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Federal Court Reports

Dutch Industries Ltd. v. Canada (Commissioner of Patents) (C.A.) [2003] 4 F.C. 67

Date: 20030307

Docket: A-573-01

A-574-01

Neutral citation: 2003 FCA 121

CORAM: ROTHSTEIN J.A.

SHARLOW J.A.

MALONE J.A.

BETWEEN:

BARTON NO-TILL DISK INC. AND FLEXI-COIL LTD.

Appellants

- and -

DUTCH INDUSTRIES LTD. and

THE COMMISSIONER OF PATENTS

Respondents

- and -

INTELLECTUAL PROPERTY INSTITUTE OF CANADA /

INSTITUT DE LA PROPRIÉTÉ INTELLECTUELLE DU CANADA (IPIC)

Intervener

Heard at Ottawa, Ontario, December 4, 2002

Judgment delivered at Ottawa, March 7, 2003

REASONS FOR JUDGMENT BY:

Sharlow J.A.

CONCURRED IN BY:

Rothstein J.A.

Malone J.A.

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REASONS FOR JUDGMENT

Sharlow j.a.

[1] Under the *Patent Act*, R.S.C. 1985, C. P-4, and the *Patent Rules*, SOR/96-423, a patent applicant or patentee must pay prescribed amounts, called "maintenance fees" at specified times in order to keep the application or patent in good standing. Maintenance fees are less for a "small entity" (a term defined

in the *Patent Rules*) than a "large entity". The term "large entity", which is not defined in the *Patent Act* or the *Patent Rules*, is used to refer to an entity that does not meet the definition of "small entity".

[2] According to Patent Rule 4(6), no refund may be paid to a "small entity" that pays a fee applicable to a "large entity". However, the *Patent Rules* say nothing about what happens when a "large entity" pays a fee applicable to a "small entity". Prior to the decision that is the subject of this appeal (now reported as *Dutch Industries Ltd. v. Canada (Commissioner of Patents) (T.D.)*, [2002] 1 F.C. 325, (2001) 209 F.T.R. 260, (2001) 14 C.P.R. (4th) 499), it was the practice of the Commissioner of Patents to permit such deficiencies to be cured by "top-up" payments. It apparently did not matter when such top-up payments were made. Top-up payments were received even after the deadline for the payment of the fee and the deadline for any corrective measures permitted by the *Patent Rules*.

[3] The decision under appeal quashed the Commissioners' decision to accept the top-up payments in this case because there is no statutory authority to accept them. The facts are stated more fully below, but in summary, the immediate consequence of the decision is that the statutory conditions for the issuance of Canadian Patent No. 2,121,388 (the 388 patent) were never met, and Canadian Patent Application No. 2,146,904 (the 904 application) was deemed abandoned on April 12, 1997 and cannot now be reinstated.

[4] In the context of the administration of the Patent Office, the likely consequence of the decision under appeal is that no patent applicant or patent holder will dare to pay any fee on the "small entity" scale, because any error in the determination of small entity status could lead to the loss of all rights under the patent application and any resulting patent, unless the error is discovered and corrected within the statutory time limits for late fee payments. The Commissioner apparently disclaims any obligation to guard against or discover such errors.

Statutory provisions

[5] The statutory regime for the payment of fees is surprisingly complex, especially considering the relatively modest sums involved for a single patent. The complexity is enhanced in this case because some of the facts relate to pre-1996 provisions. The relevant provisions of the current version of the *Patent Act* are as follows:

2. In this Act, except as otherwise provided,

"**applicant**" includes an inventor and the legal representatives of an applicant or inventor; ...

"**patentee**" means the person for the time being entitled to the benefit of a patent; ...

"**prescribed**" means prescribed by rules or regulations of the Governor in Council and, in the case of a fee, includes a fee determined in the manner prescribed; ...

12. (1) The Governor in Council may make rules or regulations ...
(e) prescribing the fees or the manner of

2. Sauf disposition contraire, les définitions qui suivent s'appliquent à la présente loi.

« **demandeur** » Sont assimilés à un demandeur un inventeur et les représentants légaux d'un demandeur ou d'un inventeur. ...

« **breveté** » ou « titulaire d'un brevet » Le titulaire ayant pour le moment droit à l'avantage d'un brevet.

...

« **règlementaire** » Prescrit par règle ou règlement du gouverneur en conseil; dans le cas où le terme qualifie une taxe, s'entend en outre d'une taxe dont le montant est déterminé selon les modalités réglementaires. ...

12. (1) Le gouverneur en conseil peut, par règle ou règlement: ...
e) prescrire les taxes qui peuvent être levées pour le

determining the fees that may be charged in respect of the filing of applications for patents ...

(f) prescribing the fees or the manner of determining the fees that shall be paid to maintain in effect an application for a patent or to maintain the rights accorded by a patent;

(g) respecting the payment of any prescribed fees including the time when and the manner in which such fees shall be paid, the additional fees that may be charged for the late payment of such fees and the circumstances in which any fees previously paid may be refunded in whole or in part; ...

f) prescrire les taxes à payer pour le maintien en état des demandes de brevet ainsi que des droits conférés par les brevets ou les modalités de leur détermination;

g) prévoir le paiement des taxes réglementaires, y compris le moment et la manière selon laquelle ces taxes doivent être payées, les surtaxes qui peuvent être levées pour les paiements en souffrance, ainsi que les circonstances dans lesquelles les taxes peuvent être remboursées en tout ou en partie; ...

27. (1) The Commissioner shall grant a patent for an invention to the inventor or the inventor's legal representative if an application for the patent in Canada is filed in accordance with this Act and all other requirements for the issuance of a patent under this Act are met.

(2) The prescribed application fee must be paid and the application must be filed in accordance with the regulations by the inventor or the inventor's legal representative and the application must contain a petition and a specification of the invention. ...

27. (1) Le commissaire accorde un brevet d'invention à l'inventeur ou à son représentant légal si la demande de brevet est déposée conformément à la présente loi et si les autres conditions de celle-ci sont remplies.

(2) L'inventeur ou son représentant légal doit déposer, en la forme réglementaire, une demande accompagnée d'une pétition et du mémoire descriptif de l'invention et payer les taxes réglementaires. ...

27.1 (1) An applicant for a patent shall, to maintain the application in effect, pay to the Commissioner such fees, in respect of such periods, as may be prescribed. ...

27.1 (1) Le demandeur est tenu de payer au commissaire, afin de maintenir sa demande en état, les taxes réglementaires pour chaque période réglementaire. ...

28. (1) The filing date of an application for a patent in Canada is the date on which the Commissioner receives the documents, information and fees prescribed for the purposes of this section or, if they are received on different dates, the last date.

(2) The Commissioner may, for the purposes of this section, deem prescribed fees to have been received on a date earlier than the date of their receipt if the Commissioner considers it just to do so. ...

28. (1) La date de dépôt d'une demande de brevet est la date à laquelle le commissaire reçoit les documents, renseignements et taxes réglementaires prévus pour l'application du présent article. S'ils sont reçus à des dates différentes, il s'agit de la dernière d'entre elles.

(2) Pour l'application du paragraphe (1), le commissaire peut, s'il estime que cela est équitable, fixer une date de réception des taxes antérieure à celle à laquelle elles ont été reçues. ...

46. (1) A patentee of a patent issued by the Patent Office under this Act after the coming into force of this section shall, to maintain the rights accorded by the patent, pay to the Commissioner such fees, in respect of such periods, as may be prescribed.

(2) Where the fees payable under subsection (1) are not paid within the time provided by the regulations, the term limited for the duration of the

46. (1) Le titulaire d'un brevet délivré par le Bureau des brevets conformément à la présente loi après l'entrée en vigueur du présent article est tenu de payer au commissaire, afin de maintenir les droits conférés par le brevet en état, les taxes réglementaires pour chaque période réglementaire.

(2) En cas de non-paiement dans le délai réglementaire des taxes réglementaires, le brevet est périmé. ...

patent shall be deemed to have expired at the end of that time. ...

73. (1) An application for a patent in Canada shall be deemed to be abandoned if the applicant does not ...

(c) pay the fees payable under section 27.1, within the time provided by the regulations; ...

(3) An application deemed to be abandoned under this section shall be reinstated if the applicant

(a) makes a request for reinstatement to the Commissioner within the prescribed period;

(b) takes the action that should have been taken in order to avoid the abandonment; and

(c) pays the prescribed fee before the expiration of the prescribed period.

73. (1) La demande de brevet est considérée comme abandonnée si le demandeur omet, selon le cas_: ...

c) de payer, dans le délai réglementaire, les taxes visées à l'article 27.1; ...

(3) Elle peut être rétablie si le demandeur_:

a) présente au commissaire, dans le délai réglementaire, une requête à cet effet;

b) prend les mesures qui s'imposaient pour éviter l'abandon;

c) paie les taxes réglementaires avant l'expiration de la période réglementaire.

[6] These provisions reflect numerous amendments, including amendments made in S.C. 1993, c. 15, which came into force on October 1, 1996. That was after the filing of the patent applications that are the subject of this appeal. None of the October 1, 1996 amendments affect the issues to be addressed in this case. It is, however, useful to note that among the October 1, 1996 amendments was the repeal of former subsections 27.1(2) and (3), the substance of which is now found in section 73.

[7] The relevant provisions of the current *Patent Rules* are as follows:

2. In these Rules,

"**application**" means, except as otherwise provided by these Rules, an application for a patent; (demande) ...

"**period of grace**" means a period of grace within the meaning of Article 5bis(1) of the *Paris Convention for the Protection of Industrial Property*, made on March 20, 1883 and any amendments and revisions to which Canada is a party. (délai de grâce) ...

"**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) 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

2. Les définitions qui suivent s'appliquent aux présentes règles.

« **demande** » Sauf disposition contraire des présentes règles, demande de brevet. (application) ...

« **délai de grâce** » S'entend au sens de l'article 5bis (1) de la *Convention de Paris pour la protection de la propriété industrielle*, intervenue le 20 mars 1883, et toutes ses modifications et révisions auxquelles le Canada est partie. (period of grace) ...

« **petite entité** » À l'égard d'une invention, l'entité dotée d'au plus 50 employés ou une université. La présente définition exclut les entités suivantes :

a) celle qui a transféré un droit sur l'invention ou octroyé une licence à l'égard de ce droit à une entité dotée de plus de 50 employés qui n'est pas une université, ou qui est tenue de le faire par contrat ou toute autre obligation légale;

b) celle qui a transféré un droit sur l'invention ou octroyé une licence à l'égard de ce droit à une entité dotée d'au plus 50 employés ou à une université, ou

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; (petite entité) ...

qui est tenue de le faire par contrat ou toute autre obligation légale, et qui est au courant du transfert futur d'un droit sur l'invention ou de l'octroi futur d'une licence à l'égard de ce droit à une entité dotée de plus de 50 employés qui n'est pas une université, ou de l'existence d'un contrat ou d'une autre obligation légale prévoyant le transfert d'un tel droit ou l'octroi d'une telle licence à cette dernière. (small entity) ...

PART I

PARTIE I

RULES OF GENERAL APPLICATION

RÈGLES D'APPLICATION GÉNÉRALE

Fees

Taxes

...

4. (1) The Commissioner shall, upon request, refund fees in accordance with subsections (2) to (15). ...

...

4. (1) Le commissaire effectue, sur demande, le remboursement des taxes versées, selon les modalités prévues aux paragraphes (2) à (15). ...

(6) Where a fee is paid by an applicant or a patentee on the basis that it is not a small entity, no refund shall be made solely for the reason that it is later determined that it was at the time of payment a small entity. ...

(6) Si le demandeur ou le breveté verse une taxe en tant qu'entité autre qu'une petite entité, aucun remboursement n'est effectué au seul motif qu'il est décidé par la suite qu'il était une petite entité au moment du versement. ...

Time

Délais

26. (1) Subject to subsection (2) and any other provision of these Rules, except in respect of Part V, the Commissioner is authorized to extend the time fixed by these Rules or by the Commissioner under the Act for doing anything, subject to both the extension being applied for and the fee set out in item 22 of Schedule II being paid before the expiry of that time, where the Commissioner is satisfied that the circumstances justify the extension. ...

26. (1) Sous réserve du paragraphe (2) et des autres dispositions des présentes règles, sauf pour l'application de la partie V, le commissaire est autorisé à proroger tout délai prévu aux présentes règles ou fixé par lui en vertu de la Loi pour l'accomplissement d'un acte, s'il est convaincu que les circonstances le justifient et si, avant l'expiration du délai, la prorogation a été demandée et la taxe prévue à l'article 22 de l'annexe II a été versée. ...

PART IV

PARTIE IV

APPLICATIONS FILED IN THE PERIOD
BEGINNING ON OCTOBER 1, 1989 AND

DEMANDES DÉPOSÉES DURANT LA
PÉRIODE

ENDING ON SEPTEMBER 30, 1996

COMMENÇANT LE 1^{er} OCTOBRE 1989 ET SE

...

TERMINANT LE 30 SEPTEMBRE 1996

Abandonment and Reinstatement

Abandon et rétablissement

...

152. In order for an application deemed to be abandoned under section 73 of the Act to be reinstated, the applicant must, in respect of each failure to take an action referred to in subsection 73(1) of the Act or section 151, make a request for reinstatement to the Commissioner, take the action that should have been taken in order to avoid the deemed abandonment and pay the fee set out in item 7 of Schedule II before the expiry of the twelve-month period after the date on which the application is deemed to be abandoned as a result of that failure.

153. (1) Where, before October 1, 1996, an application was forfeited pursuant to subsection 73(1) of the Act as it read immediately before that date and was not restored, the application is deemed to have been abandoned pursuant to paragraph 73(1)(f) of the Act on the same date as the forfeiture and may be reinstated in accordance with subsection 73(3) of the Act.

(2) Subject to subsection (3), where, before October 1, 1996, an application was deemed to have been abandoned pursuant to the Act or the *Patent Rules* as they read before that date and was not reinstated, the application is deemed to have been abandoned pursuant to subsection 73(2) of the Act on the same date as the earlier deemed abandonment and may be reinstated in accordance with subsection 73(3) of the Act.

(3) Where an application was, before April 1, 1996, deemed to have been abandoned pursuant to subsection 27.1(2) of the Act as it read immediately before that date, the application may not be reinstated in accordance with subsection 73(3) of the Act. ...

Maintenance Fees

...

154. (1) For the purposes of subsection 27.1(1) and paragraph 73(1)(c) of the Act, the applicable fee to maintain an application in effect, set out in item 30 of Schedule II, shall be paid in respect of the periods set out in that item before the expiry of the times provided in that item. ...

155. (1) Subject to subsections (2) and (3), for the purposes of section 46 of the Act, the applicable fee to maintain the rights accorded by a patent, set

...

152. Pour que la demande considérée comme abandonnée en application de l'article 73 de la Loi soit rétablie, le demandeur, à l'égard de chaque omission mentionnée au paragraphe 73(1) de la Loi ou visée à l'article 151, présente au commissaire une requête à cet effet, prend les mesures qui s'imposaient pour éviter la présomption d'abandon et paie la taxe prévue à l'article 7 de l'annexe II, dans les douze mois suivant la date de prise d'effet de la présomption d'abandon.

153. (1) Lorsque, avant le 1er octobre 1996, une demande a été frappée de déchéance aux termes du paragraphe 73(1) de la Loi dans sa version antérieure à cette date et n'a pas été rétablie, elle est considérée comme ayant été abandonnée en application de l'alinéa 73(1)f) de la Loi à la date où elle a été frappée de déchéance et elle peut être rétablie conformément au paragraphe 73(3) de la Loi.

(2) Sous réserve du paragraphe (3), lorsque, avant le 1er octobre 1996, une demande était considérée comme abandonnée aux termes de la Loi ou des *Règles sur les brevets* dans leur version antérieure à cette date et n'a pas été rétablie, elle est considérée comme ayant été abandonnée en application du paragraphe 73(2) de la Loi à cette date antérieure d'abandon présumé et elle peut être rétablie conformément au paragraphe 73(3) de la Loi.

(3) Lorsque, avant le 1er avril 1996, une demande était considérée comme abandonnée en application du paragraphe 27.1(2) de la Loi dans sa version antérieure à cette date, elle ne peut être rétablie selon le paragraphe 73(3) de la Loi. ...

Taxes pour le maintien en état

...

154. (1) Pour l'application du paragraphe 27.1(1) et de l'alinéa 73(1)c) de la Loi, la taxe applicable prévue à l'article 30 de l'annexe II pour le maintien de la demande en état est payée à l'égard des périodes indiquées à cet article, avant l'expiration des délais qui y sont fixés. ...

155. (1) Sous réserve des paragraphes (2) et (3), pour l'application de l'article 46 de la Loi, la taxe applicable prévue à l'article 31 de l'annexe II pour le

out in item 31 of Schedule II, shall be paid in respect of the periods set out in that item before the expiry of the times, including periods of grace, provided in that item. ...
 (3) No fee to maintain the rights accorded by a patent shall be payable in respect of any period for which a fee to maintain the application for that patent was paid. ...

maintien en état des droits conférés par un brevet est payée à l'égard des périodes indiqués à cet article, avant l'expiration des délais, y compris les délais de grâce, qui y sont fixés. ...
 (3) Aucune taxe pour le maintien en état des droits conférés par le brevet n'est exigible pour la période à l'égard de laquelle a été payée une taxe pour le maintien en état de la demande du brevet. ...

157. Section 26 does not apply in respect of the times set out in sections 154, 155 and 156. ...

157. L'article 26 ne s'applique pas aux délais prévus aux articles 154, 155 et 156. ...

SCHEDULE II

ANNEXE II

(Section 3)

(Article 3)

TARIFF OF FEES

TARIF DES TAXES

...

...

PART VI

PARTIE VI

MAINTENANCE FEES TAXES POUR LE MAINTIEN EN ÉTAT

Item Description	Column I Fee	Column II	Article Description	Colonne I Taxe	Colonne II
30. For maintaining an application filed on or after October 1, 1989 in effect, under sections 99 and 154 of these Rules:			30. Maintien en état d'une demande déposée le 1er Octobre 1989 ou par le suite, selon les articles 99 et 154 des présentes règles :		
(a) payment on or before the second anniversary of the filing date of the application in respect of the one-year period ending on the third anniversary:			a) paiement au plus tard le 2e anniversaire du dépôt de la demande à l'égard de la période d'un an se terminant au 3e anniversaire :		
(i) where the applicant is a small entity	\$ 50.00		(i) lorsque le demandeur est une petite entité	50,00 \$	
(ii) where the entity [applicant] is a large entity	100.00		(ii) lorsque le demandeur est une grande entité	100,00	
(b) payment on or before the third anniversary of the filing date of the application in respect of the one-year period ending on the fourth anniversary:			b) paiement au plus tard le 3e anniversaire du dépôt de la demande à l'égard de la période d'un an se terminant au 4e anniversaire :		
(i) where the applicant is a small entity	50.00		(i) lorsque le demandeur est une petite entité	50,00	
(ii) where the entity [applicant] is a large entity	100.00		(ii) lorsque le demandeur est une grande entité	100,00	
(c) payment on or before the fourth anniversary of the filing date of the application in respect of the one-year period ending on the fifth anniversary:			c) paiement au plus tard le 4e anniversaire du dépôt de la demande à l'égard de la période d'un an se terminant au 5e anniversaire :		
(i) where the applicant is a small entity	50.00		(i) lorsque le demandeur est une petite entité	50,00	

		entité	
(ii) where the entity [applicant] is a large entity	100.00	(ii) lorsque le demandeur est une grande entité	100,00
...
31. For maintaining the rights accorded by a patent issued on the basis of an application filed on or after October 1, 1989, under sections 100, 101 and 156 of these Rules:		31. Maintien en état des droits conférés par un brevet délivré au titre d'une demande déposée le 1er octobre 1989 ou par la suite, selon les articles 100, 101 et 156 des présentes règles :	
(a) in respect of the one-year period ending on the third anniversary of the filing date of the application:		a) à l'égard de la période d'un an se terminant au 3e anniversaire du dépôt de la demande :	
(i) fee, if payment on or before the second anniversary		(i) taxe, si elle est payée au plus tard le 2e anniversaire :	
(A) where the patentee is a small entity	50.00	(A) lorsque le breveté est une petite entité	50,00
(B) where the patentee is a large entity	100.00	(B) lorsque le breveté est une grande entité	100,00
(ii) fee, including additional fee for late payment, if payment within the period of grace of one year following the second anniversary:		(ii) taxe, y compris la surtaxe pour paiement en souffrance, si elle est payée dans le délai de grâce d'un an suivant le 2e anniversaire :	
(A) where the patentee is a small entity	250.00	(A) lorsque le breveté est une petite entité	250,00
(B) where the patentee is a large entity	300.00	(B) lorsque le breveté est une grande entité	300,00
(b) in respect of the one-year period ending on the fourth anniversary of the filing date of the application:		b) à l'égard de la période d'un an se terminant au 4e anniversaire du dépôt de la demande :	
(i) fee, if payment on or before the third anniversary		(i) taxe, si elle est payée au plus tard le 3e anniversaire :	
(A) where the patentee is a small entity	50.00	(A) lorsque le breveté est une petite entité	50,00
(B) where the patentee is a large entity	100.00	(B) lorsque le breveté est une grande entité	100,00
(ii) fee, including additional fee for late payment, if payment within the period of grace of one year following the third anniversary:		(ii) taxe, y compris la surtaxe pour paiement en souffrance, si elle est payée dans le délai de grâce d'un an suivant le 3e anniversaire :	
(A) where the patentee is a small entity	250.00	(A) lorsque le breveté est une petite entité	250,00
(B) where the patentee is a large entity	300.00	(B) lorsque le breveté est une grande entité	300,00
(c) in respect of the one-year period ending on the fifth anniversary of the filing date of the application:		c) à l'égard de la période d'un an se terminant au 5e anniversaire du dépôt de la demande :	
(i) fee, if payment on or before the fourth anniversary		(i) taxe, si elle est payée au plus tard le 4e anniversaire :	
(A) where the patentee is a small entity	50.00	(A) lorsque le breveté est une petite entité	50,00
(B) where the patentee is a large entity	100.00	(B) lorsque le breveté est une grande entité	100,00
(ii) fee, including additional fee for late payment, if payment within the period of grace of one year following the fourth anniversary:		(ii) taxe, y compris la surtaxe pour paiement en souffrance, si elle est payée dans le délai de grâce d'un an suivant le 4e anniversaire :	
(A) where the patentee is a small entity	250.00	(A) lorsque le breveté est une petite entité	250,00
(B) where the patentee is a large entity	300.00	(B) lorsque le breveté est une grande entité	300,00
(d) in respect of the one-year period ending on the sixth anniversary of the filing date of the application:		d) à l'égard de la période d'un an se terminant au 6e anniversaire du dépôt de la demande :	

(i) fee, if payment on or before the fifth anniversary		(i) taxe, si elle est payée au plus tard le 5e anniversaire :	
(A) where the patentee is a small entity	75.00	(A) lorsque le breveté est une petite entité	75,00
(B) where the patentee is a large entity	150.00	(B) lorsque le breveté est une grande entité	150,00
(ii) fee, including additional fee for late payment, if payment within the period of grace of one year following the fifth anniversary:		(ii) taxe, y compris la surtaxe pour paiement en souffrance, si elle est payée dans le délai de grâce d'un an suivant le 5e anniversaire :	
(A) where the patentee is a small entity	275.00	(A) lorsque le breveté est une petite entité	275,00
(B) where the patentee is a large entity	350.00	(B) lorsque le breveté est une grande entité	350,00

[8] The *Patent Rules* in force before October 1, 1996 had a more complex definition of "small entity", but the maintenance fee structure was substantially the same. Also, prior to October 1, 1996, the general authority of the Commissioner to extend deadlines set by the *Patent Rules* (now Rule 26) was found in Rule 139, and provisions prescribing the fees to be paid to maintain patent applications was found in Rule 76.1.

Facts

[9] The 388 patent and the 904 application both describe an inclined furrow seeding method and apparatus said to have been invented by Hugh Barton.

[10] Mr. Barton submitted an application for the 388 patent on April 15, 1994. The 388 patent was granted on July 23, 1996. The maintenance fees payable between 1995 and 1999 for the 388 patent and its application would have been determined as follows:

Fee to maintain application	Small entity	Large entity
<i>(Old Patent Rules)</i>		
Payable on April 15, 1996, the 2 nd anniversary of the filing of the application: Item 38(1)	\$50	\$100
Fee to maintain patent		
<i>Item 31(b), (c), (d)</i>		
(New Patent Rules)		
For the year ending April 15, 1998		
(4 th anniversary of the filing of the application): Item 31(b) If paid by April 15, 1997	\$50	\$100
If paid by April 15, 1998	\$250	\$300
(i.e., if period of grace applies)		
For the year ending April 15, 1999		
(5 th anniversary of the filing of the application): Item 31(c)		

If paid by April 15, 1998	\$50	\$100
If paid by April 15, 1999	\$250	\$300
(i.e., if period of grace applies)		
For the year ending April 15, 2000		
(6 th anniversary of the filing of the application): Item 31(d)		
If paid by April 15, 1999	\$75	\$150
If paid by April 15, 2000	\$275	\$350
(i.e., if period of grace applies)		

[11] Mr. Barton submitted the 904 application on April 12, 1995, and it is still pending. The maintenance fees payable between 1995 and 1999 for the 904 application would have been determined as follows:

Fee to maintain application	Small entity	Large entity
<i>(New Patent Rules)</i>		
Payable on April 12, 1997, the 2 nd anniversary of the filing of the application: Item 30(a)	\$50	\$100
Payable on April 12, 1998, the 3 rd anniversary of the filing of the application: Item 30(b)	\$50	\$100
Payable on April 12, 1999, the 4 th anniversary of the filing of the application: Item 30(c)	\$50	\$100

[12] Mr. Barton claimed to meet the definition of "small entity" when he submitted his application for the 388 patent, and again when he submitted the 904 application. Maintenance fees relating to the 388 patent and the 904 application have always been paid, when due, on the "small entity" scale.

[13] Barton No-Till Disk Inc. (Barton) and Flexi-Coil Ltd. (Flexi-Coil) are now the owner and exclusive licensee, respectively, of the rights under the 388 patent and the 904 application. It appears that they acquired those rights on November 24, 1994.

[14] Barton and Flexi-Coil are suing Dutch Industries Ltd. ("Dutch") for an alleged infringement of the 388 patent. Dutch asserts that if the 904 application is granted, it will be at risk of being sued for infringement of that patent as well.

[15] On March 7, 2000, counsel for Dutch wrote to the Commissioner setting out its position that all maintenance fees for the 388 patent should have been paid on the "large entity" scale, and that the 388 patent had lapsed for non-payment of fees on April 15, 1997. Counsel asked to be heard if the Commissioner decided to accept a top-up payment.

[16] On March 9, 2000, the Commissioner wrote to counsel for Dutch indicating that "small entity"

status was claimed in the application for the 388 patent and that the Commissioner had "no indication as to a change in this status". The Commissioner also stated that he accepts claims as to status without investigation and that he has "no authority to investigate the matter".

[17] On March 17, 2000, counsel for Dutch again wrote to the Commissioner, this time referring to both the 388 patent and the 904 application, to advise that in their view, the Commissioner had no authority to accept a top-up payment and again requested to be heard if the Commissioner decided to do so.

[18] Copies of all of the letters described above were sent to counsel for Barton. On March 29, 2000, counsel for Barton wrote two letters to the Commissioner, one relating to the 388 patent and the other relating to the 904 application. The letters told the Commissioner that the patentee of the 388 patent and the applicant for the 904 application "could not claim small entity status effective November 25, 1994". I understand this to be an admission that Mr. Barton would not meet the definition of "small entity" if the determination is made as of November 25, 1994 or any subsequent date.

[19] Enclosed with the letter relating to the 388 patent were top-up payments for the final fee paid May 9, 1996 and the maintenance fees due on April 15 of 1996, 1997, 1998 and 1999. Enclosed with the letter for the 904 application were top-up payments for the initial filing fee paid April 12, 1995 and the maintenance fees due on April 12 of 1997, 1998 and 1999.

[20] The Commissioner accepted the top-up payments. The patent records relating to the 388 patent and the 904 application were amended to make it appear that all maintenance fees were paid on their original due date on the "large entity" scale. Dutch brought applications for judicial review in the Trial Division to quash the Commissioner's decisions to accept the top-up payments for the maintenance fees, and to have the 388 patent and the 904 application declared lapsed for failure to pay maintenance fees when due.

[21] Dutch's applications were allowed, the decisions of the Commissioner were set aside and the matters were remitted to the Commissioner for redetermination on the basis that there was no authority to accept the top-up payments in this case.

[22] Barton and Flexi-Coil now appeal to this Court. Their appeal is supported by the intervener, Intellectual Property Institute of Canada / Institut de la Propriété Intellectuelle du Canada (IPIC).

Discussion

Standard of Review

[23] The Judge considered the appropriate standard of review on the basis of the factors stated in *Pushpanathan v. Canada (Minister of Citizenship and Immigration)*, [1998] 1 S.C.R. 982, and concluded that the impugned decisions of the Commissioner should be reviewed on the standard of correctness. I agree with her analysis and her conclusions on that point.

Interpretation of the Statute

[24] The legal issue before the Judge was whether the Commissioner was authorized by the *Patent Act* or the *Patent Rules* to permit a large entity to top up maintenance fees that had been paid on the small

entity scale, where the top up was received after the deadline set out in the *Patent Rules* for the payment of the fee.

[25] There is nothing in the *Patent Act* or the *Patent Rules* that expressly deals with the consequence of the underpayment of a maintenance fee. Nor is there any provision that expressly authorizes the Commissioner to determine whether or not to accept a top up to a maintenance fee after the date upon which the maintenance fee is due.

[26] Rule 26 of the current *Patent Rules* (as well as former Rule 139) gives the Commissioner the authority to extend deadlines set out in the Rules. However, the extension must be requested and the applicable extension fee paid before the deadline, which would not have been possible in this case. In any event, the authority of the Commissioner to extend deadlines is limited by any contrary provision in the Rules. The Judge found, and I agree, that Rule 157, and former Rule 76.1(6), preclude the Commissioner from extending the deadlines for the payment of maintenance fees. That necessarily implies that the Commissioner lacks the authority to permit a deficient maintenance fee to be topped up after the date upon which the fee was due.

[27] However, it does not follow that the judgment under appeal is correct. I do not accept the unstated premise that underlies the judgment, which is that the status of a person as a "small entity" may change from time to time.

[28] As I interpret the relevant statutory provisions, a person who meets the definition of "small entity" when applying for a patent maintains that status as long as the application is pending, and as long as the patent remains in effect. In my view, there is no statutory requirement for the status of a person as a "small entity" or "large entity" to be redetermined at any other time, at least in relation to maintenance fees. I reach that conclusion for the following reasons.

[29] The proper approach to the interpretation of the relevant provisions of the *Patent Act* and *Patent Rules* must follow the principle stated as follows in Driedger, Elmer A. *Construction of Statutes* (2nd ed., Toronto: Butterworths, 1983), at page 87:

Today there is only one principle or approach, namely, the words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the Act, and the intention of Parliament.

[30] There is no dispute about the statutory objectives in play in this case. The fees payable under the *Patent Act* and *Patent Rules* are intended to defray part or all of the cost of the Patent Office. Fees are set at a lower scale for "small entities" to provide modest monetary relief to inventors that are presumed to be of limited means. The regime of annual maintenance fees was put in place to discourage the proliferation of deadwood patents and patent applications by requiring patentees and patent applicants, at least on an annual basis, to take steps to keep them in good standing. The definition of "small entity" must be understood against the background of these objectives, and in its statutory context.

[31] The definition of "small entity" is complex, in the sense that it asks a number of questions, some of which may be rather difficult to answer with precision. Some of these questions are factual, and others are questions of mixed fact and law. For convenience, I will refer to the questions inherent in the definition of "small entity" as "factual determinations", despite the significant legal component. Here are some of the factual determinations that a patent applicant must make under the current definition:

- (1) Is the applicant a university? (Is a college a "university"? What about a research organizations that is somehow affiliated with or attached to a university or college?)
- (2) Does the applicant have 50 or fewer employees? (What is the meaning of "employee" in this context? Does it refer to persons engaged under a contract of service as opposed to a contract for services? Does it mean full-time employees, part-time employees, employees on leave? If the applicant is a corporation, does it include employees of related or affiliated corporations? How close must the connection be?)
- (3) Has any right to the invention been transferred or licensed? If so, to whom? Then questions (1) and (2) must be considered for that party.
- (4) Is the applicant under any contractual or other legal obligation to transfer or license any right in the invention? What kinds of "other legal obligation" must be taken into account? If there is such an obligation, to whom is it owed? Again, questions (1) and (2) must be considered for that party.
- (5) If the other party is a university or an entity that employs 50 or fewer employees, does the applicant have knowledge of any subsequent transfer or licence of (or of any subsisting contractual or other legal obligation to transfer or licence) any right to an invention to an entity, other than a university, that employs more than 50 employees?

[32] The definition in effect when the application for the 388 patent was submitted is even more complex. I will not reproduce it, but I note some of the factual determinations that it required:

- (1) If the applicant is not an individual, what is the applicant's "gross annual revenue" (and what does that mean - does it refer to the revenues of a particular year or some kind of average, and if an average, over what period)?
- (2) If the applicant is not an individual, is the applicant engaged in manufacturing (and what does "manufacturing" mean in this context)?
- (3) If the applicant is not an individual, is the applicant engaged in "other than manufacturing" (what does that mean - that it is not engaged in manufacturing?).
- (4) Depending on the answers to (2) and (3), does the applicant employ more than 100 or more than 50 employees?
- (5) Depending upon the existence of any licenses or agreements of the kind referred to in the definition (and here the questions are similar to those asked under the current definition), questions (1), (2), (3) and (4) must be asked about the other party to the licence or agreement.

[33] It seems to me that no matter how diligently an applicant for a patent attempts to make these factual determinations accurately, there is some risk of being wrong. If a "small entity" incorrectly concludes that it is a "large entity", the consequences are not very severe. The "small entity" would simply pay fees that are modestly higher than required, with no chance of a refund. But if a "large entity" incorrectly concludes that it is a "small entity", the consequence is catastrophic, unless the error is discovered in time to take corrective action.

[34] There is a striking omission in the definition of "small entity". Although the nature of the questions asked by the definition is such that the various factual determinations must be made as of some point in time, there are no words in the definition that stipulate the date at which the facts are to be determined. I call that omission striking because of the importance of the definition, and by extension the factual determinations it requires. It bears repeating that an error may have catastrophic consequences, and yet the date as of which the critical factual determinations must be made is not stated.

[35] In the absence of any express provision as to time, at least two possibilities occur to me. One is that the factual determinations must be made as of the due date of every fee that varies depending upon "small entity" or "large entity" status. The other is that the factual determinations must be made only once, as of the date on which the first such fee is payable (which in most cases would be the date upon which the application for a patent is submitted).

[36] Dutch is the only party to argue in favour of an interpretation that requires "small entity" or "large entity" status to be determined at different points in time. However, its submissions refer to provisions that do not in fact point unequivocally to that conclusion. Every provision relied upon by Dutch is comprehensible within a scheme that requires only a single determination of status. I will refer specifically to two examples which illustrate this point.

[37] First, Dutch points to Patent Rule 4(6), quoted above, which I reproduce for ease of reference (emphasis added):

<p>Where a fee is paid by an applicant or a patentee on the basis that it is not a small entity, no refund shall be made solely for the reason that it is later determined that it was <u>at the time of payment</u> a small entity. ...</p>	<p>Si le demandeur ou le breveté verse une taxe en tant qu'entité autre qu'une petite entité, aucun remboursement n'est effectué au seul motif qu'il est décidé par la suite qu'il était une petite entité <u>au moment du versement</u>. ...</p>
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[38] Dutch argues that this indicates that, for each maintenance fee throughout the life of a patent application or a patent, the status of a patent applicant or patentee as a "small entity" or a "large entity" must be determined "at the time of payment". The problem with using Rule 4(6) in this fashion is that Rule 4(6) is not intended to address the critical question, which is not clearly answered anywhere in the statute. The critical question, phrased in terms that make it relevant for Rule 4(6), is this: In determining the status of a patent applicant or patentee at the time of the payment of a particular maintenance fee, do you consider the facts that existed when the person first took steps to engage the patent regime for the particular application or patent, or do you consider the facts that existed on the due date of the payment of the particular fee? If the latter, then a "small entity" is a "small entity" at the time of the payment of the maintenance fee in question. Since Rule 4(6) works no matter what the answer to the critical question is, it cannot assist in determining which answer is correct.

[39] Dutch also relies on the fact that Items 30, 31 and 32 of Schedule II are phrased in the present tense ("where the applicant is a small entity" or "where the patentee is a small entity"), and do not say, for example, "where the applicant was a small entity at the date of the filing of the application". This argument is based on the same premise as the first. Consider again the critical question, and the two possible answers. It is immediately apparent that if the principle is that a person who is a "small entity" at the outset remains a "small entity", that person "is" a small entity on every date upon which a maintenance fee is payable.

[40] Dutch also points out that a one-time only determination of status would be unfair to any person who is a "large entity" when a patent application is submitted but, through a reversal of fortunes, later becomes a "small entity". I put little weight on that consideration because maintenance fees, even on the highest scale, are relatively modest.

[41] Considering the ease with which innocent errors as to status can occur, and that the Commissioner has no authority to relieve against the consequences of underpaying a maintenance fee, I give much more weight to the consequence of interpreting the *Patent Rules* to mean that the status of a person as a "small entity" is changeable. This is the kind of situation that invites reference to the comments of La Forest C.J., as he then was, in *The Queen in Right of New Brunswick v. Estabrooks Pontiac Buick Ltd.* (1982), 144 D.L.R. (3d) 21:

There is no doubt that the duty of the courts is to give effect to the intention of the Legislature as expressed in the words of the statute. And however reprehensible the result may appear, it is our duty if the words are clear to give them effect. This follows from the constitutional doctrine of the supremacy of the Legislature when acting within its legislative powers. The fact that the words as interpreted would give an unreasonable result, however, is certainly ground for the courts to scrutinize a statute carefully to make abundantly certain that those words are not susceptible of another interpretation. For it should not be readily assumed that the Legislature intends an unreasonable result or to perpetrate an injustice or absurdity.

[42] A more succinct expression of the same thought is found in Ruth Sullivan, *Sullivan and Driedger on the Construction of Statutes* (4th ed., Toronto: Butterworths, 2002), at page 247:

Interpretations that result in a lack of fit between conduct and consequences may be rejected as absurd.

This comment is made in the context of a chapter entitled "Consequential Analysis", which among other things surveys the jurisprudence to discover the circumstances in which the consequence of a particular statutory interpretation provides a ground for rejecting that interpretation for "absurdity". Here, the word "absurdity" is used almost as a term of art, signifying a result that is so unreasonable as to be unacceptable. The categories of absurdity recognized by Professor Sullivan are indicated by the following subheadings: "Purpose is defeated", "Irrational distinctions", "Misallocation and disproportion", "Contradictions and anomalies", "Inconvenience", "Interference with the efficient administration of justice", and "Consequences that are self-evidently irrational or unjust". The quoted comment is made under the heading "Misallocation and disproportion".

[43] In my view, the absence of any mention of a temporal element in the definition of "small entity" presents a problem of statutory interpretation that should be solved in a manner that minimizes the risk of catastrophic consequences from an innocent error in the determination of status. The disproportionate consequence of such an error overwhelmingly favours the proposition that the status of an applicant for a particular patent should be determined only once, at the outset. Under that interpretation, a patent applicant that believes itself to be a "small entity" would still bear the risk of losing its patent rights because of an innocent error in making the relevant factual determinations at the outset. However, that risk will exist only once, and will not be multiplied by the number of times at which a maintenance fee is payable.

[44] I recognize that a patent applicant who is concerned about the risk of losing its rights could always err on the side of caution and pay maintenance fees on the large entity scale in every case.

However, the small entity scale was devised for the purpose of giving modest monetary relief to inventors of limited means. I see no justification for depriving such inventors of that advantage simply because the Governor in Council has failed to provide sufficiently precise definitions, and has compounded the difficulty by failing to provide a means of relieving patent applicants from the consequences of innocent error.

[45] I have considered the assertion of the Commissioner, in one of his letters to counsel for Dutch, that the Commissioner believes that he does not have the authority to investigate the assertions of patent applicants or patentees as to their status as "small entities" or "large entities". I do not understand how the Commissioner's conclusion as to the limitation on his powers can be reconciled with the broad language of subsection 4(2) of the *Patent Act*, but I prefer to express no opinion on that point. If the investigative powers of the Commissioner are as limited as he appears to believe, that is yet another reason why the definition of "small entity" should be given an interpretation that does not expose patent applicants and patentees to unwarranted risks.

[46] For these reasons, it is my view that the case before the Judge was argued on the basis of an incorrect premise, which was unquestioned by any of the parties until the point was raised by the Court when deliberating on this appeal, that the status of a person as a "small entity" is determined when a patent application is made and must be redetermined whenever a maintenance fee is due in relation to the patent application or the resulting patent. In my view, the relevant statutory provisions should be interpreted in such a way that a person who meets the definition of "small entity" when the patent regime is first engaged (generally, when submitting a patent application) maintains that status in relation to that patent application and any resulting patent throughout its term.

[47] Based on that interpretation of the definition of "small entity", I now return to the facts. Mr. Barton met the definition of "small entity" on the date when he submitted his application for the 388 patent. It follows that all maintenance fees relating to the 388 patent should have been paid on the "small entity" scale, which they were. Therefore, there is no basis for concluding that the application for the 388 patent was ever deemed to have been abandoned or that the term of the 388 patent expired for non-payment or underpayment of maintenance fees. No fees were payable on the "large entity" scale.

[48] The same cannot be said of the 904 applicant. All maintenance fees payable for the 904 application should have been paid on the "large entity" scale because, according to the evidence in the record, Mr. Barton did not meet the definition of "small entity" on April 12, 1995 when the 904 application was submitted. The failure to pay fees on the "large entity" scale is a fatal error. No top-up payment is possible. It follows that the 904 application was deemed to have been abandoned on April 12, 1997.

[49] I would therefore allow this appeal in part, amending the first paragraph of the order of the Judge to require the Commissioner to reconsider, in accordance with these reasons, the decisions he made on March 29, 2000 and (a) with respect to the 904 application, to correct the patent records to indicate that the required maintenance fees have not been paid, and (b) with respect to the 388 patent, to correct the patent records to indicate that all required maintenance fees have

been paid. The purported "top-up" payments should also be returned. In the circumstances, all parties should bear their own costs in this Court and in the Trial Division.

"K. Sharlow"

J.A.

"I agree

Marshall Rothstein J.A."

"I agree

B. Malone J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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CONCURRED IN BY: Rothstein & Malone J.J.A.

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