

Response to US Patent and Trademark Office Request for Comments on Eliciting More Complete Patent Assignment Information

*Carlos Serrano, University of Toronto
Timothy Simcoe, Boston University*

Benefits of Patent Assignment Information

Accurate and timely recording of information about patent assignees produces a number of economic benefits:

- **Reduced Search Costs:** Accurate assignee information reduces the time and effort that prospective licensees and patent purchasers spend to locate counter-parties.
- **Greater Certainty:** Accurate assignee information produces greater certainty for firms that use patent data to evaluate the intellectual property landscape before entering a particular technology or market segment. In particular, prospective entrants may draw inferences about the likelihood and/or cost of patent assertion based on the identity of the assignee, and the quality of these inferences depends on the availability of accurate assignee data.
- **Improved Measurement:** Patent data is widely used by economists and other researchers to study the innovation process. Accurate assignee information leads to a better understanding of the role of intellectual property rights in markets for technology, and of the different roles played by individual inventors, small firms and large firms in the innovation process.

Incentives for Timely and Accurate Recordation

Buyers may have different incentives with respect to recording a sale or transfer:

- Current law often provides strong incentives to record a transfer of patent ownership, by treating the recordation of assignment as evidence of a bona fide purchase in court. This protects the purchaser against claims that a third-party legally acquired rights to the purchased patent.
- Firms that purchase a patent with the intent of licensing have an additional incentive to record the assignment: they benefit by lowering the search cost of prospective licensees.
- Firms that acquire a portfolio of patents through a merger or acquisition may have weaker incentives to record the re-assignment of patents if there is little chance that the acquired firm would seek alternative buyers for the IPR (e.g. because it has become a subsidiary). For large well-publicized

transactions, it may be easy to identify the acquirer of a defunct assignee through press accounts or mergers and acquisitions databases. However, it may be difficult to ascertain the new owner of a patent acquired through the purchase of a small private company.

- Firms that purchase a patent with the intent of litigating may have an incentive to withhold information about the change in ownership, especially if they believe that knowledge of the sale would cause infringers to stop investing in the patented technology, thereby reducing potential damages. In principle the purchaser could withhold information by failing to record the sale, delaying recordation until the last possible moment, and/or using the name of a subsidiary “shell” company to obscure the identity of the firm with a true controlling interest in the sale. We know of no systematic empirical evidence on strategic timing of recordation, or the use of shell companies to obscure the identity of true owners. However, our own experience suggests that many large firms have a substantial number of different assignee names due to mis-spellings, name changes, and filings by subsidiaries. Thus, it is easy to believe that a motivated buyer could record the re-assignment of a patent without revealing their own identity.

Comments and Recommendations

- We believe there is a public interest in the provision of timely and accurate information on patent ownership. This interest is consistent with a policy of mandatory disclosure of the assignee at patent application, notice of allowance and on re-assignment after a patent has issued.
- Recording a patent assignment is not equivalent to revealing the party who ultimately has a controlling interest in the patent. Policies that promote disclosure of the true owner would remove an element of market uncertainty and lead to a more accurate picture of the intellectual property landscape for both innovators and researchers.
- Any effort to improve the quality of assignee information would be enhanced by moving to a set of unique firm-level assignee codes. A unique identifier would simplify searches and facilitate links to other databases. It would also reduce the impact of measurement error introduced by mis-spellings and the proliferation of unconsolidated subsidiaries when aggregating individual patent data to examine firm-level portfolios.