

## ***CANADIAN PATENT SMALL ENTITY FEE REDUCTION***

In Canada an applicant/patentee is entitled to pay small entity fees **only** if:

1. **in the case of regular non-PCT filed applications**, on the Canadian filing date, *the applicant originally identified in the petition* qualified as a small entity; or
2. **in the case of PCT applications**, on the date of national entry, *the applicant who effected national entry in Canada* qualified as a small entity:

Canadian Patent Rule 3.01(3) defines a “small entity” as:

“small entity”, in respect of an invention, means an entity that employs 50 or fewer employees or that is a university, but does not include an entity that:

- (a) is controlled directly or indirectly by an entity, other than a university, that employs more than 50 employees; or
- (b) has transferred or licensed or has an obligation, other than a contingent obligation, to transfer or license any right in the invention to an entity, other than a university, that employs more than 50 employees.

The applicant/patentee must also provide a statement confirming small entity entitlement under the revised definition.

A subsequent patent/application owner who meets the small entity criteria is not entitled to pay small entity fees, unless the *original applicant* at the time of filing (non-PCT cases) or national entry (PCT cases) was also entitled to small entity status. As such, if a patent/application is reassigned from a large entity to a small entity, the subsequent patent owner must continue to pay standard large entity fees throughout the life of the patent.

Under the *Patent Rules* the Commissioner may extend the time period to pay corrective standard large entity fees for most small entity fees improperly paid after June 2, 2007, provided (a) the applicant/patentee establishes that the small entity fee was paid in good faith; and (b) corrective standard fees are submitted without undue delay upon becoming aware of the incorrect fee payment. Most small entity fees improperly paid prior to June 2, 2007 may no longer be corrected.

**We continue to recommend against claiming small entity status in Canada, even if the applicant believes it may properly do so.** Ambiguities remain regarding the applicable small entity criteria which have yet to be considered by the Court. Contingencies which may possibly be construed as denying small entity entitlement include:

- whether part-time employees, employees of affiliate companies, or employees on leave are to be included in assessing the number of employees of an applicant; or
- whether by specific wording, a grant of a general security agreement will be considered a “contingent obligation” or an actual “obligation of transfer” rights; or
- in the case of software, whether the commercial sale of software licences to a large entity purchaser constitutes a transfer of rights in the invention.

In addition, it is unclear how strictly the Commissioner will assess what constitutes a “good faith” incorrect small entity fee payment, or what constitutes “undue delay”, so as to possibly disentitle acceptance of corrective standard fees.

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