

obligation.” Questions have arisen as to whether a security interest in an application or patent held by a large entity is a sufficient interest to prohibit claiming small entity status. For example, an applicant or patentee may take out a loan from a banking institution and the loan may be secured with rights in a patent application or patent of the applicant or patentee, respectively. The granting of such a security interest to the banking institution is not a currently enforceable obligation to assign, grant, convey, or license any rights in the invention to the banking institution. Only if the loan is defaulted upon will the security interest cause a transfer of rights in the application or patent to the banking institution. Thus, where the banking institution is a large entity, the applicant or patentee would not be prohibited from claiming small entity status merely because the banking institution has been granted a security interest, but if the loan is defaulted upon, there would be a loss of entitlement to small entity status. Pursuant to § 1.27(g), notification of the loss of entitlement would need to be filed in the application or patent prior to paying, or at the time of paying, the earliest of the issue fee or any maintenance fee due after the date on which small entity status is no longer appropriate. The proposed change to paragraphs (a)(1), (a)(2)(i), and (a)(3)(i) is intended to clarify that the obligation to assign, grant, convey, or license any rights in the invention must be a currently enforceable obligation and thus a security interest in an application or patent held by a large entity would not be a sufficient interest to bar entitlement to small entity status. The proposed change would not result in any change to the standards for determining entitlement to small entity status.

A few additional examples will further clarify when small entity status is or is not appropriate.

*Example 1:* On January 2, 2002, an application is filed with a written assertion of small entity status and the small entity filing fee is paid. Applicant is entitled to claim small entity status when the application is filed. Thereafter, the application is allowed and the small entity issue fee is timely paid on October 1, 2002. On October 2, 2002, applicant signs a license agreement licensing rights in the invention to a large entity. On October 1, 2002, applicant had not transferred any rights in the invention, and was under no obligation to transfer any rights in the invention, to any other party who would not qualify for small entity status. The payment of the small entity issue fee would be proper as long as the applicant was under no obligation on

October 1, 2002, to sign the license agreement with the large entity.

*Example 2:* An applicant, who would otherwise qualify for small entity status, executes an agreement with a large entity. The agreement requires the applicant to assign a patent application to the large entity sixty days after the application is filed. Thereafter, the application is filed. Since the applicant is under an existing obligation to assign the application to a large entity, applicant would not be entitled to claim small entity status. Applicant would need to pay the large entity filing fee even though the actual assignment of the application to the large entity may not occur until after the date of payment of the filing fee.

Furthermore, § 1.27 is proposed to be amended to change the period at the end of paragraph (a)(2)(i) to “; and” to clarify that paragraphs (a)(2)(i) and (a)(2)(ii) are additive requirements and a party seeking to qualify as a small business must meet both requirements as to transfer of rights and Small Business Administration requirements.

Section 1.27(a)(2)(ii) is proposed to be amended to change “[m]eets the standards set forth in 13 CFR part 121” to “[m]eets the size standards set forth in 13 CFR 121.801 through 121.805 to be eligible for reduced patent fees.”

Questions have also arisen as to whether a small business concern must have a place of business located in the United States, and operate primarily within the United States or make a significant contribution to the United States economy through the payment of taxes or use of American products, materials or labor (13 CFR 121.105) to be eligible to pay reduced patent fees under 35 U.S.C. 41(h). When the provisions of 35 U.S.C. 41(h) (Public Law 97-247, 96 Stat. 317 (1982)) were implemented in 1982, a suggestion that foreign concerns not be eligible to pay reduced patent fees under 35 U.S.C. 41(h) was considered and rejected because excluding foreign concerns would violate United States treaties in the patent area. *See Definition of Small Business for Paying Reduced Patent Fees Under Title 35, United States Code*, 47 FR 43272 (Sept. 30, 1982), 1023 *Off. Gaz. Pat. Office* 27 (Oct. 19, 1982) (final rule). Specifically, a provision that foreign concerns are not eligible to pay reduced patent fees under 35 U.S.C. 41(h) would violate Article 2 of the Paris Convention for the Protection of Industrial Property, which provides that nationals of any Paris Convention country shall, as regards the protection of industrial property, enjoy in all the other Paris Convention countries the advantages that their respective laws grant to nationals of that country. Therefore, a business concern which meets the small business requirements

set forth in 13 CFR 121.801 through 121.805 and complies with applicable Office procedures is and continues to be eligible to pay reduced patent fees under 35 U.S.C. 41(h), even if the business concern is located in or operates primarily in a foreign country.

*Section 1.47:* Section 1.47(a) and (b) are proposed to be amended to refer to the petition fee set forth in § 1.17(g) for consistency with the change to § 1.17. See discussion of § 1.17.

*Section 1.52:* Section 1.52, paragraphs (b)(1)(ii), (b)(2)(ii), (d)(1) and (e), are proposed to be amended.

Section 1.52, paragraphs (b)(1)(ii) and (d)(1) are proposed to be amended to require that the statement that the translation is accurate be signed by the individual who made the translation. The Office has received a number of inquiries as to who may sign the statement, and has decided that it is appropriate to include the requirement that the signature required is that of the translator into the rules of practice. See also the proposed amendments to §§ 1.55(a)(4), 1.69(b) and 1.78(a)(5)(iv). The requirement that the person who made the translation sign the statement that the translation is accurate is consistent with current § 3.26.

Currently, anyone, including practitioners, who would have sufficient knowledge concerning the accuracy of the translation to comply with the averments of §§ 1.4(d)(2) and 10.18 may sign the accuracy statement regarding the translation. As a result, translations are being received by the Office accompanied by statements signed by practitioners stating that the translations are believed to be accurate “based on information and belief.” Such type of qualification by a party unrelated and several parties removed from the one doing the translation does not lend itself to confidence by the Office that care has been taken with the translation.

Accordingly, the Office believes it to be appropriate to require the party doing the actual translation to make the statement of accuracy, particularly to ensure that the translator is covered by §§ 1.4(d)(2) and 10.18.

Section 1.52(b)(2)(ii) is proposed to be revised to recommend that the font size of text be at least a font size of 12, which is approximately 0.166 inches or 0.422 cm. high. Section 1.52(b)(2)(ii) currently requires that the text be in a lettering style that is at least 0.08 inches high, which is the font size set forth in Patent Cooperation Treaty (PCT) Rule 11.9. A font size of only 0.08 inches leads to difficulty in capturing text with optical character recognition technology and may not be reproducible as required by § 1.52(a)(1)(v) (and PCT Rule 11.2(a)). A