

Consequences of the PACTE Act on IP Litigation in France

IN SHORT

The Background: The Action Plan for the Growth and Transformation of Enterprises Act ("PACTE"), adopted on April 11, 2019, and promulgated on May 23, 2019, amends the statute of limitations applicable to industrial property rights litigation to the benefit of rights holders.

The Result: The new wording of the limitation period for infringement actions will prevent the limitation period from starting to run when the claimant is unaware of the infringement and seems to allow compensation to be obtained over the entire duration of the infringement. The reform also provides that the invalidity action of the various industrial property rights is not subject to any limitation period

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Modification of the Limitation Period for Infringement Actions

Article 121 of the PACTE Act amends the statute of limitations for industrial property rights infringement actions by providing that "*civil proceedings for infringement shall be barred after five years from the day on which the holder of a right knew, or should have known, the last fact enabling him to exercise it.*"

The limitation period is not modified (Act No. 2014-315 of 11 March 2014 increased the limitation period from three to five years), but the starting point and the limitation mechanism are modified; it should be recalled that the previous text made the limitation period run "*from the facts that caused it.*"

The reform has two consequences that will certainly have to be interpreted by case law.



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The first consequence of the reform is to avoid the limitation period for infringement proceedings initiated more than five years after the acts of infringement when the plaintiff was not aware of the existence of these acts of infringement and could not be aware of them. This is often the case in patent infringement actions concerning a product or process used in the secrecy of a factory, or when the infringement is of a small extent or carried out in circles or places that the rights holder cannot monitor.

Indeed, with the new text, the limitation period does not begin to run until the right holder knows, or should have known, of the existence of the infringement.

The second consequence seems to be that an action initiated within the time limit could allow compensation to be obtained over the entire period of the infringement, with no time limit. This consequence is due to the presence of the expression "*the last fact*" in the sentence "*from the day on which the holder of a right knew or should have known the last fact enabling him to exercise it.*" This wording seems to be based on Article 72 of the Agreement on Unified Patent Court.

The literal construction of the new PACTE Act allows one to argue that as soon as the infringement action has been brought within five years from the day on which the right holder knew or should have known the last fact enabling him to exercise it, the action and, in particular, the claims for compensation may concern all acts of infringement, regardless of the date on which they were committed.

This wording seems to have been retained by the legislator in full awareness of its consequences since many associations had drawn the legislator's attention to the meaning of the reform.

The provisions of the Commercial Code relating to the limitation period for actions in breach of trade secrets are also amended in the same way.

In the absence of transitional provisions, it should be understood that the new text will apply immediately from the day after the promulgation of the PACTE Act. However, pursuant to Article 2228 of the Civil Code, this text does not allow actions to be brought in matters that were time-barred on the date of entry into force.

Modification of the Limitation Period for Invalidation Actions

Article 121 of the PACTE Act specifies that invalidity actions for industrial property rights (patents, trademarks, designs, plant breeders' rights, and topography of semiconductor products) are not subject to any limitation period.

It should be recalled that since the June, 17 2008, PACTE Act on the reform of limitation periods in civil matters—which reduced the common law limitation period applicable to personal and real actions to five years—case law has applied this limitation period to invalidity actions, despite considerable hesitation as to the starting point of this limitation period (date of publication of the application, date of grant, assessment in concreto of the date on which the ground of invalidity was discovered). This case law did not prevent the defendant in an infringement proceedings from invoking the invalidity of the right as a defense, but could lead to the inadmissibility of certain actions or counterclaims for invalidity.

The reform provided for by the new PACTE Act puts an end to this French oddity and harmonizes French law with the law concerning European Union trademarks and the Agreement on Unified Patent Court, which do not provide for a limitation period for invalidity actions as a principal or counterclaim.

Point III of Article 121 provides that this reform applies to rights in force on the day of publication of the new law but has no effect on final decisions (which have the status of *res judicata*).

Entry into Force

The PACTE law was promulgated on May 23, 2019, after being reviewed by the *Conseil Constitutionnel* (Constitutional Court).

TWO KEY TAKEAWAYS

1. The five-year limitation period applicable to industrial property right infringement actions no longer runs from the date of the acts of infringement. It runs from the knowledge by the right holder of the last fact enabling him to bring the action, which prevents the limitation period from running when the infringement was not known and seems to allow compensation to be claimed for all acts of infringement, regardless of when they occurred.



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2. Actions for the invalidity of an industrial property right are no longer subject to a limitation period.

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