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To: micro_entity
Subject: Comments on Proposed Rule Making - Micro Entity Status

Micro Entity Definition Excludes Certain Nonprofit Organizations

Issue:

The definition of the term “micro entity” should be amended to include non-profit research organizations that award a graduate degree but do not award a bachelor’s degree.

Detailed Analysis:

As part of the America Invents Act (AIA), Congress created a new micro entity category for a subset of small entity applicants. Micro entities are allowed a seventy-five percent discount on many patent application fees. To qualify as a micro entity in an application, an applicant must meet the requirements of either 37 CFR 1.29(a) or 37 CFR 1.29(d) (Federal Register, Vol. 77, No. 104, page 31806-31814). 37 CFR 1.29(d) enables micro entity status for most, but not all, university affiliated applicants. The micro entity status can be claimed by institutions of higher education, but precludes certain nonprofit scientific or educational organizations that fail to meet the definition of an “Institute of Higher Education” under section 20 U.S.C 1001(a)(3). Applicants from scientific and educational institutes which award graduate degrees, but do not award a bachelor’s degree, do not meet the criteria for micro entity. It seems that this condition was not intended by the authors of the AIA. These nonprofit organizations function similar to the universities. Most of the research is funded by government agencies like National Institutes of Health. As such, treating the nonprofit research organizations different from the universities would be unequal treatment of the NIH-funded research community. This, in turn, might result in fewer patents from nonprofit research organizations and impede in the progress of science and useful arts funded by the NIH. We request the USPTO redefine micro entity to include educational organizations that grant only graduate degrees.

Conclusion:

The USPTO should revise the proposed rules to clarify who qualifies as a micro entity such that nonprofit research organizations which offer only graduate programs can enjoy the benefits of the new micro entity status created by the AIA. One solution would be to add language in 37 CFR 1.29(d)(2)(i) to include institutions that grant only graduate degrees and would otherwise qualify as institution of higher education under 20 U.S.C.1001(a). A second solution would be to introduce elements of the nonprofit scientific or educational organizations as was provided in the definition of small entity in 37 CFR 1.27 (a)3(ii)(C).

Non-exhaustive list of educational and research institutes that award a graduate degree, but not a Bachelor’s degree:

The Scripps Research Institute, La Jolla, CA; The Salk Institute for Biological Studies, La Jolla CA; Sanford Burnham Medical Research Institute, La Jolla CA; Fred Hutchinson Cancer Research Center, Seattle, WA; The Rockefeller University, New York NY; City of Hope, Duarte CA; Mayo Graduate School, Rochester, MN.

Appendix: Relevant Rules:

37 CFR 1.29(d) Micro entity status.

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.

Institutions of Higher education is defined in 20 U.S.C 1001(a) as

(a) Institution of higher education

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.

37 CFR 1.27 (a)3 Definition of small entities

(ii) Is either:

- (A) A university or other institution of higher education located in any country;
- (B) An organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 501(c)(3)) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a));
- (C) Any nonprofit scientific or educational organization qualified under a nonprofit organization statute of a state of this country (35 U.S.C. 201 (i)); or

(D)Any nonprofit organization located in a foreign country which would qualify as a nonprofit organization under paragraphs (a)(3)(ii)(B) of this section or (a)(3)(ii)(C) of this section if it were located in this country.

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