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Comments on "Changes to Implement Micro Entity Status for Paying Patent Fees"

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On May 30, 2012, the USPTO had published in the Federal Register a notice of proposed rule making, titled "Changes to Implement Micro Entity Status for Paying Patent Fees," requesting comments from the public. See 77 FR 31806 (2012). My comments follow.

First, it is necessary to define "micro entity" before examining the proposed regulations. The America Invents Act (AIA) defines a micro entity in section 123, subsections (a) to (e).

AIA section 123(a) defines a micro entity as an applicant meeting all of the following criteria: (1) applicant qualifies as a small entity; (2) inventor has been named as an inventor on less than 4 applications [sic; the act conflates inventor with applicant, which is not always the case]; (3) has a limited income (sic; less than three times "median household income"); and (4) has not contracted to or actually licensed or assigned the application to a entity with more than the limited income noted in item (3).

AIA section 123(b) excludes the from the number of applications limit of 123(a)(2) applications assigned as a result of the applicant's previous employment.

AIA 123(c) deals with calculating gross income limit defined by 123(a)(3).

AIA 123(d) defines a micro entity as including an applicant that certifies employment by a higher education institution (as defined in section 101(a) of 20 USC 1001(1) which limits higher education institutions to those in geographic regions where the United States is sovereign) or an applicant that has contracted to or actually assigned or licensed the application to a higher education institution. Section 123(d)(2) is critical, and therefore I quote it below:

> (d) INSTITUTIONS OF HIGHER EDUCATION.—For purposes of this section, a micro entity shall include an applicant who certifies that ... (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.

AIA 123(e) provides the Director discretion to further limit the definition of a micro entity if "otherwise reasonably necessary and appropriate."

From the definition in sections 123(d), I have a concern that a higher education institution could collude with applicants marginally associated with that institution by taking a

license on the applications, thereby qualifying the applicants' applications for micro entity status.

Higher education institutions are generally non practicing entities; they do not manufacture or compete in the marketplace (other than for educational services and research services) and therefore have no substantial use for licenses to inventions (other than for educational services and research services). Accordingly, licenses to higher education institution would generally serve no purpose; they would generally not be pro competitive; they would generally not result in the higher education institution practicing the invention. However, under AIA section 123(d)(2), the licensing to a higher education institution by applicants of an application would result in the USPTO receiving micro entity fees for such applications, wherein the benefit to the higher education institution of the license to the application were nominal.

Accordingly, my first suggestion would be for the Director to use the authority in AIA 123(e) to properly limit micro entity fees resulting from a license to a higher education institution to situations were the license was for a substantial purpose by the institution or provided a substantial right to the institution, clarifying that providing the right to claim micro entity status by the applicant was not such a substantial purpose or a substantial right, and that the right of the institution to sub-license was a substantial right.

In this regard, a USPTO comment at 77 FR 31808 left hand column on the proposed rules states that:

> If an application names more than one applicant, 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. For example, it would not be appropriate to file a micro entity certification for the application in the following situations in which there is more than one applicant: (1) some but not all of the applicants qualify as micro entities under 35 U.S.C. 123(a) (e.g., some applicants exceed the gross income levels; some applicants have more than four other nonprovisional applications; or some applicants have assigned, granted, or conveyed the application or are under an obligation to do so, to an entity that exceeds the gross income levels) and the institution of higher education provisions of 35 U.S.C. 123(d) are not applicable to the non-qualifying applicants; or (2) some but not all of the applicants meet the higher education provisions of 35 U.S.C. 123(d) and the micro entity provisions of 35 U.S.C. 123(a) are not applicable to the remaining applicants.

My responsive comment is that any non qualifying applicants can become qualifying applicants by licensing the invention to a higher education institution, unless the Director exercises authority under AIA 123(e) to foreclose that loophole.

My comments on proposed rules follow.

Propose rule 1.29(d)(1) is inconsistent with AIA 123(d). Proposed rule 1.29(d)(1) requires the applicant to certify "The applicant qualifies as a small entity as defined in § 1.27." AIA 123(d) contains no such requirement. No beneficial purpose is served by the Director employing the authority of AIA 123(e) to impose this requirement.

Proposed rule 1.29(e) requires that "Status as a micro entity must be specifically established in each related, continuing and reissue application in which status is appropriate and

desired." This requirement serves no beneficial purpose.

Proposed rule 1.29(g) requires that "a fee may be paid in the micro entity amount only if status as a micro entity as defined in paragraph (a) or (d) of this section is appropriate on the date the fee is being paid." This requirement is improvident because it provides for diversity of rules for large, small, and micro entities, thereby bloating the regulations and inevitably leading to additional cost to applicants in prosecuting applications before the USPTO.

Proposed rule 1.29(h) is an advisory opinion, not statement of any requirement. It is regulatory bloat and should be stricken.

Proposed rule 1.29(I) requires notification of loss of entitlement to micro entity status prior or concurrent with paying any fee in an application. The costs of compliance with this rule defeats the Congressional purpose of providing micro entity fees. This proposed rule should be stricken.

Proposed rule 1.29(j) is vague since it does not define what constitutes fraud. Fraud is a legal conclusion including proof of mental state. This proposed rule should be revised to clarify the legal elements of fraud. My particular concern is that one could consider "fraud" to include use of the loophole in licensing noted herein above even thought that mechanism for obtaining micro entity status complies with the statue and rules.

Respectfully, /RichardNeifeld/
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