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| <p>TITLE: "The IP State of the Union" – EUCOF report</p> <p>DRAWN UP BY: Daniel Alge, European Union Members' Commission of FICPI (EUCOF)</p> <p>TABLED TO: All ExCo attendees</p> <p>PURPOSE: For information</p> | <p>QR CODE:</p>  |
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"The IP State of the Union"

EUCOF REPORT Q4 2013/Q1 2014

1. Patents (the Unified Patent Court and the Unitary Patent):

1.1 Short historical overview

In 2012 the EU Member States and the European Parliament agreed on the "patent package" – a legislative initiative consisting of two Regulations (implementing enhanced cooperation in the area of the creation of "unitary patent protection" for the EU except ES and IT) and an international Agreement ("Agreement on a Unified Patent Court" (UPC Agreement)). The two Regulations (No 1257/2012 and 1260/2012 dated 17 December 2012) were published on 31 December 2012 and entered into force on 20 January 2013. However, these Regulations are only applicable once the UPC Agreement enters into force.

The UPC Agreement was signed on 19 February 2013 by 25 of the 27 EU Member States (all, except Poland and Spain; Croatia was not yet an EU Member State in February 2013) and will enter into force as soon as 13 states, including France, Germany and the United Kingdom, have ratified it.

The Unified Patent Court will have a Central Division in Paris, London and Munich and Local Divisions in each Member State that wants to have a Local Division. The cases between the three Central Divisions are assigned by IPC classification (London hears cases of classes A (human necessities, including drugs) and C (chemistry); Munich hears cases of class F (mechanical engineering)).

Three committees have to be constituted "to ensure effective operation and implementation" of the UPC Agreement, the Administrative committee, the Budget committee and the Advisory committee. A Preparatory Committee was established enabling entry into force when the required number of ratifications is reached. The committee is headed by Paul van Beukering and held its first meeting in March 2013.



1.2 The actions of the Preparatory Committee

In 2013, the Preparatory Committee has met four times in total.

Its main task was to launching a public consultation on the draft Rules of Procedure of the UPC. Stakeholders, including FICPI, have taken the consultation on the Rules of Procedure very seriously and “over 100 constructive, high quality submissions” were reported by the Preparatory Committee. Currently, a “Drafting Committee” is currently 2 in the process of analysing” these submissions.

In September 2013, a call “for expression of interest” for judges was launched by the Preparatory Committee, with well in excess of 1,000 “expressions” received.

In January 2014, the Preparatory Committee issued its view to the question whether the UPC Agreement will apply to patents that are opted out. It is the Preparatory Committee’s view that if an application for a European patent, a European patent or a Supplementary Protection Certificate that has been issued for a product protected by a European Patent is opted out (or during the transitional period the case is brought before a national court), the Agreement no longer applies to the application for a European patent, the European patent or the Supplementary Protection Certificate concerned. As a consequence the competent national court would have to apply the applicable national law.

1.3 Other legislative measures

In order to update the EU rules on the jurisdiction of courts and recognition of judgements (the so-called “Brussels I Regulation”; Council Regulation (EC) No 44/2001) to the UPC Agreement, the Commission has (in July 2013) proposed changes to the Brussels I Regulation¹. The changes proposed should clarify that the Unified Patent Court (and the Benelux Court of Justice) are “courts” within the meaning of the Brussels I Regulation. The changes also relate the operation the rules on recognition and enforcement in the relations between Member States which are and Member States which are not Contracting Parties to the respective international agreements. Also this draft is currently discussed between the EU Member States.

The EPO has sent out a draft for Rules relating to Unitary Patent Protection regulating the administration of the Unitary Patent by the EPO. FICPI has also filed a comprehensive response to the draft.

1.4 Current status of ratification

Austria has ratified the UPC Agreement as the first (and currently only) Member State per 6 August 2013. In the UK, the House of Lords has already approved the “Intellectual Property Bill” (containing the Implementation of the UPC Agreement as item 17 (of 24)); the first reading (of three readings) in the House of Commons has taken place on 29 August 2013, the Bill had its second reading debate on 20 January 2014. The Public Bill Committee finished its proceedings and reported to the House on 30 January 2014. The Bill is due to have its report stage and third reading on a date to be announced. The Ministry of Justice in Denmark issued its opinion in May 2013 that a

¹ http://ec.europa.eu/justice/civil/files/com_2013_554_en.pdf



referendum, or 5/6 majority in the Folketing, was necessary for Denmark to ratify the agreement due to constitutional requirements on the transfer of sovereignty. The Danish People's Party and Red-Green Alliance, which control enough seats in the Folketing to block ratification without referendum, have stated that a referendum should be held. The Danish government intends to hold a referendum on 25 May 2014, together with the EU election, if parliamentary approval is not obtained before then. Ireland had scheduled a referendum for the autumn 2013 on a constitutional amendment required to ratify the agreement. However the referendum was postponed until 2014. In France, the Senate has approved ratification on 21 November 2013, the National Assembly approved on 13 February 2014; however, the ratification has not yet been deposited. In Malta, the House of Representatives has adopted ratification unanimously on 21 January 2014.

2. Trade Marks

On 27 March 2013, the EU Commission published the long awaited proposals for Revision of the Community trade mark Regulation and Trade mark Directive². The revised Directive should further harmonise the laws of the Member States relating to trade marks. The package of initiatives aims, according to the Commission, at upgrading, streamlining and modernising the current legislation in order to make the trade mark registration systems all over the Union more accessible and efficient for businesses in terms of lower costs and complexity, increased speed, greater predictability and legal security.

These documents are currently under heavy discussion by the users (see FICPI paper on the drafts) and by the IP (Trade Mark) Working Group of the EU Council. Since the discussion in this Working Group turned out to be quite controversial (specifically concerning the Directive), a “compromise proposal” was issued by the Lithuanian Presidency late 2013. Also a “compromise proposal” for the Regulation was presented in February by the Greek Presidency. These drafts are currently discussed (under Greek Presidency).

3. IP Enforcement (unchanged since the Sorrento ExCo 2013)

The Directive on the enforcement of intellectual property rights such as copyright and related rights, trade marks, designs or patents was adopted in April 2004 (“IP Enforcement Directive” 2004/48/EC) requires all EU Member States to apply effective, dissuasive and proportionate remedies and penalties against those engaged in counterfeiting and piracy and so creates a level playing field for right holders in the EU. It means that all Member States will have a similar set of measures, procedures and remedies available for right holders to defend their intellectual property rights (be they copyright or related rights, trade marks, patents, designs, etc.) if they are infringed.

The services of the EU Commission carried out an interactive online consultation on the civil enforcement of intellectual property rights (efficiency of proceedings and accessibility of measures). The consultation took place between 30/11/2012 and 30/03/2013 and gathered the views of 282 respondents, including companies, citizens, professionals business organisations, etc. The consultation focussed on the importance of IP rights and the impact of their infringement for business and in particular for their Research and Development, the efficiency and efficacy of ADR and civil proceedings in this field, more specifically the accessibility and functioning of certain measures (right of information, notification mechanisms, injunctions, corrective measures, damages) and finally the misuse of IPR enforcement procedures.

² http://ec.europa.eu/internal_market/indprop/tm/index_en.htm



The Summary of replies of the consultation was published by DG Market in July 2013³. 282 responses were received, among them 200 responders who have declared themselves as “IPR holders” (of those, 84 % have declared themselves as “Copyright holders”; this represents more than 75% of the whole contributors; 21,5% of the contributors declared they were trade marks holders and 7% patent rights holders).

No conclusion were currently derived from the consultation by the Commission, it remains to be seen whether an initiative is presented to revise the IP Enforcement Directive.

4. Geographical Indications (GIs) (unchanged since the Sorrento ExCo 2013)

The EU has already established legal frameworks for the protection of GIs for agricultural products and foodstuffs⁴, wines⁵ and spirits⁶. However, there is no GI protection for non-agricultural products. On 22 April 2013, a public hearing on GI protection for non-agricultural products in the Internal Market took place in Brussels; FICPI was invited and participated (see EXCO/IT13/EUC301).

In the public hearing the need for GI protection also in the non-agricultural field was evident. Although the numbers of non-agricultural GIs is lower than for food, wine and spirits, the discrimination of non-agricultural GIs is not justifiable. The Commission has announced to take appropriate further steps in this field.

FICPI should further support such an initiative and follow the process to arrive at an appropriate legislation.

5. Biotechnological Inventions

On 6 July 1998, the EU has issued the Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions (the “Biotech Directive”).

The Biotech Directive requires the continuous observation of the effects of the Directive. However, it took until November 2012 until the European Commission has decided to set up an expert group to examine the implications of patent law in the field of biotechnology and genetic engineering, and to provide high-quality legal and technical expertise which will help the Commission with its reporting obligations under the Biotechnology Directive.

The expert group was set up in December 2013 and 15 members were selected/appointed⁷. The members of the group (maximum 15) with expertise in the field of patent law and biotechnology are appointed for a period of two years, renewable once. The first meeting of the expert group was scheduled for 12 December 2013 (a confirmation or report could not yet be allocated). Further 2 to 3 meetings are expected to be organised in 2014.

³ http://ec.europa.eu/internal_market/consultations/docs/2012/intellectual-property-rights/summary-of-responses_en.pdf

⁴ Council Regulation (EC) No 510/2006 of 20 March 2006

⁵ Council Regulation (EC) No 479/2008 of 29 April 2008

⁶ Regulation (EC) No 110/2008 of 15 January 2008

⁷ The list of experts is available under:

<http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2973>



The expert group should provide the Commission with the necessary legal and technical expertise regarding intellectual property law practice and intellectual property law administration, public and industrial research and development, life sciences including plant and animal breeding, and biotechnology in the context of the application of Biotech Directive, “with the exception of ethical issues related to that Directive, which are the mandate of the European Group on Ethics in Science and New Technologies”⁸.

6. Trade Secrets

In 2011/2012, the Commission began to intensify the work on building a legal framework for protecting European companies from acts of dishonest misappropriation of their know-how and other strategic business information. This was seen as “pressing challenge” for the European companies. In 2012, a conference was held that looked at the legal protection of trade secrets and confidential business information, the economic rationale behind it, as well as the role and importance of trade secrets in innovation and competitiveness.

From 11/12/2012 till 08/03/2013 the services of the European Commission carried out an interactive on-line consultation on the protection against misappropriation of trade secrets and confidential business information. The consultation took place and gathered the views of 386 respondents, including companies, citizens, professionals, business organisations, etc. The consultation focused on the perception and use of trade secrets, the assessment of national legal regimes and the enforcement of trade secrets, in particular in a cross-border context, and opinions regarding potential action at EU level to improve the protection of trade secrets against misappropriation within the Union.

Following an invitation to tender published on 31/08/2011, the services of the European Commission contracted the law firm Baker & McKenzie to carry out a study on the role of trade secrets and confidential business information as possible drivers for innovation, competitiveness and economic growth in the EU. This study incorporates a survey covering 537 companies, including 323 small and medium size companies (less than 250 employees) undertaken at the end of 2012. It also provides a detailed review of the legal frameworks governing trade secrets in the then 27 Member States, the United States of America, Japan and Switzerland. The comprehensive study was published in April 2013⁹ and investigates the legal and economic structure of trade secrets protection in the EU.

As a major conclusion of this study, harmonization of trade secrets protection within the EU is proposed. There is sufficient economic justification for EU-wide legislation. The panorama offered by Member State laws is highly fragmented: this has a significant negative impact, in particular from a cross-border and Internal Market perspective. Circulation and exploitation of information, know-how and technology throughout the EU present unnecessary risks and costs in the current situation of legal uncertainty. Enforcing trade secrets throughout the different Member States can be an expensive and difficult proposition. Uneven levels of protection impact on business decisions – whether to share knowledge, where to locate R&D centres, where to explore for partnerships. The result is that EU companies face hidden but significant costs and are placed at different levels of ability to invest in innovation and enjoy the return on their investment.

⁸ http://ec.europa.eu/internal_market/indprop/docs/invent/dec_121107_biotechinventexpertgroup_en.pdf

⁹ http://ec.europa.eu/internal_market/iprenforcement/docs/20130711/final-study_en.pdf



Given the proven economic relevance of trade secret protection, differences among Member States legislation should be eliminated or minimized. There is a strong case for designing an harmonised legal framework rightly balanced amongst the various relevant factors: conflicting policies and market players' interests (protect firm innovation vs. employee mobility vs. free flow of knowledge), use of different legal remedies (civil and criminal), and interference with competition law (abuse of dominant position, entry market barriers).

As a result, the Commission proposed a Directive “on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure¹⁰.”

The proposal intends to harmonise the instruments across the Internal Market in case of trade secret misappropriation (while providing sufficient safeguards to prevent abusive behaviour), since the existing national rules offer an uneven level of protection across the EU of trade secrets against misappropriation, which jeopardises the smooth functioning of the Internal Market for information and know-how. The proposal is based on the definition of trade secrets in TRIPs¹¹ and should serve as an appropriate starting point for further harmonisation in the EU. The proposal provides measures for enforcing the protection of trade secrets and also deals with the preservation of confidentiality of trade secrets in the course of legal proceedings.

FICPI should further support such an initiative and follow the process to arrive at a balanced legislation.

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¹⁰ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52013PC0813:EN:NOT>

¹¹ “information which meets all of the following requirements:

- (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- (b) has commercial value because it is secret;
- (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.”