

# Patent and Trademark Agents

## Mandatory Liability Insurance

A consultation with the profession

Darrel Pink, CEO and Registrar

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## INTRODUCTION

This is the first Consultation Paper issued by College of Patent Agents and Trademark Agents (CPATA). It addresses and seeks input from stakeholders on one of CPATA's regulatory requirements – to mandate liability insurance for the profession with effect from January 1, 2022.

To assist the Board in understanding the breadth of the issue CPATA retained [Axxima Insurance Services](#) to review the current environment of liability insurance for professionals in practices similar to Agents and to make recommendations to the Board about approaches CPATA might take in addressing its regulatory mandate. Axxima's Report is posted [here](#).

## CPATA

CPATA's mandate is to regulate Canada's Patent and Trademark Agents in the public interest. Patents and Trademarks are key tools in protecting the intellectual property rights of citizens and corporations in Canada and around the world. They are key to maintaining and developing innovation in Canada's economy. CPATA's regulatory oversight clears the path and sets the stage for opportunities and international Intellectual Property advancement for Canadian businesses, and for Canadian patent and trademark agents.

Every patent agent and trademark agent (Agents) will have to be a licensee of CPATA, and to abide by its adopted professional standards. CPATA will establish standards for the professional conduct and competence of agents, encourage

compliance with those standards, and enforce compliance through a disciplinary process. CPATA will also set standards for entry to the profession and administer examinations to ensure applicants have the required skills, knowledge and attitudes. As an independent public-interest focused regulator, CPATA will maintain relationships with the Government of Canada, with agents and their firms, and with Canadian users of patents and trademarks. Since many agents are also engineers, lawyers and other regulated professionals, CPATA will also establish cooperative relationships with other professional regulators and associations.

CPATA's Board has set up the organization to be a modern regulator. It has adopted these [Regulatory Objectives](#):

To advance its role as a risk-focused, modern public interest regulator, CPATA has adopted these Regulatory Objectives:

1. We protect and promote the public interest in patent and trademark services.
2. We protect those who use patent and trademark services.
3. We promote innovation in the delivery of patent and trademark services and the protection of intellectual property rights.
4. We improve access to and promote competition in the provision of patent and trademark services.
5. We promote the independence of the patent and trademark profession.
6. We ensure Licensees deliver patent and trademark services ethically and competently.
7. We promote equity, diversity and inclusion in the patent and trademark profession and in the delivery of patent and trademark services.

### **LIABILITY INSURANCE**

For professionals, the requirement of insurance against errors and omissions primarily serves the public interest. Financial losses, resulting from an error by a professional service provider, is insured so the losses to clients are minimized. Though there is a benefit to professionals as well, the establishment of an insurance requirement is primarily to protect the interests of clients. The design of an insurance requirement must meet this objective.

### **BOARD'S APPROACH**

The Board's approach to mandating liability insurance is to do so to ensure public protection, create minimal administrative burdens on agents, and not establish significant reporting and compliance requirements. Given the small size of the profession, CPATA determined it would be impractical to consider a compulsory program where a single policy would apply to all agents and purchasing that policy would be compulsory. Rather, in keeping with its commitment to right-touch regulation, the Board's initial determination is its requirements should be provided by the existing insurance market. Most agents purchase mature insurance products now; the goal is to build on rather than replace them.

### **PROCESS**

While CPATA is continuing to gather information from other sources, it seeks input from stakeholders on several key issues, identified in the Axxima Report. Responses to the questions arising from each issue should be directed to Darrel Pink, CEO

& Registrar, [dpink@cpata-cabamc.ca](mailto:dpink@cpata-cabamc.ca) by

**September 15, 2021**

## Issues on which input is invited

### 1. Who must be insured and scope of required coverage?

The Board's initial approach is to require **those who provide services to the public must maintain insurance**. The exemption in s. 34(b) for those employed by the Federal Government illustrates the principle that those who provide services only to their employer, need not be insured. Optional coverage may be available, but that would not be a regulatory requirement.

With respect to scope of coverage, Axxima notes:

For CPATA, PAMIA's terms of coverage provide a good starting point. PAMIA defines Intellectual Property Business as: "The provision of services relating to Intellectual Property Rights by the Insured to another party, including services of advice, acquisition, prosecution, maintenance/renewal, enforcement, defence, opposition, consulting, support, formalities, search, administration, drafting of documents, and/or ancillary services." [Note: PAMIA Limited is a major provider of professional liability insurance to patent and trademark attorneys in the UK and Ireland.]

In turn, Intellectual Property Rights are defined as: "Rights, whether legally validly protectable or not, anywhere in the world, conferred on intangible matters generally known as intellectual property, including: inventions, designs, copyright works, trademarks, domain names, company names, plant varieties, databases, performances, encryptions, hallmarks, personal data, trade secrets, confidential information, know-how, goodwill, designations of origin, geographical indications, traditional specialty guarantees, and the like, and including claims and rights related to: passing off, counterfeiting, grey imports, comparative advertising, advertising standards, labelling, unfair competition and the like."

*Recommendation #3:*

**The required scope of coverage should be defined broadly to encompass professional services related to intellectual property rights.** The Canadian equivalent of the PAMIA definition will likely form a good starting point in defining the scope of required coverage.

CPATA invites comments on this approach.

## 2. Limits (per claim and annual aggregate)

Axxima make three recommendations. The first, on p. 16, is that limits requirements be prescribed at the entity level (i.e. firm/partnership/sole practitioner) rather than the individual level. The second, on p. 18, is for minimum limits of \$2.0 million per claim. The third, also on p. 18 is for a minimum annual aggregate limit of \$2.0 million for firms with five or fewer professionals and \$4.0 million for firms with six or more professionals.

The consultant and the Board looked at whether all firms should require the same minimum limits per claim or if there could be some lesser coverage required based on the size and nature of a practice. The Board concluded, based on advice, it is impossible to predict against whom a claim will arise, and a small practice does not equate with a lower risk that would justify a smaller amount of insurance. The setting of adequate minimum requirements for policy limits is a key aspect of satisfactorily addressing the public interest. Therefore, the Board supports the recommendation for a universal requirement of \$2.0 million limit per claim.

With respect to the annual aggregate limit, Axxima's discussion states:

Some regulators specify a minimum annual aggregate, specifically Ontario Nurses, insurance brokers and lawyers, where the aggregate is double the per claim limit. (Nurses licensed for an expanded scope of practice are required to have a \$5 million aggregate.)

In particular if insurance requirements are defined at the firm level, a minimum aggregate limit of say two times the per claim limit becomes important in the event of multiple unrelated claims in the same policy year. Having said that, the aggregate is somewhat dependent on the per claim limit. If the minimum per claim limit is higher, a minimum requirement of a double aggregate may be viewed as less important, although Ontario insurance brokers are required to maintain a limit of \$3 million with a double aggregate.

*Recommendation #5: Assuming that insurance requirements can be met at the firm level, it is recommended that the aggregate limit be based on firm size, for example,*

*a single aggregate for firms with five or fewer professionals, a double aggregate if for firms with six or more professionals.*

The Board also supports the recommendation of a \$2.0 million annual aggregate limit for smaller entities (five or fewer agents) and a \$4.0 million annual aggregate limit for larger entities (More than five agents).

CPATA invites comments on this approach.

### 3. Territorial requirements

AXXIMA's discussion states:

Given the unique cross-border nature of intellectual property practice, most of the programs reviewed are unlikely to provide much precedent for the territorial requirements for P&T agents. It seems self-evident that CPATA's minimum requirements should include coverage for services provided and lawsuits brought outside of Canada. The coverage required by IPReg (the UK P&T attorney regulator) is worldwide, although the exclusion of the US and Canada is permitted. This approach is likely to allow the insurer to underwrite US exposures and charge additional premium if appropriate. The Magnes program, which currently insures many Canadian-domiciled P&T agents, provides worldwide coverage.

One topic for further discussion is whether it is central to the public protection mandate that the territorial requirement be extended beyond Canada and the US, i.e. worldwide and whether, if this is acceptable, there is any benefit to insureds in terms of availability and cost, from restricting the requirement.

*Recommendation #10: Coverage for services provided and lawsuits brought in the US is essential and should be part of CPATA's minimum requirements. An open question is whether CPATA should mandate worldwide coverage, or coverage in Canada and the US only.*

The Board believes that though global coverage should be the default, an option should be considered relating to coverage in the United States. This option might exempt US coverage if an agent does not practice personally before the USPTO but does so only using the services of a qualified American agent. Therefore, US coverage would be an optional addition to a policy for those who practice before the USPTO. All would continue to have other global coverage.

There would be annual information filings by agents with CPATA about the geographic areas in which an agent practises.

CPATA invites comments on this issue and the alternate proposed approaches.

4. Separate requirements for patent agents versus trademark agents?

Although not specifically addressed in the Axxima Report, the Board is considering whether it is feasible and prudent from the College's perspective to mandate different insurance requirements for professionals acting only as trademark agents versus professionals acting as patent agents or both. This might be possible if the Board satisfies itself that the exposure of trademark agents, by virtue of the nature of services provided, is lower and that as a result public protection would not be unduly affected. Consideration of this issue is complicated by the fact that, even though a trademark agent is not authorized to register patents, that agent may be giving advice on intellectual property strategy generally, which could raise an exposure in the patent area.

CPATA invites comments on this issue.

5. Run-off/extended reporting period (ERP) requirements

How long after an agent stops practicing should a policy remain in place? Axxima suggests 5 years in circumstances where a firm dissolves or an individual retires and no entity remains that will or could maintain coverage for that individual. The provision of ERP coverage would be required as a condition of cessation of practice.



## AXXIMA'S discussion states:

The programs reviewed dealt with the issue of claims arising after a firm has disbanded or a professional has retired (or in any event changed to a status that does not require insurance) in vastly different ways. It is fairly standard for a professional liability policy to include an ERP provision that can be exercised by payment of premium when the policy is terminated or expires. The question for the regulator is whether to require that coverage for services provided in the past be maintained for a period of time after retirement.

Ontario accountants require a six-year ERP on withdrawal of a professional or dissolution of a firm. Ontario nurses require a two-year ERP. LawPRO offers a small limit (\$250,000 lifetime aggregate) to retired lawyers, with the option to buy more. IPReg also requires six-year run-off protection if a practice closes without transferring its liabilities, and it goes further by requiring that contact information for the insurer must be provided to former clients.

Some programs (e.g. Ontario engineers and insurance brokers) do not have a run-off requirement. Regardless, our view is that run-off protection is appropriate and the main question is how long the period should be. ERPs are quite standard in professional liability policies and 12-, 24- and 36-month ERPs are often included in policy terms, available for an additional premium. The Magnes policy includes a six-year ERP.

*Recommendation #11: The appropriate duration of a prudent ERP depends on the claims profile (specifically the length of time it takes for claims to emerge). A five-year ERP may be reasonable, especially in the case of a firm dissolution. Further discussion may assist in determining the appropriate duration.*

CPATA invites comments on this issue.

## 6. Other issues

The Board will be addressing all aspects of Axxima's recommendations and invites comments on all of them. The Board concurs with these recommendations and views them as essential requirements for a mandatory public-interest focused requirement.

*Recommendation #6: CPATA should not specify that defence costs be in addition to the minimum insurance limits specified. The exception to this, in our view, would be if the required minimum limit is low relative to the exposure.*

*Recommendation #7: The default maximum should be in the range of \$25,000. CPATA may wish to accommodate the desire for a higher deductible on approval or based on something measurable like firm revenue.*

*Recommendation #8: CPATA should require that insurers be licenced in the provinces/territories where*

*the professionals are domiciled.*

*Recommendation #9: Explicit insurance requirements should not be imposed on trainees.*

## **Conclusion**

This is the first profession-wide consultation undertaken by the College. Its intent is to use this and similar processes to engage the professional and the public about vital areas of public interest in the regulation of patent and trademark agents.

The establishment of CPATA is a work in progress that will continue to evolve as CPATA, its Board and staff gain greater knowledge and expertise on issues they will need to pursue as part of their mandate. Professional and public engagement are core values CPATA has adopted and through processes like this it will increase its knowledge and appreciation of a variety of perspectives.

## **Submissions**

Submissions should be directed to Darrel Pink, CEO & Registrar at [dpink@cpata-cabamc.ca](mailto:dpink@cpata-cabamc.ca) by **September 15, 2021**.

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