

Dear Saurabh Vishnubhakat:

This following comments are provided by the law firm of Oliff & Berridge, PLC in response to the Request for Comments on Eliciting More Complete Patent Assignment Information, published at 76 Fed. Reg. 72372.

Oliff & Berridge appreciates the USPTO's engagement of community input on such issues, and the opportunity to have its positions considered by the USPTO. Oliff & Berridge is an intellectual property law firm that represents thousands of patent applicants, including individual inventors, universities, small businesses, and large corporate entities situated in the United States and many foreign countries. The following comments reflect its experience with such applicants, but is not intended to represent the position of any one or group of such applicants.

Assignment and ownership of patent applications and patents are defined and governed by a complex hybrid of federal and state statutory and common law. As recently stated by the Court of Appeals for the Federal Circuit, ownership of patents and patent applications may be transferred by written assignments, operation of law, and otherwise. See also the community property laws of some but not all states, which vest co-ownership of patents, as personal property, in spouses of inventors under some circumstances. As also recently made clear by the Federal Circuit, legal and equitable title in patents and patent applications may reside in separate entities. In addition, licenses, whether or not exclusive, have been held by the Federal Circuit and other courts to have attributes of ownership, and to be treated as amounting to assignments, e.g., for purposes of jurisdiction and standing. Thus, determination of ownership is often a complex legal issue, governed by state law, and not necessarily governed by documentary proofs or characterizations in documents, and often not without dispute among the parties to a contract that purports to grant rights in a patent and/or third parties.

Against this backdrop, Congress has established a basic framework that, except as otherwise provided by statute, "patents shall have the attributes of personal property." 35 U.S.C. §261, first paragraph. As such, they are freely alienable; Congress has not established, nor delegated to the USPTO to establish, any restriction on the right to transfer patent rights to publicly recorded transactions. Congress has only layered onto the state contract law an optional federal recordation process. That process protects a patent assignee who opts to record an assignment, by providing constructive notice to the public of the recorded assignment; and it protects the interests of a *bona fide* purchaser without notice of a prior assignment by allowing title to pass to that *bona fide* purchaser without notice if the prior assignee has opted not to record the assignment. See 35 U.S.C. §261, last paragraph.¹

¹ Contrary to the U.S. PTO's comments at 76 Fed. Reg. 72372, it is not true that "Failure to record a patent assignment voids the assignment against a subsequent purchaser or mortgagee of the patent." The assignment is void only if that subsequent purchaser is "without notice" -- it is not void against a subsequent purchaser with actual or constructive notice.

The USPTO is neither authorized by law to, nor competent to, insert itself into the state law realm of patent ownership, nor to supersede the statutory framework of protections accorded by assignment recordation established in 35 U.S.C. §261.

In addition, the USPTO is proposing, without legal authority, to require applicants and patentees to undertake difficult, burdensome, expensive, and unnecessary legal analyses repeatedly in the life of a patent application and resulting patent. This is directly contrary to Executive Order 13563 of January 18, 2011 -- see 76 Fed. Reg. 15891 (March 22, 2011).

Rather than undertake this unjustified intrusion into areas beyond its authority and competence, the USPTO should take steps to simplify and coordinate its own records. With minor technical adjustments in the manner in which it stores and reports information that it possesses, the USPTO could improve the public availability of information that it rightfully possesses, thereby achieving many of the objectives outlined in the subject Request for Comments.

In the following paragraphs, we address the specific questions appearing in Section II of the Request for Comments.

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

Yes.

First, as noted above, Congress has not established any mandatory disclosure of assignees at any point in the life of an application or patent. There are many proper business and personal reasons for an applicant not to publicly disclose transactions in which patent rights may be assigned. Congress has decided on the appropriate statutory incentives for recordation of assignments of patent rights, and the USPTO should not attempt to supersede that decision by imposing a mandatory assignment disclosure regime that far exceeds what Congress has established. By establishing a voluntary assignment recordation regime, Congress has indicated that the U.S. government should not intervene in such business decisions, other than to protect *bona fide* purchasers without notice.

Second, the laws and circumstances surrounding patent ownership are sufficiently complex that it is not always clear without detailed legal analysis who owns what rights in patents.

As one result, patent applicants will have significant difficulty determining what to disclose to the PTO. For example, does the PTO intend to mandate public, federal recordation of equitable title? Of legal title? Of contingent title? Of home-loan agreements in which all personal property of an individual or organization is collateral? Of marital rights? Of divorce agreements allocating personal property between former spouses? Of individuals' wills and trusts allocating rights among family members in contemplation of death or incapacity? Of exclusive licenses that are "in the nature of an assignment"? Of employment contracts of

university professors and other employees? Of all other transactions that may affect ownership rights in the personal property of an individual or organization?

As another result, patent applicants will have to undertake expensive legal analysis, the result of which is an attorney opinion that may not be certain or determinative without court action, at the very beginning of the patenting process when allocation of funds to such a process is most risky (and at least for small entities, least available). This is contrary to the goals of the PTO to provide just, speedy and efficient issuance of patents to inventors, and particularly counterproductive in the present economic environment and in light of the above-mentioned Executive Order. It is particularly burdensome on individual inventors and small business entities or non-profit and educational institutions that do not have the resources to invest in such complex analyses.

Third, at the time of filing an application, legal title has often not passed to an assignee -- only equitable title. This clearly implicates disclosure of a very wide range of transactions if all bases for claims to equitable title must be disclosed.

2. Would it be in the public interest for the USPTO to obtain from applicants updated identification of the assignee at the time of allowance, e.g., in response to the Notice of Allowance? Are there limitations on the USPTO's rights and powers to require the reporting of such information?

The USPTO already has a system in place for the voluntary identification of assignees at the time of allowance, by allowing applicants to identify assignee information on an issue fee transmittal to allow that assignee information to be printed on the Letters Patent.² The public interest is adequately served by the inventor and assignee information appearing on the patent and in the assignment records of the USPTO to allow it to make any appropriate ownership inquiries and analyses. It is not appropriate to put applicants involuntarily to the expense and risk of error of mandating such identification. As discussed above, there are limitations on the USPTO's rights and powers to require (or enforce) the reporting of such information, as it is

² Contrary to the USPTO's comments at 76 Fed. Reg. 72372, the Issue Fee Transmittal form 85b does not include any language stating a "request that the patent issue in the name of the assignee". It merely permits printing of assignee information on the patent. It does not require that the identified assignee is the only assignee of the patent, that all rights in the patent have been assigned, or that there has been any request that the patent issue in the name of the assignee. Nor does it include the language of 37 CFR 3.71 *et seq.* by which an assignee may take action independently of the inventor. By statute, including after effectuation of the changes made by the AIA, issuance in the name of the assignee is optional. It may be requested under certain circumstances, but no such request appears on the Issue Fee Transmittal form and issuance in the name of the assignee is not mandatory, whether or not there has been an assignment. When assignee information is printed on the patent, inventor information is also printed on the patent. Further, subsequent ownership changes are not printed on the patent, regardless of whether or not they are recorded in the USPTO. Such printing has no effect on ownership, and no evidentiary value as to the ownership of a patent.

contrary to the letter and spirit of the recordation statute and beyond the legal competence of the USPTO.

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

This is only in the public interest to the extent that the applicant is relying on the identity of the owner, e.g., in filing a terminal disclaimer or disqualifying references as prior art based on common ownership. In addition to the above reasons why disclosure of assignee information should not generally be mandatory, there is a significant cost associated with such updates. In addition to the cost of the legal analysis described above, even the administrative acts of gathering the information, filling in USPTO forms and submitting the information involves costs. Such activities are generally carried out by outside counsel, especially for small entities that do not have inside counsel, at billing rates that the USPTO itself estimates to be around \$330 per hour. The investigation is not quick or simple, as noted above, nor is the submission process. Thus, there is a significant expense, unnecessary under most circumstances, to repeated updates of such information.

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

Yes, for the reasons discussed above.

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

No, for the reasons discussed above. Furthermore, there is no reason to risk delays and increased expense, and risks of non-compliance penalties for overlooking such requirements. Recorded assignment information is already readily available through the USPTO assignment database in the USPTO website; thus there is no need to complicate the procedure by requiring expedited, redundant disclosures merely to update a publication that can immediately become out-of-date in any event if an assignment occurs after publication.

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

Changes should be recorded when desired by applicants, with the effect of non-recordation within three months of the date of the transaction, or prior to the date of a subsequent purchase or mortgage, being that defined by Congress in 35 USC §261. The USPTO should not contradict the will of Congress by changing such timing requirements or consequences.

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

The above discussion also responds to this question. In addition, the reference to applicants is inappropriate -- applicants are no longer relevant after issue of the patent. The

USPTO loses jurisdiction over patents after they issue, and for this reason also the USPTO should not presume to override the will of Congress in imposing a mandatory scheme for disclosure of contracts relating to patents.

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

Yes, for the reasons discussed above.

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

At the time set by Congress in 35 USC §261, as discussed above.

Should the USPTO consider requiring the identification of assignment changes during the maintenance period of the patent right, i.e., after grant, but prior to patent expiration? What are the appropriate consequences of non-compliance?

Changes should be recorded when desired by applicants, with the effect of non-recording within three months of the date of the transaction, or prior to the date of a subsequent purchase or mortgage, being that defined by Congress in 35 USC §261. The USPTO should not contradict the will of Congress by changing such timing requirements or consequences.

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

No.

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

The USPTO should update its systems to provide more convenient public access to the assignments and other documents affecting title in patents that are recorded in accordance with the statutory scheme established in 35 USC §261. Recorded documents are public records, and are accessible at substantial burden and cost at the USPTO campus. They should be made available on the USPTO website, in addition to the bibliographic data that is available there, just like the other documents that are scanned by the USPTO. It would also be convenient if they were linked to patent and patent application information available in PAIR.

Errors could also be avoided in printed patents by eliminating the redundant presentation of assignment information in recording assignments and in filing Issue Fee Transmittals. By correlating assignment information in the assignment recordation database with the printing process, assignee information could and should be automatically printed on the patent and publication, if at all, based on the information already in the USPTO records about recorded assignments.

In addition, most assignments are directed to specific patent applications "and all continuation and divisions thereof." Thus, information about such documents should be correlated in the USPTO database to all applications to which they are directed.

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

As noted above, it does not appear to be a legitimate USPTO goal to usurp the system established by statute to enforce collection of more updated assignment information. In addition, there is no need to change the current system for determining small entity status, which was simplified from the prior system requiring detailed ownership information in order to reduce the unnecessary complexity and expense that resulted from that system. It would be going backwards, and contrary to the goals of the Federal Government expressed in the Executive Order published at 76 Fed. Reg. 15891, to re-complicate the small entity reporting requirements in such a way.

7. Given the passage of the America Invents Act, is it proper for the Office to provide for financial incentives for disclosure of assignment information by way of discounts in fee payments? For example, would it be more likely for patentees to update assignment information and record assignment documents on in-force patents if a maintenance-fee discount were available in return? What are the appropriate consequences for failure to provide accurate information when accepting such a discount?

The America Invents Act has no relevance to any of the issues addressed in the subject Request for Comments, other than allowing the USPTO to set fees. It is not appropriate for the USPTO to use that capability to thwart the statutory assignment recordation scheme discussed above. In addition, because patentees have a statutory incentive to record assignments that is generally only ignored for significant business and/or personal reasons, and investigation and submission of assignment and ownership information is expensive and burdensome, any such discount would have to be quite substantial in order to have any effect.

Consequences of intentional failure to provide accurate information when accepting such a discount would be expected to be set by courts, rendering patents unenforceable for inequitable conduct. There is a direct analogy to providing false information to the USPTO to obtain the benefit of small entity status for fee payment purposes, which has been held by the Federal Circuit to constitute inequitable conduct, and would appear to fall within the "egregious activity" category of inequitable conduct addressed in the *Therasense* decision. This is another reason to avoid such attempted manipulation of the assignment recordation system, since it would create another broad area of litigation of enforceability of patents, especially in view of the complexity of ownership determinations discussed above. Congress and the courts have been trying to reduce the incentives and opportunities of litigants to fight over inequitable conduct allegations, including in the AIA, and such a system would be contrary to those efforts.

8. In order to provide a more complete record for transactional purposes, what changes do you recommend that USPTO make in its requirements or incentives relating to

the disclosure of assignment information during the patent application process and for issued in-force patents?

See item 5 above.

Respectfully submitted,

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Oliff & Berridge, PLC