

**IPIC Brief on the Impact of *JANSSEN INC.
AND MITSUBISHI TANABE PHARMA
CORPORATION V. SANDOZ
CANADA INC, 2021 FC 1265* on Patent
and Trademark Agent Privilege in
Canada**

Submission to the Minister of
Innovation, Science and Industry

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EXECUTIVE SUMMARY

DECISION DATE: NOVEMBER 19, 2021

ISSUE: Interpretation of Section 16.1 of the *Patent Act* (statutory privilege for the confidential communications between patent agents and their clients).

DECISION: The Prothonotary interpreted the section very narrowly:

1. It provides privilege only for communications related to obtaining patent protection. The Court defines this as the disclosure of an invention and other communications contributing to the “patent bargain” (the *quid pro quo* of offering an inventor exclusive rights in a new and useful invention for a limited period in exchange for disclosure of the invention).
2. Communications from a patent agent to a client assessing the potential infringement of a third party patented invention (and the client’s freedom to operate) are not privileged under Section 16.1.
3. The issue whether patent agent communications about third party infringement of a client’s patent, potential remedies for infringement and patent validity were not addressed, although the narrow interpretation suggests at least some of these areas may fall outside the analysis of privileged subject matter.

REPERCUSSIONS: The decision has altered the landscape for businesses which have been operating for more than five years under a regime in which they assumed their communications with patent and trademark agents for the services normally provided by such professionals, are privileged and will be maintained in confidence, unless waived by the client. This is likely to lead to years of costly litigation to finalize the scope of Section 16.1 of the *Patent Act* (and Section 51.13 of the *Trademarks Act*) if left to the Courts, since:

1. The Prothonotary’s narrow interpretation appears to be at odds with the expansive language of the statute which equates patent agent privilege with solicitor-client privilege and covers communications directed to “any matter relating to protection of an invention”
2. The decision appears contrary to other recent Federal Court decisions that suggest Section 16.1 is to be interpreted broadly with only narrow exceptions.



3. The statutory privilege language in Section 51.13 of the *Trademarks Act* is identical, so this decision threatens to limit the scope of trademark agent privilege.
4. In addition to exposure of the opinions of Canadian patent and trademark agents in Canadian litigation, the decision could also jeopardize the confidentiality of such opinions in foreign litigation, especially in the United States.

A proposed solution from CPATA of involving a lawyer in any confidential communications between an agent and the agent's client will not protect past communications but will compound the costs of seeking such advice going forward. This increase in cost will disproportionately impact sole inventors and small and medium enterprises in Canada, denying them access to justice **and to timely strategic advice to help them build their businesses.**

IMMEDIATE REMEDY SOUGHT: Absent an early decision of a higher Court providing a broader interpretation of Section 16.1 and/or Section 51.13, IPIC proposes the addition of wording to each section clarifying the intention of Parliament to fully protect the clients of patent and trademark agents under the privilege doctrine:

*Patent Act: Section 16.1 (1) (c) "it is made for the purpose of seeking or giving advice with respect to any matter relating to the protection or **patentability of any invention, or infringement or validity of any patent.**"*

*Trademarks Act: Section 51.13 (1) (c) "it is made for the purpose of seeking or giving advice with respect to any matter relating to the protection, **registrability, infringement, misappropriation or validity of any trademark, geographical indication or mark referred to in paragraph 9(1)(e), (i), (i.1), (i.3), (n) or (n.1).**"*



BACKGROUND

DEFINITION OF PRIVILEGE

The classic statement of privilege attorney-client privilege was formulated by the American jurist, John Henry Wigmore, and is usually referred to as the Wigmore test (see 8 Wigmore, Evidence, § 2285 at 527). This is the accepted standard in Canada for assessing whether communications are privileged (see *Solosky v. The Queen* (1979), [1980] 1 S.C.R. 821). As later stated by the Supreme Court of Canada:

“The Wigmore test as to whether or not a communications is privileged requires that: (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 relation between the parties; (3) the relation must be one which in the opinion of the community ought to be sedulously fostered; and (4) the injury that would inure to the relation by the disclosure of the communications must be greater than the benefit thereby gained for the correct disposal of litigation.” (*R. v. Gruenke*, [1991] 3 S.C.R. 263)

Of significance is that the communication was made in confidence with the expectation that it would not be disclosed, even in legal proceedings, without the consent or waiver of the party to whom the privilege belongs.

FACTS AND ISSUE IN THE JANSSEN CASE

In this case, the plaintiffs claimed privilege in the entirety or portions of a number of documents. Some of the documents included opinions authored by a Japanese patent agent employed by a predecessor company of one plaintiff and shared within the company. The Prothonotary found these communications were intended to be confidential, were made for the purpose of giving or seeking legal advice, and the confidentiality had not been waived by the client.

The specific issue for this briefing paper is that the Prothonotary interpreted section 16.1 of the *Patent Act* (the statutory basis of patent agent privilege in Canada) as covering only a narrow class of patent agent communications for “protection of an invention” which he defined as “... the disclosure of the invention or otherwise contribut[ing] to the patent bargain”, i.e., “obtaining patent protection”. He specifically excluded “legal advice” a patent agent might provide on infringement or non-infringement of a third-party patent. The Prothonotary noted that the issue whether patent agent privilege applies to an infringement opinion of the client’s own patent was not before the Court and was not a point to be decided. He made no comment whether patent agent communications about patent validity (whether of



the client's own or a third-party patent) would fall within his interpretation of privileged communications under the Act.

The texts of Section 16.1 and corresponding Section 51.13 of the *Trademarks Act* are included in the schedule to this paper.

BRIEF HISTORY OF PATENT AGENT PRIVILEGE IN CANADA

In *Lumonics Research Limited v. Gould, et al.*, [1983] 2 F.C. 360, the Federal Court of Appeal recognised that patent agents perform legal services and render legal advice, but found professional legal privilege (under common law) does not extend to the legal advice communications of patent agents who are not also members of the legal profession (solicitors). The Court also stated:

“.. all confidential communications made to or by 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 is normally given by patent agents. And this in spite of the fact that a solicitor, as such, cannot represent an applicant in proceedings before the Patent Office.”

The legal advice and services that a patent agent normally performs can be defined by the types of services and opinions that have, for decades, been the basis on which the regulator (formerly CIPO, and now CPATA¹) examines patent agent competence and qualifies Canadian patent agents to practice in Canada. These legal services are patent application preparation and prosecution, as well as any post-grant procedures, and opinions on validity and infringement of the patents of both a patent agent's clients and third parties. Similarly, the regulator examines trademark agent competency and qualifies Canadian trademark agents to perform legal services related to trademark application preparation and prosecution, and validity and infringement of the trademarks and other statutory rights defined in the *Trademarks Act*, of a trademark agent's clients and third parties.

Subsequent to *Lumonics*, Federal Court decisions narrowed the privilege for communications between lawyer-patent agent professionals and their clients, distinguishing when the professional was acting as a patent agent (and the communications were not privileged) and acting as a lawyer (E.g., *Laboratories Servier v. Apotex Inc.* (2008), 2008 FC 321 (Fed. Ct.)).

¹ The Canadian Intellectual Property Office or CIPO was the regulator under the *Patent Act* and the *Trademarks Act*. In June 2021, the College of Patent Agents and Trademark Agents or CPATA became the new statutory regulator.



DISCUSSION POINTS

THE PROTHONOTARY’S NARROW INTERPRETATION OF PRIVILEGE FOR PATENT AGENT COMMUNICATIONS

A patent is a grant by the federal government to the patentee or the patentee’s legal representative of “the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used,” for the term of the patent (Section 42, *Patent Act*). In other words, a patent is a monopoly whose value is the ability to exclude others from practising the claimed invention or require them to pay to do so. What falls outside the scope of the patented invention is free for others to use, even if disclosed (but not claimed) in the patent. Not only does the *Patent Act* cover the obtaining of patents, it also covers validity and impeachment of patents (Sections 58 to 60), infringement (Sections 54 and 55.1 to 56), and remedies for infringement (Section 55 and 57(1)).

Similarly, a valid registered trademark “gives to the owner of the trademark the exclusive right to the use throughout Canada of the trademark in respect of” the goods or services for which it is registered (Section 19, *Trademarks Act*). The *Trademarks Act* also deals with trademark licensing, validity, infringement and remedies for infringement of trademarks, and trademark offences such as counterfeiting.

The Prothonotary applied a narrow interpretation to the following phrase in Section 16.1 of the Patent Act: “[the communication] is made for the purpose of seeking or giving advice with respect to any matter relating to the protection of an invention”.

- a. He omitted the introductory language “with respect to any matter relating to” and focused on “the protection of the invention”, limiting his analysis to those provisions of the *Patent Act* related solely to obtaining a patent. He omitted from the definition communications related to the scope of the exclusive right to make, construct, use and sell the invention granted under the patent, whether that is the right of the patent agent’s client or of a third party (i.e., the client’s freedom to operate without infringing a third party patent). These and patent validity are also matters covered by the *Patent Act*.
- b. He adopted a narrow definition of “protection” focused on shielding or preserving from harm, and didn’t consider the equally valid (and in this case more appropriate) definition of preserving legal rights or economic markets.



- c. He implicitly changed the wording of “the protection of an invention” to “the protection of **[a client’s]** invention”, refusing to accept that the analysis of a third party patent would be relevant to the scope of protection for a third party’s patented invention and therefore a client’s freedom to operate.

The *Trademarks Act* has the same wording regarding the types of communications protectable under trademark agent privilege and, following the *Janssen* decision, could be subject to the same narrow interpretation by the Courts:

“[the communication] is made for the purpose of seeking or giving advice with respect to any matter relating to the protection of a trademark, geographical indication or mark referred to in paragraph 9(1)(e), (i), (i.1), (i.3), (n) or (n.1).”

2. The Public Expects Confidential Communications with Patent and Trademark Agents to be Privileged

Businesses seek the assistance of subject matter experts, patent and trademark agents, to provide intellectual property advice and to represent these businesses before the patent and trademark offices. This is a specialized area of law, and in the course of discussing the best form of intellectual property protection or other course of action involving intellectual property rights, a client may need to disclose to the agent confidential information about its broader research and development, business strategies and competitors beyond what may ultimately end up in a patent or trademark application. In addition, the IP agent may need to provide legal opinions on the intellectual property rights of third parties, such as competitors, to provide the client with the best advice possible.

Without privilege protecting these communications, full, frank and free discussions between agents and their clients is impeded. By extending patent agent privilege and trademark agent privilege to “any matter relating to the protection of” an invention or trademark, Parliament clearly intended to be expansive, rather than restrictive, in the definitions. This is reinforced by the language in the preamble of each of Section 16.1 and 51.13 comparing agent privilege to the privilege afforded client communications with the legal profession:

“... is privileged in the same way as a communication that is subject to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries...”

The preamble has been interpreted broadly by the Federal Court. In a recent decision upholding a 2020 Prothonotary decision, the Court stated “[c]ommunications between a client and patent agent enjoy the same protections as solicitor-client communications” and that a



temporal exception to that privilege, specifically stated in Section 16.1, was to be narrowly interpreted (*Richards Packaging Inc. v Distrimed Inc.* 2020 FC 1162, dated December 17, 2021).

This appears to be a different approach from the *Janssen* decision, which interpreted the privilege narrowly.

The statutory privilege in the *Patent Act* and *Trademarks Act* was enacted in June 2016, and for more than five years, businesses have relied on it in obtaining "the kind of legal services normally performed by patent agents" (per the *Lumonics* Court). The apparent divergence in caselaw will, at the very least, result in extensive litigation on the scope of agent privilege until resolved in a higher court.

In light of the *Janssen* ruling, the College of Patent Agents and Trademark Agents recently advised non-lawyer agents to consider involving a lawyer in the advice-giving process for communications falling outside the analysis of protected advice in the decision². Where the lawyer is not actively involved in formulating the advice, this will amount to an additional layer of expense for the client, which will be particularly onerous for sole inventors and small and medium enterprises in Canada. The added financial burden has a potential chilling effect on their seeking such legal advice at the critical early stage of their business, denying them access to justice **and to timely strategic advice to help them build their businesses**. Where the lawyer is actively involved in formulating the legal advice, analysis of caselaw pre-dating the statutory privilege may be needed to avoid a finding that the lawyer is really acting as an agent and therefore the communications may not be privileged.

RISKS TO CONFIDENTIAL CANADIAN OPINIONS IN US LITIGATION

In addition to the risk of disclosure of patent or trademark agent communications in Canada, there is a very real risk that the *Janssen* decision may require production of such communications in foreign litigation, particularly in the United States.

Even though U.S. Courts recognize only a narrow common law privilege for their domestic non-lawyer patent agents, some District Courts have recognized broader privilege for the communications of foreign patent agents about foreign patents based on the protection provided to such agents in their home country. A number of countries have enacted or amended legislation to take advantage of this, including the United Kingdom, France, Australia and Japan.

² <https://cpata-cabamc.ca/en/patent-agent-privilege-federal-court-decision/>



The original statutory language in the Canadian *Patent Act* and *Trademarks Act* was thought to have effectively provided such protection for the legal opinions of Canadian agents. With the *Janssen* decision, this is now in doubt.

PROPOSED AMENDMENT TO THE CURRENT LEGISLATIVE DEFINITIONS

In the absence of a higher Court ruling broadly interpreting Sections 16.1 and 51.13 to cover the kinds of legal services and legal communications normally provided by patent agents and trademark agents in Canada, a minor revision of the statutory language could clarify Parliament's presumed intent:

Patent Act: Section 16.1 (1) (c) "it is made for the purpose of seeking or giving advice with respect to any matter relating to the protection **or patentability of any invention, or infringement or validity of any patent.**"

And

Trademarks Act: Section 51.13 (1) (c) "it is made for the purpose of seeking or giving advice with respect to any matter relating to the protection, **registrability, infringement, misappropriation or validity of any** trademark, geographical indication or mark referred to in paragraph 9(1)(e), (i), (i.1), (i.3), (n) or (n.1) ."



SCHEDULE

PATENT ACT (R.S.C., 1985, c. P-4)

Privileged communication

16.1 (1) A communication that meets the following conditions is privileged in the same way as a communication that is subject to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries and no person shall be required to disclose, or give testimony on, the communication in a civil, criminal or administrative action or proceeding:

- (a) it is between a patent agent and their client;
- (b) it is intended to be confidential; and
- (c) it is made for the purpose of seeking or giving advice with respect to any matter relating to the protection of an invention.

Waiver

(2) Subsection (1) does not apply if the client expressly or implicitly waives the privilege.

Exceptions

(3) Exceptions to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries apply to a communication that meets the conditions set out in paragraphs (1)(a) to (c).

Patent agents — country other than Canada

(4) A communication between an individual who is authorized to act as the equivalent of a patent agent under the law of a country other than Canada and that individual's client that is privileged under the law of that other country and that would be privileged under subsection (1) had it been made between a patent agent and their client is deemed to be a communication that meets the conditions set out in paragraphs (1)(a) to (c).

Individual acting on behalf of patent agent or client



(5) For the purposes of this section, a patent agent or an individual who is authorized to act as the equivalent of a patent agent under the law of a country other than Canada includes an individual acting on their behalf and a client includes an individual acting on the client's behalf.

Application

(6) This section applies to communications that are made before the day on which this section comes into force if they are still confidential on that day and to communications that are made after that day. However, this section does not apply in respect of an action or proceeding commenced before that day.

TRADEMARKS ACT (R.S.C., 1985, c. T-13)

Privileged communication

51.13 (1) A communication that meets the following conditions is privileged in the same way as a communication that is subject to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries and no person shall be required to disclose, or give testimony on, the communication in a civil, criminal or administrative action or proceeding:

- (a) it is between a trademark agent and their client;
- (b) it is intended to be confidential; and
- (c) it is made for the purpose of seeking or giving advice with respect to any matter relating to the protection of a trademark, geographical indication or mark referred to in paragraph 9(1)(e), (i), (i.1), (i.3), (n) or (n.1).

Waiver

(2) Subsection (1) does not apply if the client expressly or implicitly waives the privilege.

Exceptions

(3) Exceptions to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries apply to a communication that meets the conditions set out in paragraphs (1)(a) to (c).



Trademark agents — country other than Canada

(4) A communication between an individual who is authorized to act as the equivalent of a trademark agent under the law of a country other than Canada and that individual's client that is privileged under the law of that other country and that would be privileged under subsection (1) had it been made between a trademark agent and their client is deemed to be a communication that meets the conditions set out in paragraphs (1)(a) to (c).

Individual acting on behalf of trademark agent or client

(5) For the purposes of this section, a trademark agent or an individual who is authorized to act as the equivalent of a trademark agent under the law of a country other than Canada includes an individual acting on their behalf and a client includes an individual acting on the client's behalf.

Application

(6) This section applies to communications that are made before the day on which this section comes into force if they are still confidential on that day and to communications that are made after that day. However, this section does not apply in respect of an action or proceeding commenced before that day.

Definition of *trademark agent*

(7) In this section, *trademark agent* has the same meaning as in section 2 of the [College of Patent Agents and Trademark Agents Act](#).

COLLEGE OF PATENT AGENTS AND TRADEMARK AGENTS ACT (S.C. 2018, c. 27, s. 247)

Definitions

2 The following definitions apply in this Act.

patent agent means an individual who holds a patent agent licence or a patent agent in training licence issued under section 26. (agent de brevets)

trademark agent means an individual who holds a trademark agent licence or a trademark agent in training licence issued under section 29. (agent de marques de commerce)