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ONE HUNDRED ELEVENTH CONGRESS

# Congress of the United States

## House of Representatives

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May 13, 2010

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Mr. Michael J. Williams  
President and Chief Executive Officer  
Fannie Mae  
3900 Wisconsin Avenue, NW  
Washington, DC 20016-2892

Dear Mr. Williams:

It was recently brought to our attention that Fannie Mae's former CEO, Franklin Raines, is credited with patenting a system for residential emissions trading (Patent No. 6,904,336).<sup>1</sup> The patent was filed with the US Patent and Trademark Office on November 8, 2002, and issued on June 7, 2005.<sup>2</sup> The patent was assigned to Fannie Mae and CO2e.com, LLC.<sup>3</sup>

We are troubled by evidence that, while Fannie Mae was funding hundreds of billions of dollars in risky mortgages that were a primary cause of the financial crisis,<sup>4</sup> it was simultaneously pursuing a patent to capitalize on the potential of legislative efforts that would have the effect of increasing energy costs to millions of Americans.<sup>5</sup> According to one news report, this patent "gives Fannie Mae proprietary control over an automated trading system that pools and sells credits for hard-to-quantify residential carbon reduction efforts (such as solar panels and high-efficiency appliances) to companies and utilities that don't meet emission reduction targets."<sup>6</sup> It appears that this

<sup>1</sup> Franklin D. Raines et al., "System and method for residential emissions trading," available at <http://newsessentials.blogspot.com/2010/04/system-and-method-for-residential.html>.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> For a detailed discussion of Fannie Mae's role in the financial crisis, *see, e.g.*, "The Role of Government Affordable Housing Policy in Creating the Global Financial Crisis of 2008," House Committee on Oversight and Government Reform, updated May 12, 2010. Available at <http://republicans.oversight.house.gov/images/stories/Reports/20100512affordablehousingpolicyandthefinancialcrisis.pdf>.

<sup>5</sup> *See, e.g.*, "Comprehensive Staff Analysis of the Economic Impact of the Waxman/Markey Cap-and-Trade Legislation," House Committee on Oversight and Government Reform, April 28, 2009. Available at <http://republicans.oversight.house.gov/images/stories/Reports/20090428CapTrade.pdf>.

<sup>6</sup> *See* "Fannie Mae owns patent on residential 'cap and trade' exchange," *Washington Examiner*, April 20, 2010. Available at <http://www.washingtonexaminer.com/opinion/columns/Fannie-Mae-owns-patent-on-residential-cap-and-trade-exchange-91532109.html>.

Mr. Michael J. Williams  
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patent has nothing to do with Fannie Mae's public mission, which is to "provide liquidity, stability and affordability to the U.S. housing and mortgage markets."<sup>7</sup>

According to one report, the patent gives Fannie Mae "a lock on the fledgling carbon trading market, thus also giving it a major financial stake in the success of cap-and-trade legislation."<sup>8</sup> We are writing to request more information about the purpose of Fannie Mae's pursuit of this patent and Fannie Mae's financial stake in the outcome of the current debate in Congress over a proposed cap-and-trade energy tax.

In order to assist the Committee with its investigation of this matter, please provide the following information no later than close of business on Thursday, May 27, 2010:

1. A full and complete explanation of Fannie Mae's decision to file the patent application (Patent No.: 6,904,336).
2. All records and communications referring or relating to the decision to file the patent application (Patent No.: 6,904,336).
3. All records and communications referring or relating to the development of Fannie Mae's position on cap-and-trade legislation proposed between 2002 and the present.
4. All records and communications referring or relating to Fannie Mae's lobbying efforts related to cap-and-trade legislation between 2002 and the present.
5. All records and communications referring or relating to Fannie Mae's projection of potential financial returns to the company if cap-and-trade legislation were to become law.
6. All records and communications referring or relating to legislation affecting energy markets between Fannie Mae or its representatives and the following people:
  - (a) Franklin Raines;
  - (b) G. Scott Lesmes;
  - (c) Robert Sahadi;
  - (d) Kenneth Berlin;
  - (e) Michelle Desiderio;
  - (f) Elizabeth Arner Cavey;
  - (g) Jane Bartels;

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<sup>7</sup> See "About Fannie Mae," available at <http://www.fanniemae.com/kb/index?page=home&c=aboutus> (accessed May 13, 2010).

<sup>8</sup> See note 6, *supra*.

Mr. Michael J. Williams  
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(h) Representatives of CO2e.com LLC, CantorCO2e, Cantor Fitzgerald, or Mitsui & Co., Ltd.

Please note that, for purposes of responding to this request, the terms "records," "communications," and "referring or relating" should be interpreted consistently with the attached Definitions of Terms.

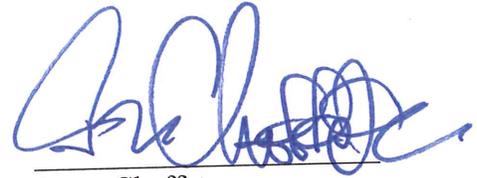
The Committee on Oversight and Government Reform is the principal oversight committee in the House of Representatives and has broad oversight jurisdiction as set forth in House Rule X. Thank you for your cooperation in this matter.

If you have any questions regarding this request, please contact Christopher Hixon or Kristina Moore of the Committee staff at (202) 225-5074.

Sincerely,



Darrell Issa  
Ranking Member  
Committee on Oversight and  
Government Reform



Jason Chaffetz  
Ranking Member  
Subcommittee on Federal  
Workforce, Postal Service,  
and the District of Columbia

cc: The Honorable Edolphus Towns, Chairman  
Committee on Oversight and Government Reform  
The Honorable Stephen Lynch, Chairman,  
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

Attachment

## **Definitions of Terms**

1. The term "record" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term.
2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.
3. The terms "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is in any manner whatsoever pertinent to that subject.

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BLAINE LUETKEMEYER, MISSOURI  
ANH "JOSEPH" CAO, LOUISIANA

May 13, 2010

The Honorable David Kappos  
Director  
U.S. Patent and Trademark Office  
600 Dulany Street  
Madison West Suite 10D44  
Alexandria, VA 22314

Dear Mr. Kappos:

On June 7, 2005, the U.S. Patent and Trademark Office (USPTO) issued Patent No. 6,904,336 for a "System and Method for Residential Emissions Trading." The patent was assigned to the Federal National Mortgage Association ("Fannie Mae") and CO2e.com, LLC of New York. The patent lists former Fannie Mae Chairman and Chief Executive Officer Franklin D. Raines as the primary inventor. Former Fannie Mae executives Scott Lesmes and Robert Sahadi are also listed as inventors.

Using the resources of Fannie Mae to research and develop a system to commoditize residential emissions falls well outside the scope of Fannie Mae's charter. Created by Congress as a government-sponsored enterprise, Fannie Mae's mission is to "provide liquidity, stability and affordability to the U.S. housing and mortgage markets."

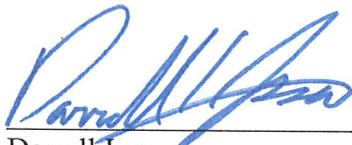
The patent grants Fannie Mae proprietary rights to an automated emissions commodity marketplace. Ownership of Patent No. 6,904,336 appears to give Fannie Mae a vested financial interest in "cap-and-trade" legislation being considered by Congress. The ongoing mortgage crisis reminds us that American taxpayers have historically suffered when the financial interests of Fannie Mae are directly linked to legislation.

As the Ranking Member of the House Committee on Oversight and Government Reform and the Ranking Member of the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, we have serious concerns about the implications of this patent. So that we may fulfill our oversight responsibilities by conducting a full and complete investigation of this matter, please provide the following:

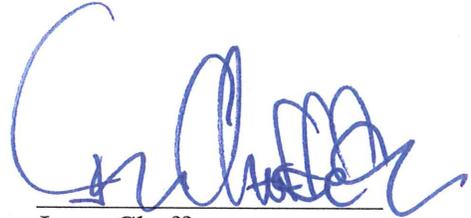
1. The collection of documents commonly referred to as the “file wrapper” for Patent No. 6,904,336, including the patent application and communications by the applicant and the USPTO with respect to the application;
2. Any documents or records held by the USPTO regarding Patent No. 6,904,336 not contained in the file wrapper;
3. Any communications, including e-mail and other correspondence records, between the applicant and the USPTO not contained in the Patent No. 6,904,336 file wrapper;
4. Identify all patents assigned to Fannie Mae; and,
5. Identify all patents on which Franklin Raines, Scott Lesmes, Robert Sahadi, David Maxwell, James A. Johnson, Daniel Mudd, Herbert M. Allison or Michael Williams are identified as “inventors.”

Please provide the requested information no later than May 21, 2010. If you have any questions about this request, contact Steve Castor or Jonathan Skladany of the Committee staff at (202)-225-5074. Thank you for your prompt attention to this important matter.

Sincerely,



Darrell Issa  
Ranking Member  
Committee on Oversight and  
Government Reform



Jason Chaffetz  
Ranking Member  
Subcommittee on Federal  
Workforce, Postal Service,  
and the District of Columbia

cc: The Honorable Edolphus Towns, Chairman  
Committee on Oversight and Government Reform  
The Honorable Stephen Lynch, Chairman,  
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia