



IPIC

Submission to the

Standing Committee on the Law of Patents

**Regarding the Report on the International Patent System of April 15, 2008
(SCP/12/3)**

By

The Intellectual Property Institute of Canada

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Introduction

The Intellectual Property Institute of Canada (IPIC) is the professional association of patent agents, trade-mark agents, and lawyers practicing in all areas of intellectual property law. Our membership totals more than 1,700 individuals, consisting of practitioners in law firms and agencies of all sizes, sole practitioners, in-house corporate intellectual property professionals, government personnel, and academics. Our members represent small and large businesses throughout Canada, Canadian universities and other institutions with intellectual property rights (e.g. patents, trade-marks, copyright and industrial designs) in Canada or elsewhere, and foreign organisations who do business in Canada, using their intellectual property rights.

During the September 2008 Assemblies of the Members States of the World Intellectual Property Organization, IPIC was granted the status of national non-governmental organization observer. Previously, IPIC has attended, by invitation, meetings of the Standing Committee on the Law of Patents (SCP).

IPIC is grateful for the opportunity to provide comments on SCP/12/3 and on the future work of the SCP. This report focuses on one aspect of the support structures for the patent system: professional privilege (section VII (b) of SCP/12/3). We note and welcome the decision of the Committee to mandate the WIPO Secretariat to establish a preliminary study on the issue of client-attorney privilege (as reported in SCP/12/4). IPIC has been aware for some time of the difficulties caused by the lack of uniformity of privilege for patent agents, not only within a national group of practitioners but also internationally, and has noted with concern the trend of recent Court decisions to limit the scope of privilege available for IP practitioners. This trend threatens to undermine the effective management and enforcement of IP rights, to the detriment of the IP system itself.

IPIC has done extensive research on this topic and we provide below brief excerpts of this research. We would be pleased to provide more detailed information if it can be of assistance to the SCP. We hope that our comments will be useful to the Secretariat and to the SCP.

Privilege for Trade-mark Agents in Canada

A detailed analysis in support of privilege for trade-mark agents in Canada was prepared in 2001 at the request of IPIC by a senior Canadian practitioner, Mr. James Fogo¹. In his report, Mr. Fogo notes that the advice given by trade-mark agents in the course of advising a client in securing and protecting a trade-mark registration is akin to advice given by lawyers. In fact, the advice of a trade-mark agent might well be the very same advice that a lawyer would give. However, while the lawyer's communications are privileged, the trade-mark agent's are not.

¹ Privilege for Communications with Trade-mark Agents Resident in Canada and Listed under Rule 21 of the Trade-mark Regulations 1996, by James G. Fogo, September 2001

This problem was solved in the United Kingdom, Australia and New Zealand by statutes that have accorded professional privilege to trade-mark agents. In the U.K., prior to the passing of this legislation, one notable decision remarked upon the lack of privilege for trade-mark agents as follows:

“It does seem to me to be a little odd and possibly perverse, that if a trade mark agent is entitled to advise a client in relation to certain legal matters and to conduct certain legal proceedings on his behalf, the same privilege should not apply as would certainly apply in a case where the advice was being given and the proceedings were being conducted by a solicitor.”²

It is important to note that this lack of privilege may even extend to lawyer-agents. There have been at least two decisions in Canada where the courts have found that solicitor-client privilege exists when members of a firm are acting as solicitors, but “not when acting as trade-mark agents”³.

Ultimately, the lack of privilege is a problem for the client. A client must be able to freely disclose information to an agent of his choice and to obtain advice which the client wishes to be confidential. The government allows trade-mark agents to perform certain duties under the *Trade-marks Act*. The client should be able to use the services of such agents without putting confidential information at risk of disclosure.

Mr. Fogo in his conclusion astutely observes that by providing statutory privilege to trade-mark agents, Canada will then be brought into line with leading intellectual property nations.

Privilege for Patent Agents in Canada

Support for professional privilege for patent agents in Canada is well developed and was researched by a senior practitioner at the request of IPIC, Mr. William Hayhurst⁴. In his report submitted in 2001, Mr. Hayhurst discusses the anomaly that a client who needs advice on matters relating to inventions and patents does not enjoy privilege for communications with a patent agent who is qualified to provide the necessary advice⁵. The same client would be guaranteed privilege for the identical communications if dealing with a lawyer who is unfamiliar with patent law and practice and inexperienced in applying these to the relevant technologies.

² *Dormueuil Trade Mark* [1983] R.P.C. 131

³ *Visa International Service Association v. Visa Travel International Ltd.*, 74 C.P.R. (2d) 243; *Rentokill Group Ltd. v. Barrigar & Oyen*, 75 C.P.R. (2d) 10

⁴ Privilege for Communications with Registered Patent Agents who are Residents in Canada, by William Hayhurst, Q.C., July 24 2001

⁵ Section 15(a) of the *Patent Rules*, SOR/96-423, provides that the Commissioner shall enter on the register of patent agents “... the name of any resident of Canada who has demonstrated a good knowledge of Canadian patent law and practice by passing the qualifying examinations for patent agents relating to patent law and practice”

The United Kingdom, Australia, New Zealand and other jurisdictions have enacted statutory rights of professional privilege for communications with patent agents and patent attorneys. Even in the United States, where no statutory protection has yet been granted, communications from a patent agent have been found to be privileged under a common law doctrine.

A client's patent protection in Canada can be hindered by the lack of professional privilege for patent agents. An inventor seeking advice may be reluctant in communicating certain information to a non-lawyer Canadian patent agent, with the concern that the communications becomes admissible as evidence should litigation arise. Such a lack of full and frank disclosure may prevent the patent agent from giving reliable and sound advice.

The lack of uniform standards on privilege and on the recognition of privilege in different countries affects the rights of clients, and the choices available to them. For example, in the U.K., where privilege attaches to correspondence with patent agents, clients have been warned that caution must be exercised in dealing with Canadian patent agents because correspondence with them is not privileged. For some clients, the right of privilege between agent and client can be of such vital importance that it can easily outweigh the convenience of consulting a local practitioner.

To obtain legal advice from a patent agent, the same conditions should apply as those associated with solicitor-client privilege: the client must be able to consult freely and in confidence. At present, patent agents in Canada can give their clients an assurance of confidentiality, but not an assurance of privilege.

Mr. Hayhurst provides reasoned implementation proposals and consideration of their results, concluding that providing statutory privilege for patent agents in Canada will benefit users of the patent system and strengthen the international position of the profession.

Canadian Law on Privilege for Patent and Trade-mark Agents

Numerous Canadian court decisions have held that communications between patent or trade-mark agents and their clients are not privileged. In a paper presented at the WIPO-AIPPI Conference on Client Privilege in Intellectual Property Professional Advice in May 2008, Steven B. Garland and Glen Kurokawa provided an extensive analysis of the jurisprudence significant to Canadian practitioners⁶. Below is a summary of this analysis.

The origin of the Canadian approach stems from the old English case *Moseley v. Victoria Rubber Co.* (1886), 3 R.P.C. 351, 55 L.T. 482 (High Court of Justice, Chancery Division) [*"Moseley"*], which held that "communications between a man and his patent agent are

⁶ Intellectual Property Advisor-Client Privileged Communications: Canada and Other Jurisdictions by Steven B. Garland and Glen Kurokawa, May 2008

not privileged.” The judge in the Moseley case also had cause to note that any communications made to a solicitor acting in his capacity as a patent agent were not privileged.

It is informative to the present discussion to note that the U.K. and Canadian approaches to agent privilege, while having the same origins, have since taken decidedly different paths. Whereas in the United Kingdom there is now a statutory provision of privilege to agent-client communications pursuant to section 280 of the U.K. *Copyright, Designs, and Patents Act*, in Canada there is no such statutory provision. Canada has no equivalent judicially recognized privilege provision for agents either. In fact, the Canadian judicial approach to privilege for agents has been shown to enable parties to reach through the Canadian patent system to pierce the privilege that has been afforded to a client by the U.K. patent system. For example, in *Lilly Icos LLC v. Pfizer Ireland Pharmaceuticals* (2006), 55 C.P.R. (4th) 457, the Federal Court concluded that communications between the inventors and their U.K. patent attorneys were not privileged and were required to be produced in the Canadian litigation, despite the fact that they were considered privileged in the U.K. under Section 280 of the U.K. *Copyright, Designs and Patents Act 1988*, where the communications took place. The Canadian Court stated that judicial comity between countries does not require Canada to recognize a privilege not established in Canada.

In the United States, while Courts generally respect and apply a privilege that attaches to communications as a result of foreign law practice, U.S. Courts have also decided that, where no applicable privilege exists between a foreign agent and his client, none shall be recognized in the U.S. proceedings (*Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer Inc.*, 52 U.S.P.Q. 2d 1897, 188 F.R.D. 189 (U.S. District Court, Southern New York, 1999) [*“Rhone-Poulenc”*]).

The present lack of harmony in countries’ approaches to privilege rights for clients of agents would appear to permit erosion of the privilege rights across borders. In Canada as will be shown below, Courts have consistently held that communications between agents and their clients are not privileged. It is apparently not within the auspices of Canadian Courts, either through the mechanisms of judicial comity or otherwise, to render decisions that take the global nature of the patent system into account where privilege is concerned.

One of the leading Canadian decisions on the privilege is that of the Federal Court of Appeal in *Lumonics Research Ltd. v. Gould et al.* (1983), 70 C.P.R. (2d) 11 (Federal Court of Appeal) [*“Lumonics Research”*], in which the Court ruled that professional legal privilege does not extend to communications between patent agents and their clients for the sole reason that patent agents are not members of the legal profession. It should be noted that this decision was rendered despite the fact that registered Canadian patent agents, lawyers or not, are the only people qualified under the Canadian *Patent Act* and *Rules* to represent clients before the Canadian Intellectual Property Office. While the Court’s comments were directed to patent agents, the decision applies equally to trademark agents (see, for example, *Rentokil Group Ltd. v. Barrigar & Oyen* (1983), 75 C.P.R.

(2d) 10 (Federal Court, Trial Division) and *Visa International Service Assn. v. VisaTravel International Ltd.* (1983), 74 C.P.R. (2d) 243 (Federal Court, Trial Division))

It was held in *Procter & Gamble Co. v. Calgon Interamerican Corporation et al.* (1980), 48 C.P.R. (2d) 63 (Federal Court, Trial Division) [*“Procter & Gamble”*] that in order to assert privilege, the legal advisor with whom the plaintiff communicated must have been professionally qualified to advise it in respect of Canadian law (*United States of America v. Mammoth Oil Co.*, [1925] 2 D.L.R. 966, 28 O.W.N. 22 (Ont. C.A.)). It was held that while such communication with a qualified employee is as privileged as if with a qualified private practitioner, any such lawyer must have been qualified to practice law in Canada as a barrister and solicitor, not as a patent agent.

While privilege *can* attach to patent or trade-mark agent communications in appropriate circumstances, most particularly by way of the litigation privilege (see, for example, *ABC Extrusion Co. v. Signtech Inc.* (1990), 33 C.P.R. (3d) 474 (Federal Court, Trial Division)) the Federal Court of Canada has consistently found that communications between clients and agents *per se* are not protected by privilege as per lawyer-client communications (for further examples see also *Sperry Corporation v. John Deere Ltd. et al.* (1984), 82 C.P.R. (2d) 1 (Federal Court, Trial Division); *Scientific Games, Inc. v. Pollard Banknote Ltd.* (1997), 76 C.P.R. (3d) 22 (Federal Court, Trial Division); and *Whirlpool Corp. v. Camco Inc.* (1997), 72 C.P.R. (3d) 444 (Federal Court, Trial Division)).

Equally troubling are the number of Canadian decisions that have held that privilege will not necessarily extend to communications between a client and a lawyer who is also a patent or trade-mark agent where that person is acting in his or her capacity as an agent and not as a lawyer. In these situations, the court will look at what “hat” the lawyer is wearing at the time the advice is provided. If in fact the lawyer is found by the Court to be acting in his or her capacity as a patent agent, or trade-mark agent, and not as a lawyer, then the communications may not be privileged. See, for example, *Montreal Fast Print (1975) Ltd. v. Polylok Corporation* (1983), 74 C.P.R. (2d) 34 (Federal Court, Trial Division) [*“Montreal Fast Print”*], reconsidering or rehearing refused by (1983), 75 C.P.R. (2d) 95 (Federal Court, Trial Division). Very recently, Madam Justice Snider of the Federal Court confirmed this view.

The Canadian Federal Court of Appeal has also ruled that communications from an in-house counsel who is also a patent agent will be privileged only where the in-house counsel is acting in his capacity as a lawyer in *IBM Canada Ltd. v. Xerox of Canada Ltd. et al.* (1977), 32 C.P.R. (2d) 205 (Federal Court of Appeal).

Several cases decided in the provincial Courts of Canada have also held likewise. In *Sunwell Engineering Co. v. Mogilevsky* (1986), 9 C.P.R. (3d) 479 (Ontario Supreme Court), it was stated that although it is not uncommon for one person to be both a solicitor and patent agent, where that situation arises it is necessary to determine whether the communication between the solicitor and the client involves the solicitor *qua* solicitor or *qua* patent agent.

The Federal Court of Appeal in *Lumonics Research supra*, in implicitly acknowledging that patent agents provide legal advice stated:

... all confidential communications made to or from a member of the legal profession for the purpose of obtaining legal advice or assistance are privileged, whether or not those communications relate to the kind of legal advice or assistance that are normally given by patent agents. Legal advice does not cease to be legal advice merely because it relates to proceedings in the Patent Office. Those proceedings normally raise legal issues; for that reason, when the assistance of a solicitor is sought with respect to such proceedings, what is sought is, in effect, legal advice and assistance. And, this, in spite of the fact that a solicitor, as such, cannot represent an applicant in proceedings before the Patent Office.

Nevertheless, this dichotomy in approach with respect to lawyers who are also agents does exist in Canada and has resulted in courts in the past concluding that certain communications between a lawyer and a client were required to be produced.

The law on whether communications between clients and non-lawyer agents working in law firms are subject to privilege is also uncertain. In *Whirlpool Corp. v. Camco Inc.* (1997), 72 C.P.R. (3d) 444 (Federal Court, Trial Division), Teitelbaum J. of the Federal Court noted:

The fact that a patent agent was part of a firm that also carries on business as barristers and solicitors and as patent agents under the same name is not material. Just as Mr. Justice Mahoney determined at page 65 in *Calgon, supra*, the correspondence at issue in the case at bar is directed to and from one of the patent agents rather than one of the lawyers in the firm.

In *Procter & Gamble Co., supra*, correspondence directed to and from one of the patent agents, rather than a lawyer, of the law firm was held not to be privileged. Similarly, in *Montreal Fast Print, supra*, patent agents were not able to assert privilege over their communications despite working for a law firm because they were acting solely in their capacity as patent agents.

Adding to the level of uncertainty in Canada, the approach may not be absolute. In *Group Tremca Inc. v. Techno-Bloc Inc.* (1998), [1998] F.C.J. No. 1458 (Federal Court, Trial Division), affirmed by (1999), [1999] F.C.J. No. 1813 (Federal Court of Appeal) and leave to appeal refused by (2000), 2000 CarswellNat 1723 (Supreme Court of Canada), the Court apparently viewed the relationship with the patent agent as a relationship by extension with the firm of solicitors for whom the patent agent worked, thereby attracting privilege.

It is certainly possible that information obtained from an IP advisor's file could be used in support of an adverse order against the IP owner, or a defendant, on the issue of costs. Such was the result in the Canadian case of *Stamicarbon B.V. v. Urea Casale S.A.* (2002),

17 C.P.R. (4th) 377 (Federal Court of Appeal), leave to appeal refused by (2002), 2002 CarswellNat 2821 (Supreme Court of Canada) where the defendant patentee in an impeachment action was forced to disclose communications between the company and its non-lawyer Canadian patent agent. The plaintiff succeeded in obtaining summary judgment at the trial level and the patent agent's files were relied upon in obtaining a partial award of solicitor and client costs against the patentee. Although the defendant successfully appealed the order on the merits (such that the order for costs was also reversed), *Stamicarbon* is an example of how intellectual property remedies can be affected by a lack of privilege.

Privilege as it Applies to the Property Right Itself

Regarding situations in which agents are sought for advice, the process of securing intellectual property rights is a matter of information management. In the case of patents, information is gleaned not only through the quasi-adversarial efforts of an intellectual property office to sanction what is patentable, but also by the cooperative efforts of the inventor and his agent both before the patent is applied for and during the application process. In a world where intellectual property offices are clearly experiencing workload challenges, it seems appropriate that a worldwide intellectual property system should promote mechanisms that foster cooperation between the inventor and his patent agent to carve out and advocate for the scope of monopoly to which the inventor truly has a right; no more and no less.

With a patent being developed as a result of information, and being attackable in an adversarial process based on information, it seems appropriate that barriers to a full and frank discussion of information pertinent to the patentability of the proposed invention itself should be removed wherever possible.

It has been shown that the exchange of information between an inventor and his patent agent, where privilege does not apply, can be used in a manner adverse to the inventor. While on one hand this would appear to promote the utilization of all rational means for ascertaining truth during the adversarial process (as expressed in *M. (A.) v. Ryan* (1997), [1997] 1 S.C.R. 157 (Supreme Court of Canada)), the lack of privilege has very clear and disparaging implications where intellectual property formation and assessment are concerned. Without privilege, there is a very real danger that relevant information will not be exchanged, discussion based on the information will not be had, and as a result, that a patent will be granted and foisted upon the public that may be misrepresentative of the scope of protection to which the inventor truly has a right— either too broad or too narrow.

In the adversarial context, where there is no privilege, the motive to examine and respect the boundaries of a patent right through full and frank discussion with an agent is contrary to the interests of the investigating party. As a result, it is all too easy to give too wide a berth to the patent (affording more scope to the patent than is truly deserved), or alternatively unwittingly crossing its boundaries (leading to unintended and costly litigation). In other words, the discussion respecting the boundary of the patent is simply

not had, so the patent boundary remains unvetted or unearned, to the detriment of the public interest.

With the more recent advent of various forms of IP markets, IP is increasingly being treated throughout the world as a unique form of property, as opposed to purely a single-dimensional defensive legal right. In the SCP report, the Secretariat discusses the creation of an IP marketplace. Of course, the idea of IP as property that can efficiently attract capital and other resources to an underlying endeavor depends on the systems that support it. For patents, a system such as harmonized privilege promotes certainty because it promotes efforts by the inventor and his agent to invest in creating deserved patent rights. Deserved patent rights in turn promote market efficiencies, enabling capital to freely flow to the patent rights and their underlying endeavors.

Where there is no general global harmony on privilege, the pursuit of patent rights and therefore allocation of the world's capital could easily be distorted in favor of those countries that recognize class privilege (i.e. a more certain patent right), rather than in favor of the underlying market opportunity.

Support for Legislative Change to Introduce Statutory Privilege in Canada for Patent and Trade-mark Agents

There is widespread support in Canada for statutory protection from disclosure of confidential communications between clients and their patent or trade-mark agents. Organizations expressing this support do so for a number of reasons, chief of which are:

- To allow clients to have a frank and open discussion with their agent.
- To ensure that Canadian companies are not disadvantaged when entering litigation in other jurisdictions.
- To ensure that foreign companies investing, performing R&D and obtaining IP protection in Canada do not see their IP (including their non-Canadian IP) placed at risk for doing so.

IPIC has been promoting for a number of years the idea of statutory protection for confidential communications. In doing this work, IPIC members have met with a number of organizations to discuss the issue. These organizations have expressed concern with the current state of affairs. To persuade the government to adopt legislation, these organizations have written to IPIC or to the Minister of Industry or have responded to a public consultation held by the Government of Canada.

For example, John P. Molloy, President and CEO of PARTEQ (technology transfer arm of Queen's University) wrote in a letter to the Minister of Industry on December 4, 2006:

“Protection of communication is critical for successful litigation in intellectual property. If we must live in fear of litigation because our communication is not privileged, then we (do) not have equivalent protection of our intellectual property to that which a U.S. university would enjoy for the same patent.”

And Thomas d’Aquino, President and CEO of the Canadian Council of Chief Executives, wrote in a letter to the Minister of Industry on February 24, 2003:

“The lack of such privilege in Canada appears to undermine the competitiveness of Canadian-based enterprises, either by exposing them to greater risks in litigation than would be faced by companies in other countries or by forcing them to pay higher fees to engage patent and trademark agents outside Canada who do enjoy privileged communications.”

As shown below, organizations having formally expressed their support represent a diverse cross-section of the Canadian economy:

- **Business associations:**

- Canadian Chamber of Commerce
- Canadian Council of Chief Executives (represents the CEOs of the 150 largest corporations)
- Canadian Federation of Independent Business (represents over 100,000 small and medium businesses)
- Canadian Chemical Producers' Association
- Aerospace Industries Association of Canada (represents companies such as Bombardier and Pratt & Whitney Canada)
- Ottawa Centre for Research and Innovation (represents high technology companies in the national capital area)

- **Universities:**

- University Health Network (Toronto area hospitals associated with universities)
- PARTEQ (technology transfer office of Queen’s University)
- University-Industry Liaison Office of the University of British Columbia

- **Corporations:**

- Nortel
- DuPont Canada
- IBM Canada
- OncoGenex Pharmaceuticals
- And a number of small and medium businesses

- **General Law and IP firms:**

- Lang Michener
- Ogilvy Renault
- Stikeman Elliott
- Gowling Lafleur Henderson
- Heenan Blaikie
- Miller Thomson
- Smart & Biggar
- Blake, Cassels & Graydon
- Sim & McBurney
- Bereskin & Parr
- Ridout & Maybee
- L'Espérance & Martineau
- Kirby Eades Gales Baker
- Shapiro Cohen

Conclusion

IPIC believes that professional privilege is an important part of a well functioning patent (and trade-mark) system. Unfortunately, as we have explained in this submission, IPIC is in a position to make this observation because of the absence of privilege in Canada. We are hopeful that the situation will eventually be corrected given the level of support for a solution to this problem. Meanwhile, because of the importance of privilege and of the international nature of the patent system, we strongly encourage the Standing Committee on the Law of Patents to continue examining this issue and to seek harmonization among member states in support of the protection of confidential client-agent communications. IPIC would be pleased to assist in this work.