Intellectual Property Institute of Canada
Institut de la propriété intellectuelle du Canada

Intellectual Property Institute of Canada (IPIC) Submission for the Consultation on Increasing Legal Certainty in Intellectual Property Services and Administration

Submission to the
Innovation, Science and Economic
Development Canada

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INTRODUCTION

The Intellectual Property Institute of Canada (IPIC) is the professional association of patent agents, trademark agents and lawyers practicing in all areas of intellectual property law. Our membership totals over 1900 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' clients include virtually all Canadian businesses, universities and other institutions that have an interest in intellectual property (e.g., patents, trademarks, copyrights, and industrial designs) in Canada or elsewhere, as well as foreign companies that hold intellectual property rights in Canada.

IPIC is pleased to respond to the request by Innovation, Science and Economic Development Canada for the Consultation on increasing legal certainty in Intellectual Property services and administration.

Constitution Square – 360 rue Albert Street, Suite 550, Ottawa, Ontario K1R 7X7 | 613.234.0516 | **ipic.ca**

IPIC SUBMISSION ON THE INTERNATIONAL IP AGENT PRIVILEGE DRAFT AGREEMENT

1. What are your views on the draft agreement?

ANSWER:

Generally speaking, an international agreement on protection of IP clients' rights to confidentiality of their communications with IP agents is very appropriate. Moreover, the greater the international uniformity between countries in the level of privilege afforded to such communications, the better.

There are several points IPIC recommends be considered:

(1) What is consistently overlooked is that the privilege belongs to the client, not the agent. What should be protected is the right of clients to secure confidentiality for the specialized IP advice and services they receive from their patent and trademark agents;

(2) While the recitals to the draft agreement refer to all IP agents and rights, the agreement itself is restricted to protection of certain patent agent communication. While the recital indicates: "the agreement would require the protection of privileged patent law advice, with an optional ability to extend to other areas of IP law", the same protection for communications should apply to analogous communications involving trademark agents.

(3) The privilege afforded to domestic Canadian patent and trademark agents should be broad to minimize circumstances where Canada would be required to respect the scope of a foreign agent's privilege when such communication would not be privileged if made by a Canadian agent.

(4) The important definitions of "*c) advice*" and the wording of Article 2 are problematic. The proposed language is likely to spawn endless legal challenges to the scope protection of information given the multiple and likely inappropriate qualifications to the protection of information. In particular:

a) the "communication" must be "confidential", which is itself not a defined term;

b) the only protected part of the communication is that which is referenced as "professional" advice, however "professional" is also not a defined term;

c) "advice", as defined, affords no protection for anything other than what is cryptically and restrictively defined as "subjective or analytic views and opinions" of a patent advisor. In stark contrast, the underlying confidential information of the client, to the extent it is referenced in a communication to the patent advisor, or that is referred to in the patent agent's communication, is afforded no protection. This is directly contrary to the avowed purpose of the Agreement set out in the recitals – "to promote information being transferred fully and frankly **between** IP advisors and the persons so advised" (i.e., the clients); and

d) grafting the "dominant purpose" test (also found in Canadian provincial law relating to litigation privilege) onto IP agent/client communications is both unduly restrictive and another inappropriate distinction that would render the privilege afforded to communications from non-lawyer agents inferior to those of lawyers.

IN OUR VIEW:

(1) The definition of *advice* is not necessary.

(2) The definition of "communication" should be revised along the following lines:

" b) *communication* means any oral, written, or electronic record 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."

(3) Article 2 should be revised along the following lines:

"A communication between a patent advisor and their client shall be privileged, meaning it shall be protected from any disclosure to third parties, unless it is or has been disclosed with the authority of that client."

2. Should the draft agreement be a binding agreement (i.e., a treaty), or would you support a non-binding approach (e.g.,

international guidelines, non-binding memorandum of understanding, etc.)?

ANSWER:

IPIC supports a binding agreement to better ensure it is enforced by the courts of signatory jurisdictions, provided it is appropriately revised to avoid the deficiencies set out in the Answer to 1 above.

3. *Would you support Canada upholding foreign agent privilege, regardless of if that advice would not have been covered by domestic privilege provisions?*

ANSWER:

Yes, although the strong preference is that Canada provide robust domestic privilege for patent and trademark agents that aligns with international norms. In this regard, there are two further points to be considered:

(1) Given the international scope of issues relating to intellectual property, forum shopping should be discouraged where such forum shopping is done to force the disclosure of what would be privileged communications if the action was brought in another jurisdiction .

(2) Recognizing that even a broad scope of confidentiality afforded to communications involving Canadian patent agents may be **in**sufficient in other foreign jurisdictions, it should still be acceptable for Canada to agree to additional protection for foreign agent communications put in issue in Canadian proceedings. We expect that, provided the scope of privilege in the Agreement is broadened as in Answer 1 above, there should be very limited circumstances, if any, where such additional protection for foreign agent communication would be applicable.

Constitution Square – 360 rue Albert Street, Suite 550, Ottawa, Ontario K1R 7X7 | 613.234.0516 | **ipic.ca**

TOPIC 1: CLIENT-AGENT PRIVILEGE

In recognition of the significant risk for clients discussing confidential information with patent and trademark agents, the government amended the *Patent Act* and *Trademarks Act* in 2016[1] to provide for patent and trademark privilege that would protect clients' confidential communications from disclosure.

Unfortunately, the language in the relevant section of the *Patent Act* was interpreted by the Federal Court to unduly limit the type communications that are covered by the statutory privilege[2] in a manner that is inconsistent with the decades-long traditions of patent and trademark agent practice in Canada.

Canadian clients are again at risk when providing confidential information to, and seeking professional advice from, their patent and trademark agents. The full and frank disclosure between clients and their patent and trademark agents in Canada is necessary to ensure that agents are able to effectively provide the specialized legal services in Canada that they have been providing for generations, and which are explicitly authorized by CPATA – the Federal regulator of all patent and trademark agents. Canada must rectify this problem and fully protect both the client confidential information shared with patent and trademark agents as well as the professional advice those clients receive.

Background

When considering the merits of filing a patent application and then drafting the application, a patent agent must consider issues of validity and infringement. A patent agent must determine whether an invention will meet the requirements of validity as set out in the *Patent Act*, e.g., whether the invention has been disclosed to the public, whether it is obvious in light of prior art, does it have actual utility, and so on. The agent must also consider the patent landscape to ensure that the invention is not already covered by a patent or has features that could infringe

[1] *Economic Action Plan 2015 Act, No. 1***,** 2015, c. 36, s. 54

[2] *Janssen Inc. v. Sandoz Canada Inc*., 2021 FC 1265

an issued patent or laid open patent application. Claims are also drafted with a view to ensuring that they cannot be easily worked around by a potential infringer. These are complex legal issues that involve various aspects of the *Patent Act* and a deep understanding of the related case law.

Similarly, when considering the merits of filing and drafting a trademark application, a trademark agent must consider issues of validity, confusion and infringement. The trademark agent must determine whether the trademark will meet the requirements of validity as set out in the *Trademarks Act*, e.g. whether the proposed mark is descriptive, is it inherently distinctive, can it function as a trademark. The trademark agent must also consider the trademark landscape to ensure that the proposed mark is not confusingly similar with other registered trademarks or prior common law trademarks actively used by a competitor in Canada and beyond. The identification of the applied-for-mark and the associated goods and services are also drafted with a view to ensuring that the resulting registration can be effectively enforced against all potential infringers. Again, these are complex legal issues that involve a deep understanding of the *Trademarks Act* and the related judicial decisions.

In addition, trademark agents are by statute "entitled to represent persons in the presentation and prosecution of applications for the registration of trademarks or in other business before the Office of the Registrar of Trademarks"[3], which includes matters before the Opposition Board. Indeed, for decades trademark agents have routinely represented clients in opposition proceedings before the Trademarks Opposition Board, which necessarily involves pleadings, cross-examinations, as well as written and oral hearings on issues of validity and confusion[4]. Trademark agents have also for decades routinely represented clients in proceedings under section 45 of the *Trademarks Act*, which involves presenting evidence and arguments on the use of trademarks. These are complicated and specialized legal services provided by trademark agents who are subject matter experts in these areas. It is critical that the entire scope of these activities be protected by privilege so that clients can be provided with proper advice.

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[3] Section 30, *College of Patent and Trademark Agents Act*

[4] Section 63(3) Trademarks Act allows the Registrar of Trademarks to delegate powers to the Trademarks Opposition Board (TMOB)

PRIVILEGE

In assessing the issue of privilege for patent and trademark agent communications, it is important to recall that the privilege is for the benefit of clients. It is intended to protect both the clients' confidential information as well as the professional advice that they receive. A robust agent privilege enables full and frank communication between clients and their patent or trademark agent respecting both opportunities and risks.

Patent and trademark agents have *for generations* provided a wide range of professional advice and services that included not only prosecution work but also opinions.

For instance, to become a patent agent in Canada, for over fifty years candidates have been required to pass qualifying examinations that covered not only patent drafting and patent office practice but also *patent infringement* and the *validity of a patent*. This scope of examination has been continued by the modern federal regulator the College of Patent and Trademark Agents (CPATA), who defines patent agent competencies and qualifies Canadian patent agents to practice in Canada.

These specialized patent legal services include patent application preparation and prosecution, as well as any post-grant procedures, opinions on validity and infringement of patents (including notably both the patents of a patent agent's clients as well as the patents of third parties), in addition to proceedings before the Patent Appeal Board pursuant to section 27 of the *College of Patent and Trademark Agents Act ("CPATA Act")*, as well as other matters such as reissuance and reexamination.

Similarly, on the trademark side, CPATA now defines trademark agent competencies and qualifies Canadian trademark agents to perform legal services related to a host of trademark legal services, including trademark application preparation and prosecution, as well as providing opinions on the validity/registrability and infringement/confusion of trademarks and other statutory rights of a trademark agent's clients and third parties[5] as defined in the *Trademarks Act*. Notably, trademark agents also continue to routinely undertake adversarial

[5] CPATA Technical Competencies: Patent Agent includes: Draft and Prosecute a Patent Application, Assess Validity, Assess Infringement; Trademark Agent includes: Assess registrability (validity) which includes assessing confusion, identifying potential areas of conflict with third parties, *i.e.*, infringement issues

proceedings before the Trademarks Opposition Board on both oppositions and section 45 hearings, pursuant to section 30 of the *CPATA Act*, and are expressly permitted to manage and collect evidence, conduct cross-examinations, conduct oral hearings, and negotiate settlements with opposing counsel.[6] These trademark legal services, which trademark agents have performed for generations, become flawed when clients cannot receive full and frank advice that is protected by privilege.

PRIVILEGE IN OTHER JURISDICTIONS

Broad privilege for patent and trademark agents is also common in many other countries comparable with Canada. In many instances, such foreign agent privilege has existed for decades operating in parallel to the more traditional lawyer-client privilege afforded to foreign lawyers. The long peaceful co-existence of these very distinct privilege regimes abroad demonstrates their underlying compatibility, and the same would be true in Canada.

For example, in the United Kingdom, privilege for "patent attorneys"[7] was included nearly fifty years ago in the UK *Patents Act 1977*.[8] This broad privilege now covers not only protection of *any invention* but also legal opinions on infringement and validity, the underlying technical information of clients, as well as trade mark issues, passing off issues, the "get up" and indeed even copyright issues in certain circumstances.[9]

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[6] Trademark Agent Technical competencies include the following for example: "5. Manage the collection, assessment, and preparation of evidence 6. Conduct cross-examinations, as appropriate 7. Conduct oral hearings, as appropriate 8. Prepare representations 9. Negotiate settlements, as appropriate." See: https://cpata-cabamc.ca/wp-content/uploads/2023/03/4.1.2-CPATA-Technical-Competency-Profiles-EN.pdf

[7] At various times, the titles "patent agent" and "patent attorney" have been used in the UK to refer to the same profession that we call "patent agent" in Canada. The UK now uses the term "patent attorney".

[8] Section 104. See: https://www.legislation.gov.uk/ukpga/1977/37/section/104/enacted

[9] See : https://www.gov.uk/guidance/manual-of-patent-practice-mopp/section-280-privilege-for-communications-with-patent-agents

In Australia, privilege for patent attorneys has been in place since 1990, nearly four decades. Patent attorneys have a broad scope of "advice" privilege that is similar to the privilege given to Australian lawyers as outlined by section 200, Patents Act. The privilege applies to:

(a) Communications made for the dominant purpose of a registered patent attorney **providing intellectual property advice to a client** (subsection 200(2), Patents Act).
(b) A record or document made for the dominant purpose of a registered patent attorney providing intellectual property advice to a client (subsection 200(2A), Patents Act).

Communications, records and documents in Australia are defined to be privileged "in the same way, and to the same extent" as those "made for the dominant purpose of a legal practitioner providing legal advice to a client."[10]

Similar broad privilege was introduced to Australian Trademark Agents in 1995.[11]

Even other countries with different legal traditions, such as Germany, have recognized the importance of client-patent attorney privilege for decades:

> Under Section 43a (2) BRAO, the lawyer's secrecy obligation applies to any information that the lawyer became aware of while exercising his or her professional duties. This obligation continues to exist even after the termination of the mandate. Section 39a (2) PAO is identical with Section 43a (2) BRAO. Accordingly, also the patent attorney's secrecy obligation relates to everything that has become known to him in professional practice. Lawyers and patent attorneys are entitled to refuse to testify in particular in civil and criminal courts regarding any information provided to them in their professional capacity (Section 383 of the Zivilprozessordnung [ZPO] – [Code of Civil Procedure]; Section 53 of the Strafprozessordnung [StPO] - [Criminal Procedure Code]). Since the beginning of 2016, the German law has provided for the obligation of in-house attorneys and in-house patent attorneys

[10] WIPO document : https://www.wipo.int/documents/d/scp/docs-en-confidentiality-advisors-clients-docs-austria.pdf

[11] See: https://ipta.org.au/learn-about-ip/right-of-privilege/. See also: https://classic.austlii.edu.au/au/legis/cth/consol_act/tma1995121/s229.html

(Syndikusrechtsanwälte/Syndikuspatentanwälte) to keep confidentiality of correspondence with the right to refuse testimony in civil legal procedures.[12]

Australia and the United Kingdom have two of the most comparable legal systems to Canada's, and have successfully supported broad agent privilege regimes for years. Other countries like Germany have recognized the importance thereof even under a very different legal regime. Recognizing a broad agent privilege in Canada would put us in very good company internationally, and would be wholly consistent with Canada's overall legal systems.

A Further Risk of Limited Agent Privilege

One further risk with a limited scope of privilege in Canada is that courts may decline to recognize the privilege of agents in other jurisdictions, violating principles of comity and putting Canada out of step with other countries. In the case of *Janssen Inc. v. Sandoz Canada Inc*.[13], the Federal Court determined that client-agent privilege does not apply to infringement opinions, even though the advice at issue was provided by a Japanese patent agent, who was authorized to provide privileged infringement advice in Japan..

Similarly, prior to the amendments to the *Patent Act* in 2016, the Federal Court of Canada in *Lilly Icos LLC v. Pfizer Ireland Pharmaceuticals* [14] concluded that communications between 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, where the communications took place.[15] In its decision, the Court noted that the

[12] WIPO document: https://www.wipo.int/documents/d/scp/docs-en-confidentiality-advisors-clients-docs-03_germany.pdf

[13] 2021 FC 1265

[14] (2006), 55 C.P.R. (4th) 457

[15] See also *SNF Inc. v. CIBA Speciality Chemicals Water Treatments Limited*, (2014) 2014 FC 616

patentee, Pfizer, "*chose to market their products in Canada and therefore take both the benefits and burdens of the Canadian legal regime when they sue or are sued in this country*". The Court stated that judicial comity between countries does not require Canada to recognize a privilege not established in Canada.

Accordingly, the current limited scope of privilege in Canada also creates problems for clients outside Canada who wish to conduct business here in Canada.

1. *How would potential changes in the scope of agent practice affect the availability or affordability of agent or legal IP advice?*

ANSWER:

Patent and trademark agents in Canada have a generations long tradition of successfully providing specialized legal services within their areas of expertise. As set out below, there is simply no reason to disturb the scope of agent practice.

It is evident that a change in the scope of practice (e.g., by removing the ability to provide infringement or validity opinions from the scope of agent competencies) would inevitably reduce the availability of IP legal advice and increase the costs of seeking such advice in Canada.

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**.

One comment in the Consultation Paper suggested that having an agent provide an infringement opinion would negate cost-savings in the event that there is litigation as the client "would likely need to pay to obtain a new opinion from a lawyer who can represent them in court". This is simply untrue. An infringement opinion is not a litigation strategy. Lawyers often rely on opinions and advice from experts with technical expertise when crafting their litigation strategy, and most lawyers in Canada lack both the technical expertise that patent agents possess as well as the specialized knowledge of patent law. A second opinion from another

patent agent or lawyer may be valuable for a variety of reasons, but there is little reason to believe that a second opinion from a lawyer would "likely" be necessary.

Moreover, non-infringement opinions and related advice are often sought at an early stage of product development, well before litigation is contemplated. In this context, the goal is not necessarily to prepare for court but to inform engineering and business decisions, such as whether a proposed product presents an unacceptable infringement risk or how it might be modified to avoid that risk altogether.

Patent agents, by virtue of their technical training and familiarity with the complexities of patent law, including for example claim interpretation, are particularly well suited to provide efficient and practical guidance on design-around strategies and freedom-to-operate issues. Early access to such advice can prevent infringement before it occurs, reduce uncertainty, and avoid the far greater costs associated with enforcement proceedings. In many cases, this preventive function eliminates the need for any litigation advice at all. This further undermines any assertion that agent-provided opinions merely defer or duplicate legal costs.

In product development, clients routinely need to share highly sensitive information with a patent agent—unfinished designs, alternative embodiments, internal engineering debates, and commercial timelines—to receive meaningful and timely advice on whether a product infringes existing patents or how it might be modified to avoid infringement. If those communications are not privileged, the client faces a real risk that careful, preventive discussions could later be discoverable and used against them in litigation. That risk discourages early consultation and pushes companies either to proceed without adequate guidance or to delay seeking advice until they retain litigation counsel, both of which increase cost and exposure.

In a similar fashion, discussions with a trademark agent can prevent litigation in a case where the client is made aware of marks that may be confusing with a proposed trademark or other related issues. Early identification of problems can minimize the cost of rebranding and litigation costs.

Broad agent privilege also aligns with the preventive, rather than adversarial, purpose of non-infringement and design-around advice. These communications are typically sought to avoid disputes, not to prepare for them. Without privilege, a client must assume that every exploratory question, tentative conclusion, or design compromise could be scrutinized in hindsight by an opposing party. This undermines the policy goal of encouraging early

compliance with patent rights and efficient resolution of uncertainty before products reach the market.

The comment that an inclusive scope of practice "could have the effect of raising the barrier to entry to the agent profession", assumes the issues of validity and infringement are somehow distinct from the ordinary scope of practice for agents. This is simply untrue.

As described above, agents routinely consider issues of validity and infringement whenever preparing a patent application or a trademark application. Indeed, a deep knowledge of the law governing validity and infringement is fundamental to practice as an agent.

In addition, significant efforts have been made to ensure that the patent exams and trademark exams are fair and do not constitute a barrier to entry. Indeed, most recently CPATA has made excellent progress in ensuring that exams balance the need to ensure agents are fully competent in these complex areas of law, while ensuring that they are administered in a fair manner that does not create an undue barrier to entry in these professions. The issues of validity and infringement are fundamental cornerstones of the qualifying examination for both patent and trademark agents because they are fundamental cornerstones of these areas of legal practice.

2. *Should the government clarify the scope of agent practice or agent privilege to explicitly exclude or include validity and/or infringement opinions? What other activities should be included or excluded?*

ANSWER:

Patent and trademark agents in Canada have a long tradition of successfully providing specialized legal services within their areas of expertise. The current system works incredibly well, with the observation that the current limits on the scope of privilege is an area of concern.

The government should focus on amending the scope of agent privilege and leave the scope of agent practice undisturbed.

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 profession, 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 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, the ability to have 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..."

In addition, the courts have held, depending on the facts before them, that privilege might not arise where the lawyer who is also a patent agent acted in his or her capacity as a patent agent.[16] That is, a broad statutory privilege will benefit not only agents but lawyer-agents as well.

Accordingly, IPIC submits that a revision of the statutory language consistent with the preamble to sections 16.1(1) of the *Patent Act* and section 53.13(1) of the *Trademarks Act* should be made.

[16] *Laboratoires Servier v. Apotex Inc*., 2008 FC 321 at para. 28

3. *Should the scope of practice and client-agent privilege for trademark agents mirror the scope for patent agents?*

ANSWER:

Yes, since the scope of practice for trademark agents mirrors the scope of practice for patent agents. Accordingly, the scope of client-agent privilege for trademark agents should mirror the scope of client-privilege for patent agents.

In filing a patent or trademark application, the agent must consider: (1) issues of validity, e.g. does the patent application meet the requirements of the *Patent Act,* does the applied for mark meet the requirements of the *Trademarks Act;* and (2) infringement: will the patent include claims that cover another patented product or process, is the applied for mark confusing with another registered or unregistered trademark. Both patent and trademark agents handle objections from CIPO examiners and must be able to support the validity/registrability of the applied for patent or trademark. Both patent and trademark agents are competent (according to CPATA) to provide validity and infringement opinions/assessments. Both patent and trademark agents are qualified to appear in adversarial proceedings before the Patent Board and the Trademark Opposition Board, respectively. Accordingly, the scope of practice of patent and trademark agents are mirror images of each other.

The comment in the Consultation Paper that trademark agents "do not have a specialized infringement examination and the subject of infringement is minimally included as part of a general foundational knowledge requirement by CPATA" is a mischaracterization of the examination requirements and fails to understand the nuaces and the deep importance of these issues to this area of law. This is not a new feature, but indeed has been the case in Canada for generations.

In trademark law, exclusive rights in a trademark are violated when a new trademark is adopted which is confusingly similar to a prior trademark. If the prior trademark is registered, it is referred to as an "infringement" of the registrant's exclusive rights as defined by the registration. If the prior trademark is not registered, it is referred to as one business "passing off" its goods or services as those of the prior business. In both instances, the primary issue is whether the trademarks are *confusingly similar*.

In patent law, in contrast, a business can only enjoy exclusive rights in an invention for which a patent has been issued[17]. A business cannot enjoy exclusive rights in an invention for which no patent has been issued. As a consequence, the primary issue whether a new product or service *infringes* on the claims set out in the patent.

In sum, the terminology for trademark agents and patent agents is different, but the substantive issues of "infringement" and "confusion" are equivalent. While patent agents have a specialized "infringement examination", the issue of "confusion" is a central concept tested at multiple points in both exams administered to trademark agents. In the competency profile for trademark agents, confusion is addressed under various titles, including "confusion", "depreciation of goodwill", "infringement", "passing off", "potential areas of conflict with third parties", "enforcing trademark rights", "co-existence agreements", and "grounds of opposition".

Given that both patent and trademark agents file applications, are knowledgeable in the law respecting validity and infringement/confusion, routinely consider issues of validity and infringement/confusion in their practice and provide opinions respecting such issues, there is no rational justification for assigning a different scope of privilege to trademark agents versus patent agents.

The purpose of the privilege is to protect the discussions between the agent and the client so that the client's confidential information is not later disclosed in court. It is important to keep in mind that it is the client's information that is privileged and clients should not be disadvantaged when using the services of an agent. Full disclosure and frank advice are essential to the administration of the patent and trademark rights and to encourage confidence in the system by businesses that seek protection for their intellectual property rights in Canada and internationally. When validity or infringement opinions are prepared by lawyers, they are protected by privilege and this is not regarded as impairing the "truth-seeking function of the court". The same should be true when those same validity and infringement opinions are prepared by patent and trademark agents.

[17] As well as rights to compensation that accrue once a patent is laid open and after it has been granted.

4. *Certain jurisdictions require an agent to obtain an additional qualification to be granted an expanded scope of practice. If the scope of agent practice or agent privilege is modified to include additional activities, should there be any additional criteria to qualify for obtaining an expanded scope?*

ANSWER:

The question appears to suggest that there is an "expanded scope of practice" when in fact, as set out above, part of the training and knowledge of agents includes the knowledge of infringement/confusion and validity. Any suggestions that one should removes areas in which agents have for practiced for decades will inevitably upend the entire market for IP legal services in Canada and will simply not benefit clients or the Canadian economy.

Since the agents' exams currently address the areas of practice including infringement/confusion and validity, there is no need for an "additional qualification".

It is essential for an agent's practice to understand validity and infringement/confusion, the issues are part of the technical competency profiles and the issues are central topics of the exams that agents are required to pass. Notably, both lawyers and non-lawyers must pass these exams to qualify as agents.

CONSULTATION PAPER FEEDBACK

Some of the assumptions and assertions[18] in the Consultation Paper are incorrect:

1. The assumption that trademark agents are not examined on infringement is incorrect. As explained above, CPATA sets exams and they include questions on confusion, which is the test for infringement under the *Trademarks Act.*

[18] Some of the comments appear to be based on stakeholder and observer input.

2. The assumption that there is a need to either "expand" or to contract the scope of practice of agents is inconsistent with the established practice of patent and trademark agents which includes validity/registrability and infringement assessments. Restricting agent practice would severely and unreasonably limit competition in the IP space.

3. The assumption that an opinion from an agent on validity or infringement would need to be redone by a litigation lawyer is also incorrect. As stated above, an infringement opinion may inform the litigation strategy developed by a lawyer, but it does not replace it. When developing a litigation strategy, an infringement opinion prepared by a lawyer agent will be no more useful than one prepared by a non-lawyer agent.

4. The assumption that validity and infringement knowledge will somehow result in "raising the barrier to entry to the agent profession" is also incorrect. Those are key skills that are a substantial part of the existing practices of patent and trademark agents.

5. The assumption that there is an "asymmetry" between the practice and examinations of trademark and patent agents is incorrect. Both patent and trademark agents are examined on validity and infringement, and those concepts are central to the practice of both patent and trademark agents.

CONCLUSION

Given that clients in Canada should be able to have free and frank discussions with their patent and trademark agents, revising the sections of the *Trademarks Act* and the *Patent Act* so that privilege will cover the well-established areas of practice of patent and trademark agents is necessary. To be competitive internationally, Canada must not be seen as a jurisdiction where client confidences in the IP area are unprotected.

TOPIC 2: UNAUTHORIZED PRACTICE ENFORCEMENT

1. *What is the impact of unauthorized practice on your business?*

ANSWER:

Unauthorized practice of intellectual property law poses significant risks to Canadian businesses and individuals seeking to protect their innovations and brands. A fundamental challenge underlying this problem is that members of the public are often unable to evaluate the quality of IP services or distinguish qualified professionals from fraudsters and unauthorized practitioners.

Intellectual property law is a highly technical, specialized field where the consequences of poor service may not become apparent until years later when rights are lost or compromised. Unlike purchasing tangible goods or services where quality can often be readily assessed, IP services routinely involve complex legal assessments, intricate procedural requirements, and strategic decisions that are largely invisible to non-experts especially when they relate to new technologies and inventions and require a scientific background. This information asymmetry makes regulation of unauthorized practice essential to protect the public.

Unauthorized practice presents a significant and often irreparable harm to clients, as unqualified individuals who prepare and prosecute applications typically lack the requisite knowledge of governing statutes, rules, and procedural requirements. Such individuals frequently file applications that are procedurally defective, substantively inadequate, or otherwise non-compliant, thereby compromising the client's rights from the outset.

Clients are often unaware of these deficiencies at the time of filing and only become cognizant of the problem years later upon receipt of an Examiner's Report identifying errors that may be difficult or impossible to remedy. At that stage, an authorized agent or attorney is typically retained and tasked with attempting to salvage a poorly constructed application, often under constrained statutory deadlines and with limited corrective options. This process is invariably more complex, costly, and uncertain than competent prosecution from the beginning, and may ultimately result in the partial or complete loss of the client's intellectual property rights.

For example, members of the IPIC have observed a number of troubling impacts on their clients and the broader IP ecosystem.

The primary impact is harm to unsuspecting users of IP services who engage unauthorized practitioners believing they are working with qualified professionals. These individuals and businesses often suffer irreparable damage when applications are improperly prepared or prosecuted, deadlines are missed, or incorrect strategic advice is provided. and money is lost.

For example, the case of *R. v. Varin*[19] is a chilling example of how damaging unauthorized practice can be. In that case, the scale of the embezzlement was approximately $3 million, with hundreds of victims. One of the clients of Mr. Varin lost thousands of dollars because patent application was not filed. Another client lost potential patent rights because he disclosed his invention publicly without a patent application having been filed by Mr. Varin. Several times, Mr. Varin filed US Provisional applications which, by definition, will never issue as US patents.

Unauthorized practice also undermines public confidence in Canada's IP system. When members of the public cannot easily distinguish between licensed professionals bound by ethical obligations and unqualified practitioners, the integrity of the entire system is compromised. This is particularly harmful to small and medium-sized enterprises and individual inventors who may lack the sophistication needed to spot identify unauthorized practitioners.

2. *Do you believe the prevalence of unauthorized practice increased or decreased in recent years?*

ANSWER:

IPIC members note that unauthorized practice appears to have increased dramatically in recent years, particularly in online environments. The scale of the problem is substantial, and the proliferation of Artificial Intelligence (AI) tools is likely to only accelerate unauthorized practice.

[19] 2022 QCCQ 422 and *R. v. Varin*, 2022 QCCQ 6675 – a criminal fraud case

CPATA has received over 200 expressions of concern from agents and members of the public regarding sophisticated phishing scams targeting trademark and patent holders. These scams have expanded globally and become increasingly sophisticated, making them even more difficult for the public to identify.

This problem is likely to intensify as the use of AI in application preparation and filing becomes increasingly prevalent. While AI-based tools may offer efficiencies for routine tasks, their use by unauthorized individuals amplifies the risk of non-compliance, as such systems lack any legal judgment, procedural awareness, and ethical accountability required for proper representation. Absent the supervision of an authorized agent or attorney, AI-generated applications may reflect superficial conformity with the rules while embedding substantive defects, improper scope, or procedural errors that are not readily apparent to clients. As reliance on these tools grows, so too will the volume of deficient filings originating from unauthorized practice, further delaying the detection of errors until examination, and increasing the burden placed on both the IP offices and authorized practitioners to remediate flawed applications. Without appropriate regulatory oversight and professional involvement, the growing deployment of AI threatens to exacerbate existing harms to clients rather than mitigate them.

The proliferation of digital marketing and the ease of establishing web-based businesses has made it simpler for unauthorized practitioners to reach potential clients across Canada and internationally. Fraudulent operators use business names designed to sound official and trustworthy, such as "CIPO Trademark," "Trademark Registry Canada," "Canadian Intellectual Property Office," "Elite Mark Group," and "NexMark IP." They claim to be "intellectual property attorneys" or representatives of CIPO, and use fake names such as "David Smith," "John Parker," or "Matthew P. Carrieri" to appear legitimate. Some fraudulent communications even impersonate actual licensed agents by fraudulently using their names.

These unauthorized practitioners often employ sophisticated tactics that exploit the public's inability to assess IP service quality. They access information from publicly available CIPO databases including trademark application details and contact information, then send communications that reference specific trademarks or business names to appear credible.

One typical scam email claims that "another party has applied for trademark registration for your business name, despite your long-standing use of it," and warns that "without federal registration, your business name is vulnerable to unlawful claims" requiring "immediate action to safeguard your rights." When recipients fail to respond, follow-up emails escalate the

urgency with subject lines like "FINAL ATTEMPT" and warnings of "extremely negative consequences" if they don't act fast.

The sophistication of these schemes demonstrates why the public cannot be expected to self-regulate their choice of IP service providers. Even careful business owners who receive emails containing accurate information about their own trademarks, from individuals claiming to be IP attorneys, using professional-sounding business names, may reasonably believe they are dealing with legitimate professionals. The fact that over 200 people have contacted CPATA with concerns shows that many recipients cannot readily distinguish these frauds from legitimate communications. We are grateful that CPATA has taken these concerns seriously, and increasing the tools in their toolkit is warranted.

Self-filed applications occupy a distinct and important place within the patent system and must be carefully distinguished from unauthorized practice. The patent system is intentionally designed to be accessible to the public, permitting inventors to file and prosecute their own applications without representation, thereby theoretically lowering barriers to entry and encouraging innovation.

However, self-filing is premised on the applicant personally assuming responsibility for compliance with substantive and procedural requirements, and most self-filers do not have nearly enough knowledge of the intricacies of the patent rules to make proper use of their ability to self-file.

Moreover, problems arise when third parties—often holding themselves out as filing services, consultants, or technology platforms—intervene in the preparation or prosecution of applications without proper authorization. In such cases, the application may appear to be self-filed in name, while in substance it reflects unauthorized practice that deprives applicants of informed, accountable representation. Unlike true self-filers, who knowingly accept the risks and limitations of proceeding *pro se*, clients relying on unauthorized practitioners often believe they are receiving competent professional assistance. This undermines the integrity of the system, exposes applicants to hidden risks, and erodes the transparency that public accessibility is intended to promote.

3. *Do you think current public-facing materials are sufficient to help individuals and businesses identify unauthorized practitioners, and*

if not, what improvements could be made (e.g., additional educational initiatives such as webinars with SMEs or incubators)?

ANSWER:

Current public-facing materials are helpful and should be continued. However, on their own they are insufficient to adequately protect members of the public from unauthorized practitioners.

The fundamental challenge is that the public lacks the expertise to evaluate IP service quality or identify unauthorized practice, even when provided with information. The sophistication of current scams targeting Canadian IP rights holders illustrates this problem. For instance, fraudulent operators create websites with domain names like "trademarkregistry.ca," "cipotrademark.com," and "ipfiling.ca" that appear official to non-experts. They use dozens of different business names and fake agent identities, making it difficult for the public to keep track of known frauds. They incorporate accurate information from public databases into their communications, lending false credibility. Despite CPATA's valiant efforts to publish warnings listing known fraudulent business names, phone numbers, and websites, the scams continue and evolve.

The existing resources maintained by CPATA and CIPO provide a good foundation, but several improvements would enhance public awareness and protection.

First, there should be more prominent and accessible verification tools accompanied by clear messaging that the public cannot reliably assess IP service quality without verification. A centralized, user-friendly online registry that allows the public to instantly verify whether an individual or firm is licensed (whether as a lawyer or agent, as applicable) should be prominently featured on CIPO's website and integrated into relevant government programs. This registry should include clear warnings about the risks of working with unauthorized practitioners, concrete examples of recent scams (such as the phishing schemes using fake business names like "Trademark Registry Canada" and fraudulent claims of urgent threats to trademarks), and explicit guidance that any unsolicited communication claiming urgent IP matters should be verified before any action is taken. Given that fraudulent operators frequently use names similar to legitimate organizations and even impersonate real licensed agents, verification would assist as a first step for any first-time IP service engagement.

Second, improved coordination between government programs that support IP activities is essential. Programs providing funding or support for patent and trademark filings or other IP services should be urged to require the use of licensed agents or lawyers as a condition of funding to protect program participants. Additionally, programs should include mandatory educational components about the importance of using licensed professionals and should provide resources for verification. These educational initiatives should emphasize the central message that non-experts cannot reliably evaluate IP service quality and must verify credentials before engaging any service provider. Educational content should use concrete examples of actual scams to help the public recognize common unauthorized practice tactics.

Third, partnerships with business associations, chambers of commerce, and entrepreneurship organizations, and translating of materials to make them multilingual, would help disseminate information as contemplated above through trusted channels that reach potential IP users.

Fourth, CPATA could establish a published list of licensed practitioners who will provide 30 minutes of free advice to potential clients (as is done with the Law Society of Ontario[20]) and those practitioners could assist in identifying fraudulent operators.

4. Are the current Criminal fines and penalties sufficient to deter unauthorized practice? Should they be increased?

ANSWER:

Under the *CPATA Act*, the current maximum criminal penalty of $25,000 for a first offence and no time in jail and $50,00 for a subsequent offence for holding oneself out as a patent or trademark agent (section 69 of the *CPATA Act*). IPIC believes these amounts are insufficient to deter unauthorized practice, particularly for more sophisticated or persistent offenders and given the lack of robust enforcement. The current maximum penalty for representing a client before the Patent or Trademark offices is similarly too low at $25,000 for a first offence with a jail term of not more than 6 months; and $50,000 for a subsequent offence and a jail term not more than 6 months (section 73 of the *CPATA Act*).

[20] https://lsrs.lso.ca/lsrs/redefineLocale.action?currentLang=en

These amounts bear little relationship to the potential revenues generated through unauthorized IP services and therefore lack proportionality. By failing to link penalties to the gravity of the misconduct, the financial benefit obtained, or the size and resources of the offender, the statute does not adequately reflect modern regulatory approaches to economic misconduct. The Criminal Code does not provide for monetary penalties which are necessary to deter unauthorized practice.[21]

As set out below, several factors support increasing the penalties in the *CPATA Act*:

First, the potential financial gain from unauthorized practice can substantially exceed the current maximum fine. The recent phishing scams targeting Canadian trademark and patent holders demonstrate the scale of unauthorized practice operations. With over 200 expressions of concern received by CPATA, and fraudulent operators using dozens of business names, numerous fake agent identities, and sophisticated websites to target victims across Canada, these operations clearly involve numerous potential victims and substantial revenue. Unauthorized practitioners may collect thousands in fees from numerous clients over extended periods, suggesting that even a $50,000 fine is viewed as simply a cost of doing business rather than a meaningful deterrent. For entities operating unauthorized practice businesses, the current penalties do not adequately reflect the scale of harm caused or the economic benefit obtained.

Second, the harm caused by unauthorized practice can far exceed the current penalty limits. Because the public cannot effectively evaluate IP service quality, victims of unauthorized practice often do not discover the harm until it is too late to remedy. When an improperly prepared application results in loss of patent or trademark rights, the economic damage to the victim can be catastrophic, potentially destroying the commercial viability of an innovation or business. In the case of fraudulent schemes like those currently targeting Canadian IP rights holders, victims may pay fees for services that are never properly performed, or may lose valuable rights by failing to take timely action with legitimate professionals while being misled by fraudsters. The information asymmetry that makes the public vulnerable to unauthorized

[21] Criminal Code section 380

practice in the first place also means that harm compounds before it is detected. Penalties should reflect the seriousness of this harm.

Third, the practice of patent and trademark law requires specialized knowledge, and the consequences of unauthorized practice justify penalties to reflect the consequences of loss of patent or trademark rights. To that end, the *CPATA Act* could be amended to include a provision similar to that in the *Law Society Act*: "The court that convicts a person of an offence under this section may prescribe as a condition of a probation order that the person pay compensation or make restitution to any person who suffered a loss as a result of the offence."[22]

While sections 73(1)(a)–(b) provide for imprisonment of up to six months, this sanction is inherently inapplicable to corporate offenders and unlikely to be applied to persons in practice. As a result, corporate entities face only monetary penalties, which are modest. The *CPATA Act* does not provide alternative corporate-specific sanctions. This creates a structural enforcement gap whereby the most commercially impactful offenders are likely shielded from the most serious consequences contemplated.

The *CPATA Act* does not expressly impose liability on directors, officers, or senior managers who direct, authorize, or knowingly permit unauthorized practice. In the corporate context, this omission weakens deterrence by allowing decisionmakers to insulate themselves behind the corporate entity. Without clear statutory attribution of responsibility to those who control or benefit from the misconduct, enforcement efforts may fail to reach the individuals most capable of preventing future violations, thereby diminishing the corrective and deterrent objectives of the *CPATA Act*.

Increased penalties would better align with penalties for unauthorized practice. The practice of patent and trademark law requires specialized knowledge, and the consequences of unauthorized practice justify penalties commensurate with other forms of professional misconduct. Increased penalties have increased importance as the *CPATA Act* provides no authority to order disgorgement of profits earned through unauthorized practice or restitution to affected clients. As a result, even when an offence is proven, an offending party may retain

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[2222] *Law Society Act,* section 26.2

the financial benefits obtained through unlawful activity. This undermines deterrence by allowing misconduct to remain economically rational, particularly when unlawful revenues substantially exceed potential fines.

The *CPATA Act* distinguishes only between first and subsequent offences, without providing a graduated penalty structure for persistent, aggravated, or willful non-compliance. There are limited enhanced penalties for continued misconduct after warnings, repeated violations over time, or failure to comply with regulatory directions.

The *CPATA Act* does not clearly specify whether each instance of unauthorized representation, each affected client, or each application prosecuted constitutes a separate offence. This ambiguity creates enforcement uncertainty and may significantly limit exposure for systematic or large-scale unauthorized practice. In the absence of clear legislative guidance, offenders may argue that extensive patterns of misconduct constitute only a single offence, thereby sharply reducing the deterrent effect of the penalty provisions.

One possible solution would be to amend sections 69 and 73 of the *CPATA Act* as follows:

(a) $100,000 for a first offence by an individual or imprisonment of a term of not more than one year or both; and $250,000 for a first offence by a corporation;
(b) $250,000 for a second or subsequent offence by an individual or imprisonment of a term of not more than two years or both; and $500,000 for a second or subsequent offence by a corporation;
(c) Where a corporation commits an offence under subsection (1) or (2), any director or officer of the corporation who knowingly authorized, permitted or acquiesced in the commission of the offence is a party to and guilty of the offence and is liable on summary conviction to a fine not exceeding $250,000 or to imprisonment for a term not exceeding six months or to both, whether or not the corporation has been prosecuted or convicted.

The *CPATA Act* currently has lesser penalties for those holding themselves out as agents versus representing a person in the presentation or prosecution of patents or trademarks in the respective patent and trademark offices in Canada (see sections 69 versus section 73). These penalties should be the same since the consequences of providing ill-informed advice apply in both instances. For example, if a client is not warned about the risk of disclosing an invention prior to filing a patent application, rights to that invention could be lost. Similarly, if a client is

not warned about potential infringement, a client could be liable for damages resulting from such infringement.

These increased penalties would provide courts with appropriate discretion to impose sanctions that reflect the severity of the conduct and the harm caused in individual cases.

5. *Should CPATA have the authority to issue monetary penalties for unauthorized practice?*

ANSWER:

Whether CPATA has this authority or not is not really the issue now. The problem as it now stands is that there is no enforcement of sections 67-68, and 70-71 of the *CPATA Act*. While CPATA will send letters to those engaged in unauthorized practice, there has been no proceeding to date to enforce the provisions in sections 69 and 73 of the *CPATA Act*.

At this time, clarity and transparency regarding **who** will administer these provisions is necessary in order for these provisions to achieve their intended purpose.

While an administrative fine (monetary penalties issued by CPATA) is an attractive option, the main issue will be enforcement. For the most part, the individuals and companies engaging in unauthorized practice are not located in Canada. It would be difficult to collect a fine or to provide another meaningful deterrent in cases where a fine goes unpaid.

Accordingly, we recommend a two-pronged approach:

1. As a preliminary matter, notice and takedown provisions be added to the *CPATA Act*.

The Canadian *Copyright Act* provides for a "notice and notice" scheme where copyright owners can send an infringement notice to Internet Service Providers (ISPs) when copyright owners believe their work is being infringed online. ISPs are required, as soon as feasible, to forward notice of claimed infringement to potential infringers found online and must retain records, but ISPs are not required to remove (take down) the alleged infringing content.[23]. In contrast, in the

[23] *Copyright Act*, section 41

U.S., under the *Digital Millenium Copyright Act,* copyright owners can request that the service provider take down online content, and ISPs must expeditiously take down the infringing online content.

Drawing on the notice-and-takedown provisions, CPATA could be empowered to request an ISP to take down unlicensed practitioners' materials online content upon providing to the ISP service provider a certification by the CPATA Registrar that the site is not connected to a licensed patent or trademark agent and may be in breach of sections 67 or 68 of the *CPATA Act*. This would be an effective, low cost and timely deterrence and removal method for addressing the proliferation of unlicensed agent practices advertised online . This process could also include opportunity for the affected party to respond, and appeal rights.

One comparable rule is section 983(2) of the *Bank Act*, which is used by Canadian regulators, primarily OSFI, as a practical compliance mechanism to prevent non-bank entities from acquiring, retaining, or using domain names that falsely suggest regulated banking status[24]. By expressly treating domain names as regulated identifiers, the provision enables rapid, non-litigious enforcement: entities are directed to relinquish offending domains, and registrars and hosting providers typically suspend or disable them once notified that continued use constitutes an ongoing statutory offence.

Internationally, while section 983(2) has no extraterritorial force, it operates as an influential reference point and *de facto* norm. Global registrars and registries often apply Canadian compliance determinations universally to reduce risk, resulting in worldwide suspension of domains targeting Canadian consumers.

More broadly, the provision is frequently cited in comparative policy discussions as a narrowly tailored and effective model for addressing online impersonation of regulated financial institutions, demonstrating how clear legislative treatment of domain names can enable preventive, administrative enforcement without reliance on fraud findings or court-ordered takedowns.

2. the RCMP or the Attorney General to enforce sections 69 and 73 of the *CPATA Act*.

[24] *Bank Act*, s. 983 (2) protects the usage of the word "bank", "banker", or "banking".

For more serious occurrences of unauthorized practice, such as repeat offenders, the Attorney General or a dedicated group in the RCMP could be given responsibility to lay charges and ensure prosecution of unauthorized practitioners.

CONCLUSION

Unauthorized practice represents a serious threat to the integrity of Canada's intellectual property system and to the individuals and businesses that depend on it. As the courts have pointed out, the "public is ill served" when clients are represented by those who lack the requisite knowledge[25]. The Intellectual Property Institute of Canada strongly supports measures that will reduce unauthorized practice and looks forward to working with the government and CPATA to implement effective solutions.

[25] *R. v. Lemonides* (1997), 35 O.R. (3d) 611

TOPIC 3: CLARITY OF PATENT OWNERSHIP INFORMATION

QUESTIONS:

1. *Have you encountered problems locating and identifying the owner of a patent, conducting due diligence on patent ownership, or other issues due to inaccurate ownership information?*

ANSWER:

- Yes, inconsistent recording of the status of title can make it difficult to identify all patents held by a particular legal entity. For example, companies may wish to evaluate the patent portfolio of a competitor, or as part of an internal due diligence exercise and it is easiest to find this information via an assignee search on the CIPO database. However, incomplete recording of the chain of title can make such searches incomplete (for example if patents remain in the name of the inventors, or if patents have been acquired by the competitor but ownership records have not been updated).

- Further, the unavailability of patent assignments and security agreements on the Canadian Patent Database (CPD) delays and increases the expense of verifying patent ownership and conducting due diligence. While there is visibility into the fact that a document has been registered and is on file, from a due diligence perspective it is important to see the document itself to be able to understand its nature and evaluate its legal effect. For example, the registration of an invalid instrument of transfer will not make such a transfer legally effective.

- Similarly, in the instance where a license may be registered as a document, no information is given about this. The CPD does optionally allow parties to indicate that a

license is available, but no information is given about licenses of the patent or their nature (e.g. exclusive or non-exclusive). It would be desirable where such a document has been registered that information as to the presence and nature of the license (e.g. exclusive or non-exclusive) be readily indicated in the CPD as is done in other jurisdictions (for example, in the United States).

- While title documents and other registered interests are publicly available from the Canadian Intellectual Property Office (CIPO) as part of the patent file records, to obtain copies of documents that are on file, one must individually order the complete file history of each patent or application in question. Currently this costs $10 per file history and requests are subject to potential delays in processing. In contrast, other countries make such documents freely available via web searches. For example, the US Patent and Trademark Office (USPTO) has a searchable assignment database for documents affecting title.[26] These records can be searched by a number of different parameters, including application or patent number, transferor or transferee name, or reel and frame numbers, which can make it easy to locate all patents or patent applications affected by a document. Further, the document itself can be directly downloaded from the assignment database without paying any fees.

- Security agreements in particular are problematic and should be freely available on the CPD, as it can be helpful to know simply the general nature of the security arrangement to be able to determine what further inquiry may be advisable. Ordering the file history for each patent/application to verify this information is cumbersome and can be expensive when many patents/applications are involved.

- We understand that CIPO's position for not making these documents freely available through the CPD is that these documents may contain sensitive information, such as addresses. However, this position is inconsistent with the fact that all documents submitted for registration become part of the public record. Moreover, documents can be redacted before submission to avoid including sensitive information such as financial information or personal information and addresses. Furthermore, such documents can

[26] See https://assignmentcenter.uspto.gov/search/patent.

still be obtained by ordering the file history, and are frequently otherwise available elsewhere, e.g. in public databases in other countries. Still further, if CIPO is not comfortable releasing this information on CPD, they could consider making it available through MyCIPO Patents, since formal login credentials are required to access information through MyCIPO Patents, thus limiting the ability of bad actors to crawl through and/or misuse the information.

2. What are the benefits and costs of an ownership registry? How can it facilitate business transactions while avoiding administrative burden?

ANSWER:

- Benefits of an ownership registry include making it easier to rapidly identify the current owner of a group of patents and patent applications.
- Costs of an ownership registry include the administrative burden and cost on patent owners to comply with any requirements of and pay any fees associated with the registry, as well as the technical costs and delays in implementing such a system.
- A registry may make it easier to identify all patents and patent applications affected by a single document (e.g. the USPTO's reel and frame number for assignment recordals enables quick retrieval of all patents/applications affected by that document).
- The geographic scope of the registry is also relevant to consider. A centralized registry that can be used to update ownership information across multiple countries would likely decrease costs and administrative burden for patent holders by making it easier for them to update information on a global basis. A Canada-specific registry would add an additional administrative burden specifically in respect of Canada and so might increase costs and administrative burden on patent holders.
- However, even with a registry, the availability of the supporting documents themselves is important: due diligence often reveals defects in documentation or transfers. An ownership registry, while identifying the purported current owner of a patent, would not necessarily reflect the true legal state if there was in fact no valid legal transfer of the rights in question.

3. *Would you support a requirement to register transfers before a patent could be asserted in a court proceeding?*

ANSWER:

- IPIC is neutral with respect to this requirement. It is desirable to ensure that the ownership of a patent is clear, and ultimately the patent owner will need to be able to prove title to the patent to succeed in litigation.

- IPIC cautions that any registration system should minimize administrative burden and costs to facilitate compliance with such requirements, and incentives to register should be preferred over penalties for not registering wherever possible.

- IPIC recommends that any requirement to register transfers be limited to ensuring that the patentee named in litigation matches the currently registered owner of the patent. For example, registration of assignments from the inventors to the original patent applicant is not currently required, and it could be unfair to require the current patent holder to register such historical documentation.

- Additionally, a licensee is also able to enforce a patent in a court proceeding in Canada. It is not clear if the proposed registration requirement would extend to licensees or if there would be a corresponding requirement imposed on licensees to register their license agreements before being able to enforce a patent. Further consideration of the role that licenses might play in frustrating the intention of an ownership registry and of the potential burden imposed on licensees due to any registration requirement is warranted.

4. *If registration of transfers was mandatory, should a penalty for non-compliance be set, and what measures should be in place to allow patentees to remedy an omission?*

ANSWER:

- IPIC recommends encouraging registration using incentives rather than applying penalties. Severe penalties for non-compliance could easily become to harsh with respect to non-compliance with a formal requirement (e.g. if a failure to register a transfer resulted in unenforceability of the patent and no mechanism for curing the defect was provided). As discussed below, there are currently two major barriers to patent holders maintaining accurate records as to the ownership of patents and applications in Canada, and we recommend first addressing these barriers before considering if stronger measures such as penalties for not registering transfers may be needed.
- Additionally, rather than penalties for non-compliance, there could also be other benefits for registration of transfers. For example, there could be a statutory presumption as to title in litigation if all transfers are registered, as is the case in copyright law.[27]
- We also note that recordation of transfers of patents and patent applications reflecting the entire chain of title from the inventors to the Applicant was historically required until amendments to the *Patent Act* took effect on June 2, 2007.[28] Additionally, there was a further reduction in the submission of title documents relating to patents after the implementation of the *Patent Law Treaty* on October 30, 2019, when CIPO changed its practice to no longer record changes in title that occurred prior to the Canadian filing date (or date of Canadian national phase entry for PCT applications).[29]
- While there has been a corresponding decrease in administrative burden for patent applicants as a result of these changes, there has also been a loss in certainty on the

[27] *Copyright Act*, R.S.C. 1985, c. C-42, s. 53 (https://laws-lois.justice.gc.ca/eng/acts/C-42/section-53.html).

[28] *Rules Amending the Patent Rules*, SOR/2007-90 (https://gazette.gc.ca/rp-pr/p2/2007/2007-05-16/pdf/g2-14110.pdf).

[29] See e.g. https://ised-isde.canada.ca/site/canadian-intellectual-property-office/en/practice-notice-detailing-requirements-recording-transfers-and-name-changes-and-registration-related.

part of the public, since such documentation is frequently no longer registered and therefore is not available for review as a matter of public record.

5. *How else can the government increase legal certainty with regards to patent ownership and other legal interests (such as security interests) in a patent?*

ANSWER:

- Decrease the cost and administrative barriers to recording changes in patent ownership. Currently there are two main barriers to recording transfers and registering title documents:
    - The relatively high fee for recording a transfer. While the individual fee of $125 per patent or application[30] to record a transfer is not unduly high on its own, it rapidly becomes excessive for transfers involving larger portfolios (e.g. $12,500 in government fees for a transfer of a portfolio of 100 Canadian patents/applications). Many companies simply elect not to record transfers in Canada given this high cost. In contrast, the USPTO no longer charges fees for recording an assignment.[31]
    - The evidentiary requirement that a signature on an assignment be witnessed or otherwise corroborated by additional evidence when a transfer is recorded by a transferee is an unnecessary burden.[32] This requirement is out of step with most other commercially significant jurisdictions, which generally just require a signature by the relevant parties (e.g. USPTO, EPO). While there are some countries that

[30] https://ised-isde.canada.ca/site/canadian-intellectual-property-office/en/patents/patent-fees., "Recording of a transfer" and "Recording of a change of name".

[31] See https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule, fee per assignment per property, 37 CFR 1.21(h)(1) ($0 if submitted electronically) versus 1.21(h)(2) ($54 if not submitted electronically). The USPTO used to charge $40 per recordal.

[32] 6.06.03b of the Manual of Patent Office Practice (https://ised-isde.canada.ca/site/canadian-intellectual-property-office/en/manual-patent-office-practice-mopop).

require notarization and even legalization/Apostille of a transfer document, these tend to be countries with different legal systems or with less established democratic governance systems as compared to Canada. While there can be evidentiary benefits to having an assignment witnessed or notarized, this should not be a baseline requirement for simply recording the transfer. Moreover, the USPTO does not meaningfully examine assignment recordations, so providing a notice of recordation from the USPTO as "evidence" of execution of the assignment (as is accepted by CIPO in lieu of witness signatures) is not a meaningful form of validation of the signatures.

- IPIC main recommendations to promote patent holders to update ownership information under the existing regime are:
    - Reduce or preferably eliminate the fee for recording a transfer. Alternatively, the recordal fee should be a tiered fee that increases only after a certain number of patents/applications (e.g. $125 for up to ten patents; $250 for up to 100 patents, $500 for up to 1000 patents). This would avoid imposing unduly high costs to record transfers of larger portfolios.
        - The USPTO approach of having no fee promotes recordal. On the other hand, having a fee can help to mitigate against potential abuse of the system. There is limited resistance to paying a reasonable fee to update ownership information.
        - Although we do not support using differential fees for different modes of filing for mandatory fees associated with patent applications and patents given the uncertainty and administrative burden associated therewith, for transfers where registration is not mandatory and payment of an incorrect fee amount will not result in abandonment of an application or lapse of a patent, we would support having a lower registration fee associated with an online registration, such as through the MyCIPO Patents system, to encourage registration of transfers and other updates affecting ownership while recognizing the cost efficiencies that flow to CIPO through the use of such an online system.
    - Eliminate the requirement that a signature on an assignment be witnessed or otherwise corroborated by additional evidence when a transfer is recorded by a transferee.

- Further actions that could be taken to increase legal certainty with respect to patent ownership and other legal interests in patents include:
    - Making transfer documents and other documents registered against patents and patent applications freely available on the CPD. This would have the effect of immediately making the available documentation more readily accessible to facilitate and expedite due diligence.
    - Providing a meaningful indication of which specific documents have been registered against a patent or application. The CIPO's current document registration certificate merely provides an indication that a document has been registered; there is no correlation between the registration confirmation and any specific document that is registered.
        - Moreover, the current fee of $125 can be used to cover the registration of any number of documents in a single package, meaning that multiple documents are often registered together to avoid incurring multiple fees.
        - Thus, under the current system, patent owners see limited benefit to registering documents because there is no meaningful proof of what specific document has been registered.
    - Having CIPO articulate a clear position confirming that electronic signatures are acceptable on assignments. Use of electronic signatures greatly facilitates patent holders obtaining the necessary signature on documents for registration, and electronic signatures are acceptable to effect the legal transfer of patent rights in Canada and many other jurisdictions. CIPO did introduce COVID-era measures that allowed for electronic signatures,[33] but this procedure has not been formalized or officially extended in any way, even though CIPO does continue to accept electronic signatures. Providing clear guidance affirming that electronic signatures are acceptable would provide greater certainty and streamline the process of obtaining appropriate signatures, thereby decreasing administrative burden on patent holders and facilitating them to obtain appropriate documentation to support any transfers.

[33] See Question 39, Frequently asked questions – COVID-19 service interruptions – Patents (https://ised-isde.canada.ca/site/canadian-intellectual-property-office/en/frequently-asked-questions-covid-19-service-interruptions-patents).

We would be pleased to consult further and provide specific input on any changes that the government may propose to increase legal certainty with respect to IP-related services and administration. IPIC has a positive working relationship with CIPO and is open to collaborating with them to provide input and consult on measures to implement any changes to the system for registering patent ownership information in Canada.

TOPIC 4: PATENT DEMAND LETTERS

OVERVIEW

IPIC members include patent agents and lawyers specializing in patent law and litigation. We have significant experience in preparing, sending, receiving and responding to "demand letters" and other notices concerning patent rights and enforcement.

IPIC members urge careful consideration before creating any regulations relating to "demand letters" to ensure that legitimate patent enforcement activities are not curtailed. Any such regulations should be specifically tailored to address the harm identified in the Consultation Paper, namely, the harm caused by bad actors that "use demand letters to pressure recipients to settle, even if the demand would not succeed in court" including by "tailoring requested settlement amounts low enough that the cost of properly assessing and responding to the demand letter is uneconomical in comparison."

MOST COMMUNICATIONS ARE *BONA FIDE*

Patent rights holders routinely send *bona fide* communications to competitors and potential infringers, including letters to put a competitor on notice of existing rights (which, for the purposes of this submission, are referred to as "**Notice**" letters) as well as communications seeking to resolve potential patent disputes without needing to resort to formal litigation (which, for the purposes of this submission, are referred to as "**Cease and Desist**" letters).

Both types of letters serve useful functions to protect the rights of patentees and to inform recipients of those rights. If not carefully tailored, the regulation of these communications may create ambiguity and additional cost, and disincentivize patent owners from seeking to enforce their rights without immediate recourse to the Courts.

Notice letters typically do not include any demand for payment or even any allegation of infringement or demand to cease an activity. Rather, they serve as a notice function so that the competitor can consider the patent rights referenced in the letter in respect of the launch or continued offering of a particular product or service.

Cease and Desist letters also do not always reference a specific settlement amount; rather, they often ask that the recipient stop a particular activity and routinely invite settlement discussions.

They can help parties resolve differences without needing to commence costly legal proceedings.

In general, IPIC members and their clients do not have specific difficulties or concerns with the majority of Notice and Cease and Desist letters.

Occasionally, IPIC members and their clients receive letters from bad actors of the type referenced in the Consultation Paper (which, for the purposes of this submission, are referred to as "**Bad Actor**" letters). Bad Actor letters nearly always include a specific monetary amount that often (though not always) escalates over time (*e.g.*, pay $5,000 if received by date X, pay $8,000 if received by later date Y, etc). Sometimes these letters also threaten to tell the recipient's customers (or other third parties) that the recipient is making, using or selling an infringing product. Such letters are a small portion of the otherwise *bona fide* correspondence sent and received by IPIC members and their clients.

The Federal Court, which is the judicial forum for the large majority of contentious patent matters in Canada, has also recognized that patent rights holders are "entitled to assert that they have rights flowing from a valid patent"[34] and that "cease and desist letters… can serve laudable purposes of providing notice of a legal claim… and initiating discussions leading to resolution of the dispute before litigation is commenced".[35]

Notably, the Federal Court has drawn as a distinction between letters that are "more informative than threatening", and *vice versa*, and has noted that in appropriate circumstances more threatening letters may themselves be actionable (such as under subsection 7(a) of the *Trademarks Act*, or potentially tortious interference) and subject to damages and/or injunctive relief.

That said, and consistent with IPIC members' recommendation for careful consideration, the Federal Court has recognized that not every "demand letter" is necessarily improper, even if the patent rights asserted therein are subsequently found to be invalid or not infringed, and

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[34] See for example, review of jurisprudence provided in *Fluid Energy Group Ltd. v. Exaltexx Inc.*, 2020 FC 81 at para 51-57 (McHaffie, J.)

[35] *Fluid Energy Group Ltd. v. Exaltexx Inc.*, 2020 FC 81 at para 1 (McHaffie, J.)

that the Court "must inquire as to the nature and circumstances of the assertions and any subsequent conduct by the party making the assertions" on a case-by-case basis.[36]

CONSIDERATIONS FOR ANY REGULATIONS

IPIC members have serious concerns about the possible enactment of regulations that would impose significant burden in the preparation of Notice or Cease and Desist letters. In particular, the aim of such letters is typically to avoid the costs of commencing litigation. Consequently, any regulations should take care ***to avoid*** imposing requirements on such letters akin to, or even exceeding, the full requirements of a pleading.

One way this could be achieved is by tailoring narrowly the types of "demand" letters caught by any proposed regulations so that they focus on Bad Actor letters, such as applying only to those letters that specify monetary amounts and/or those that threaten to contact the recipient's customers, suppliers, partners and/or other third parties.

Further, any requirements that are imposed should not be overly burdensome. To this point, requirements such as identifying the patent number(s) being asserted, likely infringed claims, jurisdiction of issuance, ownership, including either copies of or links to the asserted patents and, in general terms, the products, processes and/or services that are alleged to infringe the patents may be reasonable. Requirements that impose obligations such as full "claim mapping" or "claim charts" may not.

Notably, legitimate Notice and/or Cease and Desist letters may be sent in circumstances where a patent rights holder has a reasonable basis to suspect another party may infringe their rights, but may not have full knowledge of the actions of the other party (for example, if the patent rights pertain to a manufacturing process and the other party's manufacturing occurs in a private facility, if the other party has announced an intention to launch a product line but the product line is not yet public, etc.). In such circumstances, patent rights holders may legitimately not know or be able to fully articulate the allegedly infringing activity.

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[36] See for example, *E. Mishan & Sons, Inc. v. Supertek Canada Inc.*, 2016 FC 986 at para 11 (Hughes, J.)

Demand letters are not required prior to commencing litigation. Thus, if the requirements placed on "demand letters" is perceived as overly onerous, or the risks of being sued for sending a "demand letter" that is not compliant are perceived as being too high, then patent owners may decide to start a legal claim without trying to resolve the dispute first, thereby increasing legal costs for all parties. Patent owners may also simply deem enforcement of their rights to be too risky and expensive in Canada, thereby devaluing Canadian patent rights. Both outcomes would be detrimental to Canada's innovative industries.

CONCLUSION

Thank you again for the opportunity to submit for the consultation on increasing legal certainty in Intellectual Property services and administration. We would be pleased to review any of these points in more detail with Innovation, Science and Economic Development Canada and look forward to future discussions on this initiative.

If we may be of further assistance, please do not hesitate to contact our CEO Adam Kingsley (akingsley@ipic.ca).