

BR/GT I/85 e/70

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Comment:

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INTER-GOVERNMENTAL CONFERENCE
FOR THE SETTING UP OF A EUROPEAN
SYSTEM FOR THE GRANT OF PATENTS

Brussels, 27 November 1970
BR/GT I/85/70

- Secretariat -

NOTE

FROM THE NETHERLANDS DELEGATION

Delegations to Working Party I will find annexed hereto proposals submitted by the Netherlands delegation concerning Article 29 of the First Preliminary Draft Convention (Supplementary application of national law in legal transactions).

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ANNEX

Proposal by the Netherlands delegation
concerning Article 29 of the First Preliminary Draft
(Supplementary application of national law in legal transaction)

Documentation

- First Preliminary Draft (1970 Draft) - note to Article 29:
"The necessity for this Article and, where appropriate,
the text, will be considered later."
- Proposal by the Chairman of Working Party I (Working Document dated
1 July 1970, page 5) :

"Article 29 should not be deleted. This provision takes account of the fact that it would be impossible or undesirable to adopt a final ruling in the First Convention on a number of questions arising from legal transactions in connection with European patent applications. The national legislation of the Contracting States will have to be referred to when dealing with the legal questions left open in the First Convention. Article 29 is intended to provide an answer to the question of which national law should be applicable."

- Working Party I discussed the following two questions:

1. Is Article 29 sufficiently clear as regards cases where a European patent application is mortgaged or is made subject to any other right in rem?
2. Does Article 29 also apply to the distraint of a European patent application?

The first point to consider is whether Article 29 should be included in the Convention.

SUMMARY

The proposed Article 29 contains two paragraphs. The two paragraphs are unnecessary; furthermore, the second paragraph is undesirable.

Article 29, paragraph 1

The first paragraph of Article 29 provides that:

"In so far as this Convention does not itself contain rules directly governing legal transactions concerning European patent applications, the law to be applied shall be the national law referred to by the Convention. Failing such reference, the law to be applied shall be that agreed upon by the parties or, in the case of a transaction involving only one party, the law designated by such initiating party. In the event of failure to agree upon or to designate the relevant law, or if such agreement or designation cannot be enforced be the court before which the matter has been brought, the relevant law shall be determined in accordance with the rules of the private international law applicable in the State of the court in question."

The initial premise is that the legal transactions relating to a European patent application are subject to the national law of the State to which the application applies. The first paragraph of Article 29 is no more than an introduction to the second paragraph; it merely contains a codification of the rules of private international law and adds nothing new.

For these reasons, paragraph 1 of Article 29 seems unnecessary; it ought to be deleted.

Article 29, paragraph 2

The second paragraph of Article 29 provides that:

"If private international law refers to the *lex rei sitae*, the relevant law shall be the law of the Contracting State on whose territory the applicant is ordinarily resident or has his registered place of business," etc.

This provision was taken over from the 1962/1965 Draft Convention relating to a European Patent Law. However, this Draft Convention was concerned with applications for a unitary European patent for all the Member States of the EEC. If private international law refers to the *lex rei sitae* in respect of a national patent and a national patent application, it is obvious that it refers to the law of the State which granted the patent and received the application. If, on the other hand, private international law refers to the *lex rei sitae* in respect of a unitary patent for the Six States, the relevant law must be specified. In the case of a unitary patent, the provisions of Article 29, paragraph 2, ought to be adopted. However, according to the 1970 Draft Convention establishing a European System for the Grant of Patents, the proceedings

do not lead to the grant of a unitary patent, but the grant of a number of national patents. It is clear that it is the relevant national law which applies to the legal transactions relating to these national patents.

Up to the completion of the European proceedings for the grant of patents, there is only a single application for the European patent. The proceedings lead to a number of national patents being granted. It follows that during the proceedings for grant there is a conditional national law in each State to which the application applies.

Article 22 of the 1970 Draft is based on the same idea. The first sentence of paragraph 1 of this Article provides that the European patent application may be assigned or give rise to rights for one or several of the designated States. This provision presupposes that the European patent application gives rise to an individual national right in each of the designated States. Otherwise, assignment for one or more States would be meaningless.

(This applies only to private law on the grant of patents. The second sentence of paragraph 1 of Article 22 lays down that the assignment shall not affect the unity of the application in proceedings before the European Office).

It follows that a European patent application gives rise to an assignable right, and so on, in each of the States to which the application applies.

However, this is not a case of a unitary right, but of a bundle of national rights. Because they are national rights, it seems correct to assume that the legal transactions relating to a European patent application are subject to the relevant national law, that is to the law of the State to which the application applies and where the legal transaction (assignment, mortgaging, distraint) in respect of this application is to be carried out. This is in line with the concepts of private international law that patents for inventions and patent applications are subject to the *lex rei sitae* - that is, to the law of the State in which the patent has been granted or the application filed - i. e., where these apply. It is accordingly not necessary to retain paragraph 2 of Article 29.

Furthermore, this paragraph is not only unnecessary, it is also undesirable.

Article 29, paragraph 2, provides that : "If private international law refers to the *lex rei sitae*, the relevant law shall be the law of the Contracting State on whose territory the applicant is ordinarily resident or has his registered place of business," etc.

Quite often the applicant is not resident in the State in which the legal transaction is to be carried out. Consequently the results are not the same as when the customary *lex rei sitae* is applied. Moreover, these results are not very satisfactory. Let us suppose, for example, that the

applicant is resident in State A and that the legal transaction is carried out in State B. Let us also suppose that the rules applicable to the legal transaction in State A differ entirely from those applicable in State B, or that the legal transaction is permitted in State A but prohibited in State B. According to Article 29, paragraph 2, the law of State A would be applicable and the legal transaction would be permitted in State B, although State B forbids it.

The outcome of this is that paragraph 2 of Article 29 is not only superfluous, but that it may lead to undesirable results. On these grounds, paragraph 2 should be deleted.

Another question also arises. It has been assumed above that a legal transaction relating to a European patent application is subject to the national law of the State to which this application applies. Should this principle then be codified and laid down in the Convention?

There are three possibilities in theory:

1. One could consider that the said principle is self-evident from the system of the Convention, and that it is consequently unnecessary to codify it specifically in the Convention. On practical grounds, this opinion would seem untenable.

2. On the other hand, it could be considered that it is necessary to codify this principle in the Convention. A further argument could be put forward to support this opinion. Even if it is assumed that the national law is applicable, the question arises of whether this is the national law governing patents for invention or national private law in general. For example, the patents legislation of certain States contains special provisions governing the assignment of patent applications which differ from the general provisions of private law governing the assignment of rights. The question then arises of whether the assignment of a European patent application is governed by the special provisions governing the assignment of national patent applications or by the general provisions of private law governing the assignment of rights. It is a matter of the interpretation of the national law in the various States, which may lead to difficulties which could be eliminated by inserting the following provision into the Convention : "The law applicable in a State to a patent application filed in accordance with the national law governing patents for invention, shall apply by analogy to the assignment of a European patent application for the said State, as well as to the establishment of any other right in rem in respect of such application and to its distraint."
3. The Netherlands delegation prefers a third possibility, whereby the national law would be declared to apply in respect of the assignment of a European patent application only as in 2 above. But under this third possibility, it would not be possible to make a request for the mortgaging of a European patent, to impose any other right in rem or to allow a distraint, and such legal transactions are seldom if ever

necessary. Consequently, there is no need to regulate such transactions within the Convention.

The Convention could stipulate that :

"The law of a State applicable to the assignment of a patent application filed in accordance with the national law governing patents shall apply by analogy to the assignment of a European patent application for the said State.

A European patent application may not be mortgaged or subject to any other right in rem or to distraint."

Article 23, paragraph 1 of the 1970 Draft provides that the assignment of a European patent application shall be made in writing and shall require the signature of the parties to the contract. For the remainder, the national provisions governing the assignment of patent applications apply. Article 23 only partially unifies the law governing assignment. Article 23 should be retained in conjunction with the provisions proposed above under 3.

Summary

1. The first and second paragraphs of Article 29 are superfluous , and even, in the case of paragraph two, undesirable. On these grounds Article 29 should be deleted.
 2. The provisions set out under 3 ought to be incorporated in the Convention. The States will be able to examine whether such provisions are desirable.
 3. The foregoing does not apply to an application for a unitary patent.
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