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## Special Report March 2003

### CANADIAN PATENT PRACTICE UPDATE: SMALL ENTITY STATUS

*This month the Federal Court of Appeal held that the eligibility of applicants for Canadian patent to claim small-entity status is to be determined once and for all at the time of filing of the application. If the applicant so qualifies, small-entity status is preserved for the duration of the application and any ensuing patent, regardless of whether the applicant (or any subsequent owner) later loses eligibility to claim small-entity status. Small-entity status may not be claimed later. It is thus critically important to assess the eligibility of applicants for small entity status at the time of filing a Canadian patent application. The former practice of assessing small- entity status each time an official fee is paid no longer applies. The Commissioner is not permitted to accept "top-up" fee payments retroactively. If maintenance fees have been improperly paid on the basis of an improper small-entity claim, the mistake cannot be remedied; any ensuing patent will be invalid. Since applicants may not properly understand the Canadian rules on small-entity status and may mistakenly claim such status, we recommend that no applicant should take the risk of claiming small-entity status, and that all official fees should be paid at the large-entity scale.*

Prior to the 2001 decision of the Trial Division of the Federal Court in *Dutch Industries v. Commissioner*, the Patent Office routinely accepted retroactive "topping up" payments when an applicant or patentee discovered that official fees had been erroneously paid on a small-entity basis. In *Dutch Industries*, the Trial Division held that the Commissioner is precluded from extending the deadline for the payment of a maintenance fee, and that the Commissioner thus lacks the authority to permit a deficient maintenance fee to be "topped up" after the date on which the fee was due.

The foregoing ruling was upheld by the Federal Court of Appeal this month, but with an interesting twist. In analyzing the *Patent Act* and *Patent Rules*, the Court concluded that an applicant who meets the definition of "small entity" when applying for a patent, continues to be entitled to pay fees as a small entity as long as the application is pending, and as long as any resultant patent remains in effect. (Prior to this ruling, it had generally been presumed that an applicant's eligibility to pay official fees as a small entity was to be assessed each time an official fee came due.)

The practical consequence is that unless an applicant who claims small-entity status when filing a Canadian patent application satisfies the small-entity definition at the time of filing, it will not be possible to remedy the error except by refileing the application (which, to be valid, must occur within one year of public disclosure of the invention), or petitioning the Commissioner to backdate a late fees payment pursuant to §28(2) of the Act - a risky procedure. We accordingly recommend against ever claiming small-entity status.

To remind you, a small entity under Canadian practice is either a university or an entity that employs 50 or fewer employees, provided that the claimant has not transferred or licensed, nor is under a contractual or other legal obligation to transfer or license, any right in the invention to an entity that does not qualify for small-entity status.