



[3510-16-P]

**DEPARTMENT OF COMMERCE**

**United States Patent and Trademark Office**

**37 CFR Part 1**

**[Docket No.: PTO-P-2011-0016]**

**RIN 0651-AC78**

**Changes to Implement Micro Entity Status for Paying Patent Fees**

**AGENCY:** United States Patent and Trademark Office, Commerce.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The United States Patent and Trademark Office (Office) is proposing to amend the rules of practice in patent cases to implement the micro entity provision of the Leahy-Smith America Invents Act. Certain patent fees set or adjusted under the fee setting authority in the Leahy-Smith America Invents Act will be reduced by seventy-five percent for micro entities. The Office is proposing changes to the rules of practice to set out the procedures pertaining to claiming micro entity status, paying patent fees as a micro entity, notification of loss of micro entity status, and correction of payments of

patent fees paid erroneously in the micro entity amount. In a separate rulemaking, the Office is in the process of proposing to set or adjust patent fees under the Leahy-Smith America Invents Act, including setting fees for micro entities with a seventy-five percent reduction.

**COMMENT DEADLINE DATE:** Written comments must be received on or before [Insert date 60 days after publication in the FEDERAL REGISTER].

**ADDRESSES:** Comments should be sent by electronic mail message over the Internet addressed to: [micro\\_entity@uspto.gov](mailto:micro_entity@uspto.gov). Comments may also be submitted by postal mail addressed to: Mail Stop Comments--Patents, Commissioner for Patents, P.O. Box 1450, Alexandria, VA, 22313-1450, marked to the attention of James Engel, Senior Legal Advisor, Office of Patent Legal Administration, Office of the Deputy Commissioner for Patent Examination Policy.

Comments may also be sent by electronic mail message over the Internet via the Federal eRulemaking Portal. See the Federal eRulemaking Portal Web site (<http://www.regulations.gov>) for additional instructions on providing comments via the Federal eRulemaking Portal.

Although comments may be submitted by postal mail, the Office prefers to receive comments by electronic mail message over the Internet because sharing comments with the public is more easily accomplished. Electronic comments are preferred to be

submitted in plain text, but also may be submitted in ADOBE® portable document format or MICROSOFT WORD® format. Comments not submitted electronically should be submitted on paper in a format that facilitates convenient digital scanning into ADOBE® portable document format.

The comments will be available for public inspection at the Office of the Commissioner for Patents, currently located in Madison East, Tenth Floor, 600 Dulany Street, Alexandria, Virginia. Comments also will be available for viewing via the Office's Internet Web site (<http://www.uspto.gov>). Because comments will be made available for public inspection, information that the submitter does not desire to make public, such as an address or phone number, should not be included in the comments.

**FOR FURTHER INFORMATION CONTACT:** James Engel, Senior Legal Advisor ((571) 272-7725), Office of Patent Legal Administration, Office of the Deputy Commissioner for Patent Examination Policy.

**SUPPLEMENTARY INFORMATION:**

**Executive Summary:** Purpose: The Leahy-Smith America Invents Act provides that: (1) the Office may set or adjust any patent fee, provided that the revenue generated by patent fees recovers only the aggregate estimated costs to the Office for processing, activities, services, and materials relating to patents (including administrative costs); and (2) most fees set or adjusted under this authority are reduced by fifty percent with respect

to small entities and by seventy-five percent with respect to micro entities. The Leahy-Smith America Invents Act also adds a new section to Title 35 of the United States Code that defines a “micro entity.” The rules of practice currently have provisions pertaining to small entity status, as the patent laws provided a small entity discount prior to the Leahy-Smith America Invents Act. This notice proposes changes to the rules of practice to implement the “micro entity” provisions added by the Leahy-Smith America Invents Act.

Summary of Major Provisions: The Office proposes to add a provision to the rules of practice pertaining to micro entity status. The provision will set out the requirements to qualify as a micro entity tracking the micro entity provision of Section 10 of the Leahy-Smith America Invents Act. The provision will also set out procedures relating to micro entity status that largely track the provisions in 37 CFR 1.27 for small entity status. These new procedures pertain to claiming micro entity status, paying patent fees as a micro entity, notifying the Office of loss of micro entity status, and correcting payments of patent fees paid erroneously in the micro entity amount. The procedures for claiming micro entity status require the filing of a certification of entitlement to micro entity status. The Office is developing forms (paper and electronic) for use by members of the public to provide a certification of micro entity status. The procedures for paying fees as a micro entity provide that a micro entity certification need only be filed once in an application or patent, but that a fee may be paid in the micro entity amount only if the applicant or patentee is still entitled to micro entity status on the date the fee is paid. The procedures pertaining to notifying the Office of loss of micro entity status and correcting

payments of patent fees paid erroneously in the micro entity amount track the corresponding small entity provisions for notifying the Office of loss of small entity status and correcting payments of patent fees paid erroneously in the small entity amount.

Costs and Benefits: This rulemaking is not economically significant as that term is defined in Executive Order 12866 (Sept. 30, 1993).

**Background:** The Leahy-Smith America Invents Act was enacted into law on September 16, 2011. See Pub. L. 112-29, 125 Stat. 283 (2011). Section 10(a) of the Leahy-Smith America Invents Act provides that the Office may set or adjust by rule any patent fee established, authorized, or charged under title 35, United States Code, provided that fees only recover the aggregate estimated costs to the Office for processing, activities, services, and materials relating to patents (including administrative costs). See 125 Stat. at 316. Section 10(b) of the Leahy-Smith America Invents Act provides that “the fees set or adjusted under [section 10(a)] for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents shall be reduced by 50 percent with respect to the application of such fees to any small entity that qualifies for reduced fees under [35 U.S.C.] 41(h)(1) . . . , and shall be reduced by 75 percent with respect to the application of such fees to any micro entity as defined in [35 U.S.C.] 123.” See 125 Stat. at 316-17. The patent laws provided in 35 U.S.C. 41(h) for small entities prior to the Leahy-Smith America Invents Act. Section 10(g) of the Leahy-Smith America Invents Act adds a new 35 U.S.C. 123 to define a “micro entity.” See 125 Stat. at 318-19.

35 U.S.C. 123(a) provides that the term “micro entity” means an applicant who makes a certification that the applicant: (1) qualifies as a small entity as defined in 37 CFR 1.27; (2) has not been named as an inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications under 35 U.S.C. 111(b), or international applications for which the basic national fee under 35 U.S.C. 41(a) was not paid; (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 (26 U.S.C. 61(a)), exceeding three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census; and (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 three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census. See 125 Stat. at 318. 35 U.S.C. 123(a) provides one basis under which an applicant may establish micro entity status. 35 U.S.C. 123(d) (discussed subsequently) provides another basis under which an applicant may establish micro entity status.

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 (the income

threshold set forth in 35 U.S.C. 123(a)(3) and (a)(4)) on its Internet web site, with its Independent Inventor resource information, and on the Office's certification of micro entity status (gross income basis) form (Form PTO/SB/15A). The Office will also make available resources to micro entities to help navigate the new micro entity procedures.

35 U.S.C. 123(b) provides that an applicant is not considered to be named on a previously filed application for purposes of 35 U.S.C. 123(a)(2) if the applicant has assigned, or is under an obligation by contract or law to assign, all ownership rights in the application as the result of the applicant's previous employment. See id.

35 U.S.C. 123(c) provides that if an applicant's or entity's gross income in the preceding calendar year is not in United States dollars, the average currency exchange rate, as reported by the Internal Revenue Service, during that calendar year shall be used to determine whether the applicant's or entity's gross income exceeds the threshold specified in 35 U.S.C. 123(a)(3) or (4). See 125 Stat. at 319.

35 U.S.C. 123(d) provides that a micro entity shall also include an applicant who certifies that: (1) 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 (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. See id. As explained earlier, 35 U.S.C. 123(a) provides

one basis under which an applicant may establish micro entity status, and 35 U.S.C.

123(d) provides another basis under which an applicant may establish micro entity status.

35 U.S.C. 123(e) provides that in addition to the limits imposed by this section, the Director may, in the Director's discretion, impose income limits, annual filing limits, or other limits on who may qualify as a micro entity pursuant to this section if the Director determines that such additional limits are reasonably necessary to avoid an undue impact on other patent applicants or owners or are otherwise reasonably necessary and appropriate. 35 U.S.C. 123(e) also provides that at least three months before any limits proposed to be implemented pursuant to 35 U.S.C. 123(e) take effect, the Director shall inform the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate of any such proposed limits. See id.

The micro entity provisions of 35 U.S.C. 123 are currently in effect. However, no patent fee is currently eligible for the seventy-five percent micro entity reduction as no patent fee has yet been set or adjusted under section 10 of the Leahy-Smith America Invents Act. The Office is in the process of proposing to set and adjust patent fees under section 10 of the Leahy-Smith America Invents Act in a separate rulemaking. The fees set or adjusted by the Office under section 10 of the Leahy-Smith America Invents Act for filing, searching, examining, issuing, appealing, and maintaining a patent application and patent will be reduced by: (1) fifty percent for an applicant or patentee who establishes small (but not micro) entity status in the patent application or patent; and (2) seventy-five



percent for an applicant or patentee who establishes micro entity status in the patent application or patent.

The Office plans to rely upon the applicant's certification of micro entity status (except where it conflicts with the information contained in the Office's records, such as where Office records indicate that the applicant is named as an inventor on more than four previously filed and unassigned nonprovisional patent applications) and will not require any additional documents from the applicant concerning the applicant's entitlement to claim micro entity status. This practice is similar to small entity practice where the Office generally does not question a claim of entitlement to small entity status. See 37 CFR 1.27(f) and MPEP 509.03.

The Office does not plan to provide advisory opinions on whether a particular entity is entitled to claim micro entity status. See MPEP 509.03. The Office, however, is providing the following information concerning procedures for micro entity status under 35 U.S.C. 123:

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.

Additionally, where there is more than one applicant, the income level requirement in 35 U.S.C. 123(a)(3) applies to each applicant's income separately (i.e., the combined gross income of all of the applicants need not be below the income level in 35 U.S.C.

123(a)(3)). Further, if an applicant assigns or is obligated to assign the invention to more than one assignee (e.g., half interest in the invention to two assignees), each of the assignees must meet the requirements in the micro entity standard (either by meeting the income limit specified in 35 U.S.C. 123(a)(4), or by being an institution of higher education under 35 U.S.C. 123(d)) for the applicant to claim micro entity status under 35 U.S.C. 123.

An "institution of higher education" as that term is used in 35 U.S.C. 123(d), is defined in the Higher Education Act of 1965 (20 U.S.C. 1001(a)). Section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001) provides that: "For purposes of this chapter, other than subchapter IV, the term 'institution of higher education' means an educational institution in any State that— (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, or persons who meet the requirements of section

1091(d)(3) of this title; (2) is legally authorized within such State to provide a program of education beyond secondary education; (3) provides an educational program for which the institution awards a bachelor's degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree, or awards a degree that is acceptable for admission to a graduate or professional degree program, subject to review and approval by the Secretary; (4) is a public or other nonprofit institution; and (5) is accredited by a nationally recognized accrediting agency or association, or if not so accredited, is an institution that has been granted pre-accreditation status by such an agency or association that has been recognized by the Secretary for the granting of pre-accreditation status, and the Secretary has determined that there is satisfactory assurance that the institution will meet the accreditation standards of such an agency or association within a reasonable time.” Section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003) provides “the term ‘State’ includes, in addition to the several States of the United States, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States” and that the Freely Associated States means the “Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.”

The Office proposes to include in the rules of practice the requirements for micro entity status and procedures for claiming micro entity status, paying patent fees as a micro entity, notifying the Office of loss of micro entity status, and correcting payments of patent fees paid erroneously in the micro entity amount. The Office is also developing

forms for use by members of the public to provide a certification of micro entity status. The procedures track the corresponding provisions in 37 CFR 1.27 and 1.28 for small entities, except where the small entity procedure is not appropriate for micro entity status under the provisions of 35 U.S.C. 123. For example, 35 U.S.C. 123 requires a certification as a condition of an applicant being considered a micro entity. Thus, the process in 37 CFR 1.27(c)(3) for establishing small entity status by payment of certain fees in the small entity amount cannot be made applicable to establishing micro entity status, and the process in 37 CFR 1.28(a) for a refund based upon subsequent establishment of small entity status is not applicable where there is subsequent establishment of micro entity status. In addition, 35 U.S.C. 123(a)(3) and (a)(4) require that the income level be met for the calendar year preceding the calendar year in which the applicable fee is being paid. Thus, the provision in 37 CFR 1.27(g)(1) that the applicant need only determine continued eligibility to small entity status for issue and maintenance fee payments, but can pay intervening fees at small entity rate without determining whether still entitled to small entity status, cannot be made applicable to payment of patent fees as a micro entity.

### **Discussion of Specific Rules**

The following is a discussion of proposed amendments to Title 37 of the Code of Federal Regulations, Part 1.

Section 1.29: Section 1.29 is proposed to be added to implement procedures for claiming micro entity status.

Since 35 U.S.C. 123(a) through (d) specify the requirements to qualify as a micro entity, the provisions in §§ 1.29(a) through (d) will track the provisions of 35 U.S.C. 123(a) through (d). 35 U.S.C. 123 uses the term “applicant” throughout, which was virtually synonymous with “inventor” on September 16, 2011 (the date of enactment of the Leahy-Smith America Invents Act as well as the effective date of 35 U.S.C. 123). 35 U.S.C. 118, effective on September 16, 2012 (one year after the effective date of 35 U.S.C. 123), however, permits an application to be made by a person to whom the inventor has assigned or is under an obligation to assign the invention. In addition, a person who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor. Thus, on and after September 16, 2012, 35 U.S.C. 118 will allow a person other than the inventor to file an application as the applicant if the inventor has assigned or is under an obligation to assign the invention, or if the person shows sufficient proprietary interest in the matter. As the terms “applicant” and “inventor” will no longer be virtually synonymous on and after September 16, 2012, the Office invites public comment on the issue of whether the term “inventor” should be used in place of “applicant” at any instance in the proposed § 1.29.

Section 1.29(a) implements the provisions of 35 U.S.C. 123(a). Section 1.29(a) provides that an applicant claiming micro entity status under 35 U.S.C. 123(a) must certify that the applicant: (1) qualifies as a small entity as defined in § 1.27; (2) has not been named as

an inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications under 35 U.S.C. 111(b), or international applications for which the basic national fee under 35 U.S.C. 41(a) was not paid; (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 (26 U.S.C. 61(a)), exceeding three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census; and (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 three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census.

Section 61(a) of the Internal Revenue Code of 1986 (26 U.S.C. 61(a)) provides that:

“[e]xcept as otherwise provided in this subtitle, gross income means all income from whatever source derived, including (but not limited to) the following items:

(1) Compensation for services, including fees, commissions, fringe benefits, and similar items; (2) Gross income derived from business; (3) Gains derived from dealings in property; (4) Interest; (5) Rents; (6) Royalties; (7) Dividends; (8) Alimony and separate maintenance payments; (9) Annuities; (10) Income from life insurance and endowment contracts; (11) Pensions; (12) Income from discharge of indebtedness; (13) Distributive share of partnership gross income; (14) Income in respect of a decedent; and (15) Income

from an interest in an estate or trust.” The median household income for calendar year 2010 (the year most recently reported by the Bureau of the Census) was \$49,445. See Income, Poverty, and Health Insurance Coverage in the United States: 2010 at pages 5 and 33 (Table A-1) (Sept. 2011). Thus, the income level specified in §§ 1.29(a)(3) and (a)(4) (three times the median household income) is \$148,335 for calendar year 2010.

Section 1.29(b) implements the provisions of 35 U.S.C. 123(b). Section 1.29(b) provides that an applicant is not considered to be named on a previously filed application for purposes of § 1.29(a)(2) if the applicant has assigned, or is under an obligation by contract or law to assign, all ownership rights in the application as the result of the applicant’s previous employment.

Section 1.29(c) implements the provisions of 35 U.S.C. 123(c). Section 1.29(c) provides that if an applicant’s or entity’s gross income in the preceding calendar year is not in United States dollars, the average currency exchange rate, as reported by the Internal Revenue Service, during that calendar year shall be used to determine whether the applicant’s or entity’s gross income exceeds the threshold specified in § 1.29(a)(3) or (a)(4). The Internal Revenue Service reports the average currency exchange rate (Yearly Average Currency Exchange Rates) on its Internet Web site (<http://www.irs.gov/businesses/small/international/article/0,,id=206089,00.html>).

Section 1.29(d) implements the provisions of 35 U.S.C. 123(d). Section 1.29(d) provides that an applicant claiming micro entity status under 35 U.S.C. 123(d) 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. To the extent that 35 U.S.C. 123(d) (unlike 35 U.S.C. 123(a)) does not expressly require that an applicant qualify as a small entity under § 1.27, the Office is invoking its authority under 35 U.S.C. 123(e) to expressly require that a party claiming micro entity status via 35 U.S.C. 123(d) qualify as a small entity under § 1.27. The legislative history of 35 U.S.C. 123 is clear that it is directed to a subset of small entities, namely, "truly independent inventors." 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. This section of the Act defines this even smaller group—the micro-entity—that includes only truly independent inventors"). Thus, 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) would be inconsistent with the purposes of micro entity provisions of 35 U.S.C. 123. The statute and its legislative history do not, for example, contemplate a for-profit, large entity applicant becoming a "micro entity" (and thus obtaining a 75 percent discount) merely by licensing or assigning some interest (even merely a nominal or miniscule interest) to an



institution of higher education. Accordingly, the Office has determined that requiring all micro entities to qualify as small entities is reasonably necessary and appropriate to ensure that applicants who do not qualify as a small entity do not inappropriately attempt to take advantage of micro entity status.

Section 1.29(e) provides that small entity status must be asserted in compliance with § 1.27 in an application for micro entity status to be established in such application.

Section 1.29(e) further provides that micro entity status must be established in an application in which small entity status is or has previously been asserted in compliance with § 1.27 by filing a certification in writing that complies with either § 1.29(a) or § 1.29(d) and that is signed in compliance with § 1.33(b). Section 1.29(e) also contains provisions for a micro entity that correspond to the provisions of § 1.27(c)(4) for a small entity. Section 1.29(e) provides that: (1) status as a micro entity must be specifically established by an assertion in each related, continuing, and reissue application in which status is appropriate and desired; (2) status as a small or micro entity in one application or patent does not affect the status of any other application or patent, regardless of the relationship of the applications or patents; and (3) the refiling of an application under § 1.53 as a continuation, divisional, or continuation-in-part application (including a continued prosecution application under § 1.53(d)), or the filing of a reissue application, requires a new certification of entitlement to micro entity status for the continuing or reissue application.

Section 1.29(f) contains provisions for a micro entity that correspond to the provisions of § 1.27(d) for a small entity. Section 1.29(f) provides that a fee may be paid in the micro entity amount only if it is submitted with, or subsequent to, the submission of a certification of entitlement to micro entity status.

Section 1.29(g) contains provisions for a micro entity that correspond to the provisions of § 1.27(e) for a small entity. Section 1.29(g) provides that a certification of entitlement to micro entity status need only be filed once in an application or patent, that micro entity status, once established, remains in effect until changed pursuant to § 1.29(i), but a fee may be paid in the micro entity amount only if status as a micro entity as defined in § 1.29(a) or (d) is appropriate on the date the fee is being paid. Thus, while an applicant is not required to provide a certification of entitlement to micro entity status with each fee payment, the applicant must still be entitled to micro entity status to pay a fee in the micro entity amount. For micro entity status under 35 U.S.C. 123(a), the applicant must determine that each applicant still meets the conditions of 35 U.S.C. 123(a) and § 1.29(a) to claim micro entity status (e.g., that no applicant has had a change in gross income that exceeds the gross income threshold in 35 U.S.C. 123(a)(3) (a new determination must be made each year because gross income may change from year to year, and micro entity status is based upon gross income in the calendar year preceding the calendar year in which the applicable fee is being paid), that no applicant has made, or is obligated by contract or law to make, an assignment, grant, or conveyance to an entity not meeting the gross income threshold in 35 U.S.C. 123(a)(4), that no new applicant has been named in the application who does not meet the conditions specified in 35 U.S.C. 123(a) and

§ 1.29(a)). For micro entity status under 35 U.S.C. 123(d), the applicant must determine that each applicant still complies with 35 U.S.C. 123(d) and § 1.29(d) (e.g., still obtains the majority of his or her income from an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)). Section 1.29(g) also provides that where an assignment of rights or an obligation to assign rights to other parties who are micro entities occurs subsequent to the filing of a certification of entitlement to micro entity status, a second certification of entitlement to micro entity status is not required.

Section 1.29(h) contains provisions for a micro entity that correspond to the provisions of § 1.27(f) for a small entity. Section 1.29(h) provides that 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 § 1.29(a) or 1.29(d). Section 1.29(h) indicates that it should be determined that all parties holding rights in the invention qualify for micro entity status. Section 1.29(h) also indicates that the Office will generally not question certification of entitlement to micro entity status that is made in accordance with the requirements of § 1.29.

Section 1.29(i) contains provisions for a micro entity that correspond to the provisions of § 1.27(g)(2) for a small entity. Section 1.29(i) provides that notification of a loss of entitlement to micro entity status must be filed in the application or patent prior to paying, or at the time of paying, any fee after the date on which status as a micro entity as

defined in § 1.29(a) or 1.29(d) is no longer appropriate. Section 1.29(k) provides for how to make such notification of loss of micro entity status. Also, the notification that micro entity status is no longer appropriate must be signed by a party identified in § 1.33(b). Payment of a fee in other than the micro entity amount is not sufficient notification that micro entity status is no longer appropriate. Once a notification of a loss of entitlement to micro entity status is filed in the application or patent, a written assertion of small entity status under § 1.27(c)(1) is required to obtain small entity status. Applicants will be expected to pay fees in the full (other than small entity) amount if a written assertion of small entity status is not submitted with the notification of loss of entitlement to micro entity status. The written assertion of small entity status under § 1.27(c)(1) may be submitted together with the notification of a loss of entitlement to micro entity status. In addition, a new certification of entitlement to micro entity status is required to again obtain micro entity status.

Section 1.29(j) contains provisions for a micro entity that correspond to the provisions of § 1.27(h) for a small entity. Section 1.29(j) provides that any attempt to fraudulently establish status as a micro entity, or pay fees as a micro entity, shall be considered as a fraud practiced or attempted on the Office, and that establishing status as a micro entity, or paying fees as a micro entity, improperly, and with intent to deceive, shall be considered as a fraud practiced or attempted on the Office.

Section 1.29(k) contains provisions for a micro entity that correspond to the provisions of § 1.28(c) for a small entity. Section 1.28(c) permits an applicant or patentee to correct

the erroneous payment of a patent fee in the small entity amount if status as a small entity was established in good faith, and fees as a small entity were paid in good faith. See DH Tech. Inc. v. Synergystex Int'l Inc., 154 F.3d 1333 (Fed. Cir. 1998). Section 1.29(k) provides that if: (i) an applicant or patentee establishes micro entity status in an application or patent in good faith; (ii) the applicant or patentee pays fees as a micro entity in the application or patent in good faith; and (iii) applicant or patentee later discovers that such micro entity status either was established in error, or that the Office was not notified of a loss of entitlement to micro entity status as required by § 1.29(i) through error, the error will be excused upon compliance with the separate submission and itemization requirements of § 1.29(k)(1) and the deficiency payment requirement of § 1.29(k)(2).

Section 1.29(k)(1) provides that any paper submitted under § 1.29(k) must be limited to the deficiency payment (all fees paid in error) required for a single application or patent, and that where more than one application or patent is involved, separate submissions of deficiency payments (e.g., checks) and itemizations are required for each application or patent. Section 1.29(k)(1) also provides that the paper must contain an itemization of the total deficiency payment and include the following information: (1) each particular type of fee that was erroneously paid as a micro entity, (e.g., basic statutory filing fee, two-month extension of time fee) along with the current fee amount for a small or non-small entity; (2) the micro entity fee actually paid, and the date on which it was paid; (3) the deficiency owed amount (for each fee erroneously paid); and (4) the total deficiency

payment owed, which is the sum or total of the individual deficiency owed amounts as set forth in § 1.29(k)(2).

Section 1.29(k)(2) provides that the deficiency owed, resulting from the previous erroneous payment of micro entity fees, must be paid. The deficiency owed for each previous fee erroneously paid as a micro entity is the difference between the current fee amount for a small entity or other than a small entity, as applicable, on the date the deficiency is paid in full and the amount of the previous erroneous micro entity fee payment. The total deficiency payment owed is the sum of the individual deficiency owed amounts for each fee amount previously and erroneously paid as a micro entity. This corresponds to the procedure for fee deficiency payments based upon the previous erroneous payment of patent fees in the small entity amount. See § 1.28(c)(2)(i) (“[t]he deficiency owed for each previous fee erroneously paid as a small entity is the difference between the current full fee amount (for other than a small entity) on the date the deficiency is paid in full and the amount of the previous erroneous (small entity) fee payment”).

Section 1.29(k)(3) provides that if the requirements of §§ 1.29(k)(1) and (k)(2) are not complied with, such failure will either be treated at the option of the Office as an authorization for the Office to process the deficiency payment and charge the processing fee set forth in § 1.17(i), or result in a requirement for compliance within a one-month non-extendable time period under § 1.136(a) to avoid the return of the fee deficiency payment.

Section 1.29(k)(4) provides that any deficiency payment (based on a previous erroneous payment of a micro entity fee) submitted under § 1.29(k) will be treated as a notification of a loss of entitlement to micro entity status under § 1.29(i).

### **Rulemaking Considerations:**

**A. Administrative Procedure Act:** This notice proposes to amend the rules of practice in patent cases to implement the micro entity provisions of the Leahy-Smith America Invents Act. The changes being proposed in this notice do not change the substantive criteria for entitlement to micro entity status (except possibly for requiring in 37 CFR 1.29(d)(1) that an applicant claim small entity status in compliance with 37 CFR 1.27 in order to claim micro entity status; see 35 U.S.C. 123(e)), but simply specify the procedures pertaining to claiming micro entity status, paying patent fees as a micro entity, notification of loss of micro entity status, and correction of payments of patent fees paid erroneously in the micro entity amount. Therefore, these proposed changes (except as discussed previously) involve rules of agency practice and procedure and/or interpretive rules. See Bachow Commc'ns Inc. v. FCC, 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); Inova Alexandria Hosp. v. Shalala, 244 F.3d 242, 350 (4<sup>th</sup> Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive standard for reviewing claims); Nat'l Org. of Veterans' Advocates v. Sec'y of Veterans

Affairs, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive).

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C. 553(b) or (c) (or any other law), and thirty-day advance publication is not required pursuant to 5 U.S.C. 553(d) (or any other law), except possibly for the proposal to require in § 1.29(d)(1) that an applicant claim small entity status in compliance with 37 CFR 1.27 in order to claim micro entity status. See 35 U.S.C. 123(e); Cooper Techs. Co. v. Dudas, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rulemaking for “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice”) (quoting 5 U.S.C. 553(b)(A)). The Office, however, is publishing this proposal for comment as it seeks the benefit of the public’s views on the Office’s proposed implementation of the micro entity provisions of the Leahy-Smith America Invents Act.

**B. Regulatory Flexibility Act:** For the reasons set forth herein, the Deputy General Counsel for General Law of the United States Patent and Trademark Office has certified to the Chief Counsel for Advocacy of the Small Business Administration that changes proposed in this notice will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 605(b).

This notice proposes changes to the rules of practice to allow a subset of small entities – i.e., micro entities – to pay further reduced fees, namely, a seventy-five percent discount.



The notice proposes procedures pertaining to claiming micro entity status, paying patent fees as a micro entity, notification of loss of micro entity status, and correction of payments of patent fees paid erroneously in the micro entity amount. This notice does not propose to change the criteria in 35 U.S.C. 123(a) or (d) for entitlement to file a certification of micro entity status (except possibly for requiring in 37 CFR 1.29(d)(1) that an applicant claim small entity status in compliance with 37 CFR 1.27 in order to claim micro entity status; see 35 U.S.C. 123(e)). The micro entity procedures proposed in this notice track to the extent feasible the corresponding small entity procedures under 37 CFR 1.27. Thus, the burden to all entities, including small entities, imposed by these rules is no greater than those imposed by the current regulations pertaining to claiming small entity status, paying patent fees as a small entity, notification of loss of small entity status, and correction of payments of patent fees paid erroneously in the small entity amount.

Requiring that an applicant claim small entity status in compliance with 37 CFR 1.27 in order to claim micro entity status under 37 CFR 1.29(d)(1) will not have a significant economic impact on a substantial number of small entities. The Office uses the Small Business Administration business size standard for the purpose of paying reduced patent fees in 37 CFR 1.29(d)(1) as the size standard when conducting an analysis or making a certification under the Regulatory Flexibility Act for patent-related regulations. See Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations, 71 FR 67109, 67109 (Nov. 20, 2006). A small entity for purposes of the Regulatory Flexibility Act analysis is

a small entity for purposes of paying reduced patent fees. Therefore, requiring in 37 C.F.R. 1.29(d)(1) that an entity claim small entity status in compliance with 37 CFR 1.27 in order to claim micro entity status will preclude only an applicant or patentee who is a large entity (i.e., not a small entity) from claiming micro entity status.

The Office estimates that a minority percentage of small entity applications will be filed by paying micro entity fees under these proposed rules. Based upon the data in the Office's Patent Application Locating and Monitoring (PALM) system, of the approximately 2,498,000 nonprovisional patent applications (utility, plant, design, and reissue) and requests for continued examination filed in total over the last five fiscal years, small entity fees were paid in approximately 669,000 (26.8 percent). Thus, an average of approximately 500,000 nonprovisional patent applications and requests for continued examination have been filed each year for the last five fiscal years, with small entity fees being paid in approximately 134,000 of the nonprovisional patent applications and requests for continued examination filed each year.

As indicated above, this rule provides a procedure for small entities to attain a 75 percent reduction in fees as a micro entity, as provided by statute. The procedures for micro entity status track the existing procedures for small entity status. While the rule impacts the entire universe of small entity applications and patents, the rule is necessary to implementing a reduction in fees, which is entirely beneficial, and no other provision has an economic impact on the affected small entities.

**C. Executive Order 12866 (Regulatory Planning and Review):** This rulemaking has been determined to be not significant for purposes of Executive Order 12866 (Sept. 30, 1993).

**D. Executive Order 13563 (Improving Regulation and Regulatory Review):** The Office has complied with Executive Order 13563. Specifically, the Office has, to the extent feasible and applicable: (1) made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector and the public as a whole, and provided on-line access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

**E. Executive Order 13132 (Federalism):** This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

**F. Executive Order 13175 (Tribal Consultation):** This rulemaking will not: (1) have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (Nov. 6, 2000).

**G. Executive Order 13211 (Energy Effects):** This rulemaking is not a significant energy action under Executive Order 13211 because this rulemaking is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

**H. Executive Order 12988 (Civil Justice Reform):** This rulemaking meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Feb. 5, 1996).

**I. Executive Order 13045 (Protection of Children):** This rulemaking does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (Apr. 21, 1997).

**J. Executive Order 12630 (Taking of Private Property):** This rulemaking will not effect a taking of private property or otherwise have taking implications under Executive Order 12630 (Mar. 15, 1988).

**K. Congressional Review Act:** Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801 et seq.), prior to issuing any final rule, the United States Patent and Trademark Office will submit a report containing the final rule and other required information to the United States Senate, the United States House of Representatives, and the Comptroller General of the Government Accountability Office. In addition, the United States Patent and Trademark Office will inform the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate of any proposed limits under 35 U.S.C. 123(e) at least three months before any limits proposed to be implemented pursuant to 35 U.S.C. 123(e) take effect.

The changes in this notice are not expected to result in an annual effect on the economy of 100 million dollars or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets. Therefore, this notice is not expected to result in a “major rule” as defined in 5 U.S.C. 804(2).

**L. Unfunded Mandates Reform Act of 1995:** The changes set forth in this notice do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million dollars (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the

expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501 et seq.

**M. National Environmental Policy Act:** This rulemaking will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. See 42 U.S.C. 4321 et seq.

**N. National Technology Transfer and Advancement Act:** The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this rulemaking does not contain provisions which involve the use of technical standards.

**O. Paperwork Reduction Act:** The Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) requires that the Office consider the impact of paperwork and other information collection burdens imposed on the public. An applicant who wishes to claim micro entity status must submit a certification of micro entity status, preferably by using Form PTO/SB/15A (gross income basis) or Form PTO/SB/15B (institution of higher education basis). The Office of Management and Budget (OMB) has determined that, under 5 CFR 1320.3(h), Forms PTO/SB/15A and B do not collect “information” within the meaning of the Paperwork Reduction Act of 1995.

This proposed rulemaking, however, does involve information collection requirements (for fee deficiency payment based upon the previous erroneous payment of patent fees in the micro entity amount) which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549). The collection of information involved in this notice has been submitted to OMB under OMB control number 0651-00xx. The proposed collection will be available at OMB's Information Collection Review Web site ([www.reginfo.gov/public/do/PRAMain](http://www.reginfo.gov/public/do/PRAMain)).

Title of Collection: Fee Deficiency Payments.

OMB Control Number: 0651-00xx.

Needs and Uses: This information collection is necessary so that patent applicants and patentees may pay the balance of fees due (i.e., fee deficiency payment) when a fee was previously paid in error in a micro or small entity amount. The Office needs the information to be able to process and properly record a fee deficiency payment to avoid questions arising later either for the Office or for the applicant or patentees as to whether the proper fees have been paid in the application or patent.

Method of Collection: By mail, facsimile, hand delivery, or electronically to the Office.

Affected Public: Individuals or households; businesses or other for-profits; and not-for-profit institutions.

Estimated Number of Respondents: 3,000 responses per year. The basis is that the Office receives approximately 2,250 fee deficiency payments annually arising out of small entity filings. For purposes of this calculation, it was estimated that up to 750 fee deficiency payments could be made annually arising out of micro entity filings.

Estimated Time Per Response: The Office estimates that the responses in this collection will take the public 2 hours.

Estimated Total Annual Respondent Burden Hours: 6,000 hours per year.

Estimated Total Annual Respondent Cost Burden: \$2,040,000 per year.

The Office is soliciting comments to: (1) evaluate whether the proposed information requirement is necessary for the proper performance of the functions of the Office, including whether the information will have practical utility; (2) evaluate the accuracy of the Office's estimate of the burden; (3) enhance the quality, utility, and clarity of the information to be collected; and (4) minimize the burden of collecting the information on those who are to respond, including by using appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.



Please send comments on or before [Insert date 60 days after publication in the FEDERAL REGISTER] to Mail Stop Comments--Patents, Commissioner for Patents, P.O. Box 1450, Alexandria, VA, 22313-1450, marked to the attention of Raul Tamayo, Legal Advisor, Office of Patent Legal Administration, Office of the Deputy Commissioner for Patent Examination Policy. Comments should also be submitted to the Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10202, 725 17th Street, N.W., Washington, DC 20503, Attention: Desk Officer for the Patent and Trademark Office.

Notwithstanding any other provision of law, no person is required to respond to, nor shall a person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the Paperwork Reduction Act, unless that collection of information displays a currently valid OMB control number.

## **List of Subjects**

### **37 CFR Part 1**

Administrative practice and procedure, Courts, Freedom of Information, Inventions and patents, Reporting and record keeping requirements, Small Businesses.

For the reasons set forth in the preamble, 37 CFR part 1 is proposed to be amended as follows:

## **PART 1 - RULES OF PRACTICE IN PATENT CASES**

1. The authority citation for 37 CFR Part 1 continues to read as follows:

**Authority:** 35 U.S.C. 2(b)(2).

2. Section 1.29 is added to read as follows:

### **§ 1.29 Micro entity status.**

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

(1) Qualifies as a small entity as defined in § 1.27;

(2) Has not been named as an inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications under 35 U.S.C. 111(b), or international applications for which the basic national fee under 35 U.S.C. 41(a) was not paid;

(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 (26 U.S.C. 61(a)), exceeding three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census; and

(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 three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census.

(b) An applicant is not considered to be named on a previously filed application for purposes of paragraph (a)(2) of this section if the applicant has assigned, or is under an obligation by contract or law to assign, all ownership rights in the application as the result of the applicant's previous employment.

(c) If an applicant's or entity's gross income in the preceding calendar year is not in United States dollars, the average currency exchange rate, as reported by the Internal Revenue Service, during that calendar year shall be used to determine whether the applicant's or entity's gross income exceeds the threshold specified in paragraph (a)(3) or (a)(4) of this section.

(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.

(e) Small entity status must be asserted in compliance with § 1.27 in an application for micro entity status to be established in such application. Micro entity status is established in an application in which small entity status is asserted in

compliance with § 1.27 by filing a micro entity certification in writing of compliance with the requirements of either paragraph (a) or paragraph (d) of this section and is signed in compliance with § 1.33(b). Status as a micro entity must be specifically established in each related, continuing and reissue application in which status is appropriate and desired. Status as a micro entity in one application or patent does not affect the status of any other application or patent, regardless of the relationship of the applications or patents. The refiling of an application under § 1.53 as a continuation, divisional, or continuation-in-part application (including a continued prosecution application under § 1.53(d)), or the filing of a reissue application, requires a new certification of entitlement to micro entity status for the continuing or reissue application.

(f) A fee may be paid in the micro entity amount only if it is submitted with, or subsequent to, the submission of a certification of entitlement to micro entity status.

(g) A certification of entitlement to micro entity status need only be filed once in an application or patent. Micro entity status, once established, remains in effect until changed pursuant to paragraph (i) of this section, but 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. Where an assignment of rights or an obligation to assign rights to other parties who are micro entities occurs subsequent to the filing of a certification of entitlement to micro entity status, a second certification of entitlement to micro entity status is not required.

(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.

(i) Notification of a loss of entitlement to micro entity status must be filed in the application or patent prior to paying, or at the time of paying, any fee after the date on which status as a micro entity as defined in paragraph (a) or (d) of this section is no longer appropriate. The notification that micro entity status is no longer appropriate must be signed by a party identified in § 1.33(b). Payment of a fee in other than the micro entity amount is not sufficient notification that micro entity status is no longer appropriate. Once a notification of a loss of entitlement to micro entity status is filed in the application or patent, a written assertion of small entity status under § 1.27(c)(1) is required to obtain small entity status, and a new certification of entitlement to micro entity status is required to again obtain micro entity status.

(j) Any attempt to fraudulently establish status as a micro entity, or pay fees as a micro entity, shall be considered as a fraud practiced or attempted on the Office. Improperly, and with intent to deceive, establishing status as a micro entity, or paying fees as a micro entity, shall be considered as a fraud practiced or attempted on the Office.

(k) If status as a micro entity is established in good faith in an application or patent, and fees as a micro entity are paid in good faith in the application or patent, and it is later discovered that such micro entity status either was established in error, or that the Office was not notified of a loss of entitlement to micro entity status as required by paragraph (i) of this section through error, the error will be excused upon compliance

with the separate submission and itemization requirements of paragraph (k)(1) of this section and the deficiency payment requirement of paragraph (k)(2) of this section.

(1) Any paper submitted under this paragraph must be limited to the deficiency payment (all fees paid in error) required for a single application or patent. Where more than one application or patent is involved, separate submissions of deficiency payments are required for each application or patent (see § 1.4(b)). The paper must contain an itemization of the total deficiency payment for the single application or patent and include the following information:

(i) Each particular type of fee that was erroneously paid as a micro entity, (e.g., basic statutory filing fee, two-month extension of time fee) along with the current fee amount for a small or non-small entity, as applicable;

(ii) The micro entity fee actually paid, and the date on which it was paid;

(iii) The deficiency owed amount (for each fee erroneously paid); and

(iv) The total deficiency payment owed, which is the sum or total of the individual deficiency owed amounts as set forth in paragraph (k)(2) of this section.

(2) The deficiency owed, resulting from the previous erroneous payment of micro entity fees, must be paid. The deficiency owed for each previous fee erroneously paid as a micro entity is the difference between the current fee amount for a small entity or non-small entity, as applicable, on the date the deficiency is paid in full and the amount of the previous erroneous micro entity fee payment. The total deficiency payment owed is the sum of the individual deficiency owed amounts for each fee amount previously and erroneously paid as a micro entity.

(3) If the requirements of paragraphs (k)(1) and (k)(2) of this section are not complied with, such failure will either be treated at the option of the Office as an authorization for the Office to process the deficiency payment and charge the processing fee set forth in § 1.17(i), or result in a requirement for compliance within a one-month time period that is not extendable under § 1.136(a) to avoid the return of the fee deficiency payment.

(4) Any deficiency payment (based on a previous erroneous payment of a micro entity fee) submitted under this paragraph will be treated as a notification of a loss of entitlement to micro entity status under paragraph (i) of this section, but payment of a deficiency based upon the difference between the current fee amount for a small entity and the amount of the previous erroneous micro entity fee payment will not be treated as an assertion of small entity status under § 1.27(c). Once a deficiency payment is submitted under this paragraph, a written assertion of small entity status under § 1.27(c)(1) is required to obtain small entity status.

Date: May 23, 2012

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David J. Kappos  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office

[FR Doc. 2012-12971 Filed 05/29/2012 at 8:45 am; Publication Date: 05/30/2012]