

OPINION OF ADVOCATE GENERAL JACOBS  
delivered on 21 February 1991 \*

*My Lords,*

1. In this case, which comes to the Court by way of a request for a preliminary ruling from the Oberlandesgericht München, the essential question raised is whether, notwithstanding certain provisions of German law, Article 59 of the EEC Treaty entitles an undertaking established in another Member State to provide a certain service for undertakings established in Germany. The service in question consists of monitoring patents, advising the proprietors of the patents when renewal fees are due and paying such fees on behalf of the proprietors.

2. The defendant in the main proceedings, Dennemeyer & Co. Ltd, is an English company founded in 1973 by two patent experts. One is a British Chartered Patent Agent and both are described in the defendant's observations as European patent agents. The company provides what may be described as a patent renewal service. It stores information about its clients' patents in a computer, informs them when renewal fees are due and, if so advised by the clients, pays the fees on their behalf. It provides such a service in many countries of the world, including Germany. Mr Säger, the plaintiff in the main proceedings, is a patent agent in Munich, where both the German Patent Office and the European Patent

Office are situated. He maintains that under German law Dennemeyer cannot provide the aforesaid service in respect of German patents since it does not hold a special licence under Article 1, section 1, of the Rechtsberatungsgesetz (Law on Legal Advice, hereafter 'the RBG').

3. There is some confusion about the relevant German legislation and about its scope. Article 1, section 1, paragraph (1), of the RBG provides in substance that no-one may attend to legal affairs on behalf of others, by way of business, whether for remuneration or not, unless he obtains a licence from the competent authority; it is not disputed that the service in question, when performed in Germany, falls within the scope of those provisions. However, although licences may be issued for a number of specific fields, none of those includes advising on intellectual property rights.

4. Article 1, section 1, paragraph (2), of the RBG provides that a licence may be issued only if the applicant possesses the necessary reliability, personal aptitude and expertise and if the demand is not already satisfied by an adequate number of existing practitioners. Article 1, section 3, of the RBG

\* Original language: English.

provides that certain matters are not affected by the Law. Those matters include the professional activities of notaries, lawyers (Rechtsanwälte) and patent agents.

5. The combined effect of those provisions, as interpreted by the national court, seems to be that in order to provide in Germany a patent renewal service of the type provided by Dennemeyer it is necessary to be a lawyer, a patent agent or the holder of a licence issued under Article 1 of the RBG. However, the last possibility must be regarded as purely hypothetical, since a licence could not in fact be issued for the activity in question. That is made clear by Article 186 of the Patentanwaltsordnung (Law on Patent Agents), which provides that a licence granted under Article 1, section 1, of the RBG does not entitle the holder to attend to legal affairs on behalf of others in the field of intellectual property. Moreover, it appears that the service in question can only be provided by a lawyer or patent agent acting in his personal capacity; it cannot be provided by an incorporated company, even one that is owned and managed by patent agents (see paragraph 18, *infra*).

6. Relying on Article 1 of the RBG, Mr Säger applied to the Landgericht München I for an injunction restraining Dennemeyer from providing patent renewal services in Germany for third parties who are not patent agents or lawyers. Mr Säger failed before the Landgericht, which took the view that the RBG was not applicable since Dennemeyer's activities were performed entirely in the United Kingdom. Exactly the

same view was expressed by the German Government when the Commission approached it in response to a complaint lodged by Dennemeyer. The German Government adheres to that view in the observations that it has submitted to the Court. However the Oberlandesgericht München, to which Mr Säger appealed, considers that the RBG applies because part of Dennemeyer's service — the payment of renewal fees — is performed in Germany. Hence Mr Säger will have his injunction unless Dennemeyer can establish a defence on the basis of Community law. The Oberlandesgericht München has referred the following question to the Court:

'Under Article 59 of the EEC Treaty, may a company incorporated under English law whose head office is in Great Britain be required to obtain a licence pursuant to the German Rechtsberatungsgesetz if, from its head office, in order to maintain or renew on behalf of third parties German industrial property rights whose holders are established in the Federal Republic of Germany, it monitors the due dates of renewal fees, informs the third parties of those due dates and pays the fees on behalf of those third parties in the Federal Republic of Germany, when it is not disputed that such activities may be carried on without a licence under the law of a significant number of Member States?'

7. It will be noted that the question formulated focuses on the legality of the licensing requirement laid down by the RBG. It is, however, apparent from the

terms of the German legislation which I have already referred to (and this impression was confirmed by the German Government at the hearing) that the licensing requirement is an illusion in the present case because there is no possibility of a licence being granted to anyone under the RBG for the type of activity pursued by Dennemeyer. The Court cannot therefore, in my opinion, confine itself to answering the question as formulated by the national court, but must instead examine the wider question whether an undertaking which is established in a Member State and provides the type of service provided by Dennemeyer can be prevented from providing that service to clients established in another Member State on the basis of legislation of the second State which restricts such activities to members of a particular profession, such as patent agents or lawyers acting in their personal capacities.

8. Written observations were submitted by the parties to the main proceedings, by the German and United Kingdom Governments and by the Commission. In addition, all the above were represented at the oral hearing except Mr Säger.

9. Mr Säger contends that Article 59 of the Treaty merely requires the abolition of discrimination. A person who wishes to provide services in another Member State must comply with whatever professional rules are in force in that State, unless they are discriminatory.

10. According to Dennemeyer, the scope of Article 59 is much broader. It covers all restrictions on the freedom to provide

services across national frontiers, irrespective of whether there is discrimination between foreign and domestic undertakings. Such restrictions are permitted only if they are justified by the general interest. In the present case there is no such justification because (a) Dennemeyer's clients are not ordinary consumers but large undertakings which employ patent experts and (b) Dennemeyer is itself managed by qualified patent agents. It adds that the European Patent Office has declared that a patent-holder may entrust the payment of fees to any person he chooses.

11. The German Government considers that the RBG is not in fact applicable to the activities of Dennemeyer, since they are performed outside German territory. If, however, the RBG is applicable, the German Government considers that there is no objective justification for subjecting Dennemeyer to a licensing requirement. The aims of the RBG are to protect the recipient of legal advice in Germany and to promote the efficient administration of justice in Germany. Those aims cannot justify regulating activities performed outside German territory.

12. The United Kingdom maintains that the case can be disposed of in accordance with the well-established principle that Article 59 prohibits discrimination against any person providing a service on the ground of his nationality or of the fact that he resides in a Member State other than that in which the service is provided. Counsel for the United Kingdom confirmed at the hearing that, in

the United Kingdom's view, Article 59 does not apply to non-discriminatory measures.

an essentially mechanical nature. There is therefore no reason to reserve such activities to particular classes of persons holding special qualifications.

13. The United Kingdom identifies three discriminatory elements in the German legislation:

- 1) Article 26 of the Patentanwaltsordnung requires a patent agent to acquire a place of residence in Germany and establish an office there. Obviously, such a requirement discriminates in effect against persons resident in other Member States.
- 2) Article 1, section 3, paragraph (2), of the RBG relieves German patent agents and lawyers of the obligation to obtain licences but does not grant similar relief to patent agents or lawyers qualified in other Member States.
- 3) Licences are granted under the RBG only if the demand for the services in question is not satisfied by existing practitioners. Since the existing practitioners are likely to be those already resident in Germany, such a condition operates to the detriment of residents of other Member States and is therefore discriminatory in effect.

14. According to the United Kingdom, the restrictions in question, being discriminatory, can only be applied if they are objectively justified by the general interest. Such justification is lacking because the functions performed by Denнемeyer are of

15. A similar position is taken by the Commission, with the difference that the Commission does not place so much emphasis on the discriminatory nature of the German legislature. It notes, however, that lawyers and patent agents are required to establish themselves in Germany in order to practise in that country.

16. Although the arguments developed by the United Kingdom and the Commission about the discriminatory nature of the German legislation appeared perfectly tenable at an earlier stage of the proceedings, it is doubtful, particularly in the light of the information provided by the German Government at the hearing, whether the supposed discrimination exists.

17. The requirement that lawyers and patent agents must establish an office in Germany is not, according to the agent for the German Government, applied in relation to lawyers and patent agents established in other Member States. If that is correct and a British patent agent is allowed to provide his services in Germany on the same terms as a German patent agent, the first element of discrimination identified by the United Kingdom ceases to be relevant. The third element — namely, that licences are granted only if the demand for the services in question is not satisfied by existing practitioners — is also irrelevant because, as already mentioned, licences are not issued

for the services in question. (It may be noted also that the condition was itself long since declared unconstitutional by the Bundesverwaltungsgericht (NJW 1955, 1532 = B Verw GE 2, 85) and is not applied.) The second element is clearly equally irrelevant.

legislation itself, i. e. legislation which expressly applies different requirements to nationals of, or those resident in, another Member State. By covert discrimination I mean discrimination which results from legislation apparently applying the same requirements, but where the effect of the requirements is to disadvantage nationals of, or those resident in, another Member State.

18. But the essential point is that Dennemeyer is receiving exactly the same treatment that it would receive if it were a company established in Germany. That much is clear from the *Masterpatt* decision cited at the hearing (judgment of the Bundesgerichtshof of 12 March 1987, reported in GRUR 1987, p. 710). In that case, in which the plaintiff was again Mr Säger, the Bundesgerichtshof held that a German company which provided the same type of service as Dennemeyer should be prohibited from doing so, pursuant to Article 1, section 1, paragraph (1), of the RBG. It was not suggested in that case that the *Masterpatt* company was owned and managed by qualified patent agents but even if that had been the case it does not seem that that circumstance would have led to a different result. The point is that the German legislation does not, it seems, permit the service in question to be provided in Germany by a limited company at all; the service can only be provided by a patent agent or a lawyer in their personal capacities.

19. For these reasons, although in proceedings under Article 177 of the Treaty questions of national law are a matter for the national court, I consider that this case should be approached on the basis that no discrimination, either overt or covert, has taken place. By overt discrimination I mean discrimination which is expressed in the

20. Generally, where the Treaty prohibits discrimination, it is well established that the prohibition extends to covert discrimination: see for example, in relation to the free movement of workers, Case 152/73 *Sotgiu v Deutsche Bundespost* [1974] ECR 153, paragraph 11. It is also well established that Article 59 prohibits both forms of discrimination: Joined Cases 62 and 63/81 *Seco v Établissement d'assurance contre la vieillesse et l'invalidité* [1982] ECR 223, paragraph 8. But the question which arises in the present case is whether Article 59 merely prohibits those forms of discrimination or whether it goes further than that and requires the abolition of all restrictions, including non-discriminatory ones, unless they are justified by the general interest. It is not clear from the existing case-law whether Article 59 extends to measures which do not involve either overt or covert discrimination.

21. It is sometimes suggested that the case-law already establishes that Article 59 does so extend. However the cases cited in support of that view all seem to have involved an element of covert discrimination. For example, in Case 279/80 *Webb* [1981] ECR 3305, the application of a

Dutch licensing requirement to a British undertaking which already held a British licence, although applied to all undertakings providing the service in question in the Netherlands, would have been discriminatory if no account had been taken of the guarantees furnished by the undertaking in its State of origin. The British undertaking would have had to surmount two obstacles, whereas the Dutch undertaking had to surmount only one obstacle.

22. Nor, on the other hand, can the case-law be taken to establish that Article 59 applies only to measures involving some form of discrimination, whether overt or covert. It is true that there are isolated statements, notably in Case 15/78 *Koestler* [1978] ECR 1971, which appear to support that view, but that is not the effect of the case-law considered as a whole. Both Advocate General Warner in his Opinion in Case 52/79 *Debauve* and Case 62/79 *Coditel* [1980] ECR 833, at pp. 870-873, and Advocate General Sir Gordon Slynn in his Opinion in *Webb*, already cited, at pp. 3330-3333, surveyed the case-law and concluded that it did not support the view that Article 59 applied only to discriminatory measures. That is still, in my view, the position. It is true that many of the cases emphasize the element of discrimination, but that is no doubt because many restrictions, which have been imposed autonomously by the Member States and which reflect their diverging approaches and traditions, are inherently likely to affect the foreign provider of services more severely than one established in the Member State where the service is provided, and so will necessarily be discriminatory in their effect.

23. The United Kingdom sought to support the view that Article 59 applies only to discriminatory measures by invoking the case-law on freedom of establishment under Article 52, which, in its view, makes it clear that only discrimination is prohibited. But, even if it were right to suggest that discrimination alone is prohibited under the case-law on freedom of establishment, the analogy with establishment is not in any event decisive; for there are obvious differences between the situation of a person who permanently establishes himself in a Member State and the situation of a person who merely provides services in a Member State, whether occasionally or on a regular basis. It does not seem unreasonable that a person establishing himself in a Member State should as a general rule be required to comply with the law of that State in all respects. In contrast, it is less easy to see why a person who is established in one Member State and who provides services in other Member States should be required to comply with all the detailed regulations in force in each of those States. To accept such a proposition would be to render the notion of a single market unattainable in the field of services.

24. For this reason, it may be thought that services should rather be treated by analogy with goods, and that non-discriminatory restrictions on the provision of services should be approached in the same way as non-discriminatory restrictions on the free movement of goods under the 'Cassis de Dijon' line of case-law. That analogy seems particularly appropriate, where, as in the present case, the nature of the service is such as not to involve the provider of the service in moving physically between

Member States but where instead it is transmitted by post or telecommunications (see *Introduction to the Law of the European Communities*, by P. J. G. Kapteyn and P. VerLoren van Themaat, 2nd edition, edited by L. W. Gormley, 1989, pp. 443-452).

25. The truth is that the provision of services covers a vast spectrum of different types of activity. At one extreme, it may be necessary for the provider of the service to spend a substantial period of time in the Member State where the service is provided: for example, an architect supervising the execution of a large building project. In that type of case, the border-line between services and establishment may be a narrow one, and it is arguable that the Treaty merely requires the abolition of discrimination in such a case. Indeed the chapter on services does make an express reference to non-discrimination in that context; the third paragraph of Article 60 provides that:

'Without prejudice to the provisions of the Chapter relating to the right of establishment, the person providing a service may, in order to do so, temporarily pursue his activity in the State where the service is provided, under the same conditions as are imposed by that State on its own nationals.'

26. At the other extreme, the person providing the service might transmit it in the form of a product: for example, he might provide an educational service by posting a series of books and video-cassettes: here there is an obvious analogy with the free movement of goods, and the case might

even be considered to fall under Article 30, rather than under Article 59.

27. It is clear that there may be cases, as the Court recognized in Case 33/74 *Van Binsbergen* [1974] ECR 1299, paragraph 13, where a Member State is entitled to apply its domestic provisions to those established in a second Member State who are providing services in the former's territory: for example, where a person establishes himself in the second State in order to evade necessary professional rules of conduct while continuing to direct his activities to the first State. But I do not think that it can be right to state as a general rule that a measure lies wholly outside the scope of Article 59 simply because it does not in any way discriminate between domestic undertakings and those established in other Member States. Nor is such a view supported by the terms of Article 59: its expressed scope is much broader. If such a view were accepted, it would mean that restrictions on the freedom to provide services would have to be tolerated, even if they lacked any objective justification, on condition that they did not lead to discrimination against foreign undertakings. There might be a variety of restrictions in different Member States, none of them intrinsically justified, which collectively might wholly frustrate the aims of Article 59 and render impossible the attainment of a single market in services. The principle should, I think, be that if an undertaking complies with the legislation of the Member State in which it is established it may provide services to clients in another Member State, even though the provision of such services would not normally be lawful under the laws of the second Member State. Restrictions imposed by those laws can only be applied against the foreign undertaking if they are justified by some requirement that is compatible with the aims of the Community. The case for taking that approach is particularly strong when the service is

provided by means of post or telecommunications without the provider of the service moving physically between Member States.

28. The justification required will depend on the nature of the services and the nature of the restriction. In *Webb* the Court stated (at paragraphs 16 and 17):

‘...regard being had to the particular nature of certain services, specific requirements imposed on the provider of the services cannot be considered incompatible with the Treaty where they have as their purpose the application of rules governing such activities. However, the freedom to provide services is one of the fundamental principles of the Treaty and may be restricted only by provisions which are justified by the general good [*intérêt général*] and which are imposed on all persons or undertakings operating in the said State in so far as that interest is not safeguarded by the provisions to which the provider of the service is subject in the Member State of his establishment.’

29. It is clear from that passage that restrictions on the freedom to provide services must satisfy two conditions in order to escape the prohibition decreed by Article 59: they must be ‘justified by the general good’ (‘general interest’ would be a better term) and they must apply to all persons or undertakings operating in the Member State concerned. The judgment in Case 205/84 *Commission v Germany* [1986] ECR 3755 repeated the above passage and then added the following sentence:

‘In addition, such requirements must be objectively justified by the need to ensure

that professional rules of conduct are complied with and that the interests which such rules are designed to safeguard are protected.’

Although that sentence appears to add a third condition, its real purpose was, I think, to indicate one particular type — perhaps the commonest type — of justification that may be pleaded under Article 59. The sentence would fit into its context more easily if it began ‘In *particular*, such requirements *may* be objectively justified by ...’.

30. It has already been established that the requirements imposed by the RBG appear to satisfy one of the conditions laid down in the Court’s case-law (namely, the condition that they should apply to all persons operating in the State in question). It remains to be seen whether the second condition is satisfied. Hence the essential question that must be asked is whether the German provisions restricting patent renewal services to patent agents and lawyers are justified by the general interest. In particular, are they justified by the need to ensure that professional rules of conduct are complied with?

31. The RBG is stated to have a dual purpose. First, it seeks to protect members of the public against the damage that they might incur as a result of receiving legal advice from unqualified persons (Altenhoff/Busch/Kampmann/Chemnitz, *Rechtsberatungsgesetz, Kommentar*, 8th edition, p. 11). Secondly, it seeks to protect lawyers against unfair competition from unqualified persons not subject to the constraints of a regulated profession (*ibid.*).

32. The first is certainly in itself a legitimate aim. The public must be protected against unqualified laymen who masquerade as lawyers, just as they must be protected against charlatans who pass themselves off as doctors. The second aim is really a variant on the first since it presupposes that there is a public interest in protecting clients against those who are not qualified to provide the service in question.

grave. That is so because a patent does not automatically expire if the renewal fees are not paid on time. Two months after the due date the German Patent Office informs the patent-holder that his patent will lapse if the fees are not paid within a further four months. Although a higher fee is then charged, the amount of the supplement (10% of the normal fee) remains within the limits of an ordinary commercial risk and so does not justify reserving the provision of patent renewal services to the holders of a particular professional qualification.

33. Doubtless there are many services provided by qualified patent agents such as Mr Säger that require the professional expertise of a qualified person bound by the ethical standards of a regulated profession. However, I cannot see that the type of service provided by Dennemeyer belongs to that category. Dennemeyer does not advise its clients on technical aspects of patent law or on the desirability of obtaining or renewing a patent. All that it does is to alert its clients when renewal fees have to be paid in order to prevent a patent from lapsing, request them to state whether they wish to renew the patent and pay the corresponding fees on their behalf if they so desire. Those tasks are essentially of a mechanical nature, as is evidenced by the high level of computerization attained by Dennemeyer. There is no good reason why those activities should be reserved exclusively to lawyers or patent agents.

35. Moreover, regard must be had to the type of clients served by Dennemeyer and other such undertakings. The services in question are not provided to the ordinary, unlearned man-in-the-street. Dennemeyer points out that most of its clients are either patent agents themselves or undertakings that employ qualified patent experts. Obviously such clients are in a position to judge for themselves whether they wish to entrust the monitoring of their patents to a patent agent such as Mr Säger or to a specialist firm such as Dennemeyer. They do not need the 'protection' of the restrictions imposed by the RBG.

34. Any doubts on this point should be dispelled by the observations of the Commission, which has pointed out that the consequences of a breach of duty on the part of a person charged with monitoring German patents would not be particularly

36. Since the question asked by the national court is formulated in terms of a licensing requirement, I will add for the sake of completeness that the considerations set out above apply equally to such a requirement, in particular when it is apparent that a licence cannot in any event be granted for the activity in question.

37. Accordingly, I am of the opinion that the question referred to the Court by the Oberlandesgericht München should be answered as follows:

Article 59 of the EEC Treaty must be interpreted as meaning that an undertaking established in a Member State which provides to persons established in another Member State a patent renewal service, whereby it monitors their patents, informs them when renewal fees are due and pays the fees on their behalf, cannot be prevented from providing such a service on the ground that under the law of the second Member State such activities are reserved to patent agents and lawyers. Nor can such an undertaking be prevented from providing such services on the ground that it does not hold a special licence provided for by the law of the second Member State.