

**Charlie McCreevy**

European Commissioner for Internal Market and Services

**Charlie McCREEVY speaks to the  
European Parliament JURI Committee**

Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort

European Parliament JURI Committee (Committee on Legal  
Affairs)

**Brussels, 21 November 2006**

Mr Chairman, Honourable Members,

It is a pleasure for me to be here today before the Legal Affairs Committee to continue the discussions we had before the summer break. Let me point out some of the key issues for the coming months which might feature prominently in your Committee.

## **Review of the Single Market**

As you know, the Commission is conducting a fundamental and forward-looking Review of the Single Market. This is not routine business. Europe's economic performance needs drastic improvement — despite recent signs of recovery. We need more innovation, if Europe is to keep up with its global competitors. Europe's companies must face the challenge of global competition. Our citizens should benefit from globalisation, not lose out.

Europe's Single Market is a vitally important tool. But we need to be sure it is suited to the challenges of the future. Where it needs to be modernised, we must act. We cannot rest on our laurels. Europe's global competitiveness depends on a modern Single Market.

So today I would like give you an update on our progress in the Single Market review. Then I will focus on two of the priorities as I see them - a modern, light-touch set of company law rules that cuts red tape while ensuring sound corporate governance. And a reform of Europe's intellectual property rules that promotes innovation and rewards those who innovate. When we last met, I undertook to keep you informed of the results of the Public Consultation on the future of the Single Market launched in April.

The consultation showed that an overwhelming majority considers the Single Market a good thing. But we also hear some very clear messages.

The first message is that the Single Market is far from complete. Many stress that a lot has still to be done. And this means that today our firms, our economy cannot operate in the best possible environment.

Another message from the consultation is that consumers and small firms do not always feel they get tangible benefits from the Single Market. We must take that very seriously.

And yet a further message is that Commission should provide a clear, coherent overall vision, and that it should be vigilant in ensuring proper implementation and enforcement of Single Market rules. Cooperation between national authorities should be improved. Infringement proceedings should be speeded up, become more effective, and should focus on real problems.

I hope that it comes as no surprise to you to hear that I subscribe fully to these priorities.

Building on this consultation, we are holding a public hearing on the 29<sup>th</sup> of November which will give us the opportunity to sharpen our view on important practical issues. This is another occasion for us to listen to what people have to say. I am pleased to see that a number of Members of the Parliament have accepted to contribute to the debate.

We will discuss how we can consult better and reach out to *all* stakeholders in the Single Market and not just those best at making their voices heard. We will try to identify what tools we have available, especially alternatives to legislation, that we can use, to shape a modern Single Market. We will explore how to grant citizens and firms effective Single Market rights through better enforcement and problem-solving. And we will discuss what is needed for effective communication policy on the Single Market

Focusing on these practical aspects does not mean that we will lose sight of our political objectives. On the contrary, making the laws on the statute book work in practice is as important, if not more important, than just pouring new legislation into the pipeline. But of course, where we can demonstrate that new legislation is needed to bring about sound reforms, I will make the necessary proposals.

### **Company law and corporate governance**

Company law exemplifies how this policy mix can work. I am determined to give European firms a flexible regulatory framework that serves their needs, rather than imposing unnecessary regulatory burdens on them.

And I am committed to making company law a test case of how we apply Better Regulation principles. All initiatives on company law and corporate governance will build on public consultations and be subject to in-depth regulatory impact assessments.

- Firstly, we need to make sure that companies can fully reap the benefits of the Internal Market. Companies should enjoy full mobility within the EU – which is not the case today. For that reason, I have asked my services to start assessing the impact of a Directive enabling companies to move their registered office from one Member State to another. On that basis, I envisage submitting a proposal for a 14<sup>th</sup> Company Law Directive next spring.
- Secondly, many stakeholders expressed strong support for a Statute for the European Private Company. Your Committee has just voted on a report which also supports this idea. I have asked my services to start work on a study of the feasibility of a European Private Company Statute. We will examine all options for a simple, user-friendly statute which will also meet the needs of small firms.
- However, I am very cautious about introducing a multiplicity of European corporate forms. And I am not yet convinced about the ability of a European Foundation Statute to respond to the specific needs of foundations. Nonetheless, we will pursue our reflection.
- Beyond these individual initiatives, we will launch a simplification scheme to make life easier for companies. We need to simplify the environment in which they operate. We know there still exist unnecessary administrative burdens. We will measure the costs imposed by such burdens and then make proposals on how to remove them. I intend to present a communication on this crucial issue before next summer.
- As you are already aware, I also intend to continue to provoke a lively debate on the issue of proportionality between capital and control of companies.
- Last but not least, there is the separate but linked question of auditor liability. This subject came up last year when we agreed a new 8th Company Law Directive, thanks in large part to the excellent work of Bert Doorn. The Commission agreed to analyse insurability of audit firms and the risk of loosing of one of the so-called Big Four audit firms. I hope I can rely on your support in work on this issue.

## **Intellectual property**

The protection of intellectual and industrial property -- copyrights, patents, trademarks or designs -- is at the heart of a knowledge-based economy and central to improving Europe's competitiveness. This is a priority for reform: grounded on sound economics, not just legal concepts, and concentrating on solutions that foster innovation and investment in real life.

On patents, there is an overwhelming desire for a system which is simpler, more cost-effective and that maintains the highest standards in the quality of its examination and grant procedures. All stakeholders went to great length to convey their views to us. Now, quite rightly, they expect action. This was the gist of my message to the plenary where I addressed this issue on 28 September.

The Commission will shortly be publishing a Communication setting out our proposals for the short and longer term. The initial focus will be on jurisdictional arrangements. We have carefully assessed Parliament's resolution of 12 October on future patent policy in Europe. I share Parliament's wish to explore all possible ways of improving the patent and patent litigation systems in the EU.

I agree that the proposed text for a European Patent Litigation Agreement (EPLA) needs significant improvements in order to bring it in line with Community requirements. I have taken note of concerns about democratic control, judicial independence and litigation costs under the current EPLA proposals. We also believe that there is a need for common implementing provisions such as uniform Rules of Procedure. And we are aware of the constitutional requirements and limitations of certain Member States. The specific concerns of SMEs also need to be taken into account.

My intention is to harness the momentum in the search for a workable compromise. The Community Patent and the EPLA are not mutually exclusive initiatives, indeed our aim should be to ensure that they eventually converge with the Community patent as the ultimate objective.

In both cases our goal is the same: a better, cheaper, more reliable patent system. And we need to deliver now in order to catch up with Europe's main competitors in terms of promotion of innovation and competitiveness. That is what industry expects from us.

But intellectual property is not just patents alone. Copyright is economically just as important.

As you may be aware, the Commission will shortly bring forward an initiative on copyright levies. There has been a great deal of discussion about this measure – not all of it has been well-informed – so I am very pleased to have this opportunity to explain my thinking to the Committee.

We have monitored the application of the Copyright Directive carefully since its adoption in 2001. We have had several consultation exercises, including on the specific question of fair compensation and copyright levies - I was pleased to send the most recent questionnaire to the Committee before the summer. As a result of this work, we have identified a number of problems.

Our point of departure is very clear. We are not in any way challenging the fair compensation provisions of the Directive. Where a rights holder suffers harm as a result of the private copy exception, they should be remunerated.

The Commission has made clear its strong commitment to creativity and innovation, and has stressed the need to have systems in place to ensure that it is properly rewarded. This applies every bit as much in the copyright industries as in any other sector.

However, we are concerned that the operation of some fair compensation schemes may be disrupting trade in the internal market. We also wonder whether consumers are getting as fair a deal as they should, and whether full account is being taken of the increased use of technological means to protect copyright protected works. We also feel that greater clarity and accountability in how schemes operate is in the best interests of all stakeholders.

We are looking for a balanced way forward that protects the interests of all concerned – rights holders, industry, consumers. We want a system of compensation that is predictable, fair and sustainable into the future.

My final remarks are on spare parts and the Commission's proposal on a designs directive. You will agree that it is not sufficient just to talk about creating opportunities for small and medium-sized firms. Here is an opportunity to do something about it.

Now that the study on safety aspects which was commissioned by your Committee has been finalised, I very much look forward to you resuming the discussion on this issue. The study confirms our understanding that the safety aspect is unrelated to the issue of design protection. I therefore hope for the European Parliament's full support for the Commission's proposal. This would have a positive effect on the debate in Council.

Thank you very much for your attention.