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BY E-MAIL

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Office of the President
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Dear Ms Van Zant:

RE: Intellectual Property Institute of Canada – Self-Regulation Project

1. Introduction

You have asked me to conduct a study and prepare a report on the type of structure that the Intellectual Property Institute of Canada (“IPIC”) might establish to provide for the self-regulation or self-management of patent and trademark agents in Canada.

IPIC has already made considerable progress in positioning itself to assume the responsibility of regulating members of the patent and trademark agent professions. For many years it has been instrumental in setting and administering qualifying examinations. It has also had a code of conduct for many years, and has taken measures to expand and strengthened its code of conduct recently. IPIC has acted on complaints against its members, a process that occasionally has resulted in

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members being expelled from the organization. All of these responsibilities are among the core functions of a self-regulating profession.

The current regulatory regime is seriously -- I would go so far as to say fundamentally -- flawed, for reasons discussed below. Although many different variations of possible regulatory models might usefully be considered, the maintenance of the status quo is not a realistic option.

A self-regulatory model (or a self-management variant of such a model) may be particularly appealing to IPIC if the adoption of such a model would enhance the likelihood of solicitor-client privilege being extended to communications with patent and trademark agents. Statutory amendments in certain other jurisdictions have extended the privilege to such communications. As requested, I have accordingly set forth my thoughts on the relationship between privilege and self-regulation below.

I have also made recommendations for the establishment of a new professional regulatory body for patent and trademark agents, including suggestions for the proposed body's mandate, powers, structure, and governance.

2. Approach and Perspective

For the purpose of preparing this report I have reviewed a large volume of material that you have provided to me. Although I do not propose to list all of the materials that I have reviewed for the purpose of preparing this report, I would be remiss if I did not refer specifically to certain papers and reports that I found particularly enlightening and helpful in the work that you have asked me to undertake. These include G. Bruce Doern's study titled "The Regulation of Patent and Trademark Agent Qualifications: Institutional Issues and Options", which was prepared for the Canadian Intellectual Property Office ("CIPO") of Industry Canada in June 1995 (the "Doern Report"); an "Options Paper" on self-regulation, self-management, and voluntary association alternatives prepared by the Toronto law firm Stockwood Spies & Campbell in December 1996 for IPIC (then the Patent and Trademark Institute of Canada); IPIC's draft Code of Ethics dated July 30 1998; a memorandum dated May 3 1999 prepared by David Langton of Bereskin & Parr concerning statutory provisions and case law in other jurisdictions in which privilege has been extended to the clients of patent and trademark agents, together with copies of the applicable statutes in Australia, New Zealand, and the United Kingdom, and correspondence with IPIC's counterparts and practitioners in various jurisdictions on this subject; a paper on the possible extension of

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privilege to patent agents, prepared by Douglas N. Deeth of Deeth Williams Wall for the Intellectual Property Section of the Canadian Bar Association in early 1999; and a paper by Ronald E. Dimock and Cedric G. Lamb titled "Privilege and Patent Agency Practice in Canada" which will be published in the next issue of the Canadian Intellectual Property Review (Volume 16).

I have also had the considerable advantage of speaking to a number of practitioners (both patent and trademark agents and lawyers) who are keenly interested in the issues that you have asked me to consider. These practitioners include David Scott, Q.C., Roger Hughes, Q.C., Douglas Deeth, Ronald Dimock, Stuart Wilkinson and yourself.

Before proceeding further, I should mention briefly the perspective I bring to the questions that you have asked me to address. I have been practising law since I was called to the Ontario Bar in 1977. I am certified as a specialist in civil litigation by the Law Society of Upper Canada. My practice particularly in recent years has been concentrated largely in the field of professional liability and discipline. I frequently represent practitioners in various professions before professional disciplinary bodies and in the courts, and I have often been retained by regulatory bodies either to prosecute allegations of professional misconduct or to provide independent advice to disciplinary tribunals. Between 1990 and 1993 I served as the Law Society's Senior Counsel for discipline, in which capacity I was the Law Society's chief prosecutor of allegations of professional misconduct against lawyers. I have also acted as counsel on admission, readmission, and capacity hearings. I have been an elected bencher of the Law Society since 1995, and I currently chair the Law Society's Professional Regulation Committee, which is responsible for discipline policy and professional conduct. I am also the co-chair of the Law Society's Task Force on the Reform of the Rules of Professional Conduct, and co-chair of the Law Society's Strategic Planning Committee. I formerly served as a vice-chair of the Legal Education Committee.

I have written and spoken widely on the subjects of professional conduct and discipline. My book *Lawyers and Ethics: Professional Responsibility and Discipline* was published by Carswell (Thomson Professional Publishing) in 1993, and supplements have been published annually since then. I also publish a "netletter" on professional responsibility, discipline and liability for *Quicklaw*.

Between 1996 and 1998 I served as a member of a task force created by the Canadian Institute of Actuaries to propose reforms to the Institute's discipline process.

Very little of my professional practice has been in the intellectual property field (although I spoke at the spring meeting of the Patent and Trademark Institute of Canada in 1998), and I claim no expertise in intellectual property law.

3. The Current Regulatory Regime

I have found an examination of the features of the current regulatory regime to be helpful in identifying the qualities and objectives that a system of self-regulation for the patent and trademark agents' professions must seek to achieve.

Most professions in Canada are governed by a single regulatory body that is responsible for admission, professional standards and conduct, and discipline. No single regulatory body, however, is responsible for the regulation of patent and trademark agents. Rather, as pointed out in the Doern Report, "we must speak of a regulatory regime, an amalgam of statutes, rules, principles, and a series of case-driven acts of judgment and bargaining between the regulator (CIPO/The Commissioner [of Patents]/the Registrar [of Trademarks]) and patent and trademark agents representing inventors and originators of intellectual property." (at page 37.)

(A) The Regulatory Role of the Commissioner of Patents and Registrar of Trademarks

Section 15 of the *Patent Act*, R.S.C. 1985, c. P-4 as amended, requires that a register of patent agents be maintained in the Patent Office (now located within CIPO). The register must list all persons and firms entitled to represent applicants in the presentation and prosecution of applications for patents or in other business before the Patent Office. Section 28 of the *Trademarks Act*, R.S.C. 1985, c. T-13, as amended, contains a virtually identical provision requiring the maintenance of a register of trademark agents.

Section 12 of the *Patent Act* provides for the making of rules or regulations (known as the "Patent Rules") respecting the entry on, maintenance of, and removal from the register of patent agents, including the qualifications that must be met before a person's name may be entered on the register.

Rules 12 through 14 provide for a qualifying examination. All Canadian applicants for registration as patent agents, including lawyers, must pass the qualifying examination. I understand that lawyers have an automatic right to become registered as trademark agents after a specified period of practice in the field, upon payment of the required fee. Rule 15

provides that two classes of persons may be entered on the register: first, residents of Canada who have passed the qualifying examination; and second, non-residents who are registered in the patent offices of their country of residence. Persons in the second category do not have to demonstrate any knowledge of Canadian patent law. No enquiry is made into their qualifications to practise in their country of residence, other than confirming the mere fact of registration.

Rule 16 specifies that a person may maintain registration by paying annual fees. Persons may be removed from the register if they fail to meet the requirements by virtue of which they were originally registered; that is, agents who are registered by virtue of foreign registration may be removed from the Canadian registry if they are removed from the registry in their country of residence.

Section 16 of the *Patent Act* provides that the Commissioner of Patents may refuse to recognize any person as a patent agent, either generally or in a particular case, for gross misconduct or any other cause that the Commissioner may deem sufficient.

Under sections 25 and 26 of the Trademarks Regulations, trademark agents may be deregistered for failing to file a statement of good standing, failing to pay fees, or no longer continuing to have the qualifications for registration.

Both CIPO and IPIC are extensively involved in regulating who may be a patent agent and what qualifications they should have. Patent and trademark agents are educated and trained primarily by their employers through on-the-job work experience, and self-study, rather than through any formal regulatory system. This on-the-job training and self-study culminates, however, in a formal examination process that is regulated by CIPO in concert with the profession in the form of its main voluntary association, IPIC. The patent examination is set by the Patent Agents Examining Board, which comprises three members of CIPO staff, five members appointed by IPIC, and a chairperson.

Candidates are required to write four four-hour examinations written over a four day period. The process is rigorous, and the passing rate is typically in the thirty percent range. (The examination process for trademark agents is broadly similar, with the pass rate typically being in the thirty-five percent range.) Many candidates write the examinations more than once before obtaining the right to registration, and a number of candidates never achieve that status. The examination process is widely regarded as a strong test of qualifications related to patent and trademark law and practice. I have detected no sense that the examination process *per se* is flawed (and I note that the Doern Report came to the same conclusion), though at

least one intellectual property lawyer with whom I spoke commented that patent and trademark agents receive no formal education in professional responsibility.

It is important to emphasize that registration under section 15 of the *Patent Act* (or section 28 of the *Trademarks Act*) is not the equivalent of obtaining a licence to practise one of those professions; it is quite different, for example, from a lawyer being called to the bar. Registration under the *Patent Act* allows patent agents, and only patent agents, to prosecute applications before the Patent Office on behalf of applicants. Only registered patent agents may sign correspondence and application forms on behalf of applicants, and appear in the Patent Office for interviews with examiners. Because the Commissioner of Patents may communicate only with inventors or registered patent agents representing them who are resident in Canada, even non-resident patent agents must appoint associate patent agents resident in Canada to prosecute applications here.

Thus, registration gives a patent agent limited but important privileges. The registration system does not, however, affect the ability of persons who are not registered to conduct patent searches, give opinions on the validity or infringement of patents or the patentability of inventions, or prepare patent applications on behalf of applicants who sign them themselves. Nothing in the *Patent Act* prevents any person, registered or not, from preparing patent applications or advising on the form or content of such applications, the patentability of inventions, or the infringement or validity of patents.

Nothing in the *Patent Act* or *Rules* deals with the manner in which patent agents must carry out their practices. I understand that at one point the patent rules governed certain matters relating to agents' offices and advertising, but even these rules have been repealed in recent years.

The chief executive officer of CIPO is also the Commissioner of Patents and the Registrar of Trademarks, though it is important to distinguish between the regulatory functions of the Commissioner of Patents and Registrar of Trademarks, on the one hand, and that of CIPO itself. The Commissioner of Patents and Registrar of Trademarks exercises statutory authority, whereas the CEO of CIPO is a public servant within Industry Canada. As Commissioner and Registrar the holder of these offices is independent of the Minister and Deputy Minister of Industry Canada in order to ensure that decisions on patents and trademarks are based on objective judgments rather than political considerations.

CIPO, through its component bodies the Patent Office and the Trademark Office, is accordingly a regulator, but CIPO also fulfils a service role. As the Doern Report concluded, pressures to play an explicit service role are much greater today than they were even a decade ago, as a result of such factors as the globalization of the economy and the harmonization of regulatory systems internationally.

(B) The Regulatory Role of IPIC

IPIC is, of course, a voluntary organization, a status that presents a significant impediment to its effectiveness in the current regulatory regime, for reasons discussed below. IPIC has nevertheless played a crucial role in the regulation of the profession, a role that has been of extraordinary importance for a voluntary organization without formal powers conferred by statute. IPIC was characterized in the Doern Report as the main institutional embodiment of the intellectual property profession.

IPIC was founded in 1926. At present it has approximately 1200 members, all of whom are patent and trademark practitioners, and many of whom are also lawyers. IPIC has three full-time staff in its Ottawa office, including its executive director, an administrator, and a clerical employee.

In addition to its important role in setting and administering the qualifying examinations (as discussed above) IPIC has contributed to the continuing education of its members through the significant educational components of its three day semi-annual programs held in the spring and fall of each year.

IPIC has for many years had a code of ethics, one of the hallmarks of a profession. The code of ethics has recently undergone a significant revision. The revised draft code requires agents to conduct themselves with integrity and to be competent to perform any agency services undertaken on clients' behalf. It deals also with such matters as conflicts of interest, fees, the withdrawal of services, advertising, preventing unauthorized practice and – perhaps most importantly for our purposes – confidentiality. IPIC (rightly, in my opinion) regards the adoption of a modern and exacting code of conduct that establishes high standards governing the practices of intellectual property professionals to be an important step toward self-regulation of the profession. One of IPIC's principal objects is the maintenance of high standards of ethics and training.

Six of the sixteen rules in IPIC's original code of ethics (that is, the code that was in place before the recent revisions) deal with the enforcement of the code through a simplified discipline process. The code of ethics calls for the appointment of an ethics subcommittee that is charged with the responsibility of investigating apparent breaches of the code of ethics that come to the attention of council. The code of ethics contemplates that the ethics subcommittee will make recommendations to council for dealing with apparent breaches; that members will have the right to submit responses writing; that council may summon the member to appear before a special committee of council to explain the member's conduct; and that council may admonish, reprimand, suspend, or expel the member from the Institute.

In fact disciplinary action against members has been relatively rare. IPIC typically receives only one or two complaints a year concerning members, and these are largely confined to issues of advertising and fees. At least one member who misconducted himself (as a result of alcoholism) has been expelled from the Institute.

The main deficiency of IPIC's disciplinary process results from the very fact that IPIC is a voluntary organization. Nothing prevents a practitioner from practising in the field even if he or she is expelled from IPIC. Although, as discussed above, the Commissioner of Patents may refuse to recognize any person as a patent agent for gross misconduct or any other cause that the Commissioner may deem sufficient (under section 16 of the *Patent Act*) no standards of practice have been established by the Commissioner and in practice the Commissioner has rarely if ever invoked section 16. Moreover, even if the Commissioner were to refuse to recognize an agent, as also discussed above, that would not prevent the agent from performing the bulk of the functions normally assumed by agents.

As mentioned above, complaints against members of IPIC have not been a serious problem. I suspect that this is partly because of the generally high standards of training and practice in the profession, and partly because the practitioners whose standards of training and practice are unacceptably low do not join IPIC or write the qualifying examinations to be listed on the registers maintained by Commissioner of Patents and Registrar of Trademarks.

This leads us to a more serious problem, and one that has been addressed quite inadequately in the past, namely, the problem of unauthorized practice. IPIC receives far more complaints about non-members than it does about members. The Commissioner of Patents and Registrar of Trademarks also frequently receives written and telephone complaints from registered agents about others who claim (through advertising or otherwise) to be patent and trademark agents. Although on a few occasions such complaints have been referred to the Bureau of Competition Policy for investigation under the

misleading advertising provisions of the *Competition Act*, this remedy has not proven to be an effective deterrent, and the Commissioner of Patents and Registrar of Trademarks in practice has no real powers to discipline these practitioners. All the Commissioner/Registrar can do is prevent persons who are not listed on the register of agents from performing the narrow range of professional functions discussed above – essentially signing patent applications and meeting with examiners on applicants' behalf. IPIC is, of course, helpless to discipline persons who are not members of IPIC, as it is a purely voluntary organization without statutory authority.

4. Summary of Inadequacies of Current Regulatory Regime

The current regulatory regime is, in my opinion, seriously flawed, but nevertheless has developed some pronounced strengths that position the profession well to develop an effective system of self-regulation. These strengths include admirably rigorous qualification examinations, and a well-established and respected professional organization that has developed a modern code of conduct, and which emphasizes high standards of conduct and competence and promotes continuing education.

The inadequacies of the current regulatory regime may be summarized as follows:

1. The effect of successfully completing the qualifying examinations is to become entitled to be listed on the register of agents maintained by the Commissioner of Patents and Registrar of Trademarks. Registration confers rights that are exclusive but limited. Persons who are not registered are nevertheless able to perform most functions ordinarily performed by patent and trademark agents. Thus, the profession really does not have an effective licensing process comparable to that of other professions, which require practitioners to qualify to become members of the profession's governing body in order to practise as a member of the profession at all.
2. The profession does not have an effective disciplinary system. Although the Commissioner of Patents and Registrar of Trademarks is empowered by statute to refuse to recognize agents for gross misconduct or any other cause deemed sufficient, no standards have been articulated by the Commissioner or Registrar, and in practice this power has rarely if ever been invoked. Even if it were, for the reason identified in paragraph 1 above, the practitioner in question could continue to perform with impunity most of the functions ordinarily performed by patent and trademark agents.

3. The disciplinary process of IPIC is similarly ineffective, because IPIC is a voluntary association without legislative authority that cannot prevent practitioners who are not members of IPIC, from practising.
4. For these reasons, the Commissioner of Patents and Registrar of Trademarks, and IPIC, are entirely helpless to prevent unauthorized practice.

The regime described above stands in stark contrast to the regulatory bodies of other Canadian professions, which are typically governed by a council consisting of members of the profession and public representatives, together with a full-time staff engaged in establishing and enforcing professional standards through admission and discipline processes.

This examination of the inadequacies of the current regulatory regime highlights the features that must be present in an effective regulatory process designed to govern the profession in future. Before proceeding to propose a regulatory model that would rectify the problems inherent in the current regime, however, I propose to address the question of the relationship between a system of self-regulation and the possible extension of solicitor-client privilege to communications between patent and trademark agents and their clients.

5. Privilege in Canada and Other Jurisdictions

(a) Privilege in Canada

Although I do not propose to review the law of privilege in any detail for the purpose of this report, a brief summary of the principles that would be applicable if the privilege currently available to clients of lawyers practising in the intellectual property field were extended to patent and trademark agents is necessary in order to appreciate the relationship between self-regulation and privilege.

Solicitor-client privilege applies to communications between a client and its lawyer where the client is seeking, and the lawyer is providing, legal advice. The privilege applies to both oral and written communications. The privilege exists for the benefit of the client, not the lawyer. The privilege may be waived by the client, whereas the lawyer as a rule is bound to maintain privileged communications in confidence.

The principle that such communications are privileged is subject to certain exceptions. For example, communications between a client and its lawyer in furtherance of a crime or fraud are not privileged. Also, a lawyer may divulge privileged communications to the extent necessary to defend himself or herself against allegations of professional negligence or wrongdoing levelled by the client.

Only a barrister or solicitor qualified to practise law in Canada is qualified to provide advice on Canadian law. Accordingly, a patent or trademark agent may not give legal advice that is protected by privilege: see *Proctor & Gamble Co. v Calgon Interamerican Corporation* (1980), 48 C.P.R. (2d) 63 (F.C.T.D.) at 64, per Mahoney, J., and *Whirlpool Corporation v Camco Inc.* (1997), 72 C.P.R. (3d) 444 (F.C.T.D.) per Teitlebaum, J.

Not all communications between a client and its lawyer are protected by solicitor-client privilege; privilege attaches only to communications, flowing in both directions, in connection with the seeking or providing of legal advice. Thus, no privilege attaches to communications between a client and its lawyer if they relate to mere administrative matters concerning patent applications, or mere technical information devoid of any “legal” aspect: *Northwest Mettech Corp. v Metcon Services Ltd.*, [1996] Can. Rep. B.C. 1889 (S.C.) at paragraph 33 (Master). Thus, routine correspondence to and from even lawyers (for example, in connection with an application for a Canadian patent on behalf of a foreign inventor) is not subject to solicitor-client privilege if it is not for the purpose of obtaining legal advice.

Where a client corresponds with a firm that practises both law and patent agency, communications between a client and a patent agent are not privileged: *Proctor & Gamble Co. v Calgon Interamerican Corporation* (1980), 48 C.P.R. (2d) 63 (F.C.T.D.). Communications written by and to the firm *qua* patent agents must be produced, whereas communications written by and to the firm *qua* lawyers, in connection with the seeking or providing of legal advice, are privileged: *Flexi Coil Ltd. v Smith-Rolls Ltd.* (1983), 73 C.P.R. 89 (F.C.T.D.) per Mahoney, J. If the advice is sought from or provided by a patent agent it cannot be subject to solicitor-client privilege regardless of whether it may be characterized as legal advice: if it is not legal advice, it is not subject to solicitor-client privilege for that reason; and if it is legal advice it cannot be provided except by barristers and solicitors qualified to practise in a Canadian jurisdiction.

Solicitor-client privilege will apply to communications between representatives of clients and lawyers, provided that the communications are in connection with the giving or providing of legal advice. Thus, for example, a communication between a foreign lawyer representing an inventor and a Canadian lawyer whose legal advice is sought will be subject to

solicitor-client privilege. Similarly, a communication between an inventor and a patent agent (or law student, or law clerk) will be privileged if the communication is in connection with legal advice sought to be provided by a lawyer in the firm.

Solicitor-client privilege is occasionally confused with two other privileges that are important to clients of the legal profession, namely litigation privilege and settlement privilege. The litigation privilege attaches to written and oral communications between lawyers and clients, on the one hand, and third parties, typically investigators and experts (on the other, where the dominant purpose of the communication is to assist in contemplated or pending litigation). Documents prepared by patent agents for clients or their lawyers in connection with contemplated or pending litigation are privileged today, if that is their dominant purpose: see *Sperry Corp. v John Deere Ltd.* (1984), 82 C.P.R. (2d) 1 (F.C.T.D.) at 17 per McNair J.

The settlement privilege applies to offers to settle contemplated or pending litigation. The rationale for the privilege is that the settlement of disputes is to be encouraged, and that parties would seldom offer to resolve disputes if settlement offers could be tendered in evidence at trial as admissions.

A further distinction must be drawn before we proceed to consider the relationship between privilege and self-regulation for patent and trademark agents. The solicitor-client privilege has been characterized as “class” privilege, which applies only to communications with qualified lawyers, and not with members of other professions. Such communications are privileged as a class because of the value that we place as a society on the right to counsel. Lawyers cannot responsibly advise clients unless they have a firm grasp of the relevant facts and the clients’ objectives as communicated, unreservedly, by the clients. To foster such open communications lawyers must be able to assure clients that their discussions will always remain confidential unless the clients agree that they may be disclosed. To force a client to choose between legal representation without effective communication and legal representation with all secrets revealed publicly would be to deprive the client in some cases of the right to counsel.

Confidential communications with professionals other than lawyers may also be privileged, however, in narrowly defined circumstances. In *R v Gruenke*, [1991] 3 S.C.R. 263 the Supreme Court of Canada held that there should not be a recognized class privilege for confidential communications with religious advisors. The policy reasons supporting a class privilege for such communications are less compelling, the Court observed, than the reasons underlying the class privilege for communications between client and solicitor: namely, that the relationship and the communications between client and

solicitor are essential to the effective operation of the legal system. Communications with legal advisors, the Court added, are not inextricably linked with the justice system in the same way, despite their social importance.

Thus confidential communications between client and legal advisor are privileged as a class, while confidential communications with other advisors are not privileged as a class. Communications in the latter category may nevertheless be protected from disclosure on a case-by-case-basis if all four parts of what has been referred to as the *Wigmore* test (named after the author of a leading treatise on evidence) are satisfied, namely:

1. The communications must originate in a confidence that they will not be disclosed.
2. This element of confidentiality must be essential to the full and satisfactory maintenance of the relationship between the parties.
3. The relation must be one that in the opinion of the community ought to be sedulously fostered.
4. The injury that would inure to the relation by disclosure of the communications must be greater than the benefit thereby gained for the correct disposal of litigation.

It is possible that this case-by-case privilege may apply to certain confidential communications between clients and patent agents in particular circumstances, but the uncertainty surrounding the application of the *Wigmore* test to such communications in any given case would make it unsafe to rely upon the possibility that the privilege may obtain.

It is for this reason that patent and trademark agents, especially in independent firms (as contrasted with law firms or multidisciplinary practices that include lawyers) are at a competitive disadvantage. Patent and trademark agencies cannot assure clients (or foreign lawyers or agents representing inventors) that any communications with them will be treated by the courts as being privileged. While this inability is particularly problematic for patent and trademark agents in independent firms, the problem is by no means restricted to them. Communications between clients and patent and trademark agents are not privileged even where the agents are employed by law firms: *Proctor & Gamble Co. v Calgon Interamerican Corp.* (1980), 48 C.P.R. (2d) 63 (F.C.T.D.). Although law firms can readily avert this problem by ensuring that advice sought by clients is provided by lawyers, this will often not be the most cost-effective and efficient approach to

servicing the client. Moreover, as pointed out in a letter dated February 12 1999 from John Roth, c.e.o. of Northern Telecom, to Minister of Industry John Manley, the inability of Canadian patent and trademark agents employed by corporations to assure clients that communications in connection with the seeking of advice will be privileged has also had the effect of certain work that could be performed in Canada being diverted to the United States.

It is apparent that the extension of privilege to clients of patent and trademark agents would meet with opposition in some quarters. Opposition, which would appear to be centred primarily among some members of the legal profession, is based on two grounds. The first concerns the shortcomings of the current regulatory regime: patent and trademark agents, it is said, receive little or no training in professional responsibility, and have not in the past subscribed to a code of professional conduct that is capable of being enforced effectively. The self-regulatory regime proposed in this report is designed to respond to these well-founded concerns.

The second ground of objection is that by extending privilege to patent and trademark agents the government may be embarking upon a slippery slope that may well have the effect of diluting privilege generally. Opponents of the extension of privilege contend that it is difficult to justify on any principled basis the extension of privilege to patent and trademark agents without acknowledging the legitimacy of claims for similar treatment of other professional groups including, for example, chartered accountants who provide tax advice, customs agents, and immigration consultants, at least to the extent that such groups have rigorous admission standards and standards of competence and ethics that are enforceable through an effective regulatory process. At present, solicitor-client privilege is treated with some gravity despite occasional cynicism in some quarters – but there is a risk that the extension of privilege to the clients of other professional groups might create a backlash that would undermine privilege generally. Such a result, it is argued, cannot be justified by the competitive disadvantage that primarily affects a relatively small minority of patent and trademark agents, namely, those practising in independent firms in which no lawyers are employed. (Proponents of the extension of privilege to patent and trademark agents rightly respond to this argument by emphasizing the similarities between the work of patent and trademark agents and lawyers practising in the intellectual property field – similarities that are not necessarily present in relation to the other professional groups who may seek similar extensions of the doctrine. These similarities are underlined, for example, by the fact that a lawyer may qualify for registration as a trademark agent without writing qualifying examinations. It is because patent and trademark agents' work is akin to lawyers' work that privilege has been extended to them in other jurisdictions, as discussed below.)

These objections may or may not be overcome if a more effective regulatory regime is successfully created. They will *not* be overcome, however, *unless* such an effective regime replaces the current, inadequate, model. For reasons that will by now be apparent, it is in my view essential that the current regulatory regime be replaced whether or not such an effort results in the extension of privilege to the clients of patent and trademark agents.

(b) Privilege in Other Jurisdictions

Privilege has been extended by statute to patent and trademark agents (who are entitled to use the designation “attorney”) in at least three common law jurisdictions.

In Australia the *Patents Act 1990* provides that “a communication between a registered patent attorney and the attorney’s client in intellectual property matters, and any record or document made for the purposes of such a communication, are privileged to the same extent as a communication between a solicitor and his or her client”. The *Trademarks Act 1995* contains an identical provision for trademark attorneys.

In New Zealand the *Evidence Amendment Act (No. 2) 1980* extends a limited privilege to registered patent attorneys.

In the United Kingdom privilege is extended to patent and trademark attorneys under the *Copyright Designs and Patent Act 1990* and the *Trademarks Act 1994* respectively.

In the United States, as pointed out in the Doern Report, the patent and trademark agents’ profession is largely subsumed within the legal profession. Clients of members of the profession are, of course, entitled to the benefits of solicitor-client privilege.

6. Relationship Between Privilege and Self-Government

Of the many self-governing professions in Canada – a category that includes among many others medical doctors, dentists, nurses, optometrists, architects, engineers, and chartered accountants – only lawyers are able to assure clients that oral and written communications in connection with the seeking or obtaining of advice will be privileged. Thus, the protection of privilege does not follow automatically from the attainment of self-regulating status.

Accordingly, the case for extending the class privilege applicable to solicitor-client communications to communications between clients (or their representatives) and patent and trademark agents must rest not on the attainment of self-regulatory status *per se*, but rather upon the force of the public policy arguments that support the extension of privilege to communications with patent and trademark agents for the same reasons that communications with legal advisors are protected by privilege. The fact that the force of these public policy arguments has been acknowledged by statutory amendments in other common law jurisdictions is significant.

Although the extension of privilege to patent and trademark agents would not follow automatically from the attainment of self-regulatory status, the attainment of that status – or some other effective regulatory system that would rectify the shortcomings of the current regulatory regime as identified above – would be an essential precondition to the extension of privilege to patent and trademark agents. This is so because the extension of privilege would impose on patent and trademark agents important professional obligations that must be subject to an effective means of enforcement. A comparison between the regulatory regime described above and the regulatory regime by which lawyers are governed, is instructive.

The rules of professional conduct that specify lawyers' ethical and professional duties have generally been more thorough and exacting than those governing patent and trademark agents – at least until the recent proposed amendments to IPIC's code of conduct. In recent years rules of professional conduct in some jurisdictions have been expanded significantly, for example by the promulgation of significantly more specific rules governing such matters as conflicts of interest in particular types of situations and relationships that arise in practice. The Law Society of Alberta adopted what is at present the most comprehensive rules of professional conduct in Canada, and the Law Society of Upper Canada is currently engaged in the process of rewriting its *Rules of Professional Conduct*.

What is more important than the contents of the two professions' codes of conduct, however, is the ability of the legal profession to enforce rules of professional conduct through an effective disciplinary process. The governing bodies of the legal profession throughout Canada employ full-time staffs of investigators and prosecutors who enforce rules of professional conduct by initiating proceedings that may lead to sanctions as severe as disbarment for lawyers who breach their professional duties (including their duty to maintain in confidence information obtained concerning their clients' affairs). The legal profession's ability to enforce the professional obligations of its members stands in stark contrast to the current regulatory regime for patent and trademark agents, as described above.

In short, lawyers have enforceable legal and ethical responsibilities that are significantly greater than those currently imposed on patent and trademark agents. The assumption of the professional obligations inherent in one's call to the bar, and the ability of the profession to effectively enforce those obligations, are among the conditions underlying the right of solicitor-client privilege. The evolution of the patent and trademark agent professions to independent, self-governing status could not help but underscore its similarity to the legal profession and to enhance the prospects of the privilege being enshrined in legislation, as in other jurisdictions. The inclusion in the revised code of conduct of a confidentiality requirement that is virtually identical to the equivalent rule in codes of professional conduct applicable to lawyers is a significant step for patent and trademark agents. The advent of a comparable ability to sanction breaches of that requirement through an effectual discipline process would fill the largest remaining gap in the profession's ability to mount a persuasive argument that Parliament should extend the privilege to the profession by statute. At present there are no effective sanctions that can be imposed on patent and trademark agents for misuse of any claim to privilege that might be extended to their clients.

The most important practical issue driving the campaign for the extension of privilege to patent and trademark agents is the reluctance of foreign law firms and patent and trademark agency firms to retain Canadian patent and trademark agents if they cannot be assured that communications between them will be treated as privileged. This problem is less acute insofar as patent agents employed in law firms or multi-disciplinary practices are concerned. Rules of professional conduct in the legal profession (for example, rule 16 of the Law Society of Upper Canada's *Rules of Professional Conduct*) provide that lawyers may permit non-lawyers to act only under the supervision of a lawyer, and adds that a lawyer may not permit a non-lawyer to give legal opinions (among other things).

The extension of privilege to patent and trademark agents would not have the effect of permitting patent agents to provide advice that they would otherwise not be authorized to give. Nor would it have the effect of protecting from disclosure communications that would not be privileged (for example, communications regarding purely administrative matters) if made between a client and its lawyer. Solicitor-client privilege does not protect from disclosure material *facts* relevant to the prosecution of a patent application (see *Cook v Cook and Kelterbourne*, [1947] O.R. 287 (H.C.J.) and *Meilleur v U.N.I. Crete Canada Inc.* (1982), 30 C.P.C. 80 (H.C.J.)). Similarly, if privilege were extended to patent and trademark agents, that would not have the effect of enabling clients to suppress material facts relevant to such an application.

The privilege would not be extended to functions that are within the exclusive domain of the legal profession; to extend the privilege to such functions would be to encourage the unauthorized practice of law.

If extended, the privilege would apply at a minimum to communications made within the scope of the exclusive rights enjoyed by patent and trademark agents, that is, to communications between clients and agents working on their behalf relating to the prosecution of applications before the patent or trademark office.

7. Toward a New Regulatory Regime

We have seen that the current regulatory regime for patent and trademark agents is wholly inadequate. We have also seen that rectifying the shortcomings of the current regulatory regime is an essential precondition (though not necessarily sufficient in itself) to enable the profession to mount a persuasive argument for the extension by statute of privilege to clients of the patent and trademark agents' profession.

What follows, then, is a proposal for the design of a regulatory model for the effective governance of the profession. Whether or not the profession is successful at this time in persuading the government to extend privilege to communications between patent and trademark agents and their clients, the removal of the current obstacles to the effective regulation of the profession is, in my opinion, essential both in the public interest and in the interest of the profession. It will become increasingly difficult for the profession to justify its continued existence in the absence of an effective means of enforcing professional standards of conduct and preventing unauthorized conduct.

The conclusion that I have reached, that it is essential that the current regulatory regime be replaced whether or not privilege is extended to patent and trademark agents, is not novel. The Doern Report concluded as follows:

“ ... my considered view is that, in the mid-1990's, there is no convincing rationale for the patent and trademark profession to be so directly supervised by an agency of the Federal Government in matters of its professional qualifications. As the federal agency involved, CIPO should focus on its more complex mandate tasks and should not be so closely regulating one of the client groups it must interact with in other vital public interest ways. The patent and trademark government system is currently not a full self-regulating model in that it involves

certification and not licensing. It should become more of a self-regulating profession to prepare itself for the new regulatory and service provision challenges that [IPIC] faces.” (at page 120.)

The Doern Report considered three alternative models for regulatory change: first, a self-regulating regime similar to those adopted by many other professions; second, the unbundling or reconfiguration of the regulatory and service web of activities that constitute patent and trademark professional work, which would involve changing the roles and services of patent and trademark agents and CIPO in the light of technological or market changes; and third, regimes based on models in other jurisdictions.

These models are not mutually exclusive. The creation of a professional self-regulating body for patent and trademark agents would itself have the effect of unbundling or reconfiguring the current division of responsibilities as between CIPO, the Commissioner of Patents and Registrar of Trademarks, and IPIC. Such a body, similarly, would resemble the regulatory regimes of most other jurisdictions, which have a patent and trademark profession that is fully regulated in the sense that only licenced agents are entitled to represent applicants before the country’s patent or trademark office.

There are nevertheless a number of variations among self-regulating professions. In Australia, for example, two statutory bodies have been created: first, the Patent Attorneys Professional Standards Board, which conducts registration examinations and considers complaints from clients; and second, the Patent Attorneys Disciplinary Tribunal, which conducts hearings when the Professional Standards Board initiates disciplinary action. What is more common in Canada is a unitary organization that performs investigative, prosecutorial, and adjudicative functions (among others), with safeguards built in to ensure the independence of the investigative and prosecutorial functions, on the one hand, and the adjudicative function, on the other. Self-management is a further variant of self-regulation. It involves the transfer of regulatory power to a private corporation dominated by industry representatives but including also public representatives appointed by the government. The private corporation and the government enter into a contract in which the corporation adopts a management plan acceptable to the government. The corporation is responsible for registration, complaints, discipline, and unauthorized practice, but the government retains jurisdiction over matters of policy.

You have asked me to recommend a structure that IPIC might propose for the effective regulation of patent and trademark agents in Canada. My recommendation is to be “a framework document designed to identify the issues and propose options” that can be considered by both IPIC and government officials. The regulatory structure that is suggested below is

not by any means the only model that would remedy the problems associated with the current regulatory regime. It is intended, rather, to stimulate discussion that may well lead to refinements that may better accommodate the demands of stakeholders and the public interest.

I propose the creation of a self-regulating professional organization that we will designate for purposes of this report as the College of Patent and Trademark Agents (the "College"). The College would be based upon the self-regulatory model common to many professions in Canada, including (to name a few examples with which I am particularly familiar) the Law Society of Upper Canada, the Institute of Chartered Accountants of Ontario, and such regulated health professions as the College of Physicians and Surgeons of Ontario, the Royal College of Dental Surgeons of Ontario, the College of Nurses of Ontario, and the counterparts of these self-regulatory bodies in other provinces.

The College would also resemble in many ways the Canadian Institute of Actuaries, which is rare among self-regulatory professional organizations in that it is created by federal statute, as would be the proposed College of Patent and Trademark Agents. The Canadian Institute of Actuaries was created by the *Actuaries Act* in 1965, a statute that contains only eight sections, which deal with such matters as the Institute's objects, head office location, membership, council, and powers. The Institute's objects as specified in the *Actuaries Act* include the establishment, promotion, and maintenance of high standards of competence and conduct. The Institute has enacted by-laws detailing such governance provisions as the means by which council members are elected, and rules of professional conduct (which include provisions relating to confidentiality, conflict of interest, standards of practice, and advertising).

Because of the skeletal framework provided by *Actuaries Act*, the Institute has the flexibility to effect changes to its standards and enforcement mechanisms without requesting and awaiting amendments to its governing statute. The Institute in fact did effect fairly widespread changes to its disciplinary system to respond to various concerns that had arisen concerning the fairness and cost of the process.

The College of Patent and Trademark Agents would be governed by a council, which would consist of a combination of members of the profession elected by their peers, and public representatives appointed by the Federal Government. Because of the specialized nature of the professional work performed by patent and trademark agents, I would recommend that the public representatives include persons who have used the services of patent and trademark agents as clients and other persons with experience in the intellectual property field.

I would not recommend that CIPO itself be represented on the College's council. I am concerned that one effect of including one or more representatives of CIPO on council may be to undercut the division of responsibilities that the creation of the College is designed to effect. Part of the problem with the current regulatory regime arises from the overlapping jurisdiction of CIPO, the Commissioner of Patents and the Registrar of Trademarks, and IPIC. The College as I conceive it is designed to be a self-regulating body dominated by members of the profession but including also public representatives, exercising regulatory powers delegated to it by statute. Neither CIPO nor the Commissioner of Patents or Registrar of Trademarks would have any role in the regulation of the profession in the new self-regulatory regime. Obviously, they would continue to be the key participants in formulating policy and administering intellectual property law in Canada.

The council of the Canadian Institute of Actuaries consists of thirty members, including three *ex officio* members. I would think that the proposed College of Patent and Trademark Agents would require a council of at least twenty members, bearing in mind the desirability of the council consisting of a broad cross-section of members (representing each province or at least region within Canada, and representing both patent and trademarks agents, and lawyers and non-lawyers). It is necessary to populate various standing committees, and as we shall see below, cross-membership of certain committees must be avoided. The size of the council of course has significant financial implications, as members of council will at least be reimbursed for travel expenses if not paid a *per diem* fee.

The broad objectives of the College would be follows:

1. To ensure that consumers and stakeholders (including CIPO) are able to rely on licenced Canadian patent and trademark agents as being knowledgeable and proficient members of the profession.
2. To protect consumers and other stakeholders from licenced and unlicenced persons practising as patent and trademark agents who do not comply with standards of competence and conduct or who otherwise practise in an unauthorized manner.

The primary role of council would be the formulation of policy for the governance of the profession. Management would be the responsibility of an executive committee and staff.

In addition to the executive committee, standing committees responsible for admission, complaints, and discipline, would be appointed from among the members of council.

The admission committee would be responsible for administering qualifying examinations and maintaining a register of licenced patent and trademark agents.

The College would administer a licensure system, as contrasted with a certification system. In other words, the College would not only certify to the public that certain individuals have the requisite competence and training to act as patent and trademark agents (without prohibiting uncertified individuals from carrying on practice), but would rather ensure that only licenced patent and trademark agents are allowed to practise. I recommend that the statute creating the College make it an offence for a person to practise as a patent and trademark agent without a licence, and that the College be empowered to seek injunctive relief in the courts to prevent unlicenced patent and trademark agents from continuing to practise. These provisions would rectify what we have identified above as one of the principal shortcomings of the current regulatory regime, namely, the inability of the Commissioner of Patents, the Registrar of Trademarks, and IPIC to prevent unauthorized practice.

The College would also be given by statute the responsibility of administering the examinations that aspiring patent and trademark agents would be required to pass in order to obtain the right to practise their profession in Canada. Because of the profession's longstanding involvement in the current examination process for purposes of entry on the register of patent agents and trademark agents, a process that appears to be functioning effectively, I would expect that in the immediate future a similar process of self-study and on-the-job training of patent and trademark agents would continue. Patent and trademark agents who are currently registered would not be required to rewrite qualifying examinations if they are resident in Canada. I would recommend, however, that patent and trademark agents who are not resident in Canada be notified that their registrations will lapse unless they successfully write the licencing examinations within a specified period of time. Thus, all persons licenced to practise in Canada would be required to successfully complete the qualifying examinations.

The professional conduct committee would be responsible for dealing with complaints received by the College concerning alleged breaches of the College's code of conduct. Depending upon the volume and complexity of complaints, the complaints may be investigated by staff or outside investigators. The professional conduct committee would be responsible for screening out unmeritorious complaints and minor complaints that can be addressed without engaging the

discipline process, which can be time-consuming and expensive. The professional conduct committee might arrange for complaints that do not justify engaging the disciplinary process, to be mediated. The committee would also be responsible for referring serious allegations of misconduct for adjudication by the discipline committee where such a referral is justified by the evidence. The professional conduct committee would be responsible for retaining counsel to prosecute complaints referred to the discipline committee. The professional conduct committee should include one or more public representatives as well as members of the profession.

Because of the importance of maintaining a strict separation of the prosecutorial and adjudicative functions in a unitary agency, there should be no cross-membership on the professional conduct and discipline committees. In some self-regulatory bodies newly-elected members of council are more likely to be appointed to the professional conduct committee, while council members with experience on the professional conduct committee are likely to be appointed to the discipline committee.

The discipline committee is an adjudicative body that would be charged with the responsibility of determining specified allegations of professional misconduct and incompetence that are referred to it by the professional conduct committee. The parties to disciplinary hearings would be the College itself, represented by counsel retained on behalf of the professional conduct committee, and the member. The complainant would not have status as a party in hearings before the discipline committee, though the complainant may well be an important witness on both the question of whether the complaint of professional misconduct has been made out and on penalty, where evidence of the impact of the member's misconduct may be admitted in accordance with a policy adopted by council.

A quorum of the discipline committee may consist of as few as three members. In light of the fact that the council of the College will include lawyers, it would be desirable in my view for the chair of each hearing panel to be a lawyer who has experience in courts or before administrative tribunals. If no lawyers are on the panel, it would be necessary as a practical matter for the College to retain independent legal counsel to advise the hearing panel, an alternative that would add appreciably to the expense of the discipline process. The hearing panel would also include a public representative and at least one other member.

Hearings could be held in any place in Canada that is convenient to the parties, witnesses, counsel, and members of the discipline committee and staff. I would recommend, however, that rules of procedure be devised that would provide that

hearings be held in a central location (presumably in Ottawa) unless the discipline committee is persuaded on application on behalf of one of the parties that considerations of fairness, convenience, and expense justify the holding of the hearing elsewhere. The rules of procedure might also provide that witnesses may testify by teleconference if so ordered by the hearing panel, and that evidence may be received in written form or electronically on consent.

The statute would provide that the decision of the discipline committee may be appealed to the Federal Court of Appeal.

A proposed organizational chart for the College is attached as an appendix to this report.

The College would inherit some of the functions currently performed by IPIC. The College's functions, however, should be confined to those that flow from its mandate to regulate the profession in the public interest. The College should not perform functions designed to advance the interests of the profession and its members except to the extent that those functions coincide with the College's role of governing the profession in the public interest. IPIC would continue to provide continuing education to members, to liaise with CIPO, and to promote the interests of the profession generally.

I understand that IPIC members currently pay fees of less than \$400 a year. The creation of the College would of course represent an additional expense to members, though this expense may be offset to some extent by the transfer of certain responsibilities currently performed by IPIC to the College. Some expenses currently borne by the Federal Government would become the responsibility of members of the College under the proposed self-regulatory model. These include the cost of administering the qualifying examinations, though I understand that the examination is currently set and marked largely by IPIC volunteers, thereby containing the expense, as would be the case under the proposed self-regulatory model. Because the College would be solely responsible for administering examinations and maintaining the registers of licensed patent and trademark agents, the examination and annual registration fees currently paid to CIPO would be paid to the College to help fund its work.

Although I am in no position at present to estimate the cost of establishing and maintaining the College, I believe that it is likely that the College could be established without assembling a large and expensive bureaucracy. Much of the necessary work would be performed by members of council, who would be volunteers, and the fact that IPIC has received few complaints about members over the years would suggest that few discipline hearings would be required, and that the

expense of the discipline process would be correspondingly modest. It may well be that the most significant new expense that would have to be borne by members would be the cost of bringing proceedings to prevent unauthorized practice.

8. Conclusion

The current regulatory regime is seriously flawed. In spite of a commendably rigorous qualifying examination process, patent and trademark agents whose names are not listed on the registers maintained by the Commissioner of Patents and Registrar of Trademarks, are nevertheless able to perform the bulk of the functions of members of the profession with impunity. Although the Commissioner of Patents and Registrar of Trademarks is empowered by statute to “refuse to recognize” persons whose names are listed on the register who are guilty of gross misconduct or for other cause, no standards have been articulated, and in practice there are few if any examples of such disciplinary action having been taken.

Moreover, persons whose names are not listed on the register are able to perform most of the responsibilities of members of the profession with impunity. The Commissioner of Patents and Registrar of Trademarks, as well as CIPO and IPIC, are all helpless to prevent unauthorized practice. Although IPIC has disciplined members in the past by expelling them from membership, because IPIC is a purely voluntary organization it has no power to prevent non-members (and former members who have been expelled) from practising as patent and trademark agents.

These serious flaws in the current regulatory regime are a significant impediment to an objective shared by many patent and trademark agents, namely the extension of the evidentiary privilege enjoyed by clients of the legal profession to clients of patent and trademark agents. This objective is of particular importance to independent patent and trademark agent firms who do not employ lawyers, who are at a significant competitive disadvantage to law firms and multi-disciplinary practices that practise in the intellectual property field and employ both lawyers and patent agents. One of the most important justifications for solicitor-client privilege is the ethical obligations assumed by members of the legal profession upon their call to the bar, together with the ability of the legal profession to effectively enforce those ethical obligations through an effective discipline process. This latter feature, particularly, is notably missing from the current regulatory regime governing patent and trademark agents.

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The extension of the evidentiary privilege to clients of patent and trademark agents would not follow automatically from self-regulatory status; many professions have effective self-regulatory bodies, but the evidentiary privilege is confined to clients of the legal profession. The extension of privilege to clients of patent and trademark agents, moreover, would encounter opposition in some quarters, largely based upon the fear that it would be difficult to justify extending privilege to clients of patent and trademark agents without extending it as well to the clients of other professional groups, with the effect of diluting the force of the privilege generally.

The creation of a self-regulatory body would nevertheless be highly desirable for two reasons. First, though the extension of privilege would not follow automatically from the creation of such a body, it would certainly not follow at all as long as the current regulatory regime is maintained. Second, even if the statute creating the new self-regulatory body did not simultaneously extend privilege to the clients of patent and trademark agents, the creation of a modern and effective mechanism for regulating the profession is, in my opinion, essential both in the public interest and the profession's interest.

I have accordingly recommended the creation of a self-regulatory body that I have called, for the purpose of this report, the College of Patent and Trademark Agents. The features of the proposed College are set forth in part 7 of this report, and in the attached organizational chart, and I do not propose to repeat in this conclusion what I have suggested there. I do believe that the proposed College would remedy the problems inherent in the current regulatory regime.

I am very much looking forward to discussing this report with members of IPIC at its meeting in Quebec City on September 24. If you or your colleagues have any questions or comments in the meantime I would, of course, be pleased to hear from you.

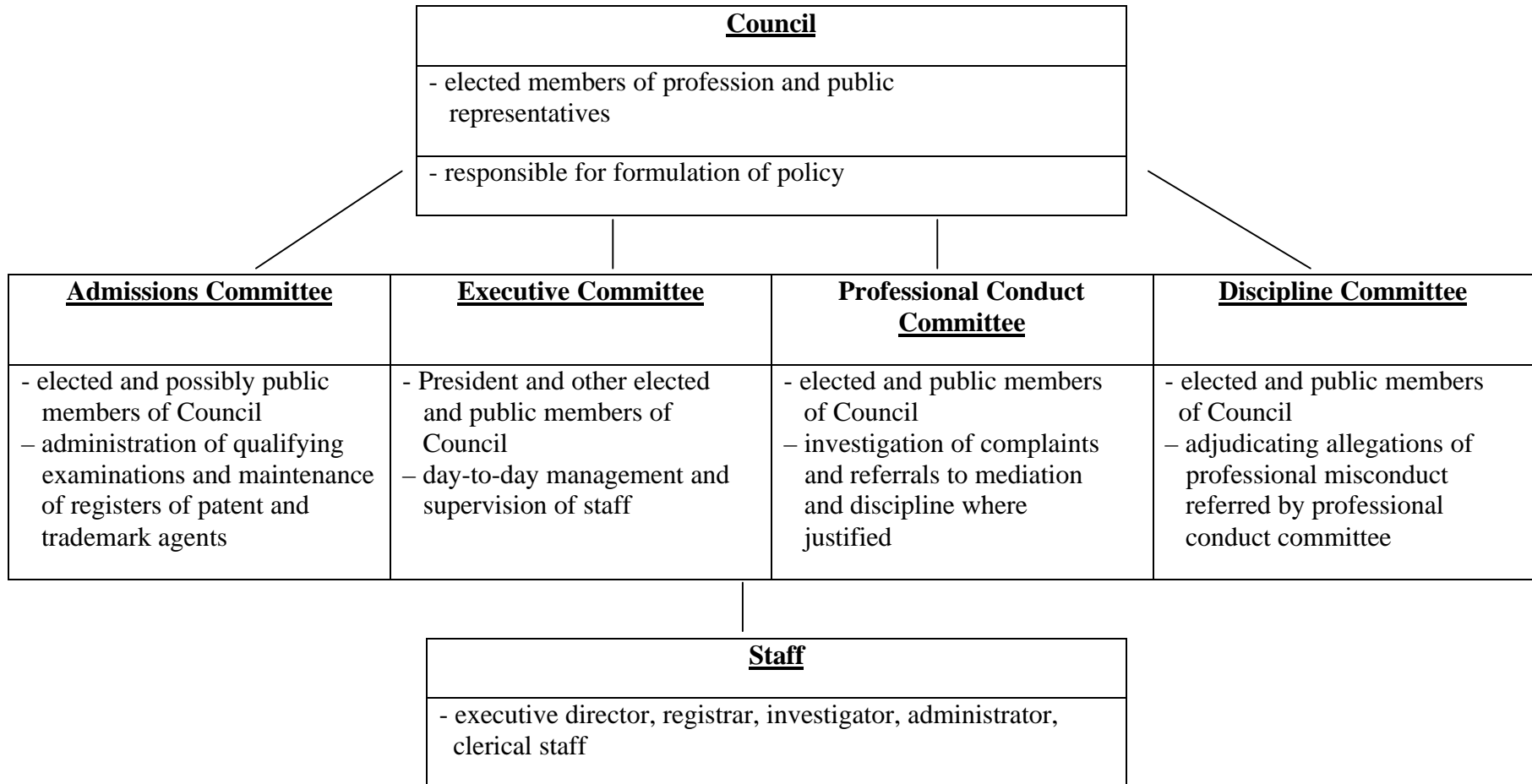
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Yours truly,

Gavin MacKenzie
GM/rw

APPENDIX

Organizational Chart for Proposed College of Patent and Trademark Agents



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