

March 28, 2013

A Little Rule With Big Implications: USPTO Implements New Fee Schedule Including a 75% Reduction in Patent Fees for Applicants Qualifying for “Micro Entity” Status

On March 19, 2013, the United States Patent and Trademark Office (USPTO) implemented a new fee schedule as authorized by the Leahy-Smith America Invents Act (Act). Among numerous changes in the fees for patent services provided by the USPTO, the new fee schedule includes a 75% reduction in fees for applicants qualifying for “micro entity” status.

Section 10(a) of the Act authorizes the Director of the USPTO to set or adjust patent fees by rulemaking, subject to certain limitations. The Act specifies that such fees may be set or adjusted only to recover the aggregate estimated cost to the USPTO of its patent operations, including administrative costs, and that individual fees may be set in a way that furthers key policy considerations.

Following a detailed review of operating costs and policy considerations, the USPTO developed the new fee schedule providing certain changes in the standard patent fees, which include: (i) increasing the initial filing, search, and examination fees for a utility application (now \$1,600 total); (ii) increasing the fees for filing a first and subsequent request for continued examination (now \$1,200 and \$1,700, respectively); (iii) decreasing the prioritized examination fee (now \$4,000); (iv) increasing, in a progressive manner, the maintenance fees for an issued patent (now \$1,600 at 3.5 years, \$3,600 at 7.5 years, and \$7,400 at 11.5 years); and decreasing the fees for various post-grant proceedings.

Moreover, in an effort to foster innovation by facilitating access to the patent system and lowering “front-end” costs for certain entities, the new fee schedule provides different fees for three classes of applicants: large entities, small entities, and micro entities. In this manner, the recently created micro entity status provided for under 35 U.S.C. § 123(a) is distinct from the existing small entity status provided for under 35 U.S.C. § 41(h)(1). According to the new fee schedule, micro entity fees are 75% less than the standard fees paid by large entities, and small entity fees remain 50% less than the standard fees.

The Act did not change the requirements for qualification as a small entity under 35 U.S.C. § 41(h)(1). In order to qualify as a small entity, an applicant must certify that the applicant is:

- An individual who has not assigned, and is under no obligation to assign, any rights in the invention to any concern that would not qualify as a small entity;
- A small business with less than 500 employees that has not assigned, and is under no obligation to assign, any rights in the invention to any concern that would not qualify as a small entity; or
- A university or nonprofit organization (domestic or foreign) that has not assigned, and is under no obligation to assign, any rights in the invention to any concern that would not qualify as a small entity.

© 2013 Sutherland Asbill & Brennan LLP. All Rights Reserved.

This communication is for general informational purposes only and is not intended to constitute legal advice or a recommended course of action in any given situation. This communication is not intended to be, and should not be, relied upon by the recipient in making decisions of a legal nature with respect to the issues discussed herein. The recipient is encouraged to consult independent counsel before making any decisions or taking any action concerning the matters in this communication. This communication does not create an attorney-client relationship between Sutherland and the recipient.

In order to qualify as a micro entity under 35 U.S.C. § 123(a), an applicant must certify that the applicant:

- Qualifies as a small entity;
- Has not been named as an inventor on more than four previously filed patent applications other than provisional applications, foreign applications, and international applications;
- Did not, in the calendar year preceding the calendar year in which the applicable fee is paid, have a gross income exceeding three times the median household income;¹ and
- Has not assigned, granted, or conveyed, and is not under an obligation 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 paid, had a gross income exceeding three times the median household income.

Section 123(d) further states that applicants employed by certain colleges and universities may qualify as micro entities, provided the applicant certifies that:

- 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
- The applicant has assigned, granted, conveyed, or is under an obligation to assign, grant, or convey, a license or other ownership interest in the application to such an institution of higher education.

Generally, qualified institutions of higher education include accredited U.S. public or nonprofit institutions that offer two- or four-year degree programs. Notably, foreign universities will not qualify for micro entity status but may qualify for small entity status. Also, it is important to note that any university that has assigned or licensed, or is under an obligation to assign or license, rights to a large entity will not qualify for micro entity or small entity status.

From a procedural standpoint, micro entity status may be established by filing a signed certification of entitlement for each application that qualifies. Although only one certification is required for each application, entitlement to micro entity status must be verified each time that a fee is paid. In contrast, once small entity status is asserted in an application, it need not be verified again until payment of the issue fee or maintenance fee. If an applicant's entitlement to micro entity status is lost, a signed notification of loss of entitlement should be filed prior to paying any additional fees.

The new USPTO fee schedule may provide some savings on patent expenses for certain entities such as U.S. colleges and universities that qualify for micro entity status and thus a reduction in fees. However, those savings may be tempered by the additional time and effort required to verify an applicant's entitlement to micro entity status each and every time fees are paid to the USPTO throughout prosecution of a patent application. In addition, large entities now face increases in various standard fees, particularly for back-end patent maintenance expenses.

¹ The Bureau of the Census reported in September 2012 that the median household income was \$50,054 in 2011. Thus, the three times threshold for qualification as a micro entity currently is \$150,162.



If you have any questions about this Legal Alert, please feel free to contact either of the attorneys listed below or the Sutherland attorney with whom you regularly work.

[Kevin W. King](#)
[James L. Cline Jr.](#)

404.853.8068
404.853.8128

kevin.king@sutherland.com
james.cline@sutherland.com