



January 29, 2013

Hon. David J. Kappos
Under Secretary of Commerce for Intellectual Property
and Director of the U.S. Patent and Trademark Office
600 Dulany Street
P.O. Box 1450
Alexandria, VA 22313

Submitted via: saurabh.vishnubhakat@uspto.gov

**Re: IPO Response to the USPTO “Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term”
77 Fed. Reg. 70385 (November 26, 2012)**

Dear Under Secretary Kappos:

Intellectual Property Owners Association (IPO) submits the following comments in response to the USPTO’s “Notice of ... Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term,” 77 Fed. Reg. 70385.

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

IPO previously submitted comments on patent ownership information in response to the USPTO’s November 23, 2011, “Request for Comments on Eliciting More Complete Patent Assignment Information,” 76 Fed. Reg. 72372. IPO’s position on this topic has not changed fundamentally since our previous comments. We begin with the premise that identification of Real-Party-in-Interest (RPI) information might be appropriate at certain points during prosecution or after grant. Identification of the RPI only at selected stages, for example immediately before assertion, may not be overly burdensome to applicants and patent owners, depending on the answer to a critical underlying question—what is meant by RPI?

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IPO believes RPI should be defined as the highest level “parent” of a corporate patent owner. This more limited definition would reduce the burdens that would accompany a broader definition, such as definition requiring disclosure of every party with standing to bring an infringement action. A broader definition could require expensive legal research and factual inquiries to determine RPI information. Indeed, the USPTO has acknowledged that identifying the RPI is a “highly fact-dependent question.” 77 Fed. Reg. 48759. Identification of a broadly-defined RPI would require researching corporate law and frequently changing corporate structures; examining complex IP transactions with numerous parties, including co-owners and licensees who may or may not hold all substantial rights; and analyzing and resolving conflicts between US and foreign law.

IPO members may benefit by knowing who owns a patent or patent application. Still, the benefits must be weighed against the significant burdens that the proposed requirements would impose on rights holders. Those burdens include the following:

1. Practitioners prosecuting an application may not have ready access to ownership/licensing information.
2. Complying with any required RPI disclosure could be problematic if ownership is in dispute or under negotiation.
3. Applicants would bear additional costs associated with recording the documents, notwithstanding the elimination of the USPTO’s recordation fee.
4. A requirement to regularly update RPI information could require practitioners to carry out ownership/RPI inquiries potentially dozens of times over the duration of patent prosecution and patent term. This would be particularly difficult for foreign applicants whose communications typically involve both U.S. and foreign counsel. In-house patent practitioners may need to repeatedly conduct internal investigations to ascertain the status of license negotiations or corporate restructuring.
5. A requirement to constantly update RPI changes would be particularly burdensome for transfers (e.g., mergers, sales, acquisitions) involving a large number of patents/applications, and for companies in which the ownership of patents is lodged in multiple subsidiaries. Many companies have patents assigned to dozens of subsidiaries for legitimate business reasons.
6. Claim scope may change during prosecution, affecting inventorship and ownership inquiries over the course of prosecution.
7. From a practical standpoint, patent files are often transferred to long-term storage after an application issues as a patent, especially when a third party vendor handles payment of maintenance fees. This common situation would cause additional logistical complications from any requirement to update RPI information post-grant.

8. Requiring additional statements where there has been no material change in ownership would be an unnecessary burden.

Beyond the difficulties in identifying the RPI and the burdens on rights holders, some justifications for requiring the information appear flawed. For example, the November 2012 Federal Register notice contends that the current method of handling disqualifying prior art by establishing common ownership—i.e., an examiner issues a rejection and the applicant must rebut with proof of ownership—would be inefficient due to the volume of references that may be disqualified as prior art after March 16, 2013, under 35 U.S.C. § 102(b)(2)(C). This ignores the inefficiencies in requiring applicants to disclose information in every application even though it will be relevant in only a fraction of applications where common ownership must be proved to disqualify prior art. Moreover, if ownership information is material to examination, parties already have a duty to provide it.

The Federal Register notice provides no statistics or analysis of failures of applicants and owners to record ownership information that might show there is a problem with the current system that adversely affects the public interest. RPI information before the 18-month publication of an application normally would not benefit the public because the public would not have access to the application before publication. Also, it is not clear that currently available ownership information is inadequate to serve the public goals set forth by the USPTO. Fewer than 10 percent of granted patents do not have recorded assignments at the time of grant. Thus, incentives already provided by 35 U.S.C. § 261 to record assignments may be sufficient. Additionally, RPI information including the identity of the highest level parent already must be disclosed in federal courts when a suit is filed or appeal is taken. The number of court and ITC complaints is only about 2 percent as large as number of patents granted, creating far less overall burden on the patent system. Courts do not typically require identification of individual shareholders or non-public corporate holdings.

The Federal Register notice also omits any discussion about what penalties could be imposed for failure to comply with RPI requirements. Rights holders are left to speculate whether a lapse in RPI updating could lead to a charge of inequitable conduct or result in attorney suspension or disbarment and whether different penalties would apply for intentional versus unintentional failure to record updates. IPO would strongly oppose any penalty that includes abandonment of an application or invalidation of a patent.

The Federal Register also discounts rights holders' legitimate business interests in protecting the confidential nature of ownership and license information. Applicants may not want competitors to know whether an application has been licensed, or to whom. Entities may not want competitors to know that they have transferred or acquired ownership interests in specific patent applications or patents. For example, an assignee may not want others to be aware of its development of technology in a certain area, or its preparations for a new product launch. A requirement for regular identifications of RPI information should be weighed against the potential chilling effect of such identifications on disclosure of innovations and patenting activity.

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Finally, the USPTO should investigate further whether it has authority to require patent ownership information. Congress appears to have determined that providing patent assignment information to the USPTO is optional, and has set forth consequences for failing to record assignments in 35 U.S.C. § 261. Although the Federal Register notice contends that the USPTO has a duty under 35 U.S.C. § 2(a)(2) of “disseminating to the public information with respect to patents,” it is questionable whether this general language authorizes the USPTO to impose specific requirements on applicants. Section 2(a)(2) appears separately from the USPTO’s responsibility “for the granting and issuing of patents” in 2(a)(1), and “dissemination” may refer to relaying information on hand, not collecting or requiring new information.

IPO appreciates the opportunity to comment and looks forward to continuing to work with the USPTO on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "R.F. Phillips". The signature is stylized and somewhat cursive.

Richard F. Phillips
IPO President