

April 24, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22312

Via email: AC90.comments@uspto.gov

**Re: Response to the Notice of Proposed Rulemaking entitled
“Changes to Require Identification of Attributable Owner”
79 Fed. Reg. 4105 (January 24, 2014); Extension of Comment
Period, 79 Fed. Reg. 9677 (February 20, 2014)**

Dear Deputy Under Secretary Lee:

The American Intellectual Property Law Association (AIPLA) is pleased to have the opportunity to present its views on the United States Patent and Trademark Office (the “Office”) Notice of Proposed Rulemaking entitled “Changes To Require Identification of Attributable Owner” as published in the January 24, 2014 issue of the Federal Register, 79 Fed. Reg. 4105 (the “Notice”).

AIPLA is a national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, government service and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law. Our members represent both owners and users of intellectual property.

The proposed regulations are in response to an Executive Action issued by the White House on June 4, 2013, entitled “Making ‘Real Party in Interest’ the New Default.”¹ This Executive Action calls for rulemaking to require patent applicants and patent owners to regularly update ownership information that includes titleholders and enforcement entities when the applicant or patent owner is involved in a proceeding before the Office.

¹ “FACT SHEET: White House Task Force on High-Tech Patent Issues,” June 4, 2013, available at <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues>.

Summary of Previous Related AIPLA Comments

In January 2012, AIPLA submitted comments to the Office in response to the “Request for Comments on Eliciting More Complete Patent Assignment Information.” 76 Fed. Reg. 72372, November 23, 2011. These comments responded to eight specific questions in the request and in general stated that the proposal would dramatically change the current procedure and impose substantial additional work and costs on applicants without providing significant benefits. Further, AIPLA said that while the request for comments gave reasons for the proposed change, the alleged problem was not substantiated with empirical data. In conclusion, AIPLA took the position that the proposed changes should not be implemented.

In January 2013, AIPLA submitted comments to the Office in response to the “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. These comments recognized that real party in interest information would be beneficial both during and after prosecution, and noted that publication indicating the real party in interest could aid in identifying conflicts within the Office. The comments expressed concern that the proposed requirements were unduly burdensome and may not provide the intended information. In addition, the comments suggested that the objective of making real party in interest information available to the public in the few applications and patents where it is needed may be achieved using much less burdensome procedures.

General Comments With Respect to the Current Proposed Rulemaking

As a preliminary matter, we wish to note that the stated goal of the White House Executive Action is to promote more complete disclosures of attributable ownership information to alleviate abusive patent litigation practices. According to the Executive Action, “[p]atent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls.” However, as noted below, there is a general dearth of evidence that NPEs “often” set up such shell companies, necessitating these rules, or even if that is the case, whether this can be corrected by adoption of procedures within the Office. Additional evidence that the proposed rules would actually correct behavior that is of concern would be helpful prior to making any significant proposed changes to the rules on stating ownership. We are extremely concerned that any rules that are adopted not place a huge burden on the largest customers of the Office, which are not by any accounts the players that are engaging in the behaviors that are causing concern.

AIPLA well appreciates that the draft rules attempt to address a legitimate concern (hiding ownership of patents). Unfortunately the rules as proposed try to address this concern through overly harsh consequences (abandonment) and potentially high burdens on all users of the patent system. We believe that the frequency of occurrence of hiding ownership is unknown, because one cannot in practice know how often something has been truly hidden. As a consequence,

AIPLA suggests that the rules, subject to our further comments below, be tested through a limited pilot program. Such a program should be designed on an appropriate scale to make the burdens manageable but also allow the Office to determine how frequently patent ownership is actually being concealed. Whatever information is collected during the pilot could be maintained in confidence by the Office, and the results could be presented statistically, followed by an analysis of the program and resubmission of proposed rules for comment. Further, the pilot should be structured so as to ensure that the parties already known to hide patent ownership would not be able to easily avoid participation in the pilot. AIPLA stands ready to work with the Office and other stakeholders to work out the details of such a pilot program, which should not be adopted without further thought and consideration.

Under 35 U.S.C. §102(b)(2)(C), a disclosure in a patent application is not prior art if the disclosed subject matter and the claimed invention were owned by the same person or obligated to be assigned to the same person not later than the effective filing date. Arguably, this provision imposes on the Office a need to know the identity of the patent owner. However, in cases where the Office has cited prior art where the applicant can demonstrate co-ownership, the applicant typically does so in that instance; there is no proffered evidence that this arrangement causes any undue added burden to the work of the Office.

The proposed regulations do not state how knowledge of the attributable owner will alleviate abusive patent litigation practices. Nor do they state how the identity of an enforcement entity is needed to “govern the conduct of proceedings in the Office” under Section 2(b)(2)(A). Further, the proposed regulations do not describe why the currently available procedures to determine the patent owner for the purposes of § 102(b)(2)(C) are not sufficient, given that they have governed practice before the office and with respect to myriad applicants without evident issue.

While each section of the proposed rules will be discussed in greater detail below, the following general comments are provided as a summary and backdrop.

- (1) While the stated problem in the executive order results from activities relating only to a very small percentage of patents, the proposed rule affects all patent applicants and any patentee or other party paying a maintenance fee, placing a tremendous collective burden on all patent applicants and many or most patent owners.
- (2) Practically speaking, determining the “attributable owner” in some cases will require an understanding of complex legal issues and business practices, as well as a legal opinion involving the law of specific jurisdictions (e.g., national, State, foreign, etc.), making the determination a potentially expensive exercise that will nevertheless result in information that may remain irreducibly vague (e.g., entities “required to be joined” in lawsuits). Moreover, the definition of “attributable owner” reaches far beyond the title holder and readily identifiable parent entities with a controlling ownership interest.
- (3) While the failure of a patent applicant to comply with the proposed rule during prosecution would result in the harsh penalty of “abandonment,” there is no explicit

penalty for the patent owner that fails to provide the mandatory update of attributable ownership for patents involved in Patent Trial and Appeal Board Trial Proceedings or subject to maintenance fee payments, which may leave those procedures ineffective.

(4) Some portions of the proposed rule seem to exceed the rulemaking authority of the Office. For example, AIPLA believes that the Office would exceed its statutory authority under 35 U.S.C. § 2(b)(2) to require disclosure of an enforcement entity.

(5) There are confusing or unclear terms in the proposed rule.

(6) The proposed rule may include public disclosure of confidential ownership information and confidential exclusive license arrangements, which may adversely affect existing and future contractual relationships.

Statutory Authority

The statutory authority for the proposed rules appears at 35 U.S.C. § 2(b)(2)(A), which states that the Office “may establish regulations, not inconsistent with law, which ... shall govern the conduct of proceedings in the Office.” In *Star Fruits S.N.C., v. United States*, the Federal Circuit found 37 C.F.R. § 1.105 to be within the rulemaking authority of the USPTO. 393 F.3d 1277 (Fed. Cir. 2005). The examiner used this rule to require an applicant to provide information on sales of the claimed plant variety anywhere in the world. *Id.* at 1280. The Court upheld the rule even though the requested information – sales outside of the United States – would not have been prior art under 35 U.S.C. § 102. The request was deemed proper because the information was relevant to the examination of the patent application. *Id.* at 1282.

Applying *Star Fruits* to the proposed rules, it is arguable that the Office has the authority to require applicants to identify the owner of the claimed invention so that the examiner may determine which references are disqualified as prior art under 35 U.S.C. § 102(b)(2)(C), on the grounds that they were commonly owned as of the effective filing date of the claimed invention being examined. 79 Fed. Reg. at 4108. Also, Office personnel need to know whether they have a conflict of interest in examining an application, for example if they own stock in the ultimate patent owner. *Id.* It is doubtful, however, that the Office has the authority to require applicants to identify the enforcement entities of an issued patent, or those with other financial interests.

It is also doubtful that the Office has the authority to require applicants to update the ownership information when maintenance fees are paid on an issued patent. The justification given for this requirement in the Notice is based on the post-grant proceedings under the Leahy-Smith America Invents Act. The Notice states that a person initiating one of these procedures needs to know the attributable owner. *Id.* Both Post Grant Review and Inter Partes Review, however, already require the patent owner to identify the real party in interest in the patent owner’s response. The Notice does not indicate why that information is not sufficient to meet the needs of the Review requesters and/or the Office in those proceedings.

It is also doubtful that the Office has the statutory authority to require disclosure of assignees and licensees of applications and patents filed before the effective date of the rules. These assignments and licenses may be confidential. Requiring their disclosure would be a substantive rule change as it would “‘effect a change in existing law or policy’ which ‘affect[s] individual rights and obligations.’” *Cooper Technologies Co. v. Dudas* 536 F.3d 1330, 1336 (Fed. Cir. 2008). At least to the extent that these rules would require disclosure of information that the parties had previously agreed would be held in confidence, the rules would affect individual obligations and, thus, would be substantive. The Office does not have the authority under 35 U.S.C. § 2(b)(2) to issue substantive rules. *Cooper Technologies*, 536 F.3d at 1336.

Detailed Comments on the Proposed Provisions

Proposed § 1.271 -- Attributable Owner (Real-parties-in-interest for reporting purposes).

Proposed § 1.271(a)(2) may require public disclosure of confidential ownership information and confidential exclusive license arrangements. Because it could adversely affect an existing contractual relationship by, for instance, requiring one of the contracting parties to violate a confidentiality provision, it cannot be considered merely procedural, and hence exceeds the Office’s rulemaking authority. It is also irreducibly vague, resulting in the danger that the failure to identify a marginal party could result in forced abandonment. Applying such a broad and vague requirement, subject to significant post-hoc variance and analysis, with the potential penalty of abandonment puts patent applicants at a serious disadvantage, which might engender vast over-disclosure of potential interests that might, in hindsight, be considered to possibly require “joinder,” arguably hurting not helping accurate disclosure of attributable ownership.

Proposed § 1.271(b) incorporates by reference definitions from unrelated volumes of the CFR. This leaves many terms undefined. For example, it remains unclear what an unincorporated “foundation, fund or institution” is for the purposes of attributable ownership. The patent rules should be self-contained.

Proposed § 1.271(c) is unclear and confusing. It is vague as to what types of agreements are covered and the effects of these agreements. Also, the term “vesting” is not defined, especially as it concerns an enforcement entity.

While proposed § 1.271(d) provides a definition of “entity” that overrides the definition in 16 C.F.R. 810.1, the terms “control” and “hold” remain defined in that section. To provide the requested information, the patent applicant or owner would need to understand these terms as well.

In proposed § 1.271(e), the exclusion of governmental bodies from the definition of “entity” may make it difficult to determine the identity of the ultimate parent entity when a majority share of a corporation is owned by one or more governmental entities. In this case, there may be no “ultimate parent entity” because the controlling entity is not an “entity” under the definition.

With respect to proposed § 1.271(f), there is no justification for the disclosure of the information required by § 1.271(f). For example, of what benefit is the stock symbol and stock exchange of a publicly traded company? What is the benefit of requiring the residence address of a natural person? Furthermore, important information is not included, such as an address for service.

Proposed § 1.271(g). This further significantly and vaguely expands the potential sphere of “attributable owners.” Further, even given a corporate parent company that has been properly disclosed, if e.g. an individual shareholder acquires stockholder control (whether by purchasing more than 50% of stock or other equivalent control), patent practitioners would be required to keep abreast of such corporate and shareholder matters on behalf of all of their clients, or risk potential abandonment of applications.

The estimated burden of providing the required information about all of the attributable owners as being approximately six minutes is grossly underestimated. Given the complex corporate structures of many multinational corporations, it may be very difficult to provide all of the information required in § 1.271(f) to identify all of the attributable owners. Many of these corporations have thousands of active patents and applications. Providing the required information would be unduly burdensome. Because the penalty for providing erroneous information may involve abandonment of the application and/or a violation of Rule 56, more than a cursory investigation is needed. The estimated burden should include the estimated cost of the investigation and not just the cost of filling out the form.

Lastly, the requirement to identify all partners in a partnership and all shareholders in a privately held corporation is overreaching and unnecessary. It includes passive as well as active entities. Disclosure of this information would be invasive and unduly burdensome for start-up corporations, the ownership of which may change frequently as new angel investors and venture capital funding is obtained. For the purpose of “the conduct of proceedings before the Office, the identity of the corporation or partnership should be sufficient.

Proposed § 1.273 -- Initial identification of attributable owner in an application.

The remedy in this section, namely abandonment of the application for failure to provide the attributable owner information or for providing erroneous information when the application, reissue application or PCT application is filed, is too harsh a penalty.

This is substantive rulemaking, and hence exceeds the Office’s rulemaking authority, because it may require the disclosure of information that is confidential under a pre-existing contractual relationship (*i.e.*, a confidential owner or a confidential exclusive licensee).

Disclosure of the attributable owner at the time the application is filed should be limited to the actual assignee of the application. This is clear, understandable, and conforms with general best practices, and also makes clear, at least at the time of the application, who can be sued or notified.

Proposed § 1.275 -- Maintaining current attributable owner during prosecution of an application.

The requirement in this section for updating attributable ownership information during prosecution is unduly burdensome on the patent applicant and the practitioner. Changes in the attributable owner of an application due to intra-corporate transfers of a public corporation or changes in investors of a privately-held corporation would often not be known either to the technology department of a company, or to a patent practitioner. Thus, the practitioner would need to docket a task, and perhaps to gather extensive corporate information, to determine whether the information is current every three months during the pendency of the application. The result of not doing this would be that the application may go abandoned due to an unknown change in attributable owner.

Changes in attributable owner of a patent application, especially changes to the enforcement entity, are immaterial to the examination of the application. The information required should be limited to the identification of the assignee, as that is the party that one must sue or seek notice from.

This is substantive rulemaking, and hence exceeds the Office's rulemaking authority, as it may require the disclosure of information that is confidential under a pre-existing contractual relationship (*i.e.*, a confidential owner or a confidential exclusive licensee).

Three months is too short a time for complex transfers involving a corporate acquisition. It may be difficult to determine what patent rights are owned by an acquired company, especially if the agreement lists patent rights according to general technology area or field of use.

Proposed § 1.277 -- Identifying current attributable owner at allowance.

Any requirement for updating Attributable Ownership information when a notice of allowance is mailed would be substantive rulemaking, and hence exceed the Office's rulemaking authority, as it requires the disclosure of information that may be confidential under a pre-existing contractual relationship (*i.e.*, a confidential owner or a confidential exclusive licensee). In effect, it would make it unlawful to confidentially assign or license an invention.

As stated above, three months is too short a time for complex transfers involving a corporate acquisition. It may be difficult to determine what patent rights are owned by an acquired company, especially if the agreement lists patent rights according to general technology area or field of use.

Proposed § 1.279 -- Correction of failure to notify the Office of a change to the attributable owner and errors in notice of attributable owner in a pending application.

This section provides a relatively inexpensive method to correct a good-faith error in a pending application, which is positive.

However, the fee under § 1.17(g) of \$200 for a large entity is high because it applies to each application. One possible improvement may be to allow one petition to cover multiple applications for a single \$200 fee.

Additionally, the rule or the accompanying comments should provide more guidance as to what is required for the “showing of the reason for the delay, error, or incompleteness.”

Proposed § 1.381 -- Identifying current attributable owner with maintenance fee payment.

Many patent owners outsource the payment of maintenance fees to payment services and rely on these services to keep track of the due dates. This regulation would require coordination between the company and the maintenance fee service to ensure that the information is updated before the maintenance fee is paid.

The regulation does not provide any penalty for failure to update the attributable ownership information.

A possible improvement may be to not require any affirmative indication or submission when there has been no change in the attributable ownership information.

There is a question as to how this provision would be enforced. It cannot be raised in a post-grant procedure, as Inter Partes Review is limited to printed publications and Post Grant Review is limited to defenses under 35 U.S.C. § 282(b). Because the rule does not specify a penalty, it is difficult to see how it could be enforced in a court proceeding, and including a penalty may exceed the Office’s rulemaking authority.

Proposed § 1.383 Identifying attributable owner in patents involved in Patent Trial and Appeal Board Trial Proceedings.

The comments do not describe any problem with the real party in interest information currently required under §42.8(a)(2). This information should be sufficient in a post-grant proceeding. Information about the enforcement entity is immaterial to the post-grant proceeding as it is the patent owner who will lose rights if the patent is invalidated.

It is inefficient and confusing to have regulations covering one submission in two different sections of the C.F.R. Any modification of this requirement should be implemented as a rule change to § 42.8(a)(2).

The regulation does not provide a penalty for failure to disclose this information, so the provision would be ineffective.

Proposed § 1.385 -- Identifying attributable owner in patents involved in supplemental examination and reexamination proceedings.

As stated above, it is inefficient and confusing to have regulations covering one submission in two different sections of the C.F.R. Any requirement for submissions with reexamination requests and supplemental examination requests should be contained in § 1.510 and § 1.610, respectively.

The requirement to submit updated attributable owner information in a reply or other paper raises the same concerns as the need to update the attributable owner information during prosecution as set forth in the comments to § 1.275, above.

Proposed § 1.387 -- Correction of failure to notify the Office of a change to the attributable owner and errors in notice of attributable owner in a patent.

With respect to correcting a good-faith error in identifying the attributable owner in an issued patent, see the comments to § 1.279, above.

Alternative Rule Concepts

Given the concerns raised above on the proposed rules, AIPLA requests that consideration be given to the following suggestions, which would benefit from further public comment. These alternative rule concepts are designed to be tailored to address the abusive patent litigation tactics that have given rise to concerns, while avoiding much of the undue burden to the Office, and to legitimate users of the patent system. As previously discussed, the stated goal of providing more complete attributable ownership information, according to the White House's Executive Action, is to alleviate allegedly abusive patent litigation practices. Thus, the rules required to achieve that goal would be those that are sufficient to address the problem of abusive tactics, which apply in only a limited number of patent litigation procedures and only to a very limited number of patent applications and patents. It is AIPLA's position that any proposed rules should be as limited as possible to address the stated goal without affecting current patent practice that does not contribute to the stated problem.

1. A first alternative rule could require a patent owner to assure that any immediate assignee of the patent is up-to-date in the electronic file wrapper or the patent assignment database when the application is filed and when the patent issues. Rather than disclosing the information required in §§ 1.271(f) and (g) for the entities described in §§ 1.271(a)-(e), it is suggested that the Office may require disclosure of the ultimate parent entity when an application is filed. This would satisfy the examiner's needs under 35 U.S.C. § 102(b)(2)(C). In addition, to the extent that the Office is authorized to require basic assignee information, this may be done when the Notice of Allowance is mailed.

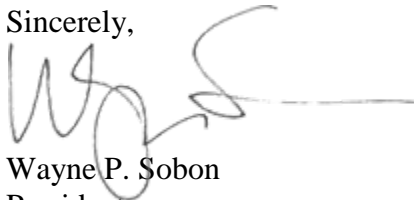
2. A second alternative could require that, if assignment information for a parent entity of the immediate assignee is not of record, then the applicant will not qualify for the exclusion of prior art owned by that parent entity, under 35 U.S.C. § 102(b)(2)(C).
3. AIPLA also believes that there are a number of situations where ownership is apparent based upon the use of a common name in both the specific owner and more general corporate family, such as through the use of a common house-mark. In such instances, we believe that corporate formalities overwhelm the ease by which ownership can be readily appreciated, and that the Office should craft rules that provide clear and easy to understand “safe harbors” for patent owners who have such common structures under similar/common names.
4. Another alternative would be to require the patent owner to assure that just the basic assignee information (including ultimate parent entity) is disclosed and up-to-date before they undertake any steps to enforce a patent, *e.g.*, initiate an infringement suit.
5. A further alternative could allow a member of the public to anonymously request acceptable real party in interest information at any time during prosecution of a patent application or after its issuance. The Office could contact the currently identified owner and require that owner to identify or otherwise verify the basic assignee information including ultimate parent entity within a certain time period, for example 60 days, and the information would be published in the electronic file wrapper. Once basic assignee information has been provided in response to a public inquiry, that information would need to be updated with any change for the next 12 month period.
6. Another alternative rule could require updating the ownership information when a patent becomes involved in certain post-issuance proceedings at the Office, including supplemental examination, ex parte reexamination, or a trial before the PTAB or a U.S. District Court. If the patent owner does not update the information, the patent owner or any enforcement entity would not be able to bring suit based on the patent until the attributable owner information is corrected, including the enforcement entity. In addition, the patent owner or enforcement entity would not be able to collect damages for any time that the basic assignee information was incorrect. The penalty proposed for the alternative rule is similar to the Copyright Act (17 U.S.C. § 411) which requires registration or preregistration of a copyrighted work before suit can be brought based on that work. It also has an analog in the patent marking statute at 35 U.S.C. § 287(a).
7. Lastly, rather than change or verify the basic assignee information at various stages of a patent application or patent’s life, an owner could voluntarily provide an updated organization chart that would allow a member of the public to see the ownership connection of an application with the basic assignee information.

These alternative rules would remove the burden of the proposed rule from the vast majority of users, would provide the ownership information to the office where it is actually needed, and would allow the public, if there is a want or need to know who the attributable owner is, to request that information.

* * *

AIPLA appreciates the opportunity to comment on the Proposed Rulemaking regarding the Requirement to Identify Attributable Ownership. AIPLA looks forward to further dialogue with the Office including discussions of possible alternatives to the currently proposed rules.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Wayne P. Sobon', with a long horizontal line extending to the right.

Wayne P. Sobon

President

American Intellectual Property Law Association