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Via electronic mail

Mr. Saurabh Vishnubhakat
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Dear Mr. Vishnubhakat:

In response to the Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-Interest Information Throughout Application Pendency and Patent Term (“Notice”), Hewlett-Packard Company (“HP”) submits the following comments expressing its support for the proposal. In particular, HP submits these comments to reiterate a number of points made at the roundtable held at the U.S. Patent & Trademark Office (“USPTO”) on January 11, 2013, and to address some of the questions and comments raised by the USPTO and other panelists at the roundtable and in written submissions.

Submission of Real-Party-in-Interest Information Would Provide Important Benefits

As an initial matter, HP fully supports the USPTO’s proposal to require parties to submit real-party-in-interest (“RPI”) information during the life of a patent. HP believes that requiring submission of this information would further the underlying goals of the patent system, while providing significant benefits to the public, the USPTO, and key stakeholders.

A party can reasonably expect to disclose its identity during the patenting process. As the Supreme Court has stated, “A patent, by its very nature, is affected with a public interest.” *Precision Instrument Mfg. Co. v. Automotive Machinery Co.*, 324 U.S. 806, 816 (1945). On one hand, a patent is a “special privilege designed to serve the public purpose of promoting the ‘Progress of Science and useful Arts’”; on the other hand, “a patent is an exception to the general rule against monopolies, and to the right to access to a free and open market.” *Id.*

Requiring a patent owner to disclose its identity would help maintain the balance between these competing interests by ensuring that the marketplace remains as “free and open” as possible. HP therefore believes that it is reasonable for the USPTO – and the public – to require submission of RPI information as part of the *quid pro quo* for obtaining or owning a patent.

Furthermore, submission of RPI information would increase economic efficiency in the marketplace. In particular, dissemination of information regarding the RPI would enable innovators to easily identify a patent owner and thereby initiate transactions with the owner in an efficient manner. By avoiding unnecessary transactions costs incurred due to lack of



information, innovators can transfer these efficiencies to consumers in the form of increased competition in the marketplace, increased innovation, and reduced prices, among other benefits.

The submission of RPI information would also enable innovators to more effectively manage risk, as ownership of a patent is a key consideration when performing a patent clearance analysis for a product or service. In particular, the identity of the patent owner significantly affects the risk profile when evaluating a patent and is therefore of critical importance when determining whether to obtain a license, design around, or avoid entering the market entirely.

Finally, the RPI information would provide benefits to the USPTO during examination and post-grant proceedings. As one example identified in the Notice, an updated record of ownership information would enable Examiners to disqualify prior art under new § 102(b)(2)(C) of the America Invents Act, which states that “a disclosure shall not be prior art . . . if . . . the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person” (emphasis added). The Notice identifies a number of additional benefits to the USPTO, including ensuring that the power of attorney is current in each case and verifying threshold questions of standing for post-grant and *inter partes* review proceedings.

RPI Should be Defined as the “Ultimate Parent”

Turning to the definition of RPI, HP notes that it is critical that the RPI be defined carefully so that the ownership of an application or patent is as transparent as possible in a wide variety of ownership scenarios. As one specific example, a subset of patent owners is creating hundreds or even thousands of shell companies that hold patent assets primarily for the purpose of obfuscating the chain of title. RPI should be defined such that the benefits described in the previous section of these comments are captured even in these situations.

HP believes that the “limited” RPI definition proposed in the Notice would provide these benefits, while also minimizing any burdens of collecting the RPI information. In particular, as proposed in the Notice, HP believes that the RPI information should include an identification of both the current legal title holder(s) and the “ultimate parent” entity or entities for each legal title holder, where the “ultimate parent” is defined as “an entity which is not controlled by any other entity.” *See* 16 CFR 801.1(a)(3). Utilizing a well-established definition, such as the one provided in 16 CFR 801.1, would increase predictability in the administration of the rules.

Identifying the “ultimate parent” of a given organization according to this definition is a straightforward inquiry that is answered relatively easily in the large majority of cases. For example, when the legal title holder is a corporation, the ultimate parent would typically correspond to the highest level parent in the corporate structure, which is quickly identifiable for most corporations. As another common example, when an application or patent is owned by independent inventor(s), the ultimate parent would simply be the individual inventor(s).

Mechanics for Submission of RPI Information

The rules requiring the submission of RPI information should be designed to minimize the burdens for submitting the information, while maximizing the accuracy of the information.



HP believes that requiring a submission or confirmation of RPI information at key checkpoints during the life of a patent, as proposed in the Notice, would attain an optimal balance between these competing considerations. In particular, such an approach would allow for simple administration and compliance, while ensuring that the information is current and accurate for every application and patent.

Timing of Submissions

HP believes that the RPI information should be submitted or confirmed at relatively frequent intervals to ensure that the information is current. RPI information could be submitted with minimal cost at key checkpoints when ownership is often a key issue and when the RPI information could be provided in conjunction with other submissions. The RPI information could be submitted at four key stages:

At Application Filing – Ownership of an application is a critical question at the time of filing, as inventors typically execute assignments prior to filing of the application. Furthermore, ownership is also considered pursuant to changes made by the America Invents Act, as a party must also determine whether to file the application in the name of the inventors or the assignee. *See* 35 U.S.C. § 118.

As a result, the RPI information could be submitted with minimal cost on an application data sheet concurrently with filing of the application. As raised at the roundtable, since the RPI information will not be made publicly available until publication of the application, the USPTO could potentially add additional flexibility by permitting an applicant to submit the RPI information without a fee at any time prior to publication of the application.

With Payment of the Issue Fee – A patent applicant typically examines ownership of an application prior to payment of the issue fee and to determine whether the assignee will be listed on the face of the patent. The RPI information could therefore be provided concurrently with the issue fee payment. To streamline the process, the USPTO could consider adding fields for entering new RPI information or confirming existing RPI information on the Notice of Allowance and Issue Fee Due form (PTOL-85). For example, these fields could include text boxes for entering new RPI information and a checkbox for confirming that the existing information is current.

With Payment of Maintenance Fees – A patent owner will only pay maintenance fees for patents it owns, so it would require minimal effort to provide a confirmation or update of the legal title holder and ultimate parent at the time of each maintenance fee payment. As discussed at the roundtable, many patent owners utilize a third party service for payment of maintenance fees. As a result, it would be most efficient if the USPTO provided a mechanism for third party services to confirm or update the RPI information on behalf of the patent owner at the time of each maintenance fee payment.

When Ownership Changes – Updated RPI information could also be provided within a predetermined window of time from a change of ownership (e.g., within 6 months from the closing date of the transaction). Whether the transaction is a purchase of



a single patent or a large-scale merger or acquisition, a party will generally be well-aware of the implicated assets and the new legal title holder and ultimate parent.

In addition, a new power of attorney is typically filed in any event, so the updated RPI information could be submitted concurrently with the power of attorney (e.g., on the Statement Under 3.73(b)/Form PTO/SB/96). As an alternative, as discussed at the roundtable, the USPTO could consider enabling parties to simultaneously record changes in both the legal title holder and ultimate parent for a large number of assets by modifying current assignment recordation procedures. For example, the USPTO could allow parties to submit an assignment agreement along with a listing identifying each asset and the corresponding legal title holder and ultimate parent.

Enforcement of the Requirement

Turning to the enforcement of the collection of RPI information, HP believes that late fees are generally an appropriate means for enforcing the requirement. In particular, the rules could be constructed to charge late fees based on a tiered scheme, such that longer delays in providing the information incur progressively higher fees. This fee structure could then be applied to each of the checkpoints mentioned above. In addition, the USPTO could send reminder notices to applicants or patentees when the RPI information is not submitted to ensure that each applicant or patentee is aware of the need to provide the information. A tiered fee structure in combination with reminders would enable the USPTO to ensure that the information is submitted at each checkpoint, while reducing the possibility of more severe consequences, such as abandonment of an application or inequitable conduct allegations.

HP acknowledges that it may be difficult to determine the RPI or gather the RPI information in some circumstances. These concerns can be appropriately addressed with flexibility and leniency in the rules provided, of course, that any potential loopholes are avoided. For example, the USPTO could reduce or entirely waive the late fees when a party is unable to provide the RPI information for a legitimate reason and provides an appropriate explanation. As suggested in the Notice, the unavoidable and unintentional standards could be adapted from 37 CFR 1.137 to excuse delays in providing the RPI information.

Questions and Comments Raised During the Roundtable and in Written Submissions

Timing of Submissions

At the roundtable, one item of discussion was whether the 3 month time period proposed in the Notice would be sufficient for providing RPI information for transactions involving a large number of patent assets. In view of this discussion, HP believes that the original proposal should be increased to 6 months from the closing date of the transaction. Six months from the closing date would generally be sufficient for most transactions, given that the assignment agreement would typically include a schedule of assets that could be used to provide the RPI information to the USPTO.

HP also suggests that the USPTO consider reducing the impact of any delays in providing the RPI information for large transactions by modifying the late fee structure. For example, the USPTO could reduce the late fee per application or patent for large transactions involving a



minimum number of assets (e.g., 100 assets). This would provide some insurance against exorbitant fees when the RPI information is not provided for a large transaction within the 6 month window. In addition, as detailed above, the USPTO could also excuse delays in providing the information when the owner provides an acceptable explanation of the reason for the delay.

Alternative Approach of Requiring RPI Information Only When Ownership Changes

Another key point of discussion at the roundtable was whether the information should be submitted only when ownership changes, rather than also requiring submissions at several checkpoints during the life of a patent. Although there is merit in minimizing the number of points at which the information is provided, HP believes that the USPTO should carefully consider any tradeoffs of such an approach.

As noted above, a checkpoint-based approach would make the submission or confirmation of the RPI information a routine part of the patent lifecycle, thereby ensuring that the RPI information is current and accurate in every application and patent. For example, as detailed above, the USPTO could modify common forms so that the RPI information can be provided concurrently with other submissions and send reminders when the RPI information is not provided. This approach would also reduce the possibility that less sophisticated entities, such as small enterprises, would unintentionally fail to provide the information due to unfamiliarity with the requirement or lack of appropriate processes.

In contrast, an approach that only required updates of RPI information when ownership changes would presumably rely on the specter of inequitable conduct allegations to ensure that patent owners submit the RPI information. This approach could potentially result in an increase in inequitable conduct allegations during litigation, thereby raising litigation costs, burdening the courts, and resulting in the possibility of significant liability for patent prosecutors. *See, e.g., Therasense, Inc. v. Becton, Dickinson, & Co.*, 593 F.3d 1276, 1289 (Fed. Cir. 2010) (“Left unfettered, the inequitable conduct doctrine has plagued not only the courts but also the entire patent system.”) In addition, given the high evidentiary threshold for proving inequitable conduct, it would also be difficult for a party to demonstrate that a patent owner failed to provide the RPI information with the intent to deceive.

As an alternative to only requiring submission of RPI information when the RPI changes, the USPTO could consider using a hybrid approach that combines several key checkpoints with an ongoing obligation to update. For example, the USPTO could consider requiring RPI information at application filing and patent issuance, coupled with an ongoing requirement to update the RPI information within a fixed period of time from any ownership changes.

Retroactivity of the Requirement

The participants at the roundtable also discussed whether the proposed requirements should be retroactive and, if so, how this retroactivity would be implemented. A checkpoint-based approach would enable a natural transition from the current rules to a regime in which RPI information is required. For example, as proposed in the Notice, the USPTO could require that the information be provided at the next checkpoint in the process. Using this approach and the checkpoints explained above, RPI information would be available for all applications no later



than payment of the issue fee. Similarly, RPI information would be available for most utility patents no later than payment of the next maintenance fee, which would be at most 4 years for utility patents at a stage prior to the 12 year maintenance fee. In contrast, if the USPTO simply required that all parties submit the information when ownership changes going forward, it would take a significant number of years to obtain the RPI information for all assets and a large percentage of applications and patents would expire without submission of the RPI information.

Statistics on Recorded Assignments

It has also been noted in previously-submitted written comments that fewer than 10 percent of patents do not have recorded assignments at the time of grant and that this proposal may therefore be unnecessary to serve the goals of the USPTO. HP would like to emphasize that this number does not capture the percentage of patents that have an assignment recorded, but are owned by a shell company or other entity that obscures the real-party-in-interest. As detailed above, HP believes that this proposal is necessary, among other reasons, to eliminate the ability for patent owners to intentionally obfuscate the chain of title in this manner.

Conclusion

Ultimately, HP believes that ownership transparency is a critical characteristic of an optimal patent system, as transparency would provide significant benefits to the USPTO, key stakeholders, and, most importantly, the public. HP thanks the USPTO for the opportunity to participate at the roundtable and provide these written comments, and hopes to have the opportunity to collaborate with the USPTO to develop regulations that make this important proposal a reality.

Respectfully submitted,
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