

Response to “Request for Comments on Eliciting More Complete Patent Assignment Information”

Arti K. Rai*

This comment addresses the USPTO’s power to issue rules requiring reporting, or updating, of assignment information at three different stages during application processing: 1) when the patent application is filed; 2) when it is published; and 3) when the patent issuance fee is paid. The comment also addresses the USPTO’s power either to require provision of updated assignee information after patent issuance or to provide a discounted maintenance fee in exchange for verification or updating of assignee information.

Before addressing these specific issues, I offer some general observations about the PTO’s rulemaking authority. These observations are relevant because the scope of this authority has been the subject of considerable recent discussion.

General Observations

In order for an agency to promulgate rules with the “force and effect of law,” the rules must be “reasonably within the contemplation” of a Congressional grant of rulemaking authority. *Chrysler v. Brown*, 441 U.S. 281, 305-306 (1979). In this case, Congress has given the USPTO a number of different rulemaking authorities. *See, e.g.*, 35 U.S.C. § 2 (b)(2)(A),(C),(D),(E),(F). The most general of these is the authority to issue rules “govern[ing] the conduct of proceedings in the Office,” 35 U.S.C. § 2 (b)(2)(A).

A threshold question with respect to the scope of any rulemaking authority is the extent to which an agency’s own interpretation of this scope warrants deference. The Supreme Court has not decided this question definitively. *Compare Miss. Power & Light Co. v. Miss. ex rel. Moore*, 487 U.S. 354, 380 (1988) (Scalia J., concurring) (arguing for such deference) *with id.* at 386 (Brennan, J., dissenting) (rejecting such deference). Some recent cases from the Federal Circuit have suggested deference. *Bender v. Dudas*, 490 F.3d 1361, 1368 (Fed. Cir. 2007) (indicating that the USPTO’s interpretation of what the phrase “before the Office” means in the context of rulemaking authority conferred upon the agency under Section 2(b)(2)(D) is entitled to deference).

But even without the added weight of deference, the Federal Circuit has viewed the Section 2(b)(2)(A) grant of authority as relatively capacious. The court has, for example, upheld as within the scope of this PTO authority a number of regulations governing *inter partes* reexamination and interferences. *See, e.g., Cooper Tech. v. Dudas*, 536 F.3d

* Elvin R. Latty Professor of Law, Duke Law School; co-chair, Intellectual Property Committee, Administrative Law Section, American Bar Association. These affiliations are provided for identification purposes only. I submit these comments entirely in my individual capacity, as a scholar who teaches and writes in both patent law and administrative law and seeks to use both regimes to foster the progress of innovation. These comments do not necessarily represent the views of any institution with which I am affiliated.

1330, 1336-38 (Fed. Cir. 2008) (regulation defining the term “original application” in statutory provision that established procedures for *inter partes* reexamination); *Stevens v. Tamai*, 366 F.3d 1325, 1332 (Fed. Cir. 2004) (regulations requiring, in context of interference motions, translation into English of documents written in languages other than English). Indeed, the Federal Circuit has stated that, “[b]y grant of this power we understand Congress to have ‘delegated plenary authority over PTO practice’ to the Office.” *Stevens* at 1333 (quoting *Gerritsen v. Shirai*, 979 F.2d 1524, 1527 n.3).

The Federal Circuit’s relatively generous view of PTO power is appropriate. Given the PTO’s important statutory duties of “granting and issuing . . . patents,” 35 U.S.C. § 2(a)(1), and of “disseminating to the public information with respect to patents,” 35 U.S.C. § 2(a)(2), rules of “conduct” that facilitate the execution of these duties should be viewed as “reasonably within the contemplation” of Congress. Thus, for example, the 2005 Federal Circuit decision in *Star Fruits, SNC, v. U.S.*, 393 F.3d 1277 (Fed. Cir. 2005), which upheld as within PTO power a muscular regulation requiring the applicant to provide all information reasonably relevant to examination, emphasized the Office’s goal of using the regulation to “perform the best quality examination possible.” Performing the best quality examination possible is, of course, part and parcel of the USPTO’s statutory responsibility for “granting and issuing . . . patents.”

In certain cases, the Federal Circuit has emphasized that the PTO’s authority under 2(b)(2)(A) is limited “non-substantive” matters.¹ See *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996); *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991). Even within the ambit of this limitation, the USPTO retains significant authority to issue rules, so long as the rules make no attempt to change the standards by which an application is evaluated. See *JEM Broad. Co. v. FCC*, 22 F.3d 320, 326 (D.C. Cir. 1994) (characterizing as non-substantive FCC rules that limited applicants’ ability to amend applications that had already been filed because these rules did not affect the standards by which the FCC evaluated the applications). Alternatively, to the extent a rule becomes substantive when it significantly changes private party rights and obligations, *Cooper Tech.*, 536 F.3d at 1336; *JEM*, 22 F.3d at 327, USPTO rules that substantially further the execution of statutory duties while imposing only modest burdens on applicants or patentees should be seen as non-substantive.

With these general principles in mind, I now turn to the specific issue of whether, and when, the PTO can either require assignment information or give incentives to provide such information.

¹ Not all Federal Circuit judges agree with this perspective. For example, Judge Bryson has argued that “[i]n my view, the question whether the PTO is authorized to promulgate particular regulations does not turn on an abstract inquiry into whether a particular rule can be characterized as substantive, procedural, or interpretive.” *Tafas v. Doll*, 559 F.3d 1345, 1365 (Fed. Cir. 2009) (Bryson, J. concurring), *vacated* 559 F.3d __ (Fed. Cir. 2009).

Assignment Information During “the Granting and Issuing of Patents”

The RFC indicates that the PTO is considering requiring initial or updated assignee information at designated times during the time period when it grants and issues patents – specifically, the time of filing; the time of application publication; and the time of issuance fee payment. Even without the added force of deference to any USPTO assessment, a rule requiring assignee information at these times should be considered a rule governing the “conduct of proceedings.” These are all times when the applicant would have substantial interaction with the PTO in any event. The burden on applicants to provide assignee information should therefore be relatively minimal. Even if the USPTO’s authority is deemed to be limited to the promulgation of “non-substantive” rules, such a requirement does not rise to the level of a “substantive” rule that significantly impacts private party rights. *See Cooper Tech; JEM, supra.* Certainly to the extent that rules become substantive only when they alter the standards by which an application is judged, *see JEM*, requirements for assignee information are not substantive.

Assignment Information When Maintenance Fees Are Paid

Because maintenance fee payment represents another point of routine interaction with the PTO, the arguments in favor of PTO power to require assignee information at this stage largely parallel those for requiring assignee information at the application processing stage. To be sure, in the case of maintenance fees, the PTO is not specifically engaged in its statutory responsibility of granting and issuing patents. Nonetheless, payment of maintenance fees represents an “Office proceeding” within the meaning of Section 2(b)(2)(A). Indeed, Federal Circuit cases like *Cooper Tech* have invoked Section 2(b)(2)(A) to uphold rules governing such post-issuance proceedings as *inter partes* reexamination. Additionally, requiring assignee information at this stage helps the PTO to discharge its responsibility for “disseminating to the public information with respect to patents.”

The RFC also asks whether the PTO may use its fee-setting authority under the America Invents Act (“AIA”) to create incentives for providing, or updating, assignee information. Because the language of the AIA requires that fees be set or adjusted “only to recover the aggregate estimated costs to the Office for processing, activities, services and materials,” it is not clear whether the PTO has this flexibility.

Small Entity Status

The PTO’s statutory duty to monitor small entity status at the time of all fee payments (filing, issuance, maintenance), *see* 35 U.S.C. § 41(h), further justifies the agency’s need to have the most updated assignee information at these fee payment times. In fact, Congress has specifically conferred upon the PTO the authority to issue rules protecting the integrity of this reduced fee structure. 35 U.S.C. § 2(b)(2)(E). A requirement to provide, or update, assignee information at the time of fee payment might be justified, at least in part, under this specific rulemaking power.

Conclusion

The USPTO should be commended for its efforts to implement its duty of “dissemination to the public information with respect to patents.” More specifically, as the RFC points out, patent markets cannot operate efficiently absent accurate information about ownership. To the extent that the USPTO wishes to foster more efficient markets by issuing rules that require provision, or updating, of assignee information at specified times such rules should fall comfortably within the ambit of the USPTO’s rulemaking power.