

July 17, 2012

United States Patent and Trademark Office
Mail Stop Comments–Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

By Email

Attention: Mr. James Engel

Re: Comments Regarding Proposed Changes to Implementing the
Micro Entity Provision of the Leahy-Smith America Invents Act (AIA)

Dear Mr. Engel:

Set forth below are our firm's comments regarding the proposed changes to the rules of practice to implement the micro entity provisions added by the AIA.

Oloff & Berridge appreciates the USPTO's engagement of community input on these issues, and the opportunity to have its positions considered by the USPTO. Oloff & Berridge is a private intellectual property law firm that files and prosecutes thousands of patent applications each year on behalf of a wide range of U.S. and foreign applicants, including large, small and "micro" entities. Its practice before the U.S. Patent and Trademark Office (USPTO) provides a perspective and depth of experience necessary to provide the following comments regarding the proposed changes to the rules.

We fully support and applaud the USPTO's well-thought-through efforts to revise the rules in view of the AIA's changes to the patent statutes. However, as discussed below, we believe that a few revisions of the rules are necessary. Our concerns, as well as our recommendations for addressing those concerns, are detailed below.

A. Applications That Name More Than One Applicant

Proposed rules 1.29(a) and (d) state that "[t]o establish micro entity status under this paragraph, *the applicant* must certify that [*the applicant*]..." The rule is unclear as to who must sign the certification in applications with more than one applicant.

Proposed rule 1.29(e) makes clear that the certification may be signed by a practitioner in compliance with rule 33(b). However, if signed by the applicants themselves, or signed by or on behalf of a group of applicants, some qualifying under (a) and others under (d), proposed rule 1.29 is less clear. It should be amended to make clear that *each* applicant must meet the requirements of 35 U.S.C. 123(a) or (d) for the applicants to file a micro entity certification in

the application. In addition, joint applicants will generally not be privy to each other's private financial information, and should not be required to submit a certification as to the qualification of their joint applicants. As a suggestion, we recommend the USPTO consider revising proposed rule 1.29(a) and (d) to state that "[t]o establish micro entity status under this paragraph, *each applicant so establishing such status* must certify that *that applicant...*" Conforming changes should be made in the subsections of rule 1.29(d), including changing the introduction of subsection (d)(2)(i) to read "the employer of that applicant."

B. Proposed Rule 1.29(h)

Proposed rule 1.29(h) states (emphasis added):

(h) Prior to submitting a certification of entitlement to micro entity status in an application, including a related, continuing, or reissue application, a determination of such entitlement should be made pursuant to the requirements of paragraph (a) or (d) of this section. It should be determined that *all parties holding rights in the invention qualify for micro entity status*. The Office will generally not question certification of entitlement to micro entity status that is made in accordance with the requirements of this section.

The highlighted sentence is redundant and/or inconsistent with the statute and other rules, and thus should be deleted.

1. Inconsistency With 35 U.S.C. 123(a) & Proposed Rules 1.29 (a) & (d)

35 U.S.C. 123(a) defines the term 'micro entity' as meaning an applicant who makes a certification that the applicant (emphasis added):

(1) *qualifies as a small entity*, as defined in regulations issued by the Director....

Proposed rule 1.29(a) contains language corresponding to 35 U.S.C. 123(a)(1). Similarly, proposed rule 1.29(d) states (emphasis added):

(d) To establish micro entity status under this paragraph, the applicant must certify that:

- (1) *The applicant qualifies as a small entity as defined in § 1.27*; and
- (2)(i) The applicant's employer, from which the applicant obtains the majority of the applicant's income, is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or (ii) The applicant has assigned, granted, conveyed, or is under an obligation by

contract or law, to assign, grant, or convey, a license or other ownership interest in the particular applications to such an institution of higher education.

The USPTO's proposed rule 1.29(h) appears to attempt to close a "loophole" of proposed rule 1.29(d) by requiring a determination that "all parties holding rights in the invention qualify for micro entity status" prior to submitting a certification. For example, without proposed rule 1.29(h), proposed rule 1.29(d) would allow any entity that qualifies for small entity status to obtain the benefits of micro entity status by assigning, granting, or conveying, a license or other ownership interest in the particular applications to such an institution of higher education. For instance, any independent inventor or small entity, as defined in the regulations, may grant a license, however limited, under any terms to an institution of higher education and be entitled to the micro entity status benefits.

However, this further limitation of proposed rule 1.29(h) (i.e., that all parties holding rights in the invention qualify for micro entity status) is very confusing in view of proposed rule 1.29 (a)(1) and (d)(1) and the associated commentary at 77 Fed. Reg. 31809 (relating to limitations on applicants to satisfying the requirements of small entity status). It is also inconsistent with the statutory requirements of 35 U.S.C. 123(a) and (d), in that §123(a)(4) expressly includes such a limitation whereas §123(d) includes no counterpart to that limitation. This limitation is overly restrictive in that it frustrates the ability of an institution of higher education to license its intellectual property rights to small entities, whereas such licensing is not excluded under the statute and appears to be consistent with proposed rules 1.29(a)(1) and 1.29(d)(1). Accordingly, for consistency, proposed rule 1.29(h) should replace "qualify for micro entity status" with "qualify for small entity status" such that this rule closely tracks the statutory requirements of 35 U.S.C. 123(a) and proposed rules 1.29(a)(1) and 1.29(d)(1), and avoids adding unnecessary and over-restrictive burdens on institutions of higher education and their potential small entity licensees.

Replacing "qualify for micro entity status" with "qualify for small entity status" would also allow the USPTO to accomplish its goal of not permitting an applicant who does not qualify as a small entity to take advantage of the benefits of micro entity status via 35 U.S.C. 123(d), and thus would not be inconsistent with the purposes of micro entity provisions of 35 U.S.C. 123.

Alternatively, the phrase "all parties holding rights in the invention" should be changed to --all applicants--.

In either case, the subject sentence would appear to be redundant with proposed rules 1.29(a) and 1.29(d), as proposed to be amended above. As such, we recommend that it be removed.

2. **"rights in the invention" should read "rights in the application"**

Most of the provisions in 35 U.S.C. 123(a) and the proposed rules relating to implementing the micro entity provisions added by the AIA recite the rights or interests "*in the application*," as opposed to "*in the invention*" (recited in proposed rule 1.29(h)). The terms "invention" and "application" are not synonymous. Thus, if, contrary to our recommendation above, the subject sentence is not removed, the word "invention" should be changed to -- application-- in rule 1.29(h). Alternatively, further guidance should be provided by the USPTO as to the distinction between the expression "*in the application*," and the expression "*in the invention*" as used in proposed rule 1.29(h).

For example, "*in the application*" and "*in the particular applications*" are used in 35 U.S.C. 123(a) and 35 U.S.C. 123(d), respectively. See 35 U.S.C. 123(a), which defines the term 'micro entity' as meaning an applicant who makes a certification that the applicant:

...(4) has not assigned, granted, or conveyed, and is not under an obligation by contract or law to assign, grant, or convey, *a license or other ownership interest in the application concerned* to an entity that, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census. [emphasis added]

See also 35 U.S.C. 123(d), which states:

...(2) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest *in the particular applications* to such an institution of higher education.

The term "invention," as defined in 35 U.S.C 100(a), means "invention or discovery." Depending on the nature of the invention or discovery, an invention or discovery may be claimed in one or more specific applications, such as applications having different inventive entities.

For example, for a hypothetical invention that resulted in two patent applications, an inventor (who is entitled to micro entity status) of one aspect of the invention may be the sole inventor of a first patent application claiming that first aspect of the invention. This inventor may also be a co-inventor of a second aspect of the invention that is claimed in a second application, which includes an additional inventor who is not entitled to micro entity status. But for proposed rule 1.29(h), the sole inventor of the first application would qualify for the benefits of the micro entity status with respect to the first application. Under proposed rule 1.29(h), the sole inventor of the first application is not eligible to pay micro entity amounts for applicable

fees in the first application because the co-inventor of the second application is a party holding rights in the "invention" (albeit only in the second application) who does not qualify for micro entity status.

Proposed rule 1.29(h) is thus in conflict with the intent of Congress as evidenced in the legislative history of 35 U.S.C. 123, which makes clear that 35 U.S.C. 123 is directed to a subset of small entities, namely, "truly independent inventors," at least because proposed rule 1.29(h) would exclude the above sole independent inventor from the benefits of micro entity status with respect to the first application. See H.R. Rep 112–98 at 50 (2011) ("[t]he Committee was made aware, however, that there is likely a benefit to describing—and then accommodating—a group of inventors who are even smaller [than small entities], in order to ensure that the USPTO can tailor its requirements, and its assistance, to the people with very little capital, and just a few inventions, as they are starting out.")

If the USPTO thinks that the expression "*in the invention*" as used in proposed rule 1.29(h) is appropriate such that the above sole inventor should be excluded from the benefits of micro entity status for the first application, it should urge Congress to change it in the statute, rather than ignoring the clear statutory language of 35 U.S.C. 123(a), which uses the expression "in the application." Otherwise, the USPTO should conform the rule to the statute by changing "invention" to --application-- in rule 1.29(h), or provide further guidance in the comments as to how broadly the term "invention" should be interpreted with respect to the application for which applicants are seeking the benefits of micro entity status.

3. The meaning of "rights in the invention"

Further clarification and guidance is also requested with respect to the intended meaning of the term "rights" as used in proposed rule 1.29(h). Specifically, further clarification and guidance is requested as to whether the USPTO intended this term to have a meaning other than what is encompassed by the expression "license or other ownership interest," as used in 35 U.S.C. 123(a) and (d). In this regard, we also recommend that the USPTO use the statutory language or include further guidance as to the meaning of the expression "rights in the invention" as used in the proposed rules.

C. Income Level

35 U.S.C. 123(a) defines the term 'micro entity' as meaning an applicant who makes a certification that the applicant (emphasis added):

(3) did not, *in the calendar year preceding the calendar year in which the applicable fee is being paid*, have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income *for that preceding calendar year*, as most recently reported by the Bureau of the Census; and...

35 U.S.C. 123(a)(4) contains similar language regarding the gross income and median household income.

At 77 Fed. Reg. 31807, the USPTO comments state that the Office will indicate the income level that is three times the median household income *for the calendar year most recently reported by the Bureau of the Census*. However, 35 U.S.C. 123 expressly requires that applicants use median household income data for "*the calendar year preceding the calendar year in which the applicable fee is being paid*," **not** that applicants use the median household income *for the year most recently reported by the Bureau of the Census*.

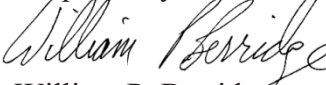
Median household data for the preceding calendar year is not available until well after April (when the majority of household income taxes are due) of the following year, and is not reported by the Census Bureau until even later. As a result, the information promised by the USPTO provides no help in determining whether or not the requirements for micro entity status of proposed rule 1.29(a) are met when paying fees before the median household income data for the calendar year preceding a fee payment becomes available.

The data provided in the Comments highlights the problem with the proposed approach outlined in the Comments. For example, hypothetically, if applicants wanted to pay fees in micro entity amounts at the time the Comments were published (May 30, 2012), the Comments acknowledge that the median household income for the year most recently reported by the Bureau of the Census was for the year 2010. Given that the current year is 2012, the data for the year most recently reported by the Bureau of the Census (2010) does very little to indicate what income level is three times the median household income for the **preceding** calendar year, which applicants are required to use by the express language of the statute.

In other words, when the calendar year most recently reported by the Bureau of the Census is not the year prior to the date that the applicable fee is being paid, applicants are left with no guidance regarding how to determine whether or not the requirements for micro entity status of proposed rule 1.29(a) are met. Without such guidance, it could make it very difficult to predict with certainty, or thus certify, whether an applicant who otherwise qualifies for micro entity status, but has a gross income, for example, in the range of from \$140K to \$160K, qualifies for micro entity status.

The USPTO should provide clarification and address this scenario, and/or if necessary urge Congress to change the wording of the statute to avoid the above situation. For example, the USPTO should provide further guidance regarding how the applicant or patentee should determine whether a fee may be paid in the micro entity amount when the median household income data for the preceding calendar year has not been reported by the Bureau of the Census.

In the interim before such a statutory correction is made, we suggest that the USPTO exercise its fee setting authority to provide for refunds of excess fees paid by applicants that qualify for micro entity status, for example, under circumstances when applicants could not know whether they qualified to pay a fee in the micro entity amount because the median household income data for the preceding calendar year was not available. The comments at 77 Fed. Reg. 31808 state that the USPTO believes that the statutory requirement of a certification prohibits refunds. However, nothing in that statutory language prohibits a retroactive certification (e.g., a certification as to the status of an applicant as to a stated prior date), or thus a refund of previously overpaid fees.

Respectfully submitted,

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