



## Small Entity Status in the USA

Claiming small entity status on a US application or patent provides a reduction in official fees. Most fees (e.g. basic filing fee, examination fee, search fee, etc.) are reduced by 50%, so the saving is significant. There are some risks but these may be mitigated. Where available, small entity status is attractive to many applicants.

### Entitlement

Owners of US patents or patent applications are entitled to small entity status if certain criteria are met. In particular, technology transfer organisations and start-up companies often qualify. Key criteria for entitlement are that the owner is an individual, a small business concern in which the number of employees does not exceed 500 (counting its parent company, subsidiary companies and any affiliated company), or a non-profit organisation, for example, a university.

However, the entitlement to small entity status is lost when any rights in the invention are transferred (licensed, assigned, conveyed or granted) to a party who is not entitled to small entity status, or the owner is under an obligation to so licence or assign any rights in the invention.

It is important to correctly establish whether or not the owner is entitled to small entity status, and we would be happy to advise you based on the specific circumstances of any particular application.

### Risks

There are risks associated with erroneously paying a fee at a small entity rate when not entitled. The consequences vary depending on the circumstances, but can potentially lead to the patent being unenforceable. There is a particular risk for owners who, despite being entitled to small entity status when first asserted, subsequently lose their entitlement. This occurs most commonly due to a licence of the application or patent, an increase in the number of employees, or an acquisition of a company who owns the patent. In such circumstances, there is a risk that the loss of entitlement is not noticed, resulting in a fee being erroneously paid at the small entity rate. However, these risks can be mitigated as follows.

### For more information, please contact:

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### Mitigation of risks

A good faith determination of entitlement to small entity status must be made when small entity status is first asserted, which may be at the time of filing a US application or subsequently. We can help you with this determination. If entitlement is erroneously asserted, there is a process for remedying this when the error is discovered, provided that the initial determination was made in good faith.

If the entitlement was valid when small entity status was first asserted, fees may properly be paid at the reduced rate up until payment of the issue fee, without regard to whether the entitlement has changed in the meantime. But a new good faith determination of entitlement to small entity status must be made after receipt of a Notice of Allowance, before paying the issue fee. If there has been any change which might affect the entitlement on a particular application, please let us know at this time.

After issue of a patent, it is also important to make a good faith determination of entitlement to small entity status when maintenance fees (renewal fees) are paid. Therefore, if there is any change which might affect the entitlement at the time of paying maintenance fees, you should inform your renewals service.

### Micro-entity status

Additional reductions of fees may be obtained by owners who are entitled to micro-entity status. However, the criteria for micro-entity status are more stringent and more complicated than for small entity status, including criteria based on gross income and a requirement that the applicant is not named on more than four previously filed applications. Therefore, it is generally much less cost effective to claim micro-entity status.

### Equivalent provisions in other countries

Some other countries, e.g. Canada, also have small entity status but compared to the US they are not commonly considered worthwhile, due to lesser fee reductions, more stringent requirements and/or worse penalties for error.

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