

MICRO-ENTITY STATUS FOR INSTITUTIONS OF HIGHER EDUCATION

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The America Invents Act (AIA) provides that, effective March 19, 2013, an applicant may pay certain fees at a 75 percent discount if the applicant meets certain eligibility criteria for qualifying as a "micro entity" either: 1) as an independent inventor; or 2) as affiliated with an institution of higher education. While the rules for independent inventors to qualify as micro entities are fairly straightforward, the rules for applicants affiliated with institutions of higher education need careful consideration.

Before discussing the rules for eligibility for micro-entity status, it is important to note that the AIA has broadened the definition of "applicant." Prior to the AIA, only inventors were considered to be applicants. The AIA now allows for assignees, including juristic entities, to be applicants. Therefore, universities and university-affiliated research foundations can now be named as applicants on patent applications.

Requirements for micro-entity status for applicants affiliated with institutions of higher education are provided in 35 USC §123(d). An applicant can qualify for micro-entity status by certifying that:

- Applicant's employer, from which the applicant obtains the majority of his income, is an institution of higher education, as defined in the Higher Education Act of 1965; or
- 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.

Although 35 USC §123(d) does not require an applicant to qualify as a small entity, the USPTO has adopted this additional requirement. Thus, if a technology is licensed to a large entity, micro-entity status would not be available.

In view of the above rules, we provide the following examples whereby university-developed technologies may be eligible for lower, micro-entity fees for applications filed under the AIA (after September 16, 2012).

The Inventors as Applicants

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The inventor-applicant can qualify for micro-entity status by certifying that:

1. The majority of the inventor's income is derived from an institution of higher education, or that the inventor has assigned or is under an obligation to assign rights to an institution of higher education; and
2. The inventor is entitled to small-entity status.

This option is similar to the pre-AIA situation, but differs in terms of who can sign a power of attorney. Prior to the AIA, an assignee (in this case, a university or research foundation) could execute and submit a power of attorney accompanied by an assignment of ownership rights from the inventor. This allowed the university or the research foundation to control prosecution of the application. However, the AIA requires a power of attorney to be signed by the applicant, which, in this instance, is the inventor. This complicates use of this option because it requires obtaining a power of attorney from the inventors, when, for practical purposes, prosecuting attorneys/agents would consider the university to be their client.

Another point to note is that the source of the income, or the assignee of rights, has to qualify as an institution of higher education. If the source of income or the assignee is a research foundation, micro-entity status will not be available under this option.

A Research Foundation as the Applicant

A research foundation can be named as an applicant and can qualify for micro-entity status by certifying that:

1. The research foundation has licensed or assigned, or is under an obligation to license or assign, rights to an institution of higher education; and
2. The research foundation is entitled to small-entity status.

When research foundations out-license technologies for commercial purposes, the foundations typically retain research rights for their respective universities. For many universities, there may already exist agreements for research licenses from their research foundations. If not, to make use of this option, a non-exclusive, non-royalty bearing, "research-only" license from the research foundation to the university could be executed.

A University as an Applicant

Under a plain reading of the current statute, there appears to be no provision for a university to be a micro entity if it is named as the applicant. If a university wants to be listed as the applicant, it will have to forego micro-entity status fees. It will, however, continue to be eligible for small-entity status fees.

One way to work around the language of the statute would be for a university to provide a research license to another university. However, a more practical fix to the issue is through legislative amendment of the statute.

It should be noted that micro-entity discounts are not limited to applications filed under the AIA. Thus, university-related applications filed prior to September 16, 2012, assuming they are still entitled to small-entity status, should be eligible for further reduction of fees paid or payable after March 19, 2013. Universities and research foundations may want to review their portfolio to identify pre-September 16, 2012 applications that may be eligible for micro-entity fees.