

Interagency Working Group on Technology Transfer (IAWGTT) Consolidated Response to Notice of Proposed Rulemaking by the U.S. Patent and Trademark Office (Office) on “Changes to Implement Micro Entity Status for Paying Patent Fees” (Federal Register May 30, 2012).

Published Summary

The United States Patent and Trademark Office (Office) is proposing to amend the rules of practice in patent cases to implement the micro entity provision of the America Invents Act (AIA). Certain patent fees set or adjusted under the fee setting authority in the AIA will be reduced by seventy-five percent for micro entities. The Office is proposing changes to the rules of practice to set out the procedures pertaining to claiming micro entity status, paying patent fees as a micro entity, notification of loss of micro entity status (MES), and correction of payments of patent fees paid erroneously in the micro entity amount. In a separate rulemaking, the Office is in the process of proposing to set or adjust patent fees under the AIA, including setting fees for micro entities with a seventy-five percent reduction.

Micro Entity

35 U.S.C. 123(a) provides that the term “micro entity” means an applicant who makes a certification that the applicant: (1) Qualifies as a small entity as defined in 37 CFR 1.27; (2) has not been named as an inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications under 35 U.S.C. 111(b), or international applications for which the basic national fee under 35 U.S.C. 41(a) was not paid; (3) did not, in the calendar year preceding the calendar year in which the applicable fee is being paid, have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986 (26 U.S.C. 61(a)), exceeding three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census; and (4) has not assigned, granted, or conveyed, and is not under an obligation by contract or law 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 being paid, had a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census. *See* 125 Stat. at 318. 35 U.S.C. 123(a) provides one basis under which an applicant may establish micro entity status. 35 U.S.C. 123(d) (discussed subsequently) provides another basis under which an applicant may establish micro entity status.

35 U.S.C. 123(d) provides that a micro entity shall also include an applicant who certifies that: (1) 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 (2) 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.

Federal Laboratory Technology Transfer Initiatives and Legislation

On October 28, 2011 the President issued a Memorandum (attachment 1) directing Agencies with Federal laboratories “to improve the results from its technology transfer and commercialization activities. The aim is to increase the successful outcomes of these activities significantly over the next 5 years, while simultaneously achieving excellence in our basic and mission focused research activities.” The memorandum requested that

- Agencies with Federal laboratories develop plans that establish performance goals to increase the number and pace of effective technology transfer and commercialization activities in partnership with nonfederal entities, including private firms, research organizations, and nonprofit entities.
- The Interagency Workgroup on Technology Transfer, established pursuant to Executive Order 12591 of April 10, 1987, shall recommend to the Department of Commerce opportunities for improving technology transfer from Federal laboratories.
- Agencies with Federal laboratories shall review their (patent) licensing procedures and practices for establishing CRADAs (Cooperative Research and Development Agreements) with the goal of reducing the time required to license their technologies and establish CRADAs to the maximum practicable extent.

The Memorandum is the latest example of Executive and Legislative Branch interest in encouraging and requiring Federal laboratories to collaborate with the full range of public and private organizations, but especially small companies and non-profit institutions, in jointly developing and transferring the results of their research. (Ref. Stevenson-Wydler Technology Innovation Act of 1980 as amended; Bayh-Dole Act of 1980, as amended, Federal Technology Transfer Act of 1986, as amended, The National Technology Transfer Act of 1995, the Technology Transfer Commercialization Act of 2000).

Federal Laboratory Research Relationships with SES, MES and Academic Organizations.

Small Entity Status (SES), and MES, academic organizations are integral components of the research, development, and technology transfer environments of federal laboratories. The Federal laboratory enterprise depends on these institutions to accomplish their missions.

By the same token, SES and MES organizations are highly dependent on the basic research developed by Federal laboratories and academic institutions. So much so, that much of the intellectual property key to driving the economic engine of U.S. industry is increasingly acquired from or jointly developed with Federal laboratories and academic institutions.

A few examples:

- Much research conducted by the Veteran’s Administration (VA) takes place through joint VA-academic faculty appointments and collaborations. The resulting intellectual property is jointly owned, with the academic institution frequently taking the lead on patent protection and licensing.
- Much of the research conducted by the Agricultural Research Service (ARS) is conducted by ARS employees co-located with their academic colleagues on university campuses.

Again, the resulting intellectual property is frequently co-owned, with one party taking the lead on patenting a licensing.

- Much of the research conducted by the National Institute of Standards and Technology (NIST) takes place in joint NIST-academic Institutes or in collaboration with academic guest researchers located on the NIST campuses. Over half of all NIST invention disclosures have at least one academic co-inventor, with co-inventors from two or more non-NIST institutions common. As in the above examples, subsequent patenting, licensing, and technology transfer require close cooperation between the parties.

Additional examples from Department of Defense, the National Institutes of Health, Environmental Protection Agency, NASA, etc. abound. The main point is that the distinction between Federal research supported in academic institutions and that taking place in federal laboratories is very often quite blurry.

This relationship has profound impact on the procedures for establishing MES (or the SES predecessor) because having a federal co-inventor on patent application essentially “poisons” the MES or SES status for the non-Federal entity. Faced with losing their “favored” status there is evidence that academic institutions are increasingly reluctant to acknowledge the contributions of Federal laboratory colleagues in joint inventions, much more reluctant to take the lead on seeking patent protections when federal co-ownership is involved, and even shying away from collaborating with Federal research colleagues in the first place. Small companies, on the other hand, sometimes just ignore the requirement to pay large entity fees when co-inventing with Federal laboratories or licensing Federal-owned inventions. The bottom line is that allowing federal laboratory involvement in intellectual property to “poison” MES or SES status is counter to the efforts by the Executive and Legislative branches to leverage the intellectual resources of academia, business, and federal laboratories to the advantage of the national economy.

Recommendations

1. Rules established by the PTO implementing MES should not penalize MES entities for inventions co-owned with Government research laboratories by rescinding MES status in such cases.
2. Rules established by the PTO implementing SES should not penalize SES entities for inventions co-owned with Government research laboratories by rescinding SES status in such cases.
3. Patent applications on inventions made solely or jointly by Federal laboratories should be “classified” in the same manner as those made by academic research laboratories – i.e. MES or SES, as appropriate.

Attachment 1

Presidential Memorandum -- Accelerating Technology Transfer and Commercialization of Federal Research in Support of High-Growth Businesses

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES
SUBJECT: Accelerating Technology Transfer and Commercialization of Federal Research in Support of High Growth Businesses

Section 1. Policy. Innovation fuels economic growth, the creation of new industries, companies, jobs, products and services, and the global competitiveness of U.S. industries. One driver of successful innovation is technology transfer, in which the private sector adapts Federal research for use in the marketplace. One of the goals of my Administration's "Startup America" initiative, which supports high growth entrepreneurship, is to foster innovation by increasing the rate of technology transfer and the economic and societal impact from Federal research and development (R&D) investments. This will be accomplished by committing each executive department and agency (agency) that conducts R&D to improve the results from its technology transfer and commercialization activities. The aim is to increase the successful outcomes of these activities significantly over the next 5 years, while simultaneously achieving excellence in our basic and mission focused research activities.

I direct that the following actions be taken to establish goals and measure performance, streamline administrative processes, and facilitate local and regional partnerships in order to accelerate technology transfer and support private sector commercialization.

Sec. 2. Establish Goals and Measure Progress. Establishing performance goals, metrics, and evaluation methods, as well as implementing and tracking progress relative to those goals, is critical to improving the returns from Federal R&D investments. Therefore, I direct that:

(a) Agencies with Federal laboratories shall develop plans that establish performance goals to increase the number and pace of effective technology transfer and commercialization activities in partnership with non federal entities, including private firms, research organizations, and non profit entities. These plans shall cover the 5 year period from 2013 through 2017 and shall contain goals, metrics, and methods to evaluate progress relative to the performance goals. These goals, metrics, and evaluation methods may vary by agency as appropriate to that agency's mission and types of research activities, and may include the number and quality of, among other things, invention disclosures, licenses issued on existing patents, Cooperative Research and Development Agreements (CRADAs), industry partnerships, new products, and successful self sustaining spinoff companies created for such products. Within 180 days of the date of this memorandum, these plans shall be submitted to the Office of Management and Budget (OMB) which, in consultation with the Office of Science and Technology Policy (OSTP) and the Department of Commerce, shall review and monitor implementation of the plans.

(b) The Interagency Workgroup on Technology Transfer, established pursuant to Executive Order 12591 of April 10, 1987, shall recommend to the Department of Commerce opportunities for improving technology transfer from Federal laboratories, including: (i) current technology transfer programs and standards for assessing the effectiveness of these programs; (ii) new or creative approaches to technology transfer that might serve as model programs for Federal laboratories; (iii) criteria to assess the effectiveness and impact on the Nation's economy of

planned or future technology transfer efforts; and (iv) an assessment of cooperative research and development venture programs.

(c) The Secretary of Commerce, in consultation with other agencies, including the National Center for Science and Engineering Statistics, shall improve and expand, where appropriate, its collection of metrics in the Department of Commerce's annual technology transfer summary report, submitted pursuant to 15 U.S.C. 3710(g)(2).

(d) The heads of agencies with Federal laboratories are encouraged to include technology transfer efforts in overall laboratory evaluation.

Sec. 3. Streamline the Federal Government's Technology Transfer and Commercialization Process. Streamlining licensing procedures, improving public availability of federally owned inventions from across the Federal Government, and improving the executive branch's Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs based on best practices will accelerate technology transfer from Federal laboratories and other facilities and spur entrepreneurship. Some agencies have already implemented administrative changes to their SBIR and STTR programs on a pilot basis and achieved significant results, such as reducing award times by 50 percent or more. Over the past year, some agencies have also initiated pilot programs to streamline the SBIR award timeline and licensing process for small businesses. In addition, some agencies have developed new short term exclusive license agreements for startups to facilitate licensing of inventions to small companies. Therefore:

(a) Agencies with Federal laboratories shall review their licensing procedures and practices for establishing CRADAs with the goal of reducing the time required to license their technologies and establish CRADAs to the maximum practicable extent.

(b) The Federal Chief Information Officer and the Assistant to the President and Chief Technology Officer shall, in coordination with other agencies: (i) list all publicly available federally owned inventions and, when available, licensing agreements on a public Government database; (ii) develop strategies to increase the usefulness and accessibility of this data, such as competitions, awards or prizes; and (iii) report their initial progress to OMB and OSTP within 180 days of the date of this memorandum.

(c) The heads of agencies participating in the SBIR and STTR programs shall implement administrative practices that reduce the time from grant application to award by the maximum practicable extent; publish performance timelines to increase transparency and accountability; explore award flexibility to encourage high quality submissions; engage private sector scientists and engineers in reviewing grant proposals; encourage private sector co investment in SBIR grantees; partner with external organizations such as mentoring programs, university proof of concept centers, and regional innovation clusters; and track scientific and economic outcomes. The OMB, OSTP, and the Small Business Administration shall work with agencies to facilitate, to the extent practicable, a common reporting of these performance measures.

Sec. 4. Facilitate Commercialization through Local and Regional Partnerships. Agencies must take steps to enhance successful technology innovation networks by fostering increased Federal laboratory engagement with external partners, including universities, industry consortia, economic development entities, and State and local governments. Accordingly:

(a) I encourage agencies with Federal laboratories to collaborate, consistent with their missions and authorities, with external partners to share the expertise of Federal laboratories with

businesses and to participate in regional technology innovation clusters that are in place across the country.

(b) I encourage agencies, where appropriate and in accordance with OMB Circular A 11, to use existing authorities, such as Enhanced Use Leasing or Facility Use Agreements, to locate applied research and business support programs, such as incubators and research parks, on or near Federal laboratories and other research facilities to further technology transfer and commercialization.

(c) I encourage agencies with Federal laboratories and other research facilities to engage in public-private partnerships in those technical areas of importance to the agency's mission with external partners to strengthen the commercialization activities in their local region.

Sec. 5. General Provisions. (a) For purposes of this memorandum, the term "Federal laboratories" shall have the meaning set forth for that term in 15 U.S.C. 3703(4).

(b) This memorandum shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) Nothing in this memorandum shall be construed to impair or otherwise affect the functions of the Director of OMB relating to budgetary, administrative, and legislative proposals.

(d) Independent agencies are strongly encouraged to comply with this memorandum.

(e) This memorandum is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

BARACK OBAMA