

Before the
United States Department of Commerce
Patent and Trademark Office

In the Matter of
Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-in-
Interest Information Throughout Application Pendency and Patent Term

Docket No. PTO-P-2012-0047

Comments of the Antitrust Division of the United States Department of Justice
And the United States Federal Trade Commission

February 1, 2013

The U.S. Patent and Trademark Office (“the PTO” or “the Office”) issued a Federal Register Notice on November 26, 2012, announcing that it would be conducting a roundtable discussion to obtain public input from organizations and individuals on how the Office could change its rules of practice to (1) collect information about patent ownership (including the real party in interest (“RPI”)) during patent prosecution and post-issuance and (2) make such information publically available.¹ The Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission (FTC), whose missions are to protect and promote competition, offer these comments in support of the PTO’s adoption of rules that would increase the transparency of patent ownership by requiring disclosure of the RPI for both published patent applications and issued patents.

Pursuant to the PTO’s proposal, a patent applicant would have a duty to provide RPI information when filing its application and would be required to update that information within a reasonable time period of any ownership change (presumed to be within 3 months of the transfer of ownership). The applicant would then certify that the RPI information on file is accurate when the PTO issues the patent. After issuance, the

I. Background

Current difficulties in identifying the owner of a patent make the patent system less efficient than it could be. The PTO's system of recording patent assignments and transfers in ownership is generally voluntary. Parties may, at their option, record assignments with the Office by paying a fee and filing a form. Neither the Patent Act nor PTO regulations require such recordation, although an assignment not recorded with the PTO is "void as against any subsequent purchaser" who lacks notice of the assignment.³ As a result, although the Office's records are open to the public, they do not include all assignments. Given the absence of a requirement to record patent transfers, determining who owns a patent can prove very challenging. This difficulty is increasingly significant given the growth of the secondary market for patents in the United States.

Moreover, even when an actual owner or assignment is recorded, the RPI may not be known. For example, many firms house patents in subsidiaries or special purpose entities (sometimes referred to as "shell companies") that may be recorded as the patent owner without conveying any real information as to the "true" or controlling owner. The Antitrust Division and the FTC strongly believe that in order for any transparency rules to achieve their goals, the definition of

II. Discussion

As discussed below, increased informational transparency of patent ownership will benefit competition and innovation by improving the patent system's notice function. As the FTC recognized, poor patent notice "hinders competition by forcing firms to design products with incomplete knowledge of the cost and availability of different technologies."⁷ Knowledge of the actual owner of a technology will enable a designer to more accurately evaluate the costs of incorporating a particular technology into products prior to incurring significant sunk costs.

The PTO has proposed two possible definitions for RPI. The first is a

Overall, informational transparency will improve the efficiency of the IP marketplace. In an optimal marketplace for patents, competing technologies would be well known, claims would be well specified, and t1(o)-d.8 0 Td d5(a)TJ 3.94 9e11pJ 3.94 9e11pJ 3.94 9e11pJ

One strategy a firm might pursue to extract license revenues that exceed the value of its patent portfolio is to demand royalties for a portfolio of patents held by separate subsidiaries without specifying all of the patents in the portfolio. In such a case, a putative licensee must estimate the relevance and value of a license to the portfolio without accurate or complete information. If the potential licensee cannot find out which patents the asserting entity owns (and thus cannot evaluate the patent's strength or relevance to the licensee's product or business), hold up problems may be exacerbated. Even where a license agreement is reached, a licensee cannot be assured that it has licensed all of the firm's relevant patents – i.e., that patent peace is reached. Excessive license fees and uncertainty about future royalty demands may harm incentives to innovate.

Additionally, and importantly, RPI rules also will imp thdayli dl4(s)-]o(e)-10(es5Tc 0.004-)-11(ed)-7

interactions with market participants, the Antitrust Division and the FTC believe that the benefits of increased transparency significantly outweigh any potential costs in the market for patents.

B. A Robust Definition of RPI Will Promote Competition

RPI rules must be meaningful if they are going to create the positive effects we envision. Firms should not be able to easily undermine or overcome the purpose of the recordation requirement through a vast web of holding companies and legal subsidiaries, as appears to be an increasingly common practice among certain non-practicing entities. Thus, transparency with respect to simple “ownership” will not capture the complexities of the industry. A meaningful definition of RPI, however, could create transparency that might mitigate some of the problems that we see in the IP marketplace.

The PTO proposed two possible definitions of RPI in its Federal Register Notice. The first is a “Broad” definition that would include entities with the legal right to enforce the patent. This definition would likely include exclusive licensees in certain cases; however, an ultimate parent entity (UPE) may not qualify for this definition if it is not an exclusive licensee and does not have standing to sue.¹⁶ The second, “Limited” definition would require disclosure of “the legal title holder(s) and ‘ultimate parent entity(ies) of the patent application or issued patent.’”¹⁷ An “ultimate parent entity” is “an entity which is not controlled by any other entity,” as defined in the Code of Federal Regulations.¹⁸ The Antitrust Division and the FTC have significant e

and supports efforts to make public information regarding patent ownership as accurate and complete as possible. The availability of more complete and accurate information regarding the ownership of patents will enable the patent marketplace to function more efficiently. The PTO's proposed changes are likely to improve efficiency in patent notice and licensing and should discourage potential abuses of the process. Thus, the proposals have the potential to stimulate innovation, enhance competition, and increase consumer welfare.