THE SCOPE OF THE TERM "UNIVERSITY" WITHIN THE *RULES RESPECTING THE PATENT ACT*

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In Canada, the tariff applicable to small entities to apply for and maintain patents is lower than the tariff applicable to large entities. With respect to an invention, the *Rules Respecting the Patent Act* (hereinafter the "Rules") define a small entity as being, subject to certain exceptions, (i) an entity that employs 50 or fewer employees or (ii) a university. This situation created an incentive for certain entities, such as research centres affiliated to a university, to declare that they qualify as small entities when they file a patent application in order to benefit from the somewhat advantageous tariff associated with such status, by interpreting the scope of the term "university" in the Rules as broadly as possible.

Until recently, this practice was not very risky because it seemed possible for an entity which in fact did not qualify, to retroactively remedy its default by paying the tariff applicable to a large entity, as long as it was initially paying the small-entity tariff in good faith. But since the Dutch Industries decision was rendered last year (see: *Dutch Industries Ltd.* c. *Canada (Commissioner of Patents,* 2001 FCT 879) it has become clear that if the validity of a patent is challenged by a third-party on that basis, such default would be sanctioned by the loss of the rights derived from the patent application. In fact, the Court stated that "*(i)t does not appear reasonable to conclude that the failure of the patentee/patent applicant to correctly advise the Commissioner as to the right to claim small entity status should result in more advantageous treatment being afforded to the patentee/patent applicant (the more advantageous treatment being to allow a top-up payment to be made after the expiration of the grace period)*".

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This situation increased the necessity to define as clearly as possible the scope of the term "university" in order to avoid circumstances where certain entities erroneously declare that they qualify as small entities and consequently run the risk of losing their rights derived from their patent applications. In fact, there is a great likelihood that entities that have an ambiguous status in that respect would not be considered as or assimilated to universities and, as such, could not take advantage of the tariff applicable to small entities.

The ordinary scope of the term "university"

There are almost as many definitions of the term "university" as there are dictionaries. However, there are certain recurrent attributes in these definitions, notably the activities of teaching and learning in higher branches and the corresponding attribution of diplomas of different degrees. In the absence of legal or contractual definitions, Courts often refer to definitions in dictionaries in order to set the interpretative context of a given notion. Hence, even if the definitions of "university" in dictionaries are not conclusive regarding the state of the law, they may provide guidance with respect thereto. For instance, Black's Law Dictionary (6th edition) defines university as "(a)*n institution of higher learning, consisting of an assemblage of colleges united under one corporate organization and government, affording instruction in the arts and sciences and the learned professions, and conferring degrees."*

The legal scope of the term "university"

In the federal *Excise Tax Act* (see: R.S.C. 1985, c. E-15), "university" has been defined as "a recognized degree-granting institution **or** an organization that operates a college affiliated with, or a research body of, such an institution." In French, the definition becomes an "institution reconnue qui décerne des diplômes, **y compris** l'organisation qui administre une école affiliée à une telle institution ou l'institut de recherche d'une telle institution."

According to this definition, the applicability of which does not go beyond the *Excise Tax Act*, a university has 3 main attributes, namely: (1) being an institution, (2) recognized, (3) that grants degrees. The idea of "institution" suggests that the entity must be "instituted", i.e. that it was created by the will of a public authority, and not merely by the will of individuals; the idea of being "recognized" suggests that the public authority legislatively acknowledged the "university" status of such institution; finally, the idea of "granting degrees" suggests that this is the main objective of such institution, or at least one of its fundamental aspects, with the activities that this implies. These attributes are cumulative.

In addition, the use of the expression "or" in the English version and of the words "*y compris*" in the French version has an extensive effect, which tends to indicate that, absent this addition, the entities that fall within the definition by reason of this extension would have otherwise been excluded.

In the same manner, it seems possible to infer from the absence of a legal definition of "university" in the Rules that the legislative intent was not to extend the scope of this term in the same way as in the *Excise Tax Act.*

Section 1 of the Quebec *Act respecting Educational Institutions at the University Level* (see: L.R.Q. ch. E-14.1) enumerates a list of entities which are recognized as educational institutions at the university level. The choice of this expression as opposed to the simpler term "university" indicates that these two notions are not interchangeable: the scope of the former is necessarily broader than the scope of the latter, since a faculty, school or institute of some of the institutions enumerated in the Statute, managed by a legal person separate from that which administers such institutions, is itself an educational institution at the university level, without necessarily being a university.

Furthermore, section 2 of this Statute clearly establishes that, in order to grant university level degrees or diplomas, one must be an institution contemplated in section 1 or a legal person or body in which the power to confer such degrees or diplomas is vested by an Act of Parliament. Thus, this constitutes a power exclusively reserved to these entities, which makes it a significant attribute in qualifying an entity as being a "university".

Finally, the Quebec *Act respecting Health Services and Social Services* (see: L.R.Q. ch. S-4.2) allows some hospital centres to acquire the status of university hospital centre. However, it does not seem logical to conclude from that fact alone that a hospital centre can become a university, and this notwithstanding the level of integration with the various programs of the university to which it is affiliated. This is another element that tends to indicate that certain entities may have a "university" status without being a university.

The scope of the term "university" pursuant to jurisprudence

In the case of *Re City of London* (see: *Re City of London and Ursuline Religious of the Diocese of London*, (1964) 1 O.R. 587 (O.C.A.)), the Ontario Court of Appeal considered that the Ursuline College could not take advantage of a tax exemption with respect to a real estate assessment provided for universities by virtue of the *Assessment Act* (R.S.O. 1960, c.23).

The judge's discussion on this issue began with a reminder that, in tax matters, a person who claims an advantage on the basis of an exemption in a statute "must bring himself clearly within the four corners of the exonerating clauses", and that in such matters, the person who claims eligibility to the benefit associated with the exemption must **clearly** demonstrate that it has a right to such exemption.

Without extending the reach of this principle to a statute which would have a different object than the collection of taxes to finance public services, there are reasons to believe, based on the findings in that judgment, that, if a doubt remains with respect to the right of an entity to claim eligibility to a benefit associated with small entity status, it would not be resolved in its favour, precisely because of the uncertainty surrounding the issue. This is even more true since the fees collected by virtue of the tariff are probably meant to finance, at least partially, the public services associated with the filing and maintenance of patents.

In addition, in the above-mentioned case, the fact that the College itself was not granting diplomas, despite being affiliated with Western Ontario University to provide courses leading to the granting of such diplomas, was pivotal in the finding that such entity was not a university.

This position is not in contradiction with the one taken in the British case *St.David's College, Lapeter v. Ministry of Eduction* (see: (1951) 1 All. E.R. 559), on which the Ontario Court of Appeal's decision relied. In that case, despite the judge's acknowledgement that the entity featured many attributes generally associated with a university, he found that the entity was not a university because its charter did not refer to such status.

From the judgement rendered in *Re City of London*, one must keep in mind that providing teaching activities to students who may obtain degrees granted by a university to which an entity is affiliated does not suffice to extend university status to that entity.

Conclusion

For the purpose of the application of the *Rules,* a university status seems like a mere dichotomy which allows or prevents an entity from taking advantage of the tariff applicable to small entities. This being said, in the event of litigation on the validity of a patent on that basis, it may well be possible that an entity which claims to qualify as a "university" according to the Rules, would have to **clearly** demonstrate that it has the general attributes of a university so as to qualify as one.

In that respect, the most significant attributes seem to be: (1) being instituted by a public authority, (2) being granted a university status from that public authority and (3) being able to grant diplomas. In addition, the case of *Re City of London* is relevant in coming to the conclusion that being affiliated with a university and providing courses which may lead to a diploma granted by such university does not suffice to establish that the entity is a university. Some definitions of the term "university" may even leave the door open to argue that university-level institutions that only grant diplomas in one particular field or discipline (e.g. commerce or engineering) would not qualify as a university.

Hence, for the time being, it is impossible to clearly establish the definitive criteria which would be used by a Court in order to decide this issue. In an article discussing the question (see: *What is a "university" for "small entity" purposes in Canadian patent law?*", (1997) 14 C.I.P.R. 75), author Sheldon Burshtein concludes: *"It appears that the most important criterion in qualifying an institution as a university is its ability to grant degrees. (...) However, many institutions affiliated with universities do not qualify themselves as universities. This would be particularly true of related entities that are set up expressly for the purpose of commercializing research conducted at a university but that do not grant degrees."*

In all likelihood, when a Court or Parliament will have to make a final determination on this issue, it will have to come up with objective criteria to elaborate a "test", so as to allow entities to determine with certainty their rights and obligations with respect to the Rules. This quest for objective criteria could be detrimental to entities whose current status on this issue is ambiguous, but who still wish to claim small entity status.

In any event, the ultimate outcome of a debate of this issue remains highly uncertain for entities affiliated to universities, and in particular for those that do not grant diplomas, and, barring new developments, the notion of university must be restrictively construed. In fact, until the issue is clearly settled, the monetary difference, whatever it may be, between the tariff applicable to a large and a small entity to apply for and maintain a patent in Canada, is not worth the risk of having a patent invalidated on the ground that the proper applicable tariff was not paid.