

# CLIENT ALERT

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## New USPTO Fee Schedule Reduces Costs for PCT Patent Filings and Small and Micro Entities

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The enactment of the *Consolidated Appropriations Act, 2023* includes the *Unleashing American Innovators Act of 2022* (UAIA), directed toward increasing innovation of small businesses and inventors in America. Congress is using the UAIA to reduce barriers to patent system entry, such as the costs associated with filing and prosecuting patent applications as well as maintaining patents. Effective December 29, 2022, discounts related to patent costs for small and micro entities increased. Additionally, and unrelated to the increases in small and micro entity discounts, fees associated with filing an international Patent Cooperation Treaty (PCT) application have also decreased, effective January 1, 2023.

### Updated Small and Micro Entity Discounts

The fees associated with filing, prosecuting, and maintaining patents financially support the U.S. Patent and Trademark Office (USPTO) so that the USPTO does not rely on taxpayer money to function. However, the fees associated with obtaining and maintaining a patent have increased significantly over the years. This can discourage independent inventors and small businesses that cannot afford these fees from obtaining patents. As patents provide a competitive edge in many markets, the patent fees can act as barriers to entry in those markets as a patent may be required to successfully compete in a particular industry.

To reduce these barriers to entry, Congress implemented discounted fee schedules for small and micro entities to reduce the financial burden on independent inventors and small businesses, thereby shifting a more significant portion of the financial burden to support the patent system to large corporations. Small and micro entity discounts were established in 1952 by the passing of Title 35 of the United States Code and have remained relatively unchanged. The enactment of the UAIA has increased the discounts for small entities from 50% to 60% and micro entities from 75% to 80%. In other words, a small entity pays 40%, and a micro entity pays only 20% of the patent fees that a large entity pays. This increase in discounts for small and micro entities further incentivizes them to participate in the patent system, whether through one or more patent application filings, additional prosecution on applications that may otherwise go abandoned, or further maintenance of patents that may otherwise lapse. See examples of utility patent application fees for each type of entity in the following table:

Utility Patent Fee Descriptions	Large Entity Fees (USD)	Small Entity Fees (USD)	Micro Entity Fees (USD)
Filing Fees			
Filing	320	128	64
Search	700	280	140
Examination	800	320	160
Prosecution Fees			
Request for Prioritized examination	4200	1680	840
Extension for response to Office Action—1st request	220	88	44
Information Disclosure Statement	260	104	52
Issue	1200	480	240
Post Issuance Fees			
First Maintenance Fee, due at 3.5 years	2000	800	400
Second Maintenance Fee, due at 7.5 years	3760	1504	752
Third Maintenance Fee, due at 11.5 years	7700	3080	1540

## Reductions in PCT Filing Fees

Starting in 2023, the USPTO has reduced various fees associated with filing a PCT application in the U.S. receiving office. In fact, filing fees were reduced by about 6.4%. These fees include the international filing fee, the supplemental fee for applications over 30 pages, and handling fees. The search fees have similarly been reduced by about 4.5%, including the search fees for designating, as the international searching authority (ISA), the USPTO, the European Patent Office (EPO), the Israel Patent Office (ILPO), IP Australia (IPAU), the IP Office of Singapore (IPOS), the Japanese Patent Office (JPO), and the Korean IP Office (KIPO). The USPTO discounts small and micro entities for the examination and search fees; however, these discounts are not available for non-US ISAs. Example fees for filing a PCT application are provided in the below table.

PCT Patent Fee Descriptions	Large Entity Fees (USD)	Small Entity Fees (USD)	Micro Entity Fees (USD)
<b>Transmittal and Handling Fees</b>			
Electronic Filing	1144	1144	1144
Handling Fee	202	202	202
<b>Preliminary Examination Fee</b>			
Preliminary Examination	640	256	128
<b>International Search Fees</b>			
USPTO	2180	872	436
EPO	1734	1734	1734
ILPO	1014	1014	1014
IPAU	1419	1419	1419
IPOS	1561	1561	1561
JPO	1167	1167	1167
KIPO	826	826	826

## Requirements to Qualify For Small and Micro Entity Status

While unchanged by the new law, the criteria for asserting small and micro entity statuses are increasingly important due to high penalties associated with an incorrect assertion of entity status, as discussed in detail below. As set out in 37 CFR 1.27 and further defined in 13 CFR 121.801-805, those that may assert **small entity** status include any of the following criteria:

(1) Any inventor or individual that the inventor has transferred some rights in the invention that has not assigned, granted, conveyed, or licensed, and is under no obligation under contract or law to assign, grant, convey, or license any rights in the invention. The inventor or individual may still assert small entity status when transferring rights in the invention to another if all parties having rights in the invention qualify for small entity status. This may include another person, a small business concern, or nonprofit organization.

(2) A small business concern that meets size requirements and, like the above, has not assigned, granted, conveyed, or licensed any rights in the invention to another who does not qualify for small entity status. To meet the size requirements, the business must not exceed 500 employees.

(3) A nonprofit organization that, similar to both the individual and small business concern, has not assigned, granted, conveyed, or licensed any rights in the invention to another who does not qualify for small entity status and that is either:

(A) a university or institution of higher education;

(B) an organization described in IRC 501(c)(3) and exempt from taxation under IRC 501(a);

(C) any nonprofit scientific or educational organization qualified under a nonprofit organization statute of a state of this country; and

(D) any nonprofit organization located in a foreign country that would qualify under section (B) or (C).

To qualify for **micro entity status** as set out in 37 CFR 1.29, the applicant must:

(1) Qualify as a small entity, as described above;

(2) Not include an applicant, inventor, or joint inventor that has been named as the inventor or joint inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications, or international applications that the national fee was not paid;

(3) Not have an application, inventor, or joint inventor, in the preceding calendar year that the fee is being paid, having a gross income exceeding three times the median household income (i.e., \$162,396 based on a median household income of \$54,132 in 2022); and

(4) Not have an application, inventor, or joint inventor that has assigned, granted, conveyed, or be under obligation to assign, grant, or convey a license or other ownership interest to an entity exceeding the income limits above.

## Penalties for False Assertion of Entity Status

Along with a reduction of costs associated with filing and maintaining a U.S. patent for small and micro entities, the UAIA ushers in new penalties for falsely asserting entity status. The new penalties affect "an entity that is found to have falsely asserted entitlement to a fee reduction," without regard for intent. (S.2773 – Unleashing American Innovators Act of 2022, Sec. 7(b)(1)). This diverges from the previous rule that allowed for assertions of small entity status in error to be excused if they were

established in good faith, along with payment of the fee deficiency. Alternatively, the new rules establish a fine for false assertions “which shall be not less than three (3) times the amount that the entity failed to pay as a result of the false assertion.” (*Id.*) The penalty will be applied “whether the Director discovers the false assertion before or after the date on which a patent has been issued.” (*Id.*) It remains to be seen how this penalty will be enforced as the rules state that the fine is at the discretion of the Director, who will likely establish rules for determining the fee amount in the near future.

The new penalty rules may lead to the practice of paying the full fees initially and thereafter requesting a refund for any overpaid fees for individuals or small businesses that did not initially declare themselves as being a small or micro entity to avoid the penalty for incorrectly asserting an incorrect entity status. Furthermore, it is even more important to timely update an entity status with the USPTO if an inventor’s or an applicant’s status changes (e.g., from a micro to a small entity or from a small to a large entity).

### Summary

The reduction in fees associated with filing, prosecuting, and maintaining U.S. patent applications and filing PCT applications should encourage individual inventors and small businesses to file (more) patent applications. However, clients and attorneys alike must be diligent in confirming that the applicant qualifies for small or micro entity status whenever discounted fees are paid, including at the time of filing, throughout prosecution, and after issuance of a patent, to avoid the harsh penalties of the new rules.

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