

January 23, 2012

Saurabh Vishnubhakat  
Attorney Advisor, Office of Chief Economist  
United States Patent and Trademark Office  
Mail Stop External Affairs  
P.O. Box 1450  
Alexandria, VA 22313-1450

Email: [saurabh.vishnubhakat@uspto.gov](mailto:saurabh.vishnubhakat@uspto.gov)

**RE: Response to “Request for Comments on Eliciting  
More Complete Patent Assignment Information”  
76 Federal Register 72372 (November 23, 2011)**

Dear Mr. Vishnubhakat:

The American Intellectual Property Law Association (AIPLA) is pleased to have this opportunity to present its views with respect to the “Request for Comments on Eliciting More Complete Patent Assignment Information,” as published in the Federal Register (76 Fed. Reg. 72372, 11/23/2011) (the “Notice”). The Notice seeks comments on methods the Office can employ to collect more timely and accurate patent assignment information both during prosecution and after issuance of a patent.

AIPLA is a U.S.-based national bar association whose approximately 15,000 members are primarily lawyers in private and corporate practice, government service, and the academic community. AIPLA represents a diverse spectrum of individuals, companies and institutions involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as in other fields of law affecting intellectual property.

The Notice requested comments on 8 specific questions. Below are our general comments on the overall proposal, as well as specific comments on each of the 8 questions.

In general, AIPLA believes that the proposal would dramatically change the current procedure and impose substantial additional work and costs on applicants without providing significant benefits. While the Notice has stated reasons why the change is believed necessary, the problem is not substantiated with empirical data, and AIPLA does not believe such proposed changes should be implemented.

**I. The Proposal is a Major Conceptual and Substantive Change With Respect to Assignment Recording Procedures**

The current assignment recording system in the Office is generally a voluntary system used during application prosecution. An applicant is only required to notify the Office about an assignment when the assignee wants to:

1. Intervene and make its own power of attorney, or
2. Indicate the identity of the assignee in the pre-grant publication and/or a patent.

Thus, no assignment recordation is needed if neither of those voluntary actions is taken.

Even with respect to 35 U.S.C. § 261, which protects the assignee against a subsequent purchaser, the recordation filing is essentially for the benefit of the assignee and should not be mandatory, even if it would somehow benefit the public.

In the proposed system, there would be a mandatory requirement for an applicant not only to submit assignee information, but also to provide numerous updates of assignment information, both during prosecution and after grant. Such a change in the entire concept of assignment recordation may not be appropriate unless it is absolutely necessary because of existing identified problems, or unless there is a real substantiated benefit to be achieved by such a major change.

**II. The USPTO Does Not Provide Adequate Support for the Need of the Proposed Change in the Assignment Recording Procedures**

The Office made a number of assertions that mandatory assignment recording and updating would benefit the public. However, the Notice does not include any supporting data, reports, or statistics to support any of the statements or to show why such a change is being proposed.

Additionally, there are no statistics or analyses about the failure of applicants to provide assignee information which might show there is a problem with the current system that adversely affects the public interest.

The Notice suggests that there are a number of categories of members of the public who would benefit from the proposed new reporting requirement, including potential buyers of patents, potential innovators, manufacturers wishing to more efficiently obtain licenses, etc. AIPLA believes that all of these categories of the public can now easily reach a real party in interest and meet their business needs by using the Internet to investigate, by making telephone inquiries to the attorneys of record, and by using other simple mechanisms.

Furthermore, where such serious business interests are being pursued, more investigation is typically required than simply identifying the assignee, and such investigation would be necessary even with the proposed mandatory recording system. The suggested assignee recording system might simplify one step in a potential assignee's due diligence process, but it would be of very limited assistance to the overall exercise of due diligence. To impose this requirement on every applicant is too onerous given its limited benefit.<sup>1</sup>

### **III. The Proposed New Recording Requirements May Provide A Substantial Imposition in Costs and Time on Applicants**

The proposed system of continuously monitoring, filing, and updating the assignment information at numerous points during prosecution, and even post grant, would create a tremendous burden of cost and time for all applicants. The suggested changes may require a practitioner to carry out an ownership or "real party in interest" inquiry perhaps dozens of times over the duration of the patent prosecution. Such an inquiry would be required when the application is filed, with each communication to the Office, prior to the 18-month publication, when the issue fee is paid, and any time during the prosecution when the applicant loses small-entity status. From a practical viewpoint, a practitioner would have to query its client multiple times to carry out such ongoing inquiries, while companies may also undergo name changes or reorganization during this time. This is especially difficult for foreign applicants, where each communication must be to a foreign counsel, who in turn must make yet another inquiry to the geographically distant client, often with translation costs and time delays.

These inquiries are frequently very complex. For example, a practitioner may be forced to address ownership issues with Rule 47 where one out of a number inventors proves to be uncooperative and where the ownership rights of the uncooperative inventor are less than clear. Under the suggested rule, the practitioner would be required to carry out further ownership inquiries each time another communication to the Office has to be made.

### **IV. The Real Party in Interest**

In the proposal, the Office has defined the "assignee" as the "real party in interest." Determining the real party in interest is often a very difficult and sometimes an almost impossible task. Some companies assign rights to holding entities for any of a number of legitimate business reasons, including tax treatment or licensing needs. Requiring a practitioner to investigate and re-investigate such information on a regular ongoing basis is not only impractical, but often impossible.

This line of questioning can be very complex. For example, a named assignee may have granted an exclusive license to some other entity. That exclusive licensee may in turn be owned by some other third entity, etc. That exclusive licensee or its owner may therefore be the "real" party in

---

<sup>1</sup> AIPLA also notes that the proposed assignment requirement may be inconsistent with the treatment of copyrights and state law treatment of other property interests.

interest. The suggested rules may require the practitioner to carry out an extensive inquiry to learn the identity of that real party in interest each time a reporting requirement comes up.

Additionally, the Notice appears to assume, incorrectly, that U.S.-centric state laws always apply (to vest ownership in the inventor absent an assignment), and that ownership thus can be determined by checking to see whether assignments have been signed, and by inspection of the assignments. In foreign countries, the practitioner may have to analyze the foreign laws that could allocate ownership under certain circumstances to an employer, or to others based upon certain agreements. In such cases, under the proposed rules the practitioner may be challenged with conflicting legal analysis under U.S. and foreign laws to determine such real party in interest. Furthermore, the proposed rules may require the U.S. practitioner to develop a legal conclusion as to ownership under laws of a foreign country for which he or she is not an expert.

#### **V. Failure to Indicate a Penalty**

In promoting these changes, the Office has not indicated what penalty or sanctions would or could be applied to the application, patent or practitioner, if an applicant fails to comply.

Since the proposal is for a mandatory provision, any challenge to ownership in litigation may require a “real party in interest” proceeding with attendant discovery and hearings. Any lapse might lead to a charge of inequitable conduct or require attorney discipline. As currently presented, the proposal leaves all of these issues open.

#### **VI. The Proposed Mandatory System Appears to Provide Few, If Any, Benefits**

The types of business opportunities outlined in the Notice, such as purchase or licensing, typically involve substantial sums of money. Even if a mandatory system were to be instituted for recording assignments, few third parties would risk a business venture by simply relying upon an inspection of recordations in the Office without more. Additional due diligence steps almost always would be taken. Accordingly, without a statutory guarantee for third parties who rely on such recordation information, the mandatory requirement would provide little benefit.

One alleged benefit of the proposed system is to aid patent examiners in making obviousness-type double patenting rejections. However, under *Dayco Products*,<sup>2</sup> applicants have a duty to disclose applications and patents with conflicting claims that would raise legitimate issues of obviousness-type double patenting; even under the “but-for” materiality test, these issue would have to be overcome with the filing of a terminal disclaimer. Also, obviousness-type double patenting may apply where there is at least one common inventor, even if there is no assignment of the conflicting applications or patents. The Office can address these issues without imposing new assignment rules on all applicants.

---

<sup>2</sup> *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358 (Fed. Cir. 2003).

Another stated benefit is that an efficient mandatory recordation system would make it easier for third parties to use the post-grant review system, especially against Non-Practicing Entities (NPEs). By viewing the assignment listed on the patent, it is argued, third parties would be able to identify the NPE and make a determination whether a post-grant review should be filed. However, typically, NPEs are not the companies who prosecute and obtain the patents. In most cases, such NPEs obtain the patent rights after the patent issues by purchasing or exclusively licensing the patent after the available post-grant review period has ended. Furthermore, the NPE may hide his company through a shell or under some other corporate name to avoid detection as an NPE.

AIPLA does not believe that the mandatory recordation proposal would address this problem effectively; on the contrary, it would place an undue burden on all applicants without achieving the desired results.

## **VII. It Is Unclear If the Proposed System Is Prospective or Retrospective**

It is not clear whether the Office is proposing to introduce these new requirements prospectively only, or retroactively. If prospectively only, it would years before the records could provide some of the information sought; if retroactively, the dimension of the burdens imposed on patent owners and applicants in the near term would increase dramatically.

### **RESPONSE TO SPECIFIC USPTO QUESTIONS**

In addition to the above general comments, the following are comments on each of the specific questions raised:

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

This question presumes that it will be a mandatory requirement and should take place at the time of filing the application. Many applications are prepared and filed under great time pressure, and the importance of an early filing becomes especially important under the first-inventor-to-file system of the AIA.

It would impose an undue burden on the practitioner not only to have to prepare a patent application under such time pressure, but also to have to carry out an investigation as to both the assignee and the real party in interest.

In many situations, the assignment may result from the contract of employment, and the exact wording of a not-yet-signed assignment may not be known when a patent application is filed. This is a special problem in the case of foreign applicants, where the rules covering an employment contract are different from U.S. rules, and where the invention may vest by the

general employment law of the country in question and not by an explicit assignment. Obtaining the necessary documents for such situations prior to filing is often impossible.

In some situations, there is a planned but not yet fully defined legal obligation at the time of filing. For example, a number of inventors might be in the process of forming a company but may want to get the application on file as quickly as possible, even before the corporate entity is formed.

In other situations, there is no information available to the practitioner at the time of filing about any obligation to assign. Placing a mandatory requirement of identifying the party of interest at such early stage is often impractical.

Additionally, placing a mandatory burden on applicants to submit an assignment upon filing to make this information available to the public would seem unnecessary since the public has no access to the information during the first 18 months of prosecution.

***(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?***

Perhaps the only point within the patenting prosecution cycle where it would be significant to submit updated assignee information would be at the time of notice of allowance. Currently that is the time typically used to provide updated information in order to have it printed on the front page of the patent. However, currently this is optional – if the client wants the name of the assignee printed on the patent, he/she must provide the information at the time of payment of the Issue Fee.

However, there may be reasons why the applicant would not wish to have an assignee named on the printed patent. For example, ownership may have resulted from a confidential agreement which the parties wish to keep confidential. Or the assignee may not want others to be aware of its development of the technology and would prefer that its name be kept off the patent. Or the parties to an assignment may simply wish to keep such assignee information off of the patent. Should the Office provide a more detailed analysis of the benefits of changing to a mandatory system and properly document the need for such a mandatory system, our views might differ.

Currently, the authority of the Office is to issue regulations to “govern the conduct of proceedings in the Office” as recited in 35 U.S.C. §2(b)(2)(A). This may limit the Office’s ability to make the process of recording assignments mandatory, as the proposals would not appear to be designed to improve Office proceedings.

***(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? Are there limitations on the USPTO's rights and powers to require the reporting of such information? Should the USPTO consider requiring the identification of assignment changes after filing date for inclusion on the patent application publication (PGPub)? At what time should changes be***

***recorded relative to the assignment, and what are the appropriate consequences of non-compliance?***

A requirement to continuously update patent assignment information places an undue burden and risk on applicants and practitioners. It forces practitioners to make continuous inquiries to their clients with respect to any such change of assignment. Otherwise, should the assignee fail to advise the practitioner of the change in assignment, the practitioner may be at risk for failing to comply. Such ongoing requirements are burdensome and costly and they add complexity and unnecessary risk.

Furthermore, little public benefit would be gained during the course of the prosecution. Because no patent rights would have been granted, usually only limited due diligence searching takes place prior to such patent grant. It is worth noting that the claim scope may change during prosecution, affecting inventorship and ownership inquiries.

Moreover, any change before the 18-month publication of the application will not even be available to benefit the public since the public would not have access to such changes made before publication. Also, adding a penalty for noncompliance places the applicant at even further risk. If such noncompliance were sanctioned by impairing patent rights or ownership rights, such a penalty may be beyond the authority of the Office.

A continuous and ongoing requirement of reporting assignment information would also add unnecessary costs to the patent prosecution process over an extended period of time. Additionally, many companies delay filing assignments until issue fees are actually due. The recording of assignments is somewhat expensive, not only because of the recordation fee but because of the service fees involved, and many applicants feel no need to pay such fees if a patent is not going to issue.

***(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? Are there limitations on the USPTO's rights and powers to require the reporting of such information? At what time should such identification be made to the Office relative to a change? 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?***

The statutory language of 35 U.S.C. § 261 already encourages prompt recordation of assignments at all times, including after a patent issues. AIPLA believes that this has been an effective inducement to have assignments timely recorded. Additional mandatory requirements are unnecessary.

Furthermore, such ongoing monitoring requirements would impose administrative burdens prone to clerical mistakes. Providing a penalty for such mistakes would be improper.

***(5) To accomplish adequate and timely recording, are changes to Agency regulations necessary? What are the most effective and appropriate means for the USPTO to provide the public with a timely and accurate record of assignment of patent rights and the assignee?***

As discussed above, it is unclear whether the Office has the authority to impose such mandatory recordation requirements.

Additionally, nothing in the Notice indicates that the current assignment recording procedures have any deficiencies that require change. There are, however, several things the Office could do which would make a difference to the public in any efforts to investigate ownership. These include (1) consistently making recordation information visible in PAIR, (2) making the actual recorded documents visible through web links rather than requiring the public to spend money and wait weeks for such documents, and (3) eliminating the present barriers to convenient data access to such public data.

1. Consistently making recordation information visible in PAIR. If any change is implemented, perhaps improvements could be made within the USPTO Assignment Branch. It would be helpful if the data from the Assignment Recordation Services were tied into the PAIR system so that any information that is recorded, even under the current system, would be applied not only to the Assignment database, but to the PAIR database. This would permit anyone searching the file wrapper to automatically be able to get updated assignment information that is in the recording database without having to perform additional searching.

As one example, under 35 U.S.C. § 363, the U.S. national phase of an international patent application is legally the same as the international patent application. It would thus be expected that any recordation against the international application number would automatically appear in the USPTO's recordation system with respect to the U.S. national phase application number as well. But it often happens that the Office fails to link the two application numbers in its recordation database.

This leads to situations where a member of the public, attempting to learn about ownership of a patent application with a U.S. application number, will be deprived of title-affecting events that happen to have been recorded as to the international application number. It would be effective and appropriate for Office to link the two application numbers diligently and consistently in its internal procedures.

2. Making the actual recorded documents visible through web links rather than forcing the public to spend money and wait weeks for such documents. At present, mere inspection of abstract-of-title information from the USPTO's recordation database provides no assurance as to the actual owner of a patent or patent application; such information merely parrots that which was entered by filers in recordation cover sheets. Such recordations may, indeed have been carried out by parties other than the owner. It also happens from time to time that someone recording a document with the USPTO records the document as to an incorrectly typed application number or patent number. There is also no particular assurance that the person preparing a recordation cover sheet will accurately characterize in the cover sheet the legal consequence of the language in the document being recorded. Nothing in the USPTO rules

requires that the signer of a recordation cover sheet be a registered practitioner, and indeed the majority of recordation cover sheets are signed by non-lawyers. As a result, determining ownership frequently requires review of the recorded documents themselves.

As recently as a year ago, anyone seeking to review actual recorded documents needed to place orders with the Assignment Branch for copies. This costs money and it takes some weeks for the Office to provide such copies. About a year ago, the Assignment Branch changed its systems so that members of the public may view actual recorded documents *as to trademark files* simply by clicking on web links. Thus, for title-related documents *as to trademark files*, there is no need to incur the expense and delay of ordering copies and waiting for the Office to deliver them. It would be effective and appropriate for the Office to make a similar change in its systems with respect to patent files. With such a change, members of the public could simply click on web links to view actual recorded documents as to (published) patent files. This would be of inestimable help to *members of the public who may* seek to review such documents, both in terms of saving fee costs and in terms of providing information instantly rather than after some weeks of delay.

3. Eliminating the present barriers to convenient data access to such public data. So far as trademark-related public data are concerned, the Office has consistently provided programming interfaces (called “APIs”) which permit members of the public to obtain public information about trademark files, including title-related information and images of title-related documents, by means of computer programs designed by users. In contrast, so far as patent-related public data are concerned, the Office has consistently designed its systems (most notably the PAIR systems) so as to make it impossible for any information to be obtained in any automated way. Such patent-related systems have indeed been consistently designed so as to make it impossible for any user to obtain any information by any means other than typing search queries into a computer by hand.

If the Office wishes to make changes that would assist members of the public in efforts to investigate the status of patents and patent applications, including title information, it could permit API access to PAIR and other systems, eliminating “captcha” barriers and barriers such as expiring URLs and the inability to “construct” URLs.

Additionally, it would be helpful if the Office would transmit any assignment information to other databases such as INPADOC or ESPACENET. That way when third parties search international databases, they would automatically be able to get such recorded information as to assignments that have been recorded.

***(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 right that caused the application or issued patent to lose entitlement to small entity status?***

Section 37 CFR 1.27(g)(2) relates to small entity status as the status affects paying small entity fees for the issue fee and the maintenance fee. This rule section is not related to who is a specific assignee, or even if there is an assignee. It is a fee-related rule section and that is the way it

should remain. It would be confusing to modify this rule to require something unrelated to the status paying small entity fees.

In addition, this would effectively make the recording of certain nonexclusive licenses compulsory. This is objectionable to many applicants.

Furthermore, there is no basis for assuming that third party members of the public care whether an applicant or patent owner has a small-entity status or not. For any patent of commercial value the difference in fees is of little relevance and such reductions as proposed would not be significant when compared with amounts of money involved in license or sales of patent rights. The point of having a public register is to know the identity of the person, either as licensor or assignor, or to know the person having standing to bring suit or be sued. The large- or small-entity status of a perhaps soon-to-be former owner is of little significance to third parties.

***(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 document?***

Generally, such incentives may not be useful. Anyone who is serious about commercializing their patents would keep their records up to date voluntarily. They would not need such incentives.

Additionally, such incentives would probably be of minimal benefit compared to the cost required for continuous monitoring, continuous updating, and continuous recording.

Furthermore, it seems unfair to give discounts to large entities which typically have assignment recordings, given that such discounts will not be available to individual inventors who probably never have needed to file an assignment.

Punishment for failure to provide accurate information is much too risky. Clerical errors, administrative mix-ups and the like may cause such problems, and promulgating new rules that provide damaging consequences to a patent as a result is inappropriate.

***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?***

Some suggested improvements that would apply even to the current recording system could include the following:

- a) The assignment register could classify or separate documents recorded against title by type, so that people doing due diligence can determine whether a document's cover sheet

has characterized the document as an assignment or an exclusive license, a merger, or an official change of name. It should separate those documents that effect the identification of the party having standing to sue from those, such as a GSA, a mortgage, a charge, a lien or other encumbrance, that in the normal course does not affect standing to sue. The assignment register could also make the cover-sheet information available in a format that is useful for automated or computerized processing, such as an XML format by way of an API.

- b) Substantive patent rights should not be endangered by failure to file the correct papers or the correct form by some specific date, in respect of ownership or assignment status. Other than in a case of a genuine attempt to perpetuate a fraud, no substantive rights should be affected.
- c) Instead of providing incentives for filing individual separate assignments, perhaps at some final point, such as before notice of allowance, a “chain of title” of recording assignments should be submitted to the Office. Instead of recording multiple individual assignments, the chain of title would be of more help and information to third parties.
- d) The Office should try to make it as easy as possible to keep the data up to date and consistent in both the Recording Office and PAIR, as well as in any other international database where the Office provides information.

Thank you for allowing AIPLA the opportunity to provide comments on this initiative. AIPLA would be pleased to engage in further dialog with the Office upon presentation of evidence indicating a basis for the need for changes in the current system.

Sincerely,

A handwritten signature in black ink that reads "William G. Barber". The signature is written in a cursive style with a long, sweeping underline.

William G. Barber  
AIPLA President