



INTELLECTUAL PROPERTY DEPARTMENT

# ALERT

## AMERICA INVENTS ACT MICRO ENTITY STATUS FOR INSTITUTIONS OF HIGHER EDUCATION

By Janet MacLeod and Christopher Kinkade

The Leahy-Smith America Invents Act (AIA) creates a new class of patent applicants designated as "micro entities" who are entitled to a 75 percent reduction in certain fees paid to the U.S. Patent and Trademark Office. The reduced fees are for filing, search, examination, issuance and appeal of applications, as well as for patent maintenance fees. Small entity status is also still available under the AIA.

Applicants may qualify as micro entities by falling within either of two groups defined by the AIA. An applicant qualifies as a micro entity in the first group if the applicant:

1. qualifies as a small entity;
2. is not named as an inventor on more than four previously filed applications;
3. does not have gross income in the previous calendar year exceeding three times the median household income; and
4. has not assigned, granted or conveyed, nor is under an obligation to assign, grant or convey, an ownership interest to an entity that had gross income in the previous calendar year exceeding three times the median household income.

An applicant can alternatively qualify for micro entity status by virtue of association with institutions of higher education. Under this second group, an applicant must certify to at least one of the following:

- The applicant's employer, from whom the majority of his or her income is obtained, is an institution of higher education as defined in the Higher Education Act of 1965; or

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

The applicants in the second group need not meet the four criteria listed above that are required of the first group of applicants. Also, in contrast to small entity status, there is no restriction on conveyances to non-small entities. Therefore, an institution of higher education that licenses its application or patent to a non-small entity continues to be entitled to micro entity status.

While prior versions of the legislation limited micro entity status to state public institutions, the AIA as passed includes public and nonprofit institutions and other higher education institutions in the U.S. as defined by the Higher Education Act.

The micro entity definition became effective on September 16, 2011, the date of enactment of the AIA. However, applicants entitled to micro entity status cannot benefit from the 75 percent fee reduction until the USPTO completes fee-setting and rule-making under the authority granted by the AIA, which could take as long as 18 months.

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