

Adoption of the PACTE bill by the National Assembly: what impact on industrial property?

Kluwer Patent Blog
May 27, 2019

Grégoire Desrousseaux, Francois Pochart, Thierry Lautier, Océane de La Verteville (August-Debouzy)

Please refer to this post as: Grégoire Desrousseaux, Francois Pochart, Thierry Lautier, Océane de La Verteville, "Adoption of the PACTE bill by the National Assembly: what impact on industrial property?", Kluwer Patent Blog, May 27 2019, <http://patentblog.kluweriplaw.com/2019/05/27/adoption-of-the-pacte-bill-by-the-national-assembly-what-impact-on-industrial-property/>

On April 11, the National Assembly definitively adopted the PACTE bill[1]. In its section entitled "Protecting inventions and freeing up the experimentation of our companies", the bill contains several patent provisions aimed, according to the text, at "promoting innovation and facilitating the growth of SMEs".

The main innovations in the field of industrial property, as indicated below, are essentially in line with the text adopted at first reading by the National Assembly on October 9, 2018. For a more detailed analysis of these, we refer to our article of 10 October 2018[2]: <https://www.august-debouzy.com/fr/blog/1238-loi-pacte-et-propriete-industrielle-comment-rendre-le-brevet-francais-plus-attractif>.

The PACTE law has not yet been promulgated due to a referral to the Constitutional Council on 16 April[3]. Nevertheless, this referral, on which the Constitutional Council must rule within one month (unless the government requests that this period be reduced to eight days in urgent cases), does not concern the provisions on industrial property. Unless they are declared unconstitutional ex officio by the Constitutional Council, their promulgation and publication should therefore take place at the beginning of June 2019. Nevertheless, the effective application of most of these provisions is subject to the intervention of regulatory texts which will only take place in 2020. Finally, only few should be immediately applicable (see §4 to 7), in particular those relating to statutes of limitation which are still subject to the transitional provisions of Article 2222 of the Civil Code mentioned below.

1. The strengthening of utility certificates (Article 118, former Article 40)

The duration of utility certificate will be extended from 6 to 10 years. It will now be possible to convert a utility certificate application into a patent application (the reverse transformation already exists). The modalities for carrying out this transformation (procedure and deadlines) will be later fixed by regulation[4].

This text must enter into force on the date of publication of the implementing regulation and within a maximum period of 12 months following the publication of the law[5], i.e. in June 2020 if publication takes place as planned in June 2019. In the absence of a law, it is the regulatory text that will have to say whether these new provisions will apply to utility certificates in force on the day the law enters into force, or only to those filed subsequently.

2. The establishment of an opposition procedure before the French PTO (hereinafter "INPI") (Article 121, former Article 42)

Article 121 proposes to introduce an opposition procedure before the INPI against French patents. As modalities of this procedure (time limits, costs, appeals, etc.) must be set by order, its implementation should take place at the earliest 15 months from the promulgation of the law[6], i.e. in September 2020 if the promulgation takes place as planned in June 2019.

Through this reform, which creates the possibility of obtaining the cancellation of a patent through administrative proceedings- whereas only the judicial proceedings is currently open against French patents - the legislator claims to set up a "simple, rapid and inexpensive administrative system" leading to a "cleaning of the registers" in order to "mechanically strengthen the presumption of validity of all French patents and improve the legal security associated with titles"[7].

The reality is that everything remains to be done: without a complete overhaul of the INPI, which will require increasing its staff and an adequate training of its examiners (who today have no experience in opposition or even in examining the substance of some patentability conditions), these goals of simplicity and speed are likely to remain a pious wish.

In addition to the practical organization, this provision still raises many questions that were discussed in our article of 10 October 2018[8], concerning in particular the appeal procedure against decision of the Director of the INPI ruling on opposition:

- Will the decision of the Paris Court of Appeal ruling on opposition (this Court being competent to examine appeals against the decisions of the Director of the INPI) have *res judicata* and/or impose an "estoppel" on the parties in an action for invalidity regarding the same patent?
- Will the appeal be as binding as in trademarks opposition or SPC applications rejection, in particular will it be a procedure without case management proceedings? Will it be a "non-dévolutif" appeal (i.e., which means that, no new exhibits or arguments compared to those used before the INPI can be raised before the Court of Appeal)? If so, will this prevent the opponent from raising a new prior art before the Court which would have been discovered after the opposition proceedings before the INPI?

It is clear that, behind the simplicity and legal certainty established by the legislator, there are in fact many grey areas.

3. Strengthening the examination procedure (Article 122, former Article 42bis)

Article L. 612-12 of the French Intellectual Property code (hereinafter "CPI") already provides nine grounds for rejecting a patent application during its examination by the INPI (1° to 9°). Article 122 of the PACTE bill proposes to extend the grounds for rejection 4°, 5° and 7° of Article L. 612-12 as follows:

(4°) its subject matter is not patentable pursuant to Articles L. 611-16 to L. 611-19[9];

(5°) its subject matter cannot be considered as an "invention" within the meaning of paragraph 2 of Article L. 611-10 (discoveries, aesthetic creations, etc.)[10]; and

(7°) its subject matter is not patentable within the meaning of paragraph 1 of Article L. 611-10, namely for (i) lack of novelty, (ii) lack of inventive step or (iii) lack of industrial application.

In the current version of Article L. 612-12, grounds 4° and 5° only allow a patent application to be rejected if the defect is "manifest". With regard to ground 7°, the lack of novelty must result "manifestly from the search report", while the lack of inventive step and the lack of industrial application are not considered[11].

By deleting any reference to the "manifest" nature of the grounds for rejection in Article L. 612-12 and by extending the scope of the examination to inventive step and industrial application, the legislator wanted to make the procedure for the examination of patent applications by the INPI a genuine substantive examination, in order to strengthen the legal certainty attached to French patents.

This text will enter into force one year after the promulgation of the law, i.e. in June 2020 if promulgation takes place as planned in June 2019. It will be applicable to patent applications filed on or after that date (which therefore excludes patent applications that have already been filed before that date)[12].

This should result in a concomitance between this new in-depth examination of French patent applications before the INPI and that of European patent applications before the EPO (see our article of 10 October 2018 on this subject[13]). However, the idea of introducing a deferred review before the INPI was not raised during the parliamentary proceedings.

One might have thought that this in-depth examination of French patent applications before the INPI would be an opportunity to delete Article L. 624-24 of the CPI, which currently prevents France from being designated directly in international applications known as "PCT" (also discussed in our article of 10 October 2018). Nevertheless, if this deletion could be suggested in amendment No. 392 before the Senate, it was withdrawn on the opinion of the rapporteur, proposing to review the situation of the INPI "in a few years", in order to give INPI time to "absorb" the changes that would result from the PACTE law before imposing new workloads on it[14].

4. New limitation periods for infringement and breach of trade secret actions (Article 124, former Article 42 quinquies)

Article 124 provides for a change in the starting point for the limitation period for infringement proceedings with regard to industrial property rights (patents, plant varieties, designs, models, trademarks): they will now be time-barred after five years, no longer "from the facts giving rise to them" (i.e. from the last act of infringement), but "from the day on which the holder of a right knew or should have known of the last fact enabling him to exercise it".

This text provides a similar starting point for the limitation period for actions relating to an infringement of trade secret: it is now calculated from the day on which the legitimate holder of the secret knew or should have known the last fact that is the cause of the infringement.

This is a further extension of the limitation period for infringement actions - initially three years from the facts giving rise to them, until Act No. 2014-315 of 11 March 2014 extended this period to five years. This time, the starting point of the limitation period is changed.

During the parliamentary debates, it was stated that this text was in line with "the spirit of the Civil Code and European texts"[15]. However, if the new limitation period is indeed modelled on that provided for in Article 72 of the Agreement on the Unified Patent Court (hereinafter "UPC"), which refers to "the date on which the applicant became aware or had reasonable grounds to become aware of the last fact justifying the action"[16], it is not identical to the limitation period provided for in Article 2224 of the Civil Code, the latter referring not to "the last fact" but to "the facts" allowing the action to be taken[17].

Therefore, it can be expected that the determination of the starting point of this new limitation period will give rise to intense judicial debates, in particular with regard to its articulation with the principle that each act of infringement would constitute a distinct fact (so that, if several acts of infringement follow one another, they should be seen as a series of instantaneous acts and not a continuous act) - which will not be without reminding the debates which have taken place recently on the starting point of the limitation period for patent invalidity actions.

Following on from that, the question of when the holder will be able to trace his claims for compensation should inevitably arise. During parliamentary debates, it was simply stated that these new provisions would make it possible "to cover facts that began more than five years ago". However, will this be true in any case?

Let us take the example of counterfeiting acts which began in year N, which are still in progress on the date of the writ, and of which the right holder became aware (or should have become aware) for the first time in year N+5. One may wonder:

- if the holder of the right who acts between years N+5 and N+10 could obtain compensation for all acts of infringement occurring since year N, while the holder who acts after year N+10 could only obtain compensation for acts occurring five years before his writ of summons, or
- if the expression "day on which the holder of a right knew or should have known of the last fact enabling him to exercise it" would allow the holder acting after year N+10 to argue that this "last fact" would be the one which took place on the day before the writ of summons, that he could not have known of it before its realisation, that the limitation period would therefore only have begun to

run the day before the writ of summons and that, consequently, he could obtain compensation for all the acts committed since year N, i. e. over a period of more than ten years.

The interpretation of the elements allowing to determine when the holder "should have known" the last fact allowing him to exercise the action will also be open to discussion. In particular, the holder must be vigilant, in his communications and pre-litigation procedures (letter of formal notice, formal notice, request for seizure ("saisie-contrefaçon")) not to mention, for example, among the elements allowing him to suspect counterfeiting acts or evidence that existed 5 years previously, at the risk that these elements may be reused against him by the defendant to argue that the action would be time-barred.

As the PACTE bill remains silent on the entry into force of these new provisions on the limitation period of infringement proceedings, they should enter into force as soon as the law is promulgated (which should take place at the beginning of June 2019) but be subject to the ordinary law of Article 2222 of the Civil Code[18], i.e. apply only when the limitation period provided for in the previous law had not expired on the date of entry into force, in which case the period already elapsed shall be taken into account.

5. The absence of limitation period of actions for invalidity (Article 124, former Article 42 quinquies)

Finally, Article 124 of the PACTE bill provides that actions for invalidity of industrial property titles are not time-barred. With regard to patents in particular, this will put an end to the abundant and confusing jurisprudence concerning the starting point of the five-year period of ordinary law provided for in Article 2224 of the Civil Code, which has hitherto applied.

This absence of limitation period will apply to titles in force on the date of publication of the law (which should take place at the beginning of June 2019) but will not affect decisions that have the force of res judicata on that date[19].

It should be recalled that Order No. 2018-341 of 9 May 2018 on the European Patent with Unitary Effect and the UPC already provided for such adjustments to the requirements for patent infringement and invalidity proceedings, but the entry into force of these provisions was conditional on that of the UPC Agreement. As these provisions of Order No. 2018-341 have become unnecessary, the PACTE bill provides for their repeal[20].

Finally, the last two provisions discussed below have received less attention, but they will also have an impact on the practice of industrial property, on the one hand for industrial property attorneys' firms and on the other hand for inventions made by officials.

6. The distribution of the share capital of Industrial Property Attorneys' firms (Article 123, former Article 42 ter)

Article 123 of the PACTE bill reintroduces, at 2° of Article L. 422-7 of the CPI, the obligation according to which industrial property attorneys or equivalent must hold "more than half of the share capital and voting rights" of industrial property attorneys firms.

As a reminder, this provision was repealed by Article 6-2° of Order No. 2016-394 of 31 March 2016 regarding "companies incorporated for the joint exercise of several liberal professions subject to legislative or regulatory status or whose title is protected".

During discussions in the Senate[21], the rapporteur considered that this deletion had "created a risk for the maintenance of the independence of industrial property attorneys from possible foreign investment funds".

This provision intended, according to the author of the amendment[22] that led to its reinstatement:

- on the one hand, to remedy the distortion of regulation between the professions of lawyer and industrial property attorney "even though lawyers and industrial property attorneys may now join forces within the multi-professional practice companies (hereinafter "SPE") set up by Order No. 2016-394 of 31 March 2016";
- on the other hand, to "guarantee the independence of industrial property attorneys", by avoiding "any interference due to the presence of a pension fund, or any other financial structure, and thus to defend the best interests of innovators and more particularly, SMEs".

As no provision of the PACTE bill postpones its entry into force, this condition of capital distribution should be immediately applicable to industrial property attorneys' firms that will be created after the publication of the PACTE law (scheduled for early June 2019).

In the case of industrial property attorneys' firms already incorporated on the date of entry into force of the PACTE law:

- The bill clearly provides that this provision will not apply to companies that already existed on the date of entry into force of Act No. 90-1052 of 26 November 1990 on industrial property[23];
- On the other hand, in the absence of any clarification in the bill, the problem arises as to whether this provision will apply to companies created after the entry into force of Act No. 90-1052 and in which industrial property attorneys or equivalent do not hold half of the share capital and voting rights (which was authorized since Order No. 2016-394 of 31 March 2016, which repealed Article L. 422-7 of the CPI, 2°). Will they have to regularize their statutes (by retroceding their share of capital) under penalty of a disciplinary sanction provided for in Article L. 422-107 if so, how soon? It would be advisable for such a decree to specify the desirability of a period for the regularization of the statutes of industrial property attorneys' firms[24].

7. Inventions made by officials (section 119, 14°)

Among the provisions of the Research Code amended by the PACTE bill is paragraph V of article L. 533-1 of the Research Code, which concerns inventions made by officials and held in co-ownership. Clause 119, 14° of the PACTE bill amends this provision as follows:

- Co-ownership now means not only co-ownership of inventions, but also co-ownership "of one or more inventions, technical knowledge, software, databases protectable by the intellectual property code or protected know-how". According to the preparatory work, "it is a question of taking into account the fact that the public research institutions concerned may value research results other than inventions, such as software, plant varieties or know-how"[25].
- A co-ownership agreement must be concluded to determine the organization of this co-ownership, including the distribution of rights.
- These co-ownership agreement will be notified to the sole agent appointed to carry out tasks of managing and exploiting the co-owned rights.
- The rules for the management of the co-ownership, the procedures for appointing the sole agent, his missions and powers shall be determined by decree and the resulting regulatory provisions shall constitute the co-ownership regulations within the meaning of Article L. 613-32 of the CPI[26].

The application of these provisions therefore seems to have been postponed to the date of publication of the implementing decree.

Moreover, article 119, 14° of the PACTE bill deletes, in the aforementioned article L. 533-1, paragraph VI which required any company having acquired the title to an invention made by a public person to retrocede it if it had not been used within five years.

According to the preparatory work, this provision created "legal uncertainty for all actors and therefore a barrier to technology transfer. Indeed, public institutions do not know exactly how to implement this obligation without jeopardizing their negotiations with an operator. In addition, it is sometimes interpreted as a free of charge exclusive right of option for an operator because of the return of financial compensation paid in particular to institutions, which prevents or delays the realisation of other opportunities for technology transfer"[27].

In the absence of a transitional provision, the repeal of this paragraph VI should be immediately applicable as from the publication of the PACTE law, scheduled for early June 2019.

[1] Adopted text, with amendments: <http://www.assemblee-nationale.fr/15/ta/tap0258.pdf>

[2] The text of the bill adopted on first reading by the National Assembly on Tuesday, 9 October 2018 already included all the provisions mentioned in this article, with the exception of those relating to limitation period, those relating to the distribution of the share capital of industrial property attorneys' firms and those relating to paragraph V of Article L. 533-1 of the Research Code, which were added later.

[3] Referral to the Constitutional Council by the deputies of the Republicans group of the National Assembly: <http://www.deputes-les-republicains.fr/travail-parlementaire/saisines-du-conseil-constitutionnel> ; another referral was made on 23 April by the Democratic and Republican Left, La France insoumise, and Socialists and related groups: <https://lesocialistes.fr/loi-pacte-recours-au-conseil-constitutionnel/>

[4] PACTE bill, Article 118, I, 1° to 3°.

[5] PACTE bill, Article 118, II

[6] The order must be issued within nine months of the promulgation of the law, but its ratification must be the subject of a bill to be submitted to Parliament within six months of the publication of the order (PACTE bill, article 121, I and II).

[7] See in particular, the impact study, pp. 413-414: <http://www.assemblee-nationale.fr/15/pdf/projets/pl1088-ei.pdf> ; the report of the National Assembly of 15 September 2018 p. 694: <http://www.assemblee-nationale.fr/15/pdf/rapports/r1237-tl.pdf> ; the minutes of the meeting of 13 September 2018: <http://www.assemblee-nationale.fr/15/cr-cspacte/17-18/c1718018.asp>

[8] <https://www.august-debouzy.com/fr/blog/1238-loi-pacte-et-propriete-industrielle-comment-rendre-le-brevet-francais-plus-attractif>

[9] Articles L. 611-16 to L. 611-19 of the Intellectual Property Code: <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006069414&idArticle=LEGIARTI00006279413&dateTexte=&categorieLien=cid>

[10] Article L. 611-10 of the Intellectual Property Code: <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006069414&idArticle=LEGIARTI00006279405>

[11] See the current version of Article L. 612-12 of the CPI, 4°, 5° and 7° of the Intellectual Property Code: <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006069414&idArticle=LEGIARTI00006279438&dateTexte=&categorieLien=cid>

[12] PACTE bill, Article 122, II

[13] Ibid

[14] Minutes of the meeting of 5 February 2019 (the passage concerning amendment 392 can be found on pages 8 and 9): <http://www.senat.fr/seances/s201902/s20190205/s20190205.pdf>

[15] Discussions on amendment 896 in the Senate: <https://www.nossenateurs.fr/amendement/20182019-255/896> ; discussions in the National Assembly: <http://www.assemblee-nationale.fr/15/rapports/r1761-tl.asp>

[16] Article 72 of the UPC Agreement: "Without prejudice to Article 24, paragraphs 2 and 3, actions relating to all forms of financial compensation shall be time-barred after five years from the date on which the applicant became aware or had reasonable grounds to become aware of the last fact justifying the action".

[17] Article 224 of the Civil Code: "Personal or movable actions are time-barred after five years from the day on which the holder of a right has known or should have known the facts enabling him to exercise it".

[18] Article 2222 of the Civil Code:
<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006070721&idArticle=LEGIARTI000019017122>

[19] PACTE bill, Article 124, III

[20] PACTE bill, Article 124, IV

[21] Debates in the Senate, session of February 5, 2019:
<http://www.senat.fr/seances/s201902/s20190205/s20190205005.html>

[22] Debates in the Senate, session of 5 February 2019; *ibid*: see also the report of 7 March of the Special Commission on the PACTE bill (pp. 171-172): <http://www.assemblee-nationale.fr/15/pdf/rapports/r1761-tl.pdf>

[23] Indeed, the PACTE bill provides for the following amendment to Article L. 422-3 para. 2:

"Any company carrying on the activities mentioned in Article L. 422-1 on the date of entry into force of Act No. 90-1052 of 26 November 1990 may request its registration on the list of industrial property attorneys.

In this case, the condition provided for in 2° of Article L. 422-7 is not applicable".

[24] Article L. 423-2 of the CPI provides that decrees in the State Council shall determine the conditions for the application of the provisions contained in the title "Qualification in industrial property" of the CPI (including Article L. 422-7).

[25] Report of the National Assembly of 7 March 2019, p. 161-162:
<http://www.assemblee-nationale.fr/15/pdf/rapports/r1761-tl.pdf>

[26] Until now, the decree implementing Article L. 533-1 of the Research Code (Decree No. 2014-1518 of 16 December 2014) only laid down the rules relating to the method of appointment and the tasks of the agent

[27] Senate Report, No. 254, tabled January 17, 2019, pp. 451-452:
<http://www.senat.fr/rap/18-254-1/18-254-11.pdf>