all of the attributable owners. Many of these corporations have thousands of active patents and applications. Providing the required information would be unduly burdensome. Because the penalty for providing erroneous information may involve abandonment of the application and/or a violation of Rule 56, more than a cursory investigation is needed. The estimated burden should include the estimated cost of the investigation and not just the cost of filling out the form.

Lastly, the requirement to identify all partners in a partnership and all shareholders in a privately held corporation is overreaching and unnecessary. It includes passive as well as active entities. Disclosure of this information would be invasive and unduly burdensome for start-up corporations, the ownership of which may change frequently as new angel investors and venture capital funding is obtained. For the purpose of “the conduct of proceedings before the Office, the identity of the corporation or partnership should be sufficient.

Proposed § 1.273 -- Initial identification of attributable owner in an application.

The remedy in this section, namely abandonment of the application for failure to provide the attributable owner information or for providing erroneous information when the application, reissue application or PCT application is filed, is too harsh a penalty.

This is substantive rulemaking, and hence exceeds the Office’s rulemaking authority, because it may require the disclosure of information that is confidential under a pre-existing contractual relationship (*i.e.*, a confidential owner or a confidential exclusive licensee).

Disclosure of the attributable owner at the time the application is filed should be limited to the actual assignee of the application. This is clear, understandable, and conforms with general best practices, and also makes clear, at least at the time of the application, who can be sued or notified.

Proposed § 1.275 -- Maintaining current attributable owner during prosecution of an application.

The requirement in this section for updating attributable ownership information during prosecution is unduly burdensome on the patent applicant and the practitioner. Changes in the attributable owner of an application due to intra-corporate transfers of a public corporation or changes in investors of a privately-held corporation would often not be known either to the technology department of a company, or to a patent practitioner. Thus, the practitioner would need to docket a task, and perhaps to gather extensive corporate information, to determine whether the information is current every three months during the pendency of the application. The result of not doing this would be that the application may go abandoned due to an unknown change in attributable owner.

Changes in attributable owner of a patent application, especially changes to the enforcement entity, are immaterial to the examination of the application. The information required should be limited to the identification of the assignee, as that is the party that one must sue or seek notice from.

This is substantive rulemaking, and hence exceeds the Office's rulemaking authority, as it may require the disclosure of information that is confidential under a pre-existing contractual relationship (*i.e.*, a confidential owner or a confidential exclusive licensee).

Three months is too short a time for complex transfers involving a corporate acquisition. It may be difficult to determine what patent rights are owned by an acquired company, especially if the agreement lists patent rights according to general technology area or field of use.

Proposed § 1.277 -- Identifying current attributable owner at allowance.

Any requirement for updating Attributable Ownership information when a notice of allowance is mailed would be substantive rulemaking, and hence exceed the Office's rulemaking authority, as it requires the disclosure of information that may be confidential under a pre-existing contractual relationship (*i.e.*, a confidential owner or a confidential exclusive licensee). In effect, it would make it unlawful to confidentially assign or license an invention.

As stated above, three months is too short a time for complex transfers involving a corporate acquisition. It may be difficult to determine what patent rights are owned by an acquired company, especially if the agreement lists patent rights according to general technology area or field of use.

Proposed § 1.279 -- Correction of failure to notify the Office of a change to the attributable owner and errors in notice of attributable owner in a pending application.

This section provides a relatively inexpensive method to correct a good-faith error in a pending application, which is positive.

However, the fee under § 1.17(g) of \$200 for a large entity is high because it applies to each application. One possible improvement may be to allow one petition to cover multiple applications for a single \$200 fee.

Additionally, the rule or the accompanying comments should provide more guidance as to what is required for the “showing of the reason for the delay, error, or incompleteness.”

Proposed § 1.381 -- Identifying current attributable owner with maintenance fee payment.

Many patent owners outsource the payment of maintenance fees to payment services and rely on these services to keep track of the due dates. This regulation would require coordination between the company and the maintenance fee service to ensure that the information is updated before the maintenance fee is paid.

The regulation does not provide any penalty for failure to update the attributable ownership information.

A possible improvement may be to not require any affirmative indication or submission when there has been no change in the attributable ownership information.

There is a question as to how this provision would be enforced. It cannot be raised in a post-grant procedure, as Inter Partes Review is limited to printed publications and Post Grant Review is limited to defenses under 35 U.S.C. § 282(b). Because the rule does not specify a penalty, it is difficult to see how it could be enforced in a court proceeding, and including a penalty may exceed the Office’s rulemaking authority.

Proposed § 1.383 Identifying attributable owner in patents involved in Patent Trial and Appeal Board Trial Proceedings.

The comments do not describe any problem with the real party in interest information currently required under §42.8(a)(2). This information should be sufficient in a post-grant proceeding. Information about the enforcement entity is immaterial to the post-grant proceeding as it is the patent owner who will lose rights if the patent is invalidated.

It is inefficient and confusing to have regulations covering one submission in two different sections of the C.F.R. Any modification of this requirement should be implemented as a rule change to § 42.8(a)(2).

The regulation does not provide a penalty for failure to disclose this information, so the provision would be ineffective.

Proposed § 1.385 -- Identifying attributable owner in patents involved in supplemental examination and reexamination proceedings.

As stated above, it is inefficient and confusing to have regulations covering one submission in two different sections of the C.F.R. Any requirement for submissions with reexamination requests and supplemental examination requests should be contained in § 1.510 and § 1.610, respectively.

The requirement to submit updated attributable owner information in a reply or other paper raises the same concerns as the need to update the attributable owner information during prosecution as set forth in the comments to § 1.275, above.

Proposed § 1.387 -- Correction of failure to notify the Office of a change to the attributable owner and errors in notice of attributable owner in a patent.

With respect to correcting a good-faith error in identifying the attributable owner in an issued patent, see the comments to § 1.279, above.

Alternative Rule Concepts

Given the concerns raised above on the proposed rules, AIPLA requests that consideration be given to the following suggestions, which would benefit from further public comment. These alternative rule concepts are designed to be tailored to address the abusive patent litigation tactics that have given rise to concerns, while avoiding much of the undue burden to the Office, and to legitimate users of the patent system. As previously discussed, the stated goal of providing more complete attributable ownership information, according to the White House's Executive Action, is to alleviate allegedly abusive patent litigation practices. Thus, the rules required to achieve that goal would be those that are sufficient to address the problem of abusive tactics, which apply in only a limited number of patent litigation procedures and only to a very limited number of patent applications and patents. It is AIPLA's position that any proposed rules should be as limited as possible to address the stated goal without affecting current patent practice that does not contribute to the stated problem.

1. A first alternative rule could require a patent owner to assure that any immediate assignee of the patent is up-to-date in the electronic file wrapper or the patent assignment database when the application is filed and when the patent issues. Rather than disclosing the information required in §§ 1.271(f) and (g) for the entities described in §§ 1.271(a)-(e), it is suggested that the Office may require disclosure of the ultimate parent entity when an application is filed. This would satisfy the examiner's needs under 35 U.S.C. § 102(b)(2)(C). In addition, to the extent that the Office is authorized to require basic assignee information, this may be done when the Notice of Allowance is mailed.

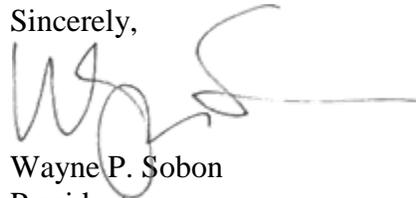
2. A second alternative could require that, if assignment information for a parent entity of the immediate assignee is not of record, then the applicant will not qualify for the exclusion of prior art owned by that parent entity, under 35 U.S.C. § 102(b)(2)(C).
3. AIPLA also believes that there are a number of situations where ownership is apparent based upon the use of a common name in both the specific owner and more general corporate family, such as through the use of a common house-mark. In such instances, we believe that corporate formalities overwhelm the ease by which ownership can be readily appreciated, and that the Office should craft rules that provide clear and easy to understand “safe harbors” for patent owners who have such common structures under similar/common names.
4. Another alternative would be to require the patent owner to assure that just the basic assignee information (including ultimate parent entity) is disclosed and up-to-date before they undertake any steps to enforce a patent, *e.g.*, initiate an infringement suit.
5. A further alternative could allow a member of the public to anonymously request acceptable real party in interest information at any time during prosecution of a patent application or after its issuance. The Office could contact the currently identified owner and require that owner to identify or otherwise verify the basic assignee information including ultimate parent entity within a certain time period, for example 60 days, and the information would be published in the electronic file wrapper. Once basic assignee information has been provided in response to a public inquiry, that information would need to be updated with any change for the next 12 month period.
6. Another alternative rule could require updating the ownership information when a patent becomes involved in certain post-issuance proceedings at the Office, including supplemental examination, *ex parte* reexamination, or a trial before the PTAB or a U.S. District Court. If the patent owner does not update the information, the patent owner or any enforcement entity would not be able to bring suit based on the patent until the attributable owner information is corrected, including the enforcement entity. In addition, the patent owner or enforcement entity would not be able to collect damages for any time that the basic assignee information was incorrect. The penalty proposed for the alternative rule is similar to the Copyright Act (17 U.S.C. § 411) which requires registration or preregistration of a copyrighted work before suit can be brought based on that work. It also has an analog in the patent marking statute at 35 U.S.C. § 287(a).
7. Lastly, rather than change or verify the basic assignee information at various stages of a patent application or patent’s life, an owner could voluntarily provide an updated organization chart that would allow a member of the public to see the ownership connection of an application with the basic assignee information.

These alternative rules would remove the burden of the proposed rule from the vast majority of users, would provide the ownership information to the office where it is actually needed, and would allow the public, if there is a want or need to know who the attributable owner is, to request that information.

* * *

AIPLA appreciates the opportunity to comment on the Proposed Rulemaking regarding the Requirement to Identify Attributable Ownership. AIPLA looks forward to further dialogue with the Office including discussions of possible alternatives to the currently proposed rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne P. Sobon", with a long horizontal line extending to the right.

Wayne P. Sobon
President

American Intellectual Property Law Association

AIPPI • JAPAN



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International Association for the Protection of Intellectual Property of Japan

April 24, 2014

Ms. Michelle K. Lee
Deputy Under Secretary of Commerce
for Intellectual Property and Deputy Director of
the United States Patent and Trademark Office

Attention to: Mr. James Engel
Senior Legal Advisor, Office of Patent Legal Administration
Office of the Deputy Commissioner for Patent Examination Policy

Re: Comments on the “proposed rules for changes to require identification of
attributable owner”

Dear Sirs,

The Japanese Group of AIPPI (AIPPI Japan) appreciates the opportunity to offer comments regarding the “proposed rules for changes to require identification of attributable owner”

AIPPI Japan is the local group in Japan of AIPPI, The International Association for the Protection of Intellectual Property, which has more than 9,000 members worldwide. The Japanese group was founded in 1956 and currently has about 1,100 members (approximately 900 individuals and 200 corporate members). It is the largest national/regional group of AIPPI. Its members include patent attorneys, lawyers and other patent practitioners in private and corporate practice, and in the academic community. AIPPI Japan represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property.

Our comments are as follows.

AIPPI Japan's Comments regarding the USPTO's proposed rules for changes to require identification of attributable owner

AIPPI Japan understands the importance to ensure timely updating of patent ownership information and enhance the transparency of such information for the benefit not only patent examiners and patent judges but also third parties. However, in view of possible undue burdens on ordinary patent applicants and patent owners, we have the following comments and wish a reconsideration of the proposed rules in question.

1. The proposed rules uniformly require a patent applicant and patent owner (hereinafter collectively referred to as the "patent owner") to record attributable owner information at each step during the prosecution process; upon filing, when replying to an Office action, upon patent registration, upon payment of a maintenance fee, upon filing a petition for post-grant proceedings, and during post-grant proceedings. This requirement is not advisable because it would complicate procedures and place an undue burden on the financial and human resources of patent owners.

1-1. We therefore respectfully propose that the proposed rules be revised to provide that a new attributable owner should be recorded within a predetermined period (e.g., three months) from the date of a change during the period from the filing of the application to the expiration of the patent term with regard to the attributable owner information recorded at the time of the filing.

The revised rule which we propose in the preceding paragraph should also apply to post-grant proceedings (e.g., *inter partes* review (IPR), covered business method review (CBM), and post-grant review (PGR)), because a rule exists requiring a patent owner to file notice confirming who has standing to enforce the patent immediately after the petition to institute proceedings is filed. Therefore, recording of attributable owner information should be required within the predetermined period after filing the petition "only where there is a change" in the attributable owner.

1-2. If our proposal mentioned in item 1-1 above is unacceptable to the USPTO, we alternatively propose that the proposed rules be revised as follows:

In order to mitigate the burdens (for example, required time and cost) on patent owners and their attorneys, a simple procedure should be considered to enable them to report no change in the attributable owner each time reporting is required. Such consideration may include, for example, providing a check box or sample statement in an application data sheet (ADS) or any other form to be submitted.

2. Upon filing and while a patent application is pending

The information required to be reported upon filing and while a patent application is pending must be limited to the minimum necessary for a patent examination. Recording of attributable owner information should be required only where there is a change in the attributable owner recorded at the time of the filing, who was the "same person" within the meaning used in the provisions of AIA-35 U.S.C.102(b)(2)(C); "the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person."

3. The definition of an "attributable owner," which must be recorded under the proposed rules, is complicated. We therefore request that the USPTO includes brief examples to enable users to ascertain what parties would be regarded as attributable owners without consulting experts in corporate law because there may be some differences between the corporate law of the United States and that of other countries. To be specific, we believe undisclosed shareholder information and licensee information should be excluded from the scope of attributable owner information.

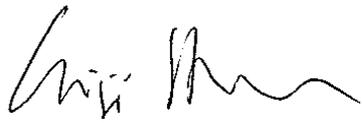
4. Penalty for failure to comply with the requirement

According to the proposed rules, a patent owner who failed to comply with the requirement to record attributable owner information shall be subject to severe penalties, i.e. abandonment of the application or loss of the right to enforce the patent. We believe remedies for failure to meet the time limit without malicious intent or due to *force majeure* as well as conditions for enjoying such remedies should be established, while ensuring consistency with the Patent Law Treaty (PLT).

5. Procedure for reporting after the patent grant

After the patent is granted, requiring the recording of attributable owner information only at the time of a maintenance fee payment is insufficient to ensure timely updating of information (because of the possibility of a considerable time lag between the change and the recording). Therefore, recording of attributable owner information should be required within the predetermined period (e.g. three months) for any change in the attributable owner occurring after the patent grant, instead of only at the time of the first to third fee payments.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Eiji Katayama', with a stylized, flowing script.

Eiji Katayama
President
The Japanese Group of AIPPI



THE BOSTON PATENT LAW ASSOCIATION

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April 24, 2014

By Email: AC90.comments@uspto.gov
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Re: Comments on Changes to Require Identification of Attributable Owner, in response to requests for comments at 79 Fed. Reg. 4105 (January 24, 2014) (submission deadline extended to April 24, 2014 at 79 Fed. Reg. 9678 (February 20, 2014))

Dear Sir:

The Boston Patent Law Association (BPLA) thanks the United States Patent and Trademark Office (USPTO) for the opportunity to comment on the proposed rules to implement changes to require identification of attributable ownership. The BPLA is an association of intellectual property professionals, providing educational programs and a forum for the exchange of ideas and information concerning patent, trademark, and copyright laws in the Boston area. These comments were prepared with the assistance of the Patent Office Practice Committee of the BPLA. These comments are submitted by the BPLA solely as its consensus view. They are not necessarily the views of any individual member, any firm, or any client.

We appreciate the USPTO's efforts to further improve the information available to the public regarding patent applications and granted patents, and offer the comments presented below in an attempt to assist the USPTO in these efforts. *See* 79 Fed. Reg. at 4105-06. Our comments are organized by subject.



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I. What Ownership Information Should Be Reported? Section 1.271 Attributable Owner (Real-parties-in-interest for reporting purposes)

Proposed Rule 1.271 defines the entities that will be required to be reported under the procedures set forth in this set of proposed rules. Paragraph (a)(1) would require that assignees be reported. Paragraph (a)(2) would require that entities that would be necessary to join in a lawsuit to have standing to enforce the (resulting) patent be reported (“enforcement entities”). Paragraph (b) would require the ultimate parent entity as defined in 16 C.F.R. § 801.1(a)(3) be reported. Finally, paragraph (c) would require any entity using various instruments to temporarily divest or delay attributable ownership be reported.

The BPLA supports reporting assignees, as required by paragraph (a)(1), but does not support the requirement for reporting the other entities discussed above because such requirements would unnecessarily burden patentees, applicants, and patent practitioners, without appreciably increasing the useful information provided to the public.

Regarding the paragraph (a)(2) requirement to disclose enforcement entities, standing is one of the more complex areas of the law, and one which is also subject to frequent revision. Moreover, patent practitioners, and patent agents in particular, typically lack extensive knowledge of standing law. If enforcement entities must be disclosed, then practitioners will have to request this information from their clients, who may not have such information readily available. Clients, as well as their licensees, may also be reluctant to have such information disclosed publicly. Furthermore, abandonment, for example, is an overly severe penalty for making an incorrect interpretation in this complex area of law. Accordingly, requiring the disclosure of enforcement entities as part of attributable ownership will burden clients, licensees, and practitioners with unnecessary costs and increased uncertainty. Providing the public with access to assignee information for each patent is sufficient to afford a person interested in licensing a patent or addressing a potential infringement issue with a point of contact to begin such a discussion.

As with enforcement entities, the BPLA believes that requiring the reporting of the ultimate parent entity under paragraph (b) unduly burdens patentees, applicants, and practitioners, without corresponding significant benefits to the public. A practitioner may not be aware of a client’s full corporate structure, and ordinarily will not be informed when that structure changes. Similarly, clients may not be aware of the need to notify practitioners when such changes occur. Thus, practitioners must continually request updates from their clients, who in turn will be required to inform them of changes in corporate structure, leading to added costs and complexity. Combined with the enforcement entity requirement of paragraph (a)(2), this burden may extend to investigating and reporting a licensee’s corporate structure, which as discussed above, licensees and other business partners may be unwilling to provide publicly, thus discouraging patenting and licensing.



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The proposed requirement of paragraph (c) is equally onerous because it requires additional research into various instruments and arrangements that typically falls outside the expertise of patent practitioners. As with enforcement entities and ultimate parent entities, clients and licensees may also wish to avoid having to disclose the existence of such arrangements, and the benefits to providing information about all such arrangements to the public is not apparent. Thus, paragraph (c)'s requirements will generate further costs, with a corresponding decrease in investment and patenting activity, without apparent substantial benefit.

Regarding the stated objectives of assisting Examiners in identifying potential double patenting rejections, assignee information will inform most such situations. Furthermore, under Rule 56, applicants and practitioners already have a duty to bring any such information relating to potential double patenting rejections to an Examiner's attention. *See* 37 C.F.R. § 1.56. If an Examiner requires further information regarding ownership with respect to double patenting or other prior art-related issues, the Examiner may request this information under existing practice. *See* 37 C.F.R. § 1.78(f). Similarly, if an Examiner believes based on the assignee information provided that there may be a potential conflict of interest in examination or issue with respect to power of attorney, the Examiner may request further information as necessary from the applicant. *See id.*

On the other hand, if an Examiner is entirely unaware that an entity, in which he or she has a financial interest, is an attributable owner under the proposed Rules, then no conflict of interest has arisen that needs to be rectified. Under 5 C.F.R. § 2640.103, an Office employee is "prohibited from participating personally and substantially in an official capacity in any particular matter in which, *to his knowledge*, he or any other person specified in the statute has a financial interest." (Emphasis added.) Identifying other peripheral interests seems more likely, therefore, to create the existence of a conflict where none would have existed in the first place. Identifying additional parties as called for in the proposed Rules would place new burdens on the USPTO to clear any conflicts, and may slow prosecution even further, i.e., more time to review information, clear any conflicts, and if the information changes during prosecution a potential need to transfer. Conflict check using assignee information only seems sufficient and more practical.

Finally, paragraph (e)'s exemption from the definition of "entity" for federal, state, and foreign agencies is potentially problematic. Not only would it undermine the objectives of the proposed rules by exempting from compliance large categories of entities, for example, public state universities, but it would also fail to evenly distribute the burden of disclosure.

Accordingly, BPLA suggests that proposed Rule 1.271 should be limited to the entities described in paragraph (a)(1) and that paragraphs (a)(2), (b), and (c) should be omitted. While BPLA acknowledges that providing assignee information for each patent provides a benefit to the public, it is unclear what significant additional benefit is afforded by the complex and onerous reporting provisions of paragraphs (a)(2), (b), and (c).



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II. When Should Ownership Information Be Reported? Sections 1.273, 1.275, 1.277, 1.381, 1.383, and 1.385

Proposed Rules 1.273, 1.275, 1.277, 1.381, 1.383, and 1.385 define the times at which attributable owners must be reported. During the pendency of an application, proposed Rules 1.273 and 1.277 require disclosing the attributable owner at the time of filing and allowance, respectively, while proposed Rule 1.275 requires disclosing changes in attributable ownership at any other time between these two events. After issuance, proposed Rules 1.381, 1.383, and 1.385 require disclosing attributable ownership information in conjunction with the payment of maintenance fees, proceedings before the Patent Trial and Appeal Board, and supplemental examination and reexamination proceedings, respectively.

The BPLA supports reporting the assignee information at the time of filing and allowance, as required by proposed Rules 1.273 and 1.277, respectively, but does not support the requirement for reporting ownership at other times, because of the increased costs and complexity, as well as the uncertain benefit from such additional reporting.

Filing and allowance are appropriate times to require disclosing attributable ownership information. In the former case, the applicant already has an obligation to provide other details as part of the patent application. Moreover, the Notice of Missing Parts is a natural, pre-existing mechanism to address instances where the applicant omits to supply the assignee information at the time of filing. As for the latter case, a Notice of Allowance is a discrete event that gives the applicant sufficient notice that updated assignee information is required. These proposed requirements would also be in keeping with the existing practice for the timing of recording voluntary assignments. *See, e.g.*, 79 Fed. Reg. at 4115 (noting “[t]he high percentage of patent applicants who currently submit an assignment document for recordation and the relatively low percentage of patent applicants who submit a second assignment document for recordation”).

In contrast, requiring further reporting of attributable ownership at all other times during prosecution under proposed Rule 1.275 would be onerous for applicants and practitioners, because of the added costs and complexity associated with continuous inquiry to clients, or conversely, notification of practitioners. Under the current rules the real party in interest must be identified in an appeal brief or in a contested case under 37 C.F.R. §41.8(a)(1). Moreover, given that an Examiner would have initial assignment information upon filing in order to inform the examination, and that the patent could not be asserted against third parties until after issuance, this additional disclosure requirement during prosecution would be of minimal benefit in accomplishing the objectives of the proposed Rules.

Similarly, further disclosure of attributable ownership at certain times following issuance, as required by proposed Rules 1.381, 1.383, and 1.385, also appears to provide minimal added benefit, not only given existing voluntary recording practice, but also because of the infrequent timing of maintenance fee payments and post-grant proceedings. The BPLA believes that the



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requirement under existing practice to identify real parties in interest in post-grant trial proceedings is already sufficient. *See* 37 C.F.R. § 42.8(a)(2), (a)(3), (b)(1). Likewise, Supplemental Examination also already requires identification of "the owner(s) of the entire right, title, and interest in the patent requested to be examined" and can only be filed by such a party. 37 C.F.R. §§ 1.601(a) and 1.610(b)(9).

Accordingly, the BPLA suggests that the proposed reporting times should be narrowed to the time of filing (proposed Rule 1.273) and upon a notice of allowance (proposed Rule 1.277) and that Rules 1.275, 1.381, 1.383, and 1.385 should be omitted from the final implementation of the proposal. Such an amendment would limit the burden created by requiring additional reporting times.

III. Enforcement and Correction. Sections 1.273, 1.275, and 1.277

The BPLA believes that abandonment is too severe of a penalty for failing to properly report ownership information. In particular, the BPLA disagrees with any interpretation of the rules under which a party that in good faith attempts to name all attributable owners, but makes a mistake that is not discovered until later, e.g., during infringement litigation, will nevertheless face abandonment of the application or patent under proposed Rule 1.273. Clarification of this point in the rules would be beneficial.

The proposed abandonment penalty may also have negative consequences for the judicial system, despite a central objective of the proposed Rules being the abatement of litigation abuses. A comparison with inequitable conduct is instructive. Because a finding of inequitable conduct leads to the unenforceability of the patent in question, alleged infringers often raise this defense, burdening the courts with the task of evaluating such claims. Moreover, patentees are often pressured into settling even when facing meritless inequitable conduct claims rather than risk unenforceability. The BPLA believes that the proposed abandonment penalty will similarly tax judicial resources by requiring courts to evaluate additional infringement defenses, while unfairly disadvantaging patentees in litigation for what is at most a minor technical issue.

Proposed Rules 1.279 and 1.387 provide a method for correcting a failure to notify the office of a change to the attributable owner, at the pending application stage and after grant, respectively.

Each of these proposed Rules notes that "the failure or error may be excused . . . by a showing of reason for the delay, error, or incompleteness, and the petition fee set forth in 1.17(g)." 79 Fed. Reg. at 4120. The BPLA believes that delay, error, or incompleteness should be excused upon a statement that such delay, error, or incompleteness was unintentional. Otherwise, patentees, applicants, and practitioners will have the added costs and complexity of compiling evidence that could be used to make the showing required by proposed Rules 1.279 and 1.387. Moreover, there will be increased uncertainty as to what kind of evidence the USPTO will consider sufficient to excuse a good faith failure to provide attributable ownership information.



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The BPLA also believes that, once corrected, the patent or application should be treated as if the ownership information was originally correctly provided.

As discussed above, BPLA agrees that identification of assignee information should be required (1) at the time of filing, e.g., as part of the Application Data Sheet or requirement pursuant to the Notice to File Missing Parts, which must be completed in order to proceed with prosecution; and (2) with the issue fee payment, which must be submitted in order for the patent to issue. Failure to report assignee information should thus be addressed by the USPTO at these time periods. Inadvertently incomplete or incorrect reporting of assignee information should be correctable with a statement that it was made unintentionally, as noted above. Intentionally false or misleading misrepresentations would adversely affect the enforceability of the patent, as provided for under existing law regarding inequitable conduct.

IV. Additional Observations (Economic Costs of Compliance and Legislative Alternatives)

The USPTO has estimated that the cost of compliance will average \$100 per application. *See* 79 Fed. Reg. at 4116. The BPLA believes that this estimate is too low. The 2013 Report of the Economic Survey published by the American Intellectual Property Law Association (AIPLA) indicates that in 2012, the median fee for legal services associated with paying a routine maintenance fee for a U.S. patent was \$250. *See* Am. Intellectual Property Law Ass'n, 2013 Report of the Economic Survey 27 (2013).

The BPLA believes it is reasonable to estimate that the average cost of compliance with these rules over the lifetime of an application and patent will at least exceed the \$250 costs associated with each payment of a maintenance fee. When multiplied by the 437,000 annual applications received by the USPTO, *see* 79 Fed. Reg. at 4115, even a low estimate of the economic effects associated with this rulemaking will annually exceed \$100 million. The BPLA therefore suggests that the USPTO reconsider the costs of implementing these proposed rules, given the potential negative impact on investment, research and development activities, and the economy as a whole.

As for the White House executive actions calling for new measures to address patent litigation abuses, which the USPTO has identified as a primary driver for the proposed Rules, the BPLA notes that Congress is also considering reforms to address many of these same issues. *See* H.R. 3309, 113th Cong. (2013). The BPLA suggests that the USPTO consider whether Congress is the more appropriate body to implement such tailored remedies without potential concerns about statutory authority.



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V. Conclusion

The BPLA appreciates the opportunity to comment on the USPTO's proposed Changes to Require Identification of Attributable Owner. Thank you in advance for your consideration of our comments.

Sincerely,

Boston Patent Law Association

By: *Nicole A. Palmer*

BPLA Patent Office Practice Committee Co-Chairs

Emily R. Whelan, Esq.

Nicole A. Palmer, Esq.



April 24, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
Mail Stop Comments-Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Via email: AC90.comments@uspto.gov

Attn: James Engel, Office of the Deputy Commissioner for Patent Examination Policy

Dear Deputy Under Secretary Lee:

BSA | The Software Alliance is pleased to have the opportunity to submit its views to the United States Patent and Trademark Office (“PTO”) with respect to the request for comments on Changes To Require Identification of Attributable Owner. BSA is a strong supporter of increased transparency in patent ownership.

BSA is the leading advocate for the global software industry.¹ Patents are a critical way our members protect their innovations. This is because BSA believes that Intellectual property rights are the cornerstones of innovation—giving creators confidence that it is worth the risk to invest time and money in developing and commercializing new ideas. For the software industry in particular, robust intellectual property protections are fundamental to ongoing innovation and technology improvements. As a result, BSA members support ongoing efforts to improve the quality of software patents.

I. BSA Strongly Supports Greater Transparency of Patent Ownership

BSA applauds the efforts both at the PTO and in Congress to improve access to patent ownership information. Any market is made more efficient by better information. An effective and efficient patent system - and the market between licensors and licensees - will benefit from a greater disclosure of ownership information.

Transparency regarding ownership interest in a granted patent is also important for good-government purposes. A patent is a grant by the government of a limited monopoly. The traditional trade-off for the grant is disclosure of the invention. In BSA’s view, however it is also appropriate after that grant is made to encourage the owner of the patent to disclose the attributable owners of the patent.

¹ BSA’s members include: Adobe, Altium, Apple, ANSYS, Autodesk, AVG, Bentley Systems, CA Technologies, CNC/Mastercam, Dell, IBM, Intel, Intuit, McAfee, Microsoft, Minitab, Oracle, PTC, Rockwell Automation, Rosetta Stone, Siemens PLM, Symantec, Tekla, The MathWorks, and Trend Micro.

There is an appropriate role in creating a more transparent patent system for both Congress and the PTO. In December, BSA applauded the bipartisan passage of H.R. 3309, the Innovation Act, by the House of Representatives. BSA specifically supported the provisions in that legislation that require greater disclosure of ownership information at the point of litigation. BSA also announced its support for the similar transparency provisions in S. 1720, the Patent Transparency and Improvements Act, introduced by Senators Leahy, Lee, Whitehouse, and Klobuchar.

The PTO's proposed rules complement the legislative efforts and should be viewed in light of Congress's actions. The proposed rules are, after all, based on a delegation of authority from Congress.

II. New Attributable Ownership Rules Should Provide Flexibility

The new rules that the PTO ultimately adopts should be reasonable and flexible to ensure that the rules are successful in achieving their important public interest and efficiency objectives. If the PTO were to adopt rules that are overly burdensome or not tailored toward their purposes, the outcome may have the unintended effect of limiting innovation and competition. For these reasons, BSA applauds the PTO's public outreach through this request for comments and two successful and productive public hearings.

A. The PTO Should Focus the New Rules on Key Objectives.

In BSA's view, the PTO should focus on three overarching objectives for its new rules: (1) facilitating the licensing of claimed inventions by providing the public with information about who owns an issued patent; (2) reducing the incentive for bad actors to hide ownership information for purposes of engaging in abusive litigation tactics; and (3) ensuring the ownership of a government-granted limited-monopoly is not kept secret.

The final PTO rules should be tailored to these policy goals, which have also been the focus of legislation passed by the Chairman of the House Judiciary Committee and introduced by the Chairman of the Senate Judiciary Committee. The rules should also be sufficiently flexible to avoid the real potential that both independent inventors and large corporations are unduly harmed by inadvertent compliance errors. New ownership rules that follow these guideposts would benefit the patent system and enjoy widespread support.

While the PTO has articulated additional objectives for its proposals, such as ensuring that a power of attorney is current in each pending application, rules focused on these issues may inadvertently become overly burdensome, and make it more difficult to reach consensus on a way to achieve the important, efficiency-enhancing objectives.

B. The New Rules Should Not Impose Unnecessary Burdens Before a Patent Issues.

The rules should therefore focus on disclosing ownership information after a patent has issued. The ultimate parent entities of titleholders is important information once a patent has been granted, but it is not needed before the inventor has received a property right during the prosecution of the patent.

Included within the PTO's proposal, however, are requirements that will impose a burden on applicants before a patent has issued. These proposals do not advance the key objectives of the rules and could inadvertently reduce innovation, disclosure

of inventions through the patent process, and delay release of products into the marketplace.

Any additional pre-issuance requirements on an applicant will make it harder for the applicant to justify a patent application, rather than keeping the invention as a trade secret. If such requirements benefited the system, then there may be an adequate justification anyway. That is not, however, the case with the ownership disclosure requirements. As discussed above, the system potentially benefits from enhanced disclosure post-issuance. Once the patent issues, there is a potential market for the invention and licensors may benefit from knowing who owns the rights to the claimed invention. In addition, it is after a patent issues when bad actors can hide ownership information and engage in trolling activities.

C. The Penalty for Noncompliance Should Be Proportional to the Public Interest in Disclosure.

Finally, the PTO includes within its proposal a remedy for failure to comply that significantly outweighs the benefits during the application process. The proposal would treat an application as abandoned, which is a severe penalty that is disproportionate to the PTO's objectives. It is instructive to consider the remedies proposed by both the Chairmen of the House and Senate Judiciary Committee in their legislation related to transparency in patent ownership. Both Chairman Goodlatte's Innovation Act, and Chairman Leahy's Patent Transparency and Improvements Act, limit the remedies beyond a reasonable royalty that are available to a patent owner if the infringement occurs during a period of noncompliance.

While not dispositive of the PTO's authority in this area, BSA suggests that the PTO consider penalties that are consistent with the Chairmen's legislative proposals, both because the proposals include a reasonable remedy relative to the intended benefits and because it will make the rules more likely to endure and achieve their objectives.

III. BSA's Proposal

In BSA's view, any new rules should accomplish important efficiency and public interest benefits without creating any significant harm or undue burden for inventors and patent holders. The rules should reduce the transaction costs for licensing patented inventions and make it harder for those who hide their identities for the purpose of misusing patent litigation. To accomplish these objectives, the rules should focus on disclosure after a patent issues.

It is important to consider that for the patent application process to be efficient, inventors and their assignees rely on outside counsel or other agents to prosecute the application. The inventor's agent will not always have sufficient, timely information about transfers of ownership to record timely the information with the PTO. And from the perspective of a company that invests heavily in research and development, and therefore has numerous patent applications, it would be inefficient to have the agent involved in all transactions based on applications for patents that are not yet patent rights.

From the perspective of the agent, he or she may have several hundred applications pending at any time, and it is not practical to keep on top of all transfers. The PTO and the entire patent system benefits from transparency, but not at the expense of making the application process inefficient.

If the PTO nonetheless determines that the disclosure of ownership information during the prosecution of a patent application is necessary to facilitate examinations, BSA

recommends that the PTO craft rules to protect business-sensitive information. Companies often have legitimate commercial reasons to keep their ownership interest in a patent application secret. Once the patent issues and the property right becomes real, BSA agrees that the ownership information should be transparent and available to the public. Prior to issuance, applicants should be permitted to request confidentiality, even if the rules the PTO adopts require the information to be presented to the PTO for the purpose of facilitating the examination.

BSA also recommends that transfer of ownership recordings have flexibility included in the final rules. Flexibility will avoid the potential that the disclosure requirement turn into a "gotcha" problem, taking away intellectual property rights based on inadvertent errors. BSA therefore recommends that the rules explicitly provide patent owners with an opportunity to cure any mistake or failure to update the records. An opportunity to cure mistakes will ensure the proper balance is struck between the interest in transparency and the legitimate property interest of patent owners.

Finally, BSA recommends that the rules PTO adopts include an objective oversight mechanism to make sure the rules are having the intended positive transparency results without being overly burdensome. The mechanism should provide for a review of the rules and how they are affecting the marketplace within five years of implementation.

BSA's recommendations will ensure that the key objectives of increased transparency are realized. If the PTO adopts rules consistent with these recommendations, it will make the market for licensing patented inventions more efficient; increase the difficulty for bad actors to hide their identity; and provide the public with clarity.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Tim Molino". The signature is written in a cursive, flowing style.

Timothy A. Molino
Director, Policy

Chartered Institute of Patent Attorneys

response to

USPTO Consultation

**Proposed Changes to Require
Identification of Attributable Owner**

The Chartered Institute of Patent Attorneys (CIPA) is a body whose membership comprises patent attorneys and other IP professionals. CIPA's membership is primarily UK based. Members of CIPA are involved in managing IP and a significant part of their work involves US patents and applications.

We have seen the proposed USPTO Rules concerning identification of attributable owners of patents and applications and are concerned that the unintended consequences of the proposed rules may be larger than the intended consequences, and mostly adverse.

The background to the proposed rules is the presidential initiatives aimed largely at dealing with so-called "patent assertion entities". The initiatives included a legislative recommendation and proposal for executive action.

The legislative recommendation is to "**Require patentees and applicants to disclose the 'Real Party-in-Interest,'**" by requiring that any party sending demand letters, filing an infringement suit or seeking PTO review of a patent to file updated ownership information, and enabling the PTO or district courts to impose sanctions for non-compliance."

This recommendation appears generally benign, and focussed on the prime aim of correcting some of the problems associated with patent assertion entities.

In the UK we have had experience of penalties for failure to timely record assignments (e.g. loss of rights to damages or to cost awards, for actions occurring prior to recordal of an assignment) and this is relatively easy for courts to handle. We believe that providing such a penalty may obviate any perceived need for executive action.

The executive action is "*Making 'Real Party-in-Interest' the New Default. Patent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls. The PTO will begin a rulemaking process to require patent applicants and owners to regularly update ownership information **when they are involved in proceedings before the PTO**, specifically designating the "ultimate parent entity" in control of the patent or application*".

CIPA fear that the broad interpretation of "proceedings before the PTO" to include prosecution of applications and administrative steps such as payment of issue and maintenance fees will cause problems to bona fide patent owners that are disproportionate to any benefit concerning patent assertion entities that might result.

The proposal requires disclosure of:-

- Titleholders
- Enforcement entities (including exclusive licensees)
- Ultimate parent entities
- Beneficial owners

At particular times:

- On filing
- During prosecution within 3 months of a change of attributable owner
- On payment of issue fee
- On payment of maintenance fees
- During post issuance proceedings



The Chartered Institute of Patent Attorneys

Founded 1882

Royal Charter 1891

The proposed rules impose a duty to report attributable ownership to the USPTO, during a period when no patent exists that can be asserted (i.e. while a patent is in prosecution). This represents cost with no benefit.

The proposed rules impose a duty on the applicant to report on changes of ownership structure within three months of a change. This means, for example, that those who normally exploit their patents through licensing (e.g. universities) will need to institute reporting structures for their licensees to ensure that no change is missed. This represents costs and danger to applicants with no benefit.

The proposed rules impose a duty on the applicant to ensure that the attributable owner is identified on payment of the issue fee. This appears reasonable, although it does represent both a cost and danger to the applicant, particularly if they have licensed the application and need to verify their licensees ultimate owner.

The proposed rule imposes a duty on the patentee to update the attributable ownership on payment of maintenance fees. Given that many contract their maintenance fees to fee payment agencies, this is certain to cause major problems to patentees in co-ordinating payment of fees and ensuring that the attributable owner is correctly identified. Increased costs and a high incidence of error are sure to result.

Looking to the problem that these rules are meant to address, it is stated that "*Patent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls.*"

It is by no means clear that disclosing attributable ownership on patents and applications will solve this problem.

Unless there are sophisticated search facilities on the USPTO register it will be extremely complex and probably expensive for someone threatened by a patent assertion entity to identify patents concerned. If a patent assertion entity holds or has an interest in 10,000 patents the work of identifying which might be relevant to a particular product or process will be extreme.

It should additionally be noted that during the four years from one maintenance fee payment to the next, all sorts of things may happen. The data on USPTO records would be guaranteed largely out of date.

Further, it is not totally clear that the USPTO has the resources to administer such a system.

In short, the proposed rule changes add cost and risk to all patentees and applicants, and are not focussed on dealing with the problem of patent assertion entities.

Signed on behalf of the CIPA Patents Committee



Roger Burt,
CIPA President

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Changes To Require Identification of Attributable Owner

Docket No. PTO-P-2013-0040

COMMENTS OF THE COALITION FOR PATENT FAIRNESS

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INTEREST OF COMMENTERS

The Coalition for Patent Fairness is a diverse group of high-tech companies dedicated to enhancing U.S. innovation, job creation, and competitiveness in the global market by modernizing and strengthening our nation's patent system.

The Coalition for Patent Fairness is ideally situated to comment on this proposal. Coalition member companies include Adobe, Blackberry, Cisco, Dell, EarthLink, Google, Intuit, Micron, Oracle, Rackspace, Samsung, SAP, and Verizon. Each year, Coalition members collectively invest billions of dollars on research and development, frequently driving the development of technological products and societal freedoms through their creativity and innovation. As a group, Coalition members own tens of thousands of patents that they rely upon to protect their substantial investments in research and development. At the same time, those members also face an unprecedented barrage of patent assertions and litigation. Given the substantial experience of its members on both sides of patent enforcement and litigation, the Coalition for Patent Fairness can offer a balanced perspective on the PTO's proposal.

INTRODUCTION AND EXECUTIVE SUMMARY

These comments address the Notice of Proposed Rulemaking ("Notice")¹ issued by the PTO regarding attributable ownership of United States patent applications and patents. The Coalition supports the PTO's efforts to bring increased transparency to the patent system. While these Proposed Rules represent a tremendous effort by the PTO to improve transparency during the pendency of a patent application, at filing of maintenance fees, and during proceedings before the PTO, the rules do not provide for improved transparency at other times, including during patent licensing efforts or enforcement campaigns, when such transparency is most needed. In addition, the Proposed Rules do not provide a clear penalty for failure to materially comply with the reporting requirement for issued patents. With respect to patent applications, the penalty for noncompliance likely will punish only the unwary, while the unscrupulous remain unscathed.

The Coalition respectfully suggests modifications that further improve upon the PTO's Proposed Rules. For example, it may be necessary for the attributable owner of a pending patent application to defer public disclosure until issuance for confidential business reasons unrelated to the enforcement of patents.

¹ PTO Notice of Proposed Rulemaking, Changes To Require Identification of Attributable Owner, 79 Fed. Reg. 4105 (Jan. 24, 2014) ("Proposed Rules").

STATEMENT

I. Enhanced Transparency Would Improve The Patent System

The Coalition for Patent Fairness supports efforts by the PTO and Congress to increase transparency of patent ownership. The Coalition provided supportive input on the PTO's initial Notice of Roundtable ("Roundtable Notice")² regarding recordation of the real party in interest.³ The Coalition also has supported other PTO proposals that enhance clarity and transparency.⁴

Increased transparency is needed to support innovation currently stifled in the present system due to problems with hidden ownership. In the patent system, as in any property-rights regime, a clear understanding of each party's rights is necessary for the success of the participants and ultimately the regime itself.⁵ In contrast, obscuring information regarding patent ownership delays prosecution of patents and hurts the public in litigation, licensing, and rights-clearing. Because a patent is a potentially powerful government grant that provides the patent holder with the right to exclude others from making, selling, or using a claimed invention, the public deserves notice of ownership. Simply put, allowing "hidden ownership" undermines the notice function of patents and thereby retards the very progress the patent system was designed to promote.

These problems are exacerbated when entities actively conceal patent ownership information. Specifically, many "patent assertion entities" ("PAEs") actively conceal ownership information and use hidden ownership as an inappropriate advantage in patent proceedings and litigation.⁶ Given the dramatic rise in PAE activity in the past decade,⁷ hidden ownership threatens to further lower the overall efficiency of the patent system for the foreseeable future.

² PTO Notice of Roundtable, Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Pendency of Patent Term, 77 Fed. Reg. 70387 (Nov. 26, 2012).

³ See USPTO Dkt. No. PTO-P-2012-0047, Comments of the Coalition for Patent Fairness and the Internet Association, Jan. 25, 2013 (responding to PTO Notice of Roundtable, Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Pendency of Patent Term, 77 Fed. Reg. 70387 (Nov. 26, 2012)).

⁴ See, e.g., USPTO Dkt. No. PTO-P-2011-0046, Comments of the Coalition for Patent Fairness, Apr. 15, 2013 (responding to PTO Request for Comments on Preparation of Patent Applications, 78 Fed. Reg. 2960 (Jan. 15, 2013)).

⁵ See, e.g., Ronald H. Coase, *The Problem of Social Cost*, 3 J.L. & Econ. 1, 19 (1960) ("[A]ll that matters (questions of equity apart) is that the rights of the various parties should be well-defined and the results of legal actions easy to forecast.").

⁶ See Robin Feldman & Tom Ewing, *The Giants Among Us*, 2012 Stan. Tech. L. Rev. 1, 4-6 (2012), available at <http://stlr.stanford.edu/pdf/feldman-giants-among-us.pdf>.

⁷ See James Bessen & Michael Meurer, *The Direct Costs from NPE Disputes* 19 (Boston Univ. Sch. of Law Working Paper No. 12-34, June 28, 2012), available at http://www.bu.edu/law/faculty/scholarship/workingpapers/documents/BessenJ_MeurerM062512rev062812.pdf.

While the Proposed Rules would have some beneficial effects, the current proposal—due to the time gaps in reporting and lack of concrete penalties for failure to comply—does not provide sufficient transparency to notify the public of the identity of hidden patent owners and thereby curb abuses that result from lack of transparency. In the following pages, the Coalition respectfully suggests improvements that it believes would enhance the working of the regime.

II. As To Issued Patents, The Proposed Rules Will Not Supply The Desired Transparency To Curb Abusive Behavior

One laudable goal of the Proposed Rules is to provide transparency for the ownership of enforceable patent rights.⁸ But the proposed definition of “attributable owners” and the limited disclosure requirements for issued patents do not adequately address the methods used to conceal patent ownership. The Coalition respectfully suggests two rule changes for achieving the desired enhancement to transparency. First, the PTO should define attributable owner to include all entities that stand to benefit substantially from the enforcement of any issued patent. This definition would more effectively circumvent the machinations of PAEs and other entities that hide ownership while driving enforcement. Second, the PTO should require patentees to report attributable owners whenever the patent is involved in enforcement activity, and not just when the patentee appears before the PTO. Requiring the disclosure for issued patents only when maintenance fees are paid and during PTO proceedings, as the Proposed Rules do, allows entities to hide ownership throughout enforcement attempts, which are the primary concern for issued patents. In addition, the PTO should identify a proposed penalty that applies to a failure to comply with disclosure requirements for issued patents.

A. The Definition Of Attributable Owner Should Include All Entities That Would Benefit Substantially From Enforcement

The Proposed Rules limit the required disclosure of “attributable owners” to (1) titleholders, (2) “enforcement entities,” (3) “ultimate parent entities,” and (4) “hidden beneficial owners,” *i.e.*, any party under (1)-(3) that attempts to temporarily hide its status.⁹ But the proposed definition of “attributable owners” does not cover the full range of approaches taken by PAEs today, and will be less effective going forward given the ability of PAEs to shape their future conduct to thwart the rules.

In modern practice, the parties responsible for driving enforcement activities may go well beyond the entities encompassed by this definition of “attributable owners.” In particular, contractual and corporate relationships may be such that the entity financing the lawsuit, and other entities that stand to benefit substantially from the lawsuit, may not fall into the proposed definition of attributable owner. In the first instance, an entity may easily avoid being the

⁸ See Notice at 4105, col.3.

⁹ See Notice at 4110, cols.1-2.

titleholder by assigning title to a shell entity. Requiring identification of the ultimate parent entity does not fully address this concern. The definition of ultimate parent entity includes those that (1) have majority control of a corporation or, when unincorporated, (2) receive a majority of the profits from enforcement.¹⁰ This would not capture significant drivers of litigation that—through corporate structure or contractual obligations—may split the control between three or more entities with roughly equal shares. Such organizations will likely proliferate once the rules become effective because PAEs will respond by arranging their affairs contractually or through corporate ownership structures that evade classification as an attributable owner under Proposed Rule 1.271.

The definition of “enforcement entity”—an entity “necessary to be joined in a lawsuit in order to have standing to enforce the patent”—likewise can be easily avoided by any hidden owner. In order to encompass a broader range of PAEs and other hidden owners whose structures and relationships avoid the definition of attributable owner set forth in the Proposed Rules, the Coalition suggests modifying the definition of “enforcement entities” (Proposed Rule 1.271(a)(2)) to include “any entity that is entitled to receive 10% or more of any proceeds from the enforcement of the patent or application.”¹¹ These entities might not otherwise meet the PTO’s proposed definition of attributable owner. Yet, the public should be made aware of their identities because these entities often drive enforcement activities.

An addition like this would also help the PTO “avoid potential conflicts of interest for Office personnel” during examination and later proceedings.¹² Such conflicts typically are created by the chance of significant monetary gain or loss related to agency action. They are not limited to situations in which the gain or loss is through an entity with “control” of the application or patent.

B. The Reporting Requirement Should Be Triggered By Enforcement Activities

The PTO’s Proposed Rules, as applied to issued patents, require disclosure only at (1) the payment of maintenance fees¹³ and (2) the return of the patent to the agency for proceedings, e.g., Inter Partes Review¹⁴ and reexamination.¹⁵ But the payment of maintenance fees is only

¹⁰ See Notice at 4111, col.2.

¹¹ Attorney’s fees, including contingency fees, would not be counted as proceeds under the Coalition’s proposed definition.

¹² See Notice at 4107, col.3.

¹³ See Notice at 4120 (Proposed Rule 1.381).

¹⁴ *Id.* (Proposed Rule 1.383).

¹⁵ *Id.* (Proposed Rule 1.385).

required every four years.¹⁶ And maintenance fees cease after the twelfth year, allowing an even greater gap at the end of a patent's potential 20-year term.¹⁷ That gap is exacerbated by the availability of patent damages up to six years after term expiration.¹⁸ These multi-year gaps between the required disclosure points—and the gulf between the final maintenance fee and the end of a patent's enforceable life—will prevent the sought-after transparency for the majority of issued patents.

Furthermore, this limited periodic disclosure will incentivize hidden owners to delay the consummation of acquisition or contractual arrangements until shortly before enforcement activities are pursued. In turn, enforcement activities will more likely be commenced shortly after maintenance fees are paid. Thus, hidden owners may complete the entire cycle of acquisition, enforcement, and divestment during the window between maintenance fee payments or after the final maintenance fee is paid, all while avoiding any disclosure requirements.

The Proposed Rules should avoid this result by requiring patentees to report the attributable owner whenever the patent is asserted, whether in litigation or in pre-litigation enforcement attempts, such as a written demand for a license. Transparency of ownership is needed at the time of assertion because a defendant must be able to evaluate how to respond based on accurate ownership information. In particular, the more knowledge an accused infringer has regarding those controlling asserted patents, the more readily the accused infringer can buy “patent peace” through settlement—without fear of later suit from another entity controlled by the same people. The public, likewise, would benefit from being informed of who is asserting the rights in a patent. This will enhance the overall function of the patent system without providing any substantial burden on the patentees who already must prepare a complaint or demand letter with the participation of the attributable owners.

C. The Rules Should Provide A Penalty For Failure To Disclose For Issued Patents

The Proposed Rules do not specify a penalty for material failure to provide ownership information of an issued patent at the time of paying maintenance fees.¹⁹ This will make it difficult for the agency to create and enforce a penalty when the issue inevitably arises. The

¹⁶ 35 U.S.C. § 41(b). Technically, two such payments may be separated by as much as five years due to the PTO's regulations allowing a six-month grace period before and after the maintenance fee due date. *See* 37 C.F.R. §§ 1.362(d), (e).

¹⁷ While a 20-year term under 35 U.S.C. § 154(a)(2) may be idealized, the PTO's successful prioritized examination program, a.k.a. “track one,” has shown an average time to disposition from prioritization of 6.5 months; thus, 19-year terms are readily available. *See* USPTO's Prioritized Examination Program http://www.uspto.gov/patents/init_events/Track_One.jsp; *see also id.* (noting over 6000 prioritized applications in fiscal 2013).

¹⁸ *See* 35 U.S.C. § 286.

¹⁹ The penalty for failure to comply in an application is addressed in Section IV below.

Coalition believes that the PTO should clarify what penalty it contemplates for noncompliance with respect to issued patents.

If the Office intends to rely on the Courts to punish a bad faith failure to comply under the inequitable conduct doctrine, the agency should clarify this intention by specifying that the purposeful failure to comply is a violation of PTO Rule 56.²⁰ But reliance on the inequitable conduct doctrine is not particularly compelling. The inequitable conduct doctrine, when applied, invariably leads to unenforceability of the patent at issue. Because the remedy has such power—it is the “atomic bomb”²¹ of patent law—applying the doctrine to the failure to properly report attributable ownership at the time of fee payment will drive satellite litigation unrelated to the underlying merits of the invention. Reliance on the doctrine also would allow the excuse without penalty of any compliance failure that cannot be shown to have been done “with the specific intent to deceive the PTO.”²²

If, on the other hand, the PTO believes that a failure to identify properly the current attributable owners at the time of maintenance fees would trigger the provisions of 35 U.S.C. § 41(c), which provide the public with limited rights to practice an invention after the failure to pay maintenance fees, the Director should make that clear.

The Coalition does not take a position on the appropriateness of these or other remedies. It simply notes that imposing a legal requirement on the public without any apparent repercussion for failure is not optimal, can lead to unforeseen consequences, and should be remedied in the final rules.

III. The PTO’s Final Rules Should Minimize Disruption Of Business Relationships That Are Unrelated To The Enforcement Of Patent Rights And Not Necessary To Achieve The Goals Of The Proposed Rules

The Coalition recognizes that there are sometimes legitimate business reasons for not publicly disclosing the attributable owner of pending applications.²³ These reasons include protecting an entity’s overall business strategy when that strategy could be ascertained from the entity’s filing or purchase of patent applications. For example, changes in ownership “can indicate the technology areas that a firm is pursuing or abandoning.”²⁴ Where patents are acquired strictly for their enforcement value, however, no legitimate business reason exists for delaying public disclosure of enforcement entities.

²⁰ 37 C.F.R. § 1.56.

²¹ *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288 (Fed. Cir. 2011).

²² *Id.* at 1290.

²³ *See, e.g.*, Fed. Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 131 n.336 (2011).

²⁴ *Id.*

In addition, the public has a reduced need for attributable-ownership information in pending applications because applications are not enforceable against the public until issued as patents. However, patent applications are licensable and transferable as assets, and are often included in patent portfolios that PAEs seek to enforce or market for licensing purposes. Additionally, such patent applications may eventually issue and be enforced against current enforcement targets. Therefore, the need for attributable-ownership information is never reduced to zero. Enforcement targets would be well served, in settlement and otherwise, by knowing the full scope of the PAE's holdings. In addition, the Patent Act provides for inchoate "provisional rights" stemming from published applications in limited circumstances.²⁵

To balance these competing interests, the PTO should maintain the confidentiality of attributable-ownership information in patent applications when requested for legitimate business reasons where those reasons are unrelated to patent enforcement. In such circumstances, the Office may extend the time for public disclosure until issuance where the patent applicant demonstrates that the extension is necessary to prevent the disclosure of confidential business information that is unrelated to the enforcement of patents.

The Coalition does not support a generic "good cause" standard in this context, as such a standard is not sufficiently tailored to serve the competing needs of disclosure and confidentiality.²⁶ Rather, the reasons for the acquisition of the applications must be unrelated to enforcement of any resulting patents. For example, when an entity confidentially acquires an entire operating company for the purpose of entering a new market, this might justify extending the time for public disclosure. The acquired company may own patent applications related to the new field of operation for the acquiring company, but if the enforcement of those patents is not the driving reason for the acquisition, then public disclosure might harm the acquiring entity's legitimate business interest while not serving any pressing public need for ownership information.

In contrast, where an entity acquires patent applications for the primary purpose of enforcing resulting patents, delaying disclosure cannot be justified. In an extreme case, an entity may acquire patent applications for the purpose of prosecuting them to issue, and then enforcing the issued patents. Such an acquisition would not justify hidden ownership. Similarly, acquiring a company whose primary asset is a family of patent applications, or for the purpose of enforcing the patents that result from the applications the acquired company holds, would not justify the grant of an extension.

²⁵ See 35 U.S.C. § 154(d).

²⁶ Compare USPTO Dkt. No. PTO-P-2013-0040, Comments of NVCE re Proposed Changes to Rules of Practice in Patent Cases 2, Mar. 24, 2014 (suggesting a good cause standard for relief from the disclosure requirements of the Proposed Rules).

Importantly, the Coalition's proposed amendment to the rule would not compromise the PTO's own needs, as the Office would still collect and retain this information for purposes of examination. Indeed, the PTO already proposes to keep attributable-ownership information confidential for unpublished applications.²⁷ Here, the Office would maintain the secrecy of the ownership of some published applications. Naturally, any enforcement activity taken with respect to the pending applications would void the reason for granting the petition, and the PTO should then publish the attributable-ownership information.²⁸

This proposal preserves the greatest public benefits: (1) more efficient examination within the PTO and (2) public knowledge of ownership information after issuance of a patent, when the claims are set and enforcement rights accrue. And it prevents the inadvertent dissemination of confidential business information unrelated to the enforcement of the patents that issue from that examination.

IV. For Pending Applications, Abandonment Should Not Be The Sole Penalty For Noncompliance

As regards pending applications, the Proposed Rules appear to contemplate draconian penalties that will be rarely applied to applicants that file a responsive but materially deficient notice. In such cases, it appears that the agency has left it to the Courts to enforce the proposed requirements, but without providing guidance as to what penalty, if any, may actually accrue. While that may be appropriate in some regimes, the Coalition suggests an approach to penalties that will incentivize compliance and allow an accused infringer to meaningfully enforce.

A. Pending Applications May Be Abandoned For Noncompliance But Abandonment Alone Is Unlikely To Deter Hidden Ownership

The penalty contemplated by Proposed Rules 1.273 and 1.277 is "abandonment" of the application when the applicant fails to file a "notice identifying the current attributable owner."²⁹ Noncompliance could be due either to a failure to file any notice, or to a failure to identify all correct attributable owners. Failure to comply due to the former will be readily detected by the PTO during prosecution of the patent, but failure to comply due to the latter may easily go undetected, and will likely only become apparent after the patent has issued. Because only the PTO can enforce this penalty, it is unlikely that a material failure to comply will result in any penalty.

²⁷ See Notice at 4107, col.1.

²⁸ Such activity would include, for example, providing "notice of the published patent application" to any third parties under 35 U.S.C. § 154(d)(1)(B).

²⁹ See Notice at 4120, cols.1-2.

The Federal Circuit has held that an accused infringer cannot enforce abandonment by raising “improper revival” as a defense to infringement.³⁰ And the Office has taken the position that an “improper revival” cannot be challenged in an APA suit.³¹ Given these limitations on defenses based on improper revival, it is unlikely the Courts or the PTO would accept the premise that the PTO’s failure to detect a material deficiency in the notice of attributable ownership—and consequent failure to abandon—could be relied on as a defense by an accused infringer. Admittedly, this may not be the case when the failure was made with the specific intent to deceive the PTO (and thus possibly give rise to a charge of inequitable conduct),³² but reliance on the inequitable conduct doctrine is no more compelling with respect to applications than with respect to issued patents, as discussed above. It is even less compelling here because the PTO has an additional remedy available, as discussed in Section IV.B below.

Furthermore, the PTO is unlikely to learn of the failure to identify the proper attributable owner during the application’s pendency. Instead, the Office will likely abandon applications only where the patent applicant—through oversight—fails to file any such notice. In other words, clerical error will result in abandonment while actual material failure will likely escape notice.

The Coalition recognizes the need for adequate safeguards from abandonment caused by clerical errors. The Proposed Rules appear to have safeguards that prevent inadvertent abandonment upon filing and allow abandoned applications to be revived and corrected through the mechanism of Proposed Rule 1.279.³³ In particular, the Proposed Rules are generous at the time of filing, providing up to eight months for the applicant to identify the attributable owner measured from the filing date of the application.³⁴

In the case of purposeful material failure, however, the PTO is unlikely to ever learn of the failure to comply during prosecution so long as any attributable owner is identified by the applicant. Even assuming the PTO does learn of the failure during prosecution, correction requires only a “good faith” reason to revive the abandoned application.³⁵ But a lack of “good faith” is notoriously difficult for an agency to find in *ex parte* proceedings and notoriously expensive for parties to prove in litigation.

³⁰ See *Aristocrat Technologies v. Int’l Game Tech.*, 543 F.3d 657, 663-64 (Fed. Cir. 2008).

³¹ See Director’s Brief, *Exela Pharma Sciences v. Rea*, No. 2013-1206, filed Sept. 27, 2013 (Fed. Cir. case pending).

³² See *Therasense*, 649 F.3d at 1288.

³³ See Notice at 4120, col.2. Technically, one must first “revive” the abandoned application as “unintentionally abandoned” under 37 C.F.R. 1.137. See Notice at 4112, cols.2-3. But then the revived (now pending) application must still be “corrected” under Proposed Rule 1.279. *Id.*; see also *id.* at 4112-4113.

³⁴ See *id.* at 4112, col.2.

³⁵ See Notice at 4120 (Proposed Rule 1.279).

As a result, an additional mechanism is needed for the material failure to comply with the Proposed Rules with respect to patent applications.

B. The Coalition Recommends That Pending Applications Should Lose Patent Term Adjustment For Noncompliance

The primary purpose of disclosure to the agency is to assist the agency in a myriad of ways during examination.³⁶ Applicants who fail to provide this information delay patent prosecution. For example, the failure to identify attributable ownership may lead the agency to issue a rejection reliant on prior art that is ineligible under 35 U.S.C. § 102(b)(2)(C).³⁷ The applicant may then provide the necessary ownership information to remove the cited art as a reference, but the entire round of prosecution could be avoided if the PTO had the attributable-ownership information on file.

The PTO Director has the power to define by regulation “the circumstances that constitute a failure of an applicant to engage in reasonable efforts” to conclude examination.³⁸ The Director may penalize applicants that engage in such delays in “prosecution of the application” by reducing patent term adjustment (“PTA”) by the length of the delay.³⁹

Thus, the Coalition suggests reducing any PTA by the period of noncompliance with the Proposed Rules’ disclosure requirements. The reduction in PTA would be in addition to the PTO’s current proposal to abandon such applications wherein abandoned applications may (for a fee) be revived and corrected under the procedures discussed above when the abandonment was unintentional and the error was made in good faith.⁴⁰

Reduction in PTA is a concrete penalty that may be enforced by the PTO during prosecution or by an accused infringer in litigation after the patent issues. Specifically, Section 282(c) allows accused infringers to assert the invalidity of an extension under Section 154(b) because of a material failure by an applicant or the Director.⁴¹ By applying PTA reduction to pending applications, the PTO can provide teeth to the disclosure requirement, which will be enforced by interested parties who can demonstrate the patentee’s failure during suit.

Because correct attributable-owner information assists the Office in examination, failing to provide the information causes delay. The result of delay is a reduced patent term adjustment.

³⁶ See Notice at 4107-08.

³⁷ See *id.* at 4108, cols.1-2.

³⁸ See 35 U.S.C. § 154(b)(2)(C)(iii).

³⁹ See 35 U.S.C. § 154(b)(2)(C)(i).

⁴⁰ See 37 C.F.R. 1.137; Notice at 4112, cols.2-3 (Proposed Rule 1.279 (including petition fee under § 1.17(g))); see also *supra* n.33.

⁴¹ See 35 U.S.C. § 282(c).

This holds true whether the material failure is found by the agency, which may then reduce the PTA on the face of the patent, or is later proved in Court, where an accused infringer may raise it as a defense.

V. A Voluntary Licensing Database Is Unlikely To Promote Transparency Goals And Unlikely To Enhance Licensing Efficiency

The PTO has also requested comment on “whether the Office should also, or alternatively, permit patent applicants and owners to voluntarily provide information about licensing,” which would be made available in a searchable online database.⁴²

The Coalition has some concerns with respect to the creation and maintenance of a voluntary licensing database. Such a database is unlikely to “enhance the transparency and efficiency of the marketplace,” as the PTO suggests.⁴³ The proposed voluntary database will not reduce the transparency failure caused by the purposeful secrecy relied on by some PAEs and other hidden owners to mask the extent of their individual operations: these entities will simply opt out. As for other potential participants, any benefits to potential patent licensees in locating the owners of patents that they are interested in developing are already addressed by the provisions requiring disclosure of attributable ownership in the patent files.

Furthermore, the participation by technology companies as prospective licensors/licensees also is likely to be minimal because most licensing activity is focused on building strategic relationships between innovative companies and other companies or innovators. Such licensing is driven by the desire to partner with other innovators with demonstrated technology and related patents not by patents standing alone. While finding strategic partners can be difficult, that difficulty lies in ensuring a good fit between the companies, universities, and individuals involved, not in identifying the owners of particular patents of interest.

In sum, transparency will not be enhanced because hidden owners will not participate. Efficiency in the marketplace is unlikely to be enhanced because patent licensing is typically part of an overall company-to-company and company-to-innovator coordination. Thus, in light of the “financial and resource constraints” the PTO acknowledges elsewhere in the Notice,⁴⁴ the Coalition recommends against establishing any such database at this time.

Finally, the Coalition recognizes that the World Intellectual Property Organization (“WIPO”) has recently launched two similar initiatives.⁴⁵ Putting aside the question whether a

⁴² See Notice at 4109, col.2.

⁴³ See Notice at 4109, col.2.

⁴⁴ See Notice at 4106, col.3.

⁴⁵ See Notice at 4109, col.3.

need exists for a PTO-only database, the Coalition suggests that the success of the WIPO marketplaces should be first established before PTO resources are expended.

CONCLUSION

The Coalition for Patent Fairness again applauds the PTO for its efforts to bring increased transparency of ownership to the patent system. While supportive, the Coalition recognizes that the Proposed Rules are not a cure-all for the issues caused by hidden ownership. The Coalition believes that continued work by stakeholders, the PTO, other government organizations, and Congress is necessary to promote transparency with respect to the holders of patent rights. The PTO's Proposed Rulemaking provides a positive step toward addressing these issues throughout the patent system.



**IN THE MATTER OF REQUEST FOR COMMENTS REGARDING CHANGES TO
REQUIRE IDENTIFICATION OF ATTRIBUTABLE OWNER**

Docket No. PTO-P-2013-0040

COMMENTS OF THE ELECTRONIC FRONTIER FOUNDATION

The Electronic Frontier Foundation (“EFF”) welcomes this opportunity to respond to the Request by the United States Patent and Trademark Office (“PTO”) for Comments Regarding Changes to Require Identification of Attributable Owner, Docket No. PTO-P-2013-0040, published January 24, 2014.

EFF is a nonprofit civil liberties organization that has worked for more than 20 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 29,000 dues-paying members have a strong interest in helping the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest. As an established advocate for consumers and innovators, EFF has a perspective to share that might not be represented by other persons and entities who submit comments in this matter, where such other commentators do not speak directly for the interests of consumers or the public interest generally.

I. Accurate, up-to-date, and searchable patent ownership records will strongly serve the public interest.

EFF applauds the PTO for working to improve transparency within the patent system. People not familiar with the detailed workings of the patent system are generally surprised to learn that accurate public ownership records do not exist. As Congressman Ted Deutch of Florida recently stated: “The process of uncovering the ultimate owner of a patent can be truly

burdensome. During my career in real estate law, I would have found it appalling if the title for property was obscured from the public instead being of up-to-date and easily searchable.”¹

There are many reasons why transparency regarding patent ownership serves the public interest. A well-functioning patent system should allow an entrepreneur to investigate her competitors’ patent portfolios and make decisions about whether to ignore, seek a license, or design around those patents. If the public doesn’t know who actually owns patents, it is impossible to do this. Similarly, when a company is sued or accused of infringement, it should be able to find out what other patents its opponent owns. That information should lead to more efficient and fair negotiations regarding settlements and licenses. Accurate patent data will also help companies make informed decisions about whether to enter a particular technology area in the first place.

Just as transparency serves the public interest, secrecy causes affirmative harm. This is especially true when companies have opportunistic motives for secrecy about patent ownership. For example, a patent assertion entity (PAE) may prefer to obscure its ownership of a particular patent because that knowledge could lead its potential targets to design around the patent or even leave the field entirely. The PAE may prefer that alleged infringers continue to make and sell accused products and increase potential damages.² Indeed, in approximately one third of patent cases brought by PAEs, the plaintiff is not the owner of record on the day the litigation is filed.³ Similarly, both PAEs and operating companies may wish to hide patent ownership to protect their patents from post grant review, reexamination, or inter partes review.

As the recipients of a government-granted benefit, patentees should bear the modest burden of recording assignment information. While this might increase the cost of applying for

¹ See <http://teddeutch.house.gov/news/documentsingle.aspx?DocumentID=334519>

² See James Bessen et al., *The Private and Social Costs of Patent Trolls*, 3 Regulation 26, 34 (2011-2012) (“Bessen 2011-12”) (noting that inadvertent infringement is essential to the patent troll business model), available at <http://object.cato.org/sites/cato.org/files/serials/files/regulation/2012/5/v34n4-1.pdf>.

³ Colleen Chien, *The Who Owns What Problem in Patent Law* (Jan. 20, 2013), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1995664

and maintaining a patent, these costs should not be excessive. Patentees themselves are best placed to know assignment information. And while some reporting might require making a legal judgment (for example, determining whether a company is an ultimate parent entity), the PTO can issue guidance to clarify these questions. In addition, it is likely that the burden of complying with transparency rules will decline over time as patentees develop experience and record keeping systems for complying.

II. The PTO should require applicants and patentees to record all patent assignments.

The proposed rulemaking suggests a reporting system geared to certain checkpoints. Applicants will need to update ownership information: (1) during the pendency of a patent application; (2) at grant; (3) at the time of maintenance fee payments; and (4) if the patent becomes involved in certain post-issuance proceedings at the PTO. While this will be a massive improvement over current records, it is not complete transparency and will not provide information about many important transfers. For example, the current rules would not require a patent owner to report an assignment made shortly after grant. Since a petition for post grant review must be filed within 9 months of the grant, transfers during this period can be critical to the decisions about whether to file for review (suppose, for example, a patent is transferred shortly after issue to a litigious PAE⁴ or direct competitor). This crucial information will not be available under the checkpoint system.

The PTO should therefore require recordation of all assignments within 30 days of transfer. By requiring recordation of all assignments, the PTO can also ensure that the full chain of title is available to the public. The full chain of title is important for a number of reasons. For example, a prior owner might have made a RAND commitment with respect to an industry standard. Similarly, prior owners might have licensed the patent to manufacturers, meaning that patent rights are exhausted as to companies down the distribution chain.

⁴ Patents asserted by PAE's in litigation "are three times more likely to have changed hands between issue and enforcement than product company-asserted patents." Brian J. Love, *An Empirical Study of Patent Litigation Timing: Could A Patent Term Reduction Decimate Trolls Without Harming Innovators?*, 161 U. Pa. L. Rev. 1309, 1333 (2013)

The importance of a full chain of title is illustrated by the case of a PAE named Lodsys, LLC. In 2011, Lodsys began suing small application developers alleging that their products infringed a family of patents. In many cases, the accused functionality was provided by Apple or Google. It later emerged that Apple and Google both held a license to the patent because the patent had been owned by a company that was in turn owned by Intellectual Ventures, which had a licensing deal with the two large technology companies.⁵ Thus, it is likely that the defendants were protected under the principle of patent exhaustion.⁶ Accurate patent ownership records would have helped resolve many of the most important questions facing the defendants in those cases. Currently, defendants may be forced to engage in months or years of expensive litigation simply to uncover prior ownership information.

EFF is also concerned that the proposed definition of attributable owner is under-inclusive. Specifically, the category “ultimate parent entity” will not capture some of the structures that PAEs use to obscure ownership and effective control. For example, it appears that Intellectual Ventures sells patents to shell companies but retains the right to as much as 90% of the ongoing profits associated with these patents.⁷ Therefore, the PTO should consider amending the definition of attributable owner to include any party with rights to more than 50% of the profits from a patent.

⁵ Wireless Goodness, *Is Intellectual Ventures behind Apple iOS in-app purchase lawsuit threats? We think so.*, May 15, 2011, available at <http://www.wirelessgoodness.com/2011/05/15/is-intellectual-ventures-behind-apple-ios-in-app-purchase-lawsuit-threats-we-think-so/>

⁶ Unfortunately, Lodsys has been able to evade judgment on this exhaustion issue, and the merits of its infringement assertions, by tactically settling its cases shortly before a final decision. See Daniel Nazer, *Patent Troll Settles For Nothing To Avoid Trial*, October 2, 2013, available at <https://www.eff.org/deeplinks/2013/10/patent-troll-lodsys-settles-nothing-avoid-trial>

⁷ See Todd Bishop, *This American Life: Intellectual Ventures got 90% of ongoing profits even after selling patent*, GeekWire, June 1, 2013, available at <http://www.geekwire.com/2013/american-life-intellectual-ventures-90-backend-cut-selling-patent/>.

III. Conclusion

EFF again thanks the PTO for the opportunity to comment on the proposed rules. EFF strongly supports the PTO's efforts to promote transparency, and we believe the proposed rulemaking is a very promising step. But the PTO can and should do more. We urge the PTO to require all transfers of patent ownership to be recorded within 30 days of assignment. This will maximize the public benefit of transparency.

Respectfully submitted,

Electronic Frontier Foundation

Daniel Nazer

Staff Attorney

Michael Barclay, Reg. No. 32,553

EFF Special Counsel

April 24, 2014

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: Changes to Require Identification of
Attributable Owner

Docket No. PTO-P-2013-0040
79 Fed. Reg. 4105

COMMENTS OF ENGINE ADVOCACY

April 24, 2014

Attn: James Engel, Senior Legal Advisor
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Engine Advocacy respectfully submits the following comments in response to the request for comments on Changes to Require Identification of Attributable Owner dated January 16, 2014.

Engine Advocacy is a non-profit organization that supports the growth of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues. As part of its advocacy efforts, Engine has built a coalition of more than 500 high-growth businesses and associations, pioneers, innovators, investors, and technologists from all over the country, committed to taking action on the policy issues that affect the way they run their businesses.

Lack of transparency in the ownership of patents often serves to enable patent litigation abuse, and such abuse by patent assertion entities increasingly targets the smallest—and often most productive—businesses in the economy. Engine Advocacy, as the voice of startups in government, has a vested interest in supporting policies that level the playing field for all innovators. We believe that transparency of ownership is fundamental to a well-functioning patent system and commend the PTO for proposing these important rules.

I. Transparency in the Identification of Patent Ownership Is a Key Component of the Patent Examination Process and Levels the Playing Field for Inventors and the General Public

As the PTO noted in issuing the Notice of Proposed Rulemaking, requiring identification of attributable ownership will facilitate the examination of patent applications and provide much-needed transparency concerning the ownership of patents and patent applications. Making comprehensive patent ownership information readily available will reduce transaction costs and make the process less opaque for innovators who are threatened with abusive patent litigation.

Maintaining current and timely information about attributable ownership is also essential for the PTO to be able to perform its core function of examining patent applications, and for the PTO to discharge its responsibilities both to applicants and to parties to supplemental reexamination, ex parte reexamination, or any of the PTO's

post-grant trial proceedings. Put simply, the PTO – and ultimately the public -- has a right to know who owns a patent application or a patent, which is, of course, a government-conferred monopoly.

We commend the PTO for undertaking this rulemaking and proposing these important and necessary changes. By proposing to require that the attributable owner, including any ultimate parent entity, be identified during the pendency of a patent application – and at certain touch-points after issuance – the PTO is fulfilling its statutory mandate of disseminating information about patents to the public and, in so doing, is leveling the playing field for small companies, startups, and innovators who may be threatened with litigation or otherwise find themselves before the Patent Office.

35 U.S.C. § 2 lays out only two fundamental jobs for the PTO: one is to grant and issue patents and trademarks and the other is “disseminat[e] to the public information with respect to patents and trademarks.” The FTC said it best in its 2011 report on notice: “Clear notice of what a patent covers can increase innovation by encouraging collaboration, technology transfer and design-around. Clearly defined patent rights can help companies identify and license technology they wish to develop or adopt”, the report said. Conversely, it noted, inadequate notice “undermines the patent system’s ability to fulfill this role. Potential collaborators or licensees may not find relevant patents, or they may hesitate to invest in technology when the scope of patent protection is unclear.”

Information about Patent Ownership Is Opaque and Unduly Inaccessible

Despite the PTO’s statutory mandate to disseminate information, the same FTC report went on to find that “PTO records provide poor notice regarding current ownership of patents.” (FTC Report at 130). “Testimony suggested that 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.’ Moreover, testimony indicated, the information is difficult to locate: it is ‘buried somewhere on the website’ rather than included with the patent record.” (FTC Report at 130).

As Professor Colleen Chien wrote: “Due to the multiple ways a company can be referred to, and the ‘games’ companies play in order to hide their patent holding, 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.”

And Professor Robin Feldman and Tom Ewing’s work on this is particularly instructive: after extensive research into one well-known non-practicing patent holder, they were able to determine that this entity – Intellectual Ventures – owns somewhere between 30,000 and 60,000 patents through a variety of shell entities.

Ownership is, of course, one of the most basic facts of a patent. And yet, small companies and individuals navigating the system who need this information to assess risk and make informed business decisions are very often left in the dark. The patent system is a public system after all, and users should not need to hire a lawyer or engage in exhaustive research in an attempt to find out who owns a patent. And today, this information may not be obtainable even then.

Inaccurate or Inaccessible Ownership Data Can Enable Patent Litigation Abuse

The problem of inadequate information about ownership is exacerbated by the fact that concealing information about attributable ownership in patents enables, and is characteristic of, patent trolling. Patent trolls typically create shell corporations in order to insulate themselves from liability, and a start-up or small company that receives a demand letter or a notice of suit from a patent troll typically has to expend a great deal of time and energy simply trying to ascertain who owns the patent that is alleged to be infringed. Moreover, Professor Colleen Chien found that information regarding changes in a patent’s ownership and transaction history are some of the most important predictors of whether a patent has been – or will be – litigated. (Predicting Patent Litigation). In fact, Prof. Chien also found that in many cases the transfer of a patent was a precursor to its assertion in litigation. One more data point here: Prof. Chien studied 915 patent litigation filings made by patent trolls or PAEs and found that in about

one-third of the cases, the plaintiff was not the patent owner of record as of the day the litigation was initiated.

Therefore, any entity that is accused of infringing the patent will certainly need to know who the real party in interest is in order to be able to assess its risk. And yet basic information surrounding the patent's true ownership tends to be as scarce as it is vital. And any small company or start-up that wants to create and invent needs to be able to access information surrounding a patent's ownership to make strategic decisions about litigation, to make offers on licenses, and to make knowledgeable design-around decisions.

Information about Ownership Is Particularly Crucial During the Pendency of an Application

The proposed rule changes are particularly necessary during examination because, as the Notice indicates, ownership of an application is an important factor in examining an application. It will enable the Office to determine the scope of prior art under the common ownership exception, help uncover instances of double patenting, and ensure against any conflicts of interest. Involving PTO personnel involved in examining an application.

For these reasons, Engine believes that requiring notification of changes in ownership within 90 days, as the Notice proposes, is too long a period of time for this information to be out of date. We recommend that the window for reporting changes in ownership should be reduced to 45 days.

Post-Issuance Requirements Should be Expanded to Assignments

We applaud the PTO for proposing to require that ownership information be updated when issuance and maintenance fees are due, and whenever the patent becomes involved in post-issuance proceedings before the PTO. As the Notice indicates, the PTO believes that the examination process is best served by collecting ownership information of not just the titleholder, but also of other entities that are real-

parties-in-interest because they have rights to enforce an existing patent, as well as information about parent entities who ultimately control these entities.

In order to fully achieve the transparency that the Notice calls for, we recommend that such information also be required every time an assignment is made. Extending the requirement to assignments is also relatively easy to achieve in that 37 CFR 3.11 (MPEP 302) already requires that assignments be recorded via a simple one-page form. It would be relatively easy to require that something similar be filed with the Office every time an ownership event happens that affects titleholders, enforcement entities, ultimate parent entities, or hidden beneficial owners.

These Changes Can Be Implemented In a Way that Reduces Any Burden on Applicants and Patent Owners

Although Engine is not persuaded by the protests of those who claim that it is too great a burden to tell the PTO who owns a patent in a reasonable time frame as contemplated by these proposed rules, Engine does believe that the PTO can and should implement these requirements in a manner that makes it easy and inexpensive for small companies, independent inventors and start-ups to comply. Engine notes that the PTO has already reduced fees associated with recordation of assignments, and recommends that it consider more ways to streamline the process that would enable applicants and owners to update ownership information online and without the need for attorney assistance. The PTO's Proposal to Enable Voluntary Reporting and Publication of Licensing Offers and Related Information is commendable and should be adopted

The PTO notes that it already permits patent holders to seek publication in the Official Gazette of the availability of their patents for sale or license for a fee. Permitting patent applicants and owners to voluntarily provide information about licensing which the Office would then make available to the public in a searchable online database would further enhance the transparency and efficiency of the marketplace by providing a clearinghouse for patent owners to post licensing terms. Engine Advocacy supports this proposal because it would make it easier for start-ups to post or obtain information about licensing opportunities and facilitate licensing and technology transfer while reducing the costs of such transactions.

Conclusion

The PTO's proposed new rules on requiring identification of attributable ownership are commendable, and will enable the PTO to better discharge its statutory duties while making this information available to third parties, policymakers, and the public. The PTO deserves great credit for addressing the existing lack of transparency in ownership information and proposing changes that, if implemented, will shed much-needed light on the ownership of titleholders, enforcement entities, ultimate parent entities and hidden beneficial owners. Making this information readily available will enable the PTO to do its job better and serve the public interest.

Respectfully submitted,

Julie Samuels
Executive Director
ENGINE ADVOCACY



April 24, 2014

James Engel
Senior Legal Advisor
Office of Patent Legal Administration
Office of the Deputy Commissioner for Patent Examination Policy
U.S. Patent and Trademark Office
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Re: Changes To Require Identification of Attributable Owner

The U.S. Patent and Trademark Office (“USPTO”) has published a notice of a proposed rulemaking in the Federal Register (79 Fed. Reg. 4105) that it hopes will “facilitate the examination of patent applications and . . . provide greater transparency concerning the ownership of patent applications and patents.” The Innovation Alliance is a group of U.S. based innovators, patent owners, and stakeholders from a diverse range of industries committed to improving patent quality while protecting and promoting innovation. Our members make frequent and great use of the USPTO, and because our innovations are protected by patents, we employ thousands of people in the United States. Accordingly, we are compelled to provide comments on the proposed rulemaking and hope these comments will be given every consideration by the USPTO.

The objective of the proposed rulemaking is to “ensure the highest-quality patents, enhance competition by providing the public with more complete information about the competitive environment in which innovators operate, enhance technology transfer and reduce the costs of transactions for patent rights by making patent ownership information more readily and easily available, reduce abusive patent litigation by helping the public defend itself against frivolous litigation, and level the playing field for innovators.”

The Innovation Alliance has serious concerns that the costs of compliance with the proposed rules far outweigh the suggested benefits deriving from them, some of which we believe are dubious at best. The USPTO should thoroughly review the proposed rules relative to the perceived benefits, and ensure that there is a clear and demonstrable quantitative nexus between the proposed rules and the desired objectives, and that they clearly outweigh the significant quantitative burdens on innovators. In this

regard, we believe the USPTO has grossly underestimated the cost of compliance for innovators. More specifically, the USPTO should revisit the unlikely relationship between ownership information and (1) the quality of patents, (2) enhancement of competition, (3) reduction of transaction costs, and (4) leveling of the playing field for innovators, and provide more data driven justification, if any, for these presumptions. The results of these reevaluations should be further published for additional public comment.

The proposed rules create a significant cost and compliance burden on patent owners and applicants. The proposed rules also presume that no submission of change of attributable ownership by itself is a representation that attributable ownership has not changed. Therefore, noncompliance will amount to a false representation. The USPTO should seriously consider reducing this regulatory burden on innovators by reducing the frequency and scope of required notifications in view of the very large cost of compliance. This consideration should also take into account the fact that there is proposed legislation that, if passed, will require disclosure of some level of attributable ownership as well. If this is the case, the USPTO requirement will be duplicative of the legislation that is specifically addressing abusive patent litigation, with no apparent value add.

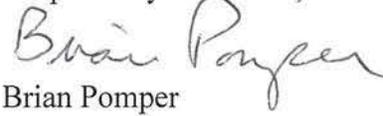
Additionally, the USPTO should avoid the incorporation of definitions in regulations propounded by other non-USPTO agencies. Rather, the USPTO should expressly define terms in 37 CFR that relate to patents, having terms specifically defined to suit the concept of attributable ownership, to avoid indefinite rules, confusion among practitioners, and unnecessary litigation. Furthermore, the Innovation Alliance believes that the attributable ownership definition should be limited to the assignee of a patent, and in the case the assignee is the subsidiary of a parent company, could include the parent company. The requirement to identify the other entities indicated in the proposed rules would fundamentally change the present venture capital environment and creation of high risk start up entities, as well as publicly owned companies.

The penalty for noncompliance is excessive and should be reduced to be commensurate with its impact. The proposed rules provide for abandonment of an application for which attributable ownership was not timely updated, unless the delay was unintentional, in which case the application can be revived. While the objectives of the proposed rule are commendable, forfeiture of a patent right for failure to comply with a requirement that has no relationship whatsoever to the merits of an invention, including its patentability and its contribution to technological advancement, is draconian at best. Alternative punitive fiscal remedies should be considered in lieu of this grossly overreaching penalty.

Finally, the Innovation Alliance understands the desire of the USPTO and the administration to curb abusive patent litigation. However, the USPTO should first and foremost focus on its primary objective of granting high quality patents in a timely fashion. The USPTO should exercise extreme caution in implementing rules, such as the present rule proposed for attributable ownership, that have unintended consequences to patent applicants and divert the USPTO's focus from its primary objective. This is

especially true in view of the heightened legislative and judicial attention to this issue.

Respectfully submitted,

A handwritten signature in cursive script that reads "Brian Pomper". The signature is written in black ink and is positioned above the printed name.

Brian Pomper
Executive Director
Innovation Alliance

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Changes to Require Identification of Attributable Owner

Notice of Proposed Rulemaking

Docket No. PTO-P-2013-0040

COMMENTS OF THE INTERNET ASSOCIATION

I. Introduction and Statement of Interest

The Internet Association (“IA”) files these comments in response to the Patent and Trademark Office’s (“PTO’s”) proposed rules to require identification of a patent’s attributable owner during the pendency of a patent application and at specified times during the life of the patent.¹ The IA supports the PTO’s proposed rules, subject to the changes and clarifications discussed below.

The IA is the voice of the Internet economy, representing the interests of America’s leading Internet companies and their global community of users.² IA members hold extensive patent portfolios arising naturally from their substantial investment in research, development, and commercialization of new technologies. At the same time, however, IA members and their customers face an unprecedented barrage of patent assertion and litigation involving the cynical manipulation of patents by private speculators shrouded in webs of secret shadow entities that traffic in poor quality patents (often long abandoned by their respective inventors) to parlay litigation costs into wealth transfers to investors. This growing shadow industry—widely known as “patent trolling”—is so large, so pervasive, its social costs so vast, that it has invoked the collective outrage of the Congress, the Department of Justice, the Federal Trade Commission, leading academics in law, economics and public policy, and even the United States Court of Appeals for the Federal Circuit. The Internet ecosystem is uniquely susceptible to abusive patent litigation given that Internet-related patents are eight times more likely to be asserted than non-Internet related patents.³

¹ Notice of Proposed Rulemaking, *Changes to Require Identification of Attributable Owner*, 79 Fed. Reg. 4105 (Jan. 24, 2014) (“NPRM”).

² The Internet Association represents the world’s leading Internet companies including: Airbnb, Amazon, AOL, eBay, Expedia, Facebook, Gilt, Google, IAC, LinkedIn, Lyft, Monster Worldwide, Netflix, Practice Fusion, Rackspace, reddit, Salesforce.com, SurveyMonkey, TripAdvisor, Twitter, Uber Technologies, Inc., Yelp, Yahoo!, and Zynga.

³ John R. Allison, Emerson H. Tiller, Samantha Zyontz, Tristan Bligh, *Patent Litigation and the Internet*, 2012 Stan. Tech. L. Rev. 1 (2012) at 14, ¶ 28, available at <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.229.474&rep=rep1&type=pdf>.



The secondary market for patent monetization has matured to the point where patent assertion entities (“PAEs”) – entities that exist solely to acquire, license, and litigate patents – now attract significant investment capital from Wall Street hedge funds, venture capital investors, and operating companies. Often, PAEs and their shadow investors obscure their interest in a patent by litigating through shell companies. This “hidden” ownership introduces inefficiencies into agency proceedings, licensing negotiations, and patent litigation. Hidden ownership information also gives rise to “hybrid PAEs,” otherwise known as patent privateers. As noted by Federal Trade Commission Chairwoman Ramirez, patent privateering “allows operating companies to exploit the lack of transparency in patent ownership to win a tactical advantage in the marketplace that could not be gained with a direct attack” and can “increas[e] licensing fees and further burden[] rivals.”⁴

Accordingly, the IA strongly supports the PTO’s efforts to bring more transparency to the patent system by requiring parties with an attributable ownership interest in a patent to disclose that interest. However, the proposed rules focus primarily on disclosure of attributable ownership information for pending applications. In the IA’s view, this focus is misplaced. There are valid reasons for keeping ownership information for pending applications undisclosed, such as when a company explores possible entry into new markets, or when an intellectual property portfolio is a small part of a large, complex merger or acquisition. By contrast, hidden ownership information for already-issued patents has no clear justification and often results from a strategic decision to gain an unwarranted advantage in litigation or licensing activities. The IA therefore encourages the PTO to refocus its rulemaking on already-issued patents.

Finally, the IA does not support the proposal to allow voluntary disclosure of licensing information. Because most companies treat licensing information as confidential, relying on voluntary submissions alone is unlikely to yield a sufficiently comprehensive database of licensing offer information to be useful. Moreover, PAEs may use selective disclosure of licensing information to gain a litigation advantage.

II. Transparency of Ownership for Already-Issued Patents is Essential to the Administration of the Patent System and an Efficient Market for Clearing Patent Rights

A. Transparency in Agency Proceedings

As the PTO observes in its NPRM, transparent ownership information can facilitate more effective evaluation of patent applications and improve other internal agency processes. For example, knowing a patent’s attributable owners can help determine the scope of prior art or uncover instances of double patenting.⁵ Transparent ownership information can also yield a

⁴ Chairwoman Edith Ramirez at the Computer & Communications Industry Association & American Antitrust Institute Program, *Competition Law & Patent Assertion Entities: What Antitrust Enforcers Can Do*, at 7 (June 20, 2013).

⁵ 79 Fed. Reg. at 4106.



more complete picture of the entire patent system while ensuring that the information that the PTO provides to the public is accurate.

Importantly, transparent ownership information facilitates more effective use and administration of review proceedings at the PTO, including the new *inter partes* and post-grant review proceedings created by the America Invents Act.⁶ In view of the short nine-month time frame to bring a petition for post-grant review, hidden ownership information may keep potentially invalidating public disclosures undiscovered until the deadline for filing the petition has passed. Similarly, a defendant has one year to file a petition for *inter partes* review after the filing of an infringement complaint. In complex patent litigation, accurate ownership information that may lead to other information that would support grounds for invalidity in an *inter partes* review could go undiscovered until after the window to petition for *inter partes* review has passed. Indeed, the time limits for post-grant and *inter partes* review may actually create an incentive for keeping ownership information hidden. Accordingly, the IA strongly supports the proposed rules to require disclosure of ownership information after issuance and, as discussed below, recommends that such information be disclosed more frequently.

B. Transparency in Litigation and Licensing

As observed in the White House's report on patent assertion and U.S. innovation, entities that assert patents to deter rather than promote innovation often use concealed ownership as part of their litigation strategy: "They may hide their identity by creating numerous shell companies and requiring those who settle to sign non-disclosure agreements, making it difficult for defendants to form common defensive strategies (for example, by sharing legal fees rather than settling individually)."⁷ Concealed ownership also can be part of a PAEs' licensing and litigation strategy of "intentionally hid[ing] the existence of their patents until a sector or company [is] using the patented invention without authorization and can be sued for infringement."⁸ Concealing the identity of operating companies makes it less likely that the owner or user of an accused technology will discover relevant patents until they are asserted.

Moreover, obscuring ownership information leads to inefficiencies in patent licensing and litigation, and also distorts the costs of patent licenses and settlements. As detailed in the IA's earlier joint comments in this proceeding, hidden ownership information makes it more difficult to reach a "true" settlement between the alleged infringer and the real party in interest, makes efficient cross-licensing arrangements much more difficult to reach, and increases the

⁶ 35 U.S.C. §§ 311, 321.

⁷ Executive Office of the President, *Patent Assertion and U.S. Innovation*, June 2013, at 4, available at http://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf.

⁸ United States Government Accountability Office, *Intellectual Property: Assessing Factors That Affect Patent Infringement Litigation Could Help Improve Patent Quality*, August 2013, at 31, available at <http://www.gao.gov/assets/660/657103.pdf>.



time, expense, and risk associated with clearing patent rights.⁹ Given the heightened frequency with which patent reassignments now occur, hidden ownership information injects inefficiency and uncertainty throughout patent licensing and litigation. Especially in the heavily litigated field of Internet-related patents, that inefficiency and uncertainty creates a substantial risk and therefore disincentive to develop and exploit new technologies.

III. The Rules Will Improve the Accuracy of Ownership Information, But Need Refinement

At the outset, the IA believes that the proposed rules further an important interest in accurate information regarding granted patents without unduly burdening patent holders. The PTO anticipated implementing a system for electronic uploading and updating of attributable owner information that should ease any burden on patent holders.¹⁰ Concerns that have technological fixes should not determine policy outcomes. Indeed, to fully accomplish the objectives set out in the White House’s objective of “making ‘real party in interest’ the new default,”¹¹ further disclosures and incentives to disclose are required. At the same time, the PTO should consider modifications to its rules to preserve confidentiality where legitimate business purposes require it.

A. The Rules Should Require Updated Ownership Information When the Patent Is Asserted

The proposed rules seek to “reduce the risk of abusive patent litigation by helping the public defend itself against such abusive assertions by providing more information about all the parties that have an interest in patents and patent applications.”¹² As proposed, however, the rules fall short of accomplishing that goal because, outside of review proceedings, updated information for already-issued patents is required only at the time of payment of maintenance fees. These fees are due only at 3.5, 7.5, and 11.5 years into the life of the patent.¹³ With a gap of up to four years between maintenance fee payment, and no further disclosure required after the final payment, it is very likely that the ownership information on hand at the time a patent is asserted will be stale.

⁹ Comments of the Coalition for Patent Fairness and the Internet Association, *Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Pendency of Patent Term*, Docket No. PTO-P-2012-0047, at 6-7 (filed Jan. 25, 2013).

¹⁰ NPRM, 79 Fed. Reg. at 4106.

¹¹ FACT SHEET: White House Task Force on High-Tech Patent Issues, June 4, 2013, available at <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues>.

¹² NPRM, 79 Fed. Reg. at 4106.

¹³ 37 C.F.R. §1.20.



Legislative proposals to improve patent transparency have recognized this problem and devised a solution to address it. The Innovation Act of 2013, which passed overwhelmingly in the House of Representatives, requires a plaintiff to disclose upon a filing a complaint the ultimate parent entity of any assignee of the patent, as well as any entity that the “plaintiff knows to have a financial interest in the patent or patents at issue or the plaintiff.”¹⁴ The Patent Transparency and Improvements Act currently under consideration in the Senate takes a slightly different approach but similarly recognizes the need for more frequent updating of patent ownership information.¹⁵ In addition, academics who have examined the impact of PAEs on startups and innovation have called for disclosure of real-parties-in-interest in demand letters.¹⁶ Although the Innovation Act does not require this disclosure, it does make disclosure of the ultimate parent entity in demand letters a condition for recovering damages for willful infringement.¹⁷ The PTO has multiple approaches available and should, at a minimum, take steps to require the disclosure of ownership information at the time the infringement complaint is filed. Requiring disclosure at that time imposes no undue burden on the patent owner, particularly when contrasted with the far more extensive production of documents faced by the party defending against a claim of infringement brought by a PAE or shell company.

B. The Rules Should Impose Penalties for Failure to Disclose Attributable Owner Information for Already-Filed Patents

Under the proposed rules, failure to disclose required ownership information can result in abandonment of the patent application. It is less clear, however, what consequences flow from a party’s failure to disclose attributable owner information for a patent that has already been granted. Again, recent legislative proposals may provide some guidance in that case. Failure to disclose required ownership information in the Innovation Act and the Patent Transparency and Improvements Act results in the plaintiff becoming ineligible for increased damages under 35 U.S.C. § 284 or reasonable fees and expenses under 35 U.S.C. § 285 for the time during which the plaintiff was out of compliance. Additionally, the Innovation Act would award to a prevailing defendant the fees and expenses incurred to discover undisclosed ownership information.¹⁸ Litigation-specific penalties for noncompliance are not well suited for other failures to disclose required information, such as when maintenance fees are due or in the course

¹⁴ H.R. 3309, 113th Cong. § 4 (2013).

¹⁵ See S. 1720, 113th Cong. §3 (2013) (requiring updating of patent assignments within three months).

¹⁶ Colleen Chien, *Patent Assertion and Startup Innovation*, Report of the New America Foundation’s Open Technology Institute, September 2013, at 30, *available at* <http://newamerica.net/sites/newamerica.net/files/policydocs/Patent%20Assertion%20and%20Startup%20Innovation.pdf>.

¹⁷ H.R. 3309 § 3.

¹⁸ *Id.* §4; S. 1720 §3.



of a reexamination proceeding. In those cases, a monetary penalty may be more appropriate but there should also be downstream consequences if the patent is later asserted. In all cases, the penalty should provide a substantial disincentive for keeping attributable ownership information hidden in violation of the Office's rules.

C. The Rules Should Allow Optional Confidentiality of Ownership Information for Pending Applications

As discussed above, the primary harms and risks associated with hidden ownership information relate to patents that the PTO has already granted. Secrecy is flatly inconsistent with the core bargain of a property right that is granted and enforced by the government in exchange for disclosure of an invention. Given that patent infringement is a strict liability offense, information that helps put all parties on notice to a patent's existence and ownership promotes a more efficient and equitable patent system. It is unclear what legitimate interest would allow an attributable owner of a patent to keep its interest hidden at the same time that it seeks to benefit from the patent's enforcement.

By contrast, there may be valid reasons for keeping ownership information confidential when a patent application is still pending. For instance, a company may wish to acquire confidentially technology and related pending applications as it explores the possibility of entering a new field or market. Public disclosure of that exploration could encourage PAEs and other patent speculators to acquire patents and applications for no other purpose than to drive up their costs or to stockpile an arsenal for eventual litigation. The proposed rules do provide limited flexibility insofar as they distinguish between published and unpublished applications.¹⁹ However, the PTO should go further and allow a party acquiring pending applications, upon request, to keep updated attributable owner information confidential until the patent issues. Once the patent issues, however, the public interest in timely disclosure and updating of accurate ownership information, and the public availability of that information, is clear and outweighs any interest in maintaining confidentiality.

IV. The PTO Should Not Adopt the Proposal to Allow Voluntary Disclosure of Licensing Offers

The NPRM also seeks comments on whether the PTO should enable patent applicants and owners to voluntarily report licensing offers and related information for the Office to make available to the public.²⁰ The IA believes this provides limited new information and presents a significant risk of manipulation. Under current PTO rules, a patent owner or applicant can publish in the *Official Gazette* a notice of availability of a patent or application for license and

¹⁹ NPRM, 79 Fed. Reg. at 4111.

²⁰ *Id.* at 4109.



sale.²¹ Thus, the PTO already provides patent owners and applicants with a means to advertise the availability of their patents for licensing.

The proposal would go further and allow patent owners and applicants to publicize the terms of specific licensing offers. A comprehensive database of licensing information likely would enhance transparency and efficiency in the marketplace for patent rights. However, voluntary disclosures alone will not produce a comprehensive database. The vast majority of licensees and licensors treat licensing information as proprietary and confidential and therefore will not voluntarily disclose that information in a public, searchable database.

Furthermore, a database composed entirely of selectively disclosed information is unlikely to produce an accurate or useful picture of the patent marketplace. It is unclear, for example, what benefit flows from allowing a patent holder to publicize that a patent asserted to cover a rudimentary function (such as the ability to email a scanned document) is available for license at a cost of \$1,000 per employee. Particularly for the smaller companies that make up 55% of unique defendants in suits brought by PAEs²² and may be unfamiliar with patents or patent licensing, the presence of an offer to license in a PTO database may give an undeserved air of legitimacy to patent assertions. Further, if the PTO were to allow disclosure of offers of license to identified parties, the threat of publication could be used to inflate licensing costs. Finally, selective disclosure may also be used to undergird a claim of willful infringement or another litigation tactic. Simply put, voluntary disclosure creates more risks than benefits.

V. Conclusion

The Internet Association appreciates and supports the PTO's efforts to improve the transparency of ownership information. In the administrative setting, the courts, and the marketplace, knowing exactly who one is dealing with will yield more efficient and fair outcomes. Given the increase in patent litigation and the corresponding increase in the reassignment of patents to shell companies and other entities for litigation advantage, the IA strongly encourages the PTO to focus on eliciting current, comprehensive, and accurate ownership information for already-issued patents. There may be valid considerations for keeping changes in ownership confidential while a patent application is pending. Once the patent issues, however, the public's interest in fair notice, efficient transactions, and a reduction in abusive patent litigation counsels strongly in favor of maintaining and disclosing up-to-date ownership information.

²¹ 37 C.F.R. 1.21(i).

²² Chien at 11.



The Internet Association

Sincerely,

/s/Gina G. Woodworth

Gina G. Woodworth

Vice President, Public Policy and Government Affairs

The Internet Association

April 24, 2014



April 24, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the United States Patent and Trademark Office
600 Dulany Street
P.O. Box 1450
Alexandria, VA 22313

Submitted to: AC90.comments@uspto.gov

Re: IPO Comments on the USPTO's Proposed "Changes to Require Identification of Attributable Owner," 79 Fed. Reg. 4105 (January 24, 2014)

Dear Deputy Director Lee:

Intellectual Property Owners Association (IPO) submits the following comments in response to the USPTO's "Changes to Require Identification of Attributable Owner," 79 Fed. Reg. 4105 (January 24, 2014) (Notice).

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or through other classes of membership.

IPO previously submitted comments on patent ownership information in response to the USPTO's "Request for Comments on Eliciting More Complete Patent Assignment Information," 76 Fed. Reg. 72372 (November 23, 2011), and in response to the "Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term," 77 Fed. Reg. 70385 (November 26, 2012).

IPO recognizes the value of improving transparency with respect to patent ownership information. However, IPO has concerns that the burdens associated with complying with many of the proposals enumerated in the Notice outweigh potential benefits from the additional disclosures.

I. The Attributable Owner Should be Limited to the Titleholder as Set Forth in a Recorded Assignment

The Notice defines attributable owner as including the following types of entities:

- (a) titleholder: an entity that has been assigned title to the application or patent, e.g., an assignee of the inventor of record;

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- (b) enforcement entity: an entity that is necessary to be joined in a lawsuit in order to have standing to enforce the patent, e.g., exclusive licensees;
- (c) ultimate parent entity (as defined in 16 C.F.R. § 801.1(a)(3)) of titleholders and enforcement entities; and
- (d) hidden beneficial owner: an entity that directly or indirectly creates or uses a trust, proxy, power of attorney, pooling arrangement, or other contract, arrangement or device for temporarily divesting such entity of attributable ownership of a patent or application or for preventing the vesting of attributable ownership.

Notice at 4110; proposed 37 C.F.R. § 1.271.

IPO supports the USPTO's proposal to require identification of titleholders *only* upon the initial filing and allowance of a non-provisional application. IPO does not support additional rules requiring disclosure of enforcement entities, ultimate parent entities, or hidden beneficial owners, because compliance would be extremely burdensome and fraught with potential pitfalls.

Requiring disclosure of enforcement entities would require patent applicants and owners to track which patents and applicants are affected by potentially numerous license agreements prior to enforcement. It is common for a large company to license-in or license-out hundreds, if not thousands, of patents and applications. The sheer number of patents and applications to be tracked and recorded under the proposed rules would divert valuable resources from other activities and discourage or limit licensing activities.

The structure of many licensing arrangements does not necessitate tracking the specific patents and applications that are subject to the license. For example, it is common practice for an exclusive license to be defined by a technological field or based on a definition of the product being licensed, without identifying the particular patents and applications of the licensor that cover that technology or product. Neither the licensor nor the licensee may know (or ever need to know) precisely which patents and applications are covered by the license.

Another factor that would complicate compliance with the proposed rules is that claim scope can change during prosecution, causing the enforcement entity or beneficial owner to change. It would be exceedingly burdensome to require an applicant to assess whether an application falls within a certain license or other business arrangement each time the claims are amended. Often, the prosecuting agent or attorney is wholly unaware of such licenses or arrangements.

A requirement that the enforcement entity or hidden beneficial owner be identified could require early resolution of possible disagreements between licensors and licensees as to whether a specific patent or application is included in a license. A requirement for claim and contract interpretation prior to enforcement would be costly and should be avoided.

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Recent cases illustrate the complexity of determining standing, which would be required under the proposed requirements for disclosing enforcement entities. For example, issues have been raised in patent litigation regarding whether a former spouse of an inventor is a necessary party to an enforcement action. *See, e.g., Enovsys LLC v. Nextel Communications, Inc., et al.*, 614 F.3d 1333 (Fed. Cir. 2010) and *James Taylor v. Taylor Made Plastics* (M.D. Fla. 2013). Those types of investigations are unwarranted during patent prosecution.

Licensors and licensees have a legitimate business interest in keeping the details of a license agreement, or even the existence of an agreement, confidential. If the enforcement entity or hidden beneficial owner must be identified, it is possible that the details of such agreements would be made public. Existing license agreements are unlikely to address the issues raised by the Notice, and future agreements would need to consider these issues, thus increasing the cost and complexity of agreements.

IPO does not support rulemaking to require disclosure of ultimate parent entities. Furthermore, the definition of ultimate parent entity as set forth in 16 C.F.R. § 801.1(a)(3) would require an unduly complicated analysis. That rule was promulgated in support of the premerger filing requirements of the Hart-Scott-Rodino Act and is administered by the Federal Trade Commission (FTC). The FTC has set forth a “Size-of-Person Test” and a “Size-of-Transaction Test” that state the minimum financial value that a transaction must have before one needs to comply with the reporting rules. The transaction minimum for the “Size-of-Transaction Test” in 2014 is \$75.9 million while the minimum for the “Size-of-Person Test” is \$15.2 million. The USPTO’s proposed rules, however, do not contain minimum threshold amounts.

Experience with the FTC’s ultimate parent entity practice has shown that the determination of the ultimate parent entity can be quite involved even for publically traded companies. For example, proxy statements need to be reviewed to determine who, if anyone, owns or controls at least 50% of the company, and more investigation may be needed based upon the nature of the controlling parties. Working with foreign and private entities to obtain the needed information may be difficult and time consuming. Also, adoption of the ultimate parent entity concept would make due diligence activities during M&A activities more complex and expensive.

In addition, the proposed rules could hinder the ability of non-lawyer patent agents to prosecute patent applications. Many of the determinations needed in order to comply with the proposed requirements are legal in nature and based upon state or federal law. Patent agents would need to obtain the services of an attorney to perform the required analyses during the pendency of a patent application.

IPO urges that the definition of attributable owner be limited to titleholder entities.

II. The Times for Identifying the Attributable Owner Should be Limited to Filing and Allowance

The Notice proposes that the attributable owner be identified, updated, or otherwise verified at the following times:

- (a) upon filing a non-provisional application;
- (b) during prosecution, within three months of the date that the attributable owner changes;
- (c) within three months from the date of notice of allowance;
- (d) prior to the date of payment of each maintenance fee;
- (e) as part of the mandatory notice filed by a patent owner under 37 C.F.R. § 42.8(a)(2) in Patent Trial and Appeal Board (PTAB) proceedings;
- (f) when filing a request for supplemental examination;
- (g) at the time of filing a request for *ex parte* reexamination by the patent owner;
- (h) when the patent owner files a reply in an *ex parte* reexamination; and
- (i) during a proceeding at the PTAB if the attributable owner changes, within twenty-one days from the date of the change.

Notice at 4120.

IPO supports requiring patent applicants to provide “titleholder” information to the USPTO *only* upon the initial filing and allowance of a non-provisional application (i.e., at times (a) and (c)). Congress has determined when and to what extent ownership information is required to be disclosed during various USPTO proceedings, including America Invents Act (AIA) trials, supplemental examination, and *ex parte* reexamination. For example, the mandatory notice under 37 C.F.R. § 42.8(a)(2) already requires disclosure of real party-in-interest information.

The proposed timing requirements would result in a significant expenditure of resources by patent owners. The requirements to regularly update attributable ownership information during prosecution and post-issuance would require practitioners to conduct update inquiries potentially dozens of times. An update is not a simple task. A company would need to conduct internal investigations, which would be particularly onerous for large companies with multiple subsidiaries that participate in large volumes of intellectual property asset transfers.

Proposed Rule 1.381 requires identifying the attributable owner “prior to the date the maintenance fee is paid.” Many companies outsource the payment of maintenance fees to third party vendors, and the payment of such fees is largely a routine clerical activity. The Notice proposal would alter this practice, again requiring patentees in large complex corporate structures to carry out burdensome ownership inquiries each time a maintenance fee comes due.

III. Additional Issues Requiring Clarification or Explanation

A. Authority to Implement the Attributable Ownership Identifications as Proposed

IPO is concerned that the proposed rules go beyond what is reasonably necessary to conduct proceedings at the USPTO. IPO strongly opposes the proposal to hold a patent application abandoned for failure to comply with disclosure requirements, a proposal that seems to turn the requirements into substantive patentability criteria.

The USPTO states that the proposed rules will facilitate patent examination by helping to determine the scope of prior art under the common ownership exception. The Notice states that the difference between the AIA common ownership exception (35 U.S.C. § 102(b)(2)(C)) and the pre-AIA common ownership exception (35 U.S.C. § 103(c)(1)) presents the possibility that a greater amount of prior art is now subject to this exception. Notice at 4108. The difference in the scope of prior art falling under the pre-AIA and post-AIA exceptions, according to the Office, makes the current method of handling possible common ownership inefficient. Notice at 4108; *see also* MPEP 706.02(I)(3)(I). IPO does not agree that requiring extensive ownership disclosures in *all* applications and patents is the correct mechanism to address the change in the common ownership exception. IPO stands ready to work with the USPTO to address issues related to the AIA common ownership exception, and the resulting scope of prior art under Section 102(a)(2), in a more targeted manner.

With respect to uncovering instances of double patenting, we note that the duty to disclose under 37 CFR § 1.56 requires timely disclosures of changes in ownership when that information is material to patentability.

B. Impact on Treaty Obligations and Harmonization

We do not know if the USPTO has analyzed whether the proposed rules are permitted under the Patent Law Treaty, which seeks to harmonize national patent formalities throughout the world. IPO is not aware of any similar requirements in other patent offices and is concerned how any new rules would be perceived by other offices.

C. Estimated Cost to Comply

The USPTO estimates, based on input provided at a 2012 roundtable, that the cost of providing attributable owner information would have a transaction cost of about \$100. IPO questions whether this estimate is accurate for the current proposal. We believe that the previous \$100 cost was based upon the cost of filing the needed paperwork and did not include the analysis required for the determination. We believe a realistic estimate of the actual costs would easily exceed the \$100 million threshold to classify the rulemaking initiative as a “major rule” and thus require further review outside the USPTO.

D. Penalties for Non-Compliance

IPO opposes a penalty of abandonment for non-compliance with any rules requiring disclosure of attributable owners. IPO requests clarification on the penalty for non-compliance. The proposed rules do not specify a penalty for failing to comply with the proposed rules after a patent has been granted. Even if there is no other penalty attached to non-compliance, would patent owners still risk being charged with inequitable conduct?

IV. Pilot Program

IPO suggests that the Office consider implementing any new rules through a pilot program of appropriate scope and length. A pilot program could provide data to the USPTO and the patent community on the scope of the perceived problem (e.g., whether the new rules uncover ownership information that would not have been discoverable under the current rules in a significant number of cases), as well as data in regard to the actual time and cost burden of complying with any new rules. A pilot program would provide an opportunity to explore the impact of any new rules before making changes that would affect the entire patent community. IPO stands ready to assist the USPTO with a pilot program.

* * *

IPO appreciates the efforts in developing the proposed rules and thanks the USPTO for the opportunity to comment. We look forward to continuing to work with the USPTO to increase transparency of patent ownership while minimizing excessive burdens on patent owners.

Sincerely,



Herbert C. Wamsley
Executive Director

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April 24, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
Alexandria, Virginia

Re: JIPA Comments on the "Changes To Require Identification of Attributable Owner"

Dear Deputy Under Secretary Lee:

We, the Japan Intellectual Property Association, are a private user organization established in Japan in 1938 for the purpose of promoting intellectual property protection, with about 900 major Japanese companies as members. When appropriate opportunities arise, we offer our opinions on the intellectual property systems of other countries and make recommendations for more effective implementation of the systems. (<http://www.jipa.or.jp/english/index.html>)

Having learned that the "Changes To Require Identification of Attributable Owner", published by the United States Patent and Trademark Office (USPTO) in the Federal Register, Vol.79, No.16, on January 24, 2014. We would like to offer our opinions as follows. Your consideration on our opinions would be greatly appreciated.

JIPA again thanks the USPTO for this opportunity to provide these comments and welcomes any questions on them.

Sincerely, yours,

Kazushi TAKEMOTO

President

Japan Intellectual Property Association

Asahi Seimei Otemachi Bldg.18F

6-1 Otemachi 2-chome Chiyoda-ku Tokyo, 100-0004,

JAPAN

JIPA Comments on the “Changes To Require Identification of Attributable Owner”

JIPA has closely and carefully examined the proposed changes, publicized in the Federal Register issued by the United States Patent and Trademark Office (USPTO) as of January 24, 2014, under the title of “Changes To Require Identification of Attributable Owner”. JIPA hereby presents its comments on this proposed changes.

1. Proposed changes to the rules as a whole

JIPA agrees with the basic policy of the proposed changes to the rules - that is, to require the applicant and the patent holder to file a notice identifying current attributable owner information to the Office in order to facilitate greater transparency of patent application and patent ownership. However, JIPA is concerned that the proposed new rules of the United States might impose an excessive burden on applicants and patent holders compared with rules of other countries, and that the failure to comply with this requirement would result in the abandonment of an application, a more severe penalty than that would be imposed in other countries. JIPA requests flexibility in the application of these new rules. In addition, the proposed new rules contain some unclear provisions which JIPA would like to clarify to enable applicants and patent holders to comply with the requirement to report attributable owner information to USPTO.

2. Measures to be taken in the event of failure to comply with the requirement

(1) According to the proposed new rules, the submission of attributable owner information is required at certain timings, such as the time of filing an application, the time of being sent a notice of allowance, and the time of the maintenance fee payment. However, while the proposed rules clearly stipulate a penalty for failure of the applicant and patent holder to report information at the time of filing or patent grant (FR4112 column 2 and FR4112 column 3), there is no clear stipulation on a penalty for such failure at other timings. Accordingly, JIPA requests that the USPTO clarify in the final rules the penalty to be imposed for failure to report attribute owner information on such timings for which the current proposed rules do not clearly stipulate a penalty (e.g. failure at the time of maintenance fee payment).

(2) The proposed new rules provide that information on enforcement entities should be collected as the second type of attributable owner information, and state exclusive licensees as an example of the enforcement entities (FR4110 column 1). If a patent holder who has granted an exclusive license fails to notify the Office of the exclusive licensee as an attributable owner, and the patent holder or the licensee subsequently files an infringement suit, how would the patent holder's failure to report attributable owner information affect the infringement suit? JIPA requests that the final rules clearly provide whether the patent holder or the licensee will be sanctioned for inequitable conduct to the USPTO in such a case.

(3) Furthermore, where there is an enforcement entity other than the exclusive licensee, and where a patent holder's failure to report accurate attributable owner information is revealed when the patent holder or the enforcement entity file an infringement suit, would the patent holder or enforcement entity be subject to a penalty? If so, what kind of penalty will be imposed (or will they be sanctioned for inequitable conduct)? JIPA requests that the final rules clarify these matters.

3. "Attributable owner"

(1) The definition of "attributable owner" in the proposed new rules include entities authorized to enforce patents (enforcement entities) in addition to patent holders and applicants, but the proposed new rules are silent with regard to whether the holders of security interests in patents are included in the definition of "attributable owner." However, since the holders of security interests in a patents are also entitled to sell the patents to third parties by enforcing the security interests, JIPA believes that security interest holders would also be defined as one of attributable owners of patents. JIPA requests that the USPTO state whether this understanding is correct.

(2) According to the proposed new rules, a licensee under a non-exclusive license who is not vested with the right to enforce the patent is not included within the definition of "attributable owner." Therefore, JIPA understands that a patent holder who has granted such a license does not need to notify the USPTO of that licensee as an attributable owner of the patent. JIPA requests that the USPTO state whether this understanding is correct.

(3) The proposed new rules provide that when, "exclusive licensees are...confidential...they would only need to be disclosed where their rights are so substantial that they have enforcement rights in the patent" (FR4109 column 3). JIPA understands that it will suffice for a patent holder to notify the USPTO of a confidential exclusive licensee as an attributable owner of the patent when the exclusive licensee or the patentee enforces the patent. JIPA requests that the USPTO state whether this understanding is correct.

4. Requirement to report attributable owner information while an application is pending

(1) The proposed new rules provide that the applicant should notify the USPTO within three months (non-extendable) of any change to the attributable owner while an application is pending. However, the date of the change to the attributable owner (the starting date of this three month period) could vary depending on the case (e.g. where the attributable owner has changed as a result of a transfer of a patent right as part of a business transfer, or where a joint applicant waives his/her share of a patent). JIPA requests that the USPTO clarify the starting date of the three month period while specifying cases in which a change to the attributable owner could occur. For example, if Company A enters into an agreement with Company B to transfer part of its business, patent rights and patent applications related to the business subject to transfer may also be transferred from Company A to Company B, provided that the business transfer agreement so stipulates. In such a situation, patent rights and patent applications to be transferred are often selected after the

parties enter into a business transfer agreement. It is unclear from the proposed rules whether the attributable owners of these patents are deemed to have changed as of the date of execution of the business transfer agreement or of the patent transfer agreement. Also, where Company X waives its share in a patent application filed jointly with Company Y, the starting date of the three-month period during which a change to the attributable owner should be reported is unclear from the proposed rules. Therefore, JIPA requests that the USPTO clarify the date of the change to the attributable owner (the starting date of the three-month period) in the final rules.

(2) In the Federal Register, the USPTO states as follows: "The Office is asking for comments on whether there are other times during prosecution (e.g., with each reply to an Office action) where updating or verification of attributable owner information should be required)." For the purpose of collecting attributable owner information in a timely manner, JIPA considers within "three months of the change to the attributable owner," as provided in the proposed new rules, to be more appropriate than other times, such as when replying to an Office action. Meanwhile, if the USPTO is considering other times in addition to the three month period, it would impose an excessive burden on applicants and patent holder. So the JIPA would disagree with additional times.

5. Requirement to report attributable owner information at the time of patent registration

The proposed new rules provide that where there is a change to the attributable owner while an application is pending, the applicant should notify the USPTO of the new attributable owner within three months from the date of the change (R1.275). The proposed new rules also provide that the applicant should notify the USPTO of the new attributable owner within three months (non-extendable) from the date of the notice of allowance (R1.277).

The proposed rules do not clearly state whether the applicant is deemed to have complied with the requirement to report attributable owner information in the following case: there is a change in the attributable owner during a pendency of the application, but the applicant fails to notify the USPTO of the new attributable owner within three months from the date of the change. Since the patent is to be registered thereafter, the applicant notifies the USPTO, pursuant to R1.277, of the new attributable owner based on the change while the application was pending. JIPA believes that in this example case, although the applicant did not comply with the requirement to report attributable owner information at an appropriate time, the USPTO would be unable to discover the applicant's failure to comply with the requirement while the application was pending and would therefore be unable to determine whether the applicant has violated R1.275. Accordingly, JIPA requests that the USPTO clarify the rules and the interpretation thereof as to whether the applicant would be deemed to have complied with the requirement to report attributable owner information in this case.

6. Requirement to report attributable owner information after patent registration

(1) According to the proposed new rules, the patent holder is required to notify the USPTO of the attributable owner of the registered patent at the time of the maintenance fee payment (R1.381). However, based on these rules, even if the attributable owner changes after the patent registration, information on said change (the new attributable owner) would not be reported to the USPTO in a timely manner. In other words, the new attributable owner after the change would not be identified until the time of the next maintenance fee payment. JIPA is concerned about this point, and therefore requests that the proposed rules be revised, in light of the purpose thereof, to require that where a change occurs in the attributable owner after the registration of a patent, the patent holder shall report attributable owner information to the USPTO within a predetermined period from the date of the change, as in the case of a change while an application is pending. JIPA requests that the USPTO additionally provide when, for example, at least one enforcement entity has been changed after the patent is registered, the patent holder shall notify the USPTO of the enforcement entity as the new attributable owner within three months from the date of the change.

(2) If the USPTO adopts the rule suggested in (1) above requiring a patent holder to notify the USPTO of the new attributable owner within three months from the date of the change thereto, JIPA requests that the USPTO withdraw the proposed rule requiring submission of attributable owner information at the time of the maintenance fee payment. JIPA makes this request in response to the USPTO's request in FR4113 column 1, which reads, "The Office welcomes comments on how to collect attributable owner information at the time of each maintenance fee, particularly in light of this practice of maintenance fee submission in bulk by third parties."

(3) However, if the requirement to report attributable owner information at the time of the maintenance fee payment is to be withdrawn as suggested in (2) above, holders of patents that are registered when the final rules come into effect will not be required to report attributable owner information to the USPTO unless there is any change to the attributable owner thereafter. In this respect, JIPA requests that the USPTO establish a new rule applicable to patents that are registered when the final rules come into effect requiring holders of such patents to report attributable owner information to the USPTO at any of the following times:

- (i) at the time of the first maintenance fee payment after the final rules come into effect, or
- (ii) at the time of the expiration of a predetermined period (e.g. one year) from the time that the final rules come into effect,
- (iii) whichever comes earlier.

7. Licensing offers and licensing-related information

In FR4109 column 2, the proposed new rules provide as follows: "The Office is also seeking public comment on enabling applicants and owners to voluntarily report licensing offers and related information for the Office to make available to the public."

JIPA understands that the term "voluntarily" means that applicants and patent holders have the option to report licensing-related information to the Office and that this reporting is not mandatory. Accordingly, in that meaning, JIPA prefers the voluntarily reporting system to the mandatory reporting system. And, if the USPTO considers the reporting of licensing-related information to be mandatory, JIPA disagrees with said rule.

(EOD)

April 24, 2014

Via Email (AC90.comments@uspto.gov)
James Engel
Senior Legal Advisor
Office of Patent Legal Administration
Office of Deputy Commissioner for Patent Examination Policy
US Patent and Trademark Office
600 Dulaney Street
Alexandria, VA 22314

Re: Docket No. PTO-P-2013-040, Comments on Changes to Require Identification of Attributable Owner

Dear Mr. Engel:

The Medical Device Manufacturers Association (“MDMA”) appreciates the opportunity to comment on the United States Patent and Trademark Office (“USPTO”) Notice of Proposed Rulemaking, Proposing Changes to Require Identification of Attributable Owner.¹ MDMA is a national organization representing hundreds of innovative, entrepreneurial medical technology companies. Our mission is to ensure that patients have access to the latest advancements in medical technology, most of which are developed by small, research-driven medical device companies. The proposed changes to require identification of attributable owner would be extremely costly and burdensome for medical technology companies, the majority of which are small, privately held companies. Furthermore, the penalty of abandonment is far too severe and would have devastating consequences for companies and patent practitioners working in good faith.

The issue of patent trolls is real in a variety of industries, including medical technology. However, the proposed change would do little, if anything, to get at these abusive practices, while at the same time crippling innovative medical technology companies working in good faith to develop the medical breakthroughs of tomorrow. Below please find the areas of most concern to MDMA members. In addition, we strongly support the more detailed comments submitted by others in the life science community, including The Cook Group.

USPTO Has Significantly Underestimated the Costs of Compliance

The medical technology industry relies upon physicians, engineers and innovators working together to develop new therapies. The complexity of the proposed changes and the variety of new definitions would be extremely burdensome, costly and complex for

¹ 79 Fed. Reg. 4105 (January 24, 2014)

companies to comply. Furthermore, as technologies evolve and claims expanded, new analysis would be required to determine whether there is a “change to the attributable owner”. The proposal also fails to account for the increase in legal costs to cover the additional malpractice insurance that will be required in cases that result in abandonment.

Every dollar spent by emerging medical technology companies on compliance and legal fees is one less dollar spent on research and development. In addition, venture capital investment in medical technology has already seen a significant downturn in the past 5 years. Diluting precious investment dollars to be spent on compliance will only further exacerbate this funding dynamic.

Concerns with Establishing New Definitions

The proposed changes attempts to import definitions outside the USPTO, often developed for very different purposes. As a result the definitions are unclear and confusing. For example, many of our members have been unable to ascertain from the proposal which company is “the ultimate parent entity” when a company is owned by a holding company. Related, it is unclear which company is “the ultimate parent entity” when a company has set up a holding company to own its patents, which is not an uncommon structure for commercial medical technology companies.

Proposal Disproportionately Impacts Smaller, Privately Held Companies

According to the Department of Commerce 80% of all US based medical technology companies have fewer than 50 employees. 98% have fewer than 500 employees. The overwhelming majority of these companies are privately held. Under the current proposal, privately held companies and their investors are placed at a significant disadvantage. The requirement to identify and list the residence and corresponding address of each stockholder is unreasonable, unworkable and will create another disincentive for individuals to invest in life-saving technologies. For example, an angel investor who prefers to remain silent in an investment will now have his/her name made public and their address. This will result in countless future solicitations and possible harassment from others seeking investment. As a result, fewer and fewer individuals are likely to invest in start-up companies.

Private companies should be required to provide the same information as public companies under the proposed rule, providing the name of the company, business address and state of incorporation. If additional information is needed as a result of legal proceedings, this can be obtained in an environment with appropriate privacy safeguards.

Legal Titleholder Information is Sufficient to Achieve USPTO’s Objectives

In an effort to limit unnecessary regulations and requirements, USPTO should only require identification of the legal titleholder of a non-provisional patent application or patent. As mentioned above, the overwhelming majority of medical technology companies are small businesses. Establishing additional administrative and legal requirements with no demonstrable, corresponding public benefit is not conducive to innovation, investment and job creation. Furthermore, because the statute does not

require assignments to be recorded, the USPTO cannot promulgate new rules that require assignments (and by extension “attributable interests”) to be recorded with the Office.

Proposed Penalty of Abandonment is Extreme and Excessive

Beyond the significant increased legal costs that will result from increased malpractice insurance requirements, the proposed penalty of abandonment is excessive and extreme. If adopted, USPTO would establish a new method to challenge the validity of patent claims. This is far too draconian of a punishment to deal with an administrative issue. In addition, on occasion, USPTO mis-records assignments. What will happen is USPTO cannot find a properly recorded assignment? MDMA recommends a more appropriate approach to promote the identification of legal titleholder information is to offer discounts on fees paid to the USPTO.

Conclusion

MDMA appreciates the opportunity to provide comments on this important issue. While we support targeted efforts to address abusive patent trolls, the proposed rule regarding changes to require identification of attributable owner, is overly broad, unworkable and will not address the abusive practices of these bad actors. We look forward to working with USPTO to develop more targeted and meaningful solutions to the issue of patent trolls.

Respectfully Submitted,

A handwritten signature in black ink, reading "Mark B. Leahey", is positioned above a vertical line.

Mark B. Leahey
President & CEO
Medical Device Manufacturers Association

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

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

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

Our committee is concerned that the proposed rules may be broader than necessary to implement the Executive Order directing the Office to promulgate rulemaking on attributable owners of patents. The goal of this Executive Order is to address the concern that a lack of public knowledge about the ultimate parent entity “prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls.”¹ This goal is focused squarely at curbing abusive patent litigation tactics, and does not appear to be focused on any other aspects of patent prosecution.

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

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

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

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

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

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

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

Comments on Specific Rules:

1. 37 CFR § 1.271(a)(2)

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

2. 37 CFR § 1.271(b)

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

3. 37 CFR § 1.271(c)

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

4. 37 CFR § 1.271(d)

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

5. 37 CFR §1.271(e)

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

6. 37 CFR §1.275

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

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

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

7. 37 CFR §1.277

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

8. 37 CFR §1.279

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

9. 37 CFR §1.381

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

10. 37 CFR §1.383

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

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

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

11.37 CFR §1.385

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

12.37 CFR §1.387

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

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

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

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

Today's Date: April 16, 2014

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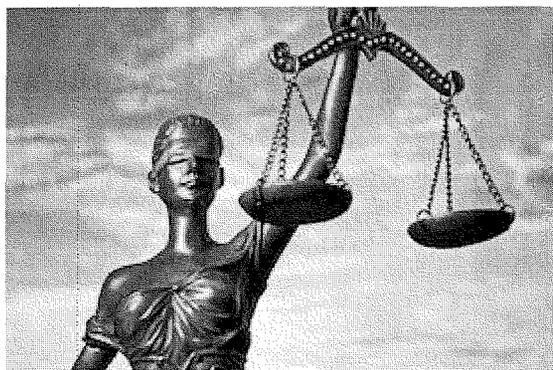


Written by **Brad Pedersen** & **Justin Woo**
Patterson Thuente Pederen, P.A.

Posted: July 8, 2013 @ 9:25 am

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

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

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

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

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

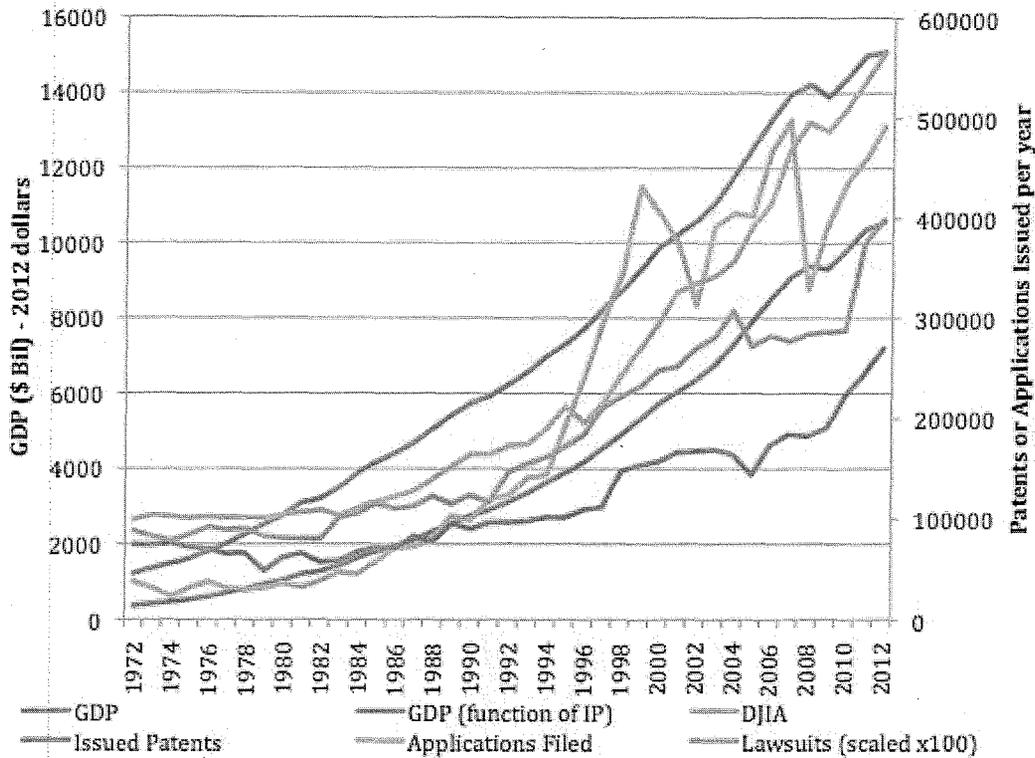


CHART 17

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

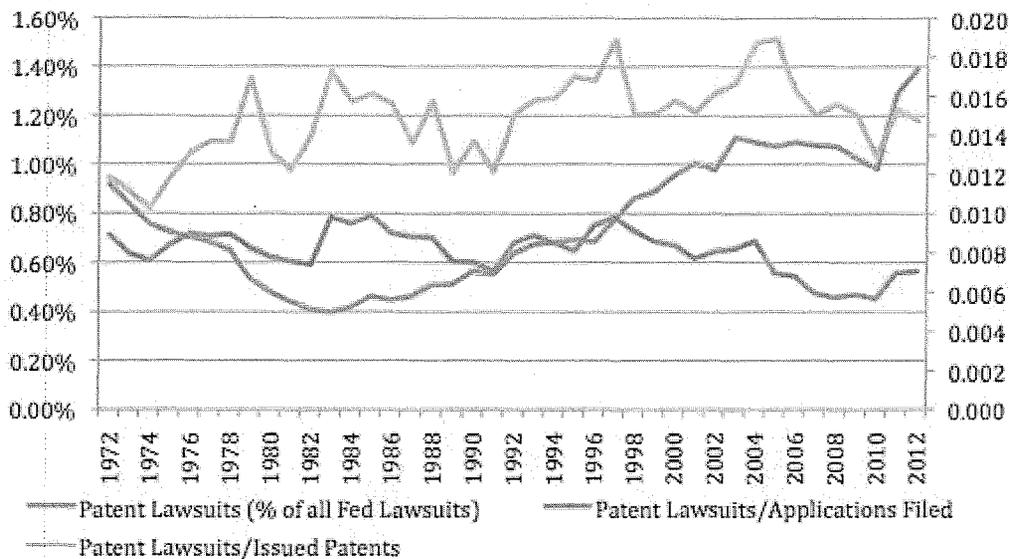


CHART 2

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

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

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

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

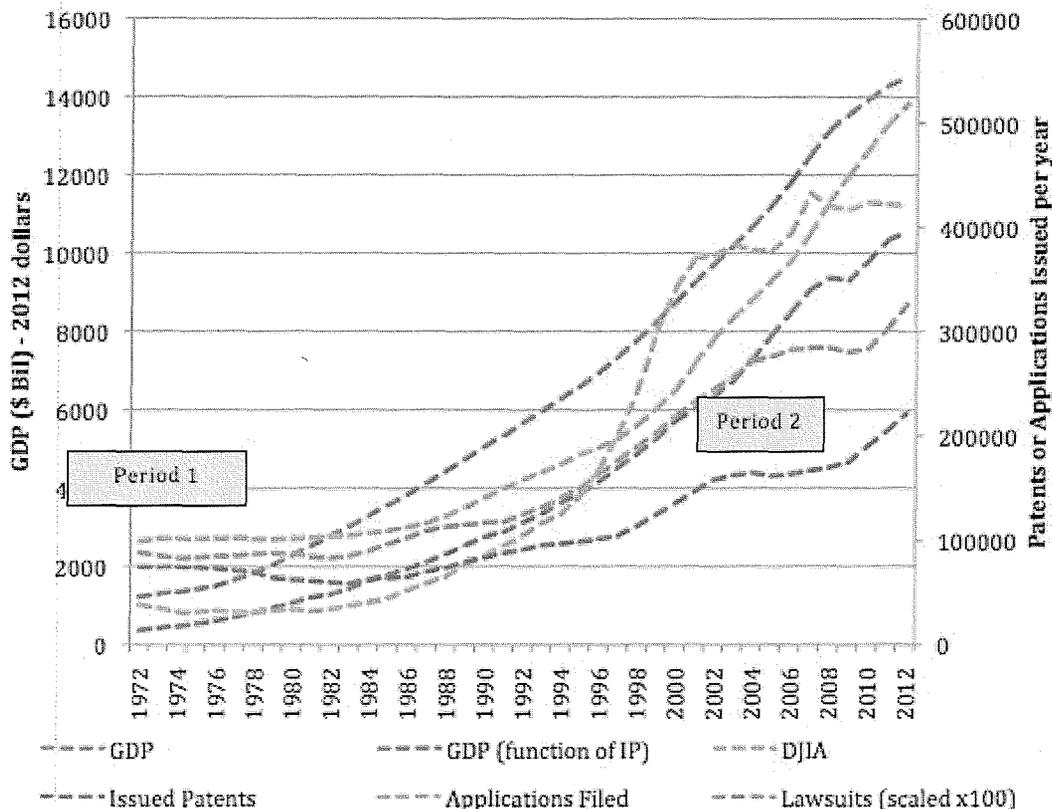


CHART 3

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

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

USPTO Performance and Accountability Reports

http://www.uspto.gov/web/offices/ac/ido/oeip/taf/ann_rpt_intermed.htm

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

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

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

About the Authors

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

Footnotes

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

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

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

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

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

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About the Authors

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

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

9 comments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Paul,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leave Comment



March 24, 2014

To: Michelle K. Lee, Esq.
Deputy Director, United States Patent & Trademark Office
Alexandria, VA 22313-1450

Comments of NVCA re Proposed Changes to Rules of Practice in Patent Cases

By public notice provided in Federal Register, Vol. 79, No. 16 dated January 24, 2014, the U.S. Patent & Trademark Office ("PTO") solicited public comments with respect to proposed changes in the agency's Rules of Practice, 37 CFR Part 1, related to the identification of the "attributable owner" of patents and patent applications. By this letter, the National Venture Capital Association (NVCA) responds to that solicitation.

NVCA is the primary voice of the venture capital industry. NVCA and its members represent more than 90 percent of all U.S. venture capital under management. For at least the past 25 years, venture capital investment and venture capital backed companies have accounted for the major portion of all new job creation in this country. Venture capitalists work closely with entrepreneurs to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. It is difficult to overstate the significance of this most dynamic sector of the U.S. economy.

All investing involves risk, and usually the more innovative the breakthrough, the greater the risk. The primary task of venture capital firms is balancing the projected gains from a successful investment against the potential risk of failure. The greater the risk, the greater must be the expected return.

For many investments, patents play a significant role in this analysis, but in different ways that depend on the company, its industry, the level of innovation and other factors. In making changes in the rules by which patents are procured and enforced, it is important to consider the impact that such changes may have on investment incentives and opportunities. Raising the cost of or risk inherent in investing will have a direct and negative impact on many types of investments.

NVCA can support the rule change, but only if certain aspects are clarified. In principle, NVCA does not oppose a requirement that a patent owner controlled by a parent entity identify that parent entity as part of the official record of the patent(s) in question. NVCA does, however, have some concerns with the wording of the rule as currently proposed and the potential impact of identification of venture capital investors. First, NVCA thinks the PTO should revise foundational definition of an "ultimate parent" to exclude equity investors owning less than 50% of the patent owner. Second, the rule should have a mechanism for petitioning the PTO for relief from the disclosure requirement for good cause shown. Third, we think that lenders who take an ownership interest in patents merely to secure indebtedness should not be treated as the ultimate owner, if they are the owner of record. The following points summarizes each of these points in order.

Venture capital investors should rarely if ever be considered an "ultimate parent" entity. As currently envisioned, the proposed change would require a patent applicant or patent owner to identify its "ultimate parent," which is defined generally to include any entity owning 50% or more of the voting and/or liquidation rights in a company. The way the rule is written now, this can be read to encompass all the members of a syndicated investment in a company by multiple venture capital firms, no matter how small their interest. Such an identification would clutter the record of a patent with a lot of useless information and would be an administrative burden on small companies.

The problem arises because the definition of an "ultimate parent" for purposes of the rule is based on 16 CFR § 801.1(a)(3), which is designed to capture, for purposes of merger enforcement, virtually any collaboration, joint venture or other business arrangement that might possibly have an impact on competition within a given product code. This breadth is not needed for purposes of the proposed rule change and would be both burdensome and in many cases would discourage the procurement of patents, even for companies that need them. Syndicates comprising multiple investors are common in the venture capital industry as a means for diversifying investment risk, and many of these syndicates are governed by side agreements that could arguably fall into the "joint venture" provisions of 16 CFR §801.1. Section 1.271(b) of proposed rule should be amended to make clear that no entity owning less than 50% of the patent owner should be considered an "ultimate parent" for purposes of this type of disclosure.

A venture capital firm that owns more than 50% of a company should be permitted to petition the PTO for relief from the disclosure requirement for good cause. Even if the new rule were modified to eliminate voting rights agreements and similar mechanisms among syndicated investors from triggering a disclosure requirement, there still may be situations in which one venture capital firm, often as a result of multiple rounds of financing at declining valuations, holds a 50% interest or more in a portfolio company. In some of these situations, there may be no reason for the patent owner or its investor to resist the simple disclosure of ownership interests. In other situations, however, there may be competitive reasons for not revealing to the public the identity of the venture firm that has invested in the company. Some venture-backed companies, for example, like to remain in "stealth mode" until they bring a product to market to avoid triggering a competitive response from a much larger competitor. To deal with such cases, the new rule should be modified to allow the patent owner to petition the PTO to waive the disclosure requirement for such an investor based on a representation that the patent owner does not intend to pursue claims for monetary damages or license revenues against any other entity. The waiver could be periodically renewable and could cease to apply in the event the patent owner acts overtly to pursue monetary claims or license revenues.

A security interest in a patent should not trigger a disclosure requirement. The proposed new rule, as written, appears to require disclosure of a lender as the owner of a patent merely because it has taken a security interest in the patent to secure repayment of indebtedness. The rule should be modified to eliminate this possibility, either expressly or by allowing the patent owner to petition the PTO for waiver of the disclosure requirement. Debt financing is a familiar and often used mechanism employed by venture backed companies for raising capital. It would be a serious impediment to raising debt capital if a secured lender were to be treated as the owner of record, particularly if there were situations in which courts were inclined to look to such entities for litigation costs.

We appreciate the opportunity to comment on the proposed rule change and will happily assist the PTO in discerning the significance of any modifications it may choose to make.

Sincerely,

A handwritten signature in cursive script that reads "Bobby Franklin".

Bobby Franklin President & CEO

Nineteen Hundred and Twenty-two

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The New York Intellectual Property Law Association®

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April 24, 2014

BY FIRST-CLASS MAIL AND E-MAIL (AC90.comments@uspto.gov)

ATTN: Mr. James Engel

*Senior Legal Advisor, Office of Patent Legal Administration,
Office of the Deputy Commissioner for Patent Examination Policy*
Mail Stop Comments-Patents, Commissioner for Patents

P.O. Box 1450

Alexandria, VA 22313-1450

RE: NYIPLA Comments in response to “Changes To Require Identification of Attributable Owner,” 79 Fed. Reg. 4105 (January 24, 2014) and “Extension of Deadline for Requesting To Testify at the Public Hearings on the Proposed Changes To Require Identification of Attributable Owner,” 79 Fed. Reg. 13962 (March 12, 2014)

Introduction

The New York Intellectual Property Law Association is a professional association comprised of over 1500 lawyers interested in IP law who live or work within the jurisdiction of the United States Court of Appeals for the Second Circuit, and members of the judiciary throughout the United States as ex officio Honorary Members. The Association’s mission is to promote the development and administration of intellectual property interests and educate the public and members of the bar on IP issues. Its members work both in private practice and government, and in law firms as well as corporations. The NYIPLA provides these comments on behalf of its members professionally and individually and not on behalf of their employers.

In a notice of proposed rulemaking appearing in the Federal Register of January 24, 2014, the USPTO invited comments on draft rules intended to increase transparency of ownership of US patents and applications. Although several reasons for the rules are given, the proposal seems primarily intended to assist organizations which are defending against unjustified assertions of patent rights.

While defending against unjustified assertions of patent rights is a worthy goal, the proposed rules have many drawbacks which need to be considered. The main drawback is that any benefit in defending against the unjustified assertion of patent rights is substantially outweighed by the significantly increased burdens and harsh penalty of the proposed rules. All US patent applications and issued patents would be burdened from filing to expiration even if never enforced. In addition, the proposed rules will primarily burden patent applicants and patent holders, most of whom will not be the perpetrators of unjustified enforcement, with harsh penalties for failing to disclose confidential business

information that may be prohibited by contract or otherwise. By unduly complicating and increasing the cost of routine patent prosecution and maintenance, these proposed rules have the serious potential to impair, rather than promote, innovation without necessarily helping to defend against unjustified assertion of patents.

Discussion

The proposed rules would require the disclosure of the “attributable owner” at several stages in the process of obtaining and maintaining a patent. The attributable owner includes an entity which has been assigned title, an entity necessary to be joined in a lawsuit, the ultimate parent entity, and an entity which uses an arrangement with the purpose or effect of temporarily divesting attributable ownership of a patent or application. Certain other information is also required, such as the stock symbol and stock exchange if the owner is a public company.

The proposed stages when disclosure would be required include the filing of the application, within three months of a change in the attributable owner, within three months of the notice of allowance, around the time that each of three maintenance fees is paid, and during a PTAB trial proceeding, a supplemental examination or an ex parte reexamination.

In discussing the proposed rules, the USPTO paints a picture of patentees who have all the required information at hand and can very readily provide it to the Office. While it may be true in certain situations that the information will be readily available, in many instances that will not be so. The individuals handling patent prosecution may not be the same individuals who are involved in corporate transactions which could affect attributable ownership. There may be multiple possible sources of such information since there may be various units within an entity where an agreement can be signed impacting patent rights.

A sense of the increased burden and cost can be obtained by considering the number of individuals who might have to be contacted, the number of occasions in a patent’s life when notification is needed, and the number of patents and/or patent applications of a patent owner – each potentially significant, but when multiplied will compound the burden and cost. Moreover, the multiple individuals to be contacted within the same entity may be different from patent to patent and may change several times during the life of the patent/application. A patent attorney may need to identify each of these individuals each time an event requiring notification occurs for each patent/application.

The Office indicates that typically the number of ownership changes in the life of a patent/application is small, but even if that is true there still would apparently be the need under the proposed rules to make multiple checks for each patent/application to ensure there has been no change.

The increased cost and effort seem likely to also further increase the cost and complexity of obtaining US patents and/or to divert resources from other patent-obtaining or innovation-promoting activities. It cannot be assumed in the present economic climate that every time patent costs increase cost-conscious companies are willing to make a commensurate increase in their relevant budgets. Moreover, this effort would be required for the many, many patents/applications which are never enforced or which, if enforced, present no issue of ownership transparency.

The rules would appear to require disclosure of certain licensees, which may put patentees at a competitive disadvantage and may present the patent owner with the intolerable

choice of breaching a confidentiality clause or abandoning the patent application.

The proposed rules raise the question of what standard patentees will be held to in ensuring that the attributable ownership information is correct. Assuming that the standard will be a high one, it would make more sense for the rules to be applicable when the stakes are high, i.e., when the patent/application is being enforced, rather than for all patents/applications. That might more reasonably justify the cost/burden anticipated by a strict reading of the proposed rules.

The proposed rules require ultimate parent information for parties that would need to be joined in the event of a lawsuit to enforce the patent/application. This means that a patent owner could be responsible for ascertaining the ultimate parent information for another party. Clearly this is information which may not be readily at hand and may, in fact, be difficult to obtain.

Interpretation of the proposed rules presents a number of questions. These include:

-- What level of change in the attributable owner triggers the need for notification to the USPTO? Is it a true change in the entity, or would change in any of the required information such as an address in the case of non-public companies trigger the need for notification?

-- If a company misses a required notification and seeks to rectify it, does it need to pay \$200 for each of its patents/applications?

-- How could this efficiently work for maintenance fees which are often paid by a third party provider?

-- Whose good faith counts in a large organization? And what is the standard for excusing good faith failures to comply?

Conclusion

Patent prosecution is already a complex and expensive proposition. The proposed rules will further increase the complexity and cost of obtaining all US patents while attempting to address an issue which affects only a small percentage of patents. The problem should be dealt with in a more targeted approach that would not increase the burdens for all innovators who seek to obtain US patents.

Respectfully submitted,



Charles R. Hoffmann
President, New York Intellectual Property Law Association

David E. Korn
Vice President, Intellectual Property & Law

April 24, 2014

VIA EMAIL

Mail Stop Comments - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Attention: James Engel, Senior Legal Advisor

Re: Docket No: PTO-P-2013-0040

Dear Mr. Engel,

I am writing on behalf of the Pharmaceutical Research and Manufacturers of America (“PhRMA”) to convey the views of PhRMA’s members in response to the Notice of Proposed Rulemaking on Changes to Require Identification of Attributable Owner.

PhRMA’s members are leading pharmaceutical research and biotechnology companies devoted to researching and developing new medicines to allow patients to live longer, healthier and more productive lives. PhRMA’s members lead the way in finding cures and new treatments as well as in developing critically important improvements in existing therapies. Patent protection is an important incentive to promote the innovative research necessary for such advances and to make available to society the benefits of that research.

The enclosed comments include views of PhRMA’s members on the proposed changes discussed in the notice. PhRMA’s members appreciate the PTO seeking comments in this area, and would welcome further dialogue with the PTO on the proposed changes.

Please feel free to contact me if you have any questions.

Sincerely,



David E. Korn

Enclosure

**Comments of the Pharmaceutical Research and Manufacturers of America in Response
to the PTO's Request for Comments on the Changes to Require Identification of
Attributable Owner**

The Pharmaceutical Research and Manufacturers of America (“PhRMA”) appreciates the opportunity to submit comments in response to the Patent and Trademark Office’s (“PTO” or “Office”) Request for Comments on the Changes to Require Identification of Attributable Owner.¹

PhRMA’s member companies are leading research-based pharmaceutical innovators devoted to developing medicines that allow patients to live longer, healthier, and more productive lives. PhRMA’s membership ranges in size from small emerging companies to multi-national corporations that employ tens of thousands of Americans, and encompass both research-based pharmaceutical and biotechnology companies. The U.S. biopharmaceutical sector supported a total of 3.4 million jobs throughout the economy, and directly employed more than 810,000 Americans in 2013.² The industry injects almost \$800 billion in economic output on an annual basis.³

The U.S. biopharmaceutical sector accounts for the single largest share of all U.S. business research and development, representing about one in five dollars spent on domestic research and development by U.S. businesses.⁴ PhRMA member investment in discovering and developing new medicines reached over \$51 billion in 2013.⁵ Medicines developed by the sector have produced large improvements in health across a broad range of diseases, with the rapid growth of biological knowledge creating growing opportunities for continued profound advances against our most complex and costly diseases. Developing a new medicine takes between 10 and 15 years of work and costs an average of over \$1 billion of investment in research and

¹ 79 Fed. Reg. 4105-21 (Jan. 24, 2014).

² Pharmaceutical Research and Manufacturers of America, *PhRMA Profile*, 2014 at ii (citing Battelle Technology Partnership Practice, *The Economic Impact of the U.S. Biopharmaceutical Industry*, Battelle Memorial Institute (Columbus, OH), July 2013.).

³ *Id.* at v.

⁴ Battelle Technology Partnership Practice, *The U.S. Biopharmaceutical Industry: Perspectives on Future Growth and the Factors that Will Drive It*, April 2014.

⁵ Pharmaceutical Research and Manufacturers of America, *PhRMA Profile*, 2014 at ii (citing Pharmaceutical Research and Manufacturers of America, *PhRMA Annual Membership Survey*, 1981–2013.).

Comments of the Pharmaceutical Research and Manufacturers of America
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development.⁶ Like innovators across the spectrum of American industries, pharmaceutical companies make the substantial R&D investments that yield new medicines in reliance on a legal regime that provides protection for any resulting intellectual property. Our companies rely on patents to protect their inventions and provide an opportunity to recover their research investments. But patents are particularly important to pharmaceutical innovation given the research-intensive nature of this sector and the substantial investment required to discover and develop products that meet FDA approval requirements.⁷

Bringing new life-saving and life-improving products to patients is the central role of our member companies. PhRMA members appreciate the efforts of the PTO to consider the issue of abusive patent litigation. However, the PTO must also provide predictable and reliable patent rights. In our view, the PTO's proposed rulemaking is overly broad and would cause undue burden to the overwhelming majority of patentees that are not involved in such abusive practices.

The PTO has requested comments on proposed changes to require the identification of attributable owners. PhRMA respectfully submits that the proposed rules exceed the authority of the PTO, are overbroad given the PTO's stated objectives, are not tailored to address the PTO's stated concerns regarding patent assertion entities and abusive patent litigation, and cause a burden on patentees that outweighs any putative benefits. Further, the proposed definition of an attributable owner lacks clarity, is potentially over-inclusive depending on its interpretation, and requires a substantial amount of investigation and subjective rule interpretation to ensure compliance. Under certain interpretations, PhRMA is concerned that the rules undermine its ability to uphold licensing agreements that require certain information to be kept confidential. To address these concerns, PhRMA suggests alternative proposals that promote patent ownership transparency while minimizing the burden on legitimate, innovative companies. PhRMA urges the PTO to reconsider its approach such that any proposed rules would alter the penalty for failing to comply with the rules and would not cause an undue burden on innovative companies.

⁶ *Id.* (citing J.A. DiMasi and H.G. Grabowski, *The Cost of Biopharmaceutical R&D: Is Biotech Different?* Managerial and Decision Economics 2007; 28(4-5): 469-479; J. Mestre-Ferrandiz, J. Sussex, and A. Towse, *The R&D Cost of a New Medicine*, London, UK: Office of Health Economics, 2012; S.M. Paul, *et al*, *How to Improve R&D Productivity: The Pharmaceutical Industry's Grand Challenge*, Nature Reviews Drug Discovery 2010; 9: 203-214.).

⁷ See Claude Barfield & John E. Calfee, *Biotechnology and the Patent System: Balancing Innovation and Property Rights*, at 1-2 (AEI PRESS 2007). ("Without patent protection, investors would see little prospect of profits sufficient to recoup their investments and offset the accompanying financial risk."); see generally Battelle Technology Partnership Practice, *The U.S. Biopharmaceutical Industry: Perspectives on Future Growth and the Factors that Will Drive It*, April 2014; Henry Grabowski, *Patents, Innovation and Access to New Pharmaceuticals*, 5 J. OF INT'L ECONOMIC L. 849 (2002).

I. The PTO Lacks Authority to Promulgate the Proposed Rules

As an initial matter, the proposed attributable owner rules exceed the statutory authority of the PTO. The PTO's alleged basis for these rules is the limited grant of authority in 35 U.S.C. § 2(b)(2), which allows the PTO to "establish regulations, not inconsistent with law, which . . . shall govern the conduct of proceedings in the Office." This narrow grant of procedural rulemaking authority, however, "does NOT grant the Commissioner the authority to issue substantive rules."⁸ "A rule is 'substantive' when it 'effects a change in existing law or policy.'"⁹ In the context of patent prosecution, such a change occurs if the rules, "on their face, 'foreclose effective opportunity' to present patent applications for examination."¹⁰

The proposed rules requiring disclosure of attributable owners depart from existing law and policy. As explained below, disclosure of such information is not required under existing law and represents "more than the incidental inconveniences of complying with an enforcement scheme."¹¹ Moreover, because, in many instances, the proposed rules deem applications that do not comply with the disclosure requirement abandoned, they may foreclose effective opportunity to present patent applications for examination.¹² The proposed rules are therefore substantive and beyond the statutory authority of the PTO.

Also, to the extent the failure to disclose attributable owner information before payment of maintenance fees would result in abandonment or early expiration¹³, this would also exceed

⁸ *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996) (emphasis in original); *see also Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008). No court has considered the scope of the PTO's rulemaking authority since the enactment of the Leahy-Smith America Invents Act of 2011 ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011). Yet, this principle holds true. Just as Congress's re-enactment of the predecessor of § 2(b) ratified *Merck's* conclusions regarding the scope of the PTO's rulemaking authority, *see Tafas v. Doll*, 559 F.3d 1345, 1352-53 (Fed. Cir. 2009) (Prost, J.), *reh'g en banc granted, opinion vacated*, 328 F.App'x 658 (Fed. Cir. 2009), Congress's amendment of § 2(b) in the AIA with only minimal, unrelated changes ratifies that same holding. *See, e.g., Lorillard v. Pons*, 434 U.S. 575, 580-81 (1978) ("[W]here, as here, Congress adopts a new law incorporating sections of a prior law, Congress normally can be presumed to have had knowledge of the interpretation given to the incorporated law . . .").

⁹ *Cooper Techs.*, 536 F.3d at 1336; *cf. Tafas*, 559 F.3d at

¹⁰ *Tafas*, 559 F.3d at 1356 (Prost, J.).

¹¹ *Id.* at 1374 (Rader, J.) (quoting *Chamber of Commerce of U.S. v. U.S. Dep't of Labor*, 174 F.3d 206, 211 (D.C. Cir. 1999)).

¹² *Id.* at 1356 (Prost, J.).

¹³ As described further below, the proposed rules do not indicate what the repercussion is for failure to identify the attributable owner before maintenance fees are paid. *See* 79 Fed. Reg. 4120 (Jan. 24, 2014).

Comments of the Pharmaceutical Research and Manufacturers of America
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PTO authority. The Supreme Court has long held that once the PTO issues a patent, that patent cannot be canceled unless cancellation is expressly authorized by statute.¹⁴ The proposed rules regarding issued patents starkly contrast with this established law to the extent that they suggest that the PTO may cancel an issued patent unless the attributable owner is identified with each maintenance fee payment.¹⁵ The maintenance fee requirement itself illustrates the PTO's need for statutory authority to promulgate the proposed rule. The collection of maintenance fees, including the specific dollar amounts and the consequence of non-payment (*i.e.*, early expiration), is expressly provided for by statute.¹⁶ The PTO's regulations concerning maintenance fees only establish how the maintenance fees are to be paid and what basic identifying information must be submitted with the fees to enable the PTO to maintain its files.¹⁷

Moreover, the proposed ownership disclosure requirement turns what has long been an *optional* procedure to protect patent *assignments* into a *mandatory* procedure to protect patent *validity*.¹⁸ The proposed rules not only impose a new burden on patentees in the form of ongoing disclosure, but also threaten to impose new means by which a property right may be lost. Because the proposed rules require "more than adherence to existing law,"¹⁹ they are substantive and beyond the PTO's authority.

As an alternative to basing these rules on 35 U.S.C. § 2(b)(2), the PTO suggests that 35 U.S.C. § 2(a) provides the rulemaking authority necessary for it to require disclosure of a patent's and patent application's attributable owner. This position, however, is unsupported by

¹⁴ See, e.g., *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 608-09 (1898); see also 35 U.S.C. § 261.

¹⁵ Compare 79 Fed. Reg. 4107 (Jan. 24, 2014) ("For already-issued patents, the Office proposes to require the reporting of attributable owner or owners when the next maintenance fee is paid . . ."), with *McCormick*, 169 U.S. at 612 ("[U]pon the issue of the original patent, the patent office had no power to revoke, cancel, or annul it. It had lost jurisdiction over it . . .").

¹⁶ See, e.g., 35 U.S.C. § 41(b) ("Unless payment of the applicable maintenance fee under paragraph (1) is received in the Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent shall expire as of the end of such grace period."); *Figueroa v. United States*, 466 F.3d 1023, 1027 (Fed. Cir. 2006) ("[F]ailure to pay required maintenance fees results in expiration of the patent . . .").

¹⁷ See 37 C.F.R. §§ 1.363 (establishing periods in which maintenance fees may be paid), 1.366 (requiring a maintenance fee submission to include only the patent number, application number, and a statement identifying which of the three maintenance fees is being submitted).

¹⁸ See, e.g., *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319, 1327-28 (Fed. Cir. 2010) (recordation "creates a presumption of validity as to the *assignment*") (emphasis added); cf. *Pitts v. Whitman*, 19 F. Cas. 767, 770 (C.C.D. Me. 1843) (statutory collection of patent assignments is merely directory for the protection of bona fide purchasers without notice and *does not require* the recording of a patent assignment).

¹⁹ See *Chamber of Commerce*, 174 F.3d at 211.

practice, law, and the text of subsection 2(a). Prior to this notice, the PTO has never relied upon subsection 2(a) as a basis for rulemaking authority in a Federal Register notice. PhRMA is not aware of any court ever suggesting that any rulemaking powers resides in this provision. Instead, courts have cited subsection 2(a) to describe the general *duties* of the PTO—*i.e.*, “the task of examining patent applications, 35 U.S.C. § 2(a)(1), and issuing patents if ‘it appears that the applicant is entitled to a patent under the law,’ § 131.”²⁰ This reading is expressly supported by the text and structure of 35 U.S.C. § 2, which is titled “Powers and duties.” Subsection 2(a) lists the activities for which the PTO “shall be responsible,” *i.e.*, its duties; subsection 2(b) describes thirteen “specific powers” of the PTO. To read subsection 2(a) as containing a general grant of rulemaking authority would impermissibly render the specific list of powers in subsection 2(b) superfluous.²¹ Accordingly, 35 U.S.C. § 2(a) cannot provide the legal basis for the PTO to promulgate the proposed rules.

II. The Attributable Owner Requirements are Overbroad and Burdensome

PhRMA recognizes that the PTO’s proposed rules regarding attributable owners are a response to an executive action from the White House seeking updated ownership information when an applicant or patent owner is involved in a proceeding at the PTO.²² The PTO explains that the proposed rules are intended to target patent assertion entities (*i.e.*, “patent trolls”) who often have “complex structures...to hide their true identities from the public.”²³ While this may be a laudable goal, the scope of the proposed rules are overbroad, and they place a burden on all patentees, including innovative companies that have legitimate business intentions and are not trying to hide their true identities from the public.

A. The Proposed Rules are Overbroad in view of the PTO’s Stated Objectives

To increase transparency of patent ownership, the proposed rules characterize five objectives as facilitating examination and internal PTO processes,²⁴ and four objectives as benefiting the public.²⁵ However, as summarized below, the proposed rules are overbroad and are not tailored to meet the PTO’s stated objectives.

²⁰ *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011).

²¹ *Cf. Lowe v. SEC*, 472 U.S. 181, 207 n.53 (1985) (“[W]e must give effect to every word that Congress used in the statute.”).

²² 79 Fed. Reg. 4106 (Jan. 24, 2014).

²³ 79 Fed. Reg. 4109 (Jan. 24, 2014).

²⁴ 79 Fed. Reg. 4106 (Jan. 24, 2014).

²⁵ 79 Fed. Reg. 4108-09 (Jan. 24, 2014).

PTO Internal Benefits

1. **“Ensure that a “power of attorney” is current in each application or proceeding before the Office.”** Although the PTO may have an interest in ensuring that an applicant or patent owner authorizes representation,²⁶ nothing in the proposed rules requires an applicant or patent owner to change the power of attorney on record. The PTO has already implemented new rules under the America Invents Act for powers of attorney and practitioners have a duty of candor to the PTO and cannot make false statements regarding their authority.²⁷

2. **“[A]void potential conflicts of interest for Office personnel.”** The current PTO rules already address conflicts of interest. In actions before the Patent Trial and Appeal Board (“PTAB”), applicants and patent owners must identify the real party in interest in their appeal brief.²⁸ Although the PTO may have an additional interest in identifying conflicts of interest during prosecution, the proposed rules are overbroad because they require disclosure even after prosecution has ended.

3. **“[D]etermine the scope of prior art under the common ownership exception under 35 USC 102(b)(2)(C) and uncover instances of double-patenting.”** The burden of avoiding prior art or double patenting is placed on the applicant, not on the PTO. The applicant or patent owner facing a prior art rejection has the duty to establish that the reference is not prior art under the common ownership exception.

4. **“[V]erify that the party making a request for a post-issuance proceeding is a proper party for the proceeding.”** The attributable owner rules do not address this. Any post-issuance proceedings that allow a third party to challenge a patent are not impacted by the proposed rules because the proposed rules focus on the patent owner, not on the third party requester. The rules for *inter partes* review and post grant review proceedings specify that a petition cannot be filed by a patent owner, and any filing by a patent owner would be a violation of the rules.²⁹ Further, none of the post-issuance proceedings that can be brought by a patent owner are impacted by the proposed rules. For example, *ex parte* reexamination proceedings may be brought by any party,³⁰ and a request for supplemental examination requires an identification of the patent owner.³¹

²⁶ 79 Fed. Reg. 4107 (Jan. 24, 2014).

²⁷ 37 C.F.R. § 11.303.

²⁸ 37 C.F.R. §§ 42.37, 42.8.

²⁹ 37 C.F.R. §§ 42.101, 42.201.

³⁰ 37 C.F.R. § 1.510.

³¹ 37 C.F.R. § 1.610.

5. “[E]nsure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading.” As a threshold issue, it is not clear at what rate the information the Office provides is actually inaccurate. If the information is largely accurate as to the patent owner, it is questionable what cost is appropriate to conform the small amount of remaining information. The rules clearly will create a cost for both the PTO and all patent owners. Before enacting the rules, the cost-benefit ratio should be studied and the decisions should be data driven. Thus, as discussed throughout these comments, the proposed rules are of a much greater scope than necessary to address this goal.

Public Benefits

The PTO also lists what it asserts to be four public benefits from the disclosure of attributable owner information, but the actual benefits are speculative at best:³²

1. “Enhance competition and increase incentives to innovate by providing innovators with information that will allow them to better understand the competitive environment in which they operate.”
2. “[E]nhance technology transfer and reduce the costs of transactions for patent rights since patent ownership information will be more readily and easily accessible.”
3. “[R]educe 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 patent or patent applications.”
4. “[L]evel the playing field for innovators.”

These are varied and far-reaching goals that are likely not best addressed by one set of rules. Further, the notice does not provide adequate support to demonstrate a connection between the proposed rules and how they will achieve the listed objectives. With respect to the PTO’s asserted objective of reducing abusive patent litigation, such litigation can only arise when a patent has been asserted. Despite the fact that the number of patents that are actually asserted is thought to be approximately 2% of all granted patents,³³ the rules apply to all patents and patent applications. Therefore, the proposed rules are not narrowly tailored to address these collective objectives. Further, the rules lack clarity and create an unnecessary administrative burden that outweighs any public benefit.

³² 79 Fed. Reg. 4108 (Jan. 24, 2014).

³³ Attributable Ownership Public Hearing, March 13, 2014, *Comments by Mr. Wamsley of IPO* at 41.

B. The Proposed Rules Lack Clarity and Create an Administrative Burden that Outweighs Any Stated Benefit

The proposed rules place an administrative burden on all patentees, including innovative companies that have legitimate business goals and are not patent assertion entities. The PTO suggests that implementation of the proposed rules would impose a \$43 million administrative burden on companies based on the PTO's estimate that it will take about six minutes per patent to identify an attributable owner and one hour to correct a good faith failure to notify the Office of a change.³⁴ Elsewhere, the office notes a transaction cost of \$100.³⁵ Even if the PTO's numbers are correct, if a company owns a large patent portfolio, this could still impose a very large cost burden. For example, one member company has a total U.S. patent portfolio of more than 2,000 patents and pays maintenance fees on about 370 patents per year. If this company were required to identify the attributable owner for these patents at the time of maintenance fee payments, it would incur an additional annual cost of around \$37,000 (using the PTO's \$100 per transaction cost estimate). This company also had 276 patents issue in 2012 so the additional annual cost for identifying attributable owners at the time of allowance would be around \$27,600. These numbers do not even factor in the costs of identifying attributable owners at other time periods required by the PTO, such as during prosecution.

We note that Richard Neifeld, a patent attorney unaffiliated with PhRMA, recognized in his comments³⁶ that the PTO grossly underestimates the transaction costs for filing attributable owner information.³⁷ The PTO estimates that identifying an attributable owner will only cost \$38.90 (\$389/hr * 0.1 hrs).³⁸ Mr. Neifeld points out that this estimate is low by comparing it to the cost of filing maintenance fees. The AIPLA 2013 Economic Survey states that the mean charge for paying maintenance fees was \$355 for all locations (Table I-112)³⁹, and maintenance fee payments are automated and thus much more straightforward than attributable ownership

³⁴ 79 Fed. Reg. 4119 (Jan. 24, 2014).

³⁵ 79 Fed. Reg. 4116 (Jan. 24, 2014).

³⁶ Richard Neifeld comments dated Jan. 30, 2014 at 6-7 (available at http://www.uspto.gov/patents/law/comments/attributable_ownership_comments.jsp, last accessed 4/15/14).

³⁷ The PTO is under an obligation to conduct a cost and benefit analysis of any proposed rules, (*e.g.* Executive Order No. 12866 (Sept. 30, 1993); 44 U.S.C. § 3501 *et seq.*) but failed to do so in a reasonable manner here, which is most evident in its cost analysis. The PTO's conclusory analysis provides no reasonable basis for its finding that the identification of an attributable owner will take only 6 minutes.

³⁸ 79 Fed. Reg. 4119 (Jan. 24, 2014).

³⁹ REPORT OF THE ECONOMIC SURVEY (AIPLA July 2013).

information.⁴⁰ Mr. Neifeld provided a rough estimate “that compliance costs will run several hundreds of millions of dollars, such as \$350 times roughly 700,000 compliance requirements annually.”⁴¹

Additionally, several of the rules are ambiguous, as described in more detail below, requiring companies to expend additional in-house resources or hire outside counsel to interpret the rules for compliance with the attributable owner disclosures.⁴² For example, one of our members whose collective portfolio exceeds 10,000 U.S. patents estimates that substantial ownership questions will arise requiring more than 10 attorney hours to resolve for at least 1 in every 50 of its patents. For 1 in every 500 of its patents, the required investigation would likely take more than 50 attorney hours. Using the estimate of \$389 per attorney hour cited in the notice of proposed rulemaking (“NPRM”),⁴³ this member estimates that one compliance cycle alone will cost more than an additional \$1 million over the costs of basic administrative compliance, while yielding no corresponding public benefit, as its patents are not involved in the kinds of assertions that have spawned this PTO initiative. This analysis is important because the repercussions of failing to report the proper attributable owners is severe—abandonment of the patent.

1. The Definition of “Attributable Owner” is Unclear, which Creates a Burden for Compliance

The proposed rules represent a shift from the current scheme that permits voluntary reporting of ownership information to a system that requires reporting of attributable owner information at various time periods during patent prosecution and after patent issuance. Proposed rule § 1.271 defines an attributable owner in a multi-prong definition that appears duplicative, uses language that melds different legal concepts, and is overbroad in view of the PTO’s stated objectives. Because the rules lack clarity, they create a challenge for companies attempting to comply with them. Under the proposed rule § 1.271, an attributable owner includes: (a)(1) an assignee; (a)(2) an entity necessary to be joined for standing; (b) the ultimate parent entity; and (c) any entity that directly or indirectly temporarily divests or prevents divesting of attributable ownership (“the catchall”). This multi-prong definition of an attributable owner creates confusion, as described below, and the definition would be simplified if it only required disclosure of the assignee and ultimate parent entity.

⁴⁰ Richard Neifeld comments dated Jan. 30, 2014 at 7 (available at http://www.uspto.gov/patents/law/comments/attributable_ownership_comments.jsp, last accessed 4/15/14).

⁴¹ *Id.*

⁴² 79 Fed. Reg. 4119 (Jan. 24, 2014) (citing proposed 37 C.F.R. § 1.271).

⁴³ 79 Fed. Reg. 4119 (Jan. 24, 2014) (citing AIPLA 2013 Economic Survey).

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The proposed rules make inconsistent references to the real party in interest as the standard for determining the attributable owner, which creates confusion as to the definition of an attributable owner. The NPRM explains that it uses the term “attributable owner” rather than “real party in interest” to avoid confusion given that the term “real party in interest” is used elsewhere in title 35 (e.g., 35 U.S.C. §§ 118, 315, 317, 325, 327).⁴⁴ Despite this supposed different use in terminology, the NPRM alludes to the fact that real parties in interest will be disclosed and § 1.271 includes the term “real-parties-in-interest” in the title. The real party in interest standard appears different than that in the proposed rules, so this is confusing and unclear.

Additionally, § 1.271(a)(1) and (2) appear to be duplicative, which creates ambiguity as to how the provisions should be interpreted. The only party necessary to provide standing in a lawsuit as required by (a)(2) is the patentee,⁴⁵ which is already covered in section (a)(1), or in certain circumstances an exclusive licensee where the license has risen to the level of an assignment, which the PTO suggests may also be covered by section (a)(1).⁴⁶ Thus, one could interpret (a)(2) as being duplicative and without meaning.

Further, the PTO’s explanation of an attributable owner under (a)(2) seems to meld the concepts of standing and a necessary party under Fed. R. Civ. Pr. 19, which are different legal issues.⁴⁷ A necessary party under Fed. R. Civ. Pr. 19 is not required to create standing as recited in section (a)(2) of the proposed rule. However, the rules are unclear as to how the PTO and a future defendant would react if a company filed a lawsuit naming more plaintiffs than were identified as attributable owners in the PTO. At the very least, this could unnecessarily subject patentees to inequitable conduct challenges. Further, to determine whether an exclusive licensee has “all substantial rights” or whether a party is a necessary party, a fact-specific analysis must

⁴⁴ 79 Fed. Reg. 4106 (Jan. 24, 2014).

⁴⁵ See 35 U.S.C. § 281.

⁴⁶ 79 Fed. Reg. 4110 (Jan. 24, 2014) (“Reporting of exclusive licensees might be required in the limited circumstances where the exclusive license transfers so many rights that it is effectively an assignment, but the Office expects that exclusive licensee information would more routinely be reported under the second type of ownership information the Office proposes to collect (entities that have standing to enforce).”)

⁴⁷ The NPRM explains that §1.271(a)(2) concerns “those parties that would be necessary and sufficient to bring a legal infringement action” and cites *Vaupel Textilmaschinen KG v. Meccanica EuroItalia SPA*, 944 F.2d 870, 875-76 (Fed. Cir. 1991). 79 Fed. Reg. 4110 (Jan. 24, 2014). However, this citation only adds to the confusion. The *Vaupel* case, while stated to be a standing case, also cites to Fed. R. Civ. P. 19 regarding necessary parties. Thus, it is unclear whether the proposed rule requires disclosure of the parties necessary for standing, or the necessary parties under Fed. R. Civ. P. 19. This lack of clarity creates an administrative burden on companies trying to comply with the rules.

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be undertaken (potentially by a court). Such analysis may include state law concepts and contract interpretation. Additionally, this analysis would be difficult, if not impossible, to conduct during the reporting times outlined in the proposed rules and would be more appropriate after a lawsuit has been filed.

The proposed requirement for disclosing licensee information is also overly burdensome. Companies often enter into agreements where this information is confidential for business purposes, and it is unclear how they could respect their agreements while also complying with the proposed rules. Further, the PTO has not provided adequate justification for supplying this confidential information to the public.

Similarly, it is also unclear whether licenses between commonly-owned companies would have to be disclosed under section (a)(2) as necessary parties. It is quite common for corporations to transfer rights by assignment or exclusive license to other wholly owned subsidiaries. It is also not uncommon for serial exclusive licenses to be granted to multiple entities over the course of a patent's lifetime. A company's patent department may not even be aware of these licenses because the agreements are entered as part of routine commercial activity, and are only individually evaluated, if ever, for tax purposes or as a part of litigation diligence. Thus, to the extent the rules would require such reporting, it would constitute an ongoing administrative burden to track down and follow this changing information.

The lack of clarity also extends to the definition of "entity" in § 1.271(d).⁴⁸ Specifically, the definition of "entity" provided under § 1.271(d)(4) ("any other organization or corporate form not specifically listed in paragraphs (d)(1), (d)(2), or (d)(3) of this section that holds an interest in an application or patent") is broad and does not specify whether the entity must hold a financial or ownership interest in the application or patent. Depending on the meaning of "interest," it is difficult to understand how the definition applies to the use of the term "entity" in § 1.271(a)-(c). For example, the proposed definition of "entity" in 37 C.F.R. § 1.271 could be construed to require biopharmaceutical corporations to reveal the existence of potentially confidential and sensitive licensing relationships with other parties.

Thus, the lack of clarity in the definition of the attributable owner creates a burden in attempting to interpret the definition to ensure compliance with the rules, and an ongoing burden if the rules are interpreted as liberally as the PTO's definitions would seem to intend.

⁴⁸ It is also not clear why government agencies and other governmental bodies are excluded from the definition of "entity" at proposed 37 C.F.R. § 1.271(e).

2. The Proposed Rules Lack Clarity because they Do Not Consistently Describe the Repercussions of Non-Compliance

The proposed rules do not consistently describe the repercussions of not filing the required disclosures. For example, § 1.273 governs the disclosure of an attributable owner in an application.⁴⁹ The proposed rule § 1.273 indicates that if the attributable owner is not identified within a certain time period after filing, then the application will be abandoned.⁵⁰ In contrast, § 1.381 governs the disclosure of an attributable owner with the maintenance fee payment.⁵¹ The proposed rule § 1.381 requires disclosure when the maintenance fee is paid, but it does not indicate what happens if no disclosure is made.⁵²

3. The Reporting Requirement before the Payment of Maintenance Fees is Burdensome

Proposed rule § 1.381 requires disclosure of the current attributable owner prior to the date the maintenance fee is paid, even if there has been no change.⁵³ This requirement is burdensome because third party services often make these maintenance fee payments. Under the proposed rules, in-house legal counsel or an external law firm would be required to conduct an analysis of the attributable owner, and then coordinate with the third party service to ensure that the proper information was disclosed before the fee was paid. This additional step complicates the maintenance fee payment system and requires additional cost to determine and/or verify the attributable owner.

III. Proposed Modifications to the Proposed Rules to Provide Clarity and Minimize the Burden on Compliance

To address concerns addressed above, PhRMA suggests modifications to the proposed rules. These modifications are an effort to clarify the reporting requirements and minimize the burdens on innovative companies.

A. The PTO Should Wait for Congress to Act on this Issue

Congress is considering several pending bills concerning patent reform that have provisions directly related to the PTO's proposed rules on attributable owners.⁵⁴ PhRMA

⁴⁹ 79 Fed. Reg. 4120 (Jan. 24, 2014) (citing proposed 37 C.F.R. § 1.273).

⁵⁰ 79 Fed. Reg. 4120 (Jan. 24, 2014) (citing proposed 37 C.F.R. § 1.273).

⁵¹ 79 Fed. Reg. 4120 (Jan. 24, 2014) (citing proposed 37 C.F.R. § 1.381)..

⁵² 79 Fed. Reg. 4120, 4113 (Jan. 24, 2014) (citing proposed 37 C.F.R. § 1.381)..

⁵³ 79 Fed. Reg. 4120 (Jan. 24, 2014) (citing proposed 37 C.F.R. § 1.381)..

⁵⁴ *See, e.g.*, the Patent Transparency and Improvements Act of 2013 (S. 1720); the Innovation Act (H.R. 3309).

recommends that the PTO not adopt any proposed rules while Congress is considering the pending patent legislation. This avoids a situation where companies are forced to report certain ownership information to comply with the PTO rules and other ownership information to comply with a new statute. Potentially duplicative reporting requirements would create an unnecessary burden that could be avoided by waiting for the approval of any legislation in Congress, and proposing rules that are consistent with any new statutory requirements. If Congress does not pass any legislation, then the PTO can propose its rules at that time.

B. The PTO Should Change the Definition of an Attributable Owner

An attributable owner should be limited to all assignees of full legal title and their ultimate parent entity. This would provide the public with the benefit of understanding the ownership of applications and patents, reduce the burden on companies to determine complicated factual and legal questions based on other parties who may or may not hold an interest, and retain the confidentiality of certain strategic licensing agreements.

To the extent the PTO retains the multi-prong definition of an attributable owner, the rules should explicitly carve out from the definition of “entity” two general groups: (1) licensees, both exclusive and non-exclusive, and (2) an affiliate, direct subsidiary, or indirect subsidiary of an assignee of a patent or patent application. The proposed rules already require disclosure of the ultimate parent entity and the PTO has not explained why the identification of these additional groups is necessary. Additionally, § 1.271(a)(2) should be drafted to clarify that it only pertains to parties necessary for standing.

C. The PTO Should Amend the Repercussions for Failure to Report Attributable Owner Information

The devastating result of abandonment for failing to report attributable owner information seems misaligned with the PTO’s objectives for reporting the information. Practitioners, applicants, and patent owners are already under a duty of candor and good faith to report information to the PTO,⁵⁵ and this obligation is sufficient to ensure compliance. PhRMA recommends removing all references to patent abandonment for failing to report attributable owner information.

PhRMA suggests that failure to report attributable owner information is more appropriately a matter for consideration by Congress. Both the Patent Transparency and Improvements Act of 2013 (S. 1720) and the Innovation Act (H.R. 3309) state that if a party asserting infringement fails to comply with the disclosure requirements, then it is not able to recover increased damages under § 284 or attorney fees under § 285 with respect to infringing

⁵⁵ 37 C.F.R. § 1.56.

activities taking place during any period of noncompliance and the court shall award a prevailing accused infringer reasonable attorney fees and expenses incurred in discovering any previously undisclosed ultimate parent entities.⁵⁶ The bills thus propose a different approach to the consequences for failing to comply with the reporting rules by creating an incentive for companies to comply with the rules by linking compliance to damages recovery.

IV. Conclusion

PhRMA appreciates the PTO's efforts to consider ways to address the issue of abusive patent litigation. However, given the burden of the proposed rules relative to their benefit, PhRMA urges the PTO to reconsider the scope and necessity of these rules. PhRMA is committed to helping the PTO find solutions to the many challenges it faces today and in the years to come.

⁵⁶ S. 1720, § 263(d); H.R. 3309, sec. 4.



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April 24, 2014

Via Electronic Mail: AC90.comments@uspto.gov

Attn: James Engel, Senior Legal Adviser

Re: Changes to Require Identification of Attributable Owner (79 Fed. Reg. 4105-4121)

Dear Deputy Director Lee:

These comments are submitted on behalf of the San Francisco Intellectual Property Law Association (the "SFIPLA") to provide comments regarding the Notice of Proposed Rulemaking dated January 24, 2014, titled: Changes to Require Identification of Attributable Owner (the "Proposed Rules").

The SFIPLA is one of the oldest and largest intellectual property law associations in the western United States, and currently serves more than 500 active members. The SFIPLA represents intellectual property attorneys, patent agents, and other IP professionals.

The purpose of the SFIPLA is to educate its members and the public about developments in intellectual property law, to instill a high standard of ethics among members, and to foster a sense of community. These comments were prepared in this light with the assistance of the Patent Office Practice Committee of the SFIPLA.

These comments are intended to bring to the forefront several main problematic issues and their ramifications which would arise as a result of the promulgation of these new proposed "attributable owner" rules.¹

The SFIPLA sympathizes with the USPTO and generally supports greater transparency in ownership. The ability to search pending applications and issued patents by owner would enable practitioners to conduct more focused searches and better enable practitioners to identify and advise their clients regarding third party patent rights.

¹ 79 Fed. Reg. at 4105-06.

However, the Proposed Rules go too far in many respects. Chief among these are the following reasons:

- 1) The penalty of abandonment for failure to comply with, even for unintentional omission, is far too harsh.
- 2) The Proposed Rules are unclear and unduly burdensome.
- 3) The Proposed Rules will exact an unacceptable cost on small entities, patent agents and pro se inventors.
- 4) The Proposed Rules exceed the procedural rulemaking authority granted to the Office by Congress.

Accordingly, the SFIPLA urges reconsideration of the Proposed Rules.

A Mistake or Error, Even in the Absence of Proof of Good Faith, Should Not Result in a Loss of Rights

Failure to record patent ownership changes is often inadvertent. This should not lead to abandonment which, in our opinion, is an overly severe penalty.

The practice of patent law before the USPTO is unique. A typical practitioner manages hundreds of pending applications, each with deadlines for taking various actions and responding to communications from the USPTO. The failure to meet these deadlines can result in a loss of rights. Although many pending applications will have limited commercial impact, some will turn out to be incredibly valuable. This unique combination has made the practice of patent law before the USPTO one of the most challenging as well as one of the most difficult and expensive to insure.

The current rules of practice before the USPTO generally excuse unintentional mistakes, such as an unintentional failure to meet a deadline. See 37 CFR 1.137. The Proposed Rules, however, would permit correction of an error or mistake only with proof of good faith. While practitioners before the Office may be presumed to act in good faith, this increased standard would badly strain the practice of patent law before the USPTO by placing additional and unnecessary risk on practitioners.

Determination of "Attributable Owner" Is Unduly Burdensome on Practitioners

The proposed new rules impose burdensome investigation and reporting requirements during the life of an average four year pendency of a patent application.

The Proposed Rules define "attributable owner" to include: (1)the "ultimate parent entity as defined in 16 CFR 801.1(a)(3)," (2)"[a]n entity necessary to be joined in a lawsuit," and (3)"[a]ny entity that, directly or indirectly, creates or uses ... any ... arrangement ... with the purpose or effect of divesting such entity of attributable ownership of a patent or application..." Each of these categories of "attributable owner" requires complex legal and factual determinations that will impose a disproportionately heavy burden on practitioners before the USPTO. The proposed new rules would require numerous "attributable" owners' investigations and reports. If "attributable" owners' investigations and reporting were to be justified at all during pendency, it would be at the time of paying the issue fee when a patent application matures into an enforceable right.

First, to address the inclusion of “ultimate parent entity,” the Proposed Rules rely upon the definition provided by 16 CFR 801.1(a)(3). This particular definition was promulgated by the Federal Trade Commission and is used in connection with the review of corporate acquisitions that exceed a threshold dollar value of \$75.9 million. It defines the “ultimate parent entity” as “an entity which is not controlled by any other entity.” The term “control” is then defined by 16 CFR 801.1(b), which also provides a number of examples of how this determination is made, including the following:

A statutory limited partnership agreement provides as follows: The general partner “A” is entitled to 50 percent of the partnership profits, “B” is entitled to 40 percent of the profits and “C” is entitled to 10 percent of the profits. Upon dissolution, “B” is entitled to 75 percent of the partnership assets and “C” is entitled to 25 percent of those assets. All limited and general partners are entitled to vote on the following matters: the dissolution of the partnership, the transfer of assets not in the ordinary course of business, any change in the nature of the business, and the removal of the general partner. The interest of each partner is evidenced by an ownership certificate that is transferable under the terms of the partnership agreement and is subject to the Securities Act of 1933. For purposes of these rules, control of this partnership is determined by paragraph (1)(ii) of this section. Although partnership interests may be securities and have some voting rights attached to them, they do not entitle the owner of that interest to vote for a corporate “director” as required by §801.1(f)(1). Thus control of a partnership is not determined on the basis of either paragraph (1)(i) or (2) of this section. Consequently, “A” is deemed to control the partnership because of its right to 50 percent of the partnership’s profits. “B” is also deemed to control the partnership because it is entitled to 75 percent of the partnership’s assets upon dissolution.

In the context of corporate acquisitions exceeding the \$75.9 million threshold, this type of complex factual and legal identification of ultimate parent entity may well be justified. There are, however, scarcely few patents or applications among the millions issued and pending that have a value anywhere near this amount. The SFIPLA respectfully submits that burdening practitioners with this determination for every patent and application is grossly disproportionate to the underlying transaction.

Second, the identification of “[a]n entity necessary to be joined in a lawsuit” is similarly complex for patents and applications that are subject to exclusive licensing agreements. The Proposed Rules cite *Alfred C. Mann Found. V. Cochlear Corp.*, 604 F.3d 1354, 1360-61 (Fed. Cir. 2010) and *Vaupel Textilmaschinen KG v. Meccanica EuroItalia SPA*, 944 F.2d 870, 875-76 (Fed. Cir. 1991) as guidance for determining when a party other than the owner would have standing to enforce. The Federal Circuit in these cases list multiple factors relevant to this determination and then proceed through pages of analysis before reaching any conclusions. This type of factual and legal analysis would unduly burden practitioners and provide little benefit, especially if the patent owner is identified through assignment records or otherwise.

Third, the final category of “attributable owner” includes “[a]ny entity that, directly or indirectly, creates or uses ... any ... arrangement ... with the purpose or effect of divesting such entity of attributable ownership of a patent or application...” This sweepingly broad definition would capture perfectly legitimate licensing arrangements, including, for example, an option for an exclusive license that is triggered by a licensee meeting certain commercial or financial targets. Moreover, to attempt to

imagine every “arrangement” that could possibly result, “directly or indirectly” in a change of “attributable owner” would impose an impossible burden upon practitioners.

As a result of the complex legal determinations required, a Registered Patent Agent would risk charges of unauthorized practice of law for helping a client comply with the Proposed Rules. Small entities that rely on the use of patent agents would be unduly burdened. Likewise, a *pro se* inventor would be unable to comply without extensive legal knowledge.

The Burdensome Nature of the Proposed Rules Will Impose Undue Costs on Patentees

In addition to the fees for filing the newly required information, the USPTO should take into account the cost to obtain the required information. Each individual item defining an “attributable” owner would need to be investigated and monitored for change.

The proposed rules impose substantial economic costs upon many patent applicants who have no intent to participate in “frivolous” or “abusive” patent litigation. Even if there were no intent to litigate, excessive costs would be incurred during the term of any issued patent – for example, when the issue fee and maintenance fees are paid, and when a patent is involved in supplemental examination, *ex parte* reexamination, and a trial before the Patent and Trial and Appeal Board (PTAB). A targeted legislative approach is recommended to best serve the IP litigators and their clients.

For example, Japanese law denies effect to a license arrangement which shields the identity of an exclusive licensee: Only upon registration of such an exclusive license does the license achieve the status (*senyo jishshiken*) that includes the right to sue for patent infringement and obtain injunctive relief. The *senyo jishshiken* license is distinguished from an ordinary, nonexclusive license, the *tsujo-jishshiken*.

The Proposed Rules Exceed the USPTO’s Limited Rulemaking Authority

The proposed penalty² to abandon patents and patent applications by regulation exceeds the authority of the Office. Establishing by regulation a new requirement for patentability, or maintaining a patent, is beyond the “conduct of proceedings in the Office” and is inconsistent with the provision in 35 U.S. C. Further, abandonment determined in court, for failure to properly identify an “attributable” owner, is not a proceeding of the USPTO.

The USPTO has limited procedural rulemaking authority under 35 U.S.C. § 2(b)(2) to establish regulations “not inconsistent with law” which “govern the conduct of proceedings in the Office.” *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996). The USPTO, however, does not have substantive rulemaking authority. *Cooper Techs.* at 1336; *Merck & Co.* at 1550. Any substantive rulemaking by the USPTO must, therefore, be based in a specific grant of power by Congress. See *Merck & Co.* at 1550 (citing *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 (1979)). “A rule is substantive when it effects a change in existing law or policy which affects individual rights and obligations.” *Cooper Techs.* at 1336 (quoting *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 927 (Fed. Cir. 1991)).

² Section 1.273

The SFIPLA respectfully disagrees that the Proposed Rules are procedural, at least as they apply to non-ownership interests. The Proposed Rules are substantive, because they affect the rights and obligations of applicants and patent holders by requiring, under the penalty of abandonment, broad disclosure of non-ownership interests not reasonably related to any statutory provision. 35 U.S.C. § 261 grants certain benefits to applicants and patent holders who record assignments with the USPTO. Section 261, however, does not require the submission of assignments, let alone disclosure of non-ownership interests.

The Justifications for the Proposed Rule are not Persuasive

The justifications offered by the USPTO for the Proposed Rules are not persuasive enough to justify the burdensome legal investigations requested, particular as they apply to non-ownership interests. The USPTO states the Proposed Rules will facilitate examination and internal processes, as follows:

- (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.

First, only direct ownership of an application or patent is relevant to the maintenance of current powers of attorney. Disclosure of non-ownership interests, therefore, would not help the USPTO maintain accurate powers of attorney.

Second, while executive branch and independent agency employees have a duty under 18 U.S.C. § 208 to not participate in any matter in which they have a financial conflict of interest, the obligation rests on the employee to withdraw from the matter only once the employee receives knowledge of the conflict. See *United States v. Hedges*, 912 F.2d 1397, 1401–02 (11th Cir. 1990) (“[Section 208] . . . requires that the government official have knowledge of the conflicting financial interest.”). If anything, Section 208 obligates the USPTO to take steps to ensure that its employees withdraw from matters once they become aware of a conflict, but it does not impose additional disclosure requirements on owners so that USPTO employees are made aware of more potential conflicts in the first place. This provision, therefore, does not provide a basis to impose additional obligations and penalties upon patent applicants and owners.

Third, only direct ownership of an application or patent is relevant to the determination of the scope of prior art under 35 U.S.C. § 102(b)(2)(C), which requires that the prior application was “owned by the same person or subject to an obligation of assignment to the same person.” See also MPEP §

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706.02(l)(2) (“The term ‘commonly owned’ is intended to mean . . . entirely or wholly owned.”). Non-ownership interests are entirely irrelevant to this determination.

Fourth, the substantive law for post issuance proceedings requires the disclosure of the real party in interest. See 35 U.S.C. §§ 312(a)(2), 322(a)(2). Congress has considered what disclosure is necessary and has enacted this requirement into law. If Congress wishes to change the substantive law it may through legislation. See, e.g., S. 1720, 113th Cong. (2013); S. 1013, 113th Cong. (2013); H.R. 3309, 113th Cong. (2013). The USPTO, however, simply lacks authority to change substantive law directly applicable to disclosure requirements in post issuance proceedings absent further legislation by Congress.

Fifth and finally, the Notice argues that the rules are needed to “ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading.” If Congress believes that the assignment records are misleading, it may elect to change the substantive law applicable to these records. Ensuring that the information the USPTO provides is accurate does not provide the USPTO with independent authority to rewrite applicable substantive law.

Conclusion

While the SFIPLA supports, in principal, greater transparency of ownership interests, the SFIPLA respectfully submits that USPTO does not have the substantive authority to enact the proposed new rules requiring public disclosures identifying all “attributable” owners of patent applications. Moreover, these proposed new rules would impose significant administrative burdens and reporting costs on patent applicants and patentees, and present dire risks for noncompliance. This would affect the majority of patent owners who do not engage in “abusive” or “frivolous” litigation.

Congress and the courts have the needed authority and are in the best position to reform non-economically productive litigation practices.

Accordingly, the SFIPLA respectfully submits that the Proposed Rules would impose unnecessary risks and burdens on practitioners before the USTPO and likely exceed the USPTO’s limited procedural rulemaking authority.

Sincerely,

SAN FRANCISCO INTELLECTUAL PROPERTY LAW ASSOCIATION



Heath Hoglund
President

HH:tlh

Before the
U.S. Patent and Trademark Office
Commissioner for Patents

In the Matter of the Request for Comments on)
the Notice of Proposed Rulemaking) Docket No. PTO-P-2013-0040
Relating to Changes to Require,)
Identification of Attributable Owner) Submitted April 24, 2014
)
)

**COMMENTS OF THE
SOFTWARE & INFORMATION INDUSTRY ASSOCIATION**

Introduction

The Software & Information Industry Association (SIIA) appreciates the opportunity to respond to the *Notice of Proposed Rulemaking Relating to Changes to Require Identification of Attributable Owner* published by the U.S. Patent and Trademark Office (PTO) in the Federal Register on January 24, 2014.¹ SIIA files the following comments on behalf of itself and its members.

As the principal trade association of the software and digital content industry, the more than 800 members of SIIA develop and market software and electronic content for business, education, consumers and the Internet. Our membership consists of some of the largest and oldest technology enterprises in the world, as well as many smaller and newer companies. SIIA member companies are leading providers of, among other things:

- software publishing, graphics, and photo editing tools

¹ 79 Fed. Reg. 4105 (Jan. 24, 2014)

- corporate database and data processing software
- financial trading and investing services, news, and commodities
- exchanges
- online legal information and legal research tools
- protection against software viruses and other threats
- education software and online education services
- open source software
- and many other products and services in the digital content industries.

The innovative companies that make up SIIA's membership rely upon patent protection to protect their inventions. SIIA members own thousands of patents, which they rely upon to protect their substantial investments in research and development. They invest billions of dollars to create innovative new products and services for the public benefit.

SIIA members also depend upon the ability to manufacture, develop, and sell their products free from improper assertions of patent rights. Within the last several years, SIIA members find themselves having to confront an unprecedented torrent of unfounded litigious assertions of patent rights. Because SIIA members' interests are as patent owners and users as well as defendants in patent assertion cases, SIIA is in a perfect position to offer a balanced approach to the problems associated with identification of attributable owners.

We are grateful to the PTO for recognizing the need to address the very important issue of identification of attributable owners ("AO") (formerly referred to as "real-party-in-interest") and strongly supports the obtaining, recording and making available of accurate, current and complete AO information while the patent application is pending at the PTO and during the life of the patent.

The grant of a patent gives the patent holder the right to exclude others from practicing the claimed invention. The granting of that right is part of a larger contract with the public in

which the patent owner agrees to comply with certain obligations. One of those obligations is to provide the public with proper notice of the patented invention, and that notice includes notice of who owns, who has the right to enforce, and who stands to substantially benefit financially from patent rights associated with the claimed invention.

The obligation to identify patent ownership is an important one. Identification of the true owner of a patent enables the marketplace for innovations to function at optimum efficiency to encourage investment and innovation and “promote the Progress of Science and useful Arts” The availability of complete, current and accurate AO information will also improve the efficiencies of licensing, transparency of the patent system, litigation and patent prosecution.

Unfortunately, the present system does a poor job of ensuring that attributable owners accurately identify themselves. Under the present system it is too easy for these owners to hide behind legal fictions. Partnerships, LLCs, subsidiaries, and other legal entities can hold patent rights while the connection between these entities and their corporate parents is often unknown or obscure to the public. This often makes it very difficult to determine what patents a company owns. This dynamic, in conjunction with there being no requirement that patent transfers be recorded, creates an environment that is ripe for abuse and gamesmanship. It allows companies to effectively “hide” their patent portfolio to the detriment of the public interest.

The availability of complete, current and accurate AO information is necessary for a company to determine such essential issues as: whether to make an investment in a particular product; who to license from; whether to license around a particular product; whether and who to collaborate and/or partner with; whether the company should avoid the market altogether; and how to manage liability risks. Many of these decisions must be made early on in the investment and innovation process. An inability to accurately assess

the patent landscape in a certain area could result in product developers deciding to refrain from entering the market completely – contrary to the very purpose of the patent system.

The need for accurate and complete AO information is not limited to the process of patent procurement. Both the *inter partes* and post-grant review processes have very short time windows and require a large investment. In these cases, the law requires that patent challengers must identify themselves. If challengers must identify themselves then it is only fair that patent owners likewise be required to identify themselves.

Furthermore, improved transparency and disclosure of AO information will also lead to greater efficiencies in litigation. It will reduce discovery costs, such as costs relating to prior art searches and owner identification. It will also help the parties in litigation make informed decisions on settlement. It is difficult for a party to settle if they do not really know who they are dealing with or what they are actually getting in the settlement.

Comments on the Proposed Rule Change

The increased transparency that would result from the proposed rules is necessary in order to spur innovation that is unfortunately being stifled by the present system's allowance of hidden ownership. While SIIA generally supports the proposed rules and believes that they represent a significant step in the right direction, we are also concerned that they fall short in some areas. If these shortcomings are not effectively addressed we fear that the rules will not have the desired effect of providing the kind of transparency that is necessary and desirable.

Most significantly, we strongly urge that the proposed rules require attributable owners to amend their disclosures at more frequent intervals after patent issuance. The proposed rules only require filing updated ownership information at the time of maintenance fee payments (*i.e.*, at 3.5, 7.5, and 11.5 years after grant). These very long intervals will give

PAEs ample time to continue to engage in the strategic and deceptive shell company games that have generated the need for enhanced ownership disclosure rules in the first place. A more detailed explanation of this and the other concerns we have with the proposed rules follows below.

A. The Definition of “Attributable Owner”

The PTO proposed rules would define attributable owners by classifying them into four, somewhat overlapping, categories: (1) titleholders, (2) “enforcement entities,” (3) “ultimate parent entities,” and (4) “hidden beneficial owners.”² In many ways, this is the most important provision in the proposed rules because it defines who is and who is not subject to the rules. If an entity can find a loophole in the rules so that it falls outside these definitions, then they can successfully skirt all application of the rules. Since we know that PAEs are masters at finding any loopholes that might exist in the law and then exploiting those loopholes to their benefit, it is important that the definition of attributable owner be carefully considered and broad enough to catch the offending activities.

Although the existing definition of attributable owners in the proposed rules is very good, we think the definition falls slightly short of the goal line because it does not cover entities that fall outside the four categories but otherwise stand to substantially benefit financially from a lawsuit enforcing the patent. For instance, often there are contractual and corporate relationships between parties in which the entity that is responsible for financing the lawsuit would not fall within the four categories.

To correct this, SIIA believes that the definition of “enforcement entities”³ should also encompass entities that are entitled to receive a majority of any proceeds from the

² 79 Fed. Reg. 4105, 4110 (Jan. 24, 2014)

³ As defined in proposed Rule 1.271(a)(2)

enforcement of the patent or application. We understand that expansion of the definition in this manner may present challenges for both the PTO and for the patentee to comply with. Nevertheless, we think that it is important that these types of entities be covered by the proposed AO rules because they are often the ones most responsible for driving the enforcement activities. If this concept is not incorporated into the definition of “enforcement entities,” we are confident that PAEs will shrewdly re-arrange their contractual relationships in a way that successfully avoids falling within the four classifications of an attributable owner under proposed Rule 1.271.⁴

Therefore, we suggest that the PTO conduct a study of the scope of the definition 18 months after the proposed rules are implemented to determine if the definition of attributable owners is sufficiently broad to address these concerns and operating efficiently and effectively. Alternatively, and preferably to limit implementation problems at the outset, the PTO could conduct a pilot program to test out the rules and make adjustments as needed to ensure accurate and useful information is obtained without unduly burdening the PTO or patentees.

B. Timing of Attributable Owner Information Collection

For issued patents, the PTO’s proposed rules would limit the required disclosure to take place only upon (1) the payment of maintenance fees, and (2) the return to the PTO for agency proceedings. In our view, this is the most flawed provision in the proposed rules.

Unlike in the case of patent applications, when patents are acquired strictly for their enforcement value, no legitimate business reason exists for keeping the AO information confidential or delaying its public disclosure. It is important that there be no loopholes in

⁴ This change also has the potential added benefit of aiding the PTO in avoiding potential conflicts of interest for Office personnel during examination and later proceedings.

the disclosure process. If there are, you can be sure that the PAEs will exploit them. As it stands now, the proposed rules do have significant disclosure loopholes.

It is relatively easy for a PAE who wishes to remain hidden to acquire, enforce, and divest themselves of a patent during the four-year window in which maintenance fees are paid. PAEs who wish to remain hidden can manipulate the proposed system by simply delaying the formal acquisition (or other contractual arrangement) of a patent until shortly before they undertake their enforcement activities. As we have previously proposed, a more effective approach would be to require the attributable ownership disclosures be required at the time of any attempted enforcement of the patent. This would include enforcement through litigation and also pre-litigation enforcement, such as the sending of a written demand letter.

We understand that there are groups that oppose an obligation to disclose attributable ownership at the time of any attempted enforcement of the patent. We respectfully disagree. The disclosure in conjunction with enforcement requirement is reasonable and should not be overly burdensome. We had previously recommended that AO information be kept current by requiring that it be recorded with the Office *whenever it changes*. Requiring disclosure in conjunction with enforcement is a significant change from our original view and, we believe a reasonable compromise.

As noted above, transparency of ownership at the time the patent is asserted will allow the defendant or demand-letter recipient to evaluate how to respond in view of accurate AO information. Requiring disclosure in conjunction with enforcement would enhance the overall function of the patent system and help address the problem of patent litigation abuse while at the same time not substantially burdening the attributable owner, who already must prepare a complaint or demand letter in conjunction with the other enforcement entities.

C. Sanctions for Non-Compliance with the Proposed Rules

Penalties for Non-Compliance for an Issued Patent: One surprising aspect of the proposed rules is that the rules do not appear to include any penalty for bad faith, material failures to provide timely AO information for an issued patent. Without the ability to impose a penalty for non-compliance, it is unclear how the PTO can effectively enforce the rules and expect adherence by applicants and owners. Perhaps, the intent is for the PTO not to play a role in enforcing the rule, and instead rely on the courts. If that is the case, then the rules need to make that clear and to specify that the Courts can penalize bad faith non-compliance with the AO disclosure timing rules as inequitable conduct in violation of PTO Rule 1.56.

Penalties for Non-Compliance for a Patent Application: The only penalty in the proposed rules would apply in the case of a failure to file a “notice identifying the current attributable owner.”⁵ In such cases, the proposed rules would require “abandonment” of the patent application.⁶ Since this penalty would apply to applications, it would be solely enforceable by the PTO.

Abandonment of a patent application is *not* an appropriate penalty for non-compliance with the proposed rules. The PTO lacks the tools to detect a failure to properly identify the attributable owner during the patent prosecution. As a result, it is highly likely that the PTO will impose the abandonment penalty only when the patent applicant inadvertently fails to file a notice, as opposed to instances of purposeful or unintentional improper filings. In other words, actual improper filings will escape penalty, but a simple clerical

⁵ Proposed Rules 1.273 and 1.277

⁶ *Id.*

error will result in abandonment. That most certainly would be an inequitable and undesirable result.

Furthermore, even in the unlikely situation where the PTO is able to discern that there has been a material failure to disclose all required AO information and thus orders abandonment of the patent application, correction of the information would require a “good faith” reason to revive the abandoned application and lack of “good faith” is especially difficult for an agency to find in *ex parte* proceedings and extremely expensive for parties to prove in litigation.

Accordingly, we propose that, instead of abandonment, the penalty for non-compliance with the proposed AO rules for patent applications should be the loss of patent term adjustment. We think that approach is equitable. Since one purpose of the AO disclosure requirements is to improve the examination process and an applicant who fails to provide this information ends up delaying the prosecution, loss of patent term adjustment seems to be a just, but not overly harsh punishment.

This approach would be consistent with the existing law and rules. Under Sections 154(b)(2)(C)(i) and (iii), the PTO Director presently has the authority to define by regulation “the circumstances that constitute a failure of an applicant to engage in reasonable efforts” to conclude examination, and may penalize the applicant by reducing patent term adjustment by the length of the delay. Section 282(c) allows an accused infringer to assert the invalidity of a patent term extension under Section 154(b) because of a material failure by an applicant or the Director.

The possibility of a reduced patent term adjustment should have the desired effect of helping to deter improper and non-compliance, while providing the added benefit of being a penalty that can be enforced by interested parties who demonstrate during litigation patentee’s failure to comply with the AO requirements.

D. Voluntary Submission of Licensing Information

We support the PTO's proposing of a voluntary licensing database, however, we believe that PAEs will not participate and many technology companies will also not participate. Consequently, while we commend the PTO for this proposal, we think this effort is unlikely to desired goal of promoting transparency or enhancing licensing efficiencies.

Conclusion

SIIA supports the proposed rules, but urges that certain changes be made before the rules are implemented in order to address both definitional and disclosure loopholes. The system we have now allows PAEs to hide ownership behind shell companies and does not require that changes in ownership be disclosed in a timely manner. PAEs notoriously conceal themselves behind complex corporate shells for various strategic reasons. Improved disclosure rules would help to identify parties as PAEs and map their conduct in a timely way. Improved disclosure rules would also help companies better assess risk in monitoring and search efforts to be able to accurately associate patents with the true owner and recognize common ownership across various families of patents. However, if there are loopholes in the rules, the PAEs will find them and exploit them and the goal of increased transparency will be thwarted. Therefore, it is essential that the rules be tightened up as we suggest above.

In closing, we would like to thank you for the opportunity to provide these comments. If you have questions regarding these comments or would like any additional information please feel free to contact Keith Kupferschmid, SIIA's General Counsel and Senior Vice President of Intellectual Property, at (202) 789-4442 or keithk@siia.net.

April 23, 2014

VIA EMAIL ONLY
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Mail Stop Comments-Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Attn: James Engel, Senior Legal Advisor, OPLA

Re: WSPLA Comments on Proposed “Changes to Require Identification of Attributable Owner,”
79 F.R. 4105

Dear Mr. Engel,

In response to the request for comments regarding the proposed rulemaking published on January 24, 2014 in the Federal Register (79 FR 4105) applying to 37 CFR Part 1 “Changes To Require Identification of Attributable Owner,” the Washington State Patent Law Association (“WSPLA”) desires to provide the following comments.

A. The Proposed Rules Place an Undue Burden on Applicants, Patentees and Practitioners

The proposed rulemaking severely underestimate the burden the proposed rules would place on applicants, patentees and practitioners. The proposed rules estimate that only six minutes will be needed, on average, to accurately identify all attributable owners in an application or patent, and assume that “a patent attorney or general practice attorney would have the type of professional skills necessary for providing the attributable owner information required by the proposed rules.” These conclusions disregard the potential complexities created by the proposed rules.

Patent ownership is generally a question of state contract law. Therefore, in order to accurately identify any attributable owner, a patent practitioner would likely be required to form an opinion as to the contractual jurisprudence of a given state. However, many patent

practitioners are not well versed in state-level contract law. Moreover, many practitioners serve clients from multiple states. Requiring that a patent practitioner be competent to assess ownership under the various jurisdictions of any potential client is a substantial and undue expansion of a practitioner's current duties. This burden is further increased in regard to international applications, which implicate issues of both comity and foreign jurisprudence. While issues of ownership are certainly important to practitioners under the current rules, standing to contest such issues is limited, and errors are unlikely to render a patent unenforceable. The proposed revisions elevate the issue of ownership to a critical level, and shift the issue away from traditional realms of property rights squarely into the realm of patent law.

Therefore, to adequately satisfy the requirements of the proposed rules, a competent practitioner may be required to hire local counsel in each state or foreign country whose laws govern assignment of a patent or application. The cost and complexity of hiring and interacting with such counsel is not included within the Office's estimated costs. While drastic, the action of hiring local counsel is commensurate with the substantial risk of abandonment caused by inaccurate identification of attributable owners. Patent owners invest large sums of money into procuring and maintaining patents, and it is unreasonable to assume that a mere six minutes of time would be spent ensuring that rights in a patent are not put in jeopardy due to inaccurate interpretation of state-level contract laws. The proposed rules include provisions to allow correction of a good faith effort to identify an attributable owner, on petition to the USPTO. However, the rules provide no guidelines as to how such petitions would be judged. Further, the rules appear to grant substantial discretion to the USPTO in granting such petitions, even where a good faith effort is shown. *See, e.g.*, proposed § 1.279 ("the failure or error *may* be excused," emphasis added). Because of the uncertainty inherent in petition procedures, it is unreasonable to require applicants to rely on petitions to correct good-faith mistakes in identifying attributable owners.

B. Identification of Attributable Owner Should Not Be Required in Unpublished Applications

Given the considerable cost and complexity of the proposed rules, identification of attributable owners should not be required in the absence of substantial justification. With respect to unpublished applications, the justifications provided by the proposed rules are either inapplicable or wholly speculative in nature. For example, the Office purports to require identification of attributable owners in order to avoid conflicts of interest on the parts of Examiners; however, it is unclear how a conflict of interest could exist where an Examiner is unaware of the identity of an attributable owner. Further justifications, such as ensuring the correctness of a power of attorney and determining the scope of prior art, are unsupported by any showing of actual harm under the current rules and could be addressed in less burdensome

manners. While the proposed rules place great emphasis on ensuring that publically available information is accurate, and on the competitive advantages that such information may bring, these justifications do not apply to unpublished applications.

Given the strong response of some patent holders, applicants and practitioners to the proposed rules, it would be preferable to limit application of any final rule to published patent applications. This modification provides a path to applicants to pursue applications without an immediate requirement for identification.

C. A Good Faith Standard for Compliance Should Be Adopted

The proposed rules appear to establish an absolute requirement for accurate disclosure of attributable owners, without identifying which parties bear the burden of such disclosure or under what standard such disclosure should be judged. This absolute requirement creates substantial uncertainty for patent owners and applicants.

As an example, consider the instance where a previously established assignment is later disputed and held unenforceable by a state-level court. Under the proposed rules, it is unclear whether all previous disclosures made based on the assignment would be deemed inaccurate. If such post hoc judgments as to assignment validity render a patent unenforceable, accused patent-infringers would be heavily incentivized to contest the ownership of any asserted patent, further increasing the cost and complexity of litigation. While an owner may petition the Office in such a situation to accept previous submissions, it is unclear how such a petition would be judged, and what the effect of such a submission may be.

It is the opinion of WSPLA that a patent owner should not bear the burden of proving that previous submissions, when later proven inaccurate, were made in good faith. Rather, an accused infringer should bear the burden of showing that a patent owner has not acted in good faith. Illustratively, the proposed rules could be modified to remove an absolute requirement for identification, and instead require that a good faith effort be made to identify attributable owners. Such a rule would comport with other similar standards for invalidity or unenforceability of a patent, such as those for inequitable conduct.

The proposed rules should further establish what parties bear the burden of identifying attributable owners. Under the rules as proposed, a patent may be abandoned for inaccurate disclosure, even where no party substantially involved with prosecution of a patent is aware of such inaccuracies. To correct this, the proposed rules should specify which parties are under a duty to disclose attributable owners. One possible solution may be to place a duty to identify attributable owners on parties already under a duty of disclosure based on 37 C.F.R. § 1.56. To prevent parties from intentionally blinding themselves to an attributable owner, the standard could require that such parties make a reasonable inquiry into the identity of any attributable owners. These modifications would substantially reduce the burden and complexity of

compliance with the rules, while not substantially impacting the benefits to the USPTO and the public.

D. The Period for Updating Information Should be Extended

The proposed rules request comments on whether the time period of three months is sufficient to notify the USPTO as to a change in attributable owners. Changes in attributable ownership may often be the result of other substantial changes to a patent owner (e.g., acquisition by another party, business reorganization, liquidation, etc.), that require significant time commitments. In view of the burden created by these rules, and the potential detriment for non-compliance, this three month period is unduly short. WSPLA therefore believes that, should the proposed rules be implemented, this period should be extended to no less than six months. If the USPTO believes that there is a substantial benefit to prompt disclosure, late fees should be implemented for submissions past a shortened period. This mirrors current practices with regard to other submissions, and reduces the chances that a patent may become abandoned due to an inadvertent lack of disclosure.

E. Conclusion

Due to the issues discussed above, WSPLA opposes adoption of the rules as proposed. The rules place a substantial and undue burden on patentees, applicants and practitioners, and the USPTO has failed to establish that such burden is outweighed by the purported benefits. In the interest of furthering discussion, WSPLA has provided recommendations for modifications to the proposed rules in order to potentially reduce this burden. However, due to the substantial nature of these modifications, WSPLA believes that an additional time period for public review would be appropriate before adaptation of any modified rules.

Best regards,

/Bryan McWhorter/

Bryan McWhorter

Reg. No. 70,780

Committee Chair, Patent Office

Rules and Practices Committee

Boston University School of Management
595 Commonwealth Avenue
Boston, Massachusetts 02215



James Engel
Senior Legal Advisor
Office of Patent Legal Administration

April 24, 2014

Dear Mr. Engel:

I am writing to endorse the U.S. Patent and Trademark Office's proposed rule requiring disclosure of the "attributable owner" of US patents and pending applications. This rule would reduce uncertainty and search costs for inventors, prospective and actual licensees, patent buyers, and other users of patent data at very little direct cost to applicants and patent holders. The rule would also help us better understand the rapid growth of the secondary market in patents – a trend that only increases the benefits of adopting clear rules that promote timely and accurate disclosure of ownership information.

As part of this initiative, I strongly encourage the USPTO to consider a requirement that any assignee that has acquired a Global Legal Entity Identifier (LEI) must use that code to identify the ultimate owner of a patent. The LEI is a global unique identifier that will soon be required of any firm that participates in financial market transactions in the United States or any G-20 country.¹ While not every applicant or assignee will have an LEI, the \$150 cost of acquiring one is a nominal expense for large patentees. Moreover, relying on LEIs to identify patent owners whenever possible would reduce the cost of maintaining parallel registries, facilitate

¹ The US Treasury Office of Financial Research played a key role in developing the Global LEI system, and provides a great deal of information on the goals of the program, the process for obtaining an LEI, and the governance of the Legal Entity Identifier system. See, for example, http://www.treasury.gov/initiatives/wsr/ofr/Documents/LEI_FAQs_August2012_FINAL.pdf.

aggregation of the USPTO's current assignee codes into a set of meaningful legal entities, and enable linking of patent data to other data resources such as the SEC's EDGAR database.

Finally, in response to your request for comments regarding voluntary disclosure of licensing information, I would encourage the USPTO to consider deepening its relationships with voluntary standard setting organizations (SSOs) on several levels. Many SSOs publish licensing commitments made by participants in the standard-setting process, and some SSOs might welcome an initiative by the USPTO to aggregate and preserve this information. Another opportunity for greater cooperation with SSOs is to develop procedures for making standards-related prior-art available to patent examiners in a more systematic fashion, as the EPO has done through its partnerships with ETSI, IEEE-SA and ITU.² In general, efforts to promote transparency in pricing should complement efforts to promote transparency in ownership. However, I believe that efforts to standardize the reporting of licenses or licensing commitments may prove challenging, given substantial heterogeneity in the material terms contained in many of these agreements.

With best regards,



Timothy S. Simcoe

Associate Professor of Strategy and Innovation
Boston University School of Management

² These agreements are described in a report entitled "Patent Challenges for Standard Setting in the Global Economy" published in 2013 by the National Research Council of the National Academy of Sciences at the behest of the USPTO. That report also contains several detailed recommendations regarding cooperation between SSOs and the PTO.

April 24, 2014

Via e-mail: AC90.comments@uspto.gov

Mail Stop Comments-Patents, Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Subject: Changes to Require Identification of Attributable Owner

Attn: James Engel, Senior Legal Advisor, Office of Patent Legal Administration, Office of the Deputy Commissioner for Patent Examination Policy.

The six higher education associations support PTO's goals of increasing incentives for innovation and promoting greater transparency in patent ownership as well as reducing abusive patent litigation. Our member institutions are committed to enhancing innovation and technology transfer. A group of 137 university presidents and chancellors pledged in a letter to the Secretary of Commerce three years ago to undertake specific and expanded efforts to promote innovation, entrepreneurship and the technology transfer function at their institutions (<http://www.aau.edu/WorkArea/DownloadAsset.aspx?id=12084>).

While we support the general goals of the NPRM, we have a number of serious concerns. Our primary concern is the potential impact of the proposed disclosure requirements on the ability of our member institutions to commercialize their inventions and transfer technologies to the private sector for the benefit of the public. While "transparency" may be desirable as a general goal, the practical effects of the NPRM will be to reduce our ability to commercialize new technologies and adversely affect their value. We also have concerns about the costs of compliance with some of the disclosure requirements and whether the additional burdens imposed by the requirements are sufficiently justified or will yield a net benefit. For these reasons we urge PTO to withdraw the NPRM. Our concerns are set forth in more detail below.

- 1) The proposed definition of "attributable owner" in 1.271(a)(2) encompasses entities having the legal right to enforce patents. As the NPRM recognizes, this proposed reporting requirement would require disclosure of exclusive licensees in some cases. At times it is necessary for our member institutions and their affiliated startups to enter into exclusive licenses under confidentiality obligations. Licensees may insist on such commitments for legitimate competitive reasons. As was discussed at the recent PTO public hearings, licensing information may reveal strategic business or R&D plans, and there is a legitimate interest in maintaining those as non-public. A requirement to disclose exclusive licensees in these cases could have a chilling effect on the ability of our member institutions to commercialize their inventions and/or could reduce their value. This is the opposite of what

we understand the PTO seeks to achieve in the NPRM. To the extent that this requirement is retroactive, in that one of the triggering events is payment of patent maintenance fees (or initiation of post-issuance proceedings), it is unworkable and is likely to require institutions to choose between compliance with the new USPTO requirement and breach of existing non-disclosure contractual commitments.

- 2) The 1.271(a)(2) definition is phrased in terms of entities “necessary to be joined in a lawsuit in order to have standing to enforce the patent” Standing to sue and the determination of necessary parties are not obvious in all cases, and are legal issues for courts (a point reinforced by the NPRM reference to two Federal Circuit decisions). Standing is a fundamental concept for Article III federal courts. To the extent the NPRM suggests that PTO has the authority or capability to make this determination, we do not see the required legal basis for that conclusion.¹ We suggest that PTO consider revising the definition in terms of specifying which specific transferred patent rights would result in the receiving entity falling within this definition. That might permit our institutions to structure future licenses in a way which would avoid confidentiality issues. It is impossible to do this within the legal framework of constitutional or prudential “standing.”
- 3) The requirement (i) to disclose ultimate parent entities set forth in 1.271(b) and 1/271(f), (ii) to identify attributable owners on a continual basis in 1.275, and (iii) to comply with several of the succeeding provisions may have substantial compliance costs. This was discussed at the PTO hearings. Our member institutions will not necessarily be familiar with the corporate structures of licensees. In addition, some corporate transactions may not be public in the time periods specified and might be viewed as confidential or perhaps even as trade secrets. Exclusive licensees might be precluded by the parent entity from informing the patent holder within the specified periods, which could result in inadvertent non-compliance by our members. In addition, transactions involving such entities could occur outside the U.S. with companies that are not bound by U.S. public reporting obligations, with a similar result. Although the proposed rule does provide a mechanism for correction of good faith failures to notify in 1.387, this requires a petition and payment of a petition fee, which would again result in regulatory complexity, with an accompanying increase in burden and expense for our institutions, as well as uncertainty about the outcome. If the error is not excused, the result under the NPRM (1.273) appears to be abandonment, a drastic remedy. We note also that inadvertent failure to identify all attributable owners precisely as required in 1.271(f) could make patent holders vulnerable to additional litigation, which is counter to the goals of the NPRM.
- 4) The exemption from the disclosure requirements for state agencies in 1.271(e) is problematic and raises fairness concerns. Some state universities are viewed as state “agencies” under the laws of their respective states. This raises the prospect of an uneven playing field between those institutions and either other public institutions (which technically may be organized as corporations or otherwise) and private universities and research institutions. Such disparity could lead to unfair outcomes. Licensees may prefer to deal with those institutions not subject to disclosure requirements. Such an outcome

¹ Standing is an issue that can be raised at any point in the proceedings, including for the first time on appeal, and can be raised sua sponte by a court. In such a circumstance, the NRPM’s procedures potentially could lead to penalties for non-disclosure under the proposed rule even where a party may have acted in good faith in asserting standing. Regardless, the legal standard for standing in patent cases is a fact-bound inquiry, not subject to bright line rules.

would be inconsistent with the stated goals of broadly encouraging innovation and technology transfer by all U.S. research institutions.

5) The NPRM appears premature given that legislation is now pending in the Congress. If enacted, that legislation may affect patent ownership disclosure requirements. It would be more prudent for PTO to wait for the results of the current legislative process before engaging in rulemaking in this area.

We note that the NPRM asks for comments on whether PTO should enable patent applicants and owners voluntarily to report patents available for licensing and related information such as license terms, which would then be made available to the public in an accessible online format. This would provide a clearinghouse for patent holders, such as our member institutions, to make licensing information available to the public to further enhance technology transfer and reduce transaction costs while promoting greater transparency. Although we support the concept of making this information as accessible as possible, we note that many of our member institutions are already required to post such information on a public website maintained by the National Science Foundation (<http://www.research.gov/acasection520>). Publication of such information on the NSF website has not, to our knowledge, yielded much by way of actual results. There are numerous other examples of similar websites (e.g. AUTM Global Technology Portal, iBridge). It is not clear how much value would be added by the proposed PTO clearinghouse. Nonetheless, making this information available through an online PTO database may help achieve the intended results.

Finally, we are concerned that the benefits of the proposed rule do not justify its burdens. We agree that that identification of real parties in interest in patent matters can serve valued public policy purposes. We believe that the claimed benefits of the proposed rule (such as avoiding conflicts of interest for Office personnel or ensuring the accuracy of PTO information) are greatly outweighed by the substantially increased costs and burdens on inventors and inventing institutions. In sum, our view is that the proposed rules will not enhance innovation or technology transfer, and may actually have the opposite effect. Given the potentially adverse consequences, we urge PTO to withdraw the proposed requirements.

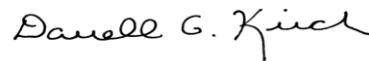
Sincerely,



Hunter R. Rawlings III
President
Association of American Universities



Molly Corbett Broad
President
American Council on Education



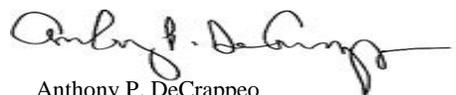
Darrell G. Kirch
President and CEO
Association of American Medical
Colleges



Peter McPherson
President
Association of Public and Land-grant
Universities



Jane Muir
President
Association of University Technology
Managers



Anthony P. DeCrappeo
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April 24, 2014

Submitted via e-mail to AC90.comments@uspto.gov

Mail Stop Comments-Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Attention: Mr. James Engel, Senior Legal Advisor
Office of Patent Legal Administration
Office of the Deputy Commissioner for Patent Examination Policy

SUBJECT: Notice of Proposed Rulemaking 79 FR 4105
Changes to Require Identification of Attributable Owner

Dear Mr. Engel:

This letter is in response to the January 24, 2014 Federal Register Notice of Proposed Rulemaking (NPRM) in which the United States Patent and Trademark Office (USPTO) proposes changes to require identification of attributable owner(s) in an effort to promote greater transparency concerning the ownership of patent applications and patents. While we support the USPTO's goal of improving the patent system, we have serious concerns about elements of this Federal Register Notice and the challenges of complying with these requirements that may lead to inadvertent loss of patent rights. Therefore, we request the USPTO to withdraw this NPRM.

The University of California is comprised of ten research-intensive campuses and is involved in the management of three national laboratories, each of which is actively engaged in the transfer of research discoveries to industrial partners who use them to make products that benefit the public. Usually, a company will not invest the substantial time, resources, and capital necessary to turn an innovation into a commercial product unless the invention has patent protection. Thus, secure patent protection is critical to the transfer of technologies from academia to the private sector.

We agree with and strongly echo the concerns raised in the comment letter submitted by the higher education associations, AAU, ACE, AAMC, APLU, AUTM, and COGR. The ability of university licensors and our industry licensees to comply with these requirements, especially within the proposed

timeframes, and without harming legitimate business interests is questionable, and the penalty for non-compliance, i.e., abandonment of the patent application, is extremely severe. We are especially disturbed that if implemented, the proposed rule will force us into the untenable position of having to disclose to the USPTO sensitive or confidential information of our licensees, which may prejudice their willingness to license our technologies. In the case of existing licensees, the proposed rule could force us to choose between breaching our license agreements or risking the forced abandonment of our patents. These proposed requirements would establish yet another hurdle and be counterproductive to the many efforts in the Federal and State governments, Congress, academia, financing community, and private sector to accelerate the transfer of technologies for the public benefit.

Thank you for the opportunity to provide comments on these proposed rules. We hope the USPTO will seriously reconsider these proposed rules and withdraw them from consideration. We look forward to continuing the open dialogue with the USPTO on ways to improve the patent system.

Sincerely,



William T. Tucker
Executive Director, Innovation Alliances and Services
University of California, Office of the President

Cc: Associate Vice President Falle
Managing Counsel Simpson
Executive Director Streit
Associate Director Tom
Council on Governmental Relations

to support scientific research at the University of Wisconsin, is accomplished by transferring university technology to the marketplace for the benefit of the university, the inventors and the public. Licensing income is returned to the university to fund further scientific research.

WARF was founded in 1925 and is a pioneer and innovator among university-based technology transfer offices. Over its 89-year existence, WARF has not only protected the fruits of scientific research, it has actually contributed close to \$1 billion of licensing income to cutting-edge UW-Madison scientific research. Of greater significance is the fact that WARF's technology transfer successes have had a profound and positive effect on the welfare, health, and safety of humankind. For more information about discoveries patented and licenses by WARF, *see* our website (<http://www.warf.org>).

COMMENTS OF HIGHER EDUCATION ASSOCIATIONS

WARF is aware of the comments of the higher education associations (“higher ed comments”) and wishes to associate itself with those comments. The benefits of the proposed rules do not justify the burdens. As observed by the associations, “[t]he proposed rules will not enhance innovation or technology transfer, and may actually have the opposite effect.” Given the potentially adverse consequences, coupled with the fact that congressional activities are ongoing on patent transparency issues, WARF agrees with the conclusion in the higher ed comments that the USPTO should withdraw the proposed regulatory requirements.

The higher ed comments focus on the definition of “Attributable Owner” as “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.” *See* page 4119 in proposed 37 CFR 1.271(a)(2) (emphasis added). Indisputably, the USPTO may decide questions of patentability in a reexamination proceeding without regard to the “case and controversy” requirements of Article III of the

Constitution. But a federal court cannot review USPTO decisions unless Article III jurisdiction is present. The requirement of an injury-in-fact provides the “hard floor of Article III jurisdiction” *Summers v. Earth Island Institute*, 555 U.S. 488, 497 (2009). Accordingly, standing is a conclusion of law with constitutional ramifications. Because standing can become an issue raised before a federal appellate court even without any parties raising it in an administrative proceeding, this fact potentially raises the possibility of a party acting in good faith later being penalized. This misallocation of authority in Section 1.271 to an administrative tribunal serves as one example of why the NPR should be withdrawn.

Respectfully yours,

Carl Gulbrandsen
Managing Director
Wisconsin Alumni Research Foundation

April 24, 2014

From: RICK NEIFELD [email address redacted]
Sent: Thursday, January 30, 2014 12:37 AM
To: AC90.comments
Cc: RICK NEIFELD
Subject: Comments In Response to the Request for Comments on "Changes To Require Identification of Attributable Owner," 79 FR 4105 (January 24, 2014)

Comments In Response to the Request for Comments on "Changes To Require Identification of Attributable Owner," 79 FR 4105 (January 24, 2014)

From: Richard Neifeld, Neifeld IP law, PC

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

Dear Mr. Engel:

I am a patent attorney and founder of Neifeld IP Law, PC. These comments represent my personal views based upon almost 20 years in the practice of patent law. I write on behalf of myself, in the interests of my clients, and for the improvement of our IP system. In summary, I suggest you:

do not incorporate by reference definitions from unrelated volumes of the CFR;
revamp the propose rules to reduce their burden on applicants and patentees by having the rules presume that no submission of change of attributable ownership is a representation that attributable ownership has not changed;
reset your costs estimates based upon the object data noted below to reflect the very real and substantial compliance burden;
reduce the regulatory burden by reducing the frequency of required notifications in view of the very large cost of compliance; and
reset and reduce the penalty for non compliance to be commensurate in scope with the impact of noncompliance.

My summary of the proposed rules and comments follow:

Proposed rule 1.271 reads:

Attributable Owner § 1.271 Attributable owner (Real-parties-in interest for reporting purposes).

(a) The attributable owner of a patent or application includes each of the following entities: (1) An entity that, exclusively or jointly, has been assigned title to the patent or application; and (2) 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.

(b) The attributable owner of a patent or application includes the ultimate parent entity as defined in 16 CFR 801.1(a)(3) of an entity described in paragraph (a) of this section.

(c) 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.

(d) The term "entity" used in this section includes: (1) Any natural person, corporation, company, partnership, joint venture, association, joint-stock company, trust, estate of a deceased natural person, foundation, fund, or institution, whether incorporated or not, wherever located and of whatever citizenship; (2) Any receiver, trustee in bankruptcy or similar official or any liquidating agent for any of the entities described in paragraph (d)(1) of this section, in his or her capacity as such; (3) Any joint venture or other corporation which has not been formed but the acquisition of the voting securities or other interest in which, if already formed, would be an attributable owner as described in this section; or (4) Any other organization or corporate form not specifically listed in section that holds an interest in an application or patent.

(e) Notwithstanding the provisions of paragraph (d) of this section, the term "entity" does not include any foreign state, foreign government, or agency thereof (other than a corporation or unincorporated entity engaged in commerce), and also does not include the United States, any of the States thereof, or any political subdivision or agency of either (other than a corporation or unincorporated entity engaged in commerce).

(f) When there is a requirement to identify the attributable owner, each entity constituting the attributable owner must be identified as follows: (1) The identification of a public company must include the name of the company, stock symbol, and stock exchange where the company is listed; (2) The identification of a non-public company must include the name of the company, place of incorporation, and address of the principal place of business; (3) The identification of a partnership must include the name of the partnership and address of the principal place of business; (4) The identification of a natural person must include the full legal name, residence, and a correspondence address; and (5) The identification of any other type of entity must include its name, if organized under the laws of a state, the name of that state and legal form of organization, and address of the principal place of business.

(g) Except for shareholders of a public company, the presence of a corporate form, partnership, or other association, does not preclude an entity who may also be a shareholder or partner in such an identified attributable owner from a requirement to be separately identified as an attributable owner if the entity is also described in paragraph (a), (b) or (c) of this section as an entity qualifying as an attributable owner.

You should not incorporate definitions from other CFR sections into 37 CFR. The reasons for the definitions in 16 CFR 801.1 are for purposes unrelated to attribution of ownership of patents and are likely interpreted in a manner inconsistent with the goals of identifying attribution of ownership of patents. Specifically, the HSR Act's (The Act to which 16 CFR 801 is directed) goals of determining of size of a set of related entities for purposes of determining thresholds for antitrust review, are poorly suited as definitions of attributable owners of patents.

Proposed rule 1.271(b) imports the definition in 16 CFR 801.1(a)(3) for definition of an ultimate parent entity. However, this definition introduces uncertainty into the meaning of an attributable owner in proposed rule 37 CFR 1.271. 16 CFR 801.1(a) reads as follows:

801.1 Definitions. When used in the act and these rules

(a)(1) Person. Except as provided in paragraphs (a) and (b) of §801.12, the term person means an ultimate parent entity and all entities which it controls directly or indirectly. Examples:

1. In the case of corporations, “person” encompasses the entire corporate structure, including all parent corporations, subsidiaries and divisions (whether consolidated or unconsolidated, and whether incorporated or unincorporated), and all related corporations under common control with any of the foregoing.

2. Corporations A and B are each directly controlled by the same foreign state. They are not included within the same “person,” although the corporations are under common control, because the foreign state which controls them is not an “entity” (see §801.1(a)(2)). Corporations A and B* are the ultimate parent entities within persons “A”, and “B” which include any entities each may control.

*Throughout the examples to the rules, persons are designated (“A”, “B,” etc.) with quotation marks, and entities are designated (A, B, etc.) without quotation marks.

3. Since a natural person is an entity (see §801.1(a)(2)), a natural person and a corporation which he or she controls are part of the same “person.” If that natural person controls two otherwise separate corporations, both corporations and the natural person are all part of the same “person.”

4. See the example to §801.2(a).

(2) Entity. The term entity means any natural person, corporation, company, partnership, joint venture, association, joint-stock company, trust, estate of a deceased natural person, foundation, fund, institution, society, union, or club, whether incorporated or not, wherever located and of whatever citizenship, or any receiver, trustee in bankruptcy or similar official or any liquidating agent for any of the foregoing, in his or her capacity as such; or any joint venture or other corporation which has not been formed but the acquisition of the voting securities or other interest in which, if already formed, would require notification under the act and these rules: Provided, however, that the term entity shall not include any foreign state, foreign government, or agency thereof (other than a corporation or unincorporated entity engaged in commerce), nor the United States, any of the States thereof, or any political subdivision or agency of either (other than a corporation or unincorporated entity engaged in commerce).

(3) Ultimate parent entity. The term ultimate parent entity means an entity which is not controlled by any other entity.

Examples:

1. If corporation A holds 100 percent of the stock of subsidiary B, and B holds 75 percent of the stock of its subsidiary C, corporation A is the ultimate parent entity, since it controls subsidiary B directly and subsidiary C indirectly, and since it is the entity within the person which is not controlled by any other entity.

2. If corporation A is controlled by natural person D, natural person D is the ultimate parent entity.

3. P and Q are the ultimate parent entities within persons “P” and “Q.” If P and Q each own 50 percent of the voting securities of R, then P and Q are both ultimate parents of R, and R is part of both persons “P” and “Q.”

Proposed rule 1.271(b), marked up to show the definition incorporated from 16 CFR expressly incorporated therein, reads as follows “(b) The attributable owner of a patent or application

includes the ultimate parent entity, that is an entity which is not controlled by any other entity, as defined in 16 CFR 801.1(a)(3) of an entity described in paragraph (a) of this section, where "entity" is defined by 16 CFR 801.1(a)(2). But 16 CFR 801.1(a)(2) contains the following undefined terms in the context of attributable owner of a patent: "foundation, fund, institution, society, union, or club, whether incorporated or not." What are unincorporated foundations, funds, institutions, societies, unions, and clubs for purposes of attributable ownership? Proposed rule 1.271(b) incorporates concepts from the HSR Act embodied in rule 801.1 that are not applicable to the goal of defining attributable ownership. The HSR Act relies upon a determination of cumulative size of related entities for determining whether the cumulative size is large enough to warrant review of a proposed merger for antitrust issues. No such concerns are present in the definition of attributable owner. As noted in 16 CFR 801.1(a)(2), the definition of entity appears to be limited to any legal relationship that "would require notification under the act and these rules." HSR notification is required only for entities exceeding monetary thresholds, thereby requiring reporting under HSR. In summary, the incorporation of definitions from 16 CFR relating to antitrust laws and entity size limits is ill advised. The Office should expressly define terms in 37 CFR that relate to patents, having terms specifically defined to suit the concept of attributable ownership, to avoid indefinite rules, confusion amongst practitioners, and unnecessary litigation.

Proposed rule 1.271(c) is vague. "(c) Any entity that, ... uses a [legal instrument] with the purpose or effect of temporarily divesting such entity of attributable ownership ... [is] an attributable owner of such patent or application". What does that mean? For example, would a 5 % passive equity partner of a partnership that owns a patent be an attributable owner? In any case, proposed 1.271(c) conflates two distinct concepts: "purpose or effect of temporarily divesting" and "preventing the vesting of such attributable ownership". Your proposed rule should not refer to "Any entity" when referring to the first concept because a predicate of that concept is that the entity is an attributable owner, and your rule should so state. But you pigeon-holed yourself by conflating the first concept with the "preventing the vesting of such attributable ownership" a precondition of which is that there is an entity that is not an attributable owner. And therefore you had to start this proposed rule referring to "An entity" instead of to "An attributable owner". Proposed 1.271(c) is difficult to interpret because two disparate concepts are contained in one run-on or compound sentence. Split the sentence up and make the two distinct sentences with one concept in each sentence, to make it intelligible. Proposed 1.271(e) states that "(e) Notwithstanding the provisions of paragraph (d) of this section, the term "entity" does not include any foreign state, foreign government, or agency thereof (other than a corporation or unincorporated entity engaged in commerce), and also does not include the United States, any of the States thereof, or any political subdivision or agency of either (other than a corporation or unincorporated entity engaged in commerce)." This section excludes government and governmental organizations from compliance with attributable ownership rules. Why? Why do you elevate governments above private enterprises?. What public policy bides for not identifying when the attributable owner is a government or a state? Review of the proposed rule packages provides no answers, merely stating that "proposed § 1.271(e)) tracks the definition of entity in 16 CFR 801.1(a)(2)." However, 16 CFR 801.1(a)(2) relates to enforcing HSR by identifying transactions that might have anti-competitive effects large enough to warrant pre-transaction review. Why governments are excluded from HSR review does not seem relevant to why governments should or should not be excluded from rules requiring identification of attributable owners of

patents. Why is proposed 1.271(e) present? If there is no treaty limitation, constitutional limitation, or the like, in requiring identification of attributable ownership from governmental organizations, you should remove this proposed rule. If not, you should explain why governments, ours and others, get 'free a pass' on identification of attributable ownership. Proposed rule 1.271(f) provides for identification of various addresses for entities that are the attributable owner. However, this rule fails to require an address for receipt of service of process. Why not? Isn't the ability to serve with process the primary goal of requiring identity and address information for attributable owners? Why not expressly require that information to assist litigants?

Proposed rule 1.271(g) in conjunction with proposed rule 1.271(d) is overbroad. It sweeps into the list of passive participants disclosure of which would be burdensome and provide no societal benefit. It would dissuade investment in innovation due to privacy concerns.

Proposed rule 1.273 is overly burdensome to achieve its mandate of identifying attributable ownership. In the vast majority of applications the attributable owner is the applicant when there is no assignment filed at or shortly after the time of filing or US national stage entry for a PCT application, or is the assignee if such an assignment is filed. Proposed rule 1.273 would require yet an additional assertion of attributable ownership at the time of filing even in those case where the applicant or assignee is the attributable owner. Moreover, in cases where at time of filing there is no attributable owner identified as such, proposed rule 1.273 would burden the Office with having to generate and send yet another formalities paper requiring identification of the attributable owner. Moreover, rule 1.273 would require the applicant in the vast majority of cases to have to respond to that notice, at significant expense. The Office should instead promulgate rules, like the small entity rule, where the assumption is that the information has been provided by the manner of filing (by paying small entity fees in case of the small entity rule, and by not filing an additional attribution of ownership document when filing an application). That change in the propose rule, will save great expense for both the Office, and the applicants, and accomplish the same goal.

Proposed rule 1.277 contains the same overly burdensome provision as proposed rule 1.273. Like 1.273, 1.277 should be revised to presume that lack of filing of a notice identifying the current attributable owner means there has been no change. Moreover, 1.277 is more than useless if proposed rule 1.275 is promulgated because it is merely redundant of the three month deadline specified in 1.275.

The section titled "4. Description of the projected reporting, recordkeeping and other compliance requirements of the proposed rules, including an estimate of the classes of small entities which will be subject to the requirement and the type of professional skills necessary for preparation of the report or record:" repeatedly characterizes compliance costs as negligible ("in many instances, reporting ownership information in compliance with this proposed rule will have negligible costs"; "Given the Office's records suggesting that many applications do not have more than one recorded assignment, in many instances applicants or patentees will likely be merely confirming the ownership information is unchanged, which should have a negligible cost."; "At subsequent instances when reporting was required (e.g., upon issue), the owner would merely be confirming that no change had occurred, which would have negligible cost. The Office presumes that reporting costs for these applications would be negligible, because the applicants would be indicating that they are the attributable owners, providing the same information they are providing elsewhere in the application."; and "that in many instances, when reporting is required under the proposed rule, applicants or patentees

will be providing information that is readily known and available to them, and that can be provided easily and at negligible cost during the application process, at grant, or after grant.”.) The premises upon which these “negligible cost” conclusions are based are incorrect. First, there is a non negligible cost in reporting, per se, regardless of the availability of information being reported. Each time USPTO customer has to submit a paper, or fill in an additional line in a form, there is a cost. The notice properly notes that hundreds of thousands of patent applications are filed, issue fees paid, and maintenance fees paid, annually. Even a small cost multiplied by that huge number of notice requirements is a significant aggregate cost. And the sole data point provide by the office is from the 2012 roundtable. As noted at 79 FR 4116, right column, that:

The Office received input at this roundtable, including the suggestion that providing the attributable owner information might have a transaction cost of \$100, depending upon the inclusiveness of the definition of attributable owner (which was discussed under the rubric of “real party in interest” at the roundtable).

However, the \$100 figure certainly only included the cost of submission, not the additional costs with compliance by determining in each case at each compliance deadline whether there was a change in attributable ownership or not. The mere cost of preparation and submission of a PTO form normally costs more than \$100. The total cost of determination of attributable ownership requires at a minimum the following actions on the part of anyone having duty to preserve another’s rights:

- docketing a requirement for sending a written communication to a client requesting attributable ownership updates;
- docketing the requirement for filing an attributable ownership notice at any time required by the PTO;
- sending a written communication to the client requesting updated attributable ownership information,
- updating the log of activity noting the sending,
- updating docketing to remind for receipt of that information;
- confirming receipt of client communication providing updated attributable ownership information,
- preparing a document for USPTO filing containing the update of attributable ownership information,
- filing the notice in the USPTO,
- updating the activity log to show filing of the notice
- reporting the filing of the notice to the client.

The PTO assumes costs are negligible when all an agent does is confirm that there has been not change. However, even then the foregoing actions must occur to protect clients rights, that is, even when there is no change, all of the foregoing docketing, logging, PTO filing, and reporting functions must occur. To imply that these actions would cost only \$100 is incorrect, and it is inconsistent with published data for comparable PTO filings. For example, paying a maintenance fee is simpler than the requirements for docketing through reporting of an attributable ownership. This is because maintenance fees are a requirement that is certain at

defined times after issuance. And maintenance fees need no or minimal explanation because they are self explanatory. In contrast, determining attributable owner, and even explaining the concept, takes the USPTO a few pages of proposed rules. The AIPLA Economic Survey has in the past been relied upon by the USPTO as objective evidence of costs. See most recently the fees promulgated under the AIA for practice before the Office. The AIPLA 2013 economic survey contains fees for paying maintenance fees. That survey shows that the mean charge for paying a maintenance fee was \$355 for all locations (Table I-112). Accordingly, the Offices cost estimates greatly underestimate the cost of compliance in each instance (as either negligible or \$100) and greatly underestimate the number of instances in which compliance costs occur (apparently based upon the 4% per year reassignment rate, instead of 100 of all applications and patents upon each requirement for compliance). In fact, rough estimates based upon the objective information just provided shows that compliance costs will run several hundreds of millions of dollars, such as \$350 times roughly 700,000 compliance requirements annually. As with failures in existing docketing systems, there will also be an error rate of roughly 1 percent which will also result in several thousand petitions to excuse belated updating of attributable owner, each year further burdening both the Office and its customers.

Finally, the punishment does not fit the crime. The proposed rules provide for abandonment of an application for which attributable ownership was not timely updated, unless the delay was unintentional in which case the application can be revived pursuant to rule 1.137. Why? Why should the application be abandoned? Because that is the punishment the Office has imposed in other situations? Other situations, such as failure to timely make a benefit claim, directly impact the timing of dissemination of the invention to the public, via publication. No such overriding concern exists for the very marginal impact identifying attributable ownership would have on patent quality or the planning of industrial activity by the Office's customers. The failure to identify an attributable owner is not so directly related to patentability, if at all, that this should be the punishment. The Office should instead have the punishment fit the offense, for example refusing to recognize a change in attributable ownership the notice in the PTO for which was intentionally delayed, absent petition. After all, the offense is failure to timely notify the Office of a change in ownership, and therefore the logical remedy is refusing to enter a belated change in attributable ownership, absent petition. Not abandonment.

Truly, Richard Neifeld
Neifeld IP Law, PC
Alexandria, VA

Attached are comments of Oliff, PLC, responsive to the January 24, 2014 Request for Comments. They are provided in plain text format for the convenience of the USPTO in considering and addressing them.

Respectfully submitted,

James A. Oliff
Oliff, PLC
277 South Washington Street
Alexandria, VA 22314

Dear Mr. Engel,

The following comments are provided by the law firm of Oliff, PLC ("Oliff") in response to the Request for Comments on Changes To Require Identification of Attributable Owner, published on January 24, 2014 at 79 Fed. Reg. 4105. Oliff is an intellectual property law firm that represents thousands of patent applicants, including foreign and domestic individual inventors, universities, and small and large businesses, including several Fortune 100 and Fortune 500 companies.

Oliff understands the difficulty of the task with which the USPTO is faced - that of providing a procedural mechanism to help combat frivolous patent litigation. Oliff appreciates the time and effort taken by the USPTO to draft the proposed rules. Oliff has reviewed, analyzed and discussed these proposed rules, and has weighed the potential benefits imparted by the proposed rules with the burdens that will be imposed upon its clients and other patent applicants and patent holders by the proposed rules. The following comments are derived from both the experience and expertise of Oliff attorneys and staff.

The proposed rules require applicants and owners to provide additional ownership information for patent applications and patents. Among other goals, it is intended that this additional information will help the public to better defend itself against actual and threatened patent infringement litigation. While Oliff believes that the proposed rules may offer some benefit to the public, we have concerns that possible burdensome and negative impacts of the rules will outweigh the potential benefits. In particular, we address below our concerns that the proposed rules will impose an undue burden on all patent applicants and patent holders, will add unnecessary further cost to the patent acquisition and maintenance process, will unnecessarily force the disclosure of confidential business information, and will impose unduly serious penalties for non-compliance, even for unintentional and good faith non-compliance.

i. Burden on Clients

Foremost is the burden imposed on patent applicants and patent owners to comply with the rules. The sheer number of possible entities to be identified as title holders, enforcement entities and ultimate parent entities can be vast, and will create logistical challenges in cases where applications or patents are jointly owned. Large corporations, having numerous shareholders and partners in associated companies that have ownership in an application or

patent may need to be identified. This is particularly true for companies, universities, and even individual inventors that are involved in joint research programs, cost-sharing arrangements, or exclusive and non-exclusive license agreements, where multiple parties may share varying types and degrees of rights under an application or patent. Further, these positions may change at any time, as business objectives change or business structures change, at which point the identification of the attributable owner of a patent application must again be filed with the Patent Office in a timely manner.

Although many applications and patents may remain owned by or assigned to a single entity (individual or company) throughout the life of the application and resultant patent, it is not uncommon for rights in applications and patents to be transferred one or more times over that lifetime. Likewise, it is not uncommon for applications and patents to be licensed from the titleholder to other entities, with such licenses having widely varying terms and conditions. For example, it is often the case that a company will transfer ownership of a patent application to a subsidiary or parent company, that a company will transfer ownership of a patent as a result of a merger with another company or the sale of an individual business unit, that a company or university may transfer ownership of a patent back to an inventor (for example, where the company or university may decide not to further pursue an invention), and the like.

It is also often the case that an application or patent may be pledged as security for various business purposes. A review of the assignment records for applications and patents often reflect numerous title changes in the same patent property, including assignments from inventors to a company or university, change of name, change of address, recordation of liens and security interests, mergers, and the like. While many of these changes in ownership are recorded in the Patent Office assignment records, a number of these changes are recorded long after the effective date of the change, and many more changes go unrecorded (as recordation is not required). Recording all of these changes not only in the Patent Office assignment records, but also under the proposed rules, would thus impose an inordinate burden on patent applicants and patent holders.

Ascertaining ultimate parent entities may also be difficult. For example, the identification of what constitutes "control" for purposes of establishing parent status may depend on local laws. Further, to the extent that foreign law may also be implicated, the proposed rules may require disclosure of information that would otherwise not be subject to disclosure, or may be subject to privacy consideration, under foreign law.

The burden is compounded in the case of co-assigned applications, in which the inventors assign their rights to two or more assignees. In many co-assigned applications, only one assignee is responsible for the prosecution of the application, and may only correspond with the joint assignee upon issuance of the patent. This type of assignment creates further logistical hurdles where both assignees' activities need to be reported.

Another logistical challenge involves reporting ownership changes at the time maintenance fees are paid. Once a patent issues, many applicants prefer to pay maintenance fees through a third party company, who is unlikely equipped to navigate the USPTO's ownership

reporting requirements. At a minimum, this would require patent owners to engage two separate parties to pay maintenance fees and to report any ownership changes.

Together, these burdens represent a significant difficulty for inventors and practitioners to practice their art, and may result in a decrease in innovation and commercial enterprise, especially among small businesses and individual inventors.

ii. Cost

The burdens imposed by the proposed rules will likely result in a noticeable increase in costs to applicants and patentees. There will be significant additional administrative costs and burdens associated with the creation and maintenance of systems necessary to ensure that ownership changes are timely reported in all applications and patents. The overall effect of this cost may be reduced innovation, especially on small businesses and individual inventors.

Furthermore, the burdens will present an increased cost to the USPTO. The proposed rules will require at least five new filings in each application that matures to a patent. The USPTO will need to adjust to this increase in work, which will inevitably result in the cost to be passed along to applicants and patent holders. If the USPTO does not bill applicants for the filings, the filings will add cost to the USPTO, raising the overall patent office expenditure at a time when all government agencies are under pressure to reduce costs.

The proposed rules may also have an impact on the cost of litigation. The cost associated with identifying the attributable owner may be repeated during litigation to determine the validity of patents. Furthermore, as errors in identifying the attributable owner may invalidate a patent, there may be an increase in litigation defenses asserting invalidity or inequitable conduct based on these errors.

iii. Loss of Confidentiality

The requirement to file comprehensive assignment information may have additional disadvantages for companies. Companies may be unable to maintain confidentiality of certain business operations if assignment information is recorded, and competitors may gain valuable information on the strategic plans of companies. For example, oftentimes companies transfer intellectual property assets for legitimate tax and business reasons. A transfer of such assets may identify to competitors the state of commercialization of a certain technology, or an area of business that the company believes to be relevant to the patent being licensed.

The proposed rules may require disclosure of various licensing terms and arrangements, which business partners may have previously contracted for not to be revealed. As a result, a new slew of litigation arising from violation of contractual agreements may arise, resulting in further cost and a reluctance to file for patent protection.

iv. Serious Penalties for Non-compliance

The proposed rules impose serious penalties for not complying with the rules. Applicants who fail to comply risk invalidity or abandonment. Patent practitioners who inadvertently miss a deadline, or err in the identification of the attributable owners might be disciplined by the Patent Office, and subsequently face disbarment. As a result, insurance for patent practitioners may increase, which will result in an increased cost for their clients. Moreover, the penalties do not differentiate between good faith and bad faith violations.

Recommendations for the USPTO

Legislation is currently being discussed in Congress to address many of the same concerns. For example, Senate Bill S. 1720 has been introduced, which will require a patentee who has filed a civil action for patent infringement to disclose to the court and to all adverse parties any persons, associations, corporations (including parent corporations), or other entities known by the patentee to have: (1) a financial interest in the subject matter in controversy or in a party to the proceeding, or (2) any other interest that could be substantially affected by the outcome of the proceeding. In addition, at least six other bills have also been introduced to Congress to address abusive patent litigation and related issues. These bills, which specifically target concerns regarding frivolous litigation, and with respect to the specific patent properties being asserted, appear to more reasonably address the overall concern of the proposed rules, by placing the disclosure requirement on the party asserting the patent property, rather than placing a burden on all patent applicants and patent holders.

In view of the comments above and the pending legislation, Oliff recommends that the USPTO seriously consider either abandoning the proposed rule changes, or, after the outcome of the legislation has been determined, making significant amendments to the proposed rules to reduce the potential burden and cost on inventors.

Respectfully submitted,

/James A. Oliff/
Oliff, PLC

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April 24, 2014

Via Electronic Delivery
AC90.comments@USPTO.gov

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

Attn: James Engel, Senior Legal Advisor, OPLA

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

Dear Mr. Engel:

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

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

I. Practical Impact and Cost of Compliance

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

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

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

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

a. The Burden to Startups and Small Business

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

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

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

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

b. The Proposed Changes Will Not Accomplish the Stated Goals

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

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

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

i. Enhance Competition and Technology Transfer

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

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

ii. Reducing Abusive Patent Litigation

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

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

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

iii. Transparency

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

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

iii. Weakening the Patent System

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

II. Conclusion

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

Respectfully submitted,

/s/ Steven W Lundberg

Steven W Lundberg
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April 24, 2014

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

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

Dear Mr. Engel:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

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

Cynthia Kretz
General Counsel

Exhibit – Information Beyond Legal Titleholder Information Is Unjustified

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

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

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

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

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

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

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

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

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

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

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

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

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

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Changes To Require Identification of Attributable Owner

Docket No. PTO-P-2013-0040

**COMMENTS OF DELL INC. AND CISCO SYSTEMS, INC. IN SUPPORT OF
PROPOSED RULES**

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April 24, 2014

The PTO has requested public comment on proposed rules requiring disclosure of attributable owner information for patent applications and issued patents. PTO, Notice of Proposed Rulemaking, Changes To Require Identification of Attributable Owner, 79 Fed. Reg. 4105 (Jan. 24, 2014). The PTO subsequently highlighted several particular areas where it is seeking public input, including *who* must be identified as an attributable owner and *when* such identification should occur. PTO, Notice of Public Hearings and Extension of Comment Period on the Proposed Changes To Require Identification of Attributable Owner, 79 Fed. Reg. 9677, 9678 (Feb. 20, 2014).

Dell Inc. and Cisco Systems, Inc. support the PTO's proposed rules and offer several suggestions for clarifying or strengthening the rules. Dell is a member of the Business Software Alliance and both Dell and Cisco are members of the Coalition for Patent Fairness. Dell and Cisco generally endorse the comments filed by these groups and will avoid repeating their suggestions in these comments.

I. The PTO's proposed rules will promote the notice function of patents and innovation.

The PTO's proposed attributable ownership requirement will not only enhance the PTO's ability to carry out its operations but also will promote innovation by providing accurate information to the public.

As the PTO noted in its Federal Register Notice, several facets of the PTO's procedures will benefit from accurate information regarding who has interests in the relevant application or issued patent. Attributable ownership enables examiners to avoid conflicts of interest; permits determination of what prior art is excludable pursuant to the post-AIA § 102(b)(2) and thereby helps to prevent double patenting; allows the PTAB to verify that a request to initiate a post-

issuance proceeding is made by a proper party; and generally ensures that the information provided by the PTO to the public is accurate and not misleading.

Lack of patent transparency puts innovators at a disadvantage when building products, negotiating patent licenses, or defending patent lawsuits. As Professors Fiona Scott Morton and Carl Shapiro have noted:

Some PAEs [patent assertion entities] create shell companies to hold patents and assert them. This practice may make it difficult to determine who actually owns which patents and whether they are patents to which target firms are already licensed. A target firm may find it difficult to determine if a patent was in the portfolio of a previous owner on the date at which the target firm took a portfolio license from that firm. If so, a licensee could end up paying for intellectual property to which it already has rights. Existing explicit contracts of this sort are harder to enforce in an environment characterized by secrecy.

Fiona Scott Morton & Carl Shapiro, *Strategic Patent Acquisitions* 8 (July 2, 2013), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2288911. In addition to not knowing whether it already has a license, an innovator that enjoys a covenant-not-to-sue that is personal to the grantor may be unaware when the covenant terminates as a result of an undisclosed transfer of the patent.

The Federal Trade Commission noted that “[o]ne strategy for navigating an environment with many potentially relevant patents is to concentrate clearance efforts on patents held by competitors or others who are likely to sue.” Federal Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 130 (Mar. 2011). But that strategy is unavailable where some patent owners “mak[e] it as difficult as possible” to determine the ownership of a patent, engage in “intentional hiding,” or delay reporting a patent assignment. *Id.* at 130 & n.331 (internal quotation marks omitted); see Robin Feldman & Tom Ewing, *The Giants Among Us*, 2012 Stan. Tech. L. Rev. 1, ¶ 21 (2012) (one patent owner used

“1276 shell companies” to hold “roughly 8000 US patents and 3000 pending US patent applications”). Hidden ownership or substantial delays in recording assignments may result in innovators making investments without having cleared all relevant patents, in which case licensing assertions by patent enforcement entities will occur “*after* a firm has invested in creating, developing or commercializing the patented technology,” and the threat of injunctions, exclusion orders, or royalty awards will enable the enforcement entity to demand hold-up costs. FTC 2011 Report at 50; *see* Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 *Hastings L.J.* 297, 319 (2010) (“secrecy serves a ‘troll’ business model, in which patentees wait until companies are already practicing an invention to ‘surprise’ them with a suit”).

Lack of transparency also endangers the integrity of standard-setting. When a company participating in a standards-setting body that requires disclosure of relevant IP hides some of its patents during standards negotiation for later assertion, that conduct is anticompetitive. *See, e.g., Rambus Inc. v. FTC*, 522 F.3d 456, 463 (D.C. Cir. 2008) (“if Rambus’s more complete disclosure would have caused JEDEC to adopt a different (open, non-proprietary) standard, then its failure to disclose harmed competition”).

At the PTO’s public hearing on March 13, 2014, some commenters asserted that transparency would benefit only large companies. The lack of transparency also impacts small businesses—which are increasingly the target of abusive demand letters from patent assertion entities demanding lump-sum licensing fees—because they are unable to mount proper defenses without clarity as to who is threatening them (making it difficult to determine whether the purported owners in fact own patents or whether the targets are already licensed). One firm reportedly sent demand letters to thousands of U.S. businesses from secretive patent-holding

companies with six-letter meaningless names, such as AdzPro, GosNel, and JitNom. Joe Mullin, *Patent stunner: Under attack, nation's most notorious "troll" sues federal gov't*, Ars Technica, Jan. 14, 2014, <http://arstechnica.com/tech-policy/2014/01/patent-stunner-under-attack-nations-most-notorious-troll-sues-federal-govt/>; Joe Mullin, *Meet the nice-guy lawyers who want \$1,000 per worker for using scanners*, Ars Technica, Apr. 7, 2013, <http://arstechnica.com/tech-policy/2013/04/meet-the-nice-guy-lawyers-who-want-1000-per-worker-for-using-scanners/>. The PTO's efforts to improve patent transparency will help all firms, large and small.

II. The PTO can clarify and strengthen its proposed rules in several ways.

The PTO's notice asked for comments on ways that the proposed rules can be made even more effective. The several suggestions described below are all within the PTO's rulemaking power and would help to bring the PTO's practice into closer conformity with the practice in other federal agencies.

A. The "who" question: Attributable owners for reporting purposes should be clarified to include a broader class of enforcement entities and should include entities that seek to hide their attributable ownership for more than a temporary period.

The PTO has proposed to define attributable owners for reporting purposes to include (1) all joint owners of the title to a patent or application, (2) entities necessary to be joined in a lawsuit to enforce a patent, (3) ultimate parent entities as defined by the FTC's rules, and (4) hidden beneficial owners defined as entities that "temporarily" seek to hide their status. 79 Fed. Reg. at 4119 (proposed 37 C.F.R. § 1.271(a)-(c)).

All such entities are properly included as attributable owners for reporting purposes. The proposal to borrow the FTC's definition of ultimate parent entity, which is used by the FTC in determining who must file premerger reports under the Hart-Scott-Rodino Act, is appropriate because the FTC's definition has stood the test of time under heavy usage. Moreover, for patent

acquisitions above the HSR financial thresholds, reporting to the FTC may be required independently of the PTO's requirements (*see* FTC, Premerger Notification; Reporting and Waiting Period Requirements, 78 Fed. Reg. 68,705, 68,706 (Nov. 15, 2013) (“A patent is an asset under the [HSR] Act.”) (citing *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1210 (2d Cir. 1981))), and consistency of definitions will be useful to parties that must make both filings.

The PTO can strengthen its rules by clarifying or broadening the definition of attributable owners in two ways. First, the PTO should require disclosure of all enforcement entities whatever their form. That is, the PTO should require disclosure of persons having a substantial economic interest in the patent, defined as rights or claims to current or future revenues derived from a patent, and disclosure of persons having control over the licensing and enforcement of a patent. Patent enforcement entities can and do obtain effective ownership and control of patents using contracts and management rights that provide substantial economic interests and substantial control over patents, while stopping short—often deliberately so—of becoming “necessary” parties in a lawsuit to enforce a patent.

Rule 19 of the Federal Rules of Civil Procedure defines joinder of necessary parties in terms of the court's ability to “accord complete relief” and to avoid impairing a party's ability to protect its interests and to avoid inconsistent judgments. The PTO's objectives—accurately identifying patent ownership in order to promote innovation and to avoid conflicts of interest within the Office, etc.—certainly include such lawsuit-necessary parties but are broader: the public and the PTO's own employees should know who has substantial economic or control interests in the patent. *Cf.* 79 Fed. Reg. at 4106 (“the proposed rules have adopted the term ‘attributable owner’ rather than ‘real party in interest’ to avoid confusion” with other statutory provisions).

Second, the PTO should not limit disclosure of hidden owners to those who merely seek to hide their attributable interests for a “temporary” period. What counts as “temporary” will be a source of dispute, and limiting disclosures to temporarily hidden interests will reward creative attempts to structure longer-term hiding of interests that would do even greater damage to the disclosure interests of the public and the PTO. An attributable interest that is deliberately hidden for any period—whether temporarily, indefinitely, or even for the full life of a patent—should be disclosed. The FTC’s rule that disregards attempts to avoid premerger reporting has no temporal limit and provides a useful model. *See* 16 C.F.R. § 801.90 (FTC rule entitled “Transactions or devices for avoidance”: “Any transaction(s) or other device(s) entered into or employed for the purpose of avoiding the obligation to comply with the requirements of the act shall be disregarded, and the obligation to comply shall be determined by applying the act and these rules to the substance of the transaction.”).

B. The “when” question: Attributable ownership by a patent assertion entity should be promptly recorded.

The PTO’s current rules allow recording of an assignment on a voluntary basis. 79 Fed. Reg. at 4108. The proposed rule changes would require disclosure of attributable ownership at a few specific points in time when the applicant or patentee “touches” the PTO, *e.g.*, when a patent issues or when the patentee pays maintenance fees or when the patentee returns to the Office for proceedings such as inter partes reviews or reexaminations. *Id.* at 4120-21.

These occasions for disclosure will be helpful, although the PTO can and should do more to require disclosure in circumstances when enforcement of patents is most imminent. The PTO has statutory power, which it should use, to require both (1) disclosure of attributable ownership

interests currently held by patent assertion entities and (2) disclosure of attributable ownership promptly following any future assignment of an application or patent to a patent assertion entity.

The PTO has broad power to require applicants and patentees to record promptly *all* assignments of attributable ownership; the more modest suggestion here is to require such recording of assignments (in addition to the other assignments already proposed) when the application or patent is assigned to a patent assertion entity. The PTO's power derives from its responsibility for disseminating patent information to the public (35 U.S.C. §§ 2(a)(2), 41(i)(1)-(2)), including the recording and publishing of assignments of applications, patents, "or any interest therein" (*id.* § 261). In particular, to carry out its duty to "maintain" patent records "for use by the public" (*id.* § 41(i)(1)) and to "assure full access by the public to, and dissemination of, patent . . . information" (*id.* § 41(i)(2)), the PTO may require applicants and patentees to file updates if there are changes in attributable ownership.

The PTO is expressly empowered to establish regulations to "govern the conduct of proceedings in the Office." *Id.* § 2(b)(2). That grant of power enables the PTO, at a minimum, to require anyone engaging in proceedings "in the Office"—such as the times set forth in the proposed rule—to provide the PTO with complete and accurate information about attributable ownership interests. When read in conjunction with the PTO's ongoing duties to "maintain" and "assure full access" to patent records under §§ 41(i)(1) and (2), the PTO's power is also properly construed to encompass a rule requiring those who engage in such proceedings to file such additional reports as necessary to make certain that the information they provide *remains* complete and accurate. The PTO's ongoing dissemination of ownership information is, itself, an action occurring "in the Office" to which the grant of power in § 2(b)(2) extends. To read the limitation "in the Office" as allowing the PTO to disseminate accurate patent information only

on the relatively infrequent occasions during a patent’s long life when the applicant or patentee *itself* was “in” the Office would undermine these core responsibilities of the PTO and would be inconsistent with the statute’s requirement that the PTO “maintain” and “assure full access” to patent information. A broken clock may be right twice a day, but it does not “maintain,” or “assure full access” to, the correct time.¹

Other federal agencies that grant exclusive property-like rights require prompt registration of *all* assignments of those rights. *E.g.*, 47 C.F.R. § 1.948 (FCC forms for disclosure of assignments, including assignments of partial ownership, of wireless spectrum licenses). Similarly, the copyright laws require registration of rights prior to enforcement. 17 U.S.C. § 411.

The proposal to require disclosure of ownership by or assignments to a patent assertion entity is narrowly tailored in two respects. Only a relatively small fraction of the outstanding patents are transferred to patent assertion entities, and therefore the additional burden of recording those few assignments will be correspondingly limited. On the other hand, transfer of a patent to a patent assertion entity very often will be followed by enforcement action—either demand letters or lawsuits—where accurate public disclosure of ownership is most imperative.

- C. Confidential treatment of attributable ownership respecting patent applications should be limited to owners—not including patent assertion entities—who can assert a commercial justification for confidentiality.

As noted in the PTO’s Federal Register Notice, attributable ownership information is to be made public. 79 Fed. Reg. at 4107 (“attributable owner information would be made available to the public for an application that has been published or issued as a patent”). Exceptions to the

¹ Section 261, by providing a practical penalty in certain circumstances for failure to record assignments promptly, does not preclude the PTO from requiring recordation of assignments in additional circumstances.

disclosure requirements under the Freedom of Information Act applicable to all federal agencies generally require a legitimate business reason for confidentiality, such as a trade secret or commercial information that warrants confidential treatment. 5 U.S.C. § 552(b)(4). As interpreted by the D.C. Circuit, a “trade secret” under FOIA Exemption 4 is narrowly defined as “a secret, commercially valuable plan, formula, process, or device that is used for the making, preparing, compounding, or processing of trade commodities and that can be said to be the end product of either innovation or substantial effort.” *Public Citizen Health Research Group v. FDA*, 704 F.2d 1280, 1288 (D.C. Cir. 1983). The D.C. Circuit’s definition also incorporates a requirement that there be a “direct relationship” between the trade secret and a productive process. *Id.*

If the PTO adopts a rule permitting attributable ownership to be kept confidential during the period that a published application remains pending, it should require the entity requesting confidential treatment to make a showing that it is engaged in or is planning productive commercial activity that would be impaired absent confidentiality.

Automatic confidentiality of attributable ownership information merely upon request is too broad. Patent assertion entities both large and small are buying patent applications. Whereas an operating company that is developing a new technology may have a commercial reason to want to keep its identity confidential while it continues to develop complementary innovations (until the patent issues), a patent enforcement entity that buys a pending application has no such justification. Plans to assert or litigate patent rights are not a “productive process” that would or should be exempt from disclosure under FOIA. Laying in the weeds waiting for more infringement does not warrant confidentiality—the public interest favors making ownership by patent asserters public as early as possible so that potential targets for infringement actions can

take steps to reduce their exposure, including avoiding use of potentially patented technologies, negotiating licenses, or challenging invalid patents.

Respectfully submitted.

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April 24, 2014

VIA E-MAIL ONLY
(AC90.comments@uspto.gov)

U.S. Patent and Trademark Office
Mail Stop Comments-Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Attn: James Engel, Senior Legal Advisor

Re: GlaxoSmithKline's Comments on Proposed Rules to Require Identification of Attributable Owner

To Whom It May Concern:

GlaxoSmithKline LLC ("GSK") respectfully requests that the United States Patent and Trademark Office ("Office") consider the following comments in response to its Changes to Require Identification of Attributable Owner published in the Federal Register on January 24, 2014. GSK appreciates the opportunity to submit comments on the proposed rules and hopes that comments like these from the user community will assist the Office in modifying the rules to align any benefits that can be gained with the cost of doing so.

GSK offers comments below regarding how the burden estimate provided in the Notice does not meet legal and regulatory requirements. GSK also explains how the office has not specifically identified why voluntarily recording assignments is not adequate. GSK believes it is unclear what is meant by "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" and describes why the attributable owner should be limited to the titleholder as set forth in a recorded assignment. GSK explains why the times for identifying attributable owner should be limited to filing, issuance, and the start of post grant proceedings. GSK provides comments regarding the recommended procedure for identifying the titleholder and the information required to identify a corporate titleholder. GSK also describes how the penalty for non-compliance is unclear in some instances.

I. The Burden Estimate Provided in the Notice Does Not Meet Legal and Regulatory Requirements

a. The Burden Estimate Provided in the Notice is Not “Objectively Supported”

The Paperwork Reduction Act (44 USC 3501 et seq.) and its implementing rules (5 CFR Part 1320) specify detailed procedures agencies must follow when creating or maintaining paperwork burdens on the public. Among other things, agencies are required to prepare and include within their requests for public comment “specific, objectively supported estimate of burden.” A “specific estimate” is one that is reported with a reasonable degree of precision. An “objectively supported” estimate is one that is based on facts, data, and/or the analysis thereof using credible and appropriate statistical techniques.

The estimates in the Notice appear to meet the “specific estimate” prong. For example the Office estimates that 1,116,100 responses identifying an attributable owner will be filed annually and that it will take an average of 6 minutes to gather the necessary information, create the document, and submit the completed request to the Office. These are specific numbers.

However, the estimate in the Notice is not “objectively supported.” The Notice states that the basis for the estimated annual reporting burdens can be found at the OMB’s ICR Web site www.reginfo.gov/public/do/PRAMain. GSK has reviewed the ICR – OIRA information for OMB Control No. 0651-0076 and the accompanying Supporting Statement dated December 12, 2013. Section 12 of the Supporting Statement appears to attempt to provide the basis for the burden hour calculation factors. Section 12 states:

The USPTO estimates that it will take the public, on average, approximately 6 minutes (0.1 hour) to identify the attributable owner in an application or patent and approximately 1 hour to correct a good faith failure to notify the Office of a change to the attributable owner (or to correct a good faith but *incorrect or incomplete indication of attributable owner*). This includes the time to gather the necessary information, create the document, and submit the completed request to the USPTO. The USPTO calculates that, on balance, it takes the same amount of time to gather the necessary information, create the document, and submit it to the USPTO, whether the public submits the information in paper form or electronically.

These estimates are based on the Agency’s long-standing institutional knowledge of and experience with the type of information collected and the

length of time necessary to complete responses containing similar or like information.

(emphasis added)

The basis given for the Office's estimate is its "long-standing institutional knowledge of and experience with the type of information collected and the length of time necessary to complete responses containing similar or like information." This conclusory statement does not provide objective support for the Office's estimates. For example, it does not provide the public with an explanation of how the estimate was derived including what statistical methods, if any, were used. This makes informed public comment extremely difficult.

Objectively supported burden estimates are required by law and are not optional for the Office. Without objectively supported burden estimates, this notice violates the legal and regulatory requirement to provide at least 60 days for the public to "[e]valuate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used." 5 U.S.C. 1320.8(d)(1)(ii).

b. The Burden Estimate in the Notice is Not "Transparent" and "Reproducible"

"Transparency" and "reproducibility" are minimum procedural requirements in OMB's government-wide and the Office's agency-specific Information Quality Guidelines.¹ The absence of objectively supported burden estimates means that this Notice is neither transparent nor reproducible and thus does not comply with these requirements.

c. The Office's Estimate of Its "Burden" Indicates that the Office Likely Grossly Underestimated the Burden to Applicants and Patentees

In the same Supporting Statement, Section 14, when describing the annual cost to the Federal Government of the proposed rules, the Office estimated that it would take a GS-7, step 1, employee approximately **18 minutes** on average to process the forms submitted by applicants and patentees. So, in an area where the Office has considerable expertise, the Office estimates it will take 18 minutes to process the form submitted by the applicant or patentee, but in an area where the Office likely has little knowledge and expertise, namely determining attributable

¹ OMB Information Quality Guidelines, p. 8460; U.S. Patent and Trademark Office, *Information Quality Guidelines*, <http://www.uspto.gov/products/cis/infoqualityguide.jsp>.

owners within a modern corporation including identifying the individual or group within the corporation in possession of the owner information, communicating with that individual including any needed follow-up, analyzing the retrieved information in the context of the patent filing, communicating the retrieved information to the patent paralegal who prepares the required form(s) and uploads them to EFS, communicating the filing to the formalities group, and updating docketing and electronic document storage systems, the Office estimates that it will take 6 minutes. It seems readily apparent from even this rudimentary analysis that it is likely the Office grossly underestimated the burden to applicants and patentees.

d. If the Burden Were Accurately Estimated, the Proposed Rules Would Likely Be “Economically Significant” and Require a Detailed Cost-Benefit Analysis under Section 6(a)(3)(C) of Executive Order 12866

As described above, the lack of objective support, transparency and reproducibility found in the Office’s burden estimate makes it extremely difficult if not impossible to make a reasoned analysis of the estimate. That said, if one assumes that the time required by applicants and patentees to perform the requisite attributable owner analysis, and to complete and submit the forms is equivalent to the time required by Office personnel to process them, namely 18 minutes, and assumes that all of the Office’s other estimates are correct, namely 1,116,100 responses filed annually and a professional rate of \$389/hour, the annual burden would be over \$120 million thereby exceeding the \$100 million threshold and making this an economically significant rule requiring a detailed cost-benefit analysis under section 6(a)(3)(C) of E.O. 12866. And GSK believes that the burden would certainly be far greater than the exemplified 18 minutes for large multinational corporations with complex legal infrastructures and large patent portfolios, which would push the burden well beyond even \$120 million.

e. Conclusion

In view of the shortcomings of the burden estimate provided in the Notice described above, GSK requests the Office to reissue the Notice of proposed rulemaking with a burden estimate that meets all of the legal and regulatory requirements and to reset the 60-day period for comment.

II. The Office Has Not Specifically Identified Why Voluntarily Recording Assignments Is Not Adequate

a. The Office Fails to Adequately Explain How the Proposed Rules Would Address the Five Primary Justifications Given

The Notice provides five primary justifications for implementing the proposed rules as discussed below. The Office fails to adequately explain how the proposed rules would address these five primary justifications.

- i. The Office asserts that identifying attributable owners will help ensure that a “power of attorney” is current in each application or proceeding before the Office. A legal representative of the applicant must have authority to represent the inventor or be in violation of the ethical rules, however, and generally, a power of attorney is present in the file to evidence this. The Office has not represented that fraudulent representation has been a problem with the current system for examining applications. Accordingly, this appears to be an insufficient rationale supporting the rules.
- ii. The Office asserts that identifying attributable owners will help avoid potential conflicts of interest for Office personnel. The Office has presented no evidence indicating that the current system has led to conflicts of interest in examination of applications, so that it is unclear if this is, in fact, a sufficient objective to impose the burden.
- iii. The Office asserts that identifying attributable owners will help 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. The prior art exception for applications commonly owned at the time the invention was made must be proved by the applicant – it is not the Office's responsibility to assume common ownership.

As for double patenting, it is the responsibility of the Office to make a suitable rejection treating the patent as third party prior art for obviousness in the absence of proof of common ownership. If the rejection is overcome on this basis, double patenting is not a problem. If it is apparent on the face of the patent application (e.g., such as in a continuation or continuation-in-part), then a rejection may be overcome by filing a terminal disclaimer. The filing of a

terminal disclaimer when the applications/patents are not commonly owned would be a violation of the ethical rules. Splitting ownership after the filing of a terminal disclaimer would result in violation of the terms of the terminal disclaimer. It is the applicant that proceeds at its own risk by not complying with the disclosure of proper ownership in applications and patents.

- iv. The Office asserts that identifying attributable owners will help to verify that the party making a request for a post-issuance proceeding is a proper party for the proceeding. Post-grant proceedings already have real party-in-interest disclosure requirements for the petitioner and such disclosure should be sufficient to reveal any common ownership issues with the patentee. As to supplemental examination, it already requires identification of the patent owner (37 C.F.R. § 1.610). Ex parte examination does not suffer from the issue of an improper petitioner or patentee, because it may be brought by any party, even a secret party, and there is no estoppel associated with the petitioner. Moreover, the ex parte reexamination must be defended by the patent owner.
- v. The Office asserts that identifying attributable owners will help ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading. The Office has not provided any information leading to the conclusion that they are providing inaccurate information to the public regarding patent ownership. To the extent that this is a problem, the Office should examine the rate at which reported information is inaccurate and the impact of those inaccuracies to determine whether the benefit to the public outweighs the burdens imposed by the new rules.

The circumstances underlying each of these justifications have been in existence for several, if not many, years prior to this Notice. The Office has provided no rationale to explain why this rule is needed now.

b. The Office's Analysis of Assignments Filed in Pending Applications Suggests Voluntarily Recording Assignments is Adequate

In fact, the Office's analysis of the number of attributable owner submissions that may be required for pending applications indicates that the Office believes the current system of

voluntary disclosure of assignee information is adequate for identifying titleholder information.

In the Notice, at p. 4115, col. 3, the Office notes that:

about ninety-two percent of applications have recorded assignment documents at the time of patent grant, but fewer than four percent of applications have a second recorded assignment document each year reflecting some type of ownership transfer during the pendency of a patent application. The high percentage of patent applicants who currently submit an assignment document for recordation and the relatively low percentage of patent applicants who currently submit a second assignment document for recordation leads to the inference that changes in ownership during the pendency of a patent application are relatively infrequent (e.g., changes in ownership will occur in fewer than four percent of applications each year).

In drawing the inference from this data that changes in ownership will occur in fewer than four percent of applications each year, the Office appears to assume that patent applicants already record assignments each time there is a change in ownership. If patent applicants already record assignments each time there is a change in ownership, the current system of voluntarily recording assignments is adequate for identifying titleholder information.

If, on the other hand, the Office is attempting to imply that the proposed rules are needed because patent applicants are not recording assignments each time there is a change in ownership, the Office must perform a reanalysis to determine the number of additional submissions that will be necessitated by the rule change and include these additional submissions in the Office's burden estimate.

III. It is Unclear What is Meant by "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"

Under the proposed rules, the attributable owner of a patent or application includes the following entities: (2) 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. It is unclear what is meant by this proposed requirement.

As a multi-national corporation, GSK has a corporate structure comprised of numerous legal entities, with various intra-company agreements among these entities governing patent ownership, exclusive license rights, and non-exclusive license rights. Exclusive licenses may be granted to different entities for different rights, such as the right to manufacture and the right

to sell/distribute. Through these intra-company agreements, some of the entities are beneficial patent owners, meaning that they are entitled to the profits derived from the patent. In certain instances, such beneficial patent owners may need to be joined in a patent infringement suit in order to collect damages. However, they may not need to be named in order to bring an infringement suit in which only an injunction is sought. It is unclear from the rules whether such beneficial owners would be considered to be attributable owners. To the extent that intra-company transfers of rights require reporting, the Office's assessment of the burden estimate required under the Paperwork Reduction Act is woefully unsupported.

IV. The Attributable Owner Should be Limited to the Titleholder as Set Forth in a Recorded Assignment

Under the proposed rules, the attributable owner of a patent or application includes each of the following entities:

- 1) An entity that, exclusively or jointly, has been assigned title to the patent or application; and
- 2) 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; and
- 3) The ultimate parent entity as defined in 16 CFR 801.1(a)(3) of an entity described in paragraphs 1) and 2) above; and
- 4) 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 application, or preventing the vesting of such attributable ownership of a patent or application.

The precise scope of these categories is not readily discernible. To the extent that one is able to determine the scope of entities that would fall into these categories, GSK believes it would be an undue burden to determine on an ongoing basis all of the entities in categories 2 through 4. Identifying the titleholder, or legal owner, of the application or patent should be adequate to address the Office's concerns. In any case, the titleholder or ultimate parent entity should be able to address all issues of ownership transfer and licensed rights upon reasonable inquiry.

As described above in Section III, GSK has a corporate structure comprised of numerous legal entities, with various intra-company agreements among these entities governing patent

ownership and license rights. These intra-company agreements are entered into and administered by personnel from other departments, and thus, without investigation which can often be quite time-consuming, the patent attorney may not be aware of the precise nature of the agreements. Moreover, once the agreements that may be applicable are identified, an analysis would need to be performed to determine if the agreements relate to a given patent application or patent. In some circumstances this can be challenging as, for example, when the agreement has been drafted with reference to particular research programs rather than with reference to specific patents or patent applications, in which case the patent attorney must determine whether a given patent application or patent relates to the recited research program and is thus covered by the agreement. It should also be noted that an analysis of multiple agreements may be required to determine which, if any, make reference to the patent application or patent of interest. Once the one or more relevant agreements have been identified, a careful legal analysis of each agreement would be required to establish the status of the entities relative to the reporting requirements. It would be an undue burden to determine all such owners or similar owners to meet the attributable owner reporting requirements.

An additional reason that disclosing the entities in category 2 would pose an undue burden is the fact that GSK enforces only a small percentage of the patents that it obtains. Accordingly, it is only in a few limited circumstances where GSK currently has to determine the enforcement entities described in category 2. It would be an undue burden to be required to determine these entities not only in every granted patent regardless of whether it is to be enforced, but also in every patent application, many of which may never actually mature into a granted patent that could be enforced or licensed.

V. Times for Identifying Attributable Owner Should be Limited to Filing and, Issuance, and Start of Post Grant Proceedings

The proposed rules would require the attributable owner to be identified at:

- 1) Filing
- 2) If attributable ownership changes during prosecution
- 3) Issuance
- 4) Each maintenance fee
- 5) Start of Post Grant Proceedings

It would be adequate to identify the attributable owner at filing and upon payment of the Issue Fee. GSK routinely submits assignee information at filing and updates it as necessary upon payment of the Issue Fee. Assuming the attributable owner is limited to the titleholder, the proposed rules present no additional burden to reasonable patent practice. Regarding post-grant proceedings, it is GSK's understanding that some, if not all, of the post-grant proceedings require identification of the real party in interest. Accordingly disclosure of the attributable owner at this time should be feasible and reasonable.

a. It Will Pose an Undue Burden to Report Attributable Owner During Prosecution

It will pose an undue burden to require disclosure of the attributable owner during prosecution. The proposed rules would require disclosure of the attributable owner during prosecution within 3 months of a change of attributable ownership. GSK's corporate structure is similar that of many multi-national corporations and includes numerous legal entities. Changes in attributable owner, particularly as broadly as it is defined in the proposed rules, can be made by individuals and groups in the corporation without the knowledge of the patent attorney.

It is not feasible to expect patent attorneys practicing in a corporation of any substantial size or complexity, or outside counsel advising such a corporation for that matter, to stay informed of changes in attributable ownership during the course of patent prosecution so that the proper forms can be submitted to the Office within three months of a change. In order to do so, the patent attorney would have to routinely query the other individuals, groups, or departments who may have knowledge of attributable ownership in order to determine whether there has been a change. To avoid missing the three month window, the patent attorney would have to pose the query at least every 2-2 ½ months, for the life of the application. Assuming a 36 month prosecution, with the Notice of Allowance mailed at 33 months, the patent attorney would need to pose the query 13 times. And that is only for a single application. Multiply that by the number of applications on a practicing attorney's docket, and it becomes clear why this requirement would be unrealistic.

On the topic of burden, the Office mistakenly believes that only submissions pose a burden for the applicant and patentee. That is simply not correct. The applicant or patentee has to obtain the necessary information and perform the analysis to determine if there has been a change in attributable owner *even if* it is ultimately determined that there was no change, and thus no

submission to the Office is needed. Accordingly, analyzing the attributable owner status also imposes a burden on the applicant and patentee. This additional burden is not included in the Office's burden estimate.

b. It Will Pose an Undue Burden to Report Attributable Owner Prior to Payment of Each Maintenance Fee

It will also pose an undue burden to require submission of attributable owner information prior to the payment of the maintenance fee. Like many large corporations, GSK uses an annuity payment service provider to pay its maintenance fees. GSK formalities group supplies a report to the annuity payment service provider, who then pays the maintenance fees. GSK is not informed of the exact date the maintenance fee will be paid, but instead are informed that it will be paid in a given window. Patent attorneys are not involved in the process. If GSK is required to submit attributable owner information prior to the payment of the maintenance fee, GSK will need to implement processes that will pose an undue burden, for example, new docketing procedures will need to be implemented to alert the attorney to perform an attributable ownership investigation. The attorney will need to ascertain whether any transfers of rights have occurred, analyze transactions that have occurred, determine whether a reportable change has occurred, and ensure that the investigation concludes in time to be able to pay the maintenance fee on time. The patent attorney, the paralegal, formalities, and the annuity payment service provider will need to coordinate the attributable owner submission prior to payment of the maintenance fee. *GSK believes this would be an undue burden, particularly if required to be performed for every unexpired US patent in its portfolio on which a maintenance fee is due.*

VI. Recommended Procedure For Identifying the Titleholder

GSK believes that the titleholder can be identified on the Application Data Sheet.

GSK notes that the Patent Term Adjustment rules may need to be revised to accommodate the filing of an Application Data Sheet after Notice of Allowance. For example, under 37 C.F.R. 1.704(c)(10), submission of an amendment under section 1.312 or other paper after notice of allowance has been given or mailed will result in reduction of patent term adjustment. The Office has interpreted an Application Data Sheet to be an "other paper" under the rules.

VII. Information Required to Identify a Corporate Titleholder

GSK believes it is adequate to identify the name of the legal entity and the registered place of business (e.g., city and state of incorporation).

VIII. The Penalty for Non-Compliance Is Unclear In Some Instances

a. In Regard to Reporting Changes During Prosecution

Proposed Section 1.275 indicates that an applicant has three months from the date of the change to the attributable owner within which to file a notice identifying the current attributable owner. The section indicates that the three-month period is not extendable. The section fails to indicate the penalty for not complying with this requirement. Indeed, it seems that the Office cannot implement a penalty as the Office will be unaware that there has been a change in the attributable owner, and thus unaware that the three month deadline has been missed.

It seems that this requirement will possibly be a fertile ground for costly inequitable conduct litigation, that could include: (1) determining the entire attributable ownership picture for the patent application during prosecution, which may involve analysis of numerous intra-company agreements accompanied by a determination of which entities should have been considered attributable owners under the rules; (2) determining whether there was any change in attributable ownership during the pendency; (3) if there was a change, determining why the change was not identified to the Office – was the patent attorney aware of the change; if not, should he have been aware of it; etc.

b. In Regard to Payment of a Maintenance Fee

Section 1.381 provides no penalty for failing to identify the current attributable owner(s) with maintenance fee payment. GSK believes this is a reasonable approach, and that the PTO should defer to Congress and pending legislation to provide consequences for failure to disclose ownership information attendant to litigation. It is also questionable whether the USPTO has the power to impose such requirements on issued patents.

GSK appreciates the opportunity to submit comments on the Changes to Require Identification of Attributable Owner published in the Federal Register on January 24, 2014 and hopes that comments like these from the user community will assist the Office in aligning any benefits that can be gained by implementing the rules with the cost of doing so.

Best regards,



J. Michael Strickland

Assistant General Counsel (Patents)

GlaxoSmithKline



April 24, 2014

Mr. James Engel
Senior Legal Advisor, Office of Patent Legal Administration
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Dear Mr. Engel:

In response to the Notice of Proposed Rulemaking on Changes to Require Identification of the Attributable Owner dated January 24, 2014 (“Notice”), Hewlett-Packard Company (“HP”) submits the following comments expressing its support for the proposal. In particular, HP submits these comments to reiterate a number of points made at the public hearings held on March 13, 2014, and March 26, 2014, and to address some of the questions and comments raised by other parties at the hearings and in written submissions.

I. HP Supports the Disclosure of Attributable Owner Information at Key Checkpoints During the Lifecycle of a Patent

A. Parties Should be Required to Disclose Their Identity During the Patenting Process

In view of the inherent impact of a patent grant on the public, parties that own a patent or have a right to enforce a patent can reasonably expect to disclose their identity as part of the *quid pro quo* for obtaining a patent. Additionally, requiring patentees to disclose their identities would help to maintain the balance between the competing interests of promoting science and the useful arts and granting limited monopolies to inventions. In particular, such disclosures would ensure that the marketplace remains as free and open as possible through increased transparency. It is therefore also reasonable for the USPTO – and the public – to require submission of attributable owner information.

B. HP Believes the Benefits of the Proposal Outweigh the Costs

HP has carefully evaluated the costs of complying with the proposed rules with respect to its portfolio and believes that the benefits of the proposal, described in Section II below, would outweigh the costs. In particular, HP believes it could gather the attributable owner information with some initial costs and process modifications, but that providing this information would ultimately become a routine process in most cases.

HP would emphasize that, because the patent system is inherently affected with a public interest, stakeholders in the patent system, large and small, have a duty to the public to ensure that the patent system works as effectively as possible. Though there will be some additional costs in identifying and providing the attributable owner information, it is incumbent on all parties who benefit from the patent system to shoulder some of the burdens in ensuring that the system optimally serves its intended purposes.



II. Submission of Attributable Owner Information Would Provide Important Benefits

Requiring submission of attributable owner information would further the underlying goals of the patent system, while providing significant benefits to the public, the USPTO, and key stakeholders.

A. Increased Economic Efficiency in the Marketplace

Submission of attributable owner information would increase economic efficiency in the marketplace. In particular, dissemination of information regarding the attributable owner of a patent would enable innovators to easily identify parties with an interest in the patent and thereby initiate transactions in an efficient manner. By avoiding unnecessary transaction costs incurred due to lack of information, innovators could potentially transfer these efficiencies to consumers in the form of increased competition in the marketplace, increased innovation, and reduced prices, among other benefits.

B. Leveling the Playing Field in Licensing and Litigation

In addition, the submission of attributable owner information would level the playing field for licensing and litigation. Research involving public data sources has revealed that some entities have created hundreds of shell companies to hold patent assets, thereby obscuring the party that ultimately controls the actions of the titleholder.¹ Such entities may rely on this obfuscation of the chain of title or enforcement rights to gain an upper hand in licensing negotiations and litigation.

Suppose, for example, that a parent entity establishes two shell companies, “Entity A” and “Entity B”, and that Entity A sends a demand letter to a recipient. The recipient of the demand letter could potentially negotiate a license with Entity A with little or no knowledge of the assets held by Entity B, only to be faced with a subsequent demand letter from Entity B. In such a situation, the parent entity leverages a lack of transparency to gain an unfair advantage and potentially extract multiple settlements from the target.²

C. Enabling More Effective Risk Management

The submission of attributable owner information would also enable innovators to more effectively manage risk, as ownership of a patent is a key consideration when performing a patent clearance analysis for a product or service. In particular, the identity of the patent owner or another party with enforcement rights significantly affects the risk profile when evaluating a patent and is therefore of critical importance when determining whether to obtain a license to the patent, design around the patent, or avoid entering the market entirely.

¹ See IP Checkups “NPE Tracker List” available at <http://www.ipcheckups.com/npe-tracker/npe-tracker-list/>.

² For an actual example of such a scenario and a complete discussion of the theoretical and practical implications of a lack of transparency in the patent system, see *Transparency* by Professor Robin Feldman, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2402389.



D. Providing Advantages to the USPTO During Examination and Post-Grant Proceedings

Finally, the attributable owner information would provide important benefits to the USPTO during examination and post-grant proceedings. The Notice of Proposed Rulemaking provides a thorough discussion of the benefits to the USPTO.³

III. Definition of “Attributable Owner” Under § 1.271

The effectiveness of the proposed rules in the Notice will turn on the precision of the definition of “attributable owner.” The Notice defines several types of entities that are included within the scope of the term “attributable owner.”

A. Titleholders

According to proposed §1.271(a)(1), a titleholder may be identified as “an entity that, exclusively or jointly, has been assigned title to the patent or application.” Ownership is in almost all cases a simple question and complying with this section of the proposed rules would be straightforward in most situations. In particular, parties should be well aware of the legal title holder and could provide this information at each key checkpoint with minimal costs.

B. Enforcement Entities

According to proposed §1.271(a)(2), enforcement entities are defined to include “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.” The question of identifying entities under Section (a)(2) is more complex and ultimately turns on analysis of the terms of an agreement to identify the bundle of rights that has been transferred.

This provision or some modification of this language capturing enforcement entities is necessary for the proposed rules to completely capture the benefits of the proposal. In the absence of this provision, the public would be unable to determine parties that could potentially assert the patent other than the legal title holder and parties could therefore obscure enforcement entities through contractual arrangements or other schemes. For example, without this provision or some variation thereof, a party granted an exclusive license to a patent with the right to enforce the patent, such as a patent privateer, could remain obscured.

Many companies have split legal and economic ownership among multiple subsidiary IP holding companies through granting of exclusive licenses. Nevertheless, HP believes that such companies could provide the information requested under proposed § 1.271(a)(2) with some minor modifications to their processes. In particular, most companies with patent portfolios maintain databases with information on their portfolios, which may in some instances include information on encumbrances, such as exclusive licenses. These companies could access the available data at each key checkpoint in the patent lifecycle to identify and provide the attributable owner information with minimal costs.

³ See Changes to Require Identification of Attributable Owner, 79 Fed. Reg. 4107-4108 (January 24, 2014).



C. Ultimate Parent Entities

According to proposed Section §1.271(b), the attributable owner also includes the “ultimate parent entity” of any entity that qualifies under § 1.271(a). In particular, § 1.271(b) defines the term “ultimate parent entity” with reference to the definition in 16 CFR § 801(a)(3), which in turn defines “ultimate parent entity” as “an entity which is not controlled by any other entity.”

HP believes that it is important that the definition of “attributable owner” encompass the ultimate parent entity of each entity, as the benefits of the proposal depend on the ability to identify the party that ultimately controls the actions of each identified titleholder or enforcement entity. For example, when the entity identified under section (a) is a subsidiary or shell company, the full benefits of the proposal are only attainable if the corporate parent is also identifiable.

Furthermore, the burdens of identifying the ultimate parent entity are limited, as this entity will be identified relatively easily in most situations. For example, if the entity identified under § 1.271(a) is a company, the ultimate parent or “entity which is not controlled by any other entity” will be the highest level entity in the corporate structure in the large majority of cases. This entity is readily known or easily identified by the applicant or patentee. As another example, if the entity is an individual, the ultimate parent entity will simply be the individual. Additionally, in most situations, the ultimate parent will remain constant, so the determination of the ultimate parent entity will need to be made at the beginning of the process and confirmed at relatively infrequent intervals. Finally, the identification of the ultimate parent entity will only need to be made once per entity, not for each patent and application.

D. Entities with the Purpose or Effect of Temporarily Divesting or Preventing Vesting of Attributable Ownership

Proposed § 1.271(c) requires identification of entities that are used with the purpose or effect of temporarily divesting or preventing vesting of attributable ownership.⁴ HP agrees with the goal of this section, which is to prevent gamesmanship designed to obscure the attributable owner through creative contractual arrangements. Accordingly, HP supports the inclusion of proposed § 1.271(c) in the rulemaking.

IV. Timing of Disclosures Under §§ 1.273-1.279 and 1.381-1.385

The rules requiring the submission of attributable owner information should be designed to minimize the burdens for submitting the information, while maximizing the accuracy of the information. Requiring a submission or confirmation of attributable owner information at key checkpoints during the life of a patent, as generally proposed in the Notice, would attain a reasonable balance between these competing considerations. In particular, such an approach would allow for simple administration and compliance, while ensuring that the information is

⁴ In particular, proposed § 1.271(c) specifies that “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.”



current and accurate for every application and patent. The proposed rules identify several checkpoints at which the information is required, a number of which are discussed in turn below.

A. At Application Filing

Ownership of the application is a key question at the time of filing, as assignments are executed and a practitioner determines whether the applicant will be the inventor(s) or an assignee.⁵ HP would suggest allowing applicants to provide this information in an Application Data Sheet or a newly-created form for providing attributable owner information. HP also agrees with the proposed approach of mailing a Notice of Missing Parts when the attributable owner information is omitted, as this would reduce the potential for abandonment of an application due to an unintentional omission.

B. When Ownership Changes

Whether in the form of a purchase of a single patent or a merger/acquisition with a portfolio of significant size, a party will generally be well aware of the implicated assets and could readily provide this information to the USPTO. HP supports the disclosure of attributable owner information within 3 months of when the information changes during pendency of an application, as proposed in the Notice.

HP strongly suggests that the Office consider expanding the proposed rules to include changes to ownership after the patent grants. If this provision were not included, post-grant updates would be limited to maintenance fee payments and PTAB proceedings, which will be 4 years between maintenance fee windows and potentially well over 4 years after the final maintenance fee payment. This time period is too long, particularly in quickly moving technology areas and because parties often obtain rights to patents with the intent of immediately asserting or licensing them. The USPTO arguably has the rulemaking authority for this requirement post-grant under 35 U.S.C. § 2(a)(2), which indicates that the USPTO “shall be responsible for disseminating to the public information with respect to patents.”⁶

C. At Application Allowance

HP agrees with the disclosure of attributable owner information within three months of the mailing date of the notice of allowance. In particular, ownership is examined at this stage to determine whether the issue fee should be paid and whether the assignee will be listed on the face of the patent. The attributable owner information could be provided concurrently with the issue fee payment via submission of a newly-created attributable ownership form or, alternatively, by allowing parties to provide the information on the Issue Fee Transmittal Form (Form PTOL-85).

D. With Payment of Maintenance Fees

A patent owner will only pay maintenance fees for patents it owns, so it would be natural to confirm or provide attributable owner information at each maintenance fee payment. With

⁵ Under 35 U.S.C. § 118 as amended in the America Invents Act, “A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent.”

⁶ For a more detailed discussion of the USPTO’s rulemaking authority to require submission of this information, refer to comments by Professor Arti Rai at the January 2013 Roundtable on Real-Party-In-Interest Information, p. 15-22 of the transcript available at http://www.uspto.gov/ip/officechiefecon/rpi_transcript_130111.pdf.



respect to proposed § 1.381, HP recommends modifying the proposed language from “prior to the date the maintenance fee is paid” to “prior to or concurrently with payment of the maintenance fee.” This change would allow for updates of the information at the same time as the payment, such as when the information is provided by a third party payment service. HP would also recommend specifying a penalty for failure to provide the information at the time of the maintenance fee payment. In particular, specifying that the patent would lapse in such a situation would be consistent with the penalty of abandonment specified for pending applications in other provisions in the rules.

One key aspect of providing the information concurrently with payment of maintenance fees is to enable third party maintenance fee providers to make updates on behalf of patent owners. HP understands that the USPTO is considering a project that would modify the maintenance fee storefront to allow patent owners or their designees to upload a data file for bulk payment of fees. A natural extension of this proposal is to allow the data files to also specify a list of entities that qualify under proposed § 1.271(a) and, for each such entity, the ultimate parent entity. If such a system were implemented, HP would envision its service provider pulling the necessary data from cloud-hosted databases, generating the data file in the required format, and then uploading it to the USPTO along with the maintenance fee payments.

HP believes that allowing third parties to specify maintenance fee information would raise the possibility of an unauthorized party inadvertently updating the attributable owner information if, for example, there is an error in the data. HP would suggest providing owners with a method of correcting the information in such cases without the need for a petition or fees. Alternatively, the USPTO could implement an authorization scheme such that only authorized parties can update the attributable owner information for a particular set of applications and patents.

V. Response to Arguments Against Reporting Attributable Owner Information

During the hearings and in written comments, some parties have raised objections to the proposed rules for various reasons. HP would like to take this opportunity to briefly respond to some of these objections.

A. Burdens of Providing the Information

Some parties have focused on the burdens of the proposed rules, alleging that the costs of complying with the rules would significantly outweigh the benefits. In particular, some parties have argued that gathering the information and providing it at various checkpoints would impose significant burdens on patent practitioners and their clients.

As explained above, the identity of each attributable owner is already known or readily determined by the majority of parties in the ordinary course of business. In particular, as noted above, parties are generally well aware of the titleholder and any parties granted enforcement rights to each application and patent. Furthermore, many of the checkpoints specified in the proposed rules are times at which the applicant or patentee would already be filing documents or otherwise interacting with the USPTO. As a result, in the majority of cases, disclosing the attributable owner information to the USPTO would simply be a matter of providing information



that is already known or readily determined at a time when the party is already interacting with the USPTO.

Other parties have alleged that the proposal would unduly burden small inventors and companies. HP is certainly mindful of the impact on small entities and encourages the USPTO to carefully consider the interests of such parties in crafting the final rules. That being said, HP believes that the impact on entities with large patent portfolios will be proportionately greater than for small entities. In particular, large entities such as HP are more likely to enter into licensing agreements, have complex corporate structures, and require investigation into the ultimate parent entity. As already noted, despite these additional considerations, HP is willing and able to provide the attributable owner information required by the proposed rules.

B. Proper Tailoring of the Proposed Rules

In opposing the proposed rules, some parties have also alleged that the rules are not narrowly tailored to the problem. In particular, some parties have alleged that the real problem is related to determining the attributable owner in connection with demand letters and litigation. Based on this contention, these parties allege that the rules should be limited to situations in which a patent is asserted in litigation or mentioned in a demand letter or, alternatively, that patent litigation reform pending in Congress is a more appropriate mechanism for dealing with the problem.

Though it is certainly true that a lack of transparency in connection with demand letters and litigation is a significant problem, the problem goes well beyond these situations. As noted above, lack of ownership information can create significant imbalances during licensing negotiations, such that a party that obscures ownership can gain an unfair advantage. Similarly, a complete record of ownership is a critical factor when a party is performing a patent clearance analysis. As a result, the proposal will only fully capture the intended benefits if the USPTO requires attributable owner information for applications and patents, regardless of whether they are the subject of a demand letter or litigation.

VI. Additional Suggestions

A. Alternative Proposal for Timing of Disclosures

Although HP believes that the checkpoint-based approach would create an administrable framework, HP is mindful of the costs created by mandatory disclosures at each checkpoint. If the USPTO desires to reduce the costs of providing attributable owner information, the Office could instead modify the rules to only require disclosure of the information when it has changed. Although such a modification may increase the likelihood of unintentional noncompliance with the rules, this approach would reduce the need for parties to affirmatively confirm the information at each of the checkpoints during the process and potentially reduce the costs of compliance.

B. Suggestion for Pilot Program Prior to Full Implementation

As mentioned above, HP believes the proposed rules would be greatly beneficial to the patent system as a whole. Nevertheless, HP encourages the USPTO to consider implementing the attributable ownership rules package in a phased approach by using a pilot program prior to



final implementation. For example, the USPTO could consider implementing the rules by selecting a small subset of art units or allowing parties to volunteer for the pilot program. Such an approach would allow the USPTO to test and refine the rules on a smaller scale prior to final implementation, thereby ensuring that the rules serve their intended purposes while avoiding unintended consequences.

VII. Conclusion

Ultimately, HP believes that ownership transparency is an important characteristic of an optimal patent system and believes that increased transparency would provide significant benefits to the USPTO, key stakeholders, and, most importantly, the public. HP thanks the USPTO for the opportunity to participate at the public hearings and provide these written comments, and looks forward to collaborating with the USPTO on the path to a final rules package and implementation of the proposal.

Respectfully submitted,
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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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Comments on *Changes To Require Identification of Attributable Owner*,
Docket No.: PTO-P-2013-0040; 79 Fed. Reg. 4105 (Jan. 24, 2014)

Executive Summary

Intellectual Ventures appreciates the opportunity to provide comments on the notice of proposed rulemaking titled “Changes To Require Identification of Attributable Owner,” 79 Fed. Reg. 4105 (Jan. 24, 2014). We recognize that abuses and inefficiencies do exist in the US patent system, and we support many of the USPTO’s initiatives focused on increasing patent quality, such as improving examiner training, tightening functional claiming, and encouraging voluntary use of glossaries. We also strongly support giving the USPTO full access to its fees, which we believe is the single best way to increase patent quality and curb abusive patent litigation.

We also support increased transparency, and we have led by example by disclosing over 33,000 patents and applications (approximately 82% of our total portfolio) in a [publicly available list](#). While much of this information is available through various global patent office databases, we decided to assemble the majority of our portfolio in a single place in order to provide our customers and the public a convenient way to review, license, and buy our assets. Excluded from the list are unpublished applications, recently acquired IP, and assets that may be subject to confidentiality arrangements with third parties. Patent owners, like Intellectual Ventures, have legitimate reasons not to reveal all their assets. These reasons include: (1) trade secrecy of unpublished applications, (2) a desire not to reveal one’s technology roadmap, and (3) a desire by third parties to keep contractual relationships confidential.

The “transparency” required by the USPTO’s proposed rules is, however, overly broad and potentially damaging to legitimate business. We are concerned that the proposed rules are unworkable, costly, and disproportionately harmful to small businesses. The rules would likely exceed the USPTO’s rulemaking authority. Moreover, the supposed benefits of these rules do not outweigh the costs. The identity of the owner of record is already on file in the vast majority of cases, and a potential licensee or purchaser can—with minimal effort—find the licensor or seller if desired. Intellectual Ventures’ own robust patent licensing portfolio (40,000 assets in active monetization) is evidence that *willing* buyers/licensees are able to find *willing* sellers/licensors in today’s marketplace. By contrast, the rules do nothing to prevent an infringer’s deliberate ignorance, intentional avoidance, or delay in engaging a patent owner, where the infringer seeks to free-ride off the owner’s invention for as long as possible.

Many of our concerns are echoed in public commentary on the rules by a large and diverse group, including small inventors, solo patent practitioners, the American Intellectual Property Lawyers Association (AIPLA), the Intellectual Property Owners Association (IPO), Novartis, the Council on Government Relations (representing universities and research institutions), the Association for Competitive Technology, and the Inventor Network of the Capital Area.

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I. About Intellectual Ventures

Founded in 2000, Intellectual Ventures is a privately-held *invention capital* company that mixes elements of traditional venture capital and private equity in the area of inventions. Like venture capital, part of our business is focused on funding the creation of new ideas. Like private equity, part of our business is focused on investing in existing ideas that may be trapped in distressed companies or are no longer valuable to their current company. In all cases, our focus is on investing in invention as an asset in itself. With more than \$6 billion in committed capital from investors, we have built a market for invention by making invention a profitable activity.

We acquire inventions from our own labs and from a global network of inventors and sellers, and we compile the patents into industry-focused portfolios. We partner with universities, government institutions and research labs to incentivize the process of invention, and create a more liquid market for buying and selling inventions. We engage with companies of all sizes to minimize their exposure to the difference between the invention rights they have and the invention rights they need—and we act as a strategic partner for present and future intellectual property needs. We have several different ways of generating revenue, including licensing our invention portfolio, launching spinout companies, divesting assets, and doing joint ventures.

In public comments on the proposed rules, we have been singled out for our use of hidden entities to buy patents. However, although we own one of the world’s largest and fastest-growing intellectual property portfolios, over 80% of it is publicly listed and available from us at <http://patents.intven.com/#/finder>. We do not reveal unpublished patent applications, recently acquired IP, and assets that are subject to confidentiality arrangements with third parties. This is a standard practice across private industry. We use holding companies to purchase IP assets when our research identifies a promising new technology and when we need to pool the IP necessary to develop and commercialize the technology. We do this so that our technology development roadmap is not blocked by a small number of holdouts. This is common in private industry, and is not limited to patents. Without separate entities, third parties can learn of a business’s plans and frustrate product development. For example, if we identified a new way to make oil from algae that requires purchasing 10 patents, an existing competitor could prevent us from developing the technology by buying one of the patents we need.

Public comments have also implied that we use shell entities to sue, pointing to a few isolated cases that have received media attention. In these cases, the supposed “shell entities” were independent corporations that were not controlled by us, but had purchased patents from us. When a business sells an asset, it typically cannot limit how a buyer uses that asset. In cases where the purchaser is unable to pay the full value of the asset, the seller may agree to a lower price in return for a share of future profits. There is nothing unusual or unethical about these practices. We trade in tens of thousands of patents, and the actions of a small number of purchasers cannot be imputed to us as our general business practice.

Regarding litigation, *Intellectual Ventures always sues in its own name, and does not sue through the use of shell companies*. When we file a lawsuit, we do it openly, in our own name, and you can find the information on our website: www.intellectualventures.com/news/legal-updates.

We are devoted to the business of invention, and so we rely on a strong patent system to protect the innovation that our company fosters.

II. The Notice does not demonstrate that the rules are necessary

The Federal Register Notice states that the information required under the proposed rules is necessary 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.

We support rules that improve the prosecution of patents, but believe that the stated goals do not justify the overly broad and unduly burdensome rules currently proposed.

A. Rationale 1: Verifying power of attorney

Under 37 C.F.R. § 1.34, a registered practitioner can prosecute a patent application without filing a power of attorney, and only needs a power of attorney for an express abandonment or terminal disclaimer. If a power of attorney is filed, the assertion of power is verified by the USPTO against applicant and/or ownership information of record, without further investigation. Thus, under the current system, a power of attorney is required only in specific situations, and is only checked against the names of the inventors or titleholder.

The identity of the “attributable” owner (beyond named titleholder) is not relevant to verifying the power of attorney. The only possible exception is an exclusive licensee who is also granted the right to prosecute the patent. In that exception, the proposed rules would have no impact – they require identification of an exclusive licensee, but not whether the licensee has the right to prosecute. Thus, knowing that a patent application has been exclusively licensed would not be sufficient to identify the party with the *right to control prosecution*. Current USPTO rules governing powers of attorney would need to change significantly before the identity of every possible “attributable owner” would become relevant for this purpose. Indeed, the *current* power of attorney rules under the America Invents Act are inconsistent with the proposed rules’ goal of ensuring that power of attorney reflects ownership.

Rule 1.32(b)(4) requires the power of attorney to originate from the applicant *or* owner. This permits a power of attorney to come from an *inventor* even after all rights have been assigned to another.

Accordingly, the proposed rules' demand for "attributable" ownership information is simply irrelevant to verifying the power of attorney.

B. Rationale 2: Avoiding conflicts of interest

We share the USPTO's concern for avoiding conflicts of interest, but we do not believe that the USPTO has demonstrated that the scale of the problem justifies the scope of the proposed rules, or that the current rules are inadequate to avoid conflicts of interest. In general, the courts and Federal agencies, including the USPTO, have managed conflicts of interest without the degree of disclosure required under the proposed rules.

In 1995, the USPTO promulgated 37 C.F.R. § 1.192(c)(1) (now 37 C.F.R. § 41.37(c)(i)), requiring applicants to disclose their "real party in interest" in appeals before the Board of Patent Appeals and Interferences (now the Patent Trials and Appeals Board). The stated purpose of this rule was "so that members of the Board can comply with applicable ethics regulations associated with working on matters in which the member has an interest." 52 Fed. Reg. 14488, 14499 (Mar. 17, 1995).

Question for the USPTO: Since 1995, how many times has a member of the Board needed to recuse himself/herself due to a possible conflict, and how many of those recusals were based on the identity of a real party-in-interest that was *different* from the titleholder?

If the USPTO lacks this information, or if the number of recusals due to a real party-in-interest (as distinct from titleholder) is minimal, then it seems unwarranted to impose an *additional* disclosure requirement beyond what is currently required.

C. Rationale 3: Identifying commonly owned prior art and double patenting

When an Examiner requires additional information to examine a patent application at issue, existing Rule 1.105 provides a mechanism for obtaining precisely such information. The Federal Register Notice does not explain why disclosure of more than the titleholder would be relevant to either 35 U.S.C. § 102(b)(2)(C) or double patenting, or why any requirement cannot be met using existing Rule 1.105.

Current examination practice *presumes* no common ownership, in which case the examiner will issue a prior art rejection. The burden then shifts to the applicant to show common ownership in order to *overcome* the rejection. This scheme has worked for over a decade, under previous 35 U.S.C. § 103(c). The Notice describes differences between § 103(c) and § 102(b)(2)(C), but these differences do not require disclosure of attributable ownership in every single case, and certainly do not require disclosure prior to making a rejection.

With respect to the judicially-created doctrine of double patenting, an applicant already has a duty to disclose ownership information and/or commonly owned applications/patents that may be material to

patentability — irrespective of attributable owner. Moreover, most double patenting rejections arise between applications/patents that have overlapping inventorship, rather than common ownership.

As to filing a terminal disclaimer, it is the applicant who bears the burden of showing common ownership. In that context, there is no requirement to show attributable ownership at the time of filing an application, and certainly not before filing a terminal disclaimer.

Accordingly, the USPTO has not shown that Rationale 3 justifies the proposed rules' expansive demand for "attributable" ownership information.

D. Rationale 4: Post-issuance proceedings

The Inter Partes Review (IPR) and Post Grant Review (PGR) statutes require the *petitioner* – “who is not the owner of a patent” – to identify its real party-in-interest. See 35 U.S.C. §§ 311(a), 312(a)(2), 321(a), 322(a)(2). Nothing in the America Invents Act requires the *patent owner* to identify its real party-in-interest in these IPR and PGR proceedings. Indeed, the Notice does not explain how requiring more information on patent ownership helps to “verify that the *party making a request* for a post-issuance proceeding is a proper party for the proceeding.” 77 Fed. Reg. at 4106 (emphasis added).

Likewise, the Supplemental Examination statute permits a “patent owner” to request Supplemental Examination (35 U.S.C. § 257), and the implementing regulation already provides that “[a] request for supplemental examination of a patent must be filed by the owner(s) of the entire *right, title, and interest* in the patent” (37 C.F.R. § 1.601(a)). Again, the Notice does not explain how further information regarding the “attributable owner,” beyond titleholder, is necessary to comply with the relevant rules and statutes governing Supplemental Examination.

The statute governing Ex Parte Reexamination (35 U.S.C. § 302) explicitly refers to the “*owner or the patent*” and, more specifically, to the “*owner of record of the patent.*” This statute as well does not support a regulatory requirement for disclosing anything more than the identity of the titleholder in patent owner-initiated post-grant proceedings.

Accordingly, the USPTO has not shown that Rationale 4 justifies the proposed rules' expansive demand for “attributable” ownership information.

E. Rationale 5: Improving the accuracy of public information

The final justification offered in the Notice is to help “ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading.” We support this goal, but at the same time believe that any requirement for information should be closely matched to ensuring that the information is relevant to the public's needs. The Notice has not demonstrated that the current disclosure of title and representative is insufficient for these purposes.

The Notice asserts that attributable ownership would assist in buying, selling, and licensing patents. Similar public comments were made in [Silicon Valley, on March 26, 2014](#), by Daniel Nazer of the Electronic Frontier Foundation, and Julie Samuels of Engine Advocacy. Intellectual Ventures would

support the USPTO in setting up a voluntary licensing database, which can be accomplished without these onerous proposed rules. However, as explained below, we do not see how the proposed rules are necessary to buying, selling, or licensing a patent.

When a third party is interested in licensing a patent or contacting the owner of the patent to begin negotiations, the **current** patent databases provide the contact information of the patent's titleholder and attorney. There is no evidence that this information is insufficient to identify a party with the power to grant a license or sell a patent. We ourselves have not encountered any problem using the current information listing titleholder and representative to review more than 400,000 patents and application over the past 12 years, to purchase more than 70,000 of those assets, of which 40,000 are in active monetization programs. As these numbers demonstrate, there is no systemic problem that prevents willing buyers/licensees from finding willing sellers/licensors in today's patent marketplace.

The Notice also envisions that attributable ownership will be relevant to litigation and curbing abusive patent litigation. We do not see how requiring attributable ownership for all patent applications and patents advances this goal. Not all published applications issue into patents, and only a very small percent of patents are ever litigated. The requirement to disclose attributable owner information is an entirely unnecessary burden for the vast majority of cases. For those patents that are litigated, however, the courts already manage the relevant information and permit confidential information to be submitted under seal.

The Notice also asserts that attributable owner information may have other benefits, such as "providing innovators with information that will allow them to better understand the competitive environment in which they operate." 79 Fed. Reg. at 4108. Public comments on the proposed rules by academics and interest groups also assert that such information permits large scale studies of the patent landscape. However, a generalized interest in information, whose benefit has not been quantified, is not a reason to require all applicants and patent owners to provide the sort of detailed information proposed in the Notice, especially when the cost to provide such information is large. We note that many of those advocating for disclosure of attributable owner do not practice before the USPTO or represent patent owners, and therefore may be unaware of the actual, real-world costs that the proposed rules would entail.

For example, some have argued that the notice function of the patent system is defeated if there are hidden beneficial owners beyond titleholder. However, the *quid pro quo* for receiving a patent is **disclosure of the invention** (i.e., what it is and how to make and use it). There is no precedent, either in law or elsewhere internationally, for requiring broad disclosure of other-than-title ownership interests as a prerequisite for obtaining a patent. In the patent bargain, the public receives the benefit of knowing how to make and use an invention; the patent owner receives the benefit of a time-limited right to exclude.

Echoing this point, Novartis correctly drew a distinction in [its January 25, 2013 submission](#) between two categories of benefits under the proposed rules. The first category related to facilitation of examination

and post-grant proceedings, which Novartis believed were already managed under existing rules or through minor modifications in specific cases. As for the second category, Novartis explained:

“The second category of benefits mentioned in the Notice relates to the role of patents in the marketplace. Taken together, such benefits fall generally in the realm of enhancing the ability of companies such as Novartis to make sound, well-reasoned business decisions in the face of third party patent rights.

“Many of the corporate entities that spoke at the roundtable held at the USPTO on January 11, 2013, argued that accurate ownership information permits companies to determine whether they have freedom to operate in the marketplace. With respect to this second category of benefits, it is important to note that ***the claims of a granted patent determine whether one has freedom to operate, not the identity of the patent owner, ultimate parent corporate entity, or licensee.*** Ownership information may affect whether, how, and perhaps how aggressively some entities choose to proceed once it is determined that third-party patent rights exist, but those are business and strategy decisions that have more to do with private business interests than with helping the public ascertain the state of intellectual property protection in a particular art. ***We question whether it is the proper role of the Patent Office to involve itself in these types of decisions by third parties at the burden and expense of patentees who, as discussed below, often have legitimate business interests in maintaining confidentiality*** (including legal obligations to do so at times) that may conflict with the broader proposed definition of RPI, and could face unreasonably heavy compliance burdens and new sources of uncertainty.”

We agree with Novartis that the ***claims*** define the scope of the public’s freedom to operate, and that the USPTO should not involve itself in private business decisions and strategies where parties have voluntarily chosen to keep their business arrangements confidential.

We also believe that requiring disclosure of large amounts of largely (or entirely) *irrelevant* data on attributable owners may *frustrate* the USPTO’s handling and dissemination of *relevant* data concerning patents. The information that the USPTO *currently* possesses is not readily available and searchable. For example, the USPTO’s current assignment database is not linked to the published application/patent databases and cannot be searched by application number. An assignment that, by its own terms applies to continuing applications, is not automatically indexed by the USPTO against child applications. Instead, the applicant must refile the assignment in each case. By contrast, an application or patent will be published with ownership information provided on the Application Data Sheet or Issue Fee Transmittal, regardless whether that information is consistent with any recorded ownership information. Thus, the USPTO’s current information on titleholder and representative is not cross-linked and may be inconsistent between databases.

As another example, the current USPTO databases also do not index other important information, such as terminal disclaimers. When patents are linked through terminal disclaimers, it affects their term and ownership rights, and is therefore directly relevant to public interest in any one patent. However, this

important information is not readily available. In some contexts, the term of a single patent may require examining the file history of a large number of interlinked patents, and in each case determining the presence of a terminal disclaimer, whether it was accepted, reviewing its terms, and then mapping the interrelationship of the terminal disclaimers and applications. Such a task can take well over an hour.

Accordingly, we recommend that the USPTO provide better access to *existing* information that is useful to the public (e.g., cross-linking assignment, power of attorney, and disclaimer information), before imposing more obligations to disclose additional (and largely irrelevant) ownership information. And as explained above, the USPTO has not shown concrete and quantifiable evidence that willing buyers/licensees are unable to locate willing sellers/licensors in today's patent marketplace. Indeed, Intellectual Ventures' portfolio of 70,000 patent assets (of which 40,000 are in active monetization programs) is evidence that today's patent marketplace is robust and liquid. Clearly, willing buyers and sellers are able to find us, and we are able to find them.

III. The proposed rules are overbroad and unduly burdensome

Any asserted benefit in enacting a rule must be balanced against its costs. As explained above, we believe that there is no substantial justification for the proposed rules. We also believe that the rules are unduly burdensome.

A. The definitions of attributable owner are broad and unworkable

The definition of attributable owner under proposed 37 C.F.R. § 1.271 is *inclusive*, and encompasses multiple different types of owner, including titleholder, licensees, entity with standing, any contractual relationship bearing on ownership, ultimate parent, and hidden beneficial owners. *Each* of these definitions must be reported to the USPTO, at specific times during prosecution and throughout the life of the patent. Compliance with these requirements is not a simple matter and requires consideration of many different areas of law.

For example, 16 C.F.R. § 801.1(a)(3) is a rule promulgated by the Federal Trade Commission to identify "ultimate parent" when analyzing antitrust effect in mergers and commercial activities exceeding a \$75.9M threshold set in 78 Fed. Reg. 3814 (Jan. 23, 2014). A determination under 16 C.F.R. § 801.1(a)(3) requires the expertise of corporate lawyers to analyze the corporate structure and is typically a more difficult and lengthy task than, for example, determination of title ownership.

The rules list standing to sue as an element of attributable ownership. Standing is not normally a requirement for submission to a regulatory agency. Rather, it is the right to be heard by a court, and is a complex legal matter that hinges on the particular interests at issue. The question is ultimately determined by a court. As guidance for complying with "standing" determinations, the proposed rules cite *Alfred C. Mann Found. v. Cochlear Corp.*, 604 F.3d 1354, 1360-61 (Fed. Cir. 2010) and *Vaupel Textilmaschinen KG v. Meccanica EuroItalia SPA*, 944 F.2d 870, 875-76 (Fed. Cir. 1991). Analysis under these cases is anything but simple: they list multiple factors and proceed through pages of analysis before reaching any conclusions. Identification of "[a]n entity necessary to be joined in a lawsuit" is similarly complex in the context of exclusive licensing agreements. Similar concerns about the

complexity of determining standing were echoed in the [March 13, 2014 public hearing in Alexandria](#), by representatives of Hewlett-Packard and the Council on Government Relations. For example, HP representative Mr. Scott Pojunas stated, “The question of identifying entities under [Rule 1.271](a)(2) is more complex and ultimately turns on analysis of the terms of an agreement to identify the bundle of rights that has been transferred.”

An ownership interest held by a publicly traded company may necessitate a review of all the shareholders’ relevant interests — which requires an understanding of *securities* and *corporate* law. International ownership interests, which are common in U.S. patents, would require an understanding of *international* corporate law and of the law of the nation(s) in which the ownership interest is a legal resident. Ownership by a trust requires interpretation of the relevant *state laws controlling trusts*. Licenses are, likewise, determined not only by their own terms but through the application of *state laws*. An ownership interest in a patent or application may be shared by a large number of people, governed by multiple different laws, and may change over time in ways that are difficult to track. In public comments, many different examples have been offered that illustrate this complexity.

For example, in [testimony in Silicon Valley on March 26, 2014](#), patent practitioner Brian Schar drew on his experience with garage startups and how they would be affected by the proposed rules. If an inventor moves out of his garage and into an office space, the act of signing a standard lease may give the landlord a security interest in the inventor’s IP. The new rule would therefore require that a *real estate attorney* review the lease, communicate the relevant interest to a patent attorney, who then must determine whether an attributable ownership interest would need to be filed with the USPTO.

Mr. Schar also explained how the proposed rules would *chill investment and licensing* of IP. As to investing, many startups draw from a large pool of investors, including family, friends, trust and venture capitalists, who may not be willing to disclose their interests and would refuse to invest in patented technology if disclosure were a requirement. Regarding licensing, Mr. Schar voiced concern that, aside from chilling licensing, the proposed rules may create *conflicts of interests* between patent owners and licensees. The owner of a licensed patent would be obligated under the proposed rules to disclose the identity of any licensee having a right to enforce the patent. The licensee, however, has no duty or interest to comply with the proposed rules because, by refusing to comply, the licensee may cause the patent/application to go abandoned and then be free to practice the invention without compensating the owner.

Other commenters also stated that the proposed rules would chill investment and licensing activity. These include the Intellectual Property Owners Association, Novartis Corporation, the Inventor Network of the Capital Area, the Association for Competitive Technology (representing mobile app developers), patent practitioner Mr. R. Reams Goodloe, and Mr. Robert Hardy, speaking on behalf of the Council on Government Relations (an association of 189 research universities and affiliated institutes and hospitals).

For example, [Mr. Hardy noted](#) that the proposed rules do not apply to state agencies and therefore may exempt state universities. This exemption would lead to uneven treatment of state and private universities. However, there is no sound policy reason to treat state and private universities differently.

The exception for foreign governments would permit a foreign entity to claim an exemption from disclosure if it is state-owned. Many large corporations are owned by foreign governments. The end result would be that private firms would be required to disclose their corporate structure and interests under the proposed rules, but ***competing state-owned entities (SOEs) would be exempt***.¹ This disparity provides a competitive disadvantage for private corporations, which is particularly disadvantageous to businesses in the United States and other nations with minimal state control over corporations.

Perversely, the USPTO's proposed rules treat foreign SOEs more favorably than privately-owned entities. Question for the USPTO: Has the USPTO consulted with the US Trade Representative (USTR) and/or International Trade Administration (ITA) to ensure that the USPTO's proposed rules are consistent with the [Obama Administration's trade policy](#) of promoting a level playing field for US businesses competing against foreign SOEs?

Other hypotheticals illustrate the complexity of complying with the proposed rules. If an individual invests in or works for a startup whose sole assets are its intellectual property, he/she will often have an ownership interest in the patents/applications. This interest would need to be reported under the proposed rules. This individual's ownership interest would be an asset that can be attached in, e.g., a divorce or malpractice proceeding. Questions for the USPTO: (a) How does the USPTO expect to balance the proposed rules' requirement to report all beneficial interests with the privacy interests of an individual regarding divorce and malpractice? (b) Are ownership interests in a patent reportable if they are held only as a security against?

Attributable ownership is particularly complicated when it interests with the complexities of patent law. We ask the USPTO to explain how the attributable ownership rules are applied in the following examples.

(1) Applicants are typically required to limit their initial claims by electing a single group of claims and/or species within the claims. The non-elected claims are then considered withdrawn, but may be rejoined when the applicant demonstrates that the withdrawn claims should be examined with the elected claims. Examiners can also *sua sponte* rejoin withdrawn claims. The attributable ownership of a patent application might therefore depend on the status of individual claims in an application. Question for the USPTO: Would the USPTO require the identification of attributable ownership when a claim in a patent application is presently ***withdrawn***?

¹ The savings clause "(other than a corporation or unincorporated entity engaged in commerce)" in Proposed Rule 1.271(e) can be easily avoided by a foreign SOE by assigning ownership of the patents/applications to a state-owned "research" institution (i.e., not engaged in commerce). And in any event, the USPTO lacks the means to verify the actual business status of foreign SOEs.

(2) Cancelling or amending a claim may add or remove inventors and/or attributable owners. Under current law, the inventorship can be amended when the claims are in final form. However, under the proposed rules, attributable ownership will need to be tracked for each claim during prosecution. Question for the USPTO: How will the USPTO treat attributable ownership when a party has an interest in a claim that is amended during prosecution or varies according to claim construction (the latter might occur in view of new case law or during litigation/post-grant proceedings)?

(3) Obviousness-type double patenting can be overcome by filing a terminal disclaimer, which requires (a) identical **title** between the two or more patents/applications, and (b) that the patents be enforced together. Identical **title** does not, however, mean identical **attributable ownership**. For example, patents invented at the same company may have different inventors. If the inventors did not assign all their rights to the company (e.g. retain an interest in royalties), they are beneficial owners of the patent. Question for the USPTO: Is the attributable ownership of one patent/application affected by applications or patents linked to it through a terminal disclaimer? Is this linkage dependent on whether the terminal disclaimer is uni-directional or bi-directional?

B. Determination of attributable ownership is beyond the skills of all patent agents and most patent attorneys

As explained above, identification of attributable ownership under the proposed rules is complex legal determination that is beyond the skills and experience of a typical patent attorney. More troubling, **patent agents** would be engaging in the unauthorized practice of law if they undertake an analysis of corporate structure, standing, or other legal definitions that are needed to comply with the proposed rules. Moreover, **patent annuity payment services** that handle maintenance fees are not capable of making the corporate disclosure certifications required under the proposed rules.

The end result is that the practice of patent law before the USPTO will require a suite of additional legal experts, which will greatly increase the cost of obtaining and maintaining a patent. These costs will be more easily managed by large corporations, who typically have internal corporate compliance departments and a variety of in-house and outside counsel, but will be especially burdensome for solo inventors and small entities who lack these resources.

C. Mandatory disclosure of attributable ownership impacts legitimate privacy and business interests

1. Disclosure of confidential information is not necessary for buying, selling or licensing

As explained above, the identity of attributable owner is not necessary for buying, selling or licensing of patents. Intellectual Ventures has reviewed hundreds of thousands of patents and patent applications, and purchased more than 70,000 of those assets, using the assignment and correspondence information *currently* of record at the USPTO. Moreover, we have found that the market for patents is quite robust. The USPTO has cited **no** specific instance (much less quantified the instances) in which currently

available titleholder and counsel-of-record information was insufficient for a willing buyer/licensee to find a willing seller/licensor.

In its public comments on the USPTO's November 2012 proposal, the [IPO stated](#) that the USPTO had provided "no statistics or analysis of failures of applicants and owners to record ownership information that might show there is a problem with the *current* system that adversely affects the public interest." In the intervening years, the USPTO has not provided this information. In the absence of USPTO's findings, and in view of the comments by those with real-world experience with the patent system such as IPO, AIPLA, Novartis and Intellectual Ventures, any requirement for patent owners to disclose **additional** information, beyond titleholder and power of attorney, is not warranted by objective facts.

2. Indirect holdings are important for invention development

Indirect holdings are common in modern corporate practice and serve legitimate functions. We invest substantial time and effort researching and forecasting trends in technology, often as far as ten years out, and this research guides our patent investment decisions. Due to our prominent role in the intellectual property marketplace, the mere fact that Intellectual Ventures has begun to acquire patents and is seeking patent sellers in particular technology areas would reveal the very technologies that our research has indicated are most promising. Such disclosure would result in other intellectual property investors—many of whom are our competitors in the marketplace—obtaining the benefits of our research, without compensating us. Beyond the simple inequity of that outcome, it would also serve to distort the market as competitors follow the lead of Intellectual Ventures or other innovators in the marketplace. Consequently, to preserve our competitive position in the invention marketplace, and to ensure a reward for our costly investments, we have a legitimate, compelling interest in preventing our competitors from knowing our investment patterns and technology roadmaps. For that reason, we frequently choose not to *invest* in our own name; however, when we file a *lawsuit*, we do it openly and in our own name. The Proposed Rules would effectively preclude that practice, thereby reducing investment incentives and, in due course, reducing investment in intellectual property.

The USPTO has failed to take into account, much less *quantify*, the economic cost due to this loss of incentive and investment.

3. Confidential licensing agreements are important for invention development

Licensing information will similarly reveal corporate strategy and investment patterns. For example, a company may invest considerable time and resources in analyzing whether a promising drug is worth developing, and will then purchase or obtain licenses for the relevant IP before further investing time and money in drug development. The innovator company recoups its investment, in part, by being the first with a new type of therapy. However, reporting a purchase or license alerts a competitor to the relevance of a certain area of research and weakens the company's first-mover advantage. Importantly, a competitor may purchase patents solely to block the innovator company from developing and commercializing the new drug, or force the innovator to pay a large premium to obtain a license. Raising the costs for innovators may, therefore, inhibit innovation, and lead to fewer new products.

The USPTO has failed to take into account, much less *quantify*, the economic cost due (a) the loss of first-mover advantage and (b) the increase in blocking patents.

4. Others recognize the role of confidentiality in business

Intellectual Ventures' position on confidentiality is echoed in public comments by individuals, trade groups and corporations that, like us, are directly involved in the business of invention and invention development. These include the American Intellectual Property Lawyers Association, the Intellectual Property Owners Association, Novartis, the Council on Government Relations, the Association for Competitive Technology, the Inventor Network of the Capital Area, and solo patent practitioners.

[Novartis's January 25, 2013 submission](#) to the USPTO noted that the proposed rules do not strike an appropriate balance between relevant interests:

"A third party's desire to know ownership details for a patent is strictly a business consideration, and should not outweigh the equally compelling business interests of the licensees and patentees/licensors, who value confidentiality for certain negotiations and business ventures. . . the competing business interests of third parties desiring disclosure of exclusive licensees should not outweigh those of the patentees whose research and licensing efforts drive innovation."

Likewise, the [IPO's January 29, 2013 submission](#) to the USPTO noted that:

"The Federal Register also discounts rights holders' legitimate business interests in protecting the confidential nature of ownership and license information. Applicants may not want competitors to know whether an application has been licensed, or to whom. Entities may not want competitors to know that they have transferred or acquired ownership interests in specific patent applications or patents. For example, an assignee may not want others to be aware of its development of technology in a certain area, or its preparations for a new product launch. A requirement for regular identifications of RPI information should be weighed against the potential chilling effect of such identifications on disclosure of innovations and patenting activity."

We agree with these comments. The USPTO has failed to take into account, much less *quantify*, the economic costs of lost licensing deals where otherwise willing licensors and licensees have decided not to consummate a deal because they do not want this information made public.

5. The rules have no provisions for confidentiality

Proposed Rule 1.271 incorporates disclosure requirements from other areas of law. Many of those disclosure requirements are, however, part of a larger legal scheme that *additionally* provides for confidentiality to mitigate the damage that may be caused by public disclosure. The proposed rules, however, have no confidentiality provisions. Indeed, the purpose of the proposed rules is to achieve full public disclosure. We believe that the disclosure requirements from other contexts cannot be separated

from the purpose of the disclosure in those contexts, nor separated from the provisions protecting confidentiality and otherwise minimizing the negative impact of public disclosure.

For example, the FTC maintains in confidence the identity of the “ultimate parent” submitted under 16 C.F.R. § 801.1(a)(3), and the FTC also offers confidential advice on its application of § 801.1(a)(3) to particular facts. The USPTO’s proposed rules, by contrast, provide no such advice, nor would the information submitted to the USPTO be kept confidential.

Various banking and securities laws are tailored to provide only the information necessary to make a specific determination and otherwise maintain the confidentiality of the collected information. For example the SEC guidance on disclosure of material information recognizes that information may be kept confidential because “***Sometimes disclosure of information required by the regulations can adversely affect a company’s business and financial condition because of the competitive harm that could result from the disclosure.***” U.S. Securities and Exchange Commission, “Confidential Treatment Requests,” (Feb. 28, 1997) www.sec.gov/interps/legal/slbcf1r.htm. By contrast, the USPTO’s notice of proposed rulemaking has not even acknowledged the possibility of competitive harm, much less provided a mechanism to submit information under seal.

The USPTO’s proposed rules would require public disclosure of information contained in confidential agreements, including agreements that are sealed by order of the courts, such as covenants not to sue, licensing agreements, divorce settlements, and the like. We are concerned that forced disclosure of such confidential agreements would make it more difficult to settle litigations. Courts have long recognized that parties are more willing to settle if confidentiality can be guaranteed for certain aspects of their agreements, particularly where sensitive competitive information is at stake. As such, forcing disclosure would remove that incentive to settle and thereby prolong litigation.

The USPTO has failed to consider less burdensome and less harmful alternatives, such as permitting confidential information to be submitted under seal, as the FTC and SEC permit.

D. The proposed rules potentially conflict with other legal requirements

We are concerned that compliance with the proposed rules is inconsistent with other legal requirements.

1. The proposed rules conflict with “real party-in-interest” definitions before the Patent Trial and Appeal Board

The proposed definition of attributable owner would conflict with the definition of real party-in-interest and privy applied by the PTAB, as set forth in Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759-60 (Aug. 14, 2012) (providing guidance on the meaning of “real party-in-interest” and “privy”). Unlike the present rule, the PTAB’s regulations and guidance flow from specific provisions in the AIA which contain the words “real party in interest” and “privy.” *See, e.g.*, 35 U.S.C. §§ 312(e) and 325(e). Moreover, the existence of conflicting definitions, within the same agency, creates problems. For

example, a third party may argue that inconsistent reporting of real party-in-interest versus attributable owner is evidence of inequitable conduct.

2. Conflict with corporate, competition, and securities laws

As mentioned above, information submitted to the FTC pursuant to 16 C.F.R. 801.1(a)(3) is kept *confidential*, but the attributable ownership rules require open disclosure. The corporate, securities, and banking laws have stringent requirements for disclosure, but those requirements carefully match the purpose of the legislation. For example, to ensure the function of publically traded stock markets, the SEC is authorized by law to require disclosure of any *material information* from a publically-traded company. Yet even the SEC recognizes that some information may be kept confidential. See www.sec.gov/interps/legal/slbcf1r.htm. The USPTO's proposed rules therefore force a standard of disclosure that is inconsistent with requirements before other regulators.

Patent owners are also concerned that business partners, with whom they have entered into contractual agreements with a reasonable expectation of confidentiality, may assert a violation of state contract law if this information is publicly disclosed to the USPTO. As [Novartis noted in its prior comments](#), "In a great many patent licenses, confidentiality is expressly required by the agreement between the parties: this demonstrates that the patentees and licensees often value confidentiality, and it is not clear whether savings clauses in existing licenses that allow disclosure 'when require by a court or law' would authorize disclosure based on a rule from the Office." Likewise compliance with the USPTO's proposed rules may conflict with a patent owner's requirement to abide by confidentiality provisions ordered by a court.

Question for the USPTO: Does the USPTO believe that its proposed rules authorize a party to freely disclose information that otherwise cannot be disclosed due to a private contract or judicial protective order?

E. The rules conflict with statute and other branches of government

We believe that the proposed rules, on their own, conflict with statutes and other branches of government.

1. The proposed rules exceed USPTO authority under 35 U.S.C. § 2

In the Notice, the USPTO asserts that 35 U.S.C. § 2 authorizes the agency to promulgate the proposed rules. However, 35 U.S.C. § 2 only permits rules which "govern the conduct of proceedings within the Office," and does not give the PTO authority to enact substantive rules or rules that are contrary to statute. The proposed rules, however, create a substantial new requirement for patentability that exceeds the rule-making power of the USPTO, and is contrary to statute.

The Patent Act does not give the USPTO any substantive authority to *require* the information sought under the proposed rules. Assignment of title is covered by 35 U.S.C. § 261, which *permits* assignment and recordation. There is no *requirement* to disclose even the titleholder, let alone other "attributable" owners. Other patent statutes that require disclosure of information require only *specific* information for a *specific* purpose that is closely related to the statute, such as provision of a certified copy to

demonstrate at least one common invention to claim a right to priority under 35 U.S.C. § 119. The fact that the proposed rules contemplate **abandonment** of the patent for failure to provide the required information merely underscores that the rules are substantive in nature, and not merely procedural.

2. The proposed rules also conflict with patent statutes

Proposed Rule 1.273 requires disclosure of the attributable owner for each application under 35 U.S.C. § 111, international application under 35 U.S.C. § 371, or reissue application under 35 U.S.C. § 371. None of 35 U.S.C. §§ 111, 251 or 371 contain a requirement for disclosing the attributable owner, yet the proposed rules prescribe abandonment of the application for failure to disclose the attributable owner. As such, the proposed rules create a new substantive requirement for obtaining a patent, and threaten to take away the right to a patent under 35 U.S.C. §§ 111, 251 and 371.

Likewise, the proposed rules require disclosure of the attributable owner during the pendency of the application (1.275), at allowance (1.277), payment of maintenance fee (1.381), for any PTAB proceeding (1.383), and at supplemental reexamination and reexamination (1.385) Failure to comply with Rules 1.275 and 1.277 result in *abandonment*. Although Rules 1.381, 1.383, and 1.385 do not specify the penalty for non-compliance, compliance is mandatory (“must”) and any third party seeking to void the patent would readily argue that the patent should lapse/be unenforceable for failure to comply with Rules 1.381, 1.383, and 1.385. Thus, the proposed rules create a harsh penalty, yet there is no requirement in the Patent Act or AIA for disclosing attributable owner at any of these stages of prosecution.

Under 35 U.S.C. § 135(e), parties to a derivation proceeding may settle, and “the agreement or understanding *shall* be treated as business confidential information, *shall* be kept separate from the file of the involved patents or applications, and *shall* be made available only to Government agencies on written request, or to any person on a showing of good cause.” A requirement to disclose any licensing terms that are included in a settlement agreement would directly conflict with the mandatory language of § 135(e).

3. The proposed rules conflict with statutes and regulations outside the patent context

The proposed rules expressly require disclosure of information under FTC’s rule 16 C.F.R. § 801.1(a)(3), and implicitly require disclosure of information that is submitted to the SEC. Yet both the FTC and SEC provide for confidential disclosures – not public disclosures. The information required by the SEC and FTC is also closely related to their roles in policing markets and competition, respectively. The USPTO’s proposed rules are not authorized by statute and are not necessary or closely related to the core functions of the USPTO, as explained above.

4. The proposed rules impinge upon the courts

The requirement to publicly disclose information that has been sealed interferes with long-standing practices of the courts. The rules would interfere with the courts’ authority to permit settlement agreements to be submitted under seal – a tool that courts have long used to encourage settlements.

5. The proposed rules are inconsistent with trade secrecy policy

The proposed rules would require patent owners to reveal confidential business information, including licensing information. Supporters of the proposed rules, such as [Charles Duan of Public Knowledge](#), view such information as “facilitating patent landscape research” by letting competitors understand “what other competitors are out there, what they’re filing on,” because “knowing that sort information can be really useful to business.” Of course, foreign competitors would also find this confidential business information very useful. Yet at the same time, these foreign state-owned entities (SOEs) would be exempt from compliance with the rules. Thus, the USPTO’s proposed rules act as a one-way information flow to foreign SOEs, to the detriment of privately owned businesses. The proposed rules are therefore contrary to recent efforts by the Administration to tighten trade secrecy laws in order to address complaints that foreign nations and corporations are stealing US corporate trade secrets. See “Administration Strategy on Mitigating the Theft of U.S. Trade Secrets” (Feb. 20, 2013) (“Trade secret theft threatens American businesses, undermines national security, and places the security of the U.S. economy in jeopardy. These acts also diminish U.S. export prospects around the globe and put American jobs at risk.”)

http://www.whitehouse.gov/sites/default/files/omb/IPEC/admin_strategy_on_mitigating_the_theft_of_u.s._trade_secrets.pdf.

In addition, the Supreme Court has ruled that an agency’s unauthorized disclosure of confidential business information may constitute a “taking” under the Fifth Amendment for which it must compensate the owner. See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1001-04 (1984) (holding that a trade secret is a property right “protected by the Taking Clause of the Fifth Amendment”). Moreover, the unauthorized release of confidential information by a Federal employee is a criminal offense under the Trade Secrets Act (18 U.S.C. § 1905). Therefore, even if the USPTO required confidential information to be submitted under seal, the USPTO would risk civil and criminal liability if such information was improperly disclosed or used by a USPTO employee.

6. International patent harmonization

The proposed rules would add a significant new requirement on patent prosecution that is not found in other patent offices. This unilateral move to impose requirements above and beyond what other countries require conflicts with the USPTO’s goal of “global patent harmonization,” to which the USPTO says it is committed through its membership in the IP5, the Trilateral Offices, and the Tegernsee Group.

Question for the USPTO: Have the IP5, Trilateral Offices, or Tegernsee Group undertaken a study of what “attributable owner” information is required to be disclosed during prosecution before their patent offices? Have those organizations decided on a single requirement that should be adopted worldwide?

IV. The proposed rules are a significant regulatory action under Executive Order 12866

A. Regulations costing more than \$100 million require OMB approval

Executive Order 12866 requires the Office of Management and Budget to review any “significant regulatory action,” defined as a regulation having “an annual effect on the economy of **\$100 million** or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, State, local, or tribal governments or communities.” As explained below, we believe that the proposed rules are likely to far exceed the \$100 million threshold during the first year.

B. The USPTO’s \$43.5 million estimate is based on erroneous assumptions

The USPTO estimates that compliance with the proposed rules will cost only \$43.5 million per year. As explained below, the cost estimate are based on an unfounded assumption that attributable ownership is equivalent to titleholder, undercounts the number of patents and applications affected, and underestimates the compliance cost per patent.

1. The number of patents and applications affected is greater than the USPTO’s estimate

The Notice bases its cost calculations on an estimate that 1,115,000 patents and applications would be affected by the proposed rules. There appear to be four errors in the USPTO’s estimates.

First, of the 1,249,000 pending applications today, the proposed rules assume that only 4% of applications (i.e., 50,000) per year will need changes in attributable ownership, based on the rate of changes in assignment. For reasons explained below, we believe that assignment is not an accurate model for attributable ownership, which will change much more frequently than assignments.

Second, and more importantly, the Notice overlooks that, in the first year, all 1,249,000 pending applications will require a determination of attributable ownership. Rule 1.273 states that “[t]he attributable owner as defined in § 1.271 must be identified in each application under 35 U.S.C. § 111(a), including a reissue application, and in each international application that commenced the national stage under 35 U.S.C. §§ 371(b) or (f).” It does not state that information on the attributable owner is only required if it changes, or at the initial filing. It therefore applies to all 1,249,000 currently pending applications. ***The Notice does not account for all 1,249,000 pending applications in the first year*** and therefore significantly undercounts the number of applications/patents affected.

Third, as shown in Table 1 below, the number of patents and applications affected by the rules, as calculated by the Federal Register Notice, do not agree with the estimates from the USPTO’s [2013 Performance and Accountability Report](#).

Finally, the Notice does not account for growth in filings each year, which has averaged over 5% annually in the past decade, according to the USPTO’s [2013 Performance and Accountability Report](#). Many PTAB proceedings are new, and it is reasonable to assume that they will grow at an even faster rate.

Accordingly, we estimate that the number of affected patents and applications will be greater than the PTO estimates: approximately 2.5 million in the first year, and over 1.2 million per year thereafter. These numbers are minimum estimates and do not include the likelihood that attributable ownership will change at far more than 4%.

Table 1: Number of Affected Patents and Applications

	Type	Fed Reg	PTO 2013 Annual Report	Comment
1	Applications/yr	437,000	565,000	The PTO report is preliminary for 2013, but even the established numbers for 2012 are much higher than the estimates in the FR.
2	Pending applications	50,000	50,000 One time 1,249,000 in first year	PTO estimates that only 4% will need new attributable ownership information, based on frequency of changes to assignment. But the PTO overlooks a requirement to determine attributable ownership in year one for all pending applications.
3	Issue fees	296,000	267,000	Underestimates growth
4	Maintenance fees	329,000	349,000	Underestimates growth
5	PTAB proceedings	3000	3000	Underestimates growth
	Total responses	1,115,000	Y1: 2,483,000 Y2: 1,296,000 Y3: 1,360,000	Y1: 2,483,000 (1,234,000 patents and applications + one time burden of 1,249,000 for pending applications) Y2+: 1,234,000 at 5% annual growth

2. The Notice underestimates the cost per application/patent

According to pages 4114-4117 of the Notice, the USPTO has modeled the cost per submission and the frequency of changes per patent/application on the USPTO’s assignment database, which records title in patents and patent applications. This assumes that “attributable ownership” is equivalent to title. This assumption is wrong for several reasons.

a) Determining attributable ownership is more complicated than determining title

The proposed rules define attributable owner as *including* title, but also includes parties with standing to enforce the patent (including exclusive licensees), ultimate parent entities as defined in 16 C.F.R. § 801.1(a)(3), and hidden beneficial owners. Obviously, a requirement to report attributable ownership that includes title, but goes far beyond it, *must* be more burdensome than a requirement to report title alone. The current determination and recordation of title is usually a very simple matter, based simply on the plain terms of an assignment agreement.

By contrast, determining attributable ownership will be more complex and expensive because it will require interpretation of state laws governing corporations and trusts, federal securities law, and even international laws of corporate structure and licensing. Determining the “ultimate parent” under 16 C.F.R. § 801.1(a)(3) is typically a matter of practice before the Federal Trade Commission, and is beyond the usual practice of patent lawyers (and entirely beyond the lawful practice of patent agents). The relative interests of different parties may change over time, based on complex agreements and subsequent investments. The proposed rules will require the expertise of attorneys from diverse areas of law, far outside the scope of patent practice.

Patent agents would be engaging in the unauthorized practice of law if they made a certification required by the USPTO’s rules. Patent annuity payment services that handle maintenance fees are not capable of making these corporate disclosure certifications. All of these requirements will significantly increase the cost of prosecuting and maintaining patents.

b) Attributable owner will change more frequently than title

According to the Notice, assignments are changed in only 4% of applications and 3% of patents. The USPTO assumes that attributable ownership will change at the same rate. However, attributable ownership is far more expansive than title, and therefore will change more frequently than title. Ongoing licenses, liens on title, or interests in a corporation holding title can change frequently. A corporate reorganization may change the identity of the “ultimate parent” but not the titleholder subsidiary. During prosecution, a change in claim language might affect the terms of a license, or the relative interests of different inventors. It is therefore reasonable to assume that the estimated number of applications and patents affected by the proposed rules will be far higher than 4% per year.

c) The harsher penalties raise costs

The USPTO’s current assignment system is entirely voluntary. The cost of failure to record an assignment is that an adverse assignment is deemed void against a subsequent *bona fide* purchaser. By contrast, failure to properly identify the attributable owner leads to **abandonment**. As a result, attributable ownership might be asserted as a new basis for inequitable conduct. Attorneys would be at increased risk for malpractice and disbarment. We are concerned that the proposed rules do not account for the fact that the gravity of the penalty will require much greater diligence and inquiry by practitioners, and will therefore significantly increase the cost of patent prosecution.

C. Lessons from “small entity status” suggests higher costs

As explained above, assignment of title is not an appropriate model for estimating the costs of compliance with the proposed attributable ownership rules. A better (albeit imperfect) model is the determination of “small entity” status — an idea raised by the Intellectual Property Owners Association (IPO) in January 23, 2012. Under the “small entity” rules, an individual, nonprofit, or small business (e.g. less than 500 employees), who has not licensed the patent or application to a large entity, can obtain “small entity” status and a 50% reduction in most fees. This benefit is worth at least several hundred dollars during prosecution, and several thousand dollars over the life of a patent. Small entity status must be determined at the filing of a patent, and at payment of the issue fee and maintenance fees. However, fraudulent assertion of small entity status may lead to unenforceability of the patent.

Despite the clear economic benefit to the patent owner, the USPTO itself has recognized that the cost of investigating entitlement to claim small entity status, for many applicants, “**may outweigh the benefit of claiming small entity status.**” 65 Fed. Reg. 54604, 54613 (Sep. 8, 2000). According to the USPTO’s own MPEP:

“It should be appreciated that the costs incurred in appropriately conducting the initial and subsequent investigations may outweigh the benefit of claiming small entity status. For some applicants ***it may be desirable to file as a non-small entity (by not filing a written assertion of small entity status and by submitting non-small entity fees) rather than undertaking the appropriate investigations which may be both difficult and time-consuming*** and which may be cost effective only where several applications are involved.”

[MPEP § 509.VI](#) (emphasis added).

It follows that patent applicants estimate that the risk-adjusted costs of determining small entity status exceeds the benefits of several hundred dollars. If the relatively simple determination of small entity status is estimated to cost several hundred dollars, one can reasonably assume that the much more complicated determination of “attributable owner” would cost even more.

D. Cost per application or patent

The Notice estimates that 0.1 hours is required to determine and record attributable ownership for each of the 1,115,000 applications and patents. At AIPLA’s average billing rate of \$389/hour, each of these tasks costs \$39 per application. The Notice further assumes that only 200 patents would go abandoned and would require approximately 1 hour to petition against the abandonment. Based on these assumptions, the USPTO estimates a total burden of 111,810 hours, for a total cost of \$43.5 million.

The Notice also states an estimate of \$100 or less per determination, and that this was derived from public comments on the proposed rules. However, the [AIPLA’s public comments of January 25, 2013](#) estimated \$100 **as the minimum cost**:

“The proposed system of continuously monitoring, filing, and updating RPI information at numerous points during prosecution, and post grant, would create a tremendous burden of cost and time for all applicants. We estimate the cost of services for investigating the RPI of a pending application or issued patent and filing a confirmation that the information is correct, would be at **least \$100 and may be several times that amount**. The suggested changes require a practitioner to carry out an RPI inquiry at least three times during patent prosecution of every patent application, resulting in an **additional cost of between \$300 and \$1,000 per application.**”

Based on the cost-benefits analysis for small entity status, the complexity of determining attributable owner, and the testimony of patent practitioners, an estimate of **\$1000** is not unreasonable.

Unfortunately, the USPTO appears to have cherry-picked the AIPLA’s estimates and improperly ignored that AIPLA actually estimated “**at least \$100**” and “**several times that amount,**” including “**an additional cost between \$300 and \$1,000 per application**”.

E. Total costs estimates

The following table shows the total estimated costs per year, based on different numbers of patents and applications affected, and different estimates of compliance costs. The first column is the estimated burden per application. The second column is the estimated cost based on the numbers published in the Notice, multiplied by a given burden per application/patent. Columns 3-5 give the estimates for years 1-3 based on estimated numbers of applications and patents affected from the USPTO’s annual report.

Table 2: Cost Estimates

Cost per application	Cost in \$USD (millions) in a given year			
	Fed Reg.*	Year1‡	Year2‡	Year3‡
\$39*	43.5	96.8	50.5	53.0
\$100*+	111.5	248.3	129.6	136.0
\$300	334.5	1,044.9	388.8	408.0
\$1000	1,115	2,483	1,296	1,360

* Estimates in Fed Register

+ Estimates from AIPLA submission 1/28/2013

‡Based on numbers derived from the USPTO accountability report

In summary, we believe that the USPTO’s \$43.6 million estimate relies on several assumptions that greatly underestimate (1) the number of affected applications and patents per year and (2) the cost of compliance per application and patent. Based on the above analysis, **the cost of compliance with the proposed rules is very likely to exceed \$100 million dollars**. As a result, the proposed rules trigger heightened scrutiny under Executive Order 12866.

F. Additional considerations under Executive Order 12866

1. Effect on state government

Under Executive Order 12866(1)(b)(9) “Each agency shall assess the effects of Federal regulations on State, local, and tribal governments, including specifically the availability of resources to carry out those mandates, and seek to minimize those burdens that uniquely or significantly affect such governmental entities, consistent with achieving regulatory objectives.” Although the proposed rules do not require disclosure of interests held by state governments the rules do not exempt disclosure of licenses **between the state governments and a private entity**. Because failure to report the licensing interest would lead to the abandonment of a patent or patent application, the technology transfer and licensing departments at state institutions will be required to consider and document the licenses and other interests in their patent portfolio. Given the amount of research that occurs in state universities, for example, the attributable ownership rules could have a significant impact on state governments and the US economy as a whole. These considerations are not addressed in the proposed rules.

2. Disparate impact on small business

Under Executive Order 12866(1)(b)(11) “Each agency shall tailor its regulations to impose the least burden on society, including individuals, businesses of differing sizes, and other entities (including small communities and governmental entities)” and (4)(d) requires consideration of “streamlined regulatory approaches for small businesses and other entities.” This is consistent with other regulatory requirement to the minimize impact on small entities, such as the requirement under 5 U.S.C. § 603(c) to consider alternatives that “minimize any significant economic impact of the proposed rule on small entities.”

The USPTO uses assignments as the model for calculating the effect of the proposed attributable ownership rules on small business. For reasons explained above, title and attributable ownership are not equivalent. The complexity of the attributable ownership rules will impose compliance costs that will be much greater, per patent, for small businesses than for large entities. Specifically, small businesses usually (a) lack an established in-house corporate legal department ready to handle additional compliance work and (b) have complex financing structures based on multiple small sources of investments from friends, family, angel investors, venture capitalists, trusts and estates. The proposed rules will thus have a greater impact, per patent, on small businesses than on large businesses.

In contrast to the USPTO’s proposed rules, the FTC’s rule 16 C.F.R. § 801 was approved by OMB in part because the rule applies only when a merger or transaction exceeds a certain size-of-person and/or size-of-transaction threshold (\$75.9M size-of-transaction threshold in 2014), which excludes most small business. See *Premerger Notification; Reporting and Waiting Period Requirements*, 61 Fed. Reg. 13666, 13667 (Mar. 28, 1996) (“None of the amendments expands the coverage of the premerger notification rules in a way that would affect small business.”). The USPTO’s proposed rules incorporate 16 C.F.R. § 801 into the definition of “attributable owner” but would apply to everyone, including small business.

Recent public hearings reflect the concerns of disparate effects on small business. Whereas support for the rules has come from large IT firms, as well as academics and interest groups that do not practice

before the USPTO, opposition to the rules has come from small practitioners, small businesses, and venture capital organizations, all of whom understand first-hand the practical realities and complexities of patent prosecution before the USPTO.

V. Conclusion

Intellectual Ventures relies upon a robust and efficient patent system. Our business depends on owning and monetizing high-quality assets. We support the USPTO's efforts to improve the quality and timeliness of patent prosecution and to provide relevant information (e.g., titleholder, powers of attorney, disclaimers) to examiners and to the public. However, we do not support these particular proposed rules because we believe that they are too costly and burdensome, conflict with various statutes, and do not solve any actual problems. Indeed, Intellectual Ventures' robust patent licensing portfolio is evidence that willing buyers/licensees are able to find willing sellers/licensors.

We recommend that the USPTO act within its current legal authority to improve the management and dissemination of information that it already possesses concerning titleholder, power of attorney, and terminal disclaimers. Cross-linking and modernizing the USPTO's *existing* databases is badly needed. We also recommend that the USPTO convene an experts group to study solutions to the alleged problems identified in the Notice, including working with the USPTO's international partners to ensure that the USPTO's efforts promote, rather than impede, patent harmonization efforts through the IP5, Trilateral Offices, and Tegernsee Group.

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April 24, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
Mail Stop Comments-Patents

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

RE: Comments of Microsoft Corp. on Proposed Rulemaking on Changes to Require Identification of Attributable Owner, Docket No.: PTO-P-2013-0040, RIN 0651-AC90, 79 Fed. Reg. 4105 (Jan. 24, 2014)

Microsoft Corporation is pleased to offer the following comments on the United States Patent and Trademark Office's (USPTO) Notice of Proposed Rulemaking on Changes to Require Identification of Attributable Owner.

Microsoft Corporation, one of the top investors in innovation worldwide, spends over \$10.4 Billion annually on Research and Development and has a worldwide portfolio of over 70,000 patents issued and pending. Microsoft views intellectual property as the engine that drives this investment in innovation. We strive to use our patents responsibly and prefer licensing to litigation. Our licensing programs address not only our own needs but the needs of our customers and partners as well. Since late 2003, we have entered into more than 1,100 licensing agreements with customers, partners and competitors. We strive to be a responsible leader in the IP ecosystem and use our many decades of experience to support our active engagement with governments, industry and others in IP policy discussions.

Last year, the White House Task Force on High-Tech Patent Issues announced a number of "Executive Actions" to improve the patent system, including a goal to provide greater transparency in the patent system while curbing abusive patent troll activity. Microsoft has been a vocal supporter of greater transparency in the patent system. On March 28, 2013, Microsoft launched a "Patent Tracker" tool that provides a list of all of the patents Microsoft owns and urged other companies to follow suit, as we firmly believe greater transparency will yield tangible outcomes that enhance American competitiveness, create jobs and foster growth in nearly every sector of the U.S. economy.

We therefore applaud the USPTO for devoting attention to improving transparency by examining changes to "the rules of practice to facilitate the examination or patent applications and to provide greater transparency concerning the ownership of patent applications and patents." 79 Fed. Reg. at 4105. One of the main functions of patents is to provide notice to the public of both the invention and who owns it. Disclosure of the real party in interest for a particular patent reduces the likelihood of opportunistic behavior and gamesmanship and helps to facilitate licensing and the dissemination of technology.

As summarized by the USPTO, the Proposed Rules would "require that the attributable owner, including the ultimate parent entity, be identified during the pendency of a patent application and at specified times during the life of a patent." The Office is proposing "that the attributable owner be identified on filing of an application (or shortly thereafter), when there is a change in the attributable owner during

the pendency of an application, at the time of issue fee and maintenance fee payments, and when a patent is involved in supplemental examination, *ex parte* reexamination, or a trial proceeding before the Patent Trial and Appeal Board (PTAB).”

With respect to the specific rule changes set out in the Proposed Rules, Microsoft supports the submission made by BSA|The Software Alliance. In this filing, we would like to make two over-arching observations about promoting transparency in practice.

First, there is an important difference between the need for and benefits of transparency for pending applications and for issued patents, and rules promoting transparency should focus on the latter. Legitimate competitive and confidentiality concerns often exist during the pendency of patent applications, and rules requiring broad disclosure at that stage could exacerbate those concerns. The USPTO should proceed cautiously when considering any rules requiring disclosure at that stage.

Second, for similar reasons, while promoting transparency is an important goal, the means to achieve that goal should not impose unnecessary costs or harsh penalties on patent owners. The USPTO should carefully calibrate any rules to encourage meaningful disclosure of important information, without creating “traps for the unwary” or imposing disproportionate negative consequences for failure to comply, such as abandonment of a patent application. While some negative outcomes may be needed to prompt useful disclosure, ample “safety valves” for good faith mistakes or reasonable mitigating circumstances should also be included to avoid unjust results.

Again, Microsoft applauds the USPTO for working towards improving transparency for patents and believes that USPTO’s efforts to create an appropriate set of rules around identification of attributable owners will help maintain a strong patent system that continues to drive U.S. competitiveness.

April 15, 2014

VIA E-MAIL ONLY

AC90.comments@USPTO.gov

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

Attn: James Engel, Senior Legal Advisor, OPLA

Re: Novartis Comments on Proposed “Changes to Require Identification of Attributable Owner,” Fed. Reg. Vol. 79, No. 16, Jan 24, 2014 pp. 4105-4121

Dear Mr. Engel:

Novartis thanks the United States Patent and Trademark Office (“the Office”) for the opportunity to comment on its recent proposal to change the rules of practice to require identification of the “attributable owner” (“AO”) of patent applications and patents. Novartis is a global healthcare company whose mission is to discover, develop and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life for patients across the world. In pursuit of that mission, Novartis files more than 500 patent applications in the United States every year, and currently maintains over 3000 US patents. Like the Office, Novartis supports and desires a strong and predictable intellectual property system that yields the highest quality patents, minimizes costs and burdens for its users, and provides sufficient certainty to stakeholders to create strong incentives for innovation while ensuring a healthy and competitive marketplace. In this context, Novartis further supports many of the objectives of the proposed AO rules, including the desire to curb abusive patent litigation, and to improve the transparency of patent ownership in cases where patentees may manipulate ownership or the appearance of ownership in furtherance of such abuses. Novartis, however, is concerned that the AO rules as

proposed are far broader than necessary to achieve their stated goals, and will ultimately do more harm than good by creating unreasonable costs and burdens for genuine inventors and good faith users of the patent system (the vast majority), while doing little to thwart the types of abuses by a relatively small number of non-practicing entities that the changes are primarily meant to address. With this in mind, Novartis offers the following remarks, aimed at striking a more equitable balance between the potential benefits of such changes in controlling the abuses of a few, and the costs and burdens that they will create for the many good faith users of the patent system that rely daily on its efficiency and certainty to continue to incentivize innovation.

I. The Proposed AO Rules Are Far Broader Than Necessary to Achieve their Intended Goals, and Should be Substantially Narrowed to Avoid Unduly Burdening Legitimate Users of the Patent System

Novartis appreciates the Office's latest efforts to fashion rules to improve transparency of patent ownership, and understands its renewed mandate to do so in a political climate marked by a series of White-House initiatives aimed at improving the patent system, and more broadly by bipartisan support for a legislative solution to the problem of abusive patent litigation.¹ Novartis also appreciates the unique position that the Office occupies in this regard, with its ability to take measures to improve transparency of ownership at an earlier stage than other government entities, and to do so with an eye to achieving a broader set of goals for overall transparency in the patent system. Precisely because of this unique position, however, the Office through its rules has the ability to impact a vastly larger number and array of patent owners than any of the pending legislative proposals—and with it, the *responsibility* to ensure that the rules are no broader than necessary to achieve their stated goals.

¹ To date, we understand that a total of twelve bills have been introduced in the House and Senate that aim to address one or more perceived aspects of the problem of abusive patent litigation.

Unfortunately, in Novartis' view, the proposed AO disclosure rules fail in this latter regard, incorrectly assuming that *all* patent owners and applicants are contributing to a broad transparency problem that requires a broad "one size fits all" solution covering every patent applicant and owner, for every patent, at every stage of its life cycle, when in fact the majority of the problems are only being driven by a few. Indeed, rather than considering which entities are causing which types of problems at which stage of proceedings, the Office has drafted a single set of rules aimed at addressing *nine* distinct goals at once: four external goals aimed at addressing a variety of perceived public problems and five internal goals aimed at helping the Office facilitate various aspects of patent examination. More specifically, the identified goals (paraphrased for brevity) are:

External Goals

- (1) Enhancing competition and increasing innovation incentives by providing information to help innovators better understand the competitive environment;
- (2) Enhancing technology transfer / reducing transaction costs for patent rights;
- (3) Reducing risk of abusive patent litigation; and
- (4) Leveling the playing field for innovators.

Internal Goals:

- (1) Ensuring current power-of-attorney;
- (2) Avoiding potential conflicts of interest for Office personnel;
- (3) Determining scope of prior art under common ownership exception / illuminating double patenting;
- (4) Verifying that proper parties are making post-issuance proceeding requests;
- (5) Ensuring accuracy of information in published applications/issued patents.

(Fed. Reg. 79(16), Jan 24, 2014 at p. 4106).

Evidently aiming to achieve all nine goals efficiently, the Office has developed a single framework for all patent owners and applicants built on the type of aggressive disclosure requirements that are only necessary to achieve the broadest goal (avoiding abusive patent litigation), while adding requirements to repeat AO disclosures frequently enough (at least five times during the life of a normal patent, and in many cases more)² to simultaneously address the remaining goals. Novartis understands that, from a rule-drafting perspective, it may be convenient to concurrently address nine goals through a broad set of universal rules that apply to all. In practice, however, this approach penalizes the majority for the abuses of a few, by melding together an array of fundamentally different problems, the most serious of which do not arise in the overwhelming majority of cases before the Office, and the rest of which can be adequately addressed through far narrower and less burdensome rules. The result is a system of rules that, in our view, will create undue costs and burdens for all applicants and for the patent system as a whole, undermining innovation and some of the very goals that the rules are intended to achieve.

As discussed below, we respectfully urge the Office to reconsider this approach, by separating the most serious and pressing transparency problem—that of abusive patent litigation—from the other problems that the Office hopes to address, designing rules specifically aimed at the cause of that problem, and narrowing the remaining rules to a level and scope that strikes a more appropriate balance between the other eight cited goals and the burdens and costs on the patent system. To assist the Office in this reassessment, we make several concrete suggestions which, in Novartis' view, would result in a stronger set of tailored rules that would be equally, and in some cases, more effective than the currently-proposed AO rules, while lowering the burden on legitimate patentees and applicants.

²This includes (1) when a patent application is filed; (2) in the event of any change to any AO; (3) when the patent is allowed; and (4) every time a maintenance fee is paid.

A. The Goal of Reducing Risk of Abusive Patent Litigation Should Be Addressed Separately, Through a Set of Rules that Targets the Source of That Problem

While Novartis again appreciates the ambitious breadth of goals that the Office has set out to achieve through the AO disclosure rules, it seems clear from the current legislative climate that the external goal of reducing the risk of abusive patent litigation is the initiative's strongest driver. Due to the nature of this problem, and the intentionally opaque patent ownership structures constructed by abusive patent litigants, it is also the issue that requires the most stringent set of corrective rules. The Office's proposed rules seem to have been drafted with precisely this problem in mind, broadly requiring the disclosure of at least: (1) the owner/assignee, (2) any entity necessary to be joined in a lawsuit for purposes of standing to assert a granted patent (or one resulting from an application), which, under Federal Circuit case law, includes exclusive licensees in many circumstances; (3) the ultimate parent entity of either party 1 or 2; and (4) any other entity that through a variety of contractual mechanisms impacts the attributable ownership of a patent. While rules of this breadth might be understandable if abusive patent litigation were a systemic problem in the USPTO, statistics tell a *staggeringly* different story.

By definition, abusive patent litigation can only arise when a patent is actually granted and asserted, either through litigation or the threat of litigation. While estimates vary, the proportion of patents that are actually asserted is thought to be less than 2% of all granted patents. (Attributable Owner Public Hearing, March 13, 2014, Alexandria, VA, Transcript at p. 41). This statistic alone means that a minimum of 98% of granted patents are completely detached from the problem of abusive patent litigation. In practice, that number is even higher, since patent owners like Novartis who are engaged in the legitimate enforcement of patent rights against infringers are also included in the 2%. Putting these figures further into the perspective of the much larger pool of patent applications that do not result in granted patents, the scope of the

problem of abusive patent litigation as a factor of the Office's area of activity (i.e., examination, processing and issuance of patents) is incredibly limited, affecting only a tiny fraction of the applications that the Office handles.

Given this reality, in Novartis' view, there is no justification for a broad set of rules that require all patent applicants to disclose such a wide array of related and potentially related parties for each and every application and patent at so many points during a patent's life cycle. If such a wide breadth of AO disclosure is required to address abusive patent litigation in situations where there is risk, then a rule requiring this level of disclosure should be narrowly tailored to circumstances in which the risk of such abuse is probable, or at the very least, in which it is *possible*.

To correct the undue breadth of the current rule, Novartis proposes two solutions: First, the requirement to disclose AO should be limited to the 2% of patents that are actually asserted, and/or to specific events that are traditionally linked to patent assertion, rather than events associated with obtaining and maintaining patents. In Novartis' view, such activities at most include PTAB proceedings, reissue correction (particularly broadening reissue), supplemental examination, reexamination, the sending of patent demand/notice letters, and patent lawsuits. This could be achieved by limiting the application of the proposed AO rules to the above-referenced Office proceedings, and adding additional disclosure events such as the assertion of a patent in a demand letter, and the filing of a complaint for patent infringement.³ For the reasons discussed, events that occur prior to patent grant, as well as the payment of maintenance fees, should be removed from any AO rules, since there is no possibility that these events alone will lead to abusive patent litigation—which, again, is the case for at least 98% of granted patents, and the thousands of applications filed annually that do not even result in a granted patent.

³ Several of the pending legislative proposals would operate this way, requiring disclosure of various entities to the adverse party, the Court and the Office when a complaint is filed.

Second, to further limit the burdens and costs that such a broad AO disclosure requirement will impose on legitimate users of the patent system, we urge the Office to consider a narrower rule for bona fide innovators and practicing entities, whose interests and business models generally do not involve intentional obfuscation of patent ownership. In cases where these types of entities assert their patents or participate in post-grant activities linked to assertion, a simple rule requiring disclosure of the owner/assignee and the ultimate parent entity should suffice to inform the public of the patentee's identity.⁴ There is close precedent for aligning the far lower risk of litigation abuse from such entities with the stringency of the disclosure requirement. The Goodlatte Innovation Act (H.R. 3309), for instance, would exempt parties engaged in Hatch-Waxman patent litigation from its "Transparency of Patent Ownership" provisions altogether, an acknowledgment that adequate protections against litigation abuse already exist for parties engaged in this type of litigation. H.R. 3309, Sec. 4. A previously proposed bill, the "Saving High-Tech Innovators from Egregious Legal Disputes Act of 2013" (SHIELD Act), which would award costs and attorneys' fees to prevailing defendants in most patent cases, more broadly exempts any party who is the original inventor or assignee, or who can provide documentation of substantial investment in the exploitation of the patent through production or sale of an item covered by the patent. H.R. 845, Sec. 2.

A narrower AO disclosure rule for certain low risk entities, modeled perhaps after the SHIELD Act's, combined with our first suggestion to limit the events that trigger a disclosure obligation, would help to tailor the Office's proposed rules to the main problem they are designed to address, while minimizing the costs and burdens

⁴ As discussed elsewhere in these comments, the definition of AO in the current rules is highly problematic on other levels, and should be amended across the board to **exclude** those parties necessary to perfect standing to sue (§ 1.271(a)(2)), and the "catch-all" category of any entity to any agreement or arrangement that has the "purpose or effect" of temporarily removing the party from a category of attributable owners (§ 1.271(c)). If this is done, the need for a narrower rule for certain entities would be greatly reduced.

for legitimate users of the patent system. Specifically, we propose that AO disclosure be limited to the owner/assignee and the ultimate parent entity for applicants and patent owners who are able to attest that they or their internal corporate affiliates (1) are the original inventors or assignees of the invention, (2) have substantially invested in the commercial development or exploitation of the patent, or (3) have a regular and established record of engaging in innovative research, or of commercially developing or exploiting patented technologies. This narrower approach for low-risk entities would greatly allay many of the concerns that Novartis (and no doubt other heavy users of the patent system) has over the practical impact of litigation-related disclosure rules on our business, and in our view, would better serve the aims that the Administration, the Office, and Congress are attempting to achieve.⁵

B. The Remaining External Goals and All Internal Goals Can be Achieved Through the Adoption of a Mandatory Patent Assignment Database

As discussed above, while the proposed AO disclosure rules may be designed to improve transparency of ownership to achieve nine different goals, it seems clear that their breadth and the required frequency of compliance is largely, if not entirely, aimed at the abusive patent litigation problem. Once this problem is separated from the other eight goals and dealt with individually (e.g. through one or more of the alternative approaches suggested above), it becomes evident that the remaining goals can be met by adopting a significantly more streamlined mechanism. More specifically, what remains to be achieved are transparency goals relating to enhancing

⁵ Novartis again appreciates that the rules are also directed to other external goals, such as facilitating technology transfer and reducing the costs of transactions for patent rights by making ownership information more readily available. These other goals, however, can be met by the mandatory assignment recordation system that we propose in the following section (IB).

competition and enhancing technology transfer, and the five internal goals aimed at facilitating patent examination.⁶

We respectfully submit that these remaining goals can be achieved by converting the Office's existing voluntary assignment recordation system to a mandatory system that encompasses all granted patents and pending applications. The resulting mandatory patent assignment database would be well-suited to achieve the remaining external goals, providing the public with ample ownership and contact information to better understand the competitive environment, and allowing parties to easily locate the current assignee of all patents and applications of interest in order to facilitate technology transfer. The same assignment information in a comprehensive database is also sufficient to enable the Office to meet each of its five internal goals. To keep the system up-to-date, the Office could use the rule-making process to require all assignments to be recorded shortly after execution (e.g., within 6 months), whether pre-issuance or post-grant. For assignments of applications executed prior to filing, the Office could require recordation upon filing the application, shortly thereafter, or in response to a Notice to File Missing Parts.

Critically, in contrast to the proposed AO disclosure rules, a move to a mandatory recordation system would come with minimal burdens to the vast majority of patentees, since, according to the Office, 92% of patent applications *already* have recorded assignments at the time of grant (and changes during application pendency, as well as over the lifetime of a patent, are rare). (Fed. Reg. 79(16), Jan 24, 2014 at p. 4115). Put another way, transition to a mandatory assignment database would impact only 8% of patents and applications, which in and of itself means significantly less

⁶ The fourth external goal, "levelling the playing field for innovators," is not sufficiently clear in the Federal Register Notice to allow Novartis to respond to it specifically. The Office has provided little explanation of this goal, or how it would be achieved by increasing transparency of ownership in the manner proposed by the AO rules. We assume, therefore, that this goal is similar to or partially redundant of the other stated goals, and address it collectively through our discussions of those goals.

burden on the system than the currently-proposed AO rules. For those patentees and applicants that would need to begin recording assignments, the cost would almost certainly be less than the USPTO's estimated 43.5 million-dollar annual burden on USPTO customers (Fed. Reg. 79(16), Jan 24, 2014 at p. 4119). The cost to the Office and taxpayers would also be minimal, as the Office already has an assignment recordation database in place that could be modified to handle additional mandatory assignment information.

This alternative would also strike a better balance between the need for patent ownership information in furtherance of the Office's stated goals, and the defined need for similar information in a variety of other public contexts that already exist, which the Office may not have considered in its analysis. For instance, parties filing Declaratory Judgment actions for declarations of non-infringement or invalidity must be able to identify and notify the correct patent owner/assignee in order to initiate suit, a task that could be complicated, or at least be made more burdensome or costly, by a system that resulted in the over-compilation of information about other related (but not pertinent) parties. Likewise, in Hatch-Waxman litigation, generic drug manufacturers that are statutorily required to send Paragraph IV Notice Letters to NDA holders and all patent owners within strict time limits could be substantially burdened by a system whose overabundance of information unnecessarily expands the universe of "attributable owners" that a company must consider for notification, and could even endanger the confidentiality of a Letter's contents (e.g. if sent to the wrong party or address), or jeopardize a generic's "first-filer" exclusivity status.⁷

⁷ A single day can sometimes mean the difference between "first-filer" status (entitling that generic to 180-day generic exclusivity) and all other generic filers. Delays in identifying patent owners could impact when a generic is able to file its generic drug application, or interfere with its ability to timely comply with the strict 20-day notice period that follows. *See* 21 USC § 355 (j)(2)(B)(ii).

For all of these reasons, we respectfully submit that a simple system that requires the recordation of assignments would better achieve the Office’s remaining eight goals, while minimizing the burdens on patentees and applicants.

II. The Proposed AO Disclosure Rules Have the Potential to Harm Innovators and Licensees, Undermining Many of the Rules’ Stated Goals

As discussed above, Novartis believes that the proposed AO rules can be substantially narrowed while still achieving all of the stated goals. Lowering the costs and burdens of new rules on the patent system is reason enough for the Office to consider revising its proposal to create a better balance. The unintended harms that the proposed AO rules could inflict on both innovators and their licensees are another.

Fundamentally, the current proposal creates a host of problems by including exclusive licensees in the list of parties that qualify as “attributable owners” and that must be disclosed throughout the life of a patent and at various times during pendency. One problem, as the rule itself seems to acknowledge, is that identifying exclusive licensees is not straightforward. Indeed, rather than refer to “exclusive licensees” by name as past Office proposals did, the currently-proposed AO rules put the burden on the patentee or applicant to determine in a given case whether a licensee is exclusive by deciding whether it is either an effective “assignee” with standing to enforce a patent in litigation on its own, or an “entity necessary to be joined in a lawsuit in order to have standing to enforce the patent.” (Proposed 37 CFR §1.271(a)(1) and (2)). Answering this question, however, involves a complex multijurisdictional legal analysis that is *highly* fact-intensive, the result of which—as the ample body of Federal Circuit case law on the topic shows—is often difficult and unclear even at the time of litigation.⁸ To conduct this analysis at the application and

⁸ An exclusive licensee with “all substantial rights” under the patent is effectively an assignee with standing to enforce the patent on its own. An exclusive licensee who lacks all such rights does not

maintenance stages (as the AO rules currently propose) may not even be possible, and would almost certainly require the time, expertise, and expense of an experienced patent attorney or litigator at each and every stage of the proposed disclosure process, a task that may be incompatible with the patent maintenance processes of corporations, which rely heavily on service providers to manage the administrative side of their portfolios.

A second problem with including licensees in the proposed AO disclosure requirements is the negative impact that the rules could have on the confidentiality of legitimate license agreements, potentially destroying the value of existing transactions, and leading to a chilling effect on future transactions, all in contravention of the proposed rules' goals. In many cases, license agreements contain provisions requiring the parties to keep not only the terms, but the very existence of a license confidential. License confidentiality is often critical in industries with long R&D timelines like pharmaceuticals, because the very existence of a license agreement can reveal information about an otherwise confidential business plan or research direction that could be unfairly exploited by competitors (e.g., R&D priorities, disease type or area, state of development, commercialization strategy). The identity of the parties to the transaction can also reveal this type of

have standing to sue alone, but may nevertheless be a “necessary party” that must be joined under Rule 19 of the Federal Rules of Civil Procedure. See *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 875 (Fed.Cir.1991). To determine whether an exclusive license is effectively an assignment, however, one “must ascertain the intention of the parties [to the license agreement] and examine the substance of what was granted,” which in turn is a question of state law. *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336 (Fed. Cir. 2006); *Alfred E. Mann Foundation v. Cochlear Corp.*, 604 F.3d 1354 (Fed. Cir. 2010). There is no simple way to conduct this inquiry, and no complete list of the rights that must be examined. *Id.* To complicate matters further, if, under the applicable state law, the licensee is *not* an effective assignee, the question of joinder is determined under the law of the *regional* circuit, which in the case of the proposed AO rules, would often be impossible, since the venue in most cases is not yet known. *A123 Systems, Inc. v. Hydro-Quebec* (626 F.3d 1213, 1220 (Fed. Cir. 2010)). The situation only worsens where patent rights are divided amongst various parties, in which case whether an exclusive licensee is “necessary” can only be determined once an accused product is identified.

information, undermining incentives for one side or both to enter into such transactions. For existing licenses that contain these clauses, compliance with the proposed AO rules could at minimum conflict with these terms, interfering with the assumptions and business conditions on which the parties relied. Worse, however, is the very real risk that complying with the AO rules would actually reveal the type of information just described. The structure of the current AO rule again exacerbates this risk, since it hinges disclosure on whether a licensee has standing to sue. Since, as discussed, this in turn depends on the scope of the rights transferred in the license, complying with the AO rule could well have the unintended consequence of revealing a substantial amount of proprietary information, which in turn may destroy much of the value of the transaction, and much of the incentive to collaborate on innovation.

The potential negative effect of the proposed rules on *future* transactions is of even greater concern. If the AO disclosure rules make the confidentiality of licenses uncertain, they may well have a direct chilling effect on the future pursuit of such agreements. As Robert Hardy, Director of the Council on Governmental Relations, testified at the Office's recent Round Table, if this occurs, one of the biggest losers will be universities, a common industry licensing partner, since from an industry perspective, confidentiality is often what makes a deal for a University's patents attractive. (Attributable Owner Public Hearing, March 13, 2014, Alexandria, VA, Transcript at p. 64).

Another potential unintended consequence of including licensees in the AO definition is harm to those licensees, including loss of the licensed patent, due to the licensee's inability to ensure compliance with the rules. As currently proposed, the AO rules indicate that the provider of the required AO information about exclusive licensees (37 CFR §1.271) must be either the applicant or patent owner. (37 CFR §§1.273, 1.275, 1.277 and §§1.383, 1.385, respectively). A licensee has no clear ability itself to provide this information, or to even monitor an applicant's compliance

in many cases (since several of the disclosures are expected to occur before the file history becomes publically available on PAIR). Nor is a licensee likely to have contractual means to compel the applicant/patentee's compliance, at least for licenses executed before the rules would take effect.⁹ These risks are exacerbated by the strict penalty for non-compliance that the Office has proposed. Should a patent application become abandoned for non-compliance, an exclusive licensee cannot itself revive the abandoned application, a result which seems fundamentally unfair (Proposed 37 CFR §1.273 or 1.277). Furthermore, with abandonment as a penalty, an applicant/patentee's non-compliance with the AO rules could later result in a finding of inequitable conduct rendering an exclusively-licensed patent unenforceable, again depriving the licensee of the value of its transaction through no fault of its own. See *Therasense v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc).¹⁰

Given the above concerns, Novartis urges the Office to consider removing exclusive licensees (an "entity necessary to be joined in a lawsuit in order to have standing to enforce the patent," §1.271(a)(2)) from the AO definition. Should the Office, despite these concerns, decide to maintain the current definition, we request that it at least consider limiting the application of this definition to disclosures related to the filing of a complaint, or at most, to the sending of a demand letter, as proposed in Section IA of these comments. If the Office does not agree with either of these proposals, we further ask that it consider implementing these rules only prospectively, limiting the AO disclosure requirement to patent applications filed after the effective date of any final

⁹ Another unintended consequence of the proposed rules may therefore be that exclusive licensees are forced to incur the risk and expense of renegotiating their current license agreements to include AO disclosure compliance provisions.

¹⁰ This same concern could lead more generally to a new "plague" of inequitable conduct charges in patent cases based on allegations of non-compliance by an applicant/patentee. Such inequitable conduct suits could add to patent litigation, clog the already over-burdened court system, and add further uncertainty by reviving the abuses that the Federal Circuit sought to curb in *Therasense*. Such effects are wholly at odds with the Office's goals of curbing litigation abuses, increasing incentives for innovation, enhancing technology transfer and reducing transaction costs for patent rights.

rules, and patents and applications exclusively licensed after that date. This would at least eliminate the risks relating to current license agreements that lack provisions to adequately address AO disclosure requirements, and provide licensing parties with fair notice of the risks that the rules pose to the confidentiality of their agreements.¹¹

III. The “Purpose or Effect” Catch-All of §1.271(c) Could Harm Innocent Third Parties

Novartis is also concerned that the category of AO defined in 37 CFR §1.271(c)—which includes any entity that “directly or indirectly” uses any agreement, arrangement or device with the “purpose or effect” of temporarily divesting that entity of attributable ownership, or of preventing the vesting of attributable ownership—is confusing and vague, and could harm innocent parties that have nothing to do with the problems that the AO disclosure rules are aimed at addressing. As one example, a manufacturer who contracts for an exclusive *option* to license or purchase a patent for the purpose of attracting a funding partner would not qualify as a patent “owner,” or confer standing to sue for infringement. Nevertheless, such an option agreement could be construed as having the direct or indirect “effect” of rendering the manufacturer a non-AO for the time-being, or of preventing AO from vesting in either himself or the patentee, since exercising the option at some later point in time could result in a change of ownership or licensee status.

The parties to a legitimate agreement like this might never recognize the possibility that it could fall into this “catch-all” requirement, which, given the abandonment penalty for non-compliance with the rules, could jeopardize the patent. While we understand that such innocent errors may be correctable under the rules, the theoretical ability to correct will not prevent the confusion resulting from such a vaguely worded provision, or prevent these types of situations from becoming the

¹¹ If the current AO definition is indeed adopted despite the above concerns, the Office should also amend the rules to allow exclusive licensees to disclose the requisite AO information to the Office.

bases for challenges by competitors in patent litigation. The latter result will only benefit parties who make no contributions to innovation, in direct conflict with the stated goals of the rules.

We respectfully submit that no AO definition should contain such a vague and uncertain catch-all category that includes subjective standards like “purpose or effect.” If the Office insists that such a category is necessary—for example, to achieve the goal of reducing the risk of abusive patent litigation—then it should be narrowly tailored to those arrangements that are *intended* to mask a party from being identified or named in a legal action.¹² As discussed in Section IA of these comments, it should also be narrowly applied to only those circumstances and entities where such litigation abuses are probable.

IV. The Rules as Proposed Are Unnecessarily Burdensome and Costly, and The Proposed Penalty is Unduly Severe

As set forth earlier in these Comments, the proposed rules require AO reporting or updating *at least* five times during the life of a normal patent—at filing, at payment of the issue fee, and with each of the three maintenance fee payments—and in many cases more (e.g. post-grant proceedings, change of AO). Reporting is required at each of these events *even if there is no change to report*. For the reasons previously discussed, even where a change of AO *has* occurred, we urge the Office to reconsider whether so many reporting events are truly necessary, where, as explained and proposed, narrower rules can achieve the same goals while reducing the burdens on patentees and applicants.¹³ Whether or not the Office maintains these reporting

¹² The proposed AO rules could additionally be amended to except from the reporting requirement parties to option contracts and similar agreements, or those where one party is a manufacturer or producer.

¹³ To the extent that the Office proceeds with implementing these or modified AO rules, we suggest that the Office first establish an electronic reporting system that provides user-friendly standard forms that patentees and practitioners can employ to comply with rules. Particularly if the rules are to be

events for situations where the AO has changed, however, we see *no* justification for requiring reporting when all attributable owners have remained the same. Since the rules, as stated, already require additional reporting any time AO information has changed, a simple requirement that a patentee or applicant report its AO information *once* should suffice, with any further reporting triggered by that existing change requirement. We again appreciate the political climate in which these rules are being proposed, with calls on many fronts to rein in abusive patent litigation. Given, however, as previously discussed, that significantly less than 2% of applications are even in a position to contribute to this problem, we question what legitimate aims can be served by a redundant rule that seems only to create unnecessary burdens.¹⁴

More generally, the Office's estimate of the cost of complying with the AO rules (\$100 or less per transaction) is, in our view, unrealistic, because that estimate relies on a series of incorrect assumptions that do not hold true for a great many patentees and applicants. The Office suggests that the required AO analysis and reporting can be undertaken by a patent attorney or a general practice attorney. It seems to assume, however, that such professionals would be employed by the reporting entity, and that only one entity would be involved. While this may be true in some cases, not all companies have the capacity to manage their patent portfolios

retroactive, a simple system which allows bulk uploading and updating will be necessary to reduce the costs and burdens of compliance. Such a system should also be designed to accommodate large updates that may occur as a result of mergers, acquisitions, and licensing ventures.

¹⁴ The Office suggests that these burdens would be minimal, since confirmatory disclosures would be required at times when the patentee or applicant already has some contact with the Office (e.g. upon payment of maintenance fees). This is not correct, however, because traditional activities and communications like payment of maintenance fees are largely automated and, for many patentees, are undertaken by external service providers. In contrast, due to the nature of the parties currently defined in the rules as "AOs," the process of assessing and updating AO information would likely be conducted by a different entity, which would probably include in-house or external lawyers with the training and expertise to conduct the analysis. Even in cases where nothing has changed, this would entail extra communications between such personnel and those who pay the fees, or those personnel and the Office directly.

in-house, and many—especially smaller ones—would have to rely on external patent agents or law firms to perform this work. Universities are another entity that commonly would not fit the Office’s assumption, since they often out-license their patents, and the licensed patents are typically managed by law firms. In each of these cases, the patentees or applicants will have to pay the high costs of an external law firm to handle their AO disclosure compliance, while also expending internal resources to communicate with such firms. In fact, speaking more broadly, in the case of any licensed patent—which, as discussed, the proposed rules may frequently cover—at least two parties would be involved in the analysis, and often at least one law firm as well. Every interaction will result in a transaction cost, at least a temporal one if not financial. For these reasons, the Office’s suggestion that the AO verification can be accomplished at a cost of \$100 or less per transaction is highly unlikely in a great many cases.¹⁵

Last, in addition to the cost burdens, in Novartis’ view the rules’ proposed consequences for non-compliance are unduly severe in a variety of situations. The proposed consequence for failing to comply with either the filing or allowance reporting requirements is abandonment. For supplemental examinations and reexaminations, the consequence is failure to obtain a filing date. The Office has offered no explanation or justification for these penalties in either case. In any event, in our view, the severity of the penalties is in no way consistent with the rules’ stated aims. As discussed throughout these comments, the only goal that in any way implicates an entity’s intentional conduct is the goal of reducing abusive patent litigation. That goal, however, as previously discussed, is not relevant before a patent

¹⁵ As a benchmark, the mean cost for an outside law firm to pay a maintenance fee in 2013 was around \$250 (2013 AIPLA Report of the Economic Survey). Given that identifying or verifying AO would, under the currently proposed rules, be much more complex, one would expect the average cost of compliance to be significantly higher than \$250.

application is granted, and in 98% of cases, never becomes relevant for granted patents. Given this reality, other less extreme consequences would be much more appropriate and more consistent with the rules' aims of helping, in various ways, to encourage innovation through the patent system.¹⁶

While the proposed rules make some effort to ameliorate the severity of these penalties by extending the reporting deadline for one event and allowing for corrections of certain errors or omissions that occur for others, both of these provisions are, in our view, problematic. For the deadline extension, if the rules are to include penalties as severe as abandonment, we believe that the extension should be available for all reporting events, coupled perhaps by payment of a late fee, ideally without a requirement to file a petition, which seems unnecessary in most circumstances. Regarding the proposed correction procedure for other events, this procedure seems to apply only to cases where a “good faith effort” was made to comply with the rule, and it is not clear what this standard entails. Given the rules' requirement to report AOs at least five times for a typical granted patent, and the difficulties and uncertainties in determining whether a party is in fact an AO (e.g. in the case of exclusive licensees), occasional clerical oversights and judgmental errors are bound to occur. Particularly since external service providers or attorneys may be used to comply with the rules and process AO reports, the “good faith effort” standard is too uncertain and too narrow to protect honest applicants against inadvertent errors in all circumstances, as the rules should. In our view, given the context and aims of this rule, correction should be permitted under most circumstances without requiring a particular standard. In that regard, we note that even 35 U.S.C. § 256, which formerly required a showing of a “lack of deceptive intent” to correct inventorship errors, was amended to remove that requirement in the

¹⁶ These might include payment of a fee, loss of patent term adjustment for non-compliance within a given time frame, etc.

America Invents Act. Requiring “good faith effort” statements as a pre-requisite for correction (as currently-proposed 37 CFR §§1.279 and 1.387 suggest) could also lead to abuses of the inequitable conduct doctrine under the *Therasense* standard, a risk that again does not help innovation and that does not seem justifiable given the rules’ aim of *curbing* abusive litigation. If a standard for correction is required at all, we propose that the standard at least be consistent with that of 35 U.S.C. § 255, requiring only that the *error* be one made in good faith, rather than requiring a showing that “good faith efforts” were made to comply with the rules.

CONCLUSION

Novartis again thanks the Office for the opportunity to be heard on the proposed new rules, and for considering the comments provided above. We are confident that the changes proposed will result in a significantly more targeted and less burdensome set of rules that will nevertheless achieve the Office’s stated goals.

Respectfully submitted,

_____/s/ Corey Salsberg_____

Corey Salsberg
Senior Legal Counsel
IP Litigation & Policy
Novartis International AG

April 24, 2014

VIA E-MAIL ONLY

AC90.comments@USPTO.gov

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

Attn: James Engel, Senior Legal Advisor
Office of Patent Legal Administration

Re: Oracle's Comments on Proposed Changes to Require Identification of Attributable Owner ("Proposed Rule"), Fed. Reg. Vol. 79, No. 16, Jan. 24, 2014, pp. 4105-4121

Dear Mr. Engel:

Oracle supports the United States Patent and Trademark Office's efforts to adopt procedures designed to increase patent ownership transparency. We are in favor of enhanced ownership disclosure rules that will apply to both patent applications and issued patents, and we commend the PTO's Proposed Rule as a significant step in the right direction. Oracle agrees with written comments submitted by the Coalition for Patent Fairness (of which Oracle is a member), and submits this brief additional comment to underscore our view that the disclosure requirements for issued patents outlined in the Proposed Rule should go further by requiring patent owners to file updated attributable ownership information at more frequent intervals.

In its current form, the Proposed Rule requires filing updated post-issuance patent ownership information only when patent annuities are paid and when a patent has already become involved in a post-grant proceeding. Under current regulations, three different maintenance fee payments are due during the lifetime of a patent. The first, second, and third maintenance fees are payable without a surcharge within six-month window periods ending 3.5, 7.5, and 11.5 years, respectively, after a patent issues. These fees can be paid with a surcharge within six-month window periods ending 4, 8, and 12 years after a patent issues. 37 C.F.R. §1.362(d)-(e). Consequently, four years separate the due dates between any two consecutive maintenance fees. The actual period between two consecutive maintenance fee payments for a patent could be as long as five years if the first payment is made at the start of the six-month (no surcharge) window and the next payment is made at the end of the six-month (surcharge) window. Similarly, because a patent generally is in force for a period of 20 years from its application priority date, a very long period can separate the payment date of the third maintenance fee and the patent's expiration date. For example, if a patent issues three years after



its application filing date, a period of five to six years will separate the patent's third maintenance fee payment and the patent's expiration.

These very long intervals between required filings of updated ownership information create significant gaps in the disclosure process that could be exploited by patent owners. Attributable ownership information could change, potentially many times, during the multi-year periods between required updates. For instance, under the Proposed Rule, a patent owner could wait until the third maintenance fee has been paid, and then transfer ownership of the patent to a shell company controlled by a different entity. The PTO and the public could be denied accurate attributable ownership information for the patent for years, unless and until the patent has become involved in a post-grant proceeding. Such long disclosure gaps undermine the very important transparency objectives that the Proposed Rule seeks to advance.

In order to avoid this potential for abuse, in addition to obligations to file updated ownership information when patent annuities are paid and when a patent becomes involved in a post-issuance proceeding, we respectfully suggest modification of the Proposed Rule to require reporting any change of attributable ownership within three months of such a change during the enforceable lifetime of an issued patent. This modification would bring the post-issuance reporting obligation in line with the reporting obligation that the Proposed Rule would apply during the pendency of a patent application and would avoid the long disclosure gaps discussed above.

Respectfully submitted,

/s/ Matthew Sarboraria
Matthew Sarboraria
Associate General Counsel

From: Windham Loopesko [email address redacted]
Sent: Thursday, April 24, 2014 2:28 PM
To: AC90.comments
Cc: [email address redacted]
Subject: Comments on "Changes To Require Identification of Attributable Owner"

April 24, 2014

James Engel

Senior Legal Advisor, Office of Patent Legal Administration

Office of the Deputy Commissioner for Patent Examination Policy

Your e-mail address: AC90.comments@uspto.gov

Re: Comments on "Changes To Require Identification of Attributable Owner"

Dear Mr. Engel,

We at PatentBooks, Inc. (PBI) are pleased to provide our comments with respect to the proposed rules of practice to facilitate the examination of patent applications and to provide greater transparency concerning the ownership of patent applications and patents.

We at PBI support a market-based system that will allow large-scale patent licensing for specific products on a utility basis for specific products (so that licensing patents will become as easy as obtaining water or electricity). Such a system will promote innovation by making available to intellectual property users multiple patents offering competing solutions, so that users may choose among these patents in developing their products or services.

The system we advocate also will provide for frequent regular payments directly into the accounts of patent owners from the pool of revenues provided by patent users. For this system to function effectively, it is important that patent owners provide the system administrator with their identity and the information necessary to meet financial and tax requirements (and that such information be updated periodically) so as to

assure that the payments attributable to listed patents can be directed efficiently into the appropriate bank accounts.

Because the patent owners in this system will have a financial incentive to provide the types of patent ownership information the rule is seeking, we believe that our market-based solution will provide such information on a commercially driven basis at no direct cost to the government. Moreover, PBI is willing to share the ownership information that it gathers with government agencies needing such information (e.g., the USPTO and US Customs and Border Protection) for appropriate reasons. For this reason, we do not believe that the proposed rule, with the additional costs and drains on USPTO resources that administering the rule requires, is necessary or justified.

We would be pleased to provide further information as to our proposed solution and how our ability to provide the information the rule seeks concerning identification of the attributable owner can provide greater efficiency in patent licensing and thereby promote innovation.

Very truly yours,

Arthur M. Nutter

Chief Executive Officer

PatentBooks, Inc.

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Roy F. Waldron, Ph.D.
Senior Vice President & Associate General Counsel
Chief Intellectual Property Counsel

VIA ELECTRONIC MAIL

TO: AC90.comments@uspto.gov

April 24, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property &
Deputy Director of the United States Patent and Trademark Office
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ATTN: James Engel, Esq., Senior Legal Advisor, Office of Patent Legal Administration,
Office of the Deputy Commissioner for Patent Examination Policy

**RE: Comments of Pfizer Inc. in response to the USPTO Request for Comments on the
“Changes to Require Identification of Attributable Owner” (Fed. Register Vol. 79, No.
16, January 24, 2014)**

Dear Deputy Director:

Thank you for providing Pfizer Inc. with the opportunity to submit comments to the United States Patent & Trademark Office (“PTO”) regarding the PTO’s proposed *Changes to Require Identification of Attributable Owner* (Fed. Register Vol. 79, No. 16 – January 24, 2014) (the “Notice”). Pfizer Inc. is the world’s largest research-based pharmaceutical company and employs just over 90,000 colleagues in 120 countries. As the largest R&D pharmaceutical company in the world, Pfizer is committed to improving the health and well-being of people across the globe. We apply innovative science and commit significant resources to develop our medicines to meet patient needs. Pfizer’s patent portfolio includes thousands of granted and pending U.S. patents many that have complex and shared ownership as well as those that are licensed to and from other parties.

While Pfizer is supportive of the PTO’s efforts to ensure the highest-quality patents, Pfizer has serious concerns about the burdens that would be placed on patent applicants and owners to comply -- as well as the feasibility of complying -- with the PTO’s proposed rules. Pfizer believes that the PTO’s goals would be adequately addressed by much less burdensome requirements and that several aspects of the PTO’s current proposed rules would be ineffective in addressing those goals.

Our concern is echoed by many companies with medium to large patent portfolios and we believe that the PTO is significantly underestimating how expensive in financial and human resources it would be to comply with a regime as outlined in the proposed rules of the Notice.

The adoption of these Rules would amount to an historic change in our practices and procedures and introduce heretofore unforeseen transactional costs and risks. At Pfizer, our patent portfolios have been managed by patent attorneys, agents and other professionals; but with these proposed changes we will require not only the addition of significant clerical staff to deal with the demands but also require the services of attorneys and professionals that can determine the identity of the entities that have ownership or enforcement powers per the interpretation of countless agreements, collaborations, licensing arrangements, joint ventures and investment agreements. Further, in a company heavily vested in R&D and one whose products come to market often many years after the patents issue after long development timelines, a large proportion of our patent portfolio may not even correspond to existing products; many patents in our portfolio may never be enforced and many of the pending claims may never be pursued in prosecution. Yet the entirety of the portfolio would be subject to the proposed rules and to the draconian penalty of invalidity for failure of compliance with those rules. Furthermore, in large companies like Pfizer, there tend to be frequent business reorganizations, acquisitions, divestitures, mergers and other activities that implicate the ownership of patents. These Rules would imbue ordinary corporate practice and the flexibility of that practice with the added risks and expense, and unnecessarily so, especially when the information seemingly demanded by the proposed rules would in any case have to be divulged at the point of enforcement of any patent in the portfolio.

Leaving aside the issue of whether the PTO has the statutory authority to promulgate these rules, Pfizer sets forth below a more streamlined proposal for ownership identification followed by more detailed discussion of Pfizer's concerns about the PTO's current proposed rules.

I. More limited ownership identification requirements would satisfy the PTO's goals while avoiding undue burden on patent applicants.

Pfizer believes that the following ownership identification requirements would be adequate to address the PTO's goals:

- A. At or within 3 months of filing of a non-provisional application, identification of
 - (i) legal title holders (i.e., inventor(s) and/or current assignee(s));
 - (ii) any party to whom an inventor is under an obligation to assign the invention if the application is being filed by such party; and
 - (iii) the ultimate parent(s) of the above parties

- B. Updates required during prosecution only if, and within a reasonable time after, there is a change in legal title holder that causes a change in ultimate parent entity and the currently listed legal title holder no longer controls prosecution

- C. At payment of issue fee,
 - confirm that PTO assignment database is complete and correct as to current assignee(s) (and is publicly accessible with respect to the application/publication/patent number) or provide current assignee information; and update any changes to ultimate parent

- D. At filing of or in the initial response to *any* supplemental examination, *ex parte* reexam, reissue or *inter partes* PTAB trial proceedings,
- confirm that PTO assignment database is complete and correct as to current assignee(s) (and is publicly accessible with respect to the patent number) or provide current assignee information; and update any changes to ultimate parent
- E. Updates required during supplemental examination, *ex parte* reexam, reissue or *inter partes* PTAB trial proceedings only if, and within a reasonable time after, there is a change in legal title holder that causes a change in ultimate parent entity and the currently listed legal title holder no longer controls such proceedings
- F. Petitions would be available for late filing or correction of mistakes made in good faith (i.e., without intent to deceive); applicants/patentees may voluntarily update during prosecution or PTAB proceedings
- G. Use of the existing PTO assignment database to record the identifying information specified in Section I.A. above.

In accordance with the above and for the reasons stated below Pfizer believes the following concepts should be eliminated from the PTO's proposed rules:

- any requirement to name “enforcement entities” or “hidden beneficial owners”
- any requirement to continuously update ownership during prosecution or other proceedings where no change in ultimate parent entity of legal title holder occurs
- any automatic abandonment for failure to identify an assignee or ultimate parent entity
- any requirement for a new reporting system and/or additional forms

II. Disclosure of “enforcement entities” and “hidden beneficial owners” is not necessary, effective or feasible and is premature, overly intrusive and burdensome.

Disclosure of legal title holders and their ultimate parent entities provides sufficient notice to the public of ownership interests in patent properties involved in PTO proceedings. Legal title holders are nearly always necessary parties for standing to assert patents in any litigation (even if an exclusive licensee may, due to contractual terms, control enforcement or be an additional necessary party), and identifying the legal title holders and their ultimate parents in the PTO record will provide sufficient initial contact information for the public and interested competitors during the PTO proceedings stage with respect to inquiries into licensing or potential enforcement of patent applications or patents.

It is neither appropriate for the PTO to require patent applicants/owners to identify exclusive licensees with potential enforcement rights in the “vacuum” of PTO proceedings nor feasible for patent applicants/owners to do so. Pending claims cannot be enforced, and PTO proceedings are not enforcement proceedings. Using an enforcement “standing” standard for identifying potentially interested parties is therefore neither an appropriate nor a relevant inquiry with respect to control of PTO proceedings. For example, even if an exclusive licensee may have an inchoate right to enforce a patent that might issue against a third party's product

or process that might at some point exist, that does not mean that it has any (let alone sole) control of prosecution or PTAB trial proceedings.

Furthermore, patent claims are subject to change, and rights to control enforcement of patent claims that *might* ultimately issue (or even have issued) are also subject to change as well as factors other than the claims themselves. Enforcement rights of exclusive licensees, and whether an exclusive licensee would be a necessary party for enforcement, are subject to many factors, including the scope/type/inventorship of an issued patent claim, whether the licensee's own ultimate product or process is covered by an issued patent claim, field of use limitations, stage of research/commercialization, the alleged infringer's product/process or its field of use and other specific contract provisions, as well as current Supreme Court and Federal Circuit case law on standing requirements.

Similarly, requiring disclosure of "hidden beneficial owners" – i.e., those who have directly or indirectly created or used a contract, arrangement or other device with the "purpose or effect" of temporarily divesting themselves, or preventing vesting in themselves, of ownership – creates a standard that is ambiguous and difficult to apply, is neither necessary nor feasible and would be premature and overly intrusive and burdensome for the reasons stated above for "enforcement entities". In addition, disclosure of simply the name of a party (or parties) deemed to be an "enforcement entity" or "hidden beneficial owner" may be more misleading to the public than no disclosure.

If the legal title holders have ceded complete and sole control of prosecution, defense and enforcement of a patent application/patent upon filing or during PTO proceedings to another party such that that party is essentially an assignee, the parties would make that apparent in the record without these proposed rules. For example, if an attorney or agent is solely representing the interests of a party that is not identified as the inventor, assignee or party to whom an inventor is under an obligation to assign the invention, that information will be revealed in the power of attorney ("POA"). And a party who no longer has any interest in a patent application would be incentivized to remove its name from the proceedings. Furthermore, any party who has during the PTO proceeding stage such complete control of prosecution and enforcement rights that its license/arrangement is "tantamount to an assignment" and who does not reveal itself as the controlling party (e.g., through recordation of its agreement or disclosure of such control in a POA) would be hard-pressed to later argue in court that it is the sole legal title holder and therefore has standing to sue alone without joining the legal title holder identified in PTO proceedings.

Beyond being unnecessary, requiring disclosure of licensing arrangements in all prosecution and PTAB proceedings is overly intrusive and burdensome. Licensing arrangements – in large multinational corporations as well as in start-ups and smaller companies – are generally handled by business and legal departments and outside counsels different from those who handle patent prosecution and PTAB proceedings. In addition, internal as well as external licensing arrangements can change rapidly and often during the course of prosecution and other PTO proceedings, as these proceedings tend to coincide with the period of early research and development of new technologies. The burden on patent counsels to monitor and decipher all licensing arrangements for possible disclosure to the PTO would be immense.

Moreover, licensing arrangements are often kept as confidential business information, particularly during this early period of R&D/PTO proceedings (for any *inter partes* PTAB proceedings begun in connection with litigation, the information will already be publicly available in the litigation proceedings). Identification of confidential licensing partners is not necessary to facilitate public searching -- patent applications and issued patents are published and thus the public and innovators can easily search them by subject matter, inventorship, etc. to determine competitive activities in a particular technical area. Major and commercialization-stage exclusive licensing deals are also generally published and thus the public and innovators can search for interests of parties other than the legal title holders in various public databases.

If innovators in certain fields or for certain endeavors believe that early disclosure of licensees' names would enhance competition and increase incentives to innovate, they will make such public disclosures without being forced to do so. In many areas, it is just as likely that early disclosure of a licensee's interest would discourage innovation or lead to an increase in patent blocking practices by competitors and patent assertion entities/trolls – such disclosures can in fact skew, rather than level, the playing field for innovators.

Requiring patent owners to reveal more business information than petitioners in *inter partes* PTAB proceedings or third party requesters in *ex parte* reexaminations is also unfair and unnecessary. Legal title holders are proper parties for these proceedings, so there is no need to require additional information to ensure there is a proper party on the patent owner side. In addition, petitioners/requesters and patent owners are already each required to identify the “real party in interest” in PTAB trial proceedings (see 37 CFR §42.8(b)(1)) – no substantial justification for putting additional burdens of revealing other potentially interested parties solely on the patent owner has been presented.

The other proposed benefits of requiring disclosure of “enforcement entities” or “hidden beneficial owners” do not justify the substantial burden and intrusiveness that would result. Requiring disclosure of “enforcement entities” is as likely to create conflicts for Office personnel where none otherwise exist as it is to help identify existing ones. If a licensed party's interest in a patent is otherwise kept as confidential information and/or is not otherwise personally known to the PTO personnel, then simply owning stock in such a licensed party cannot create a conflict. And disclosure of “enforcement entities” or “hidden beneficial owners” is neither necessary nor appropriate for determining the scope of prior art under the common ownership exception under 35 USC §102(b)(2)(C) or to uncover instances of double patenting – the exception in §102(b)(2)(C) applies only to inventions “owned by the same person”.

A final, but major concern of Pfizer is that requiring disclosure of licensing or beneficial owner arrangements in all prosecution and PTAB proceedings will lead to unwarranted attacks on legitimate patents based on a patent owner's innocent factual mistakes or delays or reasonable legal conclusions in identifying or not identifying “enforcement entities” or “hidden beneficial owners”, increasing the costs and time of litigation. Pfizer believes that a more appropriate avenue for reducing risk of abusive patent enforcement would be to penalize fraudulent or intentionally misleading failures to identify (or

incomplete/improper identification of) “enforcement entities” (or “hidden beneficial owners” having control of licensing) at the time of offering licenses, sending cease and desist letters or other written infringement allegations, or filing lawsuits.

III. Continuous updating of ownership information during prosecution and PTAB proceedings, particularly where there is no change in ultimate parent entity, is neither necessary nor feasible and would be unduly burdensome.

Requiring continuous updating of ownership information throughout PTO proceedings is unnecessary. If changes in ownership information do not result in a change of ultimate parent entity, failing to immediately identify them would not have any significant effect on any of the PTO’s goals. And if ownership/control is changed to a completely unrelated entity, the prior and current owners would each have an incentive to update the POA. However, even upon assignment to an unrelated third party, immediate updates should not be required as the former and new owners often agree on a “transition period” during which the former owner and its counsel continue to participate in filings with the PTO to avoid missing deadlines and assist the new owner in providing technical help and background. Requiring updates within a reasonable time should be sufficient to avoid abuses or attempts to hide information that would cause any real harm to a competitor or the public. Immediate updates also are not necessary to allow prompt determination of the scope of prior art under the common ownership exception under 35 USC §102(b)(2)(C) or to uncover instances of double patenting –where potential or actual prior art rejections are a real issue or concern, patent applicants already have an incentive to provide any needed information as expeditiously as possible.

In addition, automatic abandonment for failure to identify ownership information at the time of filing or failure to update such information at payment of the issue fee is unduly punitive. At the filing stage, inventors are already required to be listed and the initial POA must be signed by the applicant, so punishing the applicant for not providing the same information in another form is inappropriate. And the fact that a patent would be subject to an inequitable conduct claim if a party fails to provide or update other ownership information with intent to deceive and causes real harm to the PTO proceedings or a third party would be a sufficient deterrent to abusive behavior.

As noted above in Section II. with respect to the PTO’s broad “attributable owner” identification requirements, Pfizer has serious concerns that requiring continuous disclosure of any changes in ownership information in all prosecution and PTAB proceedings will lead to unwarranted attacks on legitimate patents based on a patent owner’s innocent factual or legal mistakes or delays in identifying or not identifying the current legal title holder and ultimate parent entity, increasing the costs and time of litigation.

IV. The PTO significantly underestimates the number and type of affected parties and the level of additional effort and cost needed to comply with its proposed rules.

The PTO’s statistics as to the current level of recordings of assignee information in the PTO Assignments database are based on a voluntary system and limited to preparation and

disclosure of assignee information, while the PTO's current proposed rules would require disclosure and continual updating of not only assignee information but also the identity of ultimate parent entity and other "attributable owners", and would require this for all patent properties – even those having no current commercial or competitive significance. Such requirements would affect numerous small entities as well as large entities and would significantly increase the cost of patenting.

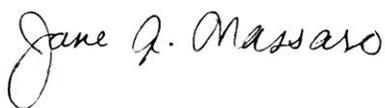
The PTO's proposal to create a new reporting system for ownership information would exacerbate these effects. Pfizer believes that a new reporting system is not needed to allow the PTO to gather, and the public to search, ownership information. Ultimate parent entity information could be collected on the existing PTO Assignments database, and the public could use that database to search for patent owners and their ultimate parent entities. Any information not recorded there or on the face of a published application or patent would be available in the application file on Public PAIR. Using the existing PTO systems would eliminate the PTO's stated need for -- and the cost to the PTO to create and administer -- a separate reporting system and separate reporting requirements. Using the existing systems would also eliminate the additional time, effort and costs that would be required of patent applicants/owners to monitor and prepare additional filings for a separate system.

Pfizer appreciates the PTO's efforts in developing the proposed rules and looks forward to working with the PTO in its mission while minimizing excessive burdens on patent applicants and owners.

Sincerely,



Roy F. Waldron



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April 24, 2014

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Re: Toyota Motor Corporation's Comments on
Changes To Require Identification of Attributable Owner

Dear Mr. Engel:

Initially, Toyota wishes to thank the U.S. Patent Office for the opportunity to present its views on the proposed Changes to Require Identification of Attributable Owner, as published in the Federal Register (Vol. 79, No. 16) on January 24, 2014 ("Notice").

By way of background, Toyota Motor Corporation ("Toyota") is one of the largest automobile manufacturers in the world, with the U.S. being one of its largest markets. Toyota has numerous facilities in the U.S., including research and development (R&D) facilities directed to various automotive and energy technologies. As a result of its R&D efforts in the U.S. and abroad, Toyota was awarded over 1,000 U.S. patents in 2013 for its innovations. Accordingly, Toyota has a significant interest in the U.S. Patent Office's proposed changes concerning the collection of attributable owner information both from the standpoint of a manufacturer of products in the U.S., as well as a holder of U.S. patents.

Toyota supports the general concept of transparency in the prosecution and enforcement of patent rights. Nevertheless, after careful consideration of the proposed rules set forth in the Notice requiring identification of the attributable owner, Toyota opposes the proposed rules for the reasons set forth below.

The proposed Section 1.271 of the Notice sets forth various definitions of the entity or entities that are covered by "attributable owner". Toyota particularly objects to the proposed definition of the "ultimate parent entity". It is Toyota's view that the proposed definition of "ultimate parent entity" is burdensome and impractical as it relies, *inter alia*, on the ability to understand and apply such imprecise legal concepts as "control". Even if the definition of



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SUGHRUE MION, PLLC

Mr. James Engel

April 24, 2014

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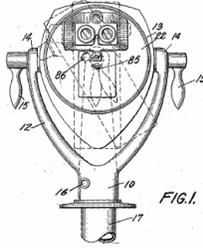
"ultimate parent entity" could be understood, ascertaining the ultimate parent entity can often be a difficult and complex process. Given the severe penalties imposed in proposed Section 1.279 for failure to notify the Office of the attributable owner, or a change to the attributable owner, considerable resources will need to be expended in order to ensure proper compliance with the proposed rules. This will necessarily increase the costs to applicants and patentees, and will be particularly burdensome for those patent holders who manage large portfolios.

Accordingly, it is Toyota's view that any benefit that might be attributable to the proposed rules would be outweighed by the significant burden attendant with proper compliance with these rules.

Very truly yours,

William H. Mandir

On Behalf of Toyota Motor Corporation



WAY BETTER PATENTS
Wayfinder Digital, LLC
2961-A Hunter Mill Road, #602
Oakton, Virginia 22124

April 21, 2014

Mr. James Engel, Senior Legal Advisor,
Office of Patent Legal Administration,
Office of the Deputy Commissioner for Patent Examination Policy

Reference: [Comments on Attributable Ownership](#)

Dear Mr. Engle,

Wayfinder Digital is pleased to provide the following comments on the USPTO proposed rules on reporting of the Attributable Owners of US patents and patent applications. Wayfinder Digital is the publisher of Way Better Patents (waybetterpatents.com), a digital information and data products platform. Way Better Patents was founded to make information about patents easier to find, easier to use, and easier to understand. The firm's principals have deep experience in patent analytics, patent data, and technology transfer, how patented inventions are commercialized and brought to market.

We support USPTO's effort to increase information transparency with respect to the attributable ownership of patents and patent applications. We believe that the patent compact through which inventors and titleholders are granted exclusive use of the patented invention in exchange for disclosure of the invention includes the disclosure of complete and accurate information on who owns a patent or patent application and how to contact the attributable owners. This reporting does not introduce a burden on the patent owner, can be accomplished electronically at a minimal cost. The availability of this information is an essential element of a functioning patent system in today's global innovation economy.

USPTO should use this opportunity to address "broken windows"¹, the information asymmetry in the US patent system. The lack of information transparency is the

¹ Social scientists James Q. Wilson and George L. Kelling in their 1982 article in *The Atlantic* called *Broken Windows* put forth a theory that fixing the little things will help restore or maintain order and prevent chaos. A broken window transmits to criminals the message that a community displays a lack of informal social control and is therefore unable to or unwilling to defend itself against a criminal invasion. A neighborhood where the windows get fixed means someone cares and there is order in the neighborhood. The patentsphere could use some order in the neighborhood.

broken window within the US patent system frustrating innovators, entrepreneurs and business owners. It facilitates aggressive patent monetization behavior, clandestine patent privateering pacts, the inability of firms to defend themselves against frivolous patent lawsuits, and submarine infringement claims that coincide with the announcement of a new product or a new significant round of venture capital for science and technology-based firms. In the age of ubiquitous information disclosure patent information remain inscrutable. Implementation of attributable ownership rules is an opportunity to improve information transparency in the US patent system across the board.

Comments and Recommendations

Following are our specific comments on the rule making notice and recommendations for USPTO's consideration.

Adopt the Legal Entity Identifier

Adopt the Legal Entity Identifier (LEI) as the standard for identifying patent ownership to facilitate both identification of owners and the interrelationships among and between businesses. This will facilitate clarity on the ownership of patents, eliminate ownership reporting gaming, and enable the public to understand the ownership of patents, an increasingly important non-correlated asset of both public and private firms. Using the LEI will also enable USPTO to establish ownership reporting consistent with that of other businesses engaged in complex financial transactions. This will help to facilitate the very "market-making" and value creation many patent monetization organizations claim to be providing.

The Legal Entity Identifier (LEI) is a reference code to uniquely identify a legally distinct entity that engages in a financial transaction. The LEI system is an alphanumeric code and associated set of six reference data items to uniquely identify a legally distinct entity that engages in financial market activities. This global standard is endorsed by the G-20 and is consistent with the specifications put forward by the International Organization for Standardization (ISO 17442:2012) in May 2012: a 20-digit code and associated "business card" information. The LEI has been adopted by data transparency advocates globally.

Require Update of Attributable Ownership When There Is a Material Change at any of the Attributable Owners of Patents

Reporting changes in attributable ownership information should be required within a reasonable time after material events occur at firms that own patents. Material events include but are not limited to a merger or acquisition that results in greater concentration or transfer of patents; filing for bankruptcy which results on changes in ownership structures; or spin-out of businesses that may own patents, and other changes in ownership that would impact how patents are likely to be enforced. This is particularly important in situations where a material change occurs in industry

segments resulting in key patents being consolidated in a single firm which might result in these patents being deemed essential and a need for new FRAND licensing.

Do Not Exclude Government Entities from Reporting When They Own or Have Interest in a Patent

Government entities are titleholders of US patents. This includes Federal agencies (DOD, NASA, etc.), universities that are part of state government entities, and foreign government sponsored entities that own US patents. Accurate reporting of all attributable ownership is important. Exempting government entities from reporting requirements may put private universities and post-doctoral research institutes at a competitive disadvantage. Accurate ownership information is important as more entities that are part of the state university systems are enforcing their patents and using patent monetization business models to generate a return on their R&D investment.

USPTO should enforce greater transparency and reporting on patents where the US government retains certain rights in the invention (patents that contain government interest statements) under the Bayh-Dole Act. This includes requiring inventors, titleholders (assignees), and the government agencies that fund their work to insure accurate reporting of government interest in US patents. The lack of transparent information on government ownership and government interest in patents added significant complexity in recent bankruptcies of firms owning patents with US government interest and subsequent purchase by foreign entities of the firms that benefitted from US taxpayer funding. Much of this information was not apparent in the patent data or in available USPTO assignment data. This is increasingly important in ensuring that these patents are not transferred to foreign firms in a manner inconsistent with Bayh-Dole requirements. (Refer to the Wanxiang purchase of A123 Systems and the federally funded innovations held by the firm.)

Adopt the US Navy's Patent Information Disclosure Approach

USPTO is seeking comments on how to provide patent owners with a mechanism to make their desire to license their patent known to the public including facilitating enabling patent applicants and owners to voluntarily report licensing offers and related information for the Office to make available to the public.

The United States Navy routinely includes a statement similar to the one that appears below within the body of the patents it retains title to. This text appears in the Government Interest section of the patent when it is viewed in the patent full text database and as the first paragraph at the beginning of the specification on the printed/PDF version of a patent. This statement includes the name of the office responsible for the patented invention, a mailing address, telephone number, email address, and an internal reference number. The benefit of this approach is that the public will immediately know that technology is available for licensing while reading patents.

Example from US Patent 8,648,837:

"This invention is assigned to the United States Government and is available for licensing for commercial purposes. Licensing and technical inquiries may be directed to the Office of Research and Technical Applications, Space and Naval Warfare Systems Center, Pacific, Code 72120, San Diego, Calif., 92152; voice (619) 553-2778; email T2@spawar.navy.mil. Reference Navy Case Number 100270."

The Navy's Bravo Zulu (well done) approach to making its willingness to license its inventions known to the reader of its patents within the published patent documents offers considerable benefits over using the Official Gazette or creating a new special purpose reporting capability. Readers know immediately that the titleholder will entertain discussions on licensing and technology transfer. The Navy uses the space normally reserved for the Government Interest statement as defined in MPEP 310 to add its statement that a patent is available for licensing directly in the body of the patent. This is a free form section of the document that is only present in the patent data if the applicant has provided information. The Office may wish to explore using this same approach and using this prominent strategic location at the top of the specification for a similar licensing availability statement for patent titleholders who wish to make their intentions to license the technology known to the public. This can be implemented quickly without significant investments in new technology.

Enhancing Information on the Competitive Landscape for Innovators

USPTO outlined four goals of the attributable ownership reporting requirements: "(1) Enhance competition and increase incentives to innovate by providing innovators with information that will allow them to better understand the competitive environment in which they operate; (2) enhance technology transfer and reduce the costs of transactions for patent rights since patent ownership information will be more readily and easily accessible; (3) reduce risk of abusive patent litigation by helping the public defend itself against such abusive assertions by providing more information about all the parties that have an interest in patents or patent applications; and (4) level the playing field for innovators." To achieve these goals USPTO we make the following recommendations.

Enhance The Accuracy of Address and Geographic Data

More accurate address reporting will support the Office's desire to insure that information on patents is not misleading. Address reporting under the Attributable Ownership rules should require that the addresses provided are bonafide addresses.² The Bureau of the Census, another agencies that is part of the Commerce Department, the US Postal Service and others have comprehensive address checking software to identify legitimate addresses of businesses in the US. USPTO should implement automated procedures to improve the quality of the address data assigned to patents.

² §1.271 (f) 2, 3, 4, and 5

Obfuscated address information not only makes it difficult to locate a company from which a business may seek a license, it also directly impacts the USPTO reporting on domestic and foreign US patenting activity. Consider the following example. Inventor James H. Jannard, a prolific US inventor at Oakley and now at Red.com Inc. is the first named inventor on patents that have geographic information on the published patent documents showing Spieden Island, WA. Spieden Island, which is owned by Mr. Jannard, is part of the San Juan Islands archipelago. This is an uninhabited island with no US zip code and no US Postal Service. The patents show the inventions in Washington State while Oakley, at the time the patents were granted, was headquartered in California. Using bonafide US address information will eliminate this problem.

Enable the Public to Identify Bad Data for Correction

Implement a procedure that enables the public to report and USPTO to correct patent address and geographic content errors without requiring power of attorney from the patent holders. Many errors in geographic data, like those that appear in the figure below, go uncorrected over the life of a patent. The data errors on the examples below would impact both the ability of the public to locate the correct company to explore licensing and will result in inaccurate reporting of where concentrations of innovation are emerging, an increasingly important aspect of site selection and subsequent job creation for global businesses.

Assigned to E I du Pont de Nemours and Company, Wilmington, D.C. (US)

E I duPont de Memours and Company is in Wilmington, DE.

LEGAL NAME OF SOLE OR FIRST INVENTOR (E.g., Given Name (first and middle (if any)) and Family Name or Surname)			
Peter Wirz			
Inventor's Signature <i>Peter Wirz</i>		Date (optional) 12 12 27	
Residence City Luzern	State 6004	Country Switzerland	
Mailing Address Weggisgasse 40,			
City Luzern	State LL	Zip CH-6000	Country Switzerland

Patents D692,547 and D692,551, both granted to Peter Wirz of Luzern or Lucerne, Switzerland. The patent identifies the first name inventor as Wirz; Peter (Lucerne, SZ) SZ is USPTO's country code for Swaziland.

Affirmatively Identify Abandoned Patents

USPTO has the data to report which patent applications and which granted patents have been abandoned. This is an important element of the enforcement of the attributable ownership reporting requirements. This information should be prominently displayed on public patent documents. Reporting which patents are enforceable and which have been abandoned during a patent's valid life is an important piece of competitive information that is largely only available to patent

savvy organizations that can avail themselves of patent counsel but not available to less knowledgeable inventors, entrepreneurs, investors, and innovators or the public at large.

One of the prevalent intellectual property and maintenance fee management techniques among large patentholders is to cull their patent portfolios of patents that are no longer essential to their operations by abandoning the patents. The lack of transparency about abandonments results dramatic overstatement of the portfolio of enforceable patents held by firms, prevents innovators from knowing which technology is available to them to use, and overstates the depth of enforceable patents within particular domains. More information on abandoned patents will help innovators make better intellectual property decisions and accelerate innovation.

Affirmatively Identify Expired Patents

By identifying the patents subject to attributable ownership reporting, USPTO can also affirmatively identify patents that are expired or abandoned and not subject to this reporting requirement. At present the public has no easily accessible way to identify expired and patents that are no longer enforceable. The lack of transparent information on which patents contain technical and scientific inventions that may be used freely hinders the ability of innovators to use the scientific and technical disclosures in expired patents. Many patents contain inventions that were not commercialized during their enforceable lifetimes but are now technically and scientifically feasible. More accessible reporting on which patents contain disclosures of inventions that are free to use will broaden the universe of choices available to innovators. Like reporting on abandoned patents, identification of expired patents that are available for building new products will provide more leverage in licensing discussions and more market oriented licensing.

Thank you for the opportunity to provide these comments. Please feel free to contact me if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Arleen Malley Zank', written over a horizontal line.

Arleen Malley Zank
President
Wayfinder Digital, LLC

From: Logo Hooks [email address redacted]
Sent: Tuesday, April 22, 2014 1:53 PM
To: AC90.comments
Subject: Transperency of patent ownership

I believe that the inventor has to be the only one approving of any new ownership in a specific document made up by the USPTO.

My patent was one that was trying to be stolen through the PTO. They were unsuccessful as the PTO did their job and reviewed my assignments that others filed fraudulent claims.

I believe the inventor or if the inventor puts the patent and or TM in her Company name that she as the President/CEO and sole shareholder of her Company along with being the only named inventor should never have to worry about her invention being stolen from within the USPTO.

Again. Direct contact with the inventor is the path of least resistance and fastest way to gain clarity on ownership.

Hope this helps.

From: [email address redacted]
Sent: Wednesday, April 23, 2014 4:03 PM
To: AC90.comments
Subject: Comment/Question on Proposed Attributable Owner Rules

PLEASE REDACT MY NAME AND EMAIL ADDRESS - THIS IS TO BE CONSIDERED ANONYMOUS

Attn: James Engel

Senior Legal Advisor

Office of Patent Legal Administration, Office of the Deputy Commissioner for Patent Examination Policy

Mail Stop Comments-Patents

Commissioner for Patents

P.O. Box 1450

Alexandria, VA 22313-1450

Dear Mr. Engel:

I offer this question to the Notice of Proposed Rulemaking dated January 24, 2014, entitled Changes to Require Identification of Attributable Owner. In the Notice, the United States Patent and Trademark Office is proposing to require that the attributable owner, including the ultimate parent entity, be identified during the pendency of a patent application and at specified times during the life of a patent.

Question: Does this disclosure requirement include inventors or contributors who receive a share of royalties from their university employers as part of a royalty sharing policy, such as that required under the Bayh–Dole Act?

Thank you.

From: Meltin Bell [email address redacted]
Sent: Tuesday, April 22, 2014 11:05 AM
To: AC90.comments
Cc: Meltin Bell
Subject: Proposed Rules for Transparency of Patent Ownership: Written Comment Period to Close Soon

Thank you for including me in this distribution. The attributable ownership proposed rules sound great and I look forward to seeing their development. How do I request my patent be listed in the Official Gazette as available for license?

----- Forwarded message -----

From: **Patents Alert USPTO News** <noreply@enews.uspto.gov>
Date: Tue, Apr 22, 2014 at 8:45 AM
Subject: Proposed Rules for Transparency of Patent Ownership: Written Comment Period to Close Soon
To: [email address redacted]

Proposed Rules for Transparency of Patent Ownership: Written Comment Period to Close Soon

In January 2014, the USPTO published proposed rules to increase the transparency of patent ownership information for patent applications and issued patents, which we termed "attributable ownership proposed rules" as a shorthand title. You can review our attributable ownership proposed rules here: <http://www.gpo.gov/fdsys/pkg/FR-2014-02-20/pdf/2014-03629.pdf>.

The period for submitting written comments about these proposed rules closes on Thursday, April 24, 2014. Your views on our proposal are important, and we want your input. You may submit written comments by April 24th in one of three ways: (i) email; (ii) postal mail; or (iii) through the government eRulemaking portal. The addresses for each are provided below.

Method	Address
Email (preferred)	AC90.comments@uspto.gov
Postal Mail	Mail Stop Comments-Patents Commissioner for Patents P.O. Box 1450 Alexandria, VA, 22313-1450
Federal eRulemaking Portal	http://www.regulations.gov

Thank you kindly for your attention to our attributable ownership rulemaking; we look forward your comments.

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--

Melvin Bell

[phone number redacted]: voice

[phone number redacted]: text

[email address redacted]

President Obama Speaks on Manufacturing

Barack in the Virginia Rain: "There's Nothing We Can't Do"

I appeal to you, brothers and sisters, ^[a] in the name of our Lord Jesus Christ, that all of you agree with one another in what you say and that there be no divisions among you, but that you be perfectly united in mind and thought. - Paul in chapter 1 and verse 10 of his first letter to the Corinthians (NIV).

If we maintain our faith in ourselves and in the possibilities of this nation, there is no challenge we cannot surmount. - President Barack Obama during the MLK Memorial Dedication October 16, 2011.

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--

Melvin Bell

[phone number redacted]: voice

[phone number redacted]: text

[email address redacted]

<http://www.youtube.com/watch?v=D2nrizDZJHk&feature=uploademail>

<http://www.youtube.com/watch?v=OofHuLW6xdM>

I appeal to you, brothers and sisters, ^[a] in the name of our Lord Jesus Christ, that all of you agree with one another in what you say and that there be no divisions among you, but that you be perfectly united in mind and thought. - Paul in chapter 1 and verse 10 of his first letter to the Corinthians (NIV).

If we maintain our faith in ourselves and in the possibilities of this nation, there is no challenge we cannot surmount. - President Barack Obama during the MLK Memorial Dedication October 16, 2011.

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From: Brian Breczinski [email address redacted]
Sent: Thursday, April 24, 2014 12:06 AM
To: AC90.comments
Subject: attributable ownership proposed rules

I support the attributable ownership proposed rules.
Brian Breczinski

April 24, 2014

WRITER'S DIRECT LINE
202.295.4094
cbrinckerhoff@foley.com EMAIL

CLIENT/MATTER NUMBER
999120-0301

AC90.comments@uspto.gov

James Engel
Senior Legal Advisor,
Office of Patent Legal Administration,
Office of the Deputy Commissioner for Patent Examination Policy
United States Patent and Trademark Office

Re: Changes To Require Identification of Attributable Owner
78 Fed. Reg. 4105 (Jan. 24, 2014)

Dear Mr. Engel:

I am a partner of Foley & Lardner LLP, which is a national, full-service law firm with a vibrant intellectual property practice that includes over 200 intellectual property attorneys and professionals, and chair of the firm's IP Law and Practice committee. I participated in the January 2013 Real-Party-In-Interest Roundtable. These comments do not necessarily represent the views of other members of Foley & Lardner LLP or its clients.

As a federal agency subject to the Administrative Procedures Act, the USPTO must justify its needs for information required from the public. Although the Federal Register Notice sets forth specific reasons why the USPTO supposedly needs the information it proposes to require from patent applicants, the following comments explain why the stated reasons do not justify the heavy burdens the proposed rules would impose.

1. Verifying Power of Attorney

Information on Attributable Owner would not help the USPTO verify that power of attorney has been obtained from the appropriate entity.

The current USPTO rules on power of attorney for applications filed on or after September 16, 2012 are **inconsistent** with a goal of ensuring that power of attorney is consistent with ownership. The USPTO power of attorney rule, 37 CFR § 1.32(b)(4), requires that the power of attorney originate from the applicant(s). However, the USPTO rule that defines who may be named as the applicant, 37 CFR § 1.32(b)(4), permits inventors to be named as applicants even if they have assigned all of their rights in their applications. Thus, the USPTO

power of attorney rules in effect require power of attorney from people who no longer have any ownership rights whenever the inventors of an assigned application are named as the applicants.

When a Power of Attorney from a non-inventor applicant is submitted, the practitioner or applicant verifies that the Power of Attorney has been obtained from the appropriate entity (usually the titleholder) by submitting a statement under 37 CFR § 3.73. The USPTO does not, does not have the resources to, and does not need to, independently verify the statement.

Even if the USPTO did verify ownership, it is not likely that any “attributable owner” beyond the named titleholder (assignee) would have authority to file or prosecute a patent application, except possibly an exclusive licensee. However, not all exclusive license agreements give the exclusive licensee a right to prosecute. Thus, even knowing that a patent application has been exclusively licensed and to whom would not be sufficient to identify the party with the right to control prosecution.

Moreover, under 37 CFR § 1.34, a registered practitioner can prosecute a patent application without ever filing any formal power of attorney document. While a power of attorney is needed to support certain papers (such as an express abandonment or terminal disclaimer), most patent applications can be filed, prosecuted, allowed, and granted without a power of attorney document.

For at least these reasons, the USPTO does not need Attributable Owner information to verify that power of attorney has been obtained from the appropriate entity.

2. Avoiding Potential Conflicts Of Interest

The Federal Register Notice states that Attributable Owner information is required “to avoid potential conflicts of interest for Office personnel.” However, the USPTO has not shown that potential conflicts of interest cannot be identified from titleholder (assignee) information.

For proceedings before the PTAB, current rules already require identification of the real-party-in-interest. The USPTO has not explained why that requirement is not sufficient to permit Board members to identify when they may have “an investment in a company with a direct interest in a Board proceeding.”

Although the Federal Register Notice also expresses concerns regarding potential examiner conflicts of interest, it has not indicated that it currently takes into account available patent application ownership information when assigning applications to examiners. Rather, it is believed that the USPTO relies on individual examiners to identify potential conflicts of interest on a case-by-case basis. Before the USPTO requires additional information for this reason, it should explain how it would use that information to identify potential conflicts of interest.

Moreover, the USPTO has not shown that titleholder (assignee) information would not be sufficient to identify conflicts of interest. Indeed, most of the Attributable Owner information that goes beyond titleholder (assignee) information likely would not be relevant to identifying conflicts of interest, particularly in view of the exemptions from financial conflicts pertaining to investments in diversified mutual funds and publicly traded stocks and bonds. *See* <http://www.uspto.gov/web/offices/com/advisory/acrobat/pto2000e.pdf>.

3. Identifying Commonly Owned Prior Art and Double Patenting

The most substantive justification for the proposed Attributable Owner rules relates to the relevance of patent ownership to the prior art exception of 35 U.S.C. § 102(b)(2)(C) and double patenting. However, the Federal Register Notice does not explain how the onerous attributable ownership information is required to implement § 102(b)(2)(C) or identify double patenting issues.

Under the USPTO's rules implementing the AIA version of § 102, the applicant will bear the burden of establishing the applicability of 35 U.S.C. § 102(b)(2)(C). That is, under 37 § CFR 1.131, an examiner will cite prior art without regard to the exception, and the **applicant** will have to establish that the common ownership exception applies. Thus, requiring all applicants to provide ownership information at the outset is not necessary for implementation of § 102(b)(2)(C).

For double patenting, most double patenting issues arise between related applications/patents or applications/patents with overlapping inventorship, where ownership information may not be necessary to support double patenting. Moreover, an applicant already has a duty to disclose ownership information and/or commonly owned applications/patents if material to patentability, under 37 CFR § 1.56.

For at least these reasons, the USPTO does not need Attributable Owner information to implement the AIA version of § 102 or identify double patenting issues.

4. Parties Requesting Post-Issuance Proceedings

The Federal Register Notices states that Attributable Owner information is required to verify that the party making a request for a post-issuance proceeding is a proper party for the proceeding; however, existing rules already require the necessary information.

The Inter Partes Review and Post Grant Review statutes already require the **petitioners** to identify the real-party-in-interest (35 USC §§ 312(a)(2), 322(a)(2)).

Since these are proceedings **against** a patent, it is not clear how requiring more information on patent ownership would help “verify that the party making a **request** for a post-issuance proceeding is a proper party for the proceeding,” as stated in the Federal Register Notice.

The Supplemental Examination statute permits a “patent owner” to request Supplemental Examination, and 37 CFR § 1.601(a) already provides that “[a] request for supplemental examination of a patent must be filed by the owner(s) of the entire right, title, and interest in the patent.” The USPTO does not need information beyond the titleholder information already required in order to administer Supplemental Examination proceedings.

For at least these reasons, the USPTO does not need Attributable Owner information to implement the new AIA post-issuance proceedings.

5. Improving The Accuracy Of Public Information

The Federal Register Notice states that Attributable Ownership information is needed to help “ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading.” This justification might be more credible if it were not so difficult for the public to obtain the ownership information that the USPTO already has.

The current USPTO searchable database of patent assignment information is maintained separately from both the electronic file wrapper system and the published application/patent databases, and information from the patent assignment database is not accessible through the other portals. Patent assignment information can be searched by patent number or publication number, but not application number.

An assignment is indexed in accordance with the information provided at the time of recordation. The USPTO does not verify that information, and generally will not correct improperly recorded assignments (e.g., assignments recorded under the wrong application or patent due to a clerical error), but rather relies on the submitting party to make corrections. An assignment that by its own terms applies to continuation and divisional applications will not be indexed to those applications (or resulting patents) unless the assignment is re-recorded under those application/patent numbers.

On the other hand, the USPTO publishes applications and patents with ownership information provided by the applicant on the Application Data Sheet or Issue Fee Transmittal, regardless of whether that information is consistent with any recorded ownership information.

Before the USPTO demands more onerous ownership information, it should make it easier for the public to obtain the most current ownership information that the USPTO already has.

I appreciate the Patent Office's careful consideration of these comments.

Sincerely,

/Courtenay C. Brinckerhoff/

Courtenay C. Brinckerhoff
Chair, IP Law & Practice
Foley &Lardner LLP

From: CBrinckerhoff@foley.com [mailto:CBrinckerhoff@foley.com]
Sent: Monday, April 28, 2014 5:45 PM
To: AC90.comments
Subject: Supplemental Comments On Proposed Attributable Owner Rules

Dear Mr. Engel,

I previously submitted the attached comments on the proposed Changes To Require Identification of Attributable Owner, 78 Fed. Reg. 4105 (Jan. 24, 2014). (I am reattaching them in case you did not receive them as they are not yet posted on the Attributable Owner webpage.) I ask that the USPTO consider these supplemental comments, which are based on a provision of the MPEP that was just brought to my attention (MPEP 1130), even though I am submitting them a few days after the comment period has closed. As with my previously submitted comments, these comments may not reflect the views of other members of Foley & Lardner LLP or its clients.

The Federal Register Notice states that one goal of the proposed rules is to “ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading.” However, current USPTO procedures **actively discourage** applicants from ensuring that accurate ownership information is made available to the public. In particular, MPEP 1130 governs when the USPTO will republish an application at no charge to the applicant due to a “material mistake,” and provides that any error or omission relating to assignee information is **not** a material mistake. MPEP 1130 also provides that if an applicant seeks republication of an application to correct an error in the assignee information as a material mistake (i.e., without paying a second publication fee), the application may be subject to a patent term adjustment (PTA) reduction. This PTA penalty may be imposed even if the error sought to be corrected was made by the USPTO. By disseminating this guidance and **penalizing** applicants who attempt to have their applications republished with correct assignee information, the USPTO discourages applicants who have no interest whatsoever in hiding their identity from ensuring that the public is informed of the correct ownership information.

This MPEP guidance reveals just how far current USPTO policies, procedures and guidance are from “ensuring that the information the Office provides to the public ... is accurate.” Before the USPTO imposes new, onerous burdens on applicants, the USPTO should adopt new policies, procedures and guidance that encourage and facilitate **voluntary** disclosure and correction of patent ownership information, and should make all voluntarily disclosed ownership information readily available to the public. For example, the USPTO should treat errors in published applications relating to assignee information as “material errors” under MPEP 1130, and should republish applications **without charge** to correct patent ownership information. The USPTO also should republish applications **without charge** to update patent ownership information whenever an assignment is recorded.

Thank you for considering these supplemental comments.

Courtenay C. Brinckerhoff
Foley & Lardner LLP
3000 K Street, N.W. | Suite 600
Washington, DC 20007-5109
P 202.295.4094
E cbrinckerhoff@foley.com

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From: Brinckerhoff, Courtenay C.
Sent: Thursday, April 24, 2014 3:58 PM
To: 'AC90.comments@uspto.gov'
Subject: Comments On Proposed Attributable Owner Rules

Please see the attached comments responsive to the proposed Changes To Require Identification of Attributable Owner, 78 Fed. Reg. 4105 (Jan. 24, 2014).

Courtenay C. Brinckerhoff

Foley & Lardner LLP
3000 K Street, N.W. | Suite 600
Washington, DC 20007-5109
P 202.295.4094
E cbrinckerhoff@foley.com

Please copy my assistant Amy Mason (amason@foley.com) and our docketing department (WashingtonIPDocketing@foley.com) on all formal correspondence.

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From: Maurice Daniel [email address redacted]
Sent: Wednesday, April 23, 2014 11:07 PM
To: AC90.comments
Subject: Proposed Rules for Transparency of Patent Ownership

USPTO,

This rule change is a very bad idea. It is my understanding that the proposed rules would require the patent holder to disclose everyone with an interest in the patent to the USPTO in accordance with USPTO complex rules and definitions. Failure to comply could cause the inventor to lose his patent rights. This would put a tremendous legal, financial, and accounting burden on the small inventor to the point where the majority of inventors would lose their patent rights.

Who would benefit from these new rules?

What percentage of the total patent community would benefit from these new rules?

I am strongly against these new proposed rules.

Sincerely,

Maurice Daniel, Vice President of the Inventors Network of the Capital Area (INCA)



Maurice Daniel
mauricedaniel@earthlink.net

Sirs:

I write regarding the proposed “attributable ownership” rules. While my criticisms of these proposed rules are numerous, many of those criticisms have already been well-expressed by others. See, for example:

<http://www.pharmapatentsblog.com/2014/04/04/the-uspto-does-not-need-the-onerous-proposed-attributable-owner-rules/>

<http://www.pharmapatentsblog.com/2014/04/11/the-complexities-of-the-uspto-proposed-attributable-ownership-rules/>

<http://patentlyo.com/patent/2014/02/requiring-identification-attributable.html#comment-168433>

<http://www.patentdocs.org/2014/02/white-house-seeks-to-promote-transparency-concerning-patent-ownership.html>

On the assumption that most of those writers (and others) will be communicating those criticisms, I for the most part confine my brief comments to a different point.

I am licensed to practice before the USPTO. Unlike most licensed practitioners, however, I am based outside the US, in Israel, and therefore most of my clients are Israeli individuals and companies.¹ For nearly all of my clients, the USA is the single most important market in the world, and obtaining US patent protection is therefore of paramount importance. Consequently, a considerable part of my practice involves counseling my clients about their options with respect to the USA, including developing strategies and tactics to maximize their likelihood of obtaining sufficient US patent protection (which may include helping them devise research programs to support their still-to-be-written patent applications).

I should also note that none of my clients are software companies. All of the parties I represent before the USPTO are bricks-and-mortar enterprises, engaged in the development of physical products and processes for improving agricultural yields, diagnosing and/or treating medical conditions, digital printing, and many other useful activities.

Similarly, other than universities, none of the clients that I represent before the USPTO are large in the sense of having 500 employees; most are also not large in the sense of having deep pockets. Even those clients that do have significant funding (say tens of millions of dollars) are invariably looking for additional business partners who can provide more funding to continue research and to commercialize my clients’ innovations. To the extent that they have resources (financial and human) available to spend on patenting activities, those resources are finite, and my clients prefer to direct those resources to research and actual, substantive patenting activities such as drafting new applications, responding to office actions, or interviewing examiners.²

¹ I note that I am writing of my own volition, and not on behalf of any particular client or group of clients. I am not being reimbursed for writing these comments.

² As a speaker at the 2012 AIPLA Annual Meeting, I heard the Chief Intellectual Property Counsel of 3M say, “I live in a resource-constrained world.” *A fortiori* for my clients, which are much smaller companies than 3M.

Unfortunately, the proposed rules would of necessity force my clients to spend a not insignificant portion of those limited resources on ensuring compliance with the new rules, trying to determine just who constitutes an “attributable owner”. Often, the relationships with investors and other business partners can be complicated; whether not such a party constitutes an “attributable owner” will often not be a straightforward determination.³ Hitherto, I have generally not needed to concern myself too much with the nature of those relationships. Under the proposed rules, however, my clients will have to involve me much more deeply in considering the nature of the relationships with various strategic partners, and whether or not a given party needs to be listed as an “attributable owner”. In one sense that’s good for my business: it presents an additional opportunity to leverage my somewhat unusual situation and to provide a necessary service that is in short supply in Israel. But it’s not what my clients want to pay me (or anyone else) to do, as it doesn’t help them innovate or commercialize their inventions – i.e. it doesn’t help to promote the progress of science, in the words of the Constitution. And frankly, it’s really not what I want to do with my time, even if I can get paid for it.

I do not believe that the problem of forcing companies to allocate scarce resources to PTO-imposed regulatory compliance is unique to Israel-based filers at the USPTO. However, as non-US entities, I suspect that ensuring such compliance will prove to be an even greater burden to parties like my clients than it will for US-based filers. That’s because, with respect to any given matter, there is not a one-to-one correspondence between the relevant law in Israel and the relevant law in the United States.⁴ Thus in considering which parties might need to be reported to the USPTO under the proposed rules, my clients will have to filter their situations through additional lenses. The proposed rules will thus force a relatively higher cost on my clients, and other non-US-patent filers, than it will on US-based filers.

If I thought the proposed rules might achieve a useful purpose, I wouldn’t be writing, despite the costs they are sure to impose on my clients if adopted. But I don’t believe they serve any purpose. The Federal Register Notice gives various reasons for the rules, but those reasons are fig leaves, as explained in some of the links above (and which is ironic for a rulemaking notice that purports to address issues of transparency). What’s clearly going on is that someone has gotten the ear of the Obama administration and made the administration think that there’s something wrong with a system that allows patent ownership to be played like three-card monte. It may or may not be the case that permissive ownership and recordation requirements are problematic. But if the present requirements are a problem, they are not a problem across the board, but only in certain technologies – and not the ones in which my own clients are active. Inasmuch as in the fields in which my clients are active, the proposed rules would do more harm than good, they seem like a

³ For example, if my client signs a memorandum of understanding with a potential buyer of a controlling interest in my client, but numerous conditions must be fulfilled in order for the transaction to be completed, does that make the potential buyer an attributable owner? What if my client agrees to grant a narrowly tailored exclusive license for something that may be covered by the claims of an application as filed, but during prosecution the claims are amended so as not to claim the licensed product or process – need the licensee be disclosed upon filing, and if so, does the listing of attributable ownership later need to be revised as a result of the claim amendments? Contrary to the PTO’s assertions in the Federal Register Notice, these kinds of questions are not answered or quickly, being very fact-dependent, and will involve a non-negligible amount of time and expense to address.

⁴ For example, under CAFC case law and Israel case law, the definitions of “exclusive licensee” and the effect of being an “exclusive licensee” law are not congruent.

ham-fisted way to try to impose a solution to a non-existent problem. You don't use a sledgehammer to pry a crystal from a rock.

Even if something needs to be done about the listing of patent ownership, these rules exceed the USPTO's rulemaking authority. Reforms of this nature are best left to Congress, which is why the power to make such reforms is in Congress' purview and not the PTO's. And it's mind-boggling that a PTO that has been without a Director for over a year, with a titular head whose appointment is of questionable legality, would try to adopt these rules. Does the Office really want someone to challenge the rules on the grounds that (a) Michelle Lee isn't empowered to enact them because her appointment was illegal and (b) even if her appointment were legal, they constitute substantive rulemaking and are therefore ultra vires, as per *Tafas v Dudas*?

Beg off of these rules. Let the innovators innovate, instead of worrying about whether they're going to lose their US patents because they forgot to mention that their Great Aunt Shirley owns a 1% stake in the company.

If the USPTO is serious about making patent ownership more transparent, it could start by making the existing ownership data already in its possession more accessible and searchable. Perhaps Ms. Lee can talk with her former colleagues at Google about how that might be efficiently accomplished. And it could make the conveyance documents themselves available online for free, instead charging \$20 for a paper copy that takes days or weeks to arrive.

A handwritten signature in blue ink, appearing to read 'DF', is centered on the page.

Daniel Feigelson

Rehovot, Israel

April 25, 2014

Testimony of
Robin Feldman, Professor of Law &
Director of the Institute for Innovation Law,
University of California Hastings College of the Law
USPTO Hearings on
Creating Transparency in Ownership of Patents & Patent Applications
March 26, 2014¹

The patent system is quintessentially a notice system. As with its evolutionary ancestor, real property, patents ideally are intended to provide notice to all of the boundaries of that which is claimed. For example, a 2013 governmental report, which cited scholars Bessen & Meurer, noted the following:

In an optimal patent regime, patent property rights are clearly defined and easily determined so the world is on notice as to their existence, scope, and ownership. This “notice function” enables people to avoid infringement, negotiate permission to use others’ IP, and maximize efficiency, such as by not keeping all inventions as trade secrets or doing R&D on inventions already claimed by someone else.²

Information is particularly important at this stage in the evolution of the patent system. Although the licensing and trading of patent rights unrelated to product development is not new,³ the scope and scale of such modern activities are

¹ These comments are adapted from portions of the following work: Robin Feldman, *Transparency*, (forthcoming, VIRGINIA J.L. & TECH. 2014).

² Congressional Research Service Report, An Overview of the Patent Troll Debate 9 (April 16, 2013)(citing JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE 10 (2008)).

³ See Naomi R. Lamoreaux, Kenneth L. Sokoloff, and Dhanoos Sutthiphisal, Patent Alchemy: The Market for Technology in US History, 87 BUS. HIST. REV. 3, 21 (2013) (documenting attorneys who served as patent brokers in the nineteenth century); Gerard N. Magliocca, Blackberries and

unusual. Large numbers of patents that would not have garnered a return in the past are being separated out from any underlying product and transferred in the form of commoditized, tradable rights.⁴ As the market for patent monetization develops and expands, one must think of it in classic market terms. This includes ensuring the flow of information necessary to establish an efficiently functioning market.

One can begin with the basic notion that markets function better when players in the market can identify each other. The ability to know which parties hold an asset and how to reach them is an essential starting point for any market. Moreover, bargaining is more efficient if one knows with whom one is bargaining. This type of information can avoid the confusion and misinformation that can result in wasteful transaction costs. To put it simply, shell games and hide-and-seek rarely make for an efficiently functioning market.

With patents, however, the rights are not single-dimensioned. Given the potential to separate and distribute patent rights in various configurations, identifying who is the “owner” of the right is only the beginning. Depending on the rights structure established for a particular patent, key questions could involve who has the right to assert the patent and who has control to varying extents of assertion of the patent. Given the convoluted structures involved, understanding the money flow, regardless of formal control structures, is also an essential part of understanding who is in control.

Barnyards: Patent Trolls and the Perils of Innovation, 82 NOTRE DAME L. REV. 1809, 1809 (2007) (quoting Sen. Isaac Christiancy, 8 Cong. Reg. 307 (1878) for a colorful description of patent sharks);
⁴ For a detailed description of the emergence of the modern market for patent monetization and the forms of entities that have emerged, see Feldman, Intellectual Property Wrongs, *supra* note 4, at 264-268.. See also Sara Jeruss, Robin Feldman & Joshua Walker, The America Invents Act 500: Effects of Patent Monetization Entities on U.S. Litigation, 11 DUKE L. & TECH. J. 357 (2012); Tom Ewing & Robin Feldman, The Giants Among Us, 2012 STANFORD. TECH. L. REV. 1 (2012).

The question of, “who are the parties,” implicates information about the territory claimed. The ability to see who controls a patent and how that patent is being asserted can give notice to the public of what the patent holders believe is the appropriate footprint of the patent. That footprint may emerge not simply in one assertion but through the full body of assertions. In particular, a patent in one field that is being asserted in another field puts other players on notice, allowing them to plan and bargain appropriately.

At another level, information is a great leveler. Numerous scholars and commentators have noted that the economics of patent litigation allow patent holders to game the system. In simplified form, it can cost from \$600,000 to \$6 million to challenge a single patent demand in court. These costs increase in the case of multiple patents or larger patent portfolios. As a result, a patent holder can launch an attack on a target for a minimal expenditure, offering settlement costs below what it would cost the target to challenge the demand, or in some cases below what it would cost the target to fully analyze the demand. These economic realities may encourage targets to settle regardless of whether the patent is valid or validly asserted against them.

Market information also can be helpful in addressing the bargaining asymmetries reflected in the economics of modern patent assertion. Although certainly no panacea, accused infringers may benefit from being able to understand clearly all of the parties who are involved in the patent, see others who have been targeted, and see the results of different assertions that the patent holder (and its entities) have made.

Information on the various parties who have interests in the patent has efficiency information for the judicial system as well. Properly identifying those with relevant interests can avoid duplicative filings and enhance the potential for an efficient settlement process. In this context, courts may benefit from being able to identify all of the relevant parties. This, of course, would only be useful if the court is able to bring those parties into the proceedings when appropriate, an issue that implicates judicial joinder rules. Nevertheless, the question of whether and when it is appropriate to join must begin with information on who is in the universe of potential interests. Such information provides the framework if courts or regulators wish to hold those with pecuniary interests responsible for damages that may have been imposed in the pursuit of their financial interests.

Finally, market information on the identity of those who hold interests in patents and the territory they are claiming with those patents is important from a societal perspective as well. With the emergence of the new market for patent monetization, it will be essential to develop the type of oversight that can identify inappropriate behavior when it occurs and cabin that behavior, as well as identifying patterns that are likely to lead to market inefficiencies. Allowing vast networks of hidden behavior has the happy coincidence of preventing regulatory actors from observing the behavior. From a societal perspective, the result is less than optimal. Regulatory actors, such as public and private antitrust actors as well as securities regulators where appropriate, must be able to connect the dots that can reveal a troubling picture.

Such regulatory transparency is particularly important for patents. Patents are government entitlements, which are granted with specific goals in mind. When an active and complex trading market develops for those rights, it is essential that society has the ability to determine whether that market is functioning appropriately and whether it serves the goals of the government grant.

One could argue that the process of eliciting information on the universe of potential parties will have efficiency costs. Parties will have to spend time filing the information, and disputes about the adequacy of information provided will, inevitably, arise. There are always costs associated with providing information to the market, however. The key is finding an appropriate mechanism to minimize those costs while providing the information necessary for efficient transactions and settlement. Most important, such efficiency costs are likely to pale in comparison to the current inefficiencies of the patent litigation system. Shadow boxing is rarely an efficient judicial sport.

Turning to the USPTO proposals themselves, I wish to commend the Patent & Trademark Office for its revised set of proposals, published in January of 2014. The new proposals are a much needed effort to strike at the heart of the patent transparency problems. By requiring the reporting of so-called enforcement entities, ultimate parent entities, and hidden beneficial owners, the proposals provide the opportunity to make transparency a reality in the patent system.

In drafting the final language, however, I would suggest that it will be important to tighten up areas of the current proposals that may allow patent

holders to evade the intent of the regulations. To this end, I would like to offer three suggestions.

First, “ultimate parent entities” are defined in reference to the Hart-Scott-Rodino threshold, which designates the point at which one must file with the Federal Trade Commission for antitrust clearance of a merger or acquisition. The Hart-Scott-Rodino sieve is aimed at capturing large players. Information sufficient for an optimally functioning patent market, however, would be necessary for a patent regardless of whether the patent holder is a large or small player. In addition, even where anticompetitive behavior is concerned, the Hart-Scott-Rodino threshold may be ineffective in the complex patent monetization world.

The concern, however, is more than theoretical. I have chronicled the rise of one product company that purchased a set of broadly worded patents and asserted them aggressively against competitors, as well as engaging in an expansive acquisition campaign of buying more than 20 competitors and patent portfolios in the field. None of the individual transactions appears to have triggered the Hart-Scott-Rodino reporting requirements.⁵ The point is simply that antitrust thresholds are unlikely to be sensitive enough to serve as the appropriate analogy for patent transparency regulations.

My second suggestion relates to the USPTO’s proposed concept of “Hidden Beneficial Owners.” Hidden beneficial owners are described as those who try to avoid the need for disclosure by temporarily divesting themselves of ownership rights through contractual or other arrangements. The concept of casting the net

⁵ For a detailed description, see *id.* at 288-294.

widely to include those who are trying to hide is an important one in patent monetization. Looking only for those who temporarily divest, however, could risk missing a considerable amount of evasive behavior. Complex patent aggregation and monetization entities may be permanently designed to avoid transparency, neatly bypassing requirements related to temporary divestment. The hidden beneficial owners section explains that the section is “designed to discourage intentional shielding of such ownership interests,” language that could conceivably apply more broadly than temporary structures. Following on the heels of the “temporary divestment” language, however, the broader language could have significant difficulty standing on its own.

The notion of hidden beneficial owners will be critical to transparency. For example, National Public Radio has reported on the shell company “Oasis Research,” noting that the company distributes 90% of its net profits to Intellectual Ventures. At a panel at Stanford Law School last Friday, one of the founders of Intellectual Ventures suggested that Intellectual Ventures always sues in its own name. When asked about the lawsuits filed by Oasis Research, the Intellectual Ventures founder responded that Intellectual Ventures has simply sold the assets and does not control Oasis Research. This perspective is an example of how companies can structure their relationships with shell companies to try to obtain the benefits while maintaining sufficient distance to try to avoid any disclosure obligations that might be imposed in the future. For this reason, I would suggest that reference to certain securities law disclosure concepts could be tremendously useful. Explicitly referencing the securities regulation framework for terms such as beneficial and

pecuniary interest and disclosure avoidance language, brings the wisdom of experience gained with the use of those terms across time.

Finally, the timing requirements of the 2014 proposal are seriously limited. In the proposal, patent applicants are required to provide information at the time of filing for a patent and have an ongoing obligation to update information while the patent is pending. Once the patent has issued, however, the patent holder is only required to update information when maintenance fees are due and at the time of any post-issuance proceedings before the PTO. Maintenance fees are due at the PTO only 3 times in the 20-year life of a patent, at three years, seven years and eleven years.⁶

The advantage of limiting transparency requirements to these few moments lies in the lower production burden on patent-holders. Modern patent monetization takes place throughout the life of the patent, however. Occasional information does not provide the robust information necessary for an openly functioning market.

In short, patents are imbued with public interest by virtue of the fact that they are a government grant, bestowed only for purposes enshrined in the Constitution itself. As with the trading of public securities, the trading of an asset imbued with the public interest must be sufficiently regulated to ensure proper functioning of that trading market. Once again, I commend the USPTO for these bold and critical steps that have the potential to help bring clarity and order to the patent process and to the patent markets.

⁶ See US Patent & Trademark Office, Maintain Your Patent, <http://www.uspto.gov/patents/process/maintain.jsp>

From: Sharon Flank, Ph.D.
Sent: Monday, March 03, 2014 12:08 PM
To: AC90.comments
Subject: Attributable owner proposal: please do not enact

As the owner of a startup (and the holder of 10 issued patents), I am writing to inform you that the proposed change to

37 CFR Part 1
[Docket No.: PTO-P-2013-0040]
RIN 0651-AC90

will likely (a) cost us a lot of time and money, possibly stifling innovation, and (b) deter investment, also possibly stifling innovation.

Please don't throw the baby out with the bathwater, so to speak.

Cordially,
Sharon Flank, Ph.D.
CEO, InfraTrac
[email address redacted]
[telephone number redacted]
Light-based verification
www.infratrac.com

From: mark fulwider [email address redacted]

Sent: Tuesday, April 22, 2014 4:09 AM

To: AC90.comments

Subject: transparency

I think the problem is that this new rule will help the larger companies and hurt the small or individual patent holders, because the individual is not prepared with the technology to advance the depth of a larger or more complicated patent entity, but the larger is quite capable of the small "simple" patent and expanding on it. This makes it tougher on the little Guy. But the we all know that ... don't we.
mark fulwider

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, upsidetown 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.

Gerald L. Jenkins
1235 Linden Avenue
Highland Park, IL 60035

From: Daniel W. Juffernbruch
Sent: Friday, February 21, 2014 4:45 PM
To: AC90.comments
Subject: ultimate parent entity rule comments

The proposed identification of the ultimate parent entity is circular and unnecessarily burdensome for small and micro entity startups. One typical situation I see often is an individual who has invented an invention and also owns his own corporation. These corporations are closely held by the inventor alone or occasionally with a wife or other family member or associate as part investor. Sometimes these corporations are so closely held the inventor does not even assign it because he is the defacto President, CEO, COO, etc., but even if it was assigned, it doesn't matter. It is silly to even need to take a position on who is the ultimate parent entity in this situation. The definition is circular because if the company holds it, it is for the benefit of the inventor and if the inventor holds it, it is for the benefit of the company. These closely held small and micro entities aren't trying to hide anything. They are just trying to avoid unnecessary legal steps and entanglements. They have nothing to hide but don't want the hassle and risk of abandonment for failing to properly comply with an unnecessary requirement. Please carve out these types of situations from your proposed rule.

Best Regards,

Dan

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web: www.patentsandlicensing.com

From: Yongae Jun [email redacted]

Sent: Tuesday, February 11, 2014 10:21 AM

To: AC90.comments

Subject: Patent Ownership Recordation

To whom it may concern:

A few years ago I wrote a published Law Review Article (attached herein*) discussing the "imperfect" state of perfection in security interests in patents. Has the USPTO looked at trying to take over perfection (recordation) of security interests in patents and patent applications? As it stands, it is unclear whether filing under the UCC or recording at the USPTO operates to perfect a security interest in a patent application.

Kindest regards,

Yongae Jun

* "The Imperfect State of Patent Perfection," Akron Intellectual Property Journal. 2011.

Attachment available for public inspection by appointment. Please contact james.engel@uspto.gov.

To:

USPTO

5 Attention: James Engel
Senior Legal Advisor
Office of Patent Legal Administration
Office of the Deputy Commissioner for Patent Examination Policy
AC90.comments@uspto.gov

10

Re: Comments of Carl Oppedahl

Dear Mr. Engel:

15 I offer these comments to the Notice of Proposed Rulemaking dated January 24, 2014 entitled *Changes to Require Identification of Attributable Owner*. The views expressed herein are solely those of the undersigned and are not to be imputed to any particular client of the undersigned.

Summary:

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The package of proposed rules directs itself against the tiny fraction of patent applicants (“trolls”) who engage in “frivolous litigation” and “abusive patent litigation”. In doing so it would impose staggering costs and risks upon many perfectly legitimate non-troll patent applicants who are not within that tiny fraction, applicants who have never engaged in, and have no intention of engaging in, such “frivolous” and “abusive” litigation. Some of these costs would be incurred during prosecution of patent applications; others of these costs would be incurred during the term of any issued patent. The risks would be imposed upon perfectly legitimate non-troll patent owners at litigation time in federal district court and during any of a variety of post-grant review proceedings before the Patent Trial and Appeal Board.

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Setting aside the staggering costs and risks that the proposed rules would impose upon legitimate patent applicants, there is the further problem that if the proposed rules were enacted, the apparent goals of the proposed rules would not be well served.

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It is not easy to devise small or even larger changes to these proposed rules that would reduce the staggering costs and risks significantly, or that would allocate the costs and risks more nearly to the “frivolous” or “abusive” parties (the trolls) and away from legitimate non-troll patent applicants. Likewise it is not easy to devise small or even larger changes that would permit the rules to actually serve well the apparent goals of the rules. The proposed rules should be scrapped. To the extent the problem to which the proposed rules direct themselves needs solving, a targeted legislative approach is called for.

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The commenter:

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I am a practitioner registered to practice before the USPTO since 1987. I have prosecuted many hundreds of patent applications over the years on behalf of a range of applicants. As one who sends bills to clients, I am keenly aware of what it costs to carry out tasks imposed by USPTO's rules.

As one who has represented parties (patent owners and accused infringers alike) in adversarial proceedings, I am very familiar with the range of arguments which might be made to attempt to invalidate a patent.

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The goal of the proposed rules:

The actual goal of the proposed rules is to make it easier for the target of a cease-and-desist or licensing inquiry letter to work out who is behind the letter.

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The Notice offers up other putative benefits of the proposed rules, putative benefits other than the goal of making it easier for the target of a cease-and-desist letter to work out who is behind the letter. Few if any of those other putative benefits withstand scrutiny. The other putative benefits offered up in the Notice are as follows.

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Power of attorney. The Notice says that the proposed rules will “ensure that a 'power of attorney' is current in each application or proceeding before the Office.” The Notice further explains that “the Office has a clear interest in ensuring that current representatives in any proceeding before the Office are authorized by the current owner of the application or patent.” The Notice mentions that “there are recent trends towards greater liquidity in the markets for patent-related intellectual property” and that having “up-to-date attributable owner information will help the Office determine whether current representatives ... are authorized by the current applicant or owner”.

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Missing from the Notice is any actual evidence that this is a problem that need solving. The impression given by the language of the Notice is that there is some recurring problem of practitioners insinuating themselves into proceedings before the Office, practitioners who are presenting powers of attorney signed by parties other than the actual owner. The chief imagined problem is that the application or patent is owned by party B and the practitioner files a power of attorney signed by party A, thereby wresting control of prosecution away from B. A related imagined problem is that ownership somehow shifts (for example the application is owned by a corporation and someone buys or sells some shares of that corporation) and that this puts into question whether the practitioner has ceased to be “authorized”.

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The Notice fails, however, to point out even a single instance of such a problem having arisen, nor does the Notice explain how the proposed “attributable owners” reporting burden would somehow remedy such a problem.

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A moment's reflection reveals why this “unauthorized power of attorney” problem is illusory. In the case where the application or patent is owned by party B and the practitioner files a power of attorney signed by party A, thereby wresting control of prosecution away from B, it is a straightforward matter for party B to get in touch with the USPTO. USPTO already has mechanisms in place to handle cases in which two parties each try to control the prosecution of the application. USPTO's existing mechanisms are called upon only rarely (at most only a handful of times per year) and the existing mechanisms are sufficient to the task.

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Further reflection reminds us that the practitioner who attempts improperly to control prosecution by filing an improper power of attorney risks loss of his or her license. This fact probably helps to explain why such problems are in reality quite rare.

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5 The patent system in the US has somehow survived for over two centuries despite the fact that sometimes the owner of a patent application is a corporation of which the share ownership shifts from time to time. If the owner is, say, General Motors, then a change in share ownership will result in a change in the list of “attributable owners” (as will be discussed below), yet for two centuries no one inside or outside of the USPTO has ever suggested that this change puts into question whether the practitioner on the case continues to be “authorized”.

10 It would be ill-advised to impose upon half a million applicants per year a substantial “attributable owners” reporting burden because of the few times per year that some practitioner files a power of attorney to improperly wrest control of the application away from the owner.

15 *Avoidance of conflicts of interest for PTAB personnel.* The Notice says that the proposed rules will “avoid potential conflicts of interest” in the PTAB. The example given is that “an official” of the USPTO might have “an investment in a company with a direct interest in a Board proceeding.” The Notice explains that the “ultimate parent entity information would serve as an additional check to the extent that Office employees might not be aware of subsidiaries owned by companies in which they might own stock.”

20 It is noted that long-standing rules already require a party before the PTAB to identify the “real party in interest” for exactly this reason. Doubtless every now and then a “real party in interest” identification has indeed permitted an administrative patent judge to avoid being empaneled on a proceeding presenting an actual or potential conflict of interest.

25 But the proposed rules call for a much more invasive inquiry and detailed disclosure of a list of all “attributable owners”, going far beyond the “real party in interest” list already required by existing rules. For example if the applicant were General Motors, the list of “attributable owners” would (as discussed below) include a list of all of the current shareholders. Nowhere in the Notice is it explained how (for example) the provision to the USPTO of a shareholder list would avert a conflict of interest
30 that would have been overlooked by the administrative patent judge had only the “real party in interest” been identified.

(General Motors is not a client of my firm. I merely mention General Motors as an example for purposes of discussion. In this comment I mention many companies that are not a client of my firm but
35 that are merely given as examples for purposes of discussion.)

40 *Avoidance of conflicts of interest for patent examiners.* The Notice says that the proposed rules will “avoid potential conflicts of interest” for patent examiners. Nothing in the Notice explains how (for example) a shareholder list for General Motors will better serve the Examiner than a mere identification of General Motors as the owner. As things now stand, in many cases an Assignment has been recorded and an Examiner who goes to the trouble to do so may learn the name of the assignee by a single mouse click in the Palm system. It will also be recalled that 35 USC § 261 establishes a three-month period for recording patent assignments, and it is the experience of the undersigned that the vast majority of signed patent assignments do in fact get recorded within that three-month period.

45 A previous USPTO rulemaking (Federal Register 77 FR 48775, August 14, 2012) suggested that some fraction of pending patent applications have been assigned (or are subject to a duty to assign) but have

not had an assignment actually recorded. It is noted in this connection that 37 CFR § 1.46 (adopted in that FR notice) obligates the applicant to “notify the Office of any change in the real party in interest no later than payment of the issue fee.”

5 To the extent that this situation (an applicant having failed to record an assignment) is actually a problem (and that Notice did not quantify the size of the real or imagined problem), the problem could be addressed in ways that would be much less burdensome than the proposed “attributable owners” investigation and reporting requirement. For example the USPTO could require (just as it now does for patent appeals) that the applicant identify the “real party in interest” to the Examiner.

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The plain fact is that Examiners already minimize conflicts of interest in other much simpler and more effective ways. An Examiner whose work is examining (say) shock absorbers will likely avoid owning stock in the companies that make shock absorbers. This by itself does not, of course, eliminate all possible conflicts but does eliminate a large fraction of the potential conflicts. The other normal steps to identify potential conflicts (for example, the Examiner clicking on the “assignee” tab in Palm and looking to see what appears on the screen) would be carried out regardless.

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In any event, USPTO has not pointed to any statistics or even individual examples of Examiner/applicant conflicts. This makes it difficult to know whether the problem (if there is indeed a problem that needs fixing) calls for imposition of a staggeringly burdensome and expensive investigation and reporting requirement (as proposed in the Notice) or whether some far less burdensome and far less expensive approach (such as the disclosure-of-real-party-in-interest approach which the Board has used for decades, with no apparent problems) might suffice.

20

25 *Common ownership exception.* The Notice says that the proposed rules will help to “determine the scope of prior art under the common ownership exception under 35 USC § 102(b)(2)(C)”. This is a red herring. It is not Examiners who look to see whether some piece of otherwise citable prior art is in fact unavailable to the Examiner because of a common duty to assign. The standard practice of USPTO's Examining Corps is to reject claims over such prior art and to wait to see whether the applicant has some argument that will prompt reconsideration of the rejection. It is up to the applicant to see whether a rejection by the Examiner based upon such prior art may be overcome by demonstrating the common duty to assign. Applicants do this right now. They do not need the presently proposed rules to be able to do this.

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35 *Double patenting.* The Notice says that the proposed rules will help to “uncover instances of double patenting”. This is also a red herring. Examiners already use existing search tools within USPTO to look for cases presenting double patenting issues, using search terms such as the assignee, the inventor, and claim terminology. Examiners also already use continuity data in Palm to identify possible double patenting issues. Examiners are already under a duty to carry out an interference search in each application (MPEP § 2304.01(a)).

40

Let us assume for sake of discussion that there is some residuum of potential double patenting issues that somehow routinely gets missed despite all of the existing practices. From this it would not automatically follow that the correct next step is the imposition of a staggeringly burdensome and expensive investigation and reporting requirement (as proposed here). Perhaps the appropriate next step (if we assume for sake of discussion that such a residuum exists and that it represents a problem that needs fixing) would be to try some far less burdensome and far less expensive approach (such as

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the disclosure-of-real-party-in-interest approach which the Board has used for decades, with no apparent problems) might suffice.

5 Nothing in the Notice makes clear how it is that provision of (for example) shareholder lists to the USPTO would “uncover instances of double patenting”. Presumably the Examiner who is examining a General Motors application would use some search tool provided by USPTO, to bring up a list of all of the “attributable owners”. A particular human being might be a shareholder in General Motors and also in Apple Computer, and thus would be an “attributable owner” of both companies. Presumably, if the reasoning of the Notice is to be believed, the Examiner would then check all of the pending
10 applications (and issued patents) of Apple Computer to see if they constitute double patenting relative to the General Motors application being examined. This would of course be a complete waste of time and money and resources within the USPTO.

15 *Verifying proper party.* The Notice says that the proposed rules will “verify that the party making a request for a post-issuance proceeding is a proper party for the proceeding”. This is likewise a red herring, for multiple reasons.

20 First, most issued patents are owned by corporations. Under recent USPTO rules such corporations are not allowed to proceed *pro se* but must instead be represented by a practitioner. No practitioner will knowingly proceed in such a post-issuance proceeding on behalf of someone who is not a “proper party”, due to the risk of being disbarred.

25 Second, the Notice fails to point to even a single instance of someone other than the “proper party” requesting a post-issuance proceeding to the exclusion of the proper party.

Third, common sense suggests that if someone other than the “proper party” were to request a post-issuance proceeding, the proper party would very likely somehow catch wind of the proceeding and would make inquiry to the USPTO about this.

30 Nothing in the Notice explains how the provision of (for example) a shareholder list for General Motors will permit the USPTO to “verify” that General Motors is the proper party for a post-issuance proceeding on one of its own patents.

35 *Accuracy in published applications and issued patents.* The Notice says that the proposed rules will “ensure that the information the Office provides to the public concerning published applications and issued patents is accurate and not misleading”.

40 Nothing in the Notice explains how the provision of (for example) a shareholder list for General Motors to the USPTO for one of the patents of General Motors will somehow benefit the public. Is USPTO proposing to include the shareholder list on the front page of each issued US patent?

The claimed benefits of the propose rules. The Notice sets forth five supposed benefits said to flow from the proposed rules if enacted:

- 45
1. ensure the highest-quality patents,
 2. enhance competition by providing the public with more complete information about the competitive environment in which innovators operate,

3. enhance technology transfer and reduce the costs of transactions for patent rights by making patent ownership information more readily and easily available,
4. reduce abusive patent litigation by helping the public defend itself against frivolous litigation, and
5. level the playing field for innovators.

Nothing in the Notice actually explains how these supposed benefits would flow from the proposed rules if enacted. The Notice simply states, without any support or analysis, that it is so. It does so six times – at page 4105, twice on page 4106, again at pages 4108-9, and twice more on page 4114. But mere repetition (even saying it six times) does not make it so. A few brief comments suggest that it is not so, for at least some of these supposed benefits.

Ensuring the highest quality patents. Examiners are supposed to proceed in an unbiased way, deciding whether any given claimed invention is patentable without regard to who owns it (or who are the “attributable owners”). Yes of course the Examiner’s work should be of high quality, but this is so regardless of who owns the patent application and regardless of whose names appear on the “attributable owners” list. The unstated suggestion seems to be that if only “attributable owners” list were made available to the Examiner, the Examiner could more quickly or accurately weed out inventions that are undeserving of patent protection. Such would be offensive to the notion of an unbiased patent office.

Providing more complete information about the competitive environment in which innovators operate. The suggestion seems to be that innovators need to know what their competitors are up to, and that the USPTO should force those competitors to reveal what they are up to. If this is a good thing, then why stop with merely forcing competitors to reveal details of their (published) patent holdings? Why not also force competitors to reveal the markets that they intend to enter in the future? Why not force them to reveal the names of companies they plan to try to compete with in the future? Suppose a retailer tries to buy a desirable retail location through an undisclosed agent. Should the retailer be forced to reveal its identity to the would-be seller? Suppose a mining company hires a middleman to lease drilling or mining rights in a particular geographic area. Should the company be forced to reveal its identity to the would-be lessor? Why should the USPTO involve itself in such forced disclosure by companies for no better reason than that they are part of “a competitive environment in which innovators operate”?

Enhancing technology transfer and reducing the costs of transactions for patent rights by making patent ownership information more readily and easily available. This is likewise a red herring. Many mechanisms are already in place to facilitate matching of would-be buyers and sellers of patent rights. See 37 CFR § 1.21(i) which provides for publication in the USPTO’s Official Gazette of a notice of the availability of an application or a patent for licensing or sale. USPTO publishes hundreds of such notices every year. See also PCT Form PCT/IB/382 “Request for indication of availability for licensing purposes” by which the applicant in a PCT application can arrange for its application to be listed in the Patentscope database as being available for licensing. There are hundreds of web sites and businesses, large and small, whose *raison d’être* is to match would-be buyers and sellers of patent rights.

Yet another simple reality is that very often the patent practitioner who prosecuted a particular patent application will know how to reach his or her own client. Anyone seeking to purchase a patent or

seeking to obtain a license under that patent can get in touch with the patent practitioner who prosecuted it. In many cases this will permit the patent owner to learn of the interest and in the (relatively infrequent, in my experience) instance where the patent owner wishes to get in touch with the inquiring party, it may do so.

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Anyone who holds patent rights and hopes to sell or license those patent rights will have no difficulty at all making his or her identity known to the would-be buyer or licensee. Those who hold patent rights but have no particular desire to sell or license those patent rights ought to be left in peace to proceed with their intended activities, and ought not to be forced to incur otherwise unnecessary investigating and reporting burdens.

10

Leveling the playing field for innovators. Nothing in the Notice so much as hints or suggests what “the playing field” is exactly, or how it is supposedly “non-level” at the present time, let alone how the proposed rules would remedy the supposed “non-level” circumstance. It is perhaps instructive to recall the Constitutional mandate “to promote the Progress of Science and useful Arts, by securing for limited Times to ... Inventors the exclusive Right to their respective ... Discoveries.” This mandate expressly calls for a non-level playing field. Inventors are supposed to have exclusive rights that others don't have.

15

The true goal of the rulemaking proceeding. As has just been discussed, the Notice offers half a dozen reasons *other than* the real goal (the real goal being making it easier for the target of a cease-and-desist or licensing inquiry letter to work out who is behind the letter) as reasons why the staggering costs of “attributable owners” reporting are somehow appropriate to be imposed on all patent applicants. To the extent that any of those half a dozen “non-troll” reasons represents a problem that actually needs fixing, the problem will have been around for decades if not centuries. The simple fact that these proposed rules did not appear twenty years ago or a hundred years ago speaks volumes; the real reason for these proposed rules is the (real or imagined) “troll problem” and not any of the half a dozen other reasons.

25

The troll problem. Having identified the real reason for this Notice, it is instructive to review the real-life events that are involved. The usual real-life event is that a patent owner (a “troll”) writes a letter to a target corporation, suggesting that a license is needed. From the wording of the Notice, the reader gets the impression that sometimes the target corporation suspects that some unnamed party is “behind” the letter, and that the unnamed party may directly or indirectly control other patents. The reader gets the impression that the target corporation desperately needs (or at least wants) to have much more information than can be gleaned from assignment records and the like. The Notice does not explain what exactly the target corporation would do with this information, but one can speculate. Perhaps, for example, the target corporation has a suspicion that more letters may be in store from the same unnamed party, and does not want to purchase a license if this will be likely to embolden the unnamed party to send more letters. Perhaps, for example, the target corporation has received multiple letters and if only the letters could all be connected to the same unnamed party, the target corporation could justify the expense of a declaratory judgment action.

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There is also the reality that the easiest way to predict who will win a proceeding is by looking to see who has more money. The target corporation, weighing the pros and cons of filing a declaratory judgment action, would of course greatly prefer to know how much money the other side has. If an unnamed party is “behind” the letter, the target corporation would of course prefer to know who the

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unnamed party is so that a guess can be made as to how much money the (hitherto) unnamed party has.

5 The Notice is clearly sympathetic to the position of such target corporations, and (quite mistakenly) thinks that the investigation and reporting burdens contemplated by the proposed rules would only cost “\$100” (*Notice* at 4116) to each patent applicant. The supposedly “victimless” nature of the investigation and reporting burdens would then make it an easy policy choice to impose those burdens, thus (supposedly) permitting target corporations to react much more knowledgeably and confidently to letters from “trolls”.

10 For reasons that will be discussed below, it is simply false to suggest that the investigation and reporting burdens are small. And as will also be discussed below, even if all patent applicants and patent owners were to be subjected to the investigation and reporting burdens that have been proposed, this would not come anywhere close to providing the information apparently sought by such target corporations. The proposed rules should be scrapped.

15 ***What is an “attributable owner”?*** The Notice contemplates that any patent applicant or patent owner would be required to carry out an investigation to develop a comprehensive list of all of the “attributable owners”, and to report that list to the USPTO. It is instructive to explore what counts as an “attributable owner” as set forth in the Notice.

20 Under the proposed rules, this investigation and report would need to be carried out once when the patent application is filed, and again no less often than every three months during pendency of the patent application. The investigation and report would need to be carried out again at the time of paying the issue fee. The investigation and report would also need to be carried out at 3½ years, 7½
25 years, and 11½ years, accompanying the payment of each maintenance fee. Other events (such as various PTAB proceedings) would also require additional investigations and reports as to “attributable owners”.

30 As contemplated by the proposed rules, here is the process that the patent applicant or owner would have to follow for each of the dozens of investigation-and-reports.

35 As a starting point, the applicant (typically, the practitioner representing the applicant) would first have to identify and list all of the “titleholders”. This would usually be a fairly straightforward task, in most cases requiring simply an inspection of the assignment documents that have been signed by the inventors.

40 Having identified and listed all of the titleholders, the proposed rules would require that the practitioner identify all of the “enforcement entities”. This means entities capable of enforcing the patent in court. The Notice mentions that one way an entity might become an “enforcement entity” is by possessing an exclusive license, for example for some field of use. The point of this aspect of the Notice is that sometimes there will be an “enforcement entity” that does not appear on the “titleholder” list.

45 Having identified all “titleholders” and all “enforcement entities”, the practitioner would be required to identify the “ultimate parent entities” for each of the title holders and for each of the enforcement entities. “Ultimate parent entity” is said by the Notice to be “defined in 16 CFR § 801.1(a)(3)”. The term “ultimate parent entity” is defined there as an entity that “is not controlled by any other entity”. The proposed rules further make clear that “entity” can mean a natural person. As can best be

discerned from the Notice and from the cited section of 16 CFR, the only entities that are “not controlled by any other entity” are natural persons (human beings).

5 Any corporation is by definition controlled by some entity or entities who are not the same as the corporation. From this it follows that no corporation could ever be an “ultimate parent entity”. If some “titleholder” or “enforcement entity” turns out to be a corporation, the list of “ultimate parent entities” would include (at the very least) a shareholder list.

10 A partnership is by definition controlled by some entity or entities who are not the same as the partnership. From this it follows that no partnership could ever be an “ultimate parent entity”. If some “titleholder” or “enforcement entity” turns out to be a partnership, the list of “ultimate parent entities” would include (at the very least) a list of the partners.

15 From the above discussion it appears that no entity except a natural person could ever be an “ultimate parent entity”.

20 The “attributable owners” investigation is thus iterative. First one arrives at a list of titleholders and a list of enforcement entities. Then one runs down the list, item by item, to see whether any of the entities on the list is other than a natural person. If so, then the entity on the list is replaced by a shareholder list or partner list for that entity as the case may be. Having reached the bottom of the list, one returns to the top of the list, again looking for entities that are not natural persons. If any such entity is encountered on the list, then the entity on the list is replaced by a shareholder list or partner list as the case may be. This process is repeated until all entities other than natural persons are eliminated from the list.

25 The Notice explains that if the entity being dissected to determine its “ultimate parent entities” is a nonprofit, the list of ultimate parent entities is the board of directors of the nonprofit.

30 It does not, however, follow automatically that if the practitioner has managed to trace ownership and control back to the underlying natural persons (human beings), that the practitioner has reached a complete list of “ultimate parent entities”. After all, it is not uncommon for a natural person to hold property “in trust” for some other natural person. This happens when one is, for example, a legal guardian of a minor or incompetent, under the control of a deed of trust or an order of a probate court. This would have to be investigated for each natural person on the list.

35 Having expanded the “attributable owners” list repeatedly until all legal persons are eliminated and only natural persons remain, and having further accounted for each natural person who holds ownership “in trust” for someone else, is the inquiry completed? No. The Notice requires the practitioner to divine the existence of “divesting entities”. The term “divesting entity” is defined as
40 “any entity that creates or uses any type of arrangement or device with the purpose or effect of temporarily divesting such entity of attributable ownership or preventing the vesting of such attributable ownership”. Presumably the hunt for “divesting entities” requires detailed scrutiny of each legal person that turned up in the titleholders inquiry, and detailed scrutiny of each legal person that turned up in the enforcement entities inquiry, and each legal person that turned up in the iterative
45 process of expanding the legal entities into an ultimate list of natural persons.

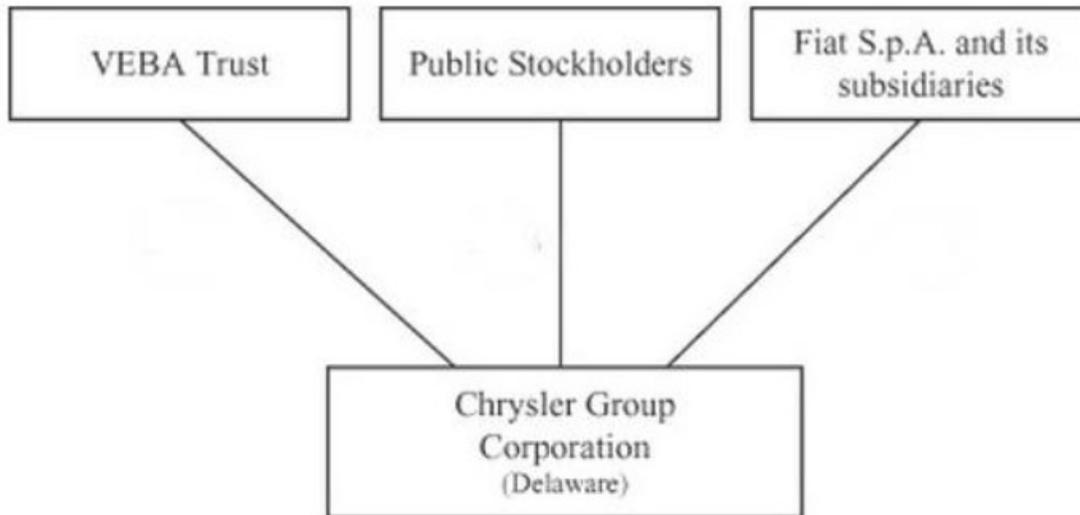
Each “divesting entity” would need to be added to the “attributable owners” list. And it would be

necessary to work out the “ultimate parent entities” for that newly added entity.

It may be instructive to look at a few real corporations to see what might be involved in the “attributable owners” investigation.

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Consider the automaker Chrysler. Here is a diagram showing ownership of Chrysler.



10 Is Chrysler Group Corporation an “ultimate parent entity”? Probably not. An “ultimate parent entity” is an entity that is not controlled by any other entity. From this diagram it appears that Chrysler is controlled by “VEBA Trust”, by “Fiat S.p.A. and its subsidiaries”, and by “public stockholders”. So the (preliminary) list of “attributable owners” has at least three items on the list, the “VEBA Trust”, “Fiat S.p.A. and its subsidiaries”, and the “public stockholders”.

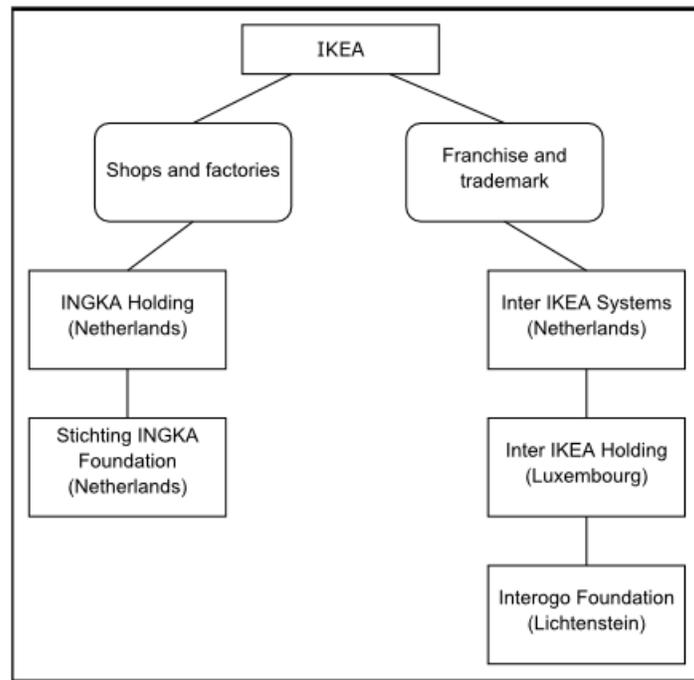
15 What is “VEBA Trust”? This is a Voluntary Employees Beneficiary Association, a nonprofit entity having something to do with employee benefits, probably controlled by a board of directors. So on the “attributable owners” list, “VEBA Trust” is replaced with a director list. So far so good. Now we turn to “Fiat S.p.A. and its subsidiaries”. This will require advice of Italian counsel to work out who exactly controls the S.p.A. (Advice of Italian counsel would also be needed to arrive at opinions as to how to handle the “subsidiaries”.) We also have “public stockholders”, who will have to be listed. Any stockholder that is not a natural person is presumably “controlled by another entity” and would thus need to be replaced on the list by the natural persons who control it.

25 The proposed rule requires that for each person listed on the “attributable owners” list, the person's current residence and current mailing address must be provided. Many persons would object to having to provide their residence address to the general public.

I estimate that developing the list of “attributable owners” for Chrysler would incur a one-time cost of over \$50,000.

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Now let's look at Ikea, the well-known furniture retailer. Here is an organizational chart:



5 If Ikea were to file a US patent application, or if it were to purchase an issued US patent for which a maintenance fee would later need to be paid, then Ikea would need to carry out an investigation to arrive at an “attributable owners” list. Let's put aside for the moment the “enforcement entities” portion of the required investigation and look only at the ownership and “ultimate parent entities” portion of the investigation. Assume for sake of discussion that the corporate decision is for the patent or patent application to be held by Inter IKEA Systems. The “ultimate parent entities” investigation would presumably call for opinions by Netherlands counsel (for Inter IKEA Systems), Luxembourg counsel (for Inter IKEA Holding), and Lichtenstein counsel (for Interogo Foundation). Likely the Foundation is a non-profit in which case according to the proposed rules the “ultimate parent entities” would be the directors of the Foundation.

15 Interestingly, according to the proposed rules, the “attributable owners” list might well be nothing more than a list of the natural persons who happen to be the directors of the Foundation. In other words, the “attributable owners” list might not even mention any entity with “IKEA” in the name. To the extent that we are counting on the “attributable owners” list as a way for patent examiners or PTAB judges to identify conflicts, the list would not only be unhelpful but would be a value subtractor. The examiner or judge who happens to have a spouse who works for IKEA, presented with nothing but a list of names of natural persons, would almost certainly never guess that person X or Y on the list is a director of a foundation that happens to own the company known as IKEA.

25 I estimate the one-time cost for the “attributable owners” investigation for IKEA to be in excess of \$50,000.

Suppose the patent application is owned by Facebook. Here is a list of the largest institutional investors in Facebook:

Owner Name	Shares Held
FMR LLC	118147574
STATE STREET CORP	67892687
VANGUARD GROUP INC	58719099
BARCLAYS GLOBAL INVESTC	38392673
SANDS CAPITAL MANAGEME	35226219
INVESCO LTD.	34157484
PRICE T ROWE ASSOCIATES	33322289
MORGAN STANLEY	31174002
JENNISON ASSOCIATES LLC	25741313
BAILLIE GIFFORD & CO	22090961
JPMORGAN CHASE & CO	20974366
AMERIPRISE FINANCIAL INC	14935157
MAIL.RU GROUP LTD	14210507
WELLS FARGO & COMPANY//	14148318
AMERICAN CENTURY COMPA	13889300

5 The “ultimate parent entities” portion of the investigation requirement would, among other things, require Facebook to obtain a shareholder list for each of these companies. It is safe to assume that (for example) the shareholder list for Wells Fargo would change almost daily. This would bring about daily changes in the “attributable owners” list. The proposed rules require that the USPTO be informed within three months of any change in the “attributable owners” list. Presumably at a minimum this would require Facebook to send in to the USPTO a new “attributable owners” list no less often than every three months. Arguably since “each change” is to be reported, Facebook would have to file an updated “attributable owners” list daily. Perhaps Facebook could be given the weekends off, and would only have to file two hundred or so reports per year.

15 I estimate the one-time cost for Facebook to carry out an investigation for an “attributable owners” list to be in excess of \$50,000. Each update would, I estimate, cost at least an additional \$50,000. Somewhere in the range of three to two hundred such updates per year would be needed during the pendency of the patent application depending upon how one interprets the proposed requirement that “each change” be reported within three months of its occurrence.

20 Suppose the patent owner is VocalTec Ltd, the company that makes the well-known MagicJack. Here are the biggest institutional investors:

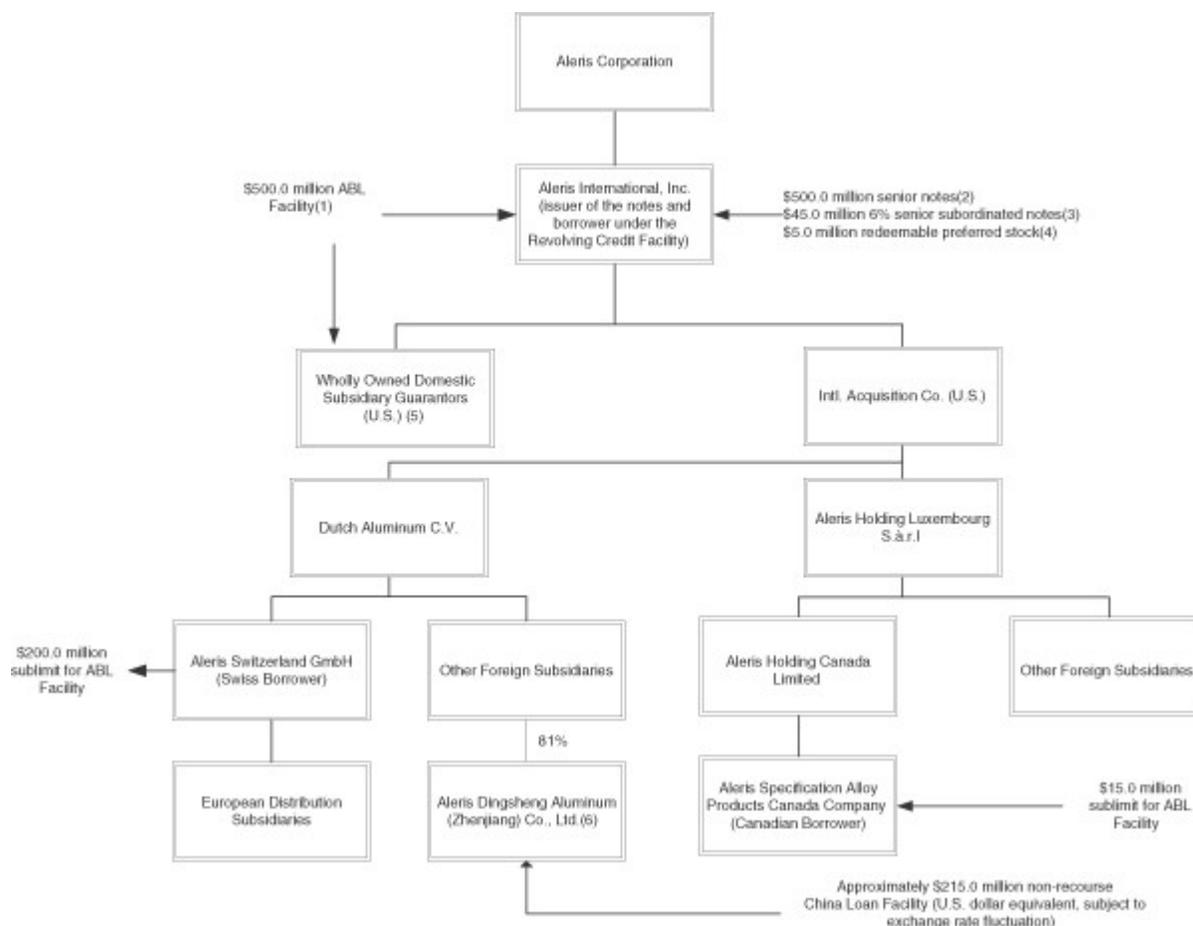
Owner Name	Shares held
ADAMS STREET PARTNERS LLC	1976861
JPMORGAN CHASE & CO	942473
BARCLAYS GLOBAL INVESTORS UK HOLDINGS	710619
BLACKROCK ADVISORS LLC	545110
BLACKROCK FUND ADVISORS	525527
THOMPSON SIEGEL & WALMSLEY LLC	438008
STATE STREET CORP	380319
SUSQUEHANNA INTERNATIONAL GROUP, LLP	298522
GROUP ONE TRADING, L.P.	225525
AQR CAPITAL MANAGEMENT LLC	190100
NORTHERN TRUST CORP	167683
T2 PARTNERS MANAGEMENT, LP	165000
MORGAN STANLEY	125519
GOLDMAN SACHS GROUP INC	125322
BANK OF NEW YORK MELLON CORP	120240

At least three of the investors are partnerships, which when listed on the “attributable owners” list, would then be replaced with a list of the respective partners as part of the “ultimate parent entities” investigation. Each of the other entities would be replaced by its shareholder list. The replacement process is recursive, meaning that for example Goldman Sachs would be replaced on the list by a list of its shareholders. The resulting “attributable owners” list would again be expected to change daily.

I estimate the cost of each “attributable owners” investigation to be in excess of \$50,000.

Let's suppose the patent application is owned by Aleris Dingsheng Aluminium (Zhenjiang) Co., Ltd., the Chinese subsidiary of the well-known company Aleris International, Inc., a producer of rolled and extruded aluminum products. Here is an organizational chart:

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5 The “ultimate parent entities” investigation would presumably require Chinese counsel to advise as to ownership and control of the Chinese company. Dutch counsel would be needed to advise as to ownership and control of Dutch Aluminum C.V. US counsel would be needed to advise as to ownership and control of Intl. Acquisition Co. and ownership and control of Aleris International, Inc. as well as ownership and control of Aleris Corporation.

10 I estimate the cost of each “attributable owners” investigation for this would-be applicant at well in excess of \$50,000.

At page 4109, the Notice says:

15 Most additional reporting will need to be done by companies that have complicated corporate structures and licenses, which often include the complex structures used by certain patent assertion entities (“PAEs”) to hide their true identities from the public.

20 The suggestion in the Notice seems to be that if a company's structure is so complicated that the “attributable owners” inquiry incurs more than a nominal (\$100) cost, then that is not the USPTO's problem and that the company is probably a troll anyway. This point of view is, at best, naïve.

The investigation and reporting burdens arise again and again. USPTO proposes that the applicant

would be required to carry out the investigation as to the list of “attributable owners”, along with the filing of a report as to the results of the investigation, multiple times during the life of a patent application and patent. Under the proposed rules, the investigation would have to be carried out and its results reported to the USPTO:

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- when an application is filed (or shortly thereafter);
- no less often than once every three months during the pendency of the patent application, so that such change could be reported to the USPTO within three months of the change;
- when the issue fee is due;
- when each of the three maintenance fees is due; and
- when a patent becomes involved in any of a variety of post-issuance proceedings within the USPTO.

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Assume for sake of discussion a pendency of four years. This would mean that the “attributable owners” investigation would have to be carried out no less often than sixteen times during pendency, so that any change could be assured of being reported within three months of the change. For a company whose “attributable owners” investigation costs (say) \$50,000, this would lead to a total cost during pendency of some \$800,000. At page 4107 the Notice states:

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20 This rulemaking is not economically significant under Executive Order 12866.

This statement is believed to be factually false.

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Burden on foreign companies. As will be appreciated from the examples cited above, a foreign company is particularly likely to be excessively burdened by the proposed rules. The patent agent or patent attorney representing the applicant will have no expertise as to corporate structures or ownership rules in the foreign country involved. Legal counsel will have to be hired in the foreign country involved to work out in detail the “ultimate parent entities” and the “divesting entities” that might exist under the law in the foreign country involved.

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Many perfectly legitimate non-troll companies (see examples above) have corporate structures that would require hiring legal counsel in two or more foreign countries to work out in detail the “ultimate parent entities” and the “divesting entities” that might exist under the laws in the foreign countries involved.

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Small startups that have not yet “gone public”. The Notice at 4115 puts forth the astonishingly naïve view that “the relatively low percentage of patent applicants who submit a second assignment document for recordation leads to the inference that changes in [attributable] ownership during the pendency of a patent application are relatively infrequent”. On this view the Notice suggests that this “will occur in fewer than four percent of applications each year.” In reality, for any small start-up company, the attributable ownership is likely to change at least annually, as each round of financing take place and as the ownership of the founders' shares is repeatedly diluted. Grants of stock options to employees will likewise affect attributable ownership. Many small startups preserve their existence in the years prior to “going public” only by obtaining infusions of cash from licensees. A startup that has devised a drug delivery system is likely to grant one exclusive license to a maker of blood pressure drugs to secure a first infusion of cash, followed by a second exclusive license to a maker of cancer-

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fighting drugs to secure a second infusion of cash, and so on. Each of these exclusive licenses would trigger the accretion of yet another member to the ever-increasing list of “attributable owners”. The practitioner would then be required to carry out an investigation as to the “ultimate parent entity” of each licensee.

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It is to be noted that these proposed rules would impose a substantial investigation and disclosure burden on any would-be licensee of the startup company. Indeed it is likely that this investigation and disclosure burden would have a chilling effect, prompting some would-be licensees to decline to enter into a license with the startup. This would deny the startup the infusion of cash that would otherwise have been available. The overall result would be to starve some startups of cash and lead to their demise.

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The requirement for constant monitoring of the “attributable owners” list to detect changes would put an additional strain on such startup companies, needlessly diverting money away from research and product development.

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A management executive of one startup company, upon hearing of the proposed requirement for an “attributable owners” investigation, estimated that the investigation would tie up two high-level company employees, whose time was worth \$300 per hour, for about a week. This suggests a one-time cost of \$24,000 for each such investigation.

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Many small startups raise money by entering into any of a variety of option agreements with companies that have money. Each such agreement would have to be scrutinized closely to see whether the option-holder is (or can later in litigation be construed by the infringer to be) in some sense an “owner” or in some sense an “enforcement entity” or in some sense a “divesting entity”.

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A patent attorney would be able to carry out the “attributable owners” investigation? It is also astonishingly naïve to suggest (Notice at 4116) that “a patent attorney or general practice attorney would have the type of professional skills necessary to provide the attributable owner information required by the proposed rules.” This suggestion also ignores that some patent applicants are represented by patent agents about whom no assumption can be made as to their ability to carry out the required investigations. Many small inventors and start-up companies are represented by patent agents. Working out the “attributable owners” list may require analysis of agreements which would be equivalent to a legal opinion. Patent agents who provide these opinions may unwittingly subject themselves to disciplinary proceedings in their states for the unauthorized practice of law.

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I am a patent attorney. Despite this credential, and despite some twenty-five years of experience serving patent applicants, I have no knowledge of German law, or Chinese law, or Polish law, as to legal ownership or legal control of German or Chinese or Polish corporations, partnerships, or other types of legal entities. I have no clue what “types of arrangements or devices” one might use in Germany or China or Poland to attempt to “temporarily divest” some entity of its “attributable ownership”.

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I am admitted to practice in Colorado and in New York. Suppose the applicant is a Delaware corporation located in California. My admission to practice in Colorado or New York offers no assurance that I have the competence to evaluate corporate ownership or control under Delaware or California law. My admission to practice in Colorado or New York offers no assurance that I know

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anything about the “types of arrangements or devices” one might use in Delaware or California to attempt to “temporarily divest” some entity of its “attributable ownership”.

5 Although I have the credential of being admitted to practice before the USPTO, I note that USPTO's Office of Enrollment and Discipline has never tested any would-be practitioner on his or her knowledge on any of these areas of law, whether in Germany or China or Poland or Delaware or California.

10 **Representation through foreign patent counsel.** The proposed rules also fail to take into account that a large fraction of US patent applications are filed on behalf of applicants with whom the US practitioner has no contact whatsoever, other than through foreign patent counsel. If I were to commence an “attributable owners” investigation in connection with an applicant in (say) China, I would only be able to pose my queries to Chinese patent counsel. Chinese patent counsel would then have to pose the queries to the applicant. After such time as the complete list of “titleholders” was
15 enumerated, it would be necessary to proceed to work out a complete list of “enforcement entities”. This would include enumerating a list of exclusive licenses. These lists having been accumulated, further queries would have to be passed back and forth through Chinese patent counsel to explore who might be the list of “ultimate parent entities” for each entity on the list of titleholders and the list of enforcement entities. The inquiry would then proceed to the hunt for “divesting entities” under the law
20 of the country involved, all mediated though foreign patent counsel.

It strains credulity that the cost of such an investigation might be a mere “\$100” (Notice at 4116).

25 For one Polish applicant served by my firm, I conservatively estimate the cost for a first “attributable owners” investigation at \$40,000. This cost includes not only my professional time, but also the professional time of at least one Polish patent agent at the Polish patent firm with which my firm corresponds. The Polish patent agent is not an attorney in Poland, so Polish legal counsel at a Polish law firm would have to be engaged to investigate the corporate structure of the applicant, as well as any exclusive licensees of the applicant, as well as to carry out a seemingly pointless hunt for “divesting
30 entities” in Poland under Polish law, and to arrive at an opinion as to the “ultimate parent entity” for each of the previously identified entities.

35 The proposed rules would require an additional “top-up” investigation every three months during the pendency of the patent application. I conservatively estimate the cost of each top-up investigation at a minimum of \$1000 for those calendar quarters in which no material change has occurred. This cost includes my professional time and the professional time of the Polish patent agent, as well as the internal cost to my firm to docket the need to carry out the quarterly investigations.

40 During the (average) four-year pendency of the patent application, the Polish applicant is likely to undergo an average of one corporate structure change, to give one example perhaps from a “spółka akcyjna” (somewhat analogous, I am told, to a British PLC) to a “spółka partnerska” (somewhat analogous, I am told, to a limited liability partnership). The quarterly top-up investigation that by chance happened to come after this structure change would once again require substantial professional time on my part, on the part of the Polish patent agent, and on the part of the Polish attorney. This
45 would again require Polish counsel to arrive at an opinion as to the “ultimate parent entity” for each of the previously identified entities.

5 One Silicon Valley startup served by my firm has been through five rounds of financing, involving
angel investors, venture capital firms, and sizeable cash infusions from large corporations receiving
exclusive licenses to the technology of the startup. One large corporation having made such a cash
infusion in return for an exclusive license is a Swiss pharmaceutical company. Another such large
source of cash is a privately held manufacturer of electronic equipment, a company that does not
publish financial statements and does not publicly disclose the details of its ownership. It is not beyond
10 imagining that this company would have declined to enter into the relationship with the startup if the
price of such a relationship with the startup were a public revelation of the exact and detailed
ownership and control of the company, tied to a duty to reveal at least once every three months every
change in the ownership and control of the company.

For this startup, I conservatively estimate the cost for a first “attributable owners” investigation at
\$90,000. This cost includes my professional time, and the professional time of experienced corporate
lawyers familiar with the corporation laws of the states involved (at a minimum, a first corporate
15 lawyer admitted to practice in California and a second corporate lawyer admitted to practice in
Delaware). This cost includes a review of the corporate records of the startup, beginning with the
incorporation documents and continuing through the documents for each round of financing and for
each exclusive license that has been granted thus far. This cost also includes rendering of opinions by
Swiss counsel regarding ownership and control and “ultimate parent entity or entities” of the Swiss
20 pharmaceutical company. This cost also includes rendering of opinions by counsel regarding
ownership and control and “ultimate parent entities” of the privately held electronics manufacturing
company.

For this startup I conservatively estimate the average cost of a top-up investigation at \$4000. In general
25 some event that risks being material to the “attributable owners” list will have occurred at least once
every six months, be it another round of financing, the exercise or grant of employee stock options, or
the infusion of cash due to an exclusive license. During a nominal four-year pendency, these
investigations would add up to perhaps \$138,000 (sixteen quarterly top-up investigations in addition to
the first investigation).

30 ***Risks in litigation.*** Conspicuous by its absence in the Notice is any discussion or explanation as to
what will happen in litigation when a legitimate, non-abusive patent owner asserts its patent in court.
Recall that the penalty contemplated by the proposed rules is that the application would be deemed
abandoned three months after any non-reported change in the “attributable owners” list. This “silent
35 abandonment” would happen without the USPTO or the applicant being aware of it having happened.
Prosecution would continue, an issue fee paid, and other actions taken in reliance on the supposed non-
abandoned status of the application.

At litigation time, every real or imagined inaccuracy in the dozen or more “attributable owners” lists to
40 be found in the file wrapper will be grist for a summary judgment motion as to supposed “silent
abandonment”. During the discovery phase of the litigation, it is to be assumed that third-party
discovery would be carried out to explore the historical ownership and control (and “ultimate parent
entity” status) of each investor, each licensee, and the patent owner itself. Every significant corporate
event in the life of the patent owner would be discovered into in an effort to show some real or
45 imagined failure to conclude the investigation within the required three months, or to report the results
of the investigation within the required three months. Every stock option, every license, every change
in corporate structure would be gone into as a possible “divesting entity” mechanism.

For a patent owner that was a small startup when the application was pending, I estimate the cost of responding to discovery as to “attributable owners” during pendency at \$300,000. The inevitable summary judgment practice which would follow would cost such a patent owner an estimated \$50,000.
5 It would be a rare corporation whose history and corporate structure would be so simple and event-free that such discovery would not be needed and that no such summary judgment practice would follow.

Were these rules to enter into force, it would likely rise to the level of malpractice for counsel representing an accused infringer to do anything other than carry out such discovery against the patent owner and to carry out such summary judgment practice against the patent owner.
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No safe harbor. Also conspicuous by its absence in the proposed rules is even a hint or suggestion of “safe harbor” for the patent practitioner who faithfully reports to the USPTO the “attributable owners” list developed by California counsel or Delaware counsel or Polish counsel or German counsel.
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Resorting to use of rules promulgated by some other government agency. The USPTO Notice does not itself define “ultimate parent entity” but instead proposes to use a definition arrived at by the Federal Trade Commission at 16 CFR § 801.1(a)(3). This is ill-advised for many reasons, including but not limited to the reasons given in the comments of Rick Neifeld in this proceeding.
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There is at least one additional reason why USPTO should not do this.

Heretofore, any member of the intellectual property community wishing to try to avert badly worded proposed Rules relating to patents could do so by monitoring the portions of the Federal Register relating to the USPTO and filing comments in response thereto.
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Were these proposed rules to be implemented, any member of the intellectual property community wishing to try to avert badly worded proposed Rules relating to this “attributable owners” burden would additionally be required to monitor the portions of the Federal Register relating to the Federal Trade Commission.
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It is not reasonable for USPTO to proceed in such a way as to require parties harmed by this burden to monitor Federal Register notices relating to two government agencies.

Couldn't workable definitions be arrived at? The proposed rules (see the “examples” hinted at in the FTC “definition” of “ultimate parent entity”) leave open that in some cases, the patent applicant might choose not to provide shareholder lists and partner lists and board-of-directors lists, but might instead choose to truncate the “ultimate parent entity” inquiry at some point short of providing such lists. This would require the patent applicant (or its corporate attorney in some state of the US or in some foreign country) to arrive at a judgment call that such truncation is somehow not violative of the requirement that all “ultimate parent entities” be revealed and listed.
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Any such truncation judgment call is, of course, leaving the patent owner open to charges that the judgment call was made erroneously and thus that the patent application suffered a “silent abandonment” at some point during pendency or upon payment of some maintenance fee.
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If such rules were to take effect, then later some court-made precedent would be developed to explore

and flesh out which past truncation judgment calls were deemed to be justified and which were deemed to have been inaccurate. With each such precedent, patent owners would face the need to revisit past truncation judgment calls and (in many cases) the need to file petitions to revive in view of the new precedent. This would require each patent owner to constantly monitor such precedents during the term of the granted patent.

To the extent that any safe or conservative course of action can be seen in the proposed rules, it would indeed be the iterative development of a list of “attributable owners” devoid of any list members other than natural persons and provision of that constantly updated list in the recurring reports to the USPTO.

It appears to be a fool's errand to try to devise some revised definition for “attributable owners” (or “enforcement entities” or “divesting entities” or “ultimate parent entities”) that would actually provide a bright-line objective standard for the place where the investigation could be truncated short of providing only a list of natural persons.

For example suppose the definition of “ultimate parent entity” were revised to say “entity for which no other single entity controls the entity” or “entity for which no other single entity owns more than 50% of the entity”. While this would likely permit General Motors to avoid having to hand a constantly updated shareholder list to the USPTO, it would also vitiate the apparent goal of exposing trolls. Anyone wishing to truncate the “attributable owners” investigation could take the simple step of arranging for at least three owners for an entity, no one of which has over 50% ownership.

A targeted solution? The proposed rules direct themselves to a real or imagined problem, namely that the recipient of a cease-and-desist letter would want to know who is behind the letter.

A first problem is that the proposed rules force burdensome investigation and reporting requirements at a very different time than during the term of a patent. Such letters are sent for issued patents, not for pending patent applications. Despite this, the proposed rules would call for some sixteen “attributable owners” investigations and reports during the (average) four-year pendency of a patent application. The Notice does not explain how these sixteen investigations help at the (later) time when the letter is sent. If an “attributable owners” investigation and report were to be justified at all during pendency, it would be at the time of paying the issue fee. The previous fifteen investigations and reports would add little or nothing to this result.

A second problem is that the patent may have come into the possession of the author of the letter during any of the four “jurisdiction gaps”, by which is meant the long time intervals during which the USPTO lacks any jurisdiction over a patent. The first such gap is between issuance of the patent and the payment of the first maintenance fee (at 3½ years). The second such gap is between the payment of the first maintenance fee and the the payment of the second maintenance fee (at 7½ years). The third such gap is between the payment of the second maintenance fee and the the payment of the third maintenance fee (at 11½ years). The fourth such gap is between the payment of the third maintenance fee and the end of enforceability of the patent (at the end of the statute of limitations, around twenty-two years later depending on pendency and patent term adjustment). If the letter regarding which the recipient is so curious happens to relate to a patent obtained during any of these four “jurisdiction gaps” then the proposed rules will have done nothing to satisfy the recipient's curiosity.

5 A third problem is that the proposed rules place nearly all of their (substantial) economic burden upon innocent parties. The Notice gives no statistics as to what fraction of granted US patents ever become the subject of a cease-and-desist letter, but I estimate that fraction at less than one-tenth of a percent. The Notice likewise gives no statistics as to what fraction of cease-and-desist letters involve a patent where there is any actual mystery as to who is behind the letter. I estimate that with the great majority of cease-and-desist letters, there is no mystery at all on this point. Most granted US patents list the owner on the front page of the patent. Most granted US patents for which assignments have been signed are patents for which the assignments have been recorded in the USPTO, and are thus a matter of public record. Most cease-and-desist letters open with a sentence identifying the actual party asserting the patent rights.

15 Despite the fact that perhaps only one patent in ten thousand ever gets mentioned in a cease-and-desist letter for which there is any mystery as to who is behind the letter, this Notice would impose staggering investigation and reporting costs upon the other nine thousand nine hundred ninety-nine patent owners. Furthermore, in the event that any of these other nine thousand nine hundred ninety-nine patent owners were to find the need to enforce patent rights in court, the patent owner would face expensive discovery into real or imagined failures to comply with the hunt for “attributable owners” and “divesting entities”, and would face expensive summary judgment practice as to the real or imagined failures.

20 The analogy that comes to mind is the present TSA screening requirement that airport passengers pass through imaging scanners. A time cost, privacy cost, dignity cost and possible exposure to radiation is imposed upon millions of persons as a reaction to a small number of events such as the failed “underwear bomber”. Of course in the TSA case, the risk being guarded against (a second “underwear bomber”) is different from the risk that the recipient of a cease-and-desist letter might not be able to figure out who is behind the letter.

30 To the extent that recipients of cease-and-desist letters need help, this help should be targeted. Such recipients could, for example, seek from Congress a law permitting the recipient of a cease-and-desist letter to respond to the letter with a request for an “attributable owners” report. Under such a law, failure to provide such a report when requested could (for example) give rise to a personal “intervening right” for the requester. This approach would impose the costs of “attributable owners” investigations directly upon the cost-causers, namely the senders of such letters. This approach would avoid needlessly imposing the costs of such investigations upon the 99.9% of patent owners who do not engage in “abusive” or “frivolous” litigation.

35 Were such a law to enter into force, it would likely become routine for non-abusive, non-frivolous patent owners who send such letters simply to attach the “attributable owners” report to the letter itself, thus saving trouble for both parties.

40 ***Why the awkward penalty of “silent abandonment”?*** If in litigation it were to develop that a patent owner had engaged in some improper behavior, such as misrepresenting the actual identity of a party to an enforcement activity, the normal and natural timing of the penalty would be that the penalty is considered and perhaps imposed *at litigation time*.

45 It is, frankly, bizarre to imagine what is proposed in this Notice, namely that the penalty imposed should be that a patent application was deemed to have gone abandoned some years or decades ago, despite no one knowing of the event at the time of the abandonment.

5 This highlights the wrong-headedness of trying to use the USPTO (through its rulemaking power which is mostly limited to the examination of patent applications) to bring about a remedy at litigation time when in fact it is Congress that should address litigation-time remedies if in fact such remedies are to be given.

10 **Conclusion.** The United States Supreme Court, in the case of *Dastar Corp. v. Twentieth Century Fox Film Corp. et al.*, 539 US 23 (2003), considered one litigant's suggestion as to the supposed need to give attribution to everyone who was connected with a literary work. The Court said “We do not think the Lanham Act requires this search for the source of the Nile and all its tributaries.”

15 I do not think the aims of this rulemaking package justify imposing upon each patent applicant the burden of investigating the source of the Nile and all its tributaries, and repeating that investigation every three months.

Respectfully submitted,

/s/

20 Carl Oppedahl

From: Alun Palmer [*email address redacted*]
Sent: Thursday, February 06, 2014 3:28 PM
To: AC90.comments
Subject: Assignment Rules

Dear Ms. Lee,

The new proposals for identifying ultimate parent entities on pain of patent abandonment are fraught with problems.

- 1) Failure to record changes in ownership are often inadvertent, and should not be a basis for abandonment;
- 2) Where chains of title are complicated, legal judgment may be required to determine the ultimate parent entity; Patent attorneys are frequently not admitted in the same state where domestic patent applications originate, patent agents properly admitted to prepare and prosecute patent applications (and to record assignments) are not admitted in any state, and many applicants are not domiciled in the US at all, so that in that case no US patent attorney or agent is qualified to make this determination (and probably no foreign one either); Further, there should be no new requirement for applicants to retain in-house counsel;
- 3) Patent agents and attorneys should not be expected to research relationships between companies beyond the usual enquiries;
- 4) Much of this is motivated by a desire to identify so-called trolls (who under current law have as valid a right to assert their patents as anyone else, and should continue to do so) and if felt necessary for some reason (to placate large corporations?) could be replaced by a simpler requirement to identify Patent Assertion Entities (PAEs), accompanied by a definition of the same, as no two people seem to agree upon a common definition;
- 5) Abandonment is too harsh a penalty; Enhanced damages might be more appropriate, if indeed any penalty is appropriate at all.

In conclusion, if any change is necessary at all, which I sincerely doubt, then enhanced damages for failing to identify a PAE should be a more than sufficient remedy.

These views are my own, and not those of the firm that I am associated with.

Regards,

Alun Palmer
Reg. No. 47,838

Lawrence S Pope
Registered Patent Attorney
24 April 2014

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

Attn: James Engel, Senior Legal Advisor, OPLA

Re: Comments on Proposed “Changes to Require Identification of Attributable Owner,”
Fed. Reg. Vol. 79, No. 16, Jan 24, 2014 pp. 4105-4121

Dear Mr. Engel

I have been a registered patent attorney for over forty years practicing as in house counsel for Fortune 100 corporations, with a small boutique law firm, with one of the world’s top ten law firms and most recently as a sole practitioner. My clients have ranged from independent inventors to some of the world’s largest business entities. For my entire career I have taken a keen interest in USPTO rule making and have both through professional organizations and as an individual submitted many comments on rules proposals and have, on my own behalf testified at hearings on rules proposals.

The proposed rules regarding “Attributable Owner” impose a burden on patent applicants and patent owners that greatly exceeds any potential benefit to the patent system or the general public. For the most part they call for the collection of information that will be of no practical use to anyone and will probably never be accessed by anyone. To the extent that they attempt to address abusive patent litigation the rules of civil discovery already provide a far superior alternative.

The value of collecting “Attributable Owner” information on unpublished patent applications is extremely dubious. By definition this information will only be available to the USPTO itself so that only three of the proposed justifications have any potential applicability and two of them are very unlikely to be of value at this early stage of prosecution. The rules proposal argues that it will help the Office carry out its task of patent examination by:

1. ensuring that a “power of attorney” is current in each application or proceeding before the Office;
2. avoiding potential conflicts of interest for Office personnel; and
3. determining 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.

In the vast majority of unpublished patent applications no examiner has taken the case up for examination so that Points 2 and 3 are inapplicable.

The “Attributable Owner” information required by the rules proposal goes far beyond anything that is legally or practically useful on the “power of attorney” issue. The legal entity holding legal title of a patent application has the legal power to grant a power of attorney regardless of his legal obligations to anyone else, be it a licensee or those who control the legal entity. The USPTO is ill equipped to explore whether a power of attorney has been granted in derogation of the legal titleholder’s legal obligations to any third parties. And, in fact, it currently has no procedures in place or announced which would allow a sua sponte examination of the propriety of a power of attorney.

Furthermore, the rules proposal makes no reference to any study or evaluation that there are any problems with powers of attorney. So far as what is reflected in the public record, there are no “power of attorney” concerns in the vast majority of pending patent applications. And there is nothing in the public record to indicate that what concerns do exist are not adequately addressed by the rules of professional conduct.

The value of collecting “Attributable Owner” information on published patent applications and unpublished patent applications taken up for examination is also highly dubious. The USPTO has no present or announced procedures to make use of “Attributable Owner” information in ex parte examination.

A real conflict of interest can only exist if the examiner or other decision maker is aware that he has an interest in an entity that has an interest in a patent application before him. If he is unaware of any such connection there is no conflict. Furthermore, there is currently no guidance provided to the Examination Corps as to what degree of interest constitutes a conflict of interest. For instance, would a \$1 stake in an ultimate parent create a conflict of interest?

The proper search of a patent application would necessarily identify potential prior art that could be disqualified under 35 U.S.C. 102(b)(2)(C) so “Attributable Owner” information could only be of use after a search. But the USPTO has no current or announced procedure to disqualify potential prior art under this or any other provision of the law. Current examination procedure wisely relies upon the applicant to raise any such disqualifications. Furthermore, this “justification” only extends to those patent applications with effective filing dates of 16 March 2013 and later.

It is highly unlikely that the general public would make use of “Attributable Owner” information in the files of published patent applications, whether allowed or not, unless the commercial value of the technology encompassed by the claims were readily evident. The vast majority of pending patent applications simply do not have such an established commercial value. Thus the “Attributable Owner” information in the files of the vast majority of published patent applications would be of no use to anyone.

Even in those cases in which a third party wants to explore licensing or acquisition of a published patent application the “Attributable Owner” information is likely to be of little value. What such a third party wants or needs is a contact person who can communicate

his interest and inquiries to the appropriate decision makers. This is unlikely to be found in a list of legal entities who have some interest in the patent application. For the overwhelming bulk of such patent applications the logical starting point is the legal representative associated with the application. There is nothing in the public record to indicate that such an approach has been the least bit problematic.

It is also highly doubtful that the “Attributable Owner” information in the files of the overwhelming bulk of issued patents would be of any use to the USPTO or the general public. The USPTO could only have an interest from a double patenting or disqualification point of view or in the case of post-issuance proceedings. But only a miniscule number of issued patents would be of interest from such points of view. Furthermore the concern regarding post-issuance proceedings could readily be addressed by rules specific to those proceedings along the lines of the real party in interest rules of the PTAB. And the general public would only have interest in the very small number of patents with recognized commercial value.

It is respectfully submitted that the USPTO can adequately address its concerns about the identity of the person responsible for an application or patent by simply providing that it will recognize the owner of record as established by the USPTO assignment records as the responsible person (or in the case of unassigned applications or patents the original applicant). The onus would then be on any entity taking a legal interest in a patent property to have its interest properly recorded or by bound by the actions or omissions of the owner of record. This would be in accord with many recording statutes for real property and, indeed, the approach of 35 USC 261. It is eminently logical that if one can sell a patent property out from under the “true” owner as a result of the “true owner’s” failure to record, one can have the legal power to take other actions that effect the patent property.

The “Attributable Owner” information in the files of the quite miniscule number of patents that are asserted in legal proceeding will be clearly inferior to and completely redundant of information readily available by civil discovery. The burden imposed on patent holders by the proposed rules can not be justified by the assumption that the targets of infringement allegations will retain incompetent counsel.

With regard to abusive patent assertion, the USPTO has already done an outstanding job with its “Patent Litigation Online Toolkit”. The information and guidance presented on the associated web pages are much more useful to the target of abusive patent assertion than the “Attributable Owner” information required by the proposed rules.

In this regard, it is respectfully submitted that meaningful use of the “Attributable Owner” information will, in most cases, require the advice of legal counsel. Thus the proposed rules will not in any practical sense shield such targets from the cost of obtaining such counsel. Competent legal counsel will certainly be able to advise on next steps such as filing a Declaratory Judgment suit or having resort to the state law procedures such as the recently passed Vermont statute on patent assertion letters. For

such counsel the “Attributable Owner” information will be nothing more than a guide as to what discovery to take.

Furthermore, two of the reputed benefits to the general public of the “Attributable Owner” information are goals beyond the competence of the USPTO and involve it in forcing a violation of the privacy rights and existing contractual rights of economic participants in the patent system. The USPTO has argued that the rules proposal will:

1. Enhance competition and increase incentives to innovate by providing innovators with information that will allow them to better understand the competitive environment in which they operate; and
2. level the playing field for innovators.

However, the USPTO has no expertise in the economics and incentives in technology transfer and has made no reference to any studies which establish that entrepreneurs engaged in bringing new technologies to market are in need of greater information on the control of published patent applications and granted patents.

But more importantly, the USPTO is ill equipped to manage the delicate policy balance between the benefits and negative impact of forcing the disclosure of sensitive commercial information. As so cogently pointed out in the 15 April comments of Novartis, which I strongly endorse, supplying the “Attributable Owner” information required by the proposed rules will necessarily involve compromising sensitive commercial information of parties who have in good faith made contractual arrangement regarding patent rights which they expected would remain confidential. In this regard, there is a very important distinction between being forced to put sensitive commercial information on the public record and being forced to disclose it as a part of civil discovery. In the latter case it can be made available under a protective order where access to it is supervised by a judge or magistrate. In such a case judicial officials with many years of appropriate experience are able to carefully balance the need for disclosure against the need for confidentiality in individual cases.

Other governmental agencies with the appropriate competence are actively engaged in addressing these goals. The Federal Trade Commission (FTC) and the attorney generals and legislatures of a number of states are actively addressing abusive patent enforcement letters. Furthermore, the FTC and the Antitrust Department of the Department of Justice have a long history of addressing the impact of patent rights on the competitive environment of the United States. They are much better equipped to address whether US competition policy requires the general public disclosure of sensitive commercial information.

In addition to the policy concerns with the rules proposal, there are serious concerns with the precise provisions of the proposed rules:

1. 1.271(d)(3) with its reference to entity which does not yet exist is all but incomprehensible. The phrase “Any joint venture or other corporation” is highly ambiguous as to whether only joint ventures which are structured as corporations are covered as to whether only corporations which are “joint ventures” are covered. Furthermore, the test is whether an acquisition of securities or other

interest would be an attributable owner, making the acquisition, i.e. the activity, not the acquirer an attributable owner. But most importantly how can an unexecuted plan which may never be executed be a reportable entity?

2. 1.271 (e) exempts domestic and foreign governmental entities including agencies from the definition of “entity” without any justification. From the use of “entity” in 1.271(a)(1) this means that no governmental entity, foreign or domestic, needs to report its ownership in any patent or patent application. There is no evident reason why all the goals set out as justifying this rules proposal would not apply to an application or patent held by a governmental agency. Certainly government held patent applications are subject to power of attorney concern, double patenting and the disqualification of prior art due to common ownership. And third parties would certainly want to understand who owned patents of interest even if the holder was a government entity.
3. 1.275 is quite ambiguous as to the penalty, if any, for failing to meet the three month deadline for failing to record a change in the Attributable Owner information. If the result is an abandonment of the applicable, the result is very antithetical to the thrust of the AIA to make the validity of patents as transparent as possible by eliminating “secret prior art”. It is quite likely that any such failure would only come to light as a result of discovery during litigation.
4. 1.381 and 1.387 are quite ambiguous as to whether they purport to affect the validity or enforceability of a patent for which no report or an inaccurate report of attributable owner is made. If the USPTO lacks the statutory authority to denigrate from the enforceability or validity of a patent for such a reason, it should not imply that it has such authority. This will result in needless burdensome issues being litigated and create needless ambiguity in the value of patents with such a record until the ambiguity is resolved by litigation. Is the USPTO taking the position that it has the authority to refuse to accept or retrospectively reject the payment of a maintenance fee which was not preceded by a correct attributable owner report? If so, shouldn't there be a procedure to so inform the patent owner, similar to the notice of abandonment in pending applications?

Yours truly,

Lawrence S Pope
Registration No. 26,791

Lawrence S Pope
Registered Patent Attorney
24 April 2014

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

Attn: James Engel, Senior Legal Advisor, OPLA

Re: Supplemental Comments on Proposed “Changes to Require Identification of
Attributable Owner,” Fed. Reg. Vol. 79, No. 16, Jan 24, 2014 pp. 4105-4121

Dear Mr. Engel

After careful review of the transcripts of the two public hearings on the rule proposal, I offer the following additional comments. In this regard, I was for some period employed to prepare draft PCT Written Opinions for a firm who had a contract to provide the same to the USPTO

An oft-repeated justification for greater transparency in patent ownership, improving the ability to assess freedom to operate is fallacious and antithetical to the primary mission of the USPTO. Anyone skilled in patent searching knows that the current ownership of a patent or application is not particularly helpful to searching for patents of concern. Indeed many of the searches conducted by patent examiners do not take any account of the ownership of the prior art searched as is readily apparent from the search strategies reported in PAIR for particular applications. This is also reflected in the search results printed on the face of each granted patent that make reference to US and international classifications but not ownership. It can be useful secondary strategy to search using particular inventors or organizations that sponsor particular types of research. But this involves searching using the original owner responsible for the initial filing and is little aided by knowing the subsequent assignment or licensing history.

But even more disturbing is the concept that the decision of whether to respect relevant patent rights will be based on the actual owner of the patent rights. Presumably this means that if the owner is a smaller entity unlikely to have the wherewithal to bring an infringement suit, his rights may be safely infringed. This is clearly antithetical to the basic premises of the patent system of a grant of exclusive rights in return for disclosure of technology.

Some useful information on patent scope might be gleaned from forcing the disclosure of sensitive business information on the disposition of patent rights but the burden would only be justified if the information were not otherwise available. However, when it comes to information on prior court assertions of a given patent this information is readily available from existing databases including Pacer.

Perhaps the market for patent rights would be a bit more efficient if the disclosure of sensitive business information were forced in accordance with the rules proposal, but this incremental efficiency would not justify the burden imposed. In this regard, many other markets have for a great many years functioned just fine without such transparency. For time out of mind real estate developers have concealed their identities as they acquired parcels to make up a development. And the stock market functions just fine with the bulk of traded shares held in street names by brokers. Of course, if one is in negotiations with a party one can ask the other side about affiliations and the source of authority to license.

Yours truly,

Lawrence S Pope
Registration No. 26,791

From: Bolesh J Skutnik [email address redacted]
Sent: Tuesday, April 22, 2014 11:54 AM
To: AC90.comments
Subject: Proposed Rules for Transparency of Patent Ownership

Dear Sirs,

The proposed rules as I understand them would be particularly onerous and non-useful for most small businesses which often need to use their patent rights to obtain funding and often changing funding over the time period of both prosecution of applications and lifetimes of issued patents. Foreign companies with US subsidiaries would also have problems with these reporting suggestions/requirements, where in the course of business, patents and patent applications as well as inventors/applicants come from diverse countries may need to change ownership as business models change within a particular corporation. The proposed penalties would appear to also be a great danger to small inventors as well as multi-national corporations. It would seem tha a sledge hammer is to be used to rid the annoyance of a fly. Potential for collateral damage seems likely though unpredictable in precise estimation.

Sincerely,

Bolesh J. Skutnik, PhD, JD
Corporate Counsel (Biolitec Group)
CeramOptec Industries, Inc.
515 Shaker Road
East Longmeadow, MA 01028
phone: 413-525-8222 ext. 242
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From: Stan Smith [email address redacted]
Sent: Wednesday, March 05, 2014 8:49 AM
To: AC90.comments
Subject: Suggestions

Since the government is offering a 20 year monopoly, an issued patent should be subject to complete transparency regarding ALL transactions related to it. This should be reported in a simple online form within 90 days of any transaction. Since the monopoly is offered in exchange for potential benefit to the economy, the patent should revert to the public domain if any entity can demonstrate they are able to implement the patent and have been prevented from doing so by a patent enforcement action by the patent holder without an opportunity to offer fair exchange.

Comments on USPTO's notice of proposed rulemaking: Changes to Require Identification of Attributable Owner at 79 FR 4105 (1/24/14)

Submitted by:

Robert J. Spar

Patent Prosecution and Practice Specialist

3201 Birchtree Lane

Silver Spring, MD 20906

Summary: I think this proposed rule making is bad from several different perspectives and, accordingly, I strongly oppose it. It does not add value to the system, and, to the contrary, it adds significant burdens to patent applicants and patent practitioners that are unjustified. It will be confusing to patent applicants and patent practitioners and compliance will, therefore, be very difficult, time consuming, inconsistent and unreliable. Lastly, there is little if any rational justification for requiring the ownership information during the examination/prosecution phase of patent applications.

A. From the perspective of patent practitioners:

1. It will impose additional administrative compliance burdens as well as investigative and reporting responsibilities on patent practitioners that will make their jobs more difficult. As the proposed rule is very confusing, and difficult to even understand, practitioners will waste time, and resources trying to just figure out exactly what are the facts of their situation, and then, how those facts must be disclosed, and characterized, to the PTO. Compliance will be inefficient, and attempts at complying will result in a waste of valuable practitioner time.

2. Non-compliance, or errors in complying, or in trying to comply might expose practitioners to current or later claims of:

- a) committing a fraud on the PTO, and/or
- b) non-compliance with Rule 56 for submitting misleading information to the PTO, and/or failing to perform a reasonable investigation of the ownership status of the applications that they are prosecuting, and/or
- c) non-compliance with OED's disciplinary rules mandating effective representation of applicant before the PTO.

3. The penalty of abandonment of the application is harsh, and it will be expensive to revive any such abandoned applications, especially since it may not be possible to pass the revival costs onto the applicant.

B. From the perspective of patent applicants:

1. It may force some patent applicant entities to disclose, or hide, business relationships that they do not want to disclose, or feel that there is no need to disclose.

2. It requires the disclosure of business relationships that may require burdensome, and possibly intrusive, investigative efforts.

3. It requires continual monitoring to comply with the requirements that the information be updated and the Office be notified of any changes.

C. From the perspective of the PTO;

1. The reasons given to support the proposed rule making re the examination process are stretched, if not entirely bogus. The proposed rulemaking will not facilitate "patent examination and other parts of the Office's internal processes" (col 2, 4106) as the stated concerns being addressed are just not current examination concerns at all.

2. Thus, the quality or reliability of the examination process will not be improved at all by the adoption of the proposed rule making.

3. In fact, the adoption of the proposed rule making will create administrative obligations on the Office that will be costly and burdensome to implement.

Some specific comments and concerns that I have with the proposed rule making are as follows:

I. Very Confusing terminology:

Many terms used in the FR notice are similar, such that practitioners will be confused as to the distinctions between the terms, as well as the nuances between different terms, and which specific term is applicable to the applicant's situation. Further, there are many new and unfamiliar terms to patent practitioners, and, as such, they will cause confusion, and uncertainty to the patent bar.

All rulemaking efforts by the PTO should be clear and straightforward so practitioners will understand it clearly, and know exactly what is needed in order to comply with the PTO's rule. If there is uncertainty

Comments by Robert J. Spar, 4/23/14

about the meaning of the rulemaking, and exactly how and what is required to comply, you can be sure that there will be inconsistency of compliance efforts, and, therefore, unreliability of the data submitted. Further, practitioners will waste time trying to determine how to comply with the requirements, and practitioners will open themselves up to second guessing about their compliance actions.

Below is a (numbered) listing of the different terms that are found in the notice. The large listing itself is indicative of all the nuanced terminology that will cause (initial and continuing) confusion to practitioners, which is highly undesirable. Needless to say, all practitioners will be expected to understand what each listed term means, what each listed term does not mean, or cover, and how the facts of their specific situations are applicable to the terminology, which is an unrealistic expectation. These terms are, for the most part, unfamiliar to (most) patent practitioners so there will be confusion from the get go. The definitions, moreover, will not improve the situation – so, it is my opinion, that there will be a continuing condition of confusion as to what ownership information is required to be disclosed, and, further, if what is disclosed to the PTO is in compliance with the PTO's requirements.

Further, I am not sure that the below listing is even complete as there are probably other terms that are relevant to this ownership issue.

(1) Attributable owner

Including the (2) ultimate parent entity(ies)

(3) Titleholders – def: an entity that has been assigned title to the patent or application (4110)

(4) Enforcement entities necessary to join in a lawsuit in order to have standing to enforce the patent or any patent resulting from the application

The ultimate parent entity (2) is defined in 16 CFR 801.1(a)(3) of either of the first 2 reporting categories. Def: an entity which is not controlled by any other entity (4110). Note: A negative definition is not as clear as a positive definition.

(5) Real party in interest (4106) – 35 USC 118, 315, 317, 325 and 327

(6) Patent applicants

(7) Patent owners

(8) Innovators

(9) Assignee

(10) Partial assignee

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(11) Person to whom the inventor is under an obligation to assign the invention

(12) Coextensive ownership interests

(13) Complications caused by (14) complicated, or (15) complex, (16) corporate structures and (17) licenses

(18) Exclusive licensees

(19) Non-exclusive licensees

Although some exclusive licenses are sometimes confidential now, they would only need to be disclosed where their rights are so substantial that they have enforcement rights in the patent.

(20) Partnerships (partners)

(21) Hidden beneficial owners

(22) Patent holders

(23) Patent assertion entities

(24) Enforcement entities

(24) Attributable owners

(25) Ownership interests – contingent, vested, future, etc.,

(26) Ownership rights

(27) Temporary divestment of ownership rights

(28) inventor(s)

Other business entities – like LLCs, trusts, PCs.

Needless to say, the very confusing terminology, as well as all the above terms, will just confuse practitioners and their clients. And this will lead to a lot of wasted effort in efforts to try to comply, as well as inconsistent, unreliable compliance. This is highly undesirable from all perspectives.

II. Erroneous or unsupported statements in the FR notice include the following:

Note: I have marked the items with an asterisk that I did not see any proof or substantive support for in the FR notice.

(1) Proposing changes to the rules of practice to facilitate the examination of patent applications (4105).

Reply: The changes will not facilitate the examination of patent applications and no support for this statement is provided. See also my comments below.

*(2) Reduce costs of transactions for patent rights (4105)

Reply: To the contrary, the extra burdens imposed on practitioners, and the applicants will increase the costs to file and prosecute patent applications.

*(3) Level the playing field for innovators (4105)

Reply: I do not see any adequate support for this statement. It is just a bald, unsupported assertion.

(4) Help the Office carry out its task of patent examination (4106)

Reply: Again, the ownership disclosure requirements will not help the Office carry out the patent examination process at all. In fact, it may trigger delays in the process, and the ownership information will not aid the examiner perform the examination process. Rather, it may impose extra burdens on the examiner that would, instead, complicate the examiner's job.

(5) Ensure that a power of attorney is current in each application.
(4106)

The Office has a clear interest in ensuring that current representatives in any proceeding before the Office are authorized by the current owner of the application or patent. (4107)

Reply: This is a solution in search of a problem! There is no current problem in this area so the concern is unfounded, the proposed solution is not needed, and, if implemented, just creates extra work, leading to extra expenses, for no improvement in the process. This is absurd!

As far as I know, the current process for POAs works just fine, even when representation under rule 1.34(b) is relied upon.

In other words, I am not aware of any significant current problems in this area, so the statement that the "Office has a clear interest in ensuring that current representatives in any proceeding before the Office are authorized by the current owner of the application or patent" is specious. The current system works fine, and provides the assurance that is important to the Office. In the few isolated cases where there is a disagreement, conflict or a problem with the POA, the issue is addressed on a case-by-case basis by the PTO. This arrangement is fine, as is.

(6) Avoid potential conflicts of interest for Office personnel (4106)

Reply: As indicated in the FR notice (4107, col 3) Office personnel already are subject to executive branch regulations that govern conflicts of interest in certain cases where employees have threshold financial interest in matters before them. I think the current conflicts provisions

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are adequate to preclude conflict situations as examiners/officials are precluded from holding significant investments in subject matter areas in which they work. Thus, conflicts are avoided preemptively. Further, the disclosure of an “attributable owner” may actually preclude the conflict of a relevant ownership issue from being recognized by the examiner.

(7) Determine the scope of prior art under the common ownership exception under 35 USC 102(b)(2)(c) – and uncover instances of double patenting (4106).

Reply: See my comments re this item under item 12 below.

(8) Ensure that the info the Office provides to the public concerning published applications and issued patents is accurate and not misleading (4106)

Reply: The new requirements to disclose the “ultimate parent entity” may actually provide the public with the name of an entity that they do not recognize or value. It may be that the identity of the immediate assignee is more relevant than the identity of the “ultimate parent entity”.

(9) Making attributable owner information publicly available is allegedly to be expected to:

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 (4108)

Enhance technology transfer and reduce the cost of transactions for patent rights since patent ownership info will be more readily accessible, (4108)

Reduce the risk of abusive patent litigation, (4109) and

Level the playing field for innovators (4109)

Reply: These alleged benefits are, at best, all speculative as no reliable support for them has been provided. The alleged benefits are mere puffing.

(10) Having such accurate and up-to-date attributable owner information will, allegedly, help the Office determine whether current representatives in any proceeding before the Office are authorized by the current applicant or owner. (4108)

Reply: Bottom line: This is not a current problem at all. The Office today assumes that a practitioner has the authorization to represent the applicant, either via a POA, or via Rule 1.34. This process works very well. Problems rarely arise and, if they do, they are handled by special

procedures, with violations being reported to OED. The current system is adequate as is, and the proposed requirement for attributable owner information will only complicate efforts to comply without any resulting in an improvement in reliability or efficiency.

Questions I have re this statement are:

a) Who is going to do the checking on the information that is submitted? This is not indicated and I certainly hope that it is not another burden imposed on the examiner. Even if the checking function is done by PTO support staff, I can see where it will just trigger administrative problems and back and forth communications to resolve issues that do not need to be resolved in order to conduct the prosecution/examination of patent applications.

Again, as noted above, there is not a current significant problem with POAs.

b) How does the Office now determine the issue of authorized representation?

This is not explained in the FR notice and it is, in my opinion, something that is relevant and should be fully explained. Further, the Office should point out how, and why, the proposed disclosure requirements would improve a process that works very well today. The notice does not indicate that there are any problems with the current system – so why is the Office proposing to change it?

(11) The proposal is part of the Office's ongoing efforts to modernize patent examination and to improve patent quality! (4108).

Reply: To the contrary, I would think that the current proposal is a step backward as it just adds confusion and complexity to the process without improving it at all. See also the discussion immediately below in item 12.

(12) The notice points out that, under AIA 35 USC 102(b)(2)(c), and under the pre-AIA 103(c)(1), an earlier filed application or patent (that names different inventors) may not be prior art – as it may be excluded if owned by the same person or subject to an obligation of assignment to the same person. (4108). This is commonly referred to as the “common ownership” exception.

The FR notice states that the reporting requirement may help in these “common ownership” determinations, especially under the AIA.

Reply: I do not see how this statement is correct at all.

It was, and is, my understanding, however, that a “clear and conspicuous statement by the applicant (or the applicant's

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representative of record)” is all that is required to assert the “common ownership” exception so as to knock out the reference. See MPEP 706.02(l)(2). This “common ownership” statement (to knock out certain commonly owned prior art) would be applicable under the AIA as well as under the pre-AIA statutory provisions. See the Examination Guidelines Implementing the First Inventor To File Provisions of the Leahy-Smith America Invents Act, 78 FR 11059, at 11080, middle column. This seems like a practical and clear protocol for Applicant to trigger the entitlement to the exception.

The FR notice implies that the current process (of a rejection followed by applicant submitting a proof of ownership statement) is “inefficient in a manner contrary to the principals of compact prosecution as explained in MPEP 706”. (4108) The FR notice then states: “Accordingly, tr

Word did not find any entries for your table of contents.

In your document, select the words to include in the table of contents, and then on the Home tab, under Styles, click a heading style. Repeat for each heading that you want to include, and then insert the table of contents in your document. To manually create a table of contents, on the Document Elements tab, under Table of Contents, point to a style and then click the down arrow button. Click one of the styles under Manual Table of Contents, and then type the entries manually. asking attributable owner information for patent applications and issued patents is directly relevant to questions of whether a claimed invention is patentable over the prior art during prosecution.” (4108)

The problem with this last statement is that it is not explained how the Office would be able to use the attributable owner information to eliminate the examiner’s initial “rejection” step. There is an inference that the ownership information is “relevant” – but I just do not see how any prior submitted ownership information could be reliably made available to the examiner so that the examiner could rely on it, and just, on his/her own, discard prior art per the exception in AIA 35 USC 102(b)(2)(c) before ever making a rejection on such prior art in an Office action Further, how this possible information would be accessed, or provided to, an examiner, and how this might save an examiner time, is not explained at all. I just see all kinds of complications associated with trying to implement the idea of ownership information being provided to the examiner prior to, or during, the examination process,

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for the limited number of situations where it might be applicable, that I just do not see this proposal as making sense.

III. Requirements of notification are burdensome and should only be required at certain limited times:

a) On filing of an application – or shortly thereafter.

Comment: For publication purposes, it is agreed that the ownership information should be present.

b) When there is a change in the attributable owner during the pendency of an application – ie., w/I 3 months of any change of a new attributable owner.

Comment: this is an unnecessary requirement. Ownership information does not have to be updated during the examination process.

IOt is agreed that the timing for making/updating ownership information in the below items c, d, and e is acceptable.

c) At the time of issue fee payments

d) At the time of maintenance fee payments

e) When a patent is involved in supplemental examination, ex parte examination or a trial proceeding before the PTAB

On 4106: The notice proposes to adopt the requirement to disclose “ultimate parent entity” designation – to minimize the need for additional investigation and analysis of ownership structures. (4106, right column)

Reply: The proposal presumes that one (currently) knows what the definition is (which is just not the case), and it clearly infers that investigation and analysis of ownership structures will be required (which means a lot of extra work for applicants)! Burdens should not be imposed unless there are benefits that offset and justify the imposition of the burdens.

Further, the proposed definition is very confusing:

“Attributable owner” include any entity that creates or uses any type of arrangement or device with the purpose or effect of temporarily divesting such entity of attributable ownership or preventing the vesting of such attributable ownership (4106, right col).

Reply: What does this mean???? This is a very difficult to understand definition, and I just find it to be very confusing.

This is bad, and unacceptable. A positive definition that is clear, definite and readily understood is imperative. – and the provided definition is certainly not clear, definite and readily understood.

IV. Alleged Trigger for the proposed rule making: White House executive actions

Making ‘Real Party in Interest’ the new Default

Requires PTO rulemaking to require patent applicants and patent owners to regularly update ownership information when he is involved in a proceeding before the Office, including designation of the “ultimate parent entity(ies)” of those owners. (4106, col 1).

Reply: Perhaps relevant ownership information is important for appeal and supplementary proceedings in the PTO and in litigation – and imposing disclosure requirements for those situations might be justified.

During prosecution, however, requiring such detailed ownership information is not needed or justified.

V. The FR Notice indicates that the PTO will send out Notices if there is a failure to supply the req’d ownership information. It also indicates that the PTO will excuse good faith failures to notify the Office of the attributable owner or to provide correct or complete attributable owner info

Reply: What sort of proof of “good faith” will be req’d?????? Thus, clarification of what will be needed to assert “good faith” is needed.

VI. Already pending applications would be hit with this new requirement when the issue fee is due.

Reply: This will be a totally unforeseen and unexpected requirement for many patent practitioners! As a new requirement, it will trigger a compliance requirement that could be a problem for practitioners.

It would also be req’d when the next MFEE payment is paid. Again, this would be a new unforeseen requirement.

As many such issue fee and maintenance fee payments are made at the last minute – I can see where problems for practitioners would arise.

From: [email address redacted]
Sent: Monday, January 27, 2014 9:16 PM
To: AC90.comments
Cc: [email address redacted]
Subject: Grave concern re: Proposed Real Party In Interest Rules

Good evening.

As an independent inventor from California with both issued and pending utility patents, I have a very grave concern concerning paragraph f(4) of proposed 37 CFR 1.271; which currently states:

"(4) The identification of a natural person must include the full legal name, RESIDENCE, and a correspondence address."

In this day and age, with many 1,000's people being regularly harassed, intimidated, and even murdered across our nation year after year after year, it is simply too dangerous to put independent inventors and their families at risk of becoming crime victims by unnecessarily forcing them to publicly reveal their residence (home) addresses.

And note that independent inventors are the ONLY entity type required to supply their residence addresses under this proposal. They are the ONLY ones being asked to expose themselves and their families (and even their neighbors) to criminal acts. They are the ONLY ones at risk. Shouldn't ALL entity types be similarly forced to publicly reveal their (the corporate officers, etc) home addresses?

I understand that many, and even perhaps most, independent inventors elect to use their home addresses for their correspondence addresses (dangerous though it be). But that is their choice -- their decision -- their risk.

All of us who use Post Office Boxes (or private boxes, etc) shouldn't be forced to join them.

While the goals and intent of these proposals are admirable, I respectfully request -- no, implore -- the Patent Office to please remove the requirement of us many 1,000's of current and future independent inventors having to make public our residence / home addresses.

The correspondence address requirement is enough. As it is the address independent inventors have chosen to use in our many communications back and forth with the Patent Office, they certainly meet the proposed rules intent to be able to easily and legally contact us inventors. Indeed, the United States Post Office readily supplies the home addresses of their boxes upon a proper legal request.

We independent inventors are not the ones causing the problems which has lead to these proposed rules. It is not us hiding behind LLCs and other legal entities. Not us sending 1,000's of suspect patent-licensing letters to small businesses. Who we are, the cities and states we

live in, are already revealed in the PTO public records. We're already relatively easy to identify, locate, and contact ... for someone with a bona fide and legal reason to do so.

Please don't wait until one of us -- and/or one or more of our loved ones -- is murdered ... and it comes out in the trial that the killer obtained our address from the Patent Office public records.

We live in dangerous times. As the numerous school, mall, and other shootings of these past years repeatedly and sadly demonstrate.

No one should be required to make their home address public as a condition of obtaining -- and holding onto -- their hard-earned patents.

Please drop the residence address requirement.

Please.

Steve

From: Becky Suciu [email address redacted]

Sent: Tuesday, April 22, 2014 10:12 AM

To: AC90.comments

Subject: FW: Proposed Rules for Transparency of Patent Ownership: Written Comment Period to Close Soon

Hello,

I received the notification below and wanted to submit my comment for consideration on the subject of "Transparency of Patent Ownership".

I am a designer for a private company and we have been awarded over 40 patents (a few have since expired), with several applications pending. As a small company, we manage our Intellectual Property portfolio and maintenance in-house, and the responsibility falls on me personally to keep our portfolio of Patents up to date, pay fees, etc.

If I understand this proposal correctly, it will require the owner of a Patent to confirm ownership at specific periods. My understanding is this is already accomplished with the establishment of maintenance fees (on the Utility Patent side). Additionally, I feel this would be an extra burden when notification is not necessary. Requiring an additional filing – at set intervals – to continue to maintain that the same owner of an application has NOT changed – seems like a lot of extra work for patent owners who maintain control over their Intellectual Property. This also seems like a lot of extra work for the Patent office to maintain this information – when in many cases, it may just be a confirmation of the status quo.

I would agree that in situations of companies that may sell, transfer, or share rights to Intellectual Property, or where there is a business model set up to license patents, there should be a process established to allow them to formalize shifts in ownership through the USPTO and make that information available to the public. Those companies may even additionally benefit by obtaining further inquiries if the patent is designated as 'available to license', especially if this was a searchable criteria on the website.

I just prefer not to see this accomplished by placing a burden on ALL patent owners, especially those of us who do not intend to transfer ownership of IP rights. In the case of this company, we have 28 patents to track the maintenance fee payment windows for in various stages of maturity – so unless there is a simple checkbox on the payment page of the USPTO maintenance fee payment page to confirm "same owner" or "new owner" when payment of the fee is made, I would not like to see any new timelines for confirmation of ownership or additional filings required.

I appreciate your consideration and I would be happy to provide further comment.

Best regards,

Becky Suciu
Product Designer
Rose Displays, Ltd.

35 Congress Street | Salem, MA | 01970
Main: 978.825.8100, x8135

Direct: 978.219.8135
Fax: 978.825.0210

www.rosedisplays.com

From: Patents Alert USPTO News [mailto:noreply@enews.uspto.gov]
Sent: Tuesday, April 22, 2014 9:34 AM
To: Becky Suci
Subject: Proposed Rules for Transparency of Patent Ownership: Written Comment Period to Close Soon

Proposed Rules for Transparency of Patent Ownership: Written Comment Period to Close Soon

In January 2014, the USPTO published proposed rules to increase the transparency of patent ownership information for patent applications and issued patents, which we termed "attributable ownership proposed rules" as a shorthand title. You can review our attributable ownership proposed rules here: <http://www.gpo.gov/fdsys/pkg/FR-2014-02-20/pdf/2014-03629.pdf>.

The period for submitting written comments about these proposed rules closes on Thursday, April 24, 2014. Your views on our proposal are important, and we want your input. You may submit written comments by April 24th in one of three ways: (i) email; (ii) postal mail; or (iii) through the government eRulemaking portal. The addresses for each are provided below.

Method	Address
Email (preferred)	AC90.comments@uspto.gov
Postal Mail	Mail Stop Comments-Patents Commissioner for Patents P.O. Box 1450 Alexandria, VA, 22313-1450
Federal eRulemaking Portal	http://www.regulations.gov

Thank you kindly for your attention to our attributable ownership rulemaking; we look forward your comments.

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To ensure that you continue to receive our news and notices, please modify your email filters to allow mail from noreply@enews.uspto.gov . Similarly, you may instead wish to not to block any mail you receive from the enews.uspto.gov domain.

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March 25, 2014

Mail Stop Comments – Patents
Commissioner for Patents
PO Box 1450
Alexandria, VA 22313-1450

Attention James Engel
Senior Legal Advisor,
Office of Patent Legal Administration,
Office of the Deputy Commissioner For Patent Examination Policy

**Re: 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]**

Dear Sir:

1. The Proposed Regulation Exceeds Statutory Authority

The proposed requirement (“Sec. 1.273”) to abandon patents and patent applications by regulation exceeds the authority of the Office. 35 U.S.C. Sec. 2(b)(2) authorizes the Patent Office to establish regulations, not inconsistent with law, which “govern the conduct of proceedings in the Office.” Establishing by regulation a new requirement for patentability, or maintaining a patent, is beyond governing the “conduct of proceedings in the Office” and is inconsistent with the provision in 35 U.S.C. Sec. 102 that “a person shall be entitled to a patent unless....” Further, an abandonment determined in court, for failure to properly identify an attributable owner, is not a proceeding in the Office.

2. The Office’s Claimed Benefits Do Not Justify Abandonment of Patents and Applications by Regulation

The Sec. 1.273 requirement is not necessary for proper performance of the functions of the Office, which has functioned without trouble absent such a requirement for decades.

More importantly, the Office’s claimed benefits for the requirement are unrelated to, and certainly do not justify the harsh penalty of, abandonment of patents and applications by regulation. The Office claims that the requirement is necessary to ensure a proper power of attorney, but a power of attorney is issued by the owner, not the attributable owner. The Office claims that the requirement is necessary to avoid conflicts of interest, but it is the attorney or other party that is ethically responsible for avoiding conflicts, not the Office. There is no ethical provision of law that

empowers the Office to abandon property (patents) to avoid the possibility of a conflict of interest. The Office claims that the requirement is necessary to determine prior art and double patenting. However, the Sec. 102(b)(2)(C) exception is whether the subject matter “is owned by the same person or subject to an obligation of assignment to the same person” which is not the same as an “attributable owner.” As to double patenting, with competent examination by the Office, a second patent would be rejected as obvious over the first regardless of “attributable owner.” Further, the proposed regulation is superfluous in view of an applicant’s duty to disclose known material information to the Office, leading to patent invalidity for failure of the Applicant to disclose double-patenting information, under *McKesson*. The Office also claims that the requirement is necessary for making a request in a post-issuance proceeding. However, one making the request can do so to the inventor or assignee in the records of the Office, regardless of an “attributable owner.” The Office claims that the requirement is necessary to ensure accuracy of information provided by the Office, but by the proposed regulation, the Office is requiring new information to ensure that the newly required information is accurate. The presently required information has not been shown to be inaccurate or misleading, e.g., an assignment to an owner not meeting the regulation’s definition of an “attributable owner” is a true statement, and nothing in the present information is inaccurate or misleading regarding the assignee of record at the Office. In any case, the Office’s proposed benefits for the Sec. 1.273 requirement do not justify abandoning patents and patent applications.

As to the other purported benefits, “providing innovators with increased information” has no application to unpublished patent applications. Further, the Office has not explained how providing such information will enhance competition or increase incentives, and the contention appears to be mere hype. Compare this with the proposed rule 1.271(c) requirement to disclose a “power of attorney” which would include a medical power of attorney – the Office has not explained how the required information would enhance competition or increase incentives. The Office is not statutorily empowered to abandon patents so that innovators can know about a medical power of attorney. The proposed regulation has nothing to do with enhancing technology transfer and only increases the costs of transactions for patent rights over the present costs, under penalty of an abandoned patents. The proposed regulation also increases greatly the cost of abusive litigation by allowing a defendant in a patent infringement case to focus discovery on every conceivable attributable owner for each day of the patent and much of the patent application. Thus, it levels the field for innovators only if one assumes that the innovators are not the patentees or patent owners.

3. The Purported Costs are Gross Underestimates by Ignoring Costs

The Office estimates that the filing will cost burden of \$389, or one unit, which ignores the cost to obtain the information required for the filings. Each item defining an “attributable owner” would need to be investigated and monitored for change. The cost may involve litigation, for example, where the “attributable entity owner” is unknown or in dispute.

As to disputed ownership, consider for example, U.S. Patent No. 5,136,502 was filed by two inventors, and under the proposed rules, were the only ones with authority to file in the PTO an identification of as an attributable owner under the proposed rules. However, inventorship and thus ownership were changed by court order (see the Certificate of Correction in 5,136,502) in a constructive trust suit over disputed inventorship and thus ownership. Under the proposed rules, the patent would be deemed abandoned, and the new attributable owner will now be required to pay a PTO fee and a petition for a good faith effort, and make out the petition with evidence, to revive the patent. Because the regulation’s standard is not good faith, but a good faith effort, in any litigation seeking to enforce a patent acquired via a dispute over ownership, there will be discovery into whether the effort was a good faith effort.

As to uncertain ownership, consider for example, U.S. Patent Application No. 10/013827, Pub No. 20020128925, which was made subject to foreclosure under a UCC lien. However, an action for quiet title suit was necessary to establish there was no superior lien. Service in the suit took more than the allotted time under the proposed rules, and there is a 28 day period for one served to respond to the service, a time period which extends well beyond the proposed time to file an identification of the attributable owner, a time period which would not be extendable. Under the proposed rules, the patent application would be deemed abandoned, and the new attributable owner will now be required to pay a PTO fee and a petition for a good faith effort, and make out the petition with evidence, to revive the patent. Because the regulation's standard is not good faith, but a good faith effort, in any litigation seeking to enforce a patent acquired via a dispute over ownership, there will be discovery into whether the effort was a good faith effort. The Office is not qualified to assess what constitutes a good faith effort at clarifying ownership. Worse yet, the proposed rules would essentially negate the viability of patents as collateral because proceedings on liens on patents and the use of proceedings to obtain clean title after enforcing a lien will result in abandonment, or at least unavoidable dispute in any litigation seeking to enforce a patent acquired via a lien, mortgage, or the like.

The Office's cost also ignores the cost for abusive litigation, i.e. defendants adding the above-mentioned discovery into ownership for essentially every day of a patent and much of the patent application, for any patent being litigated. The proposed regulation imposes another huge burden on inventors, companies pursuing innovative technology that requires protection from knockoffs, and investors in the companies and inventing.

Further, the Office's cost ignores the cost for patents and applications abandoned where a good faith effort cannot always be shown, e.g., a mortgagor, a bona fide purchaser for value without notice, etc.

The Office deeming patent applications and patents abandoned by regulation. If such a harsh penalty is attempted, there should be a minimally burdensome remedial procedure, such as that for late payment of a large entity fee where an applicant has unintentionally been paying as a small entity.

In sum, the proposed requirement in Sec. 1.273 to abandon patents and patent applications by regulation exceeds the authority of the Office to govern proceedings in the Office and is inconsistent with the provision in 35 U.S.C. Sec. 102 that "a person shall be entitled to a patent unless...." The claimed benefits are trivial or insufficient to justify abandoning patents and patent applications, and the cost projection by the Office is grossly inadequate because it fails to consider the cost for obtaining the information to file or circumstances where the information is unknown or in dispute. The remedial procedure is highly burdensome and disputable in court, and if there were to be such regulation, the burden should be minimal, e.g., akin to paying a corrected entity fee. Abandonment is an extreme penalty for the purported benefits of the proposed regulation.

Respectfully Submitted,



Peter K. Trzyna
195 North Harbor Drive #5403
Chicago, IL 60601

From: Anthony Venturino [email address redacted]
Sent: Tuesday, April 22, 2014 10:33 AM
To: AC90.comments
Subject: Proposed Changes To Require Identification of Attributable Owner

Sirs:

Speaking for myself as a patent practitioner member of the public, not for my firm or any of my clients, the costs and risks of making patent owners comply with these proposed rules outweigh any benefits. These requirements will create traps for patent owners. Patent Owners are still recovering from traps and unintended consequences of the AIA. For example, under the AIA foreign owned PCT international stage applications can no longer be prosecuted at the US Receiving Office even if they have US inventors. In some instances filing such a case in the US/RO could cause the applicant to lose its filing date. The US Patent Office did not do a good job of advertising this trap. Entering a trademark application into the US via the relatively recently adopted Madrid protocol caused traps for many foreign applicants. For example goods in some instances had to be dropped because US identification of goods requirements are inconsistent with those of other jurisdictions. I likewise foresee complications in the event of not accounted for ownership or transfer situations. Such situations could arise in the context of joint ownership, temporary ownership, inheritance, and foreign ownership, as well as situations involving wholly owned subsidiaries vs. partially owned subsidiaries vs. sister companies. Also, these rules will add to litigation expenses. Now the parties can fight over whether the patentee's title records are perfect.

Requiring updates on changes during prosecution within three months of any change in attributable owner is impractical and creates more traps for businesses big and small. After a patent is granted, many small clients go to an annuity service and have little further contact with their patent attorney or patent agent. The US Patent Office has asserted patent matters should be treated by lay people patent owners as they treat their most important business. However, as a practical matter laypeople often cannot keep up with changes to arcane Patent Office procedures. It is likely if a business is bought, sold, or otherwise changes IP ownership then the layperson owner will forget to register the change and be penalized in a draconian manner for a victimless crime. How many US patents were accidentally lost due to failure of a layperson to pay a maintenance fee?

Also, these rules interfere with corporate freedom. A company may have legitimate reasons to attribute ownership a particular part of the corporate organization which will be inconsistent with by these rules. Thus, driving corporate decisions by a need to comply with these rules rather than what makes business sense for the company.

If the public needs to know who is the attributable owner of the patent in a lawsuit then this should be handled by the US courts, not the US Patent Office. Ownership could be required to be part of the initial pleading or other disclosures early in the trial process. For the few instances where this ownership issue arises there is no need to burden holders of millions of patents.

Respectfully,
Anthony P. Venturino
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Fairfax Station, VA 22039

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From: Mark Zdeblick [email address redacted]
Sent: Monday, March 17, 2014 2:07 PM
To: Executive Actions
Subject: Comment on proposed rules requiring reporting of ownership of patents

Dear Madam / Sir,

As an inventor (over 100 issued patents and >300 pending patents worldwide) and entrepreneur (3 start-ups since Stanford PhD in Electrical Engineering), I'd like to personally comment on the US Patent Office's proposed new rules regarding reporting of ownership of patents.

In short, they propose a rule that would require all patent holders to file a document detailing ownership of each issued patent, and a timely update if such ownership changes. Failure to file these forms on a timely basis would lead to the USPTO declaring the patents "abandoned," giving these rules incredible leverage.

This rule is somehow being sold as "leveling the playing field", but as one might imagine, such a rule puts relatively much more stress on a small company (that often can barely afford to file and prosecute patents in the first place) as compared to a large company with a typically large full-time legal staff. Notably, many small companies may not even be aware of these rules, particularly if they filed their own patents or have not been in touch w/ their filing counsel in many years. This is one more rule that would make it more difficult for small companies to develop competitive Intellectual Property - often the foundation on which early stage investments are made.

Today's article ("Critics Blast USPTO...") by Ryan Davis in Law360 summarizes these issues. He notes one practical compromise: to enforce these rules only when the patents are being asserted against a potential infringing party. I might be tempted support this compromise, as once infringement is being asserted, the financial stakes are already high, and some of the benefits (knowing who is financially supporting the assertion) become relevant. However, the author notes that many license agreements (such as between a University and a company) require that the existence and terms of those agreements remain confidential. This rule may force companies to choose between violating a confidentiality agreement and "abandoning" the affected patents.

A rule that so burdens the 98% of all issued patents that will never be litigated should not be issued. Rather, Congress should consider legislation using a balanced, bi-partisan process.

Executive Action rules such as this one gives this "goose-that-may-some-day-lay-a-golden-egg" a feeling that must also be felt by a duck whose liver is being prepared for *foie gras*: STUFFED!

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