

UNITED STATES PATENT AND TRADEMARK OFFICE

ROUNDTABLE ON REAL-PARTY-IN-INTEREST INFORMATION

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2 Welcoming Remarks

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20 Follow-up and Closing Remarks

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22

## 1 P R O C E E D I N G S

2 (8:30 a.m.)

3 MR. KAPPOS: Well, good morning,  
4 everyone. Thank you very much for coming over to  
5 USPTO here bright and early on a Friday morning in  
6 now mid-January. I'm Dave Kappos, Director of the  
7 USPTO. And I think it's not too late still to say  
8 Happy New Year, as we're still quite early in  
9 2013.

10 You know, each of the last few years has  
11 brought pretty exciting, far-reaching changes for  
12 our IP laws; and even though we're very early in  
13 the year 2013, I'll make my own little prediction  
14 that 2013 promises to be no exception. And, as  
15 always, input from the intellectual property  
16 community -- from those of you seated around the  
17 large horseshoe-shaped table this morning, as well  
18 as others who have joined us both in person here  
19 in Alexandria, Virginia, as well as on our webcast  
20 -- input from the intellectual property and  
21 innovation community of the United States is  
22 extremely important. To understate it, it's

1 critical.

2 Looking back over the last several  
3 years, I really believe that roundtables like this  
4 one, and of course in the case of the America  
5 Invents Act, the many roadshows that we conducted  
6 over the last year-plus have been truly  
7 indispensable to the agency in making us more  
8 transparent and more user friendly and more  
9 informed and, frankly, better equipped to put in  
10 place good rules, good interpretations, good  
11 policy.

12 So, in advance of anyone even speaking  
13 this morning, let me say thank you again for your  
14 preparation, for your participation, for your  
15 guidance to our agency. We benefit from it, you  
16 benefit from it -- "you" being everyone who cares  
17 about innovation in this country -- and, most  
18 importantly, the American people benefit from it.  
19 And it's this kind of dialogue that creates  
20 win-win results all around for our country.

21 Now, of interest to us today is your  
22 input on our proposal to collect so-called

1 real-party-in-interest, or RPI, information  
2 regarding patent applications and patents and even  
3 other related processes and, specifically, the  
4 question of: Do you agree that we should collect  
5 this kind of information and, if so, what are your  
6 thoughts about how we do it and when we do it, in  
7 what forms we do it and how deep we reach into  
8 determining what a real-party-in-interest means  
9 and what definitions we should use for determining  
10 what a real-party- in-interest is and any other  
11 points that have been raised in our notice that  
12 sparked this meeting.

13 Now, at a macro level -- right? -- at a  
14 high level, our perspective is simply that the  
15 marketplace cannot work effectively unless  
16 innovators know what a patented invention covers  
17 and know some reasonable amount about who owns it.  
18 We need as much transparency as possible in order  
19 to get intellectual property rights into the hands  
20 of those who are best able to make the investments  
21 and create the jobs and drive growth and generate  
22 economic activity that, after all, is the purpose

1 for having a patent system in the first place.

2 Now, this new RPI initiative that we're  
3 here to talk about today can have several  
4 benefits, not only, we think, hopefully improving  
5 the marketplace for innovation but also reducing  
6 gamesmanship in litigation strategies and  
7 improving the operation of the USPTO all around  
8 the board.

9 Now, with a more complete ownership  
10 record, the public has a more comprehensive  
11 understanding of what patent rights are being  
12 maintained and by whom; the financial markets have  
13 more complete information about the valuable  
14 assets being generated and held by patent owners;  
15 and inventors and manufacturers have a better  
16 understanding of the competitive environment in  
17 which they are operating, allowing them to be more  
18 efficient in obtaining and allocating resources  
19 that they need.

20 Now, RPI information also could benefit  
21 the USPTO, in fact, in several pretty important  
22 ways. First, it enables our Patent Trial and

1 Appeal Board to identify potential conflicts of  
2 interest much more effectively. Second, it alerts  
3 our Board to potential statutory bars to  
4 conducting proceedings. And perhaps most  
5 importantly and certainly very importantly, it  
6 enables our Examiners to do a more effective job,  
7 to understand whose patent application they're  
8 actually examining as they look at it.

9 Now, for the agency, we're willing to do  
10 our part in creating an effective set of rules and  
11 guides here. In fact, we're already doing our  
12 part. If you look at our fees, we have dropped  
13 our assignment recording fee, which was \$40, to  
14 \$0. So, we're sending a very strong message.  
15 We're not going to charge anyone anything, not a  
16 single penny, right? You know, when people ask  
17 the question, "Well, define 'zero.'" It's nothing.  
18 And we're trying to send a message that we'll do  
19 our part, we will absorb the cost to do that work,  
20 because it's important and we want to make it as  
21 easy as possible for folks to provide this  
22 information.

1                   Now, who constitutes a  
2    real-party-in-interest or a privy is, in fact, a  
3    highly fact-bound question, especially the issue  
4    of whether a party who is not a named participant  
5    in a given proceeding nonetheless constitutes a  
6    real-party-in- interest or a privy to that  
7    proceeding. Courts and commentators certainly  
8    agree that there's no bright line test -- we get  
9    that -- for determining the necessity or the  
10   necessary quantity and qualities, degrees of  
11   participation that make one a  
12   real-party-in-interest or a privy based on what we  
13   know to be the so-called control concept.

14                   So, it's a difficult area to analyze.  
15    There is certainly a lot of jurisprudence on it;  
16    and, as a result, the USPTO hasn't tried to  
17    enumerate particular factors regarding any control  
18    theory or real-party-in-interest or privy in the  
19    proposal that we put out. And instead, to resolve  
20    the RPI or privy dispute that may arise in various  
21    proceedings, we want to hear from the people in  
22    this room, which, as you can see from our notice,

1 we're open to considering on a case-by-case and  
2 very, very fact-specific basis.

3 So, in sum, the USPTO is here today  
4 looking for input on our RPI proposal, all input  
5 that the folks here in the room and those watching  
6 by webcast can offer us, input on parties and  
7 their ability to establish standing, input on  
8 challenging standing, input on flexibility to  
9 consider the specific facts and relevant case law  
10 in resolving real-party- in-interest disputes.

11 But the core of our objective in this  
12 matter is to come back to where I started:  
13 Transparency, transparency. We're in an era of  
14 transparency, and with this roundtable today we  
15 want to hear your thoughts on how we can improve  
16 transparency about the subject  
17 real-party-in-interest. We welcome, we encourage  
18 your comments on the definitions we proposed,  
19 suitability of other definitions or standards,  
20 everything that you want to offer input on.

21 So, thanks again for your participation,  
22 and now I'm going to turn it over to my truly

1 close colleague here at USPTO, our chief  
2 economist, Dr. Stuart Graham.

3 DR. GRAHAM: Thank you, David. Good  
4 morning. I am pleased to be moderating our  
5 roundtable this morning. Director Kappos has  
6 highlighted some of the benefits of collecting  
7 real-party-in-interest information, benefits that  
8 extend to operational efficiencies for the USPTO,  
9 transactional efficiencies in the marketplace for  
10 invention, and information efficiencies in the  
11 litigation and licensing environment.

12 The USPTO published a Request for  
13 Comments on November 23, 2011, regarding whether  
14 regulations should be promulgated for the  
15 collection of assignment and real-party-  
16 in-interest information for both applications and  
17 issued patents. In reviewing the comments that we  
18 received from the public, all of which are  
19 available on the USPTO website, we heard that  
20 without specific proposals many of the respondents  
21 felt unable to adequately respond. In response to  
22 that, in the November Federal Register notice that

1 announced this roundtable, we offered what  
2 amounted to straw men definitions of  
3 real-party-in-interest to facilitate discussion at  
4 this roundtable today.

5           The first of these definitions, an  
6 admittedly broader definition, RPI would  
7 correspond to those entities having the legal  
8 right to enforce the patent, in other words, those  
9 parties that would be necessary and sufficient to  
10 bring a legal infringement action. We anticipate  
11 that this information is directly relevant to  
12 identifying conflicts of interest that might arise  
13 in examination context and is consistent with the  
14 need to make prior art determinations, because it  
15 identifies all parties that might have a claim to  
16 ownership of the patent application or issued  
17 patent. This definition would likely require  
18 disclosure of exclusive licensees in certain  
19 cases.

20           Under the second admittedly narrower  
21 definition, the interested parties needing to be  
22 disclosed would be limited to the legal title

1 holders and ultimate parent entities of the patent  
2 application or issued patent. The term "ultimate  
3 parent entity" could be based on the definition  
4 along with the accompanying examples set forth in  
5 our regulations, which define it as an entity that  
6 is not controlled by any other entity. Such a  
7 definition may limit the entities that need to be  
8 identified based on the assumption that although  
9 not every interested entity would be listed,  
10 information about these other parties, if needed,  
11 could in most cases be deduced or obtained from  
12 the information provided.

13 We set these definitions out as an  
14 opportunity to begin a discussion and offer an  
15 opportunity to respond to particular definitions.  
16 But certainly we are open, as Director Kappos  
17 suggested, to more thought on this issue, and it's  
18 one of the reasons why having a roundtable like  
19 this one today is so important.

20 So, we are interested in hearing today  
21 from the roundtable participants about the  
22 workability of these or other definitions, as well

1 as the timing of collecting such information.  
2 What are the consequences, for instance, of  
3 requiring such information during the prosecution  
4 of the application? And what about after issue?  
5 And what are the appropriate trigger events for  
6 collecting this information?

7 With that as background, let me begin  
8 the discussion by thanking all of you live in our  
9 offices here in Alexandria, Virginia, and also the  
10 webinar audience for joining us today.

11 As you can see by the agenda that you  
12 received upon arrival, we have 20 guests  
13 prescheduled to share commentary. When I call  
14 your name, I ask that each of you please speak  
15 from the podium.

16 Also, because of the tight timeline  
17 today, each guest has been allotted either 5 or 10  
18 minutes to share commentary with us. I will raise  
19 a red card at the 1-minute warning mark to request  
20 that you conclude your commentary so that we may  
21 stay on scheduled as much as possible, and that  
22 will allow us to have sufficient time at the end

1 for a robust interactive discussion.

2 Lastly, after prescheduled commentary is  
3 complete, we will open the floor to the audience  
4 for any additional views.

5 Now, with that, let us begin with  
6 Professor Arti Rai from Duke University School of  
7 Law.

8 Professor Rai.

9 PROFESSOR RAI: Thank you very much to  
10 the U.S. Patent and Trademark Office, Director  
11 Kappos, Dr. Graham for inviting me to speak at  
12 this very important event.

13 Let me preface my remarks by saying I'm  
14 speaking as somebody who teaches not only patent  
15 law but also administrative law, in fact have  
16 written and taught in the area of administrative  
17 law for about 10 years now. I am also co-chair of  
18 the American Bar Association Administrative Law  
19 Section's Committee on Intellectual Property. So,  
20 I will be speaking on some of the administrative  
21 law issues with respect to the PTO proposal. I  
22 should emphasize, however, that my comments

1 represent only my own personal views.

2           So, as noted, I'd like to focus my  
3 commentary on a somewhat narrow but nonetheless  
4 very important threshold question, and that is, of  
5 course, the threshold question of whether the PTO  
6 has the administrative authority to promulgate  
7 rules such as those in question. Some of my  
8 commentary is based on written comments I  
9 submitted to the PTO on this issue a year ago.  
10 These are in the public record, and I incorporate  
11 those comments by reference, if you will, in my  
12 commentary today.

13           Let me begin, however, by emphasizing  
14 one overarching principle, and this is a principle  
15 that is important for administrative law in  
16 addition to being an important overarching  
17 principle, and that is what Congress wants and  
18 thinks about PTO authority.

19           I think that Congress has, with the  
20 passage of the America Invents Act, placed the PTO  
21 even more squarely than previously was the case in  
22 the world of the patent marketplace, in other

1 words, in the world of what happens after a patent  
2 issues, not simply what happens during the  
3 examination process.

4 So, in addition to the specific  
5 authorities in the Patent statute upon which the  
6 PTO can draw -- and I will talk about those in a  
7 moment -- we have a statute, the America Invents  
8 Act, that places what happens to a patent after it  
9 issues squarely in the PTO's bailiwick.

10 To put the point another way, with the  
11 AIA's passage -- AIA's passage -- we have a sort  
12 of congressional endorsement of the agency power  
13 that courts like the U.S. Supreme Court have  
14 looked to in administrative law cases to determine  
15 the contours of agency authority. So, that's an  
16 overarching principle.

17 Now, to the details of PTO statutory  
18 powers. Under the Supreme Court precedent of  
19 Chrysler v. Brown, the threshold question is  
20 whether an agency can promulgate rules with "the  
21 force of law." Under Chrysler, an agency can do  
22 so if the rules are "reasonably within the

1       contemplation" of a congressional grant of  
2       rulemaking authority. Here, I believe the  
3       proposed rules are within the PTO's fairly  
4       comprehensive § 2(b)(2) authority to "govern the  
5       conduct and proceedings in the Office."

6               For example, the 2005 Federal Circuit  
7       decision in the Startfords case upheld, as within  
8       PTO power, a fairly muscular regulation requiring  
9       the applicant to provide all information  
10      reasonably relevant to examination. In that  
11      regard, the court emphasized the PTO's goal of  
12      using the regulation to "perform the best quality  
13      examination possible."

14             In this case, the rules proposed by the  
15      PTO requiring submission of continuously updated  
16      information will, in the words of Startfords, help  
17      the agency implement "the best quality examination  
18      possible."

19             As the recent Notice points out in  
20      detail, and as Dr. Graham and Director Kappos have  
21      noted already, the AIA makes the question of  
22      ensuring that the PTO has accurate information

1        regarding ownership of prior art significantly  
2        more important than it was prior to the AIA.

3                I should emphasize, however, that the  
4        PTO's statutory power to issue rules governing the  
5        conduct of proceedings is not limited to  
6        examination. In cases like *Coopertec v. Judas* and  
7        *Stevens v. Tamai*, the Federal Circuit has  
8        emphasized and upheld, as within the scope of PTO  
9        authority, regulations governing inter partes  
10       reexamination and interferences. In *Coopertec v.*  
11       *Judas*, for example, the Federal Circuit held that  
12       the PTO could use its regulatory authority over  
13       procedures to define the term "original  
14       application" in a statutory provision that  
15       establishes procedures for inter partes  
16       reexamination.

17               Similarly, in this case, identification  
18       of real- parties-in-interest will greatly  
19       facilitate proper use and disposition of the host  
20       of new post-grad proceedings set out by the  
21       America Invents Act.

22               Now, the PTO also has a duty under § 2A2

1 of the Patent Statute to "disseminate to the  
2 public information with respect to patents." The  
3 detailed contours of this power have not been  
4 fleshed out as clearly by the Federal Circuit as  
5 the contours of the 2(b)(2) power. But on the  
6 plain meaning, reading of the language with  
7 respect to the duty, it would appear to require  
8 giving the public information regarding who the  
9 current owner of the patent is.

10 In general, administrative law has as  
11 its core the principle of transparency that  
12 Director Kappos emphasized. This transparency  
13 principle is particularly important where the  
14 public is going to be subject to a  
15 government-imposed legal requirement, i.e., a  
16 patent. We are all subject to the requirements of  
17 patent law. If we are going to be subject to  
18 these patent requirements, we must know not only  
19 what the metes and bounds of the claims are but  
20 also who is asserting the claim. Transparency is,  
21 as I have indicated, a core principle of  
22 administrative law that has been upheld time and

1 again by the Supreme Court.

2 So thus far I have spoken to the  
3 threshold question of PTO power to promulgate the  
4 rules in question, and that is the core of my  
5 remarks today. But let me conclude with one brief  
6 comment about the substance, again from an  
7 administrative law perspective.

8 As a matter of administrative law, the  
9 PTO must not only show that it has the power to  
10 regulate -- to promulgate, excuse me -- the rules  
11 in question but also that the rules are ultimately  
12 based on a reasoned assessment of cost and  
13 benefits. What courts look to in determining  
14 whether the agency has done a thorough job of  
15 doing this reasoned assessment is precisely the  
16 sort of proceedings in which the PTO has engaged  
17 over the over the last year and is engaging today.  
18 The agency should carefully lay out a record for  
19 why there are real benefits not only for the PTO  
20 but for the patent system as a whole and for the  
21 public with respect to a more complete record of  
22 information about ownership. I think the PTO is

1 doing that, and the comments today will assist in  
2 that regard.

3 I thank you for the opportunity to  
4 present.

5 DR. GRAHAM: Thank you very much,  
6 Professor Rai. Our next speaker -- I will ask  
7 Marian Underweiser to come to the lectern. Ms.  
8 Underweiser is representing International Business  
9 Machines.

10 DR. UNDERWEISER: Thank you very much.  
11 I'd also like to thank the Patent Office for the  
12 opportunity to speak about this important issue  
13 this morning.

14 As I think the director explained pretty  
15 well in his opening remarks, patent ownership  
16 information is an important part of what we  
17 consider to be the complete disclosure of a patent  
18 right that provides notice to the public. And I  
19 think certainly after hearing my remarks but the  
20 remarks of the other panelists and some of the  
21 comments that have been submitted, for most people  
22 who operate out there in the patent community

1 innovating and creating products and services,  
2 this is a pretty important element of promoting  
3 transparency in the patent system, and I think we  
4 all should support creating a more transparent  
5 patent system and not be looking for ways, in  
6 worse case scenarios, that overbroad regulations  
7 or requirements might create problems for  
8 disclosure.

9           So, I think this is something we should  
10 all actually be trying to achieve, and in  
11 particular I think the question is really: What  
12 kind of requirements can be in place that will  
13 give us the information that we're really looking  
14 for without imposing an undue burden on applicants  
15 and patentees? So, the PTO has described some of  
16 the reasons why enhanced ownership information  
17 will help them in examining patent applications  
18 and in fulfilling their functions.

19           Ownership transparency also has a  
20 tremendous benefit to the patent community and the  
21 public, like IBM. And what are these? A lot of  
22 them are related to market transparency. We need

1 to be able to identify the complete patent  
2 portfolios, for example, of entities that may  
3 distribute these patents amongst uninformatively  
4 named subsidiaries and affiliates, which makes it  
5 very difficult to determine what the complete  
6 portfolio is of that entity.

7 We also need to determine whether or not  
8 we're licensed to particular patents. And, as you  
9 know, patents can pass through the hands of many  
10 owners, and one of them may be a licensor. So, in  
11 order to determine that, you really need accurate  
12 ownership information. You also need to be able  
13 to figure out what is your ability to obtain a  
14 license, whether it's to a particular patent or a  
15 comprehensive license to a portfolio.

16 And when I talk about all of these  
17 things, I'm talking about making assessments about  
18 the patent landscape up front before you may  
19 invest a great deal of resources and research and  
20 development, before you make go-to-market  
21 decisions about your products and services. These  
22 are important issues that have to be resolved

1 early in the innovation process, and the way that  
2 you do that in a patent landscape where there are  
3 lots of issued patents out there, lots of  
4 applications, is you need to have a sense for who  
5 are those owners? Are those licensors? Are those  
6 people who are likely to license you or not likely  
7 to license you? Are you better off designing  
8 around? So, these kinds of questions can only be  
9 answered with accurate and complete ownership  
10 information.

11 One example of this that's become of  
12 interest recently is in the area of standards  
13 licensing. How do you know if a patent is subject  
14 to a standards commitment unless you know who owns  
15 it?

16 Another aspect of this -- so from  
17 another viewpoint in thinking about how to deal  
18 with patents of interest, how do I identify  
19 patents of interest for the purpose of using or  
20 taking advantage of the new and existing patent  
21 quality provisions?

22 With the new patent quality provisions

1 created under the AIA, you have pre-issuance  
2 submissions; you have post- grant review. And  
3 both of these proceedings have limited time  
4 windows, and the parties who are using them,  
5 certainly in post-grant review and in inter partes  
6 review, are making a big investment in putting  
7 together materials; and certainly the fee for  
8 using the system is not insignificant. And what  
9 you may be aware of is that in the context of the  
10 AIA, there was a hard-fall requirement that  
11 challengers would reveal the real-  
12 party-in-interest when they challenge the patent.  
13 And in doing so, one takes a risk that the  
14 patentee is now aware of you and may look into  
15 your activities. You may expose yourself to a  
16 risk of an infringement suit. And isn't it only  
17 fair in those circumstances, and in fact  
18 necessary, for a party taking that risk to have  
19 accurate information about patent ownership and to  
20 make decisions in the first place about which  
21 patents that challenger may want to investigate  
22 more fully.

1           So, these are a lot of the reasons why  
2 members of the patent community, like IBM, are  
3 really interested in obtaining as complete  
4 ownership information as possible.

5           Now, that brings me to the second part  
6 of the inquiry here, which is really how do we do  
7 it? There are a number of different ways to go  
8 about this. I'm sure -- in many different ways  
9 the PTO has suggested two possible definitions for  
10 the real-party-in-interest. IBM submitted  
11 comments in response to the earlier Federal  
12 Register Notice last year.

13           We discussed a proposal certainly  
14 similar to the PTO's proposal, the more narrow  
15 proposal, to use the ultimate parent definition.  
16 I think this definition eliminates some of the  
17 problems people may see with a broader definition,  
18 such as disclosing what may be confidential  
19 relationships that give rise to exclusive licenses  
20 and is, in our view, a lighter touch on obtaining  
21 the kind of information that would allow you to  
22 identify a complete portfolio that again may be

1 distributed amongst various different affiliates  
2 and subsidiaries. So, this is a narrow  
3 requirement that yet should give the patent  
4 community enough information to assess the  
5 landscape.

6 And another aspect of compliance  
7 involves when and how to make these disclosures.  
8 So, certainly patent filing and certainly before  
9 substantive exam or publication, that way, for  
10 example, the published application also has the  
11 necessary ownership information so the public can  
12 use the pre- issuance submissions proceeding. And  
13 at issuance and likely at payment of maintenance  
14 fees, we are confident that the public can work  
15 through any compliance issues and work and create  
16 a procedure that is reasonable and not overly  
17 burdensome for obtaining this information through  
18 the patent life cycle.

19 IBM, as I'm sure you're aware, has many  
20 pending patent applications and issued patents at  
21 any given time. We have for some years. And we  
22 are willing to shoulder whatever burden is

1 required here to have this benefit that we think  
2 is very important of having the more complete  
3 ownership information for both patent applications  
4 and issued patents, which we think is a very  
5 important added element of serving the public  
6 notice function of the patent system.

7 So, thank you very much. That concludes  
8 my remarks.

9 DR. GRAHAM: Thank you, Dr.  
10 Underweiser. Our next speaker, Courtenay  
11 Brinckerhoff from Foley & Lardner.

12 MS. BRINCKERHOFF: Thank you. I'd also  
13 like to thank the Patent Office, Director Kappos,  
14 and Dr. Graham for the opportunity to speak here  
15 this morning. I am a partner at Foley & Lardner,  
16 but my comments here today do not necessarily  
17 represent those of my partners or clients.

18 I may be the voice of dissent here  
19 today, certainly the first voice of dissent that  
20 you are hearing this morning. I certainly will  
21 defer to Professor Rai on the administrative law  
22 issues, but I do question the Patent Office's

1 authority to impose its requirements.

2 The patent statute has traditionally  
3 made identification and recordation of ownership  
4 information optional, and that has not changed  
5 with the AIA. The AIA still makes it optional to  
6 name the assignee as the applicant and makes it  
7 optional to have a patent granted in the name of  
8 the assignee.

9 Also, recently there was a treaty  
10 statute implementation that also amended § 261  
11 and, again, provided that the Patent Office should  
12 record information upon request. So, I think that  
13 the tradition of optional recordation, optional  
14 disclosure of information needs to be kept in  
15 mind.

16 Also, I think this does seem to be a  
17 policy issue. Economics marketplace seems to be  
18 more the realm of Congress where Congress can hear  
19 the sides of all parties and balance the interest.

20 I'd also like to touch on some of the  
21 Patent Office's justifications. In the Federal  
22 Register Notice, there were a number of

1 justifications. Some of them seemed convincing on  
2 the surface, but as a practitioner for over 20  
3 years I have a question on when you dig deeper.  
4 One of the justifications was to verify that the  
5 power of attorney is from the proper authority.  
6 There are already rules that require or ensure  
7 that under 3.73 the need for board members to  
8 recuse themselves in appeal, that there are  
9 already requirements in your appeal brief that you  
10 identify the real-party-in-interest.

11           The new definition of "prior art" under  
12 the AIA, while the definition is broader in some  
13 respects, it's also narrower in other respects.  
14 It will only come into play if the earlier prior  
15 art was not published before the second  
16 application. So, I still think that exception  
17 will only apply to a fraction of applications, and  
18 I don't think it justifies imposing a burden  
19 across all applications where there may not be any  
20 grace period commonly in prior art at issue.

21           The only thing of interest was the  
22 possibility that Examiners would recuse themselves

1 from examination, and so I'd like to know if the  
2 Patent Office is really doing that. Do they do  
3 that now? Are they really thinking of  
4 implementing a program where applications would be  
5 screened and assigned dependent on the Examiners,  
6 I guess, investment in relationships with  
7 corporations and with the Patent Office change  
8 examination assignment midstream if ownership  
9 changed.

10 Looking at the definitions from the  
11 perspective of a practitioner -- I work with a lot  
12 of foreign clients -- there needs to be clarity in  
13 definitions if there's going to be a rule  
14 requiring this. As Dr. Kappos said, there's not a  
15 bright line for real-party-in-interest, and that's  
16 a problem. The first definition relating to the  
17 necessary party brings in litigation. A lot of  
18 patent practitioners are patent agents who have no  
19 experience with litigation. It's burdensome for  
20 them to have to understand litigation rules and  
21 determine who needs to be disclosed.

22 There's also a question of whether the

1 Patent Office decided not to invoke Rule 17 of the  
2 Civil Rules of Procedure, which is a  
3 real-party-in-interest provision. If it wants to  
4 take this route, maybe it should look at that,  
5 because there is a body of case law around that  
6 that could provide guidance if that's the  
7 definition the Patent Office wants to take.  
8 Otherwise, there's a question over whether there  
9 is a difference.

10 On the limited definition, again, there  
11 is a question of clarity of the statute or the  
12 rule that the Notice invokes. It's from 16 CFR,  
13 which I've never visited in my 20 years of  
14 practicing. So, again, it's bringing another body  
15 of law into the patent fields, and is that  
16 something that patent practitioners, particular  
17 patent agencies or patent attorneys who do not  
18 have access to business lawyers -- to help them  
19 interpret these statutes. Is that a reasonable  
20 burden to impose?

21 For example, the rule that the Notice  
22 sites indicates an actual person who controls an

1 entity can be the real-party-in-interest, so are  
2 we going to be naming the person at the end of the  
3 chain or are we supposed to stop at the corporate  
4 level?

5 I also question on the broader  
6 definition, the authority, and the justifications  
7 for requiring the exclusive licensing information.  
8 Most of the Patent Office's justifications or all  
9 of the Patent Office's justifications really would  
10 be satisfied with only disclosing the record title  
11 holder. This also, I think, brings in a lot more  
12 difficulty of knowing the current information,  
13 deciding -- knowing whether it has to be disclosed  
14 or not, because an exclusive licensee can be  
15 territorial; it could be product related; it could  
16 be claim-by-claim related; it can raise a whole  
17 host of complicating issues.

18 And all of these issues are even more  
19 complicated when you consider international  
20 applicants, particularly if you're working through  
21 foreign law firms, that there is usually little  
22 communication directly with the corporate, the

1 client, the owner entity; and in many foreign  
2 cultures there is much more secrecy around  
3 ownership, licensing, business relationships. All  
4 of these could be seen as very intrusive from  
5 their perspective.

6           The final points I'm going to go through  
7 are sort of the nitty-gritty of the details that  
8 were proposed. The rules seem to propose  
9 disclosure at least four times during patent  
10 prosecution: When the application is filed;  
11 before it's published; if there's any change  
12 during prosecution with the issue fee payment; and  
13 at the maintenance fee.

14           It's important to keep in mind that  
15 every transaction that requires a form to be filed  
16 is going to involve 10th action cost, and  
17 especially in this situation where the person  
18 handling the patent applications might not know  
19 inherently the information, it's going to require  
20 communication to the client. Again if you got a  
21 foreign client through the foreign agent to the  
22 corporate entity, back again, these are not

1 anything that can cause -- it's not an  
2 insignificant burden.

3           Additionally, with the maintenance fee  
4 payments, while that seems like an easy task, I'm  
5 sure the Patent Office knows that most maintenance  
6 fees are paid by non-lawyer entities. So, again,  
7 you're going to have to involve a lawyer at a time  
8 in a patent life when it's usually outsourced to a  
9 company that's just handling a fee payment  
10 transaction.

11           So, hopefully I've given everyone who's  
12 in favor of these decisions some things to think  
13 about.

14           Thank you.

15           DR. GRAHAM: Thank you, Ms.  
16 Brinckerhoff. Next on the agenda is Kenneth  
17 Nigon. Kenneth Nigon is with the American  
18 Intellectual Property Law Association.

19           MR. NIGON: Thank you very much. AIPLA  
20 appreciates the opportunity to comment on the RPI  
21 Initiative. While there may be some benefit to  
22 knowing the RPI in some patents and applications,

1 we remain concerned that the administrative burden  
2 of the proposed procedures is too high and likely  
3 will outweigh any perceived benefits.

4           Moreover, we would need to know the cost  
5 to stakeholders and at the Office and have a  
6 greater understanding of the ability of the Office  
7 to manage the process, as prior similar studies  
8 have failed to confirm this capacity. If the PTO  
9 decides it needs RPI information, we strongly  
10 recommend that a less burdensome procedure be  
11 adopted.

12           We understand that the Office and the  
13 public need to know information about RPIS.  
14 Non-practicing entities sometimes hide their  
15 ownership, and it's very difficult to determine  
16 the true owner of the patent. Examiners need to  
17 know so that they can evaluate a prior art  
18 reference under 102(b)(2)(C) and evaluate the  
19 credibility of evidence. Office personnel also  
20 need to know the RPI to determine whether there's  
21 a potential conflict of interest.

22           The number of patents that this

1 information is needed in, we believe, is very  
2 small compared to the total number of patents that  
3 the Office processes and the number that are  
4 already issued. Here the Office has not provided  
5 any data to show the number of applications where  
6 the information would be needed. But if you look  
7 at it, in less than one percent of patents who  
8 have litigated, there are existing incentives to  
9 ownership that result in the real-party-in-  
10 interest actually being disclosed as recorded  
11 assignments. And 37 CFR, Rule 42.8, already  
12 requires patent owners to provide RPI information  
13 in a PGR and IPR proceeding.

14 In addition, during examinations the  
15 Examiners, if they believe the RPI information is  
16 important, could request it under Rule 105. The  
17 burden on the patentees, the procedure, we believe  
18 greatly exceeds the benefits gained. As Courtenay  
19 pointed out, four times during patent prosecution  
20 and with each maintenance fee payment, the  
21 practitioner would be required to investigate the  
22 RPI status and file a paper with the Patent

1 Office. This would result in a lot of unnecessary  
2 work, again, because in most cases the real-party-  
3 in-interest is already recorded. IBM has a lot of  
4 patents, but they record their assignments. So,  
5 there's no real problem for IBM in that regard,  
6 and there's no real need for them to make these  
7 additional filings.

8 Also, in some instances it may be  
9 difficult to determine the RPI. As Courtenay  
10 pointed out, in other countries they may not  
11 understand the difference between a patent owner  
12 and an RPI, and you have to convey this through a  
13 translation barrier in many cases.

14 Startup companies may have made many  
15 different investors, going from friends and family  
16 to angel investors to venture capitalists, who  
17 have different rights in who's going to determine  
18 who the real-party-in-interest is there.

19 Many patent practitioners are patent  
20 agents who cannot make legal judgments. Both of  
21 these requirements -- both the broad and the  
22 limited RPI requirements -- would require a legal

1 judgment. So, the patent agent would then have to  
2 get a lawyer involved or the client would have to  
3 get a lawyer involved.

4 Many patent firms also outsource their  
5 maintenance fee payments, as Courtenay pointed  
6 out, so the procedure would require coordination  
7 with a payment service to make sure that the  
8 verification is made on time, and it would also  
9 require additional docketing. Many law firms  
10 don't docket maintenance fee payments anymore,  
11 because these payments are outsourced to the  
12 services.

13 Again, even if the proposed requirement  
14 of broad limited definitions is adopted,  
15 information may not be available to the public as  
16 needed. Maintenance fees are only due at four,  
17 eight, and twelve years after the patent issues.  
18 There will be relatively large gaps in time when  
19 there will be no duty to record the  
20 real-party-in-interest or update the  
21 real-party-in-interest. So, it could still be  
22 hidden.

1           I also believe that a determined RPE or  
2 NPE, whatever system you can come up with, will be  
3 able to game it and under the limited definition  
4 put the patent in an entity under which it has no  
5 control, however it's defined, but then can obtain  
6 it when it's ready to file suit.

7           Determining the rights of a party under  
8 a licensing agreement may be difficult, and they  
9 may be subject to confidentiality agreements. So,  
10 it would be difficult for a patent practitioner,  
11 even if he wanted to, to disclose this information  
12 in those situations.

13           Finally, we think if the PTO is  
14 determined that this is necessary, we recommend a  
15 more focused procedure that we believe can produce  
16 essentially the same results with a much lower  
17 administrative burden. For pending applications,  
18 we have the Rule 105, but we also think that  
19 requiring the RPI information to be submitted only  
20 at the payment of the issue fee or filing and  
21 payment of the issue fee would be much less  
22 burdensome than the concept need to update it.

1           For issued patents, we believe one  
2           possibility may be to develop a new procedure in  
3           the Patent Office by which a member of the public  
4           could anonymously ask the PTO to request RPI  
5           information. Then the PTO would request it and  
6           then put it into the file. And this of course  
7           would have to be limited to prevent harassment and  
8           also maybe with a fee to prevent harassment at the  
9           Patent Office.

10           I thank you very much. We thank you  
11           very much for the opportunity to bring these  
12           issues to your attention.

13           DR. GRAHAM: Thank you, thank you, Mr.  
14           Nigon. Our next speaker, Jeffrey Wilder. Mr.  
15           Wilder is from the U.S. Department of Justice,  
16           Antitrust Division.

17           MR. WILDER: Thank you. So, I should  
18           begin with a disclaimer, which is the views I  
19           express here today are not purported to represent  
20           those of the Antitrust Division. That having been  
21           said, I think it is fair to say that at the  
22           Antitrust Division there is considerable

1 enthusiasm for consideration of new rules that  
2 would require disclosure of real-party-in-interest  
3 information.

4 Making information about the true  
5 controlling owner of a patent available is likely  
6 to improve the Notice function of our patent  
7 system and promote competition and innovation to  
8 the benefit of U.S. consumers by facilitating  
9 bilateral licensing, increasing design freedom,  
10 and allowing firms to better manage risk.

11 At this point, let me take a step back  
12 and talk a little bit about the benefits of  
13 transparency to a well- functioning IP  
14 marketplace, and I think the easiest way to  
15 approach this is simply to set up two extremes, to  
16 think about a world in which IP licensing works  
17 very well and a world in which it does not.

18 And so consider the first world.  
19 Technologies are well known; it's clear who owns  
20 what; and also it's clear what all the options are  
21 on the table. And therefore when a potential  
22 licensee goes out, the licensee can weigh the

1 relative technologies, consider the relative costs  
2 of each, and decide which is the best route to go.

3 Now, if we consider instead a  
4 marketplace in which licensing is not working  
5 well, rights aren't going to be well defined,  
6 technologies may not be well known, and it may be  
7 incredibly difficult to know who precisely owns  
8 what. And in a world like this, a licensee might  
9 be basically forced to bring a product to market  
10 without pursuing any licensing options at all, and  
11 what will ultimately happen, of course, is that  
12 someday down the road after unrecoverable costs  
13 have been sunk, the potential licensee should  
14 expect a licensor to show up at his doorstep and  
15 say, basically you've infringed our IP.

16 Now, it's well documented in a world  
17 like that when the potential licensor is arriving  
18 after these investments have been made that we  
19 should expect to see very high royalties. And  
20 this ability of the licensor to hold up the  
21 potential licensee is inherently a very  
22 inefficient outcome from the perspective of

1 competition policy.

2 Now, you might say, look it's just a  
3 transfer. But in truth it's not, both because the  
4 royalties I impose might change my marginal costs  
5 to produce but also because anticipating how this  
6 game is going to play out, I might choose, as a  
7 potential firm looking to develop a new product,  
8 simply not to develop the product at all in the  
9 first place. And that is a real, pronounced,  
10 economic harm.

11 The rules being proposed or the rules  
12 being considered, rather, by the USPTO improve  
13 transparency by making clear who precisely owns  
14 what. Now, are they going to solve the holdup  
15 problem? By no means. But in my view, they are  
16 certainly a step in the right direction, a step  
17 toward greater transparency.

18 Now, there's one caveat that I should  
19 note here, and that is in certain contexts it is  
20 the case that transparency -- too much  
21 transparency -- can actually reduce incentives to  
22 invest in information, say, and I think that the

1 context in which this tends to come up most often,  
2 the canonical example, is financial markets. In a  
3 context like that, are the institutional investors  
4 of the world going to go out and make the  
5 investments necessary to learn which stocks are  
6 under- or over-valued unless ultimately they're  
7 going to be able to trade on that information  
8 before others trade in front of them. In that  
9 context, there is an acknowledgment that we need  
10 to basically weigh the two effects, and we allow  
11 large firms to engage in block trades. We allow  
12 them to engage in anonymous trades to essentially  
13 balance the two.

14 Now, I think similar arguments can be  
15 made here, and I think they are theoretically  
16 valid. However, based on my understanding that  
17 has arisen in the course of our investigations,  
18 also our PAE workshop in December of the prior  
19 year, I think that the weighing is pretty obvious,  
20 or at least how the weighing comes out, and this  
21 is a market that would benefit incrementally from  
22 a move toward greater transparency.

1           Now, of course in order to increase  
2   transparency, the rules need to have some bite.  
3   They have to have some teeth. And what we do not  
4   want to have is a world in which the rules are put  
5   in place and sophisticated entities can  
6   essentially evade the rules by virtue of setting  
7   up a vast web of subsidiaries and shells. And as  
8   I revoke the rules that are being proposed here  
9   today, they are both adequate in that respect.  
10   What I think I would say is, at a minimum as we  
11   consider different rules it should be necessary --  
12   in all cases we should require identification of  
13   the ultimate parent entity.

14           Now, I would go even further and say  
15   that there would be clear benefits to requiring  
16   recordation with each change in the RPI. And this  
17   gets back to comments made before. That would  
18   ensure that the RPI data at hand at a particular  
19   point in time were never stagnant.

20           Now, I'll conclude with just an  
21   observation or two. I've spoken a little bit  
22   about the benefits of transparency on the whole,

1 but I'll make an observation or two that are more  
2 specific to enforcement of the competition laws  
3 and how rules of this sort would help us. I think  
4 better information on RPI would allow us to better  
5 identify the competitive impact of acquisitions,  
6 because we would know exactly who owned what.

7           And then I'll also flag that what we  
8 oftentimes care about is somewhat broader than the  
9 rules that are being suggested here. So, what we  
10 will occasionally care about is who stands to  
11 benefit from the exercise of an IP right? So,  
12 consider, for example, a situation where a  
13 particular IP is asserted and an exclusion order  
14 is sought. Well, in an instance like that, a  
15 competitor to the product against which the IP is  
16 being asserted stands to benefit. And we care  
17 about that, especially if that competitor was the  
18 source of the IP to begin with.

19           To the extent that there's more  
20 information about how IP travels from entity one,  
21 to two, to three, that might make it harder for  
22 firms to engage in strategies that are potentially

1       problematic that involve the sale of IP to be  
2       asserted against a competitor and effectively  
3       raise that competitor's costs.

4               Thank you.

5               DR. GRAHAM: Thank you, Mr. Wilder. Our  
6       next speaker is Michael Lubitz. Michael comes  
7       from Global Technology Transfer Group.

8               MR. LUBITZ: Good morning, everybody.  
9       Thank you, Director Kappos for making this  
10       roundtable a reality.

11              You know, today I think really is about  
12       change in that the patent marketplace has evolved  
13       very, very quickly, and we really don't have laws  
14       in place to support that marketplace and foster  
15       its growth. And so what we're really dealing with  
16       is what I would call an inflection point and an  
17       attempt to modernize.

18              Today one of the things that I want to  
19       challenge everyone here is to think about what's  
20       best for the marketplace over the long run. We're  
21       for transparency. We want to know who owns what.  
22       But what about the nature of the assignment? Was

1     it an asset transaction? Was it the result of an  
2     M&A deal? Is it just a security interest? That  
3     kind of information and transparency will help us  
4     understand the health of the patent marketplace.

5             The first item I want to talk about is  
6     just a little background on us, because we're  
7     really in the trenches here in dealing with the  
8     transparency of information and trying to figure  
9     out what happens in the marketplace. And I can  
10    tell you, it's a struggle. So first, our firm,  
11    GTT Group, was founded in '97, and we've always  
12    been doing buy- and sell-side advisory, but  
13    another important function for us is providing  
14    information on the marketplace to the  
15    participants.

16            In 2007 we started publication of a  
17    quarterly report, which had a key indicator, and  
18    continues to, called a patent market index, which  
19    keys off of assignment-generated information. And  
20    when we saw the proposal from the USPTO we got  
21    very excited, but we really wanted to see if we  
22    could look at the information that's being

1 recorded, how it's being handled within the USPTO,  
2 and is there any way to improve the qualitative  
3 nature -- not just the nature of who the owner is  
4 but what is actually happening.

5 The other thing that we just introduced  
6 in 2012 was a patent ticker, which basically takes  
7 information as it's published by the USPTO and  
8 tries to determine transaction activity and inform  
9 the marketplace, and it's a very difficult thing  
10 to do given the present information that's being  
11 provided to the USPTO. Some of the problems that  
12 we have are related to just how things are  
13 recorded. Some entities love to just record every  
14 single asset transfer rather than recording them  
15 as one. And so it's very hard for us to really  
16 understand the dynamics of what's happening in the  
17 marketplace. I can't tell you, I mean, just this  
18 week there were maybe 148 different instances of  
19 recordings by Honehigh, creating another company  
20 called Golden Charm, and we're trying to simulate  
21 that data and understand the nature of the deal.  
22 And so one thing is maybe to take a step back and

1 think about how we require the recordings, why we  
2 allow for the variance, and what is the best  
3 practice. So, we really can have an informed  
4 marketplace.

5 The other thing that we are very  
6 concerned about on the buy- and sell-sides is the  
7 timing to make a report, to identify who the  
8 real-party-in-interest is. Many transactions are  
9 fluid in that they're multi-staged, and assets  
10 will go to different owners over a very relatively  
11 short period of time. And if it's triggered based  
12 upon maintenance windows, sometimes you really  
13 don't know who the owner is. And you have other  
14 items that are happening, like, for instance, DOJ  
15 reveals certain transactions. Who should record  
16 when, at what time? Who really is the owner? So,  
17 some type of safe harbor or some (inaudible) a  
18 time period that allows for ultimate compliance.

19 It was mentioned earlier that they'd  
20 like to see changes at every point in time, and a  
21 lot of these deals are very structured so it would  
22 probably be more realistic to wait till the

1 transaction settles to record who the  
2 real-party-in- interest is.

3 Today the real quest is for quality,  
4 quality in the assets that are issued by the  
5 USPTO, and that information provided to consumers  
6 so they know what is actually happening. And so  
7 in terms of this bigger picture, the real  
8 challenge I think is not only to record who the  
9 party is, the actual partying interest, but to  
10 think about the nature of the assignment.

11 And, finally, how quickly can we get  
12 that information out? What we've seen is a  
13 backlog. So, if we look at assignment activity  
14 for a certain period of time, it always is growing  
15 and growing. Eventually it settles down, but if  
16 there's any way that this process can be  
17 modernized -- I don't know what happens within the  
18 USPTO right now in terms of assignments and  
19 whether that data is published on the fly or  
20 whether it sits, but being able to provide that  
21 information on a timely basis is critical to the  
22 smooth functioning of markets. And we don't have

1 that right now.

2 Thank you for letting me speak today,  
3 and good luck.

4 DR. GRAHAM: Thank you, Mr. Lubitz. Our  
5 next speaker is Fiona Scott Morton, and she comes  
6 to us from Yale School of Management.

7 DR. SCOTT MORTON: Good morning. Thank  
8 you, Director Kappos and Dr. Graham for the  
9 invitation to speak today.

10 I'm a professor of economics at the Yale  
11 School of Management, but I recently finished  
12 serving as the economics deputy in the Antitrust  
13 Division of the Department of Justice. December  
14 31st was my last day, so it's nice to be back in  
15 Washington so soon.

16 I just should say while it's clear that  
17 my experience at the Department of Justice shaped  
18 my thinking on this issue and gave me some  
19 insights and examples from behavior, I am now  
20 giving my personal and scholarly opinion I fully  
21 support the PTO's initiative to increase  
22 transparency in this sector, and I just have a

1 couple of, actually, suggestions for improvements  
2 in terms of what Mr. Nigon brought up with the gap  
3 that would arise with infrequent recordation. I  
4 think that that's something that could be solved  
5 by just requiring that each change in the  
6 real-party-in-interest be recorded with the PTO,  
7 which would allow the various efficiencies that  
8 people have discussed to be available at all  
9 times.

10 I also think that the definition of the  
11 real-party- in-interest -- I will defer to the  
12 lawyers for sort of what's legally important, but  
13 in terms of the economics of what's important  
14 there, you really want to be able to understand  
15 who's financially going to benefit from exercise  
16 of the rights of the patent. So, for example, if  
17 there's a legal definition that says, Party A  
18 shell company gets to decide when there's  
19 litigation or gets to decide on a royalty but it's  
20 really Party B that extracts all the money that's  
21 earned from the patent, then we'd like to know  
22 about Party B as well. So, that's an important

1 feature, I think, of a successful definition; the  
2 financial gain from exercising that patent can't  
3 be hidden.

4 One of the things that Jeff Wilder  
5 talked about is the improvement in markets when  
6 you have more transparency and you're available to  
7 think about how to design your product and how to  
8 license the technology you need because you know  
9 what's out there and you know who owns it.

10 I think that there has been some  
11 criticism of this. By thinking about the software  
12 industry, for example, there are so many broad,  
13 duplicative, and vague software patents that we  
14 don't really think people are going to say, oh,  
15 I'm going to use this database to look up the one  
16 person from whom I need a license for my widget,  
17 okay? That's a little simplistic, and I think  
18 it's a straw man in terms of the criticism. I  
19 think it's much more illuminating to use this  
20 information to analyze which players are active,  
21 rather, as IBM described. You know, are you  
22 licensed? What's in the portfolio? What's my

1 ability to license from this party? Are they a  
2 competitor of mine? And so forth. So, I think  
3 that that's a huge efficiency that we would  
4 imagine coming from this.

5 I also think that the issues with  
6 strategic use of these patents depend a great  
7 deal, in some cases, on secrecy and that  
8 transparency would remove some of the strategies  
9 that we currently see used by both product  
10 companies and trolls. So, for example, why, given  
11 the real disaster of this marketplace for ideas,  
12 do we have the ability to produce widgets at all?  
13 And it's partly because there's a system of broad  
14 cross-licensing that goes on between large  
15 companies. So, company A and company B will agree  
16 to a cross-license at a price of zero, and that's  
17 part of their general relationship in terms of  
18 standards-setting organizations working together  
19 on different products or projects, lobbying the  
20 government. You know, all those things are part  
21 of the long-term relationship between companies A  
22 and B.

1           Well, suppose company A has a very  
2     valuable patent that they'd really like to extract  
3     a lot from? They can't, because they have a  
4     cross-license with B, even though they know B  
5     would pay a lot. So, the easy thing to do is to  
6     sell that patent to a third party for a lot of  
7     money, and the third party can sue from B, because  
8     they don't have a cross-license. And in that way,  
9     firm A can monetize its patents more profitably.

10           Okay, now, you might ask, well, you  
11    know, what's the problem with that? They own the  
12    patent. Well, the problem is that they have a  
13    long-term relationship with B, and B is going to  
14    be upset when they discover that their money is  
15    being extracted in this way. But they can't be  
16    upset, because they don't know where the patent  
17    came from, and they don't know that it was really  
18    firm A's patent that's causing them this trouble.

19           If you shed some sunshine in that  
20    setting, if you have some transparency, B  
21    understands that the patent used to belong to A;  
22    now it's been sold to a troll, and it's being used

1 to attack them. Then the whole relationship  
2 between A and B comes back into play just the way  
3 it was before, right? There was a reason that A  
4 and B weren't suing each other; it's because they  
5 had a lot of long-term relationships and projects,  
6 and now they're going to be working together for  
7 the foreseeable future and that discipline returns  
8 when whatever A sells is known by B.

9 Okay, and again I should emphasize that  
10 I completely agree with what Jeff Wilder said  
11 about issues with competitors. It's very  
12 important for antitrust agencies, for competition  
13 enforcement agencies to be able to understand when  
14 the product market is being impacted by strategies  
15 around patents and enforcement of patents, because  
16 those can harm competition in a way that consumers  
17 lose from.

18 So, while I won't go through the  
19 arguments in favor of keeping secrecy, which Jeff  
20 also alluded to, I think that the balance is clear  
21 in this sector that we have really a lack of  
22 information, and that's holding back efficient

1 transactions, and I think consumers would benefit  
2 and innovation would benefit from more  
3 transparency over patent ownership.

4 Thank you very much.

5 DR. GRAHAM: Thank you, Dr. Scott  
6 Morton. Next on our list of participants, Herbert  
7 Wamsley.

8 Herbert's here from the Intellectual  
9 Property Owners Association.

10 MR. WAMSLEY: Well, thank you. I  
11 appreciate the opportunity to be here this morning  
12 on behalf of IPO, which is a trade association  
13 representing companies and individuals in diverse  
14 industries and fields of technology. Our members  
15 include people who own intellectual property  
16 rights and others who are interested in the  
17 rights. We have more than 200 member companies  
18 and more than 12,000 individuals who are involved  
19 in the Association through their companies or law  
20 firms or as individual members.

21 Now, ten minutes is a short time to  
22 address a big topic, and I sympathize with those

1 after the break who apparently only have five  
2 minutes. But I would like to make some  
3 preliminary comments on behalf of IPO, and we do  
4 plan to file more detailed written comments at the  
5 end of the month after our diverse 50-member board  
6 of directors meets to review this.

7 We do tend to believe that more  
8 information would be useful about RPIs than is  
9 available today. And we would tend to favor the  
10 second definition of RPIs in the Federal Register  
11 Notice, which includes disclosing the highest  
12 level parent. But having said that, I want to  
13 emphasize the long list of burdens that disclosing  
14 this information will place on practitioners and  
15 companies and law firms, those down in the  
16 trenches. I don't want to duplicate what Ken  
17 Nigon of the AIPLA said, but I believe that he  
18 identified a number of significant burdens that  
19 need to be fully explored and understood before  
20 moving forth with the proposal.

21 It's also important to understand that  
22 different companies operate in different ways in

1 recording the ownership of their patents. Some  
2 large companies and IPOs get all of the patents in  
3 the name of the parent, but we have other  
4 companies that have patents assigned to dozens of  
5 subsidiaries for legitimate business reasons, and  
6 keeping track of and periodically updating this  
7 information is more burdensome for the latter type  
8 of company.

9 I think that looking at how this would  
10 work, we would not favor requiring additional  
11 statements about RPI information where there's  
12 been no material change. I think more attention  
13 needs to be given to what the penalty for failure  
14 to comply with identifying RPI information would  
15 be. We need to be careful not to have a system  
16 that would lead to charges of inequitable conduct  
17 in this area.

18 Now, another point beyond the burdens --  
19 we shouldn't automatically dismiss the legitimate  
20 business interests in protecting the confidential  
21 nature of ownership and licensing information.  
22 But every company is interested in participating

1 in the marketplace of licensing. Patent  
2 applicants may not want competitors to know  
3 whether an application has been licensed or to  
4 whom.

5 We could go so far with transparency in  
6 eliminating confidentiality of ownership  
7 information that we could discourage patenting and  
8 innovation. I think we need to keep in mind what  
9 the competitors of the owners can do to help make  
10 the system operate well.

11 There's a lot of concern today, of  
12 course, about the amount and cost of litigation.  
13 But according to the information we have, in many  
14 industries very few product clearances are being  
15 done today, and not all companies have a policy of  
16 not infringing patents that appear to be valid.

17 I think it's also important to  
18 understand -- to emphasize that a fair amount of  
19 RPI information already is available. When you go  
20 into court, you have to disclose the ultimate  
21 parent, and I believe that's true at the PTAB as  
22 well.

1           Finally, I would say that in any event  
2       the Patent and Trademark Office should investigate  
3       further whether it has the authority to require  
4       the patent ownership information before it moves  
5       ahead with the proposal. 35 U.S.C. 261 seems to  
6       make recording of assignments optional, and it  
7       prescribes the harm you will suffer if you don't  
8       record the assignment within a certain time;  
9       namely, you won't have rights against a subsequent  
10      purchaser without notice. Can that statute be  
11      squared with the idea that the PTO can require RPI  
12      information in every case?

13           Well, thank you again for going into  
14      this topic. As I say, more RPI information should  
15      be available, but it's got to be done in a way  
16      that holds down the burden and expense.

17           Thank you.

18           DR. GRAHAM: Thank you, Mr. Wamsley.  
19      Our next speaker on the agenda is Lisa Marks  
20      McIntye, and Ms. McIntye comes from Google.

21           MS. McINTYE: Thank you to the U.S.  
22      Patent Office, Dr. Graham, and Director Kappos for

1 allowing me to address this important issue today.

2 Google supports the PTO's proposal to  
3 require identification of the  
4 real-party-in-interest. The public notice  
5 function of the patent system is served by  
6 disclosure of what a patent covers, who owns it,  
7 and the identity of the real-party-in-interest,  
8 that is, the identity of the true owner of those  
9 patent rights. Transparency in patent ownership  
10 and real-party-in-interest information is, we  
11 believe, a critical aspect of the public notice  
12 function.

13 For purposes of my brief comments today,  
14 I will refer to patent ownership broadly as  
15 including essentially both the proposed broad and  
16 narrow definitions of real-party- in-interest.  
17 So, when I refer to patent ownership, I'm  
18 referring to both ownership and the  
19 real-party-in-interest information, or the  
20 ultimate parent, because both categories are  
21 necessary to support a well-functioning patent  
22 system that promotes innovation.

1           The Patent Office has correctly  
2       recognized the lack of transparency in patent  
3       ownership burdens, rights clearing, and simple  
4       licensing. It also burdens other forms of free-  
5       market entry endeavors, such as freedom-to-operate  
6       activity.

7           Large multi-national companies, like  
8       Google, spend billions of dollars each year  
9       funding research to support the innovation  
10      necessary to bring great products to consumers.  
11      We evaluate various market dynamics, including  
12      patent ownership, to minimize legal and business  
13      risks as our business expands into new areas.

14           Accurate ownership information is  
15      integral to clearing patent rights and assessing  
16      risk from a family of patents or a specific  
17      patentee. Accurate ownership information is also  
18      needed to make decisions about who to seek a  
19      license from or with whom to collaborate. For  
20      example, if an existing market participant owns  
21      patents that are closely related to and/or may be  
22      complementary to technologies that Google is

1 evaluating, ownership information about those  
2 patent assets may lead to a decision to partner  
3 with the assignee of record or seek a license from  
4 that party. On the other hand, incomplete or  
5 inaccurate ownership information could lead to a  
6 decision to, say, avoid market entry or to enter  
7 an already patented market and risk unexpected  
8 license costs or infringement liability.

9 In-house patent departments conduct  
10 these types of strategic analyses to ensure  
11 freedom to operate the technologies and products  
12 developed by their companies. While simple  
13 licensing typically addresses specific patents  
14 covering particular products, corporations  
15 frequently engage in more comprehensive  
16 cross-licensing to ensure patent peace. Patent  
17 peace between parties is not possible without  
18 knowing what patents each party controls and may  
19 later then assert or cause to be asserted against  
20 the other.

21 The PTO's proposal also supports the  
22 public's ability to initiate pre- and

1 post-issuance proceedings under the Leahy-Smith  
2 America Invents Act, including, specifically,  
3 post-grant review, inter partes review, and  
4 pre-issuance submissions.

5 To pursue a petition or submission under  
6 the AIA proceedings, a party must disclose public  
7 use, sales, offers to sell, and other prior art  
8 under 35 U.S.C. § 102(a)(1). This is far more  
9 difficult when the patent owner is unknown,  
10 because merely knowing a patent or publication  
11 exists without knowing the owner is not enough for  
12 a sufficient assessment of the business risks or  
13 rewards of filing a petition or making a  
14 submission. These difficulties are exacerbated by  
15 the strict timing limits of post-grant review  
16 petitions and pre-issuance submissions.

17 In addition, actions may be initiated  
18 against a prior owner who, for example, may no  
19 longer have interest in the asset, and that  
20 results in wasted time and resources of both the  
21 patent owner and the U.S. Patent and Trademark  
22 Office.

1                   Transparency in ownership of patents  
2           will lead to efficiencies in litigation as well.  
3           It will lead to reduced discovery costs associated  
4           with identifying ownership interests of patents in  
5           suit and also patents put forth as prior art. To  
6           this point, the rising tide of non-practicing  
7           entity litigation and the difficulty of  
8           identifying the real- party-in-interest in those  
9           cases also supports the need for greater  
10          transparency in ownership requirements.

11                   Further, litigants cannot know whether  
12          settling will buy peace for their products without  
13          knowing that they are settling with the  
14          real-party-in-interest and also having information  
15          and being able to determine the extent of the  
16          real-party-in-interest portfolio. The PTO  
17          proposal ensures that such information will be  
18          available to inform settlements decisions and thus  
19          promote true settlement between parties.

20                   It is unfair for patent holders to hold  
21          their patents in secret and preserve the element  
22          of surprise for their assertion campaigns or to

1 otherwise insulate their patents from  
2 reexamination or post-grant review challenges.  
3 The PTO's proposal helps level this playing field.

4           There are currently over 2.1 million  
5 enforceable U.S. patents. Rights clearing,  
6 licensing, agency proceedings, and litigation  
7 regarding these millions of enforceable patents  
8 and the future millions that will replace them  
9 require robust knowledge of who owns what patents  
10 if the system is to work efficiently and best  
11 promote progress of science and the useful arts.

12           The PTO has also recognized that  
13 requiring greater transparency in ownership will  
14 come with some costs. But it has limited these  
15 costs appropriately by requiring real-party-  
16 in-interest information only when applicants or  
17 assignees are otherwise required to have  
18 substantial interaction with the Patent and  
19 Trademark Office.

20           In conclusion, the PTO's proposal  
21 addresses the concerns caused by lack of  
22 transparency in ownership in the patent system,

1 and implementation of the proposal will improve  
2 efficiency in PTO proceedings, litigation,  
3 licensing, and patent examination.

4 Thank you. That concludes my remarks.

5 DR. GRAHAM: Thank you Ms. McIntye.

6 Next on the agenda is a replacement.

7 Unfortunately one of the speakers is indisposed  
8 today, and so from Schwegman, Lundberg & Woessner  
9 speaking today is Kevin Greenleaf.

10 Kevin?

11 MR. GREENLEAF: Thank you all for  
12 allowing me to speak today. I've been really  
13 impressed and interested in everybody's comments,  
14 particularly regarding the APA discussion and  
15 whether the Patent Office has the authority to  
16 make rules requiring people to identify the  
17 real-party-in- interest, and I agree with Mr.  
18 Wamsley's comment that 261 defines the penalty for  
19 not disclosing the real-party-in- interest, or the  
20 assignee in that case, as not being able to  
21 enforce rights against subsequent purchasers for  
22 value.

1           I don't really see any other penalty  
2           that Congress gives the U.S. Patent Office the  
3           authority to make other than the fact that I think  
4           we need this information. And a large part of my  
5           practice involves post-grant proceedings, and I'm  
6           concerned when advising clients and reviewing  
7           prior art in preparation for a post-grant petition  
8           whether the prior art that I'm looking at wouldn't  
9           be applicable to a particular patent due to a  
10          102(b)(2)(C) exception to the prior art.

11           So, another concern that I have is we're  
12          primarily focused today on identifying the  
13          real-party-in-interest from the patent owner  
14          perspective. However, the rules, the statutes,  
15          the MPEP provide many other definitions for what a  
16          real-party-in-interest is. So, I've identified at  
17          least seven different contexts in which the  
18          real-party-in-interest is identified or required  
19          to be identified, and first off 102(b)(2)(C),  
20          which we've all been discussing today; second of  
21          all, at issuance, § 118 under the AIA uses the  
22          term "real- party-in-interest," that the patent

1 must issue to the real- party-in-interest. Is  
2 that the same as 102(b)(2)(C)? I think probably,  
3 but we'll get to that.

4 And then again after issuance we need to  
5 know the real-party-in-interest for, as I said,  
6 102(b)(2)(C) purposes for preparing post-grant  
7 petitions, and then for the other reasons people  
8 have identified, such as licensing and market  
9 fluidity.

10 Fourth, the MPEP and the PTAB require  
11 that the real- party-in-interest be identified  
12 both for the appellant in ex parte and inter  
13 partes appeals.

14 Fifth, in inter partes appeals, the  
15 respondent needs to identify the  
16 real-party-in-interest.

17 And then sixth, the rules -- CFR 42.8  
18 requires the identification of the  
19 real-party-in-interest from the patent owner and  
20 as mandatory notices after post-grant petition has  
21 been filed.

22 And, seventh, the petitioners need to

1 identify themselves in the post-grant petition  
2 when they file one.

3           So, is there one definition that can  
4 satisfy these at least seven different instances  
5 of identifying the real- party-in-interest? I  
6 don't think so. There are at least five  
7 definitions that I've identified for  
8 real-party-in-interest, the first of which is the  
9 person under 102(b)(2)(C). Secondly is under 118  
10 you have a real-party-in-interest. And the MEPE,  
11 § 1205, defines a real-party-in-interest for  
12 purposes of appeal. And then the fourth  
13 definition is 37 CFR 42.8, which I mentioned, is  
14 the requirement for parties to an inter partes  
15 proceeding to identify themselves as the  
16 real-party-in- interest in a proceeding. And then  
17 finally there's a common law definition, which the  
18 Office in its practice guides is not satisfactory  
19 for purposes of Patent Office proceedings.

20           So, which of these five definitions  
21 applies to the seven different categories? I  
22 think perhaps we could combine 102(b)(2)(C) and

1 118 to be the person and the real-party-in-  
2 interest being the same thing. They are different  
3 terms, but perhaps they mean the same thing.  
4 After issuance I think, also, perhaps that would  
5 be the same definition, because the reason we need  
6 to know the assignee after issuance is for  
7 102(b)(2)(C) purposes for valuing prior art in  
8 preparation for filing a post-grant petition,  
9 because if the assignee changes after the patent  
10 issues and that assignee files another patent  
11 application, then the patent that issued  
12 previously would not be prior art to that new  
13 application.

14           And then we have appellants. So, the  
15 justification for asking for the  
16 real-party-in-interest at appeal is the Board  
17 needs to know whether there's a conflict of  
18 interest. So, I don't know that the definition  
19 for the first three instances would apply to  
20 appellants, and the same would hold true for  
21 respondents and inter partes proceedings and the  
22 patent owner at post-grant review. I think those

1 three should have a third definition, probably a  
2 definition geared toward notifying the Board  
3 whether there might be a conflict.

4 And then the seventh instance in which  
5 the Patent Office requires real-party-in-interest  
6 information is when the petitioner files a  
7 petition, post-grant petition et cetera. And in  
8 that instance, we need to know who the  
9 real-party-in-interest is for purposes of  
10 estoppel, whether that party is estopped from  
11 filing that petition or in order to enforce  
12 estoppel later on after the trial concludes. So,  
13 I think that would be a third definition.

14 But then another problem occurs, because  
15 the patent owner in a post-grant proceeding also  
16 faces estoppel. He's not allowed to apply for  
17 claims that were substantially similar to the  
18 claims that were finally rejected in the post-  
19 grant proceeding. So, I think six and seven are  
20 somewhat related. But I think the patent owner  
21 and the petitioner are somewhat related, but I  
22 think the patent owner is more applicable to the

1 appeal definition. So, it's all very confusing.

2 But my recommendation is that to avoid  
3 muddying the waters by vaguely defining what a  
4 real-party-in-interest is for one purpose and  
5 whether that definition applies for other  
6 purposes, I think we should clearly separate the  
7 three: Whether a person for 102(b)(2)(C) purposes  
8 at issuance and after issuance -- that would be  
9 one real-party-in-interest; purposes of appeal to  
10 avoid conflicts with the Board -- that would be a  
11 second definition; and then, a third definition  
12 would be for petitioners for post-grant  
13 proceedings for application of estoppel when that  
14 becomes necessary.

15 So, I hope that the suggestion helps  
16 you, and I feel for your problem, and I think it's  
17 going to be difficult to solve. So, I wish you  
18 luck.

19 DR. GRAHAM: Thank you, Mr. Greenleaf.  
20 Our last speaker is arriving by telephone, and  
21 since we're running a little bit early I want to  
22 see if she's actually called in.

1 MS. CHIEN: Hi, Dr. Graham.

2 DR. GRAHAM: Colleen Chien is here.

3 Hello, Professor Chien. Professor Chien is  
4 joining us from Santa Clara University School of  
5 Law.

6 MS. CHIEN: Thanks, Dr. Graham. I'm  
7 really honored to present today. I commend the  
8 PTO and Director Kappos and Dr. Graham for their  
9 leadership and real willingness to listen as well  
10 as engage in these really important issues. So  
11 bravo, PTO.

12 Because I am doing this presentation  
13 over a phone conference -- you can't see me -- I'm  
14 going to take a bit of an unconventional approach  
15 (inaudible) is what I'm trying to say, so please  
16 bear with me.

17 Okay, here we go. I'm going to read you  
18 a line from a patent that I picked out. Here we  
19 go. "A key formula is  $\text{distanctet} = \text{sigma wi} \times .25$ ."  
20 Let me repeat that in case you didn't get it the  
21 first time. "A key formula is  $\text{distanctet} = \text{sigma}$   
22  $\text{wi} \times .25$ ." Okay, what the heck am I talking about?

1 Before the PTO cuts my line off, let me offer some  
2 additional context.

3 This key formula is in a patent in which  
4 one of the inventors is Tim Westergren. Now, if  
5 you're a music lover, you might be familiar with  
6 his work. If you've looked on the front page of  
7 the patent you see it's been issued to a company  
8 called Pandora, which now I think probably more of  
9 us are familiar with. Now you might have a hunch  
10 of what this patent is, right? It's the music  
11 mapping algorithm set Pandora patented back in  
12 2002.

13 So, if I'm a company that's either  
14 (inaudible) or wants to be, this patent could be  
15 super critical for understanding liability to  
16 compete and be in this space. The fact that it's  
17 owned by Pandora, one of the most successful  
18 online music companies, it's just important as the  
19 (inaudible) I was saying before, the formula  
20 itself. With that bit of context, I would argue,  
21 the context about who actually owns this patent,  
22 the information itself is useless. With, though,

1 the context of Pandora being the owner, I get  
2 information that can help me at least do things if  
3 I'm a user looking for information.

4 One, if I'm a competitor and I'm  
5 interested in making sure that I can manage risk,  
6 knowing that Pandora has these rights in this  
7 algorithm puts me on notice, lets me know that I  
8 need to be careful not to tread on it.

9 But, secondly, as a tool of technology  
10 transfer, which I think is one of the best and  
11 highest uses of the patent system, this  
12 information could be critical. Let's say I'm a  
13 startup in this space and I want to reverse  
14 engineer what others have done. I'm going to look  
15 at what they've done, and I want to know what  
16 Pandora has done.

17 There are two messages here. Thank you  
18 for bearing with my initial introduction here that  
19 I want to relay. But first we've got onset, which  
20 is as important as content, which is known in  
21 many, many fields. In the patent area, it seems  
22 that if I don't know who owns this patent, it

1 doesn't mean as much to me. There are tons of  
2 patents out there. There are probably tons on  
3 different music algorithms. But the ones that I'm  
4 most interested in are connected to real companies  
5 that I can also look at, I can test out; and  
6 having that additional bit of information does  
7 make that much more interesting.

8           Secondly, there are a lot of different  
9 reasons to look at patents, and I believe that the  
10 (inaudible) administration has done a great job in  
11 thinking about all the "customers of patent  
12 information." Here it talked about patents as a  
13 tool of transfer for a startup but also one as  
14 defensive -- a rule of -- source of the best  
15 information I can use strategically. And as we  
16 think about our different consumers and customers  
17 of patent information, we want to keep this in  
18 mind.

19           So, what does any of this have to do  
20 with real- party-in-interest? Let's go back to  
21 hypotheticals. Say that the initial patent was  
22 assigned to Pandora and I searched for Pandora and

1 I found it, but by searching by Pandora I also  
2 missed a bunch of patents assigned to the Music  
3 Genome Project. In an earlier version of Pandora,  
4 that was a (inaudible) to it. And I also missed a  
5 bunch of patents assigned to, let's say, Music,  
6 LLP, which Pandora acquired later on, let's say.

7 Now, the genius of what the PTO has  
8 suggested through the RPI rules is that because  
9 Pandora -- the company now has rights to all these  
10 patents, I should be able to find them all through  
11 a search for RPI even though I would have missed  
12 them through a search of unpaid assignee or  
13 potentially even subsequent recordable assignee  
14 information. Had they not been recorded or been  
15 recorded in a slightly different name, Pandora  
16 Inc. versus (inaudible), et. cetera.

17 Now, these are things that experienced  
18 searchers can overcome easily. But if we want to  
19 make the patent system accessible to everyone, we  
20 want to make it easy for these because these types  
21 of searches to yield the right information. So,  
22 what I've said so far is that I've got context

1 that's really important in real-party-in-interest  
2 (inaudible) crucial part of this context. And I  
3 think the key contribution -- a lot of people have  
4 talked about different types of (inaudible) and  
5 patent holders, but what I think is mechanically  
6 very important about real-party-in-interest is  
7 (inaudible) of aggregate subsidiaries and  
8 affiliates and group them by a common real-  
9 party-in-interest.

10 And for anyone who's been in the  
11 trenches, and many folks have already testified  
12 that are, you now know what a huge problem in  
13 patent law (inaudible) what I call the subsidiary  
14 matching problem is, which is to say that IBM has  
15 hundreds, maybe even thousands of different names  
16 in the PTO recordation database. It's been  
17 referred to. It's has kinds of different series.  
18 And this is true of most large companies, and as  
19 we become an information economy where there's a  
20 lot of transfer of information and changes,  
21 different regions to record entities and just  
22 (inaudible) to different entities, you have a lot

1 of different subsidiaries that don't all kind of  
2 tie back to the same parent.

3 So, I like this ultimate parent  
4 authority that's (inaudible), because, for  
5 example, if competitor y wants to know what  
6 competitor X has, (inaudible) referred to earlier  
7 by the companies, they can do so by searching the  
8 real-party-in-interest, this ultimate authority  
9 that has the power.

10 Now, for RPI to do this ultimately, this  
11 problem really has to catch front and center. So,  
12 when you actually execute it, RPI should be  
13 (inaudible) unique identifier, like a dropdown  
14 menu with that identifier rather than a text box  
15 that allows some spelling (inaudible) must be  
16 used.

17 The question of broad versus limited RPI  
18 -- I think those eventually could, if implemented  
19 correctly, accomplish what I've been talking  
20 about. It would also be very helpful in terms of  
21 both broad RPI scenario and licensees as well, but  
22 even to get RPI in a limited form would also be

1       tremendously useful.

2               Okay, so I want to talk about the  
3       benefits so far but not at all about cost, and I  
4       think it is important, as Professor Rai reminded  
5       us, in a number of testimonial (inaudible) to  
6       compare and balance these benefits and costs.

7               And when you read through the  
8       submissions from the 2011 ROC that Dr. Graham  
9       referred to in his opening remarks, what you see  
10      is something interesting, which is that as today,  
11      the companies tended to favor the (inaudible)  
12      disclosure all but once reported it, but the  
13      lawyer groups and law firms -- because the lawyer  
14      groups and law firms tended to disfavor the  
15      proposal as burdensome.

16              Now, why did the companies like it? In  
17      short, because it would make their jobs easier.  
18      There's not really a downside but only an upside.  
19      It makes it easier to make products and goods,  
20      understand competitors; and it makes their jobs  
21      easier.

22              Now, why did the lawyers not like it?

1       Because it would make their jobs harder. They  
2       don't get any of the benefits of greater  
3       availability of information, but they only have to  
4       bear the risk in a downsize. There are increased  
5       costs, complications, and a potential liability if  
6       they don't record or provide information  
7       accurately. They've got to go chase it down;  
8       they've got to learn corporate law. One of the  
9       things they talked about earlier by (inaudible).

10               So, my suggestion with respect to this  
11       is that if the companies want this information,  
12       and they are getting the benefits, then they  
13       should actually pay for them as well. So, they  
14       should be the ones responsible for providing the  
15       information to their lawyers, determining who the  
16       real RPI is, making that call, and making the  
17       companies responsible for the information that's  
18       incorrect, not their patent lawyers.

19               If we can potentially shift the risk in  
20       a downsize associated with this new requirement  
21       and reduce the burden from this, I think that that  
22       would be helpful.

1           I want to make one final suggestion,  
2       which is a little bit outside the scope of this  
3       discussion today, which is going back to the  
4       comments that context is an important as content  
5       -- excuse me, context, which is as important as  
6       content. Even for whatever reason -- if the PTO  
7       does not go forward on RPI information, it has a  
8       lot of rich context information it already had,  
9       and only that ownership of security interest or  
10      citations, et cetera, whether or not patents are  
11      maintained. I believe this context information  
12      should be more readily exposed in the PTO  
13      (inaudible) 2011 ROC make that point. So, if a  
14      company is worried about risk management, it  
15      should be possible to search among expired patents  
16      only or non-expired ones to figure out what its  
17      exposure is. It shouldn't have to kind of sort  
18      through and look up the maintenance fee records to  
19      see what's in force or not. And I know that  
20      commercial providers also give us information, but  
21      startups can't afford this and they should have  
22      access to this information as well.

1           I also echo the comments of Michael  
2           Lubitz as someone who has been in the trenches and  
3           (inaudible) to find records, and to normalize the  
4           recordation procedure would provide a lot of  
5           benefits. So, right now there are a number of  
6           checkboxes you can check for what your conveyance  
7           is actually doing. But there should be more  
8           checkboxes. There should be no other form. And  
9           we should standardize the information that's been  
10          processed in automated way. It's very difficult  
11          to do so right now.

12                 In short, I support and applaud the  
13          PTO's efforts in this area and am excited to see  
14          how it goes forward.

15                 Thank you very much.

16                 DR. GRAHAM: Thank you Professor Chien.  
17          So, we've reached the point where we are going to  
18          take a break, after which we'll hear from more  
19          interested parties. It is now 10:22 on my  
20          Blackberry. Let's take 15 minutes, so let's be  
21          back here at 10:37.

22                         (Recess)

1 DR. GRAHAM: Thanks, thank you for  
2 rejoining us for the real-party-in-interest  
3 roundtable here at the USPTO. Our next speaker  
4 will be Matthew Rappaport from IP Checkups.

5 For the next series of people we had  
6 scheduled five minutes, but because we're running  
7 a bit ahead of schedule I think we can be a little  
8 bit flexible with that. So, what I'll do for  
9 Matthew and the other folks is at five minutes, I  
10 will raise the one-minute warning.

11 So, Matthew, please.

12 MR. RAPPAPORT: Just wanted to thank Dr.  
13 Graham and Director Kappos for inviting me to  
14 speak here today. It's a pleasure to be here.

15 I believe we're included in  
16 god-multinous discussion fairly recently. My  
17 company, IP Checkups, is a boutique patent  
18 analytic firm. We provide competitive patent  
19 landscape analysis and patent strategy services to  
20 all kinds of different customers and clients and  
21 patent holders.

22 One of the things that we did in October

1 was we went out to try to create more transparency  
2 based on requests from our clients. In fact, we  
3 have a number of clients who have said to us over  
4 the years: You know, you've done a great job of  
5 providing us information on who the big companies  
6 are in this particular patent landscape; you're  
7 able to provide us information on who the small  
8 companies are and the startups; and you're able to  
9 provide us information on the individual inventors  
10 and the research institutions and the  
11 universities. But one area that we're stuck with  
12 is this whole list of companies that we can't  
13 identify. We don't know who they are. They have  
14 a name; we go to a website; there's nothing there.  
15 We see that they own patents. We don't know how  
16 diverse or broad their portfolio is within each of  
17 these independent shell companies. And so they  
18 started to ask us, well, how do we identify these  
19 things? Well, we started to do the research and  
20 realized that it was nearly impossible, in many  
21 cases, to find anything more than a website that  
22 leads to the Delaware LLC website, which leads to

1     some information that's very difficult to track  
2     down to the ultimate parent or the ultimate parent  
3     or the ultimate party of interest.

4             So, we started asking our clients:  
5     Would you be willing to fund an effort to go out  
6     and uncover who these folks are who actually own  
7     these assets? And the answer was: Well, for a  
8     small set of patents or for a small area that  
9     we're focused on, but in aggregate we're not  
10    really interested.

11            At which point we came across with an  
12    idea that we ought to go out and try to crowd-fund  
13    this effort and try to engage the IP community,  
14    the technical community, as well as the general  
15    community through a crowd-funding website called  
16    Indiegogo to try to raise \$80,000, which we  
17    thought was a reasonable amount of money to go out  
18    and uncover this data and publish it for free on  
19    the website -- excuse me, on the World Wide Web.

20            So, we were not actually ultimately  
21    successful with raising \$80,000. We had a lot of  
22    interest and a lot of people talked to us about

1       how interested they were in seeing this  
2       information. But when it came time to putting  
3       money on the table to do it, very few people were  
4       willing to do that.

5               However, we have gone forward with our  
6       effort. We've hired an intern to help us, and  
7       we've gotten a lot of interest from some law  
8       school students from various law schools to  
9       participate in this process, and we are actually  
10      going through the process of trying to uncover  
11      these entities, and we will be making the  
12      information available publicly on the World Wide  
13      Web. In the meantime, another organization in the  
14      Bay Area has recently released a set of 2,000  
15      shell companies that are allegedly associated with  
16      intellectual ventures, which is currently publicly  
17      available.

18             We believe that this is a very important  
19      issue, and we think that the main reasons behind  
20      that are due to the benefactors of  
21      non-transparency versus the benefactors of  
22      transparency. And we believe that, in fact,

1 benefactors of non-transparency are typically  
2 folks who are well-heeled and have access to a lot  
3 of resources; and they thrive in an inefficient  
4 and uncertain marketplace.

5           It makes it extremely difficult for  
6 startups and small companies and folks that are  
7 just trying to go about their business if you  
8 identify a patent of interest or a patent that  
9 you'd like to license and you realize that there's  
10 nobody that you can contact at that organization  
11 or at that shell company to actually go forward  
12 with the license. And that may be because the  
13 ultimate party of interest has no interest in  
14 licensing the technology, which is fine, but at a  
15 minimum we believe that they should have to  
16 disclose who they are to the public. This is a  
17 right -- a patent is a right that's granted by the  
18 United States government, and a requirement should  
19 be implicitly there to require these individuals  
20 that apply for these patents to publish that  
21 information for the public.

22           The main benefactors that we see of

1 non-transparency are the non-practicing entities,  
2 specifically, the PAEs that are creating the  
3 subsidiaries and shells. We think that the  
4 increase in the threat of litigation and  
5 litigation itself stems from these issues. We  
6 also believe that large operating companies are  
7 now starting to create shells, and we're seeing a  
8 lot of that activity more recently where big  
9 companies are out there with the shell company  
10 development and going after these same targets.

11 From the benefactor perspective, we  
12 certainly see that universities and research  
13 institutions and startups and small companies will  
14 benefit tremendously from transparency, but we  
15 also see that those same entities, such as MPEs  
16 and PAEs and large operating companies, will also  
17 benefit from those rights that are now available  
18 publicly that people can see. We think it will  
19 increase the ability for these organizations to  
20 license these assets and for other folks to access  
21 them.

22 As to some of the other comments about

1       recordation, we would agree that the idea of  
2       recording with each change in RPI makes a lot of  
3       sense. And I think I'm going to limit my comments  
4       to that.

5               Thank you.

6               DR. GRAHAM: Thank you very much. Next  
7       speaker is Scott Pojunas. Scott comes from  
8       Hewlett Packard.

9               MR. POJUNAS: So, good morning,  
10       everyone. I'm currently a patent development  
11       director with HP, so I head up our efforts for HP  
12       software.

13               So, I'm pleased to be here today to  
14       share HP's support for the PTO's efforts to  
15       require greater transparency of patent ownership,  
16       and I thank the PTO for the opportunity to be here  
17       today.

18               I wanted to start off by giving a bit of  
19       context on HP's portfolio.

20               So, we currently have well over 20,000  
21       granted U.S. Patents and over 7,000 pending U.S.  
22       Applications. So, we're a pretty significant

1 stakeholder in the patent system, and we really  
2 have a significant interest in ensuring that the  
3 system functions as effectively as it possibly  
4 can. As a result, we fully support the proposal  
5 to require the submission of information  
6 identifying the real-party-in-interest at key  
7 points during the life of the patent.

8           And I think, as the Supreme Court has  
9 stated, a patent by its very nature is affected  
10 with a public interest. In view of this, we think  
11 it's reasonable for the PTO and for the public to  
12 expect a party to disclose its identity as part of  
13 the quid pro quo for obtaining or owning a patent.

14           In addition, many of the other panelists  
15 have spoken to various benefits of this proposal,  
16 and we fully agree with those, including increased  
17 economic efficiency in the marketplace; enabling  
18 innovators to more effectively manage risk; and  
19 also benefits to the USPTO during examination and  
20 post-grant proceedings.

21           So, in terms of the mechanics of a  
22 potential rule, we believe that the submission

1 should include an identification of both the  
2 current legal title holder and the  
3 real-party-in-interest where the  
4 real-party-in-interest is defined as the ultimate  
5 parent or highest-level parent in the corporate  
6 structure. In our view, this is typically going  
7 to be a pretty straightforward question that will  
8 be easily determined in the large majority of  
9 cases.

10 In terms of the timing of collection of  
11 information, we think it's important that the  
12 information should be submitted relatively  
13 frequently to ensure that the information is  
14 current and is really serving the purposes that  
15 we've spoken about today.

16 The real-party-in-interest information  
17 can be submitted with minimal cost at key  
18 checkpoints during the life of a patent: When  
19 ownership is often examined and when the  
20 information can be provided in conjunction with  
21 other submissions. So, we believe that there are  
22 at least four checkpoints during the life of a

1 patent in which this information could be  
2 submitted.

3 First of all, at application filing  
4 ownership is obviously a key question. You're  
5 going to be obtaining assignments from the  
6 vendors, and under the new rules you need to  
7 determine whether the applicant will be the  
8 inventors or an assignee.

9 Secondly, at patent grant typically  
10 ownership would be confirmed prior to payment of  
11 the issue fee, and the real- party-in-interest  
12 information could be provided concurrently with  
13 the issue fee payment.

14 Third, when ownership changes, really  
15 regardless of the size of the transaction, a party  
16 is going to be aware of what assets they require.  
17 They're going to know what the new owner is. And  
18 in many cases, they're going to be filing a new  
19 power of attorney that would be filed in any case,  
20 and the real-party-in-interest information could  
21 be provided concurrently without power of  
22 attorney.

1                   And then, finally, payment of  
2 maintenance fees. We think the information should  
3 be submitted at that point. The party is only  
4 going to pay maintenance fees for patents it owns,  
5 and in our view it wouldn't require a whole lot of  
6 effort to confirm ownership at the time of payment  
7 of each maintenance fee.

8                   One item we'd like to emphasize here is  
9 that HP will feel any burdens imposed by the  
10 requirements of any potential rule in proportion  
11 to the size of our portfolio, which, as I  
12 mentioned at the outset, is quite large. In  
13 addition, there are situations where we may have  
14 patents in subsidiaries for legitimate reasons.  
15 That being said, we think it's, as I mentioned,  
16 pretty straightforward to provide this  
17 information, and we ultimately feel that the cost  
18 of complying with these requirements are, without  
19 a doubt, justified by the benefits.

20                   In any event, to the extent that there  
21 are difficulties in gathering this information in  
22 exceptional cases or fringe cases, these can be

1 addressed with flexibility and leniency in the  
2 rules that are ultimately passed provided, of  
3 course, that any potential loopholes are avoided.  
4 But that could all be borne out in the rulemaking  
5 process.

6 So, one example is that an unavoidable  
7 or unintentional standard could be adapted to this  
8 situation to excuse delays in providing the  
9 information when for some reason it wasn't  
10 possible to gather it. And, really, any other  
11 exceptional cases could be, as I mentioned,  
12 identified and addressed in the ultimate rules  
13 that are passed.

14 So, ultimately, HP believes that  
15 ownership transparency is a really critical  
16 characteristic of an optimal patent system, and we  
17 think that implementing the proposal would provide  
18 benefits to the public, the USPTO, and to key  
19 stakeholders of the patent system. So, going  
20 forward, we hope to have the opportunity to  
21 collaborate with the USPTO to develop rules that  
22 make this really important initiative a reality.

1                   So, thank you very much.

2                   DR. GRAHAM: Thank you, Mr. Pojunas.

3                   Next on the scheduled agenda is Professor Dennis  
4                   Crouch, although I don't believe he has arrived.

5                   So, one must assume there are weather difficulties  
6                   or whatever it is that happens between here and  
7                   Missouri. (Laughter)

8                   So, I will go on to our next speaker,  
9                   Kristi Nicholes. Kristi comes from Burton, Arent  
10                  Fox.

11                  Ms. Nicholes.

12                  MS. NICHOLLES BURTON: Good morning.  
13                  Thank you for inviting me here today.

14                  Actually, I've been a patent  
15                  practitioner for approximately 10 years, first  
16                  in-house at a large corporation and now working  
17                  for Arent Fox as a patent attorney.

18                  DR. GRAHAM: Thank you.

19                  MS. NICHOLLES BURTON: No problem. Most  
20                  of my practice is focused on transactional as well  
21                  as prosecution matters, so I'm going to focus  
22                  primarily on some of those considerations today.

1 But first I just want to make clear that I'm  
2 speaking on behalf of myself mostly today and that  
3 not all of the partners at the firm necessarily  
4 agree with all the positions that I'll be making.

5 So, the primary considerations that we  
6 have or I have concern fees and costs, assets,  
7 asset transfers, the prosecution and mechanics of  
8 submitting the information, and any penalties and  
9 incentives that may be imposed. I'm not sure if  
10 I'll be able to get to all of those in this five  
11 minutes, but I will do my best.

12 So, Scott just covered the various times  
13 at which ownership information is anticipated to  
14 be required for submission during prosecution and  
15 the life of a patent. So, clearly, there is some  
16 sort of administrative burden. I was happy to  
17 hear that the fee, actually, for recordation has  
18 been abolished. But, still, if there's a form or  
19 an action that is required, it's going to require  
20 attorneys fees and other efforts from the folks  
21 involved. So, there is an administrative cost.  
22 However, I think that it is important to

1 disseminate and collect the information and to  
2 make it available.

3 I would like to point out that if an  
4 ownership or ownership in a case changes, then I  
5 would think that the costs associated with  
6 recording the information could actually be  
7 negotiated in the transaction or ultimately sort  
8 of distributed between the buyer and the seller in  
9 the market. So, it's not necessarily the inventor  
10 or the applicant but, you know, it's going to be  
11 distributed amongst various parties involved in  
12 the transfers.

13 I would like to mention the mechanics of  
14 submissions, so, you know, will it be required for  
15 both recordation as well as submission of the  
16 ownership interest information both through the  
17 assignments database or within the prosecution  
18 file? I think that that, too, would actually add  
19 to the administrative burden and could  
20 significantly increase the costs and time  
21 involved.

22 I think another issue that's been

1 discussed is the amount of time that it takes to  
2 research title issues in a case, and I think that  
3 that's significantly enhanced when you're looking  
4 at requiring information retroactively. So, for  
5 cases that have already been filed or patented, if  
6 you do need to go back into the file histories now  
7 because of a mandatory requirement, that could  
8 absolutely take a significant amount of time and  
9 cost in order to ascertain what the ownership or  
10 chain of title is for a particular case. So, I  
11 think that that needs to be balanced and  
12 considered in terms of should it just be  
13 prospective. However, if it's only prospective,  
14 then the amount of information, the value of  
15 information that's available would not be complete  
16 or thorough and therefore may not be as helpful as  
17 what we're looking for.

18           With regard to asset transfers,  
19 transparency and accuracy of the ownership  
20 information is imperative, and when doing due  
21 diligence it absolutely would reduce the fees and  
22 time associated with determining who are the

1 parties at play? Who are we buying from? Who are  
2 we selling to? Or who's involved in the  
3 transaction?

4 When researching or performing due  
5 diligence on a patent, one of the first steps I do  
6 is actually go to the USPTO website and perform a  
7 search of patents in the database and also patent  
8 applications. Once I do get my set of inquiries,  
9 then I have to go to the assignments database in  
10 order to determine if there have been any changes  
11 in ownership or updates to title or change in  
12 assignment. And subsequently, after that usually  
13 I'll look at the inventors of the patents and then  
14 go back and search for the inventors in the  
15 database to see if there are any other potential  
16 patents or applications that may be included in  
17 the portfolio.

18 Then, obviously, there's another step to  
19 go back to the assignments database if you've  
20 uncovered any additional documents, and this  
21 process takes a significant amount of time,  
22 particularly when the information is not clear or

1 available.

2           So, one of the proposals that I think is  
3 very critical to making this requirement valuable  
4 is somehow having interaction or integration of  
5 the assignments database with peer and also the  
6 searching engines so that you don't have to go to  
7 three different places for the information; it's  
8 just one search somewhere and you can click on a  
9 link and you get the agreement right there, and  
10 you don't have to spend additional time and  
11 expense of obtaining copies.

12           So, now with respect to prosecution and  
13 the mechanics, I want to first discuss the  
14 requirements for proof of ownership in the cases  
15 where an applicant has established ownership in a  
16 patent application just to make the point that we  
17 don't want to add an additional step or level or  
18 requirement during prosecution. If an applicant  
19 has already established ownership, then is this  
20 going to be a second requirement on top of that to  
21 also provide further evidence?

22           And, finally, I would also like

1 clarification on the requirements. Is this going  
2 to be a free submission, sort of like an IDS,  
3 within three months, and then if it's not filed  
4 within three months and there's a fee imposed or  
5 something of that nature? So, mechanics are also  
6 very important.

7 Thank you very much.

8 DR. GRAHAM: Thank you, Ms. Nicholes  
9 Burton from Arent Fox.

10 Next on the list we'll hear from David  
11 Martin. David comes from M\*CAM.

12 DR. MARTIN: I have the good fortune of  
13 being one of the longstanding critics of the  
14 United States Patent Office and its practice, so  
15 it's unusual when I get to stand in front of the  
16 Patent Office and actually commend it for (a)  
17 doing a great job on something and (b) something I  
18 fully support. And that's really important. If  
19 you're going to be a critic, you have to also  
20 acknowledge when things are being done  
21 exceptionally well.

22 The second thing is in the interest of

1 five minutes, those of you familiar with my  
2 speaking and my lecturing know that five minutes  
3 is my enemy, so I have prepared remarks, which I  
4 am going to turn to and uncharacteristically also  
5 read them so that we actually stay focused.

6 Essential for the banking and capital  
7 markets securities since the 1950s, Article 9 of  
8 the Uniform Commercial Code acknowledges the  
9 importance of the unambiguous  
10 real-party-in-interest as a feature of perfection  
11 of security interests for collateral. Under 35  
12 U.S. Code 261, which has been mentioned several  
13 times today, the recordation is actually something  
14 that happens inside of a limited time frame, and  
15 we actually fully support the notion that the  
16 reasonability of three months is actually  
17 reasonable in transactions, and we think that the  
18 current UCC practice is actually fully acceptable,  
19 although we know that it's often not done by many  
20 financial institutions.

21 With respect to the RPI question, the  
22 USPTO is considering a broad and limited

1 definition of RPI, focusing primarily on the  
2 internal procedural implications, litigation,  
3 licensing, and infringement matters; and people  
4 today have actually brought those issues up quite  
5 frequently. But in the changing economic times  
6 we're in, the majority of patents are actually not  
7 subject to any of these issues. They are actually  
8 subject to senior secured and perfected lien  
9 interests. That's where the real economics of  
10 patents now lives. And increasingly, the failure  
11 to address those issues is actually becoming  
12 significantly critical both from a  
13 bankruptcy-trustee standpoint as well as from  
14 secured regulatory capital issues. And it's  
15 important to realize that we're in changing times,  
16 and changing times require an adaptation, and we  
17 really appreciate that we're having this  
18 conversation.

19           While I am sympathetic to the view that  
20 the USPTO is currently taking, it may be  
21 informative to consider the UCC Article 9  
22 precedent, particularly in bankruptcy, given the

1       centrality of these assets to now the majority of  
2       U.S. Businesses. Within this context, RPI might  
3       not be limited definition to just the entity with  
4       a legal right to enforce but may also potentially  
5       look at any party subject to subsequent  
6       encumbrances as defined under the pre-petition  
7       definition of parties of interest for financial  
8       transactions, which I think is actually extremely  
9       important to harmonize.

10               The implications of accurate RPI  
11       transparency become increasingly essential as the  
12       financial markets become more educated as to the  
13       importance of intellectual property in the capital  
14       markets.

15               One only needs to read the newspaper to  
16       see the number of significant financial  
17       transactions when RPI is relevant on two levels.  
18       Was Kodak's Digital Imaging Portfolio worth 2.2 to  
19       \$2.6 billion as was imagined by Mike Luzinski at  
20       284 Capital Partners, or was it worth the \$525  
21       million, the subject of a bid between -- are you  
22       ready for this? -- competing parties who are now

1 operating as though they work together?

2 Well, how could the valuation disparity  
3 be so vast? Quite simply. The value of patents  
4 is not merely assessed by the substance of the  
5 artifact or their claims but the context in which  
6 they are enforced. That's an enormous difference.  
7 If you don't get that right, you don't get the  
8 number right.

9 The senior secured noteholders, the  
10 beneficiaries of general intangibles and specified  
11 intangibles like Citibank and Blackstone, cannot  
12 rationalize estimates of collateral value if they  
13 don't know the owners of the related parties. If  
14 you don't have that visibility, there is no way to  
15 clarify whether somebody is a competitor, whether  
16 somebody is a licensee or a potential litigant.

17 In the DOJ's Antitrust Division's June  
18 26, 1997, review of MPEG LA enforcement  
19 intentions, the department's position was informed  
20 under the explicit understanding that independent  
21 parties qualify and administer the properties on a  
22 day-to-day basis to ensure that there were not

1 embedded conflicts from a competitiveness  
2 standpoint.

3 To establish essentiality, an  
4 independent expert was deemed necessary to allay  
5 antitrust concerns. The chief of the Technology  
6 Division of the Antitrust Division of the United  
7 States DOJ, James Tierney, when commenting on the  
8 growing patent pooling activities in non-operating  
9 entities, stated that the DOJ's challenge is to  
10 know whether separate companies -- and that's a  
11 legal term under the Justice Department's concern  
12 -- are in fact colluding. If you don't know the  
13 parties, you cannot determine whether or not there  
14 is collusion, and that is an impossibility in the  
15 present regime. He is understating the  
16 impediments facing law enforcement and financial  
17 regulators.

18 When addressing Apple and Google's  
19 investigations, Acting Assistant Attorney General  
20 Joseph Whalen stated that the DOJ review is  
21 directed to reasonable and non-discriminatory or  
22 RAND licenses but did not do anything to look at

1 related parties. And as a result, the ability to  
2 understand what patents were actually  
3 RAND-subsequently- attached versus  
4 non-RAND-attached was impossible.

5 At no point did the DOJ consider the  
6 non-RAND- encumbered, non-standard-essential  
7 patents, and properties held by non-disclosed  
8 corporate entities controlled by or in contracted  
9 relationship with Apple and Google. And, by the  
10 way, this is not the fault of Apple and Google;  
11 it's actually the fault of a system that doesn't  
12 make this transparent. This is actually just a  
13 practical failure.

14 RPI definition must accord all parties  
15 of interest, particularly the investing public in  
16 the operating businesses of America, a clear  
17 picture of the beneficiary of patent rights at all  
18 times. Ambiguity of recordation timeliness beyond  
19 the limit of three months inside the UCC Article 9  
20 is harmful to markets. Incomplete disclosures  
21 undermine collateral confidence, making capital  
22 flow to critical businesses impossible and

1 impractical.

2 I commend the harmonization of  
3 regulations promulgated by the USPTO with the  
4 established UCC Article 9 provisions that we  
5 already have in place, and I also commend the  
6 consideration of economic interests to be drawn  
7 from the securities and banking laws, which  
8 actually are equally enforceable and also clearly  
9 defined in bank (inaudible) statutes.

10 Thank you very much.

11 DR. GRAHAM: Thank you. Next on the  
12 agenda, William Hulsey. William Hulsey is from  
13 Hulsey PC. And William Hulsey is also not in  
14 attendance, so we move on to the next speaker.

15 Next speaker is George Spencer. George  
16 Spencer comes to us from Antonelli, Terry, Stout &  
17 Kraus.

18 MR. SPENCER: Well, thank you very much  
19 for inviting me to speak here and of course the  
20 usual disclaimer. Whatever I say has nothing to  
21 with the firm. In fact, I'm a counselor, I'm not  
22 a partner there. So, I'm at liberty to speak.

1 I'm here on a topic of what may be  
2 considered gamesmanship in a way, namely, take a  
3 situation where a company has an agreement with an  
4 inventor to assign whatever the employee makes.  
5 But the company does not require the inventor to  
6 sign an assignment, and no assignment is in  
7 existence. So, the prosecution continues, the  
8 patent is issued, possibly in the name of the  
9 inventor, but there does exist an obligation to  
10 assign. Now, the attorney may or may not know  
11 that, but assuming the attorney does and the  
12 attorney gets paid by the company, well, I  
13 supposed the attorney would consider that to be  
14 the real-party-in-interest.

15 But how would the Office treat that  
16 particular situation where there exists an  
17 obligation to assign but no assignment has  
18 actually come into being. There's nothing to be  
19 recorded. Maybe the agreement to assign might  
20 ultimately come to light in the course of  
21 litigation. That is a problem that may need to be  
22 considered.

1           Now, going a step further, suppose there  
2 does not exist an obligation on the part of an  
3 inventor to assign the invention that he's made  
4 and for which an application has been filed. But  
5 let us say that there's a mere possibility or  
6 perhaps even a probability that an assignment will  
7 come into being. Would the potential assignee be  
8 considered a party in interest? I really don't  
9 know how that should be handled at this point, but  
10 I leave it to the wisdom of the authorities of the  
11 PTO to come up with a decision on that.

12           Thank you very much.

13           DR. GRAHAM: Thank you, Mr. Spencer.  
14 And for our final discussant today, formal  
15 discussant, Erik Lieberman. Mr. Lieberman comes  
16 from Food Marketing Institute.

17           MR. LIEBERMAN: I'd like to thank the  
18 PTO for the opportunity to speak this morning. We  
19 really appreciate it.

20           I'm with the Food Marketing Institute.  
21 We are the trade association for the supermarket  
22 industry, and many of you may be wondering what

1 the heck are the supermarkets doing here this  
2 morning.

3 Well, I've got two words for you:  
4 "patent trolls." Patent trolls have become an  
5 enormous headache for our industry, costing  
6 retailers and wholesalers millions of dollars in  
7 legal fees, settlements, and other resources each  
8 year. While retailers bear the brunt of this  
9 burden, many of these costs are passed down the  
10 supply chain to consumers, and with food costs  
11 rising this is the last thing consumers need.  
12 This is not just a high-tech issue; it's a  
13 business issue. Tens of thousands of businesses  
14 outside of the high-tech area are affected by  
15 patent trolls every year.

16 Patent trolls, also known as patent  
17 assertion entities, purchase patents solely for  
18 the purposes of enforcing them with no intention  
19 of further developing, manufacturing, or marketing  
20 the patents. Retailers have been sued or shaken  
21 down for licensing fees over such commonly used  
22 technologies as store locator technologies on

1 their website or WiFi. I just saw an article  
2 about a small business that was sued for using a  
3 scanner. It's a huge problem.

4 Licensing fees are often priced  
5 precisely at the level where it makes economic  
6 sense for a business to pay rather than to pay the  
7 legal fees to fight the PAE.

8 And the activities of patent trolls do  
9 nothing to help our economy or further innovation.  
10 It's legal extortion, and something must be done  
11 to stop it.

12 Most businesses simply don't have the  
13 resources to track hundreds of thousands of  
14 patents, patent trolls, and the specifics of the  
15 technology their using in many cases. And I can  
16 tell you we represent some enormous retailers, and  
17 they don't have the resources to do that. They're  
18 in the business of selling food. They're dealing  
19 with a host of other legal and regulatory  
20 obligations related to real estate, food safety,  
21 labor law. They don't have time to do this, and  
22 they shouldn't have to deal with these types of

1 actions.

2 Fighting trolls is a real challenge,  
3 given the limited the resources of business and  
4 the fact that patent trolls are very adept at  
5 manipulating the system. Some patent assertion  
6 entities have hundreds, even thousands of shell  
7 companies, and it's simply impossible for our  
8 members to keep track of them.

9 So, we need greater transparency in  
10 patent ownership where the public can easily see  
11 who owns what and where they acquired it. The  
12 system should require acknowledgment of agreements  
13 between shells and other entities. We believe  
14 that troll issues should be addressed through  
15 competition laws and regulatory enforcement, so  
16 we're very encouraged that DOJ is here this  
17 morning, and we're also encouraged that the FTC  
18 and DOJ held a public workshop on the issue last  
19 month.

20 We also think the PTO should consider  
21 some proposals such as penalties for not recording  
22 assignments. Also, the PTO needs to think about

1        what they can do to ensure that the  
2        real-party-in-interest records as opposed to a  
3        shell with a misleading name.  Additionally, how  
4        do we keep assignment information updated?  What  
5        are the things the PTO can do that -- when  
6        maintenance fees are due, do you require some sort  
7        of update?  These are measures we think can help  
8        address this problem of patent trolls, which is  
9        affecting a huge proportion of the economy beyond  
10       just the high-tech area.

11                    Thank you.

12                    DR. GRAHAM:  Thank you, Mr. Lieberman.  
13        So, that ends our formal presentations.  Before  
14        moving on to possible commentary from the  
15        audience, I would like to engage in some  
16        discussion among the speakers here since we're in  
17        a roundtable.  And to do that, I'd like to invite  
18        questions both from the several representatives of  
19        the PTO who are around this table as well as  
20        comments from speakers directed to things you've  
21        heard today.

22                    Since we do want to keep things civil, I

1 ask that you direct all questions or comments to  
2 me, and then I will redirect your questions to the  
3 group and the appropriate people.

4 So, with that, let me introduce Michelle  
5 Lee, who is the USPTO's director of the Silicon  
6 Valley Office of the USPTO, and in addition  
7 Saurabh Vishnubhakat, who is an expert advisor  
8 here at the Agency.

9 I know that Michelle has a question, and  
10 so I'll ask Michelle to kick us off here.

11 MS. LEE: So, thank you all for the  
12 very, very helpful comments today. The USPTO very  
13 much appreciates it.

14 I have a question for those of you in  
15 the room and for those of you who are  
16 participating via Webinar or who may be  
17 considering submission of written comments later  
18 on. If you could and have thoughts on this  
19 question, the PTO would appreciate it.

20 But in the request for comments, the  
21 proposal is to disclose RPI information at the  
22 time of filing, at the time of publication, and

1 when the maintenance fees are due. Also, during  
2 the time of prosecution there's a suggestion that  
3 if there's a change that occurs in ownership that  
4 that change be recorded within a reasonable period  
5 of time. And in the request for comments, we  
6 suggest a reasonable period of time as being three  
7 months.

8 The PTO would welcome some input on the  
9 burden of that to the companies and their lawyers.  
10 Is that a reasonable period of time, particularly  
11 in a situation where a company may be doing a lot  
12 of acquisition activity of large portfolios, and  
13 are there circumstances in which you may need  
14 additional time and perhaps suggestions on how the  
15 PTO might be able to accommodate you so that we  
16 have a workable system but yet we're also getting  
17 the information that we need in a timely manner?  
18 That's issue number one.

19 Issue number two is, on the issue of  
20 penalties what do the stakeholders and what does  
21 the public think is appropriate?

22 DR. GRAHAM: Thank you, Michelle. I

1       should state at this point that we are leaving the  
2       written comment period open for two weeks until  
3       Friday, the 25th of this month, and so those who  
4       are with us via Webinar or otherwise may do that.  
5       But does anyone have a specific response to that  
6       question? I ask you, if you do, to put up your  
7       tent cards in the standard fashion.

8                     David, please.

9                     DR. MARTIN: I think as a practical  
10       matter, the recommendations that we've commented  
11       on with respect to the lien interest filings and  
12       so forth have been informative in this, and the  
13       way in which they've been informative is in the  
14       transfer of interest particularly in subordination  
15       agreements and credit agreements. It is not  
16       unusual to find a disentanglement period where  
17       there may be assets that transfer very cleanly and  
18       there are assets that do not. So, the idea that  
19       you can have a complete period inside of that 90  
20       days is unreasonable because of the  
21       disentanglement issue with respect to our  
22       experience in the credit agreement space.

1           So, I just wanted to raise the issue  
2           that there is a legitimate intent to disclose that  
3           probably is appropriate, but the full disclosure  
4           that would be recorded against every patent may  
5           not be feasible in that time frame. So, I think  
6           there needs to be an awareness of that issue,  
7           because we've seen that as a significant impact.  
8           So, just from experience I would comment that  
9           that's important.

10           DR. GRAHAM: Thank you, David Martin.  
11           One follow-up question. How is that resolved in  
12           your field?

13           DR. MARTIN: Well, as a practical  
14           matter, and the Kodak bankruptcy is informative in  
15           this particular instance because -- and the GE  
16           sale of GE Plastics to SABIC is informative in  
17           this. These are two cases that are very easily  
18           researched. What you'll find is that the senior  
19           debt holders typically will be the lien interest  
20           holders that are identified.

21           But the secondary lien holders will be  
22           parties that are not disclosed, because they live

1       inside of the general and tangible lien. And that  
2       general and tangible lien is much more difficult  
3       to untangle, particularly in syndicated credit  
4       agreements. And so what typically is happening is  
5       a subset of the assets is transferred immediately  
6       as a consummation of the transaction, and then  
7       over a period of time the rest get resolved.

8               But from the standpoint of the intent of  
9       the rule, having that, it is appropriate to leave  
10      open a filing period that says that within 90 days  
11      it's reasonable to say that there is an intent to  
12      comply. But the intent to comply may, just as a  
13      practical matter, take time to fully implement,  
14      and that's what happening right now.

15             DR. GRAHAM: Thank you very much. I see  
16      that Kristi Nicholes Burton would like to comment.

17             MS. NICHOLAS BURTON: In considering the  
18      acquisition of patents, I think the most efficient  
19      or the best time to record the information is  
20      literally within months of completion of the  
21      transaction. So, a three-month period seems  
22      reasonable, however with extensions, because there

1 are various issues that can crop up. Maybe the  
2 seller doesn't provide you the documentation right  
3 away. It could be a foreign entity, and you're  
4 having difficulty getting, you know, records or  
5 things that you need. So, I think that there does  
6 need to be a balance or contingency, but for  
7 something that's clear cut, if you have the  
8 document in hand it would be best to record it at  
9 that time.

10 DR. GRAHAM: Thank you very much. I see  
11 -- very good. He's point to you, so Herbert  
12 Wamsley.

13 MR. WAMSLEY: On the question of when  
14 the information should be provided, I would note  
15 that I think the timing is less urgent to provide  
16 the information during the first 18 months after  
17 filing, because the application normally has not  
18 been published. And looking at it from the  
19 viewpoint of IPO members, at least, I think, we  
20 see the RPI information valuable in knowing who  
21 owns the patents. But I don't believe that  
22 there's so much benefit in having that information

1 for the first 18 months.

2 On Michelle Lee's other question about  
3 penalties, we don't believe that the penalty  
4 should at all touch the area of inequitable  
5 conduct, patent enforceability. I would be wary  
6 of saying that penalty include ethical sanctions  
7 against practitioners.

8 One of our members suggested monetary  
9 fines for failure to disclose RPI information as a  
10 possible penalty, assuming the PTO would have the  
11 authority to do that.

12 DR. GRAHAM: Thank you. Michael Lubitz.

13 MR. LUBITZ: Thank you. Michelle, your  
14 questions -- I'm going to deal from the  
15 transaction side and particularly with the time  
16 period, and of course the danger there is when you  
17 set a time period it's rather arbitrary. And  
18 there are special circumstances. And in our  
19 day-to-day life, what we see is a lot of  
20 transactions happening where the entity that's  
21 acquiring the assets is behaving as a pass-through  
22 entity. And there might be a variety of parties

1 involved. So, as a consequence, you really don't  
2 know where the assets are eventually going to  
3 settle.

4 And from an administrative -- from a  
5 burden side, there needs to be flexibility until  
6 the transaction finally completes.

7 In addition, you're seeing extended  
8 periods of review. I think there's a voluntary  
9 compliance with the DOJ of any deal that's over, I  
10 think, 66 million or so that needs review.

11 And so there are other regulatory  
12 implications, and so even -- you know, so, that  
13 will impact the time. But also if you're handling  
14 these assets and all of a sudden these maintenance  
15 fees are opening up and you have an obligation to  
16 report changes but you know that the ownership is  
17 going to change, what do you do in those kind of  
18 hybrid situations?

19 So, I think that there needs to be a  
20 provision that doesn't -- in general, the timeline  
21 is great, but there should be some type of  
22 exception that allows parties to comply based upon

1 the nature of the transaction and some  
2 reasonableness.

3 DR. GRAHAM: Thank you. And I see  
4 Kenneth Nigon.

5 MR. NIGON: My problem is with small  
6 inventors, and we represent a number of small  
7 inventors. I've even had small inventors  
8 contacted by Intellectual Ventures to buy their  
9 patents. Now, I don't know if they sold patents  
10 or not, because Intellectual Ventures dealt  
11 directly with them. And what I'm trying to point  
12 out here is a patent practitioner is very often  
13 not going to know whether these transactions  
14 occurred, but they're going to be the ones  
15 responsible for filing these statements. And if  
16 the client is uncommunicative, the practitioner is  
17 not going to be able to get the information.

18 So, I agree with Herb that I don't think  
19 inequitable conduct should be a penalty. I don't  
20 know what kind of penalty to have, and I don't  
21 know how to deal with this situation, because if  
22 you allow the amount of time, which may be a year

1 or two between the time you talk to a client after  
2 a transaction has occurred, then the duty to  
3 record becomes meaningless, because there will be  
4 these huge gaps that won't be covered.

5 DR. GRAHAM: Thank you very much. Do  
6 you have a follow-on? Please, go ahead. This is  
7 Kristi Nicholes Burton.

8 MS. NICHOLLES BURTON: Yes. On the other  
9 side of penalties could also be incentives to  
10 timely or promptly record. So, whereas, you know,  
11 maybe the time period is a little longer, I think  
12 there are times, like when the application is  
13 pending before it's published -- there are  
14 considerations there, and maybe in certain  
15 transactions that need a longer period -- but  
16 maybe if recorded within a certain time, it could  
17 also be considered to have an incentive to do  
18 that. And that way, that would facilitate getting  
19 the information promptly available and in the  
20 record.

21 DR. GRAHAM: Thank you. Ken, was that  
22 another follow-on? Please.

1           MR. LUBITZ: Just a quick comment. The  
2 way that I understand the proposed rules or  
3 proposed framework is that the obligation is on  
4 the new owner. So, in the case of the inventor,  
5 there really wouldn't be an obligation, and they  
6 wouldn't be subject to a penalty. It would be the  
7 buyer or the new assignees. I don't think that's  
8 really a concern. What we're trying to do is  
9 bring parties who actually own the assets into  
10 compliance.

11           A question, though, is what about how do  
12 we orchestrate this retroactively, and who does it  
13 apply to? And so should it only apply to certain  
14 threshold owners so we don't unfairly burden small  
15 inventors?

16           DR. GRAHAM: Thank you. And for the  
17 transcription, let me just correct that that was  
18 Michael Lubitz who just spoke. Yes, I see  
19 Courtenay -- Courtenay Brinckerhoff.

20           MS. BRINCKERHOFF: This is just a  
21 general comment. It's sort of slightly related to  
22 the open question.

1           I just wanted to point out that if you  
2       assume a transaction cost of a hundred dollars per  
3       disclosure, which I think probably underestimates  
4       in most circumstances, especially if any inquiry  
5       is involved, and you take that three times per  
6       application and you multiply that by HP's 7,000  
7       applications, that's \$2.1 million. And is that  
8       how the money should be spent to promote  
9       innovation?

10           DR. GRAHAM: Since that implicated HP  
11       (laughter), I'll let HP respond. Mr. Pojunas.

12           MR. POJUNAS: Yeah, I think this sort of  
13       gets back to one of my points, which was that this  
14       information would be provided at key checkpoints  
15       in prosecution when we'd be touching the case and  
16       we'd be touching ownership in any case. So, in my  
17       view, the hundred dollars seems a bit much to me.  
18       It would essentially be confirming do we still own  
19       the case, and if so, you know, maybe it's a  
20       checkbox on a form or a pretty simple question  
21       ultimately.

22           DR. GRAHAM: Thank you. That raises an

1 issue, if I may inject something here, and I do  
2 want to get to these other comments. You know, I  
3 heard from Mr. Wamsley and others that this could  
4 be, you know, burdensome -- enormously burdensome  
5 -- and we're sensitive to that here in the Office,  
6 having looked at the patent records and studied  
7 them as the economist. You know, it's clear that,  
8 you know, a very large portion of the patents, the  
9 applications that are pending, and the patents  
10 that are issued every year are held by, you know,  
11 a relatively few number of companies, which are  
12 largely those represented in your organization.

13 That said, of course, independent  
14 inventors are extremely important, too, and these  
15 burdens can at the margin -- right? -- when you're  
16 operating at the margin can be important as well.  
17 So, what I'd like to hear is whether there is  
18 anything that can be done in a way in which our  
19 information systems work or the way in which we  
20 organize the collection of data here at the USPTO  
21 that could facilitate the reporting of these  
22 things across large portfolios -- that can be the

1 case -- or in the case in which it's really firms,  
2 law firms, acting for many autonomous inventors.  
3 Both those things are, I think, are important for  
4 us to understand if we're going to understand the  
5 consequences of doing something like this.

6 So, if I can ask -- I see Courtenay  
7 Brinckerhoff.

8 MS. BRINCKERHOFF: Sure, some ideas on  
9 that. One thing that was sort of touched on that  
10 -- this seems to be proposed as a separate  
11 requirement that we filed in an application. So,  
12 you would be duplicating recording in assignment  
13 and filing a form in an application. That  
14 duplicity should be eliminated if possible.

15 Also, the proposals -- although one of  
16 the proposals was to initially provide the  
17 information in the ADS; the other proposals were  
18 requiring new forms at each stage of prosecution.  
19 Again, that seems wasteful. So, any -- it seems  
20 like -- I'm not sure there should be a requirement  
21 to confirm at critical stages. If you've had to  
22 identify the information once and you have an

1 obligation to update, then you should only have to  
2 disclose it once unless there's a change.

3 And then having a mechanism where you  
4 could blanket -- make the disclosure in a number  
5 of applications, with one paper, and also have  
6 that account for your recordation. Those are ways  
7 that it could reduce the cost. But I know that  
8 would take some changes on the Office side of how  
9 the systems are integrated.

10 DR. GRAHAM: Thank you. I had seen  
11 comments from down the table. Professor Rai, did  
12 you have a comment? It may have been directed to  
13 the earlier discussion. Please feel free to --

14 PROFESSOR RAI: Yeah, it was directed a  
15 little bit to a comment that I think was made with  
16 respect to retroactivity. So, that's a really  
17 important concept to keep in mind for purposes of  
18 administrative law.

19 As I see the proposal as currently  
20 structured, I don't see retroactivity issues in  
21 it. But it's a complex concept regarding what  
22 constitutes primary retroactivity versus secondary

1 retroactivity and something that's worth thinking  
2 about for the PTO.

3 DR. GRAHAM: Thank you. Kenneth Nigon?

4 MR. NIGON: I just want to bring up a  
5 point that other people have brought up but just  
6 to emphasize that it would be great to have the  
7 actual document available to look at without  
8 having to request a certified copy the way it is  
9 in the trademark system right now.

10 DR. GRAHAM: Thank you very much.

11 MS. NICHOLAS BURTON: So, I think -- I  
12 don't know if it's possible. You'd mentioned the  
13 systems you have available, but if you could get  
14 some data as to what is the average number of  
15 transfers per case in its lifetime, and what kinds  
16 of entities are the ones involved in that. That  
17 could possibly give us a little bit more  
18 understanding of what the administrative costs  
19 might be ultimately.

20 DR. GRAHAM: Thank you. That was Ms.  
21 Nicholes Burton. Thank you for that. I suppose  
22 that raises another issue that I actually wanted

1 to direct to Michael Lubitz, if I could. So,  
2 seemingly the way that we could collect that  
3 information about the frequency of transfers is in  
4 our assignments data. But I've always suspected  
5 -- and this is one of the questions I wanted to  
6 put to Mr. Lubitz, because he could help us to  
7 understand what a voluntary system gives us.

8 To the extent that you've been able to  
9 compare the data we have against what's actually  
10 going on in the marketplace, actually going on in  
11 the transactional space, how well does this  
12 voluntary system of recordation reflect what's  
13 really going on out there?

14 MR. LUBITZ: That's a really good  
15 question, because part of the answer is we don't  
16 know, really. And, you know, I don't necessarily  
17 -- most of what we find is the majority of parties  
18 record eventually -- the questions eventually.  
19 So, we see, based upon parties' practice, that  
20 they'll -- and we'll know of the transaction  
21 through whatever channel, and we'll see the  
22 recording happening, you know, three, six, nine --

1 a year out. And so things tend to eventually get  
2 recorded. The issue is more about how that  
3 information is recorded and then distributed to  
4 the public. And so the question that you asked is  
5 a great question about what can we do to make this  
6 data more available and useful.

7 And so one thing, just off the top of my  
8 head, is that we would love to be able to show the  
9 relevant personnel at the USPTO the payment we're  
10 dealing with on a daily basis and the issues that  
11 we have to deal with in terms of looking at the  
12 feeds and trying to establish some type of  
13 standardization.

14 I don't know if I answered your  
15 question, but the difficulty is that even though  
16 the recordings are happening, it's understanding  
17 them.

18 DR. GRAHAM: I see David Martin.

19 DR. MARTIN: Once again, using a  
20 triangulation approach, because that's the only  
21 way we can tackle this question, we actually look  
22 at two sources. One is a very general database

1       that's available fairly easily, which is the  
2       recordation of liens by the State Corporation  
3       Commissions or the Secretaries of State, depending  
4       on the UCC-adopted standard, because Article 9 has  
5       -- you know, some states have the updated Article  
6       9, some states are using the preceding one. We  
7       find that that record is actually the most  
8       accurate right now, because it actually records  
9       the real interest. It is the financial interest  
10      that is actually taking an interest in the  
11      intangibles. So, right now that's the best data,  
12      and it has very little overlap with the USPTO  
13      record. So, we find that the error rate  
14      internally at USPTO has a lag of probably  
15      somewhere in the two to three quarters where the  
16      State Corporation Commission records are actually  
17      much more refreshed.

18               The other place that we look, and we use  
19      this very extensively globally, is in securities  
20      filings, because typically in footnotes of  
21      transfers, releases of liens, things like senior  
22      security agreements, and so forth, give us the

1 actual title name where we can then go back and  
2 actually look at where the records actually are.  
3 And that's why I think one of the things that I  
4 would encourage is actually the USPTO to do a  
5 better job of promoting the existing structures,  
6 because right now there are some really good  
7 recordation processes that are actually not  
8 complied with if you look at a lot of banks, if  
9 you look at a lot of securities firms. And we  
10 think that you guys could do a better job of  
11 promoting what you already have as a way to catch  
12 up with other systems. But I think -- I would  
13 encourage us to look at places that we already  
14 have solutions rather than having to create  
15 redundancies. I mean, if there's a place that we  
16 can learn from or adopt best practices from, I  
17 think that's ideal, and that's where we go for the  
18 data more often than the USPTO current  
19 collections.

20 So, I think the system macro actually is  
21 working better than we think it is. I think it's  
22 maybe not working here as optimally as it can, but

1     it's not that it's not available. I think it's  
2     available, just not implemented.

3             DR. GRAHAM: Thank you. It would be  
4     helpful, if you are going to be submitting  
5     follow-on comments in written form, if you could  
6     give us some sense, if it's available and  
7     possible, some sense of what the lag looks like  
8     and also some sense of what really just never  
9     arrives.

10            DR. MARTIN: (off mic)

11            DR. GRAHAM: Great, thank you. Yes,  
12     Michael Lubitz.

13            MR. LUBITZ: I just had a comment on  
14     David's comments. David's really focusing on  
15     secure transactions involving financial entities  
16     where they have really an incentive to record so  
17     they can perfect their interests, and if they fail  
18     to do that, they lose that collateral. What we  
19     try to encourage -- and this is about the  
20     education, this is what David recommended -- is  
21     that everyone should be in the practice of  
22     recording changes in ownership at the USPTO to

1 protect their interests. And it seems that a lot  
2 of the discussion on the legal side was about, you  
3 know, if you don't record your interest as the  
4 real owner, then you're going to lose your  
5 standing to pursue remedies that you have under  
6 the regulations or the law. And so that seems --  
7 and that's kind of the crux of the issue, that  
8 people should record on a timely basis whether  
9 they have a security interest or not and then to  
10 make that process as painless as possible, because  
11 the people only record what they have to  
12 generally, and so that's -- the real challenge is  
13 how do you implement this to get that type of  
14 information on a timely basis.

15 DR. GRAHAM: Courtenay Brinckerhoff.

16 MS. BRINCKERHOFF: I just have one minor  
17 comment that Mr. Lubitz comments brought to mind.  
18 It has nothing to do with the change in the law,  
19 but under the current assignment recordation  
20 practice, if something is assigned in error, the  
21 only person that can correct it is the person who  
22 recorded it. So, if we discover that someone

1 transposed numbers and inadvertently recorded an  
2 assignment document under our client's patent, we  
3 are at the mercy of asking that person to correct  
4 their error. So, I think it's the Patent Office  
5 that is going to be looking at the significance  
6 and criticality of the assignment database, that  
7 something that you all should also look at is  
8 letting the actual patent owner correct any errors  
9 that have been recorded against it.

10 DR. GRAHAM: Thank you very much.  
11 There's an issue also, Courtenay, that you brought  
12 up about how there are several places in the  
13 statute that talk about the optionality, that this  
14 is actually -- it's optional to provide this  
15 information. I would just like to hear if there  
16 are any views from the roundtable on that  
17 particular issue.

18 Professor Rai?

19 PROFESSOR RAI: It is the case that §  
20 261 of the patent statute does not require  
21 recordation; it provides an incentive to record,  
22 because if you don't record, you can't assert

1     against a subsequent purchaser. That said, I  
2     think to say that § 261 provides the exclusive  
3     venue by which these issues can be dealt with I  
4     think would be a very strong interpretation - and  
5     forgive my Latin here -- of the *expressio unius*  
6     principle. The *expressio unius* principle is a  
7     principle of statute interpretation that says if  
8     Congress stated something in one section of the  
9     statute that prohibits interpretations that would  
10    either be supplementary to that or even perhaps in  
11    slight tension with that provision. I think that  
12    would be a very strong interpretation of *expressio*  
13    *unius* to say that 261 is the exclusive remedy in  
14    this particular context, particularly given, as I  
15    said, the patent authorities, the patent  
16    regulatory authority given under § 2.

17             DR. GRAHAM: Thank you. And Courtenay  
18     Brinckerhoff.

19             MS. BRINCKERHOFF: I would just also add  
20     that also overlying this issue is the AIA, which  
21     newly created this ability to name an applicant  
22     that's not an inventor but made that wholly

1 optional. So, even is an application is assigned,  
2 under the AIA you can still name the inventors as  
3 the applicant. I think that colors my questions  
4 about the authority as well.

5 DR. GRAHAM: Thank you. Saurabh  
6 Vishnubhakat, USPTO.

7 MR. VISHNUBHAKAT: So, I'd like to kind  
8 of propose a general question to the panel about  
9 the way in which we've discussed this being, you  
10 know, kind of a -- how to frame it, even -- we  
11 don't know what we don't know, right? The extent  
12 of our ignorance is unknown to us in some sense in  
13 this area, because we are unable, perhaps except  
14 in the case of secured transactions, we really  
15 don't know how best to calculate the cost and  
16 benefits at a very high level of granularity. So,  
17 what I've heard from some of the panelists is that  
18 if the benefits aren't high, then all we're  
19 introducing is transaction costs that are unknown  
20 and perhaps unknowable until we're in the thick of  
21 it. So, should we perhaps go further and start  
22 from the idea that unless we can do this well we

1 shouldn't do this at all, and so ask for something  
2 more muscular like recording of all transactions,  
3 recording of all assignments, and do away with  
4 this, you know, kind of checkpoint-based approach?

5 I think I heard Ms. Brinckerhoff say  
6 that if we have an obligation, an ongoing  
7 obligation, to update once the initial requirement  
8 has been satisfied, then the checkpoint approach  
9 may be moot. So, is that something that the panel  
10 would be supportive of, to step back from this,  
11 you know, maintenance fee-only or particular  
12 points during prosecution, and just say that  
13 there's a real ongoing obligation to just record  
14 all assignments and make sure that the record is  
15 updated that way?

16 MS. LEE: If I could just add a point to  
17 what my colleague was saying, because I think  
18 that's a very good point, because I think there  
19 have been academic studies that indicate that NPEs  
20 tend to buy patents near expiration. So, if it's  
21 true that that's the case and if it is, you know,  
22 something that is of interest to the companies and

1 the stakeholders -- right? -- it is truly the  
2 checkpoint at maintenance fee payment stage,  
3 which, as you know, toward the end of the patent  
4 gets to be very -- I mean, that's a long period of  
5 time. Is the proposal really the most effective  
6 proposal?

7 DR. GRAHAM: Thank you. For the  
8 stenographer, that was Michelle Lee. I see David  
9 Martin.

10 DR. MARTIN: I think the Constitution is  
11 very clear that the benefit is to a party. That's  
12 why we have this thing in the first place. So,  
13 we've got to remember that the Constitution starts  
14 with saying this is a benefit which is a social  
15 contract between the public, who actually  
16 acknowledges a commercial aberration, and the  
17 beneficiary, who is a beneficiary. And they were  
18 jumping so far into the weeds of procedure to  
19 forget the actual constitutional framework, which  
20 is pretty important.

21 That would suggest that the beneficiary,  
22 over the duration of the statutory period, is

1 actually material at every point during that  
2 period. That's what the Constitution is  
3 unequivocally stating. So, I don't think there's  
4 a question of whether or not the social benefit,  
5 which is the social half of the contract, is ever  
6 subject to a cancellation of interest of the  
7 public until the cancellation of the right, which  
8 is it's actually statutory life. So, I think that  
9 the duration on a milestone procedural basis is  
10 actually somewhat irrelevant. And I actually  
11 agree that procedurally if there is no change, the  
12 additional burden of reporting it still the way it  
13 was is actually just a burden. I don't think  
14 society benefits from that. I do think that  
15 society does benefit from finding out that the  
16 beneficiary has changed, and to my point of the  
17 bankruptcy of Kodak, it's very material. There is  
18 a difference between those patents held by Kodak  
19 and those patents held by now an association of  
20 RPX and Intellectual Ventures and Google and Apple  
21 and everybody else. That's a material alteration  
22 of the operating conditions of the economy.

1           When the Patent Office was moved to the  
2 Commerce Department -- because, remember, this  
3 used to be another jurisdiction -- when it was  
4 moved to Commerce, it was moved to Commerce  
5 specifically for the point I'm raising. This is  
6 actually part of the economic engine of growth,  
7 and it was for the incentivization of growth.  
8 That's why we moved it out of Interior. And it's  
9 important to understand that the legislative  
10 framework of the migration of the Patent Office  
11 and the constitutional framing actually answers  
12 our question, and that is as long as the patent is  
13 outstanding, the beneficial interest holder is  
14 material to the public, because that is the social  
15 contract under which the patent is established.

16           DR. GRAHAM: Thank you. I see Marian  
17 Underweiser.

18           DR. UNDERWEISER: Yes, thank you. It's  
19 an interesting question. I think we've heard that  
20 most of the business interest here is in favor of  
21 transparency, and I think it's really important  
22 that we're talking about the burden, and the

1     burden is primarily to the patent practitioner  
2     community or it's at least borne by the patent  
3     practitioners, which I think Colleen Chien pointed  
4     out very clearly. So, we're talking about having  
5     this benefit of having the accurate ownership  
6     information. Maybe we only need it updated when  
7     that information changes. Maybe that reduces the  
8     burden on our practitioners on -- I'm a patent  
9     lawyer -- on actually complying with these  
10    burdens. And what I would suggest is that whereas  
11    most of the more sophisticated parties who are  
12    buying and selling patents will know or ought to  
13    know when it's time to record their patent  
14    assignments and their new interests perhaps with  
15    the smaller parties, and we've talked about them  
16    today.

17                 Something that would help might be to  
18    not necessarily require another statement or paper  
19    or due diligence at a lot of these checkpoints,  
20    but perhaps there can be reminders. Reminders can  
21    be sent. Reminders can be sent at issuance or at  
22    payment of maintenance fee. Has there been an

1 assignment check, the assignment record? -- so  
2 that if the practitioners and the small entities  
3 are aware that they may have this ongoing  
4 obligation, we have to have accurate ownership  
5 information. Then, you know, that's well and  
6 good. But there are these checkpoints where they  
7 will really read the paper and then be able to say  
8 well, you know, have I complied with this duty?  
9 So, this may be another way to accomplish the  
10 goal.

11 DR. GRAHAM: Thank you. And Michael  
12 Lubitz.

13 MR. LUBITZ: I think that, you know,  
14 this is really -- there's a larger issue here  
15 about competitiveness of the Office and of  
16 intellectual property function within the United  
17 States. And we want to be operating at the  
18 highest level and lead the leader. And so if  
19 there's some way that -- I look, really, at this  
20 most as a module modernization where the  
21 assignment module is modernized to create the  
22 least burden but maximize the usefulness of the

1 information within the various objectives of  
2 businesses.

3 But I also think, from the standpoint of  
4 the U.S. Economy and remaining competitive, that  
5 we need to push and be the leader here. And, I  
6 mean, there's no question that the marketplace for  
7 patents -- the U.S. is the leader. And so how do  
8 we maintain that?

9 DR. GRAHAM: Thank you very much. I did  
10 want to have an opportunity to give people who are  
11 here visiting in the gallery today an opportunity  
12 to make a comment. If there's anyone who feels  
13 compelled to give some commentary--

14 Okay. Seeing none, and seeing no  
15 additional requests, and given that we are close  
16 on our appointed time, are there any questions  
17 from any of the participants today that you would  
18 like to share?

19 Okay, I see none there either. So, with  
20 that, let me officially close this roundtable on  
21 collecting real-party-in-interest information. We  
22 at the USPTO thank you for your candid thoughts,

1 and the agency will be following up on this  
2 meeting today with more consideration on this  
3 important topic.

4 I remind everyone listening and everyone  
5 here in the room that we are keeping the written  
6 comment period open until Friday, January 25th, so  
7 you still have an opportunity to participate for  
8 two more weeks through written comments. Please  
9 see our Federal Register notice for more  
10 information on how to comply with that.

11 And with that, thank you, and have a  
12 safe trip home.

13 (Whereupon, the PROCEEDINGS were  
14 adjourned.)

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