II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 7 April 1999

relating to a proceeding pursuant to Article 85 of the EC Treaty

(IV/36.147 EPI code of conduct)

(notified under document number C(1999) 494)

(Only the French text is authentic)

(Text with EEA relevance)

(1999/267/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation No 17 of 6 February 1962, first Regulation implementing Articles 85 and 86 of the Treaty [1], as last amended by the Act of Accession of Austria, Finland and Sweden, and in particular Articles 2 and 6 thereof,

Having regard to the application for negative clearance and the notification with a view to an exemption presented on 17 July 1996 pursuant to Articles 2 and 4 of Regulation No 17,

Having regard to the Commission Decision of 7 May 1998 to initiate proceedings in this case,

Having regard to the summary of the application and notification, published [2] in accordance with Article 19(3) of Regulation No 17 and Article 3 of Protocol 21 to the Agreement on the European Economic Area (EEA),

Having consulted the Advisory Committee on Restrictive Practices and Dominant Positions,

Whereas:

I. THE FACTS

A. The notification

(1) On 17 July 1996 the Institute of Professional Representatives before the European Patent Office (hereinafter referred to as 'the EPI') notified its code of conduct, as last amended by its Council on 7 May 1996, to the Commission with a view to obtaining negative clearance or, failing that, an exemption from the prohibition of restrictive practices.

(2) This notification was in reply to a statement of objections sent to the EPI on 18 November 1995 following a complaint lodged on 8 June 1992 by Michael Harrison, European Patent Agent for the firm of solicitors styled Dibb Lupton Broomhead (now Dibb Lupton Alsop) of the United Kingdom (Case IV/34.775).

On 18 December 1996 the Commission sent a letter of warning to the EPI stating *inter alia* that an exemption could not be granted either in respect of the provisions of the code of conduct prohibiting advertising, based as they were on vague and imprecise notions, or with regard to the requirement that members charge reasonable fees.

[1] OJ 13, 21.2.1962, p. 204/62.
[2] OJ C 155, 20.5.1998, p. 3.

On 3 April 1997 the EPI transmitted a new version of the code of conduct to the Commission, but this was still not satisfactory. On 14 October 1997, following discussions with the Commission, the EPI submitted the version as last amended on 30 September and 3 October 1997, which is the subject of this notice.

B. **The EPI and the rules governing its operations**

1. *The Munich Convention*

(3) The Convention on the grant of European patents (hereinafter referred to as 'the Convention'), signed in Munich on 5 October 1973, sets up a common body of law between the Contracting States [3] in the field of patents for inventions.

The European Patent Organisation (hereinafter referred to as 'the Organisation'), the intergovernmental entity set up by the Convention, enjoys administrative and financial autonomy and is responsible for granting European patents.

The bodies of the Organisation are the European Patent Office (hereinafter referred to as 'the EPO') and the Administrative Council. The EPO grants patents under the supervision of the Administrative Council.

The Administrative Council is composed of representatives and alternate representatives of the Contracting States (one per State).

2. *The EPI*

(4) The EPI was set up by the Administrative Council of the Organisation on the basis of Article 134(8)(b) of the Convention.

The EPI is a non-profit-making organisation whose expenditure is covered by its own resources, derived in particular from the subscriptions paid by its members. Its object is to collaborate with the Organisation on matters relating to the profession of professional representative, in particular on disciplinary matters and on the European Qualifying Examination, and to promote compliance by its members with the rules of professional conduct, notably by way of recommendations.

All persons on the list of professional representatives are members of the Institute. The EPO informs the Institute of any changes to this list. Consequently, all European patent representatives are members of the EPI.

The EPI Council is elected by the Institute's members. Each State being a party to the Convention makes up a constituency in which those members having their place of business or employment there have a vote (Article 7(1) and (2) of the Regulation on the establishment of the EPI). The Council has the management and control of the affairs of the EPI and may, within the terms of the Regulation on discipline for professional representatives, make recommendations on conduct (Article 9(3) of the Regulation on the establishment of the EPI). The President of the Council represents the EPI. A Board, made up of at least the President, the Vice-Presidents, the Secretary-General and Treasurer, performs the duties conferred on it by the Council (Article 10 of the Regulation on the establishment of the EPI).

(5) The profession of European patent representative is therefore organised and unified within the EPI. No distinction is made in the Convention between self-employed patent representatives and those employed within the patents department of a firm.

3. *The Regulation on discipline for professional representatives*

(6) Pursuant to Article 134(8)(c) of the Convention, the Administrative Council of the Organisation has adopted rules on the disciplinary power to be exercised by the EPI and the EPO over professional representatives (Regulation on discipline for professional representatives of 21 October 1977, hereinafter referred to as 'the Regulation'). In its first part, the Regulation lays down 'rules of professional conduct' under which a professional representative is required, in the performance of his duties:

— to exercise his profession conscientiously and in a manner appropriate to its dignity; in particular, he shall not knowingly make any false or misleading statements (Article 1(l) of the Regulation),

— to conduct himself in such a manner as not to prejudice the necessary confidence in his profession (Article 1(2) of the Regulation),

— to refuse or withdraw his services if acceptance or continuation would necessitate his dealing with a particular matter on which he has represented or advised another client with opposing interests and the conflict has not been resolved (Article 3(2) of the Regulation).

[3] At present, the 15 Member States of the European Union plus Liechtenstein, Monaco and Switzerland.

Any professional representative who fails to comply with these rules of conduct may incur a penalty (a warning, reprimand or fine, or deletion from the list of professional representatives for a temporary or indefinite period — Article 4 of the Regulation).

(7) Breaches of the rules of professional conduct may be considered by the EPI Disciplinary Committee, the EPO Disciplinary Board and the EPO Disciplinary Board of Appeal (Article 5 of the Regulation).

(8) The EPI Disciplinary Committee is elected every two years by the EPI Council on the basis of the recommendations of each national group on the Council. It is made up of EPI members who are not already on the EPI Council or Board (Article 11 of the Regulation on the establishment of the EPI).

When an alleged breach of the rules of professional conduct is referred to the Disciplinary Committee, its chairman appoints three members and one alternate member to a chamber in charge of examining the case.

If the Disciplinary Committee is unable to take a final decision within nine months of an alleged breach being brought to its notice, it submits a report to the President of the EPO Disciplinary Board before the nine-month period has expired. The President can decide either to extend the time limit or to refer the matter to the Disciplinary Board itself (Article 6(3) and (4) of the Regulation).

The Disciplinary Committee does not have the power to delete an EPI member from the list of professional representatives before the EPO, but it can discuss matters, issue warnings or reprimands or refer the case to the EPO Disciplinary Board if it considers that a penalty greater than a warning or reprimand is appropriate (Article 6(2)(b) and (c) of the Regulation).

Proceedings before the Disciplinary Committee are not public, and its deliberations are confidential.

The decisions of the Disciplinary Committee set out the facts of the case and the reasons for the decision but, unlike those of the two other disciplinary bodies, they are not published in the *Official Journal of the EPO*. They are published only in the EPI's internal newsletter *(EPI Information)*.

(9) The Disciplinary Board and the Disciplinary Board of Appeal are independent bodies forming part of the Organisation.

The Disciplinary Board is made up of three legally qualified members of the EPO and two professional representatives. It considers alleged breaches of the rules of professional conduct referred to it by the Disciplinary Committee (Article 7(l) of the Regulation).

The members of the Disciplinary Board are appointed by the President of the EPO for a term of three years. The professional representatives are selected from a list proposed by the EPI Board and may not simultaneously sit on any other disciplinary body or on the EPI Board, nor be employed on a full or part-time basis by the EPI (Article 9(2) of the Regulation).

After any preparatory inquiries which it may wish to carry out, the Disciplinary Board decides either to dismiss the matter or to impose a penalty (Article 7(2) of the Regulation).

(10) The Disciplinary Board of Appeal is made up of three legally qualified members of the EPO and two professional representatives. They are appointed by the Administrative Council for a term of five years. This Board hears appeals against final decisions, including dismissals, of the EPI Disciplinary Committee and the EPO Disciplinary Board (Article 8(1) of the Regulation). Appeals may be lodged by the professional representative concerned, the President of the EPI Council and the EPO President. The members of the Disciplinary Board of Appeal may not simultaneously sit on any other disciplinary body or on the EPI Board or be employed on a full or part-time basis by the EPI.

(11) Members of a disciplinary body are independent in the performance of their duties (Article 11 of the Regulation).

Before any decision is taken which might prejudice the interests of a professional representative, the representative in question is given the opportunity to comment.

The same also applies to the President of the EPI Council and the President of the EPO (Article 12 of the Regulation). All decisions by a disciplinary body must state the reasons on which they are based and be given in writing. They are then notified to the professional representative, the President of the EPI Council and the President of the EPO. Complainants are informed of the results of the proceedings (Article 21(l) of the Regulation).

(12) Decisions of the Disciplinary Board of Appeal are not open to appeal before the national courts of the Member States of the Organisation, although this is not expressly forbidden by the EPI or EPO rules.

This situation seems to be consistent with the general principle of public access to justice since it would appear that the Disciplinary Board of Appeal can be deemed equivalent to a legal body for the following reasons: 1. its members have legal (three members) or technical (two members) qualifications and may not sit on any other disciplinary body involved in adopting the initial decision; 2. they are appointed for five years and cannot be relieved of their duties during that period except for serious reasons; 3. they are independent in the performance of their duties, are not bound by any instructions in reaching their decisions, and cannot take part in an appeal if they have a personal interest; 4. decision must be reasoned, and the professional representative against whom the decision is taken is given the opportunity to comment; the same also applies to the President of the EPI Council and the President of the EPO; 5. oral proceedings are initiated either at the request of the professional representative or at the instance of the Disciplinary Board of Appeal if it deems it expedient; oral proceedings take place in the presence of all the members of the Disciplinary Board of Appeal, an official responsible for drawing up the minutes, the professional representative and his legal representative, and the Presidents of the EPO and the EPI or their representatives.

4. *The code of professional conduct*

(13) The notified code of professional conduct amends the version adopted at the fifth meeting of the EPI Council, held on 5 November 1985 in Munich [4]. Responsibility for the code rests exclusively with the EPI Council (the text is published in the *EPO Official Journal* solely for the purposes of providing the public with full information on the rules of conduct of professional representatives), although the legal basis for its adoption by the EPI is to be found in Articles 1 to 4 of the Regulation on discipline for professional representatives and in Article 4(c) of the Regulation on the establishment of the EPI, which was adopted by the Administrative Council of the Organisation.

The EPI Council can amend this code as and when it wishes without having to obtain any authorisation from the EPO or the Administrative Council of the Organisation.

By contrast, the Administrative Council of the Organisation is not able to amend or repeal the code as such, although it may, at its own initiative or that of the EPI Council, amend the Regulation on discipline for professional representatives (Article 29 of the Regulation). It may also amend the Regulation on the establishment of the EPI.

The purpose of the code is to regulate the members' conduct and other activities linked to the Convention.

(14) The rules laid down by the code are grouped into seven articles with the titles 'general', 'advertising', 'relationship with the public', 'relationship with clients', 'relationship with other members', 'relationship with the EPO', and 'relationship with the Institute'. The code is preceded by several definitions, including the one for the term 'fees', which is deemed to mean 'reasonable and justifiable fees'. These definitions constitute a preamble to the code and are not applied by the EPI as such. The EPI cannot therefore impose penalties on its members for not charging reasonable or justifiable fees. The rules of the code are as follows:

'Article 1 General

(a) The general requirements for members of the Institute are laid down in the Disciplinary Regulation.

(b) The general principles of professional conduct are laid down in this code, which reflects the present views of the Council. A member is not released by this code from his own responsibility to comply with the rules of professional conduct set out in Articles 1 to 3 of the disciplinary Regulation.

(c) The basic task of a member is to serve as a reliable adviser to persons interested in patent matters. He should act as an independent counsellor by serving the interests of his clients in an unbiased manner without regard to his personal feelings or interests.

(d) A member is required to take measures to safeguard his client's interests in the event of his being prevented from exercising his profession.

(e) Good fellowship among members is a necessity for preserving the reputation of the profession and should be exercised irrespective of personal feelings.

[4] OJ 9/1986 of the EPO, p. 331.

(f) Each member should know of the code and cannot plead ignorance of it.

(g) A breach of the code cannot be justified by referring to instructions from a client.

Article 2 Advertising

(a) Advertising is generally permitted provided that it is true and objective and conforms with basic principles such as integrity and compliance with professional secrecy.

(b) The following are exceptions to permitted advertising:

1. comparison of the professional services of one member with those of another;

2. the identification of a client without the express authorisation of that client;

3. the mention of the name of another professional entity unless there is a written cooperation agreement between the member and that entity; and

4. the advertisement, announcement or publishing of offers to buy, sell or negotiate industrial property rights, except upon the instructions of a client.

Article 3 Relations with the public

(a) A member must uphold the public reputation of the Institute, of its members and of the practice of representation before the European Patent Office.

(b) A member must not give any indication on office premises, stationery or otherwise which is misleading to the public.

(c) A member must not give any commission to others for the introduction of business, but this does not extend to the acquisition in part or in whole of another patent agency practice.

(d) A member must not pertnit without adequate supervision professional activities related to the European Patent Office under his name or the name of his association by a person who is not a member.

(e) As far as the exercise of his profession is concerned, a member is responsible for the acts of non-member assistants.

Article 4 Relations with clients

(a) A member must at all times give adequate care and attention and apply the necessary expertise to work entrusted to him by clients. A member shall keep clients informed of the status of their cases.

(b) In principle, a member does not need to serve the interests of a client in matters not connected with professional work entrusted to him by the client.

(c) A member may demand advance payments from a client.

(d) In addition to the requirements of Article 3(2) of the disciplinary Regulation, a member must decline an order which is in conflict with his own interests. In all such cases, if the order cannot be postponed without possible damage to the client, a member must accept and perform the order so far as immediately necessary to avoid such possible damage; thereafter he must resign from the case.

(e) A member must not acquire a financial interest in any industrial right in such circumstances as to give rise to a conflict between professional duty and interest. He must not charge a fee directly related to the outcome of the services he provides.

(f) Supplementary to Articles 2 and 3 of the disciplinary Regulation, a member must not take any action against a particular matter which is being handled or has been handled by the member or another person in his office, unless the client in the matter agrees to this action or unless the member has no cognisance of the matter and is no longer in a position to take cognisance of it. The member is not permitted to make use in the action of information obtained during the time the matter was previously handled, unless the information is public.

(g) A member is automatically released from his secrecy obligation under Article 2 of the disciplinary Regulation if the secret information becomes published.

Article 5 Relations with other members

(a) A member must observe good fellowship towards the other members, and this includes courtesy and the fact that a member may not speak of another member in discourteous or offensive terms. Grievances in respect of another member should first be discussed in private with the other member, either directly or through a third member, and then if necessary through the official channels prescribed by the Institute and in the disciplinary Regulation.

(b) Since a prime interest of the Institute is to maintain a unified profession, no member must exercise or promote discrimination between members, for example on grounds of language or nationality.

(c) A member must avoid any exchange of views about a specific case which he knows or suspects is being handled by another member with the client of the case, unless the client declares his wish to have an independent view or to change his representative. The member may inform the other member only if the client agrees.

(d) Where a member is instructed by a client to take over the handling of a case from another member, the member so instructed is free to accept such instruction but then must ensure that the other member is informed. Such other member must, without delay, loan or transfer all documents necessary for the handling of the case or provide copies at reasonable expense to the new representative.

Article 6 Relations with the European Patent Office

In all dealings with the European Patent Office and its employees, a member must act courteously and must do everything possible to uphold the good reputation of the Institute and its members.

Article 7 Relationship with the Institute

(a) Members must keep the Institute informed of their address to which correspondence and other information from the Institute are to be sent. Changes of address must be notified to the Secretary-General without delay.

(b) Members must pay, in accordance with the arrangements laid down and notified by the Council, the annual subscription required by Article 6 of the Regulation on the establishment of the Institute.

If a member fails to pay the subscription as required by the arrangements, the matter may be referred by the Treasurer to the Disciplinary Committee.

(c) No member may, unless authorised by the President of the Institute, make any written or oral communication on behalf of the Institute.

(d) A member has the right to seek through the Secretary-General an opinion on the permissibility, under the code, of any act the member proposes to do or sanction. Such opinion is not binding on the disciplinary bodies.

(e) Except as provided in paragraph 5(b), breaches of the code must be brought to the notice of the Disciplinary Committee in writing.'

C. **Amendments to the code of conduct**

(15) The code of conduct with which this notice is concerned has been substantially amended as compared with the version which was the subject of the statement of objections of 18 November 1995 and even as compared with the notified version. Previously, individual advertising was prohibited as a matter of principle, and only advertising benefiting the entire profession was authorised. Under the new code, individual advertising is allowed in principle, although comparative advertising remains prohibited. The previous code prohibited any supply of unsolicited services. The new rules continue to prohibit the supply of services in respect of cases already in progress or to users who have already been the client of another representative for a specific case. The provision whereby members were required to charge fees which were reasonable but sufficient to maintain their professional independence (Article 1(f)) has also been deleted. Nevertheless, a reference to reasonable and justifiable fees remains in the preamble to the code. It must be interpreted solely as a suggestion which cannot be used by the EPI, in isolation or in conjunction with other provisions of the code, to reprimand members. Finally, Article 5(b) must be interpreted as referring to discrimination based on nationality, language, race or the like.

D. **The relevant market**

(16) The relevant services are those associated with applications for European patents filed with the EPO.

(17) The procedures which must be followed when applying for a European patent are not interchangeable with those followed when obtaining a national patent. A European patent is equivalent to a number of national patents. An international patent obtained under the Patent Cooperation Treaty (PCT) ([5]) is also equivalent to a number of national patents corresponding to the countries designated in the application. A national patent is not in itself interchangeable with an international PCT or European (EPO) patent. Several national patents obtained separately in the designated States provide the same protection as a European or international patent for those States. Nevertheless, the EPO procedure is unique and is well-known to all professional representatives, irrespective of the country in which they pursue their activities; they are thus able to deal with European patent applications from anywhere in the world. By contrast, national patent applications are subject to varying procedures depending on the country in question. Local patent agents are most familiar with them and applications from abroad might, by dint of statutory requirement, have to be dealt with by a local agent. In addition, European patent procedures give rise to quite different costs to those relating to national procedures.

Demand for the relevant services comes from business and individual inventors wishing to obtain a European patent in order to protect their inventions or to oppose the grant of a European patent, and from patent agents in countries which have not signed the Convention and in Contracting States which are not themselves professional representatives before the EPO. Demand is worldwide.

(18) As far as the Convention procedures governing applications (other than the filing of patent applications) from non-contracting States are concerned, the relevant services are generally supplied by professional representatives before the EPO, and by any lawyer who is authorised to carry on activities and who has a professional domicile on the territory of one of the contracting States, provided that he is authorised to serve as a patent agent. In any of the procedures established by the Convention for applications from a Contracting State, the applicants are not required to be represented before the EPO.

(19) Persons who file applications on their own account, or firms which file applications via a professional representative whom they employ, cannot be considered to be in competition with professional representatives, in particular because of the small number of applications filed by such means. The same applies to lawyers within the Community, including those who satisfy the conditions conferring upon them the right of representation before the EPO alongside professional representatives. However, such lawyers make almost no use of that right. The EPI has itself confirmed that 85 % of European applications are filed by professional representatives, claiming that this high percentage is due to the fact that applicants consider that European patent applications, in view of their importance, complexity and technicality, must be filed via qualified professionals, namely professional representatives before the EPO (letter of 10 November 1993). Even those applicants that are not required to obtain representation in their dealings with the EPO will call on the services of a professional representative before the EPO. In addition, some major applicants, in particular those specialised in chemicals, tend not to appoint the patent agents employed in their patents department to represent them in applying for patents but also call, on the services of self employed professional representatives ([6]).

(20) In conclusion, the relevant market is the market in services associated with European patent applications, which is separate from the market in services associated with national patent applications. The former has a dimension which is at least European, and the professional representatives of the various contracting States compete on it. By contrast, the latter is made up of several national markets.

(21) In 1997, the list of professional representatives before the EPO contained 5 861 names ([7]), of which 5 563 are within the Community. The breakdown between Member States was as follows: Belgium: 101; Denmark: 110; Germany: 2 078; Greece: 46; Spain: 176; France: 565; Ireland: 32; Italy: 276; Luxembourg: 13; Netherlands: 273; Austria: 84; Portugal: 51; Finland: 163; Sweden: 246; United Kingdom: 1 349.

([5]) The Patent Cooperation Treaty is an international treaty signed on 19 June 1970. International applications filed under its terms may be the subject of proceedings before the EPO. When the latter acts as designated Office of elected Office for an international application, the application is deemed to be a European patent application (Article 150(2) and (3) of the Convention).

([6]) See the speech given by Mr Paul Braendli, then EPI President, at the conference of the International Federation of Industrial Property Attorneys on 27 June 1978. The EPI's letter of 10 November 1993 does not invalidate these observations.

([7]) European Patent Office, 1997 Annual Report, p. 30.

Within the Community, two countries — Germany (37,4 %) and the United Kingdom (24,2 %) — accounted for the majority of professional representatives.

A large proportion of European patent applications also come from applicants in the United States of America and Japan, who must appoint a European patent agent for that purpose.

A total of 39 646 European patents were granted in 1997 ([8]). Of this figure, 49 % originated in a Contracting State and 47,8 % in the United States of America or Japan; 28 245 were obtained on the basis of a European application, the rest on the basis of Euro-PCT applications.

The number of European patent applications filed in the same year was 72 904, of which 27 466 were international applications filed under the PCT.

A rough estimate of the value of the market in the services supplied by professional representatives can be made on the basis of the average cost ([9]) (in 12 Member States of the Community plus Switzerland) of a European patent application (excluding registration costs) — ECU 8 372 — multiplied by 85 % of the number of applications in 1997. This gives a total of ECU 519 million.

E. **Comments from third parties**

(22) Further to the notice issued pursuant to Article 19(3) of Regulation No 17, the Commission received comments from the EPI and from the United Kingdom Office of Fair Trading.

The EPI asked that the reference to the *de facto* monopoly of professional representatives be deleted because representation in the proceedings established by the Convention can be provided by any lawyer authorised to carry on activities on the territory of a Contracting State on the same footing as a professional representative. Moreover, the EPI takes the view that, in amending Council Directive 84/450/EEC of 10 September 1984 relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising ([10]), European Parliament and Council Directive 97/55/EC ([11]) directly confers on the EPI the right to maintain or prohibit comparative advertising, since it has been entrusted by the EPO with regulating the activity of professional representatives. According to the EPI, the Commission cannot therefore prohibit what is authorised by the said Directive.

The Office of Fair Trading considered the Commission's position to be reasonable but drew its attention to the need for the Commission to monitor the application of the EPI code of conduct and to the fact that the Commission's notice does not make any reference to the appreciable effect on trade between Member States.

The Commission has assessed these comments but has decided that they do not justify any amendment to its preliminary position as outlined in the published notice. Some of the aspects raised have been dealt with in Section D ('The relevant market'). The others are dealt with in the following.

II. **LEGAL ASSESSMENT**

A. **Article 85(1) of the Treaty and Article 53(1) of the EEA Agreement**

1. *Undertakings, associations of undertakings*

(23) Professional representatives before the EPO are undertakings within the meaning of Article 85(1) if they carry on their activities as self-employed persons. In this capacity, they supply their services on an ongoing basis and in return for payment, assuming the financial risks associated with the pursuit of this activity. The fact that they represent a regulated liberal profession and that their services are intellectual, technical or specialised in nature and are supplied on a personal and direct basis does not alter the nature of their economic activity ([12]).

According to the Court of Justice of the European Communities (judgment of 23 April 1991 in Case C-41/90 *Höfner v. Macrotron*), 'the concept of an undertaking encompasses every entity engaged in an economic activity, regardless of the legal status of the entity and the way in which it is financed ([13])'.

(24) The EPI, to which all professional representatives registered with the EPO belong, is an association of undertakings within the meaning of the same provision of the Treaty, even though it was set up by the Administrative Council of the Organisation and its powers to monitor compliance with the

([8]) European Patent Office, 1997 Annual Report, p. 62.
([9]) These are average costs for 1991. See 'Obtaining a patent protection in an industrialised country: the time, risks and costs involved', A. Bouju, EC Commission, 1991, EUR Reports, 13488.
([10]) OJ L 250, 19.9.1984, p. 17.
([11]) OJ L 290, 23.10.1997, p. 18.
([12]) See judgment of the Court of Justice of 18 June 1998 in Case C-35/96 Commission v. Italy [1998] ECR I-3851, at paragraphs 37 and 38.
([13]) [1991] ECR I-1979, at paragraph 21.

rules of professional conduct of professional representatives were conferred on it under the Convention. The fact that salaried professional representatives are also members of the EPI and have a say in determining the provisions of the code, which might not even concern them, does not prevent it from being considered that these provisions are the expression of the collective will of the EPI members who carry on the profession on a self employed basis.

2. *Decisions by associations of undertakings*

(25) Adopted as it was by the EPI Council, the code of professional conduct constitutes a decision by an association of undertakings.

The purpose of this code is 'to regulate the members conduct and other activities linked to the Convention', and its provisions are binding on all members. The EPI enforces the provisions of the code on the basis of penalties (reprimands or warnings).

3. *Lack of effect of the legal framework on the application of Article 85*

(26) The existence of the Regulation on discipline for professional representatives, adopted by the Administration Council of the Organisation, and the powers conferred on the EPI by Article 4(c) of the Regulation creating an Institute of Professional Representatives before the EPO to 'promote compliance by its members with the Rules of Professional Conduct, *inter alia* through the formulation of recommendations' (see point 4) cannot be invoked as a reason for not applying the competition rules of the Treaty to the EPI's restrictive practices. On the one hand, responsibility for adopting the code rests solely with the EPI Council. *EPO Official Journal* 9/1986 indicates in this regard that the text is published therein solely for the purposes of providing the public with full information on the rules of conduct of professional representatives (see point 13). On the other hand, even if public authorities delegate to an association the power to adopt practices which restrict competition, the use of this power is still subject to Article 85 (see in this regard recital 48 of Commission Decision 95/188/EC [14]).

(27) In the case in hand, the restrictions of competition relate to the adoption by the EPI of certain provisions of the code of conduct limiting competition between professional representatives and which constitute the manner in which the EPI has applied the rules on professional conduct laid down by the disciplinary Regulation.

In its judgment of 30 January 1985 in Case 123/83 BNIC v. Clair [15], the Court of Justice held that 'Article 85 states that it applies to agreements between undertakings and decisions by associations of undertakings' and that 'the legal framework within which such agreements are made and such decisions are taken and the classification given to that framework by the various national legal systems are irrelevant as far as the applicability of the Community rules on competition and in particular Article 85 of the Treaty are concerned'.

This same case-law also applies in the context of the legal framework created by the Convention.

Moreover, in its judgment of 16 November 1977 in Case 13/77 INNO v. ATAB [16], the Court stated that undertakings could not escape the application of the Treaty's competition rules for the sole reason that their conduct has been encouraged by a public body because, if this were the case, Articles 85 *et seq.* would be deprived of all effectiveness.

4. *Provisions of the code of conduct which do not restrict competition*

(28) By dint of the amendments made to the notified code, most of its provisions no longer restrict competition.

(29) The provisions of Article 7 on members' 'relationship with the Institute' relate solely to administrative or procedural aspects. Article 1 ('General') lays down the general principles applicable to the code (paragraphs (a), (b), (f) and (g)) and the members' professional duties of impartiality, competence and responsibility (paragraphs (c) to (e)), which do not in themselves restrict competition. Article 3(a), (d) and (e), Article 4(a) and Article 6 ('Relationship with the EPO') are not in themselves restrictive either, given that their sole objective is to ensure members' responsibility and competence. Likewise, Article 2(b)(2) and Article 4(b), (c) and (g) do not have the purpose or effect of restricting competition.

[14] OJ L 122, 2.6.1995, p. 37.
[15] [1985] ECR 391, at paragraph 17.
[16] [1977] ECR 2 115, at paragraphs 30 to 34.

(30) Article 5(a) and (b) also do not set out to restrict or distort competition between members of the profession. They are not likely to have a restrictive effect provided they are applied objectively and without discrimination.

(31) Article 5(d) lays down obligations which are necessary to facilitate the transfer of files from one member to another by allowing the new member to obtain all the documentation needed to take over a case. This provision, indeed, promotes competition between representatives to the benefit of users.

(32) The restrictions contained in Article 2(a) and Article 3(b) are necessary in order to avoid misleading advertising or to protect professional secrecy.

(33) The provisions of Article 2(b)(4), Article 4(d) and the first sentence of Article 4(e) are necessary in order to avoid conflicts of interest. Such conflicts might arise if the same representative supplied services to clients with opposing interests (for example, the holder of a patent and a person having infringed that patent), if the representative's interests were in conflict with those of the client, or if the representative's professional obligations were in conflict with his personal interests, particularly those of a financial nature.

(34) According to the EPI, Article 3(c) is aimed at the following two situations: 1. the payment of a fee by one representative to another for the transfer of a file at the client's request or in the event of a conflict on interests, and 2. the payment of a commission by a representative to a third party (other than members of the profession) for the procurement of files. The prohibition of the first situation does not restrict competition. It facilitates the transfer of files from one representative to another, and is beneficial to users of the services whilst improving competition.

The second situation — whereby representatives are prohibited from paying commission to third parties — must be assessed according to the specific characteristics of the profession in question and the rules governing it. The need to safeguard the proper functioning of the EPO requires representatives to comply with rules of professional conduct (see point 6). Moreover, representatives are required to comply with the EPI code of conduct, which obliges them to meet their duties of competence, impartiality, integrity and responsibility and to avoid conflicts of interest, maintain professional secrecy and not to engage in misleading advertising. All of these obligations must be deemed legitimate and consistent with the ethics of the profession. The canvassing of clients must also comply with them. Consequently, the EPI's requirement that members must canvass clients directly and not via intermediaries is justified within the profession, given that it would be impossible to impose the rules by which representatives are bound on third parties.

(35) The second sentence of Article 4(e) prohibits members from charging fees related to the outcome of the service provided. This means that representatives may not, for example, charge higher fees simply because a patent is granted or lower fees if a patent is not granted. It is also prohibited for them to charge fees according to the results of working the patent in question. This restriction on members' freedom of commercial action must be viewed in the context of the overall system by which the EPO grants patents, a system which is one of the major factors of economic growth. The average duration of a successful patent application procedure was 50,2 months in 1997 ([17]), and the economic results of a patent, even if it becomes important over time, are difficult to forecast. If this restriction did not exist, representatives would be encouraged to take on cases which offered good short-term commercial prospects rather than cases whose outcome would only be known in the very long term. Moreover, uncertainty as to the price which the client would be required to pay for the services provided by the representative would continue for a long time. This would preclude transparency as to the price payable by the user. Without this restriction, there would also be a risk that procedures would be initiated before the EPO, not because of the merits of a patent or of opposition to it but rather because of the representative's purely commercial motives. Even if in other circumstances it might constitute a restriction of competition to prohibit fees from being determined according to outcome, it is necessary in the economic and legal context specific to the profession in question in order to guarantee impartiality on the part of representatives and to ensure the proper functioning of the EPO. A prohibition of this nature should therefore not be covered by Article 85(1) of the Treaty and Article 53(1) of the EEA Agreement.

([17]) European Patent Office, 1997 Annual Report, p. 19.

(36) Article 4(f) sets out to prevent conflicts of interest in that it merely prohibits a member from taking an action against a case which is being or has been handled by himself (or his office). If this restriction did not exist, a representative would be able to represent clients with opposing interests, such as a patent holder and a person having infringed the patent, or appeal against a patent obtained with his participation.

(37) Article 5(c) prohibits a representative from approaching a client of another representative in two situations: when the client is involved in a case which is being handled by the other representative, and when the other representative has finished handling a case involving the client. The first situation (prohibition on offering unsolicited services in respect of cases which are being handled by another representative) does not set out to restrict competition. This is because it contributes to a smooth handling of cases, particularly since the client is able to change representative if he so wishes, and since other provisions of the code make it straightforward to transfer files when a client decides to do so. It should be stressed that the representative can be obliged to avoid exchanges of views with the client of another representative only if he is objectively aware that the other representative is indeed handling the case. The word 'suspects' in that provision should therefore be interpreted in this sense.

As for the second situation, this does constitute a restriction of competition, since if a representative is not allowed to exchange views with a potential client on a specific case which has already been handled by another representative, it will be difficult for him to offer to handle new cases which would be linked to the specific case and he will even have difficulties in establishing any professional contact with that client. This prohibition might therefore prevent representatives from approaching the former clients of other representatives. It therefore constitutes a restriction of competition and is assessed at recital 39 *et seq.*

(38) In conclusion, the provisions of the code of conduct mentioned at recitals 29 to 37, with the exception of the second situation relating to Article 5(c), do not set out to restrict competition. They are necessary, in view of the specific context of this profession, in order to ensure impartiality, competence, integrity and responsibility on the part of representatives, to prevent conflicts of interest and misleading advertising, to protect professional secrecy or to guarantee the proper functioning of the EPO. Those provisions therefore fall outside the ambit of Article 85(1) of the EC Treaty and Article 53(1) of the EEA Agreement. They are not liable to restrict competition if they are applied objectively and without discrimination.

5. Provisions of the code of conduct which significantly restrict competition or affect trade between Member States

(39) The provisions of the EPI code of conduct relating to comparative advertising (Article 2(b)(1) and (3)), and, in so far as the active provision of services for former clients of other representatives might be prohibited or hampered, Article 5(c) thereof, limit the freedom of members and have as their object or effect to restrict competition between members of the profession.

(40) Even if the Commission acknowledges that the merit of the practitioner and the quality of services are essential elements of the competition between members of a liberal profession, it considers that the term 'competition' also covers other elements, such as fees [18] and advertising.

The arguments presented by the EPI to the effect that these restrictions are necessary in order to ensure the profession's reputation do not justify obstructing access to clear and accurate information on the services in question, how much they cost and the conditions on which they are supplied so as to enable the client to choose freely which supplier of services to engage.

(41) Advertising covers not only accurate information for the user but also a promotion of the services on offer, including comparison with a competitor or with the services of competitors. In addition, the members of a profession should have the freedom to actively seek out clients without thereby directly jeopardising the quality of the personal relationship between service providers and their clients. Providing information on the services on offer, where it is accurate and precise, and comparative advertising, where it compares representative and verifiable aspects and is not misleading, are means of increasing user information to the benefit of users and are important elements of the competitive process. They allow users to distinguish between the alternatives which exist at the time of obtaining a service and to make a rational choice of service provider, whether it be within their national frontiers or elsewhere in the Community. They also make it easier for new operators to establish themselves on the market and stimulate innovation in the means of providing services.

[18] See footnotes 12 and 14, and also Commission Decision 93/438/EEC (OJ L 203, 13.8.1993, p. 27).

(42) With regard to the restrictions on comparative advertising, it must be stressed that Directive 84/450/EEC adopts, in Article 7(5), a more flexible approach to the prohibition of comparative advertising within the liberal professions. Nevertheless, the sole purpose of this provision is not to prevent Member States from retaining or introducing, in compliance with the provisions of the Treaty, any prohibitions on the use of comparisons in the advertising of professional services. Such prohibitions or restrictions might result directly from legislation or be imposed by a body or organisation responsible, under the law of the Member States, for regulating the exercise of a professional activity, whereby rules of professional conduct are binding on any profession which has not been the subject of harmonisation at Community level.

Article 7(5) does not provide for any automatic derogation in respect of rules issued by professional organisations, although it does permit Member States to establish such derogations. Even supposing that the EPI were able to claim such a derogation, this would not mean that Article 85 of the Treaty would not be applicable since the derogation would have to be 'in compliance with the rules of the Treaty' (Article 7(5) of the Directive). Irrespective of any other legal rules which might be applicable, it is beyond question that the clause in question must be analysed in the light of Article 85 of the Treaty (Article 53 of the EEA Agreement).

(43) Article 2(b)(1) and (3), of the code of professional conduct, which prohibit comparative advertising, and, in so far as the supply of services to former clients of other representatives might be hampered, Article 5(c) thereof, restrict the ability of more efficient representatives to develop their services to the detriment of less efficient representatives. These provisions thus help to crystallise the clientele of each professional representative within each national market. This is because representatives are unable to compare their services with others provided both within and outside their own country, and their possibilities of offering their services to (domestic or foreign) potential clients who have already been clients of another representative in a specific case are considerably reduced. Thus, users throughout the world do not have the complete information concerning the provisions of services linked to applications for European patents which would enable them to approach any representative irrespective of his/her geographical location.

The provisions prohibiting comparative advertising and those which are liable to prevent services from being offered freely to users who have already been clients of another representative are binding on members of the EPI. They are not necessary to ensure professional responsibility, independence or secrecy or to prevent false or deceptive statements or conflicts of interest and thus to ensure that EPI members comply with the rules of professional conduct (as contained in the first part of the disciplinary Regulation), which do not, in themselves, restrict competition.

(44) These restrictions are significant because they concern all professional representatives on the EPO list who are members of the EPI. These are representatives in all Contracting States, including all the Member States of the Community.

(45) The restrictions relate to cross-border services, namely services linked to applications for European patents filed with the EPO which involve services in the Contracting States indicated on the application. They are therefore liable to distort significantly trade flows in the relevant services between the Member States.

B. Article 85(3) of the Treaty and Article 53(3) of the EEA Agreement

(46) The restrictions of competition indicated above (the requirement binding on all EPI members to refrain from comparative advertising (Article 2(1)(1) and (3)), and from approaching on their own initiative users who have already been clients of another member in a specific case by exchanging views on that case (Article 5(c)) may be exempted from the prohibition of Article 85(1) of the Treaty because they fulfil the conditions laid down in Article 85(3) thereof and Article 53(3) of the EEA Agreement on condition that they remain transitional in nature.

The profession in question has a long tradition of virtually total prohibition of individual advertising and the supply of unsolicited services. Maintaining this situation and the restrictions referred to above is unquestionably incompatible with the system of effective and undistorted competition demanded by the Treaty. Nevertheless, a changeover from a system of virtually total prohibition on advertising and on the supply of unsolicited services, as currently exists, to one of total freedom, involves a significant transformation of the framework within which professional representatives operate. If this changeover is made suddenly, there is a potential risk of confusion in the mind of the public such as might damage the image that professional representatives give to institutions participating in the administration of justice.

Accordingly, representatives and users alike must be allowed a short period to adapt to the new situation. Consequently, the abovementioned restrictions may therefore be maintained on a transitional basis so as to avoid confusion and to allow users to receive a fair share of the resultant benefits.

The disadvantages in terms of competition which result from these restrictions would appear to be outweighed by the advantages of an orderly transition. The amended code of conduct already represents a significant improvement over the situation prevailing previously.

Competition is not eliminated for a substantial part of the services in question since the restrictions only exclude certain methods of advertising and offering services while leaving members free to compete with each other by a range of other means. For example, the EPI code of conduct now allows a professional representative to advertise his office in the yellow pages or in the press without any time limit, to advertise his services not only in circulars but also in specialised magazines and in the press, to indicate the scale of charges for his services, and to advertise a specialisation or particular professional experience which would be useful for users seeking special expertise for a specific case. Such forms of advertising guarantee that users are informed of the services available to them, how much they cost, and which professional representative is best qualified to deal with a particular case. They thus make the services more accessible to users, and in particular to small and medium-sized firms, and encourage the development of greater efficiency within the profession of professional representative.

The restrictions on comparative advertising and the supply of services must also be deemed vital to avoid the disadvantages of a sudden changeover to a system of total freedom, provided they remain transitional. The indisputable advantages stemming from the existence of a short transitional period could not be achieved by any other means.

C. **Duration of the exemption**

(47) In accordance with Articles 6 and 8 of Regulation No 17, a decision granting an exemption must indicate the date on which it takes effect and the period for which it applies.

(48) The Commission takes the view that a transitional period running from 14 October 1997, the date on which the EPI submitted to the Commission the version of its code of conduct which is the subject of this Decision, to 23 April 2000, the deadline by which Member States must adopt the provisions necessary to comply with Directive 97/55/EC, is appropriate. This is enough to enable representatives to adapt gradually to the new situation and to avoid the risks of confusion for users, which are liable to damage the image that professional representatives give to the institutions before which they represent their clients. These risks would in fact result from too sudden a transition from a situation in which nearly all advertising and the supply of unsolicited services by EPI members was prohibited to one in which all forms of advertising and supply of services is permitted. The period of exemption may not extend beyond the date of 23 April 2000 so as to avoid any discrepancy between professional representatives and other professions in the Member States which will implement the provisions of the abovementioned Directive without any exceptions for the services of liberal professions,

HAS ADOPTED THIS DECISION:

Article 1

Article 85(1) of the EC Treaty and Article 53(1) of the EEA Agreement are, pursuant to Article 85(3) of the EC Treaty and Article 53(3) of the EEA Agreement respectively, hereby declared inapplicable to the provisions of the code of conduct of the Institute of Professional Representatives before the European Patent Office (EPI), in the version as adopted on 30 September and 3 October 1997, prohibiting members from carrying out comparative advertising (Article 2(b)(1) and (3)) and, in so far as it is liable to make it more difficult to supply services to users which have already been clients of other representatives in a specific case, to Article 5(c) thereof.

This exemption shall be granted from 14 October 1997 to 23 April 2000.

Article 2

On the basis of the information at its disposal, there is no reason for the Commission to take action pursuant to Article 85(1) of the EC Treaty and Article 53(1) of the EEA Agreement with regard to the provisions of the EPI code of conduct other than as referred to in Article 1 of this Decision.

Article 3

This Decision is addressed to:

The Institute of Professional Representatives before the European Patent Office (EPI/EPO)
Erhardtstraße, 27
D-80331 MÜNCHEN

Done at Brussels, 7 April 1999.

For the Commission
Karel VAN MIERT
Member of the Commission