

New Canadian Legislation of Patent Act, Section 78.6 (Small Entity Fee Payment)

In accordance with the Canadian Patents Law, any fee paid to the Canadian Intellectual Property Office in connection with a patent (or patent application) on a small entity basis, where small entity status could not validly be claimed, will result in the patent or patent application being declared invalid (or abandoned). The Law specifically stipulates the term “Small entity”, which means an entity that employs 50 or fewer employees or that is a university, but does not include an entity that

- a) has transferred or licensed, or is under a contractual or other legal obligation to transfer or license, any right in the invention to an entity, other than a university, that employs more than 50 employees, or
- b) has transferred or licensed, or is under a contractual or other legal obligation to transfer or license, any right in the invention to an entity that employs 50 or fewer employees or that is a university, and has knowledge of any subsequent transfer or license of, or of any subsisting contractual or other legal obligation to transfer or license, any right in the invention to an entity, other than a university, that employs more than 50 employees.

In general practice, the Canadian Intellectual Property Office accept “top-up” payments for the difference between the small and large entity fees, at any time during the life of an application or patent, if a payment was found to have been incorrectly paid at small entity rate.

Recently, as a result of the decision of the Canadian Federal Court of Appeal in the case of Dutch Industries v. Barton No-Till Disk, Inc. and Flex-Coil Ltd., a new legislation of the Patent Act, Section 78.6 in relation to the small entity fee payment, has come into force on **1 February 2006**.

The Court held that it is improper to accept “top-up” payments at any time during the life of an application or patent. However, if corrective payment has been made previously, the possibility of invalidity declaration of the basis of such payments shall be removed.

For those of the large entities have paid the fees on the small entity basis, the new legislation also provides a one-time short window within the twelve months period. If the “top-up” payment is failed to be made by **1 February 2007**, i.e. the end of the one-year period, the patent rights will be lost irrecoverably.

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