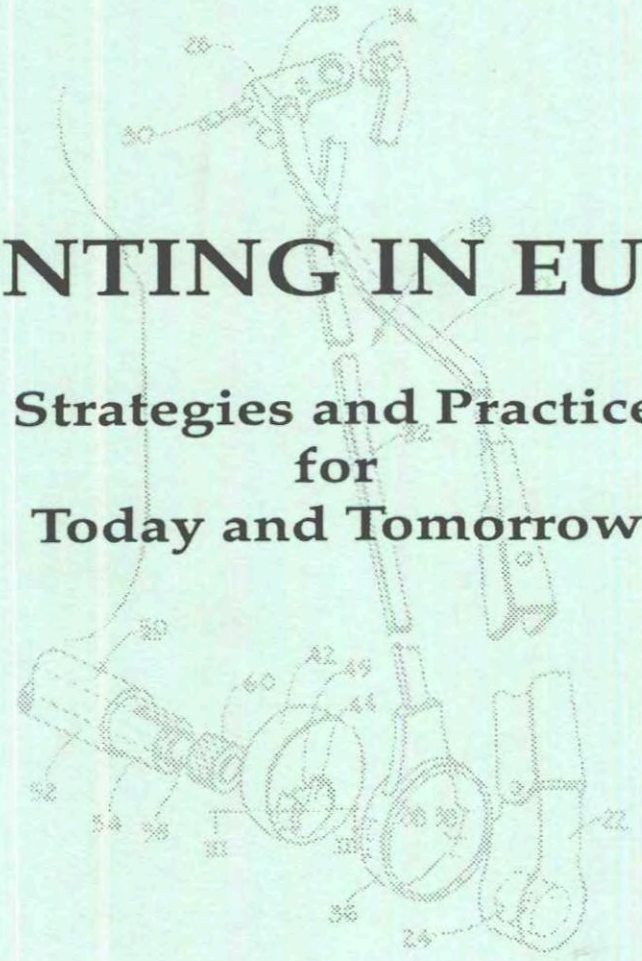
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Course Materials
for



PATENTING IN EUROPE

Strategies and Practice
for
Today and Tomorrow

March 17 & 18, 1992

Tremont House
Boston, Massachusetts

Patenting in Europe : strategies and practice for today and tomorrow

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FRANKLIN PIERCE LAW CENTER
presents

PATENTING IN EUROPE

STRATEGIES AND PRACTICE FOR TODAY AND TOMORROW

March 17 & 18, 1992 — Boston, Massachusetts

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Harold Einhorn is the General Attorney-Technology at Exxon Chemical Company where he spends most of his substantive time on licensing, litigation, and antitrust matters. He received his law degree from Columbia University after obtaining his B.A. and M.A. from N.Y.U.

Mr. Einhorn is author of the two volume treatise, PATENT LICENSING TRANSACTIONS (Matthew Bender & Co.) which he updates regularly, and has published legal articles in various journals.

Mr. Einhorn has lectured widely in the intellectual property field, including the Practising Law Institute, Licensing Executives Society, American Management Association, World Trade Institute, Bridgeport University, and Franklin Pierce Law Center. He is a member of the American Bar Association, New York Patent Trademark and Copyright Law Association, Licensing Executives Society, AIPLA and the Association of Corporate Patent Counsel.

William T. Ellis. "Bill" Ellis currently holds the position of Counsel, Intellectual Property Law for IBM Corporation in Arlington, Virginia, a suburb of Washington, DC. Before becoming counsel in Arlington, he was Assistant Counsel with IBM Corporation in Fishkill, New York, and held various positions with the Office of Naval Research as well as with the firm of Craig & Antonnelli and the U.S. Patent & Trademark Office.

Mr. Ellis is a graduate of the University of Illinois in Electrical Engineering and received his Juris Doctorate degree from Catholic University. A member of the bars of Virginia, District of Columbia and New York, he also maintains membership in the American Bar Association and the American Intellectual Property Law Association, where he has held several positions as Chair of Committees and Subcommittees in both organizations.

Bernhard H. Geissler is Attorney-at-law, Patent Attorney and partner of the Munich firm "Patent- und Rechtsanwälte Bardehle, Pagenberg, Dost, Altenburg, Frohwitter, Geissler & Partner." He is a graduate of Technical University of Munich (physics) and Law School at the University of Munich. In addition, in 1971 he earned a Degree of Dr. jur. from the University of Munich (scope of patent protection for chemical products) and a Master of Comparative Law at George Washington University in 1980.

Technical areas of prior experience include: electrophotography, polyolefins, computer controls of plants, refining technology, mechanical engineering, carbon black and heat exchangers. Dr. Geissler is experienced in all matters of industrial property law and speaks German, English and French.

Philip Gladwin qualified as a solicitor in 1968, after serving an apprenticeship with patent agents Haseltine Lake in London, followed by a spell with Ford Motor Company. Formal education has been through the Law Society Law School with further scientific education under and what was once Regent Street Polytechnic in London.

Having spent more than 30 years in intellectual property practice as a partner in City of London law firms, with an interlude full time in chemical engineering, Mr. Gladwin has decided it is time to go out and meet the ever-growing demand for IPR advice at an affordable cost, by setting up practice in the pleasant countryside within easy reach of London, its airports, and the Patent Office, westward in Wales.

Irwin M. Krittman is a Brooklyn, NY native who received BEE and JD degrees, cum laude, from the City College of New York (1957) and Seton Hall University (1974). From 1957 to 1968, he was a Member of the Technical Staff at RCA Laboratories, receiving its Outstanding Achievement Award in 1962. He joined the RCA Patent Staff in 1968, and was named Patent Counsel (1974), then Senior Patent Counsel (1978). He joined the GE and RCA Licensing Management Operation in 1986, and was named to his present position, Senior Staff Foreign Patent Counsel, in 1989.

Mr. Krittman is a member of the bars of the Supreme Court of New Jersey, the U.S. District Court of NJ, the Court of Appeals for the Federal Circuit, and the Patent and Trademark Office. He is Chairman of the U.S. Bar-EPO Liaison Council, which he helped to establish in 1983, and also a founding member of the AIPLA Japan/U.S. Study Group and U.S. Bar-JPO Liaison Council. A past president of the International Patent Club (1983-1985), he is now a Governor of the Philadelphia Patent Law Association, having chaired its Foreign Laws Committee from 1987 to 1991.

Michael Lantos obtained an M.Sc. degree in electronics at the Technical University of Budapest in 1967, a B.Sc. degree in economics in 1972 and qualified as a patent attorney in 1975.

After five years practice as a research engineer, he joined Patentbureau Danubia in 1972. Between 1976 and 1981, he was the head of the electronic department and in 1981 was appointed as director for management of the company. At the end of 1989 Danubia was changed to a wholly-owned partnership and Mr. Lantos was elected managing partner.

Between 1985 and 1990, Mr. Lantos was the head of the section "Patents and Inventions" at the Hungarian Association for Intellectual Property; thereafter he became a member of the Presidential Board of the Association. He is a member of the Presidential Board of the Hungarian Group of the AIPPI and vice president of the Hungarian Trademark Society. He was appointed by the President of the Hungarian Patent Office as a member of the Expert Committee for the protection of intellectual property. Mr. Lantos is fluent in English and German and is the author of numerous papers dealing with IP matters.

Franz Lederer, European Patent Attorney and German Patentanwalt, is senior partner of the firm of Lederer, Keller and Riederer in Munich, Germany.

Dr. Lederer studied chemistry and graduated as Diplomchemiker and Dr. rer. nat. at the University of Hamburg, Germany, in 1959. He immediately started to work in the field of patents and trademarks, first in industry and then in private practice. Since qualifying as a German Patentanwalt in 1963, he has been a private practitioner and partner of said firm in Munich.

Dr. Lederer is a member of the Board and past president of the German Patentanwaltskammer, member of the Board of the German Association of Intellectual Property and Copyright Law (GRUR) and member of the Executive Committee of the International Federation of Industrial Property Attorneys (FICPI).

Michael N. Meller is the senior member of M.N. Meller & Associates, practicing patent law in New York City. He holds both a B.Ch.E. degree from Pratt Institute in Brooklyn, NY, and a J.D. degree from George Washington University Law School in Washington, DC.

In over 30 years of U.S. and international practice, he has closely followed developments in the U.S. and other patent laws and their interrelationships. He has appeared on many programs in the U.S., Europe and Japan dealing with various patent law topics, both as a panel chairman and frequently as a speaker. In addition to his knowledge of U.S. patent law, because of his extensive international practice in Europe and Asia, he is particularly well known as being knowledgeable about the European Patent Convention and the Patent Cooperation Treaty.

Mr. Meller has been the Chairman of all the key committeees dealing with international patent practice and is currently the Chairman of Committee 102 of the ABA-PTC Section dealing with the International Treaties and Laws and most particularly the Patent Law Harmonization Treaty. He is a past President of the International Patent Club of New York City, the founder and for 14 years Managing Editor of the AIPLA Quarterly Journal, and a former member of the Board of Directors of AIPLA and NYPTCLA.

Mr. Meller is editor of the book published by the Bureau of National Affairs (BNA) entitled INTERNATIONAL PATENT LITIGATION dealing with the differing laws and litigation practices of some 30 countries in the world, as well as the Chairman of the World-Wide Advisory Board of BNA's international publication entitled WORLD INTELLECTUAL PROPERTY REPORT. He also is an Adjunct Professor of Law at Franklin Pierce Law Center in Concord, NH, teaching the course on International Patent Law.

Ronald E. Myrick is Assistant General Counsel and Assistant Secretary of Ditigal Equipment Corporation. He holds a Juris Doctor Degree from Loyola University of Chicago Law School. Prior to assuming his present position, he was Vice President and Counsel of Otis Elevator Company NAO and Vice President and General Counsel of Mostek Corporation. Mr. Myrick is active in various industry and Bar associations. He is presently chairman of the Antitrust Committee of the American Intellectual Property Law Association (AIPLA), as well as chairman of an EC Database Directive Subcommittee of the Patent, Trademark, Copyright Section of the American Bar Association (ABA), and serves on the Civil Justice Advisory Group for the U.S. District Court for the District of Massachusetts. Mr. Myrick has also published a multivolume treatise and several papers relating to the subject of international litigation and obtaining of evidence. Mr. Myrick has been a delegate for Intellectual Property Owners, Inc. (IPO) at meetings of the Committees of Experts for the Berne Protocol and the Patent Harmonization Treaty. He has lectured at meetings and seminars offered by such organizations as WIPO, AIPLA, ABA and the State Bar of Texas.

Sietse U. Ottevangers, partner of Vereenigde Octrooibureaux in The Hague, a firm (founded in 1916) specializing in patent and trademark law, earned a degree in physics from Amsterdam University and degree in law from Leyden University. Mr. Ottevangers has been a Dutch patent attorney since 1972, European patent attorney since the opening of the EPO in 1978, and admitted to the bar of the Supreme Court of The Netherlands since 1979.

Michael Pantuliano graduated from Fordham School of Law in 1956, was admitted to the N.Y. Bar and Patent Office Bar in 1957, and in 1962 received a Masters of Law degree in Trade Regulations from New York University School of Law.

On January 31, 1989, Mike retired from General Electric after 23 years of service. For much of that time, he was Counsel-Adversary Patent Proceedings for the International Patent Operation of GE, and was heavily involved in foreign patent litigation. One week after his "retirement" (2/7/89), Mike joined the Patent Department of Pfizer as Senior Corporate Patent Counsel. At Pfizer, his responsibilities include a heavy emphasis on domestic patent litigation.

While at GE, Mr. Pantuliano was a designated member of the U.S. Intellectual Property Committee for the GATT. Since joining Pfizer, he has been involved in patent harmonization proceedings before the WIPO, Intellectual Property Task Force for the U.S. Chamber of Commerce, and has been cochairman of the Japan-U.S. Study Group of the International and Foreign Law Committee of the AIPLA. For several years, he has been a visiting lecturer on Comparative Foreign Patent Litigation at Franklin Pierce Law Center, and has given numerous lectures before various bar and professional associations on foreign patent litigation. He is also one of Pfizer's designated surrogates (for the CEO) on the Advisory Commission for U.S. Patent Law Reform.

Paul L. Passley is Group Patent Counsel for Monsanto Corporation Research in St. Louis, Missouri.

André Rémond. After his studies as an engineer in chemistry, Mr. Rémond started as a research scientist with Rhône-Poulenc, then became involved in the industrial property department of a large French chemical company where he was responsible for patent, trademarks and industrial property agreements. In 1980, he joined the European Patent Office. After having been in charge of directorates in different fields of chemistry and biotechnology for several years, he is now principal director for Chemistry.

A graduate of the Technical University of Budapest (M.Sc.), **George S. A. Szabo** worked in the pharmaceutical industry in development and management, since 1956, in England (Wellcome Foundation Ltd.). He became Chartered Patent Agent and European Patent Attorney and was manager of patents department until 1980. He was then appointed Member of the Board of Appeals (Chemistry) in the EPO and has been Chairman of a Board (Mechanics) since early 1989. Mr. Szabo has published articles and lectured at various conferences (e.g. Washington Meeting of European and American Patent Judges in 1989).

PREPARATION AND PROSECUTION OF EUROPEAN PATENT APPLICATIONS

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Erhardstrasse 27
D-8000 Munich FRG

Conference at the Franklin Pierce Law Center
March 17, 1992

PREPARATION AND PROSECUTION OF EUROPEAN PATENT APPLICATIONS-AN OVERVIEW

I. GENERAL INTRODUCTION

The European Patent Convention (EPC) has created a single European procedure for the grant of patents in the States which are parties to that convention.

The 15 member States are on the 1st January 1990 Austria, Belgium, Denmark, France, Germany, Greece, Italy, Liechenstein, Monaco, The Netherlands, Portugal, Spain, Sweden, Switzerland, The United Kingdom.

A European Patent confers on its proprietor the same rights as would be conferred by a national patent (Article 64 EPC).

The term of the European Patent is 20 years as from the date of filing of the application (Article 63 EPC). A recent modification of Article 63 now allows for an extension of the term when the invention requires an administrative authorisation before being used.

The European Patent System is a way to get national patents in the Member States. There still exists, however, the so-called "national route" which allows the application in each country for a national patent which is limited to the State concerned.

The European Patent Organization is an International Organization, independent of the European Economic Community (EEC), with a broader coverage than the EEC countries.

It forms the basis for the European patent for the Common Market which might, we hope, soon enter into force. The Community patent will be a European patent granted for the EEC States, giving uniform rights in these States.

The legal requirements for obtaining a European Patent are laid down in the European Patent Convention and its Implementing Regulations. Furthermore, the Guidelines for the examination in the European Patent Office are available to the public, but only the Convention and its Implementing Regulations are authoritative.

Very broadly speaking, European patents are granted for inventions which are new, inventive and succeptible of industrial application. No grace period, except in very special circumstances, exists (Article 55 EPC).

These criteria will not be developed in the scope of this presentation.

II. PREPARING AND FILING A EUROPEAN PATENT APPLICATION

The requirements are the usual ones in countries having an examination system. Broadly speaking, the Office will have to be provided with a Description and Claims accompanied by an Abstract of the invention.

We will try to concentrate on what is special to the European Patent System.

II.1. Who can file

Any natural or legal person, regardless of nationality or place of residence or business (Article 58).

There could be joint applicants (Article 59) who could designate different Contracting States (Article 118).

Applicants not having either a residence or their principle place of business in a Contracting State must be represented in all proceedings, other than in filing the application, by a professional representative (Article 133).

II.2 For which States

When filing, the applicant must designate the Contracting States in which he wishes his invention to be protected (Article 79).

The list cannot be enlarged but may be limited at any time up to the grant.

If no state has been designated the office will as a precautionary measure take that as a designation of all States. (Decision J25/88, O.J.12/1989, page 486).

II.3 In which language

English, French and German (Article 14.1).

Some special arrangements to assist applicants from certain Contracting States (Article 14.2).

The language chosen becomes the language of the proceedings. It may be changed on request (Rule 3) but any amendment to the European patent application or any divisional application will have to be filed in the initial language.

II.4 What the European application should contain

The application must contain (Article 78) :

- a request of the grant of a European patent application,
- a description of the invention,

- one or more claims,
- any drawings,
- an abstract.

II.5 Inventors

- The inventor(s) must be designated (Article 81) within 16 months from the application date or priority date,

- the Office informs the inventor(s).

II.6 Claim to priority

- The EPC constitutes a special arrangement within the meaning of the Paris Convention,

- the 12 months priority applies as for the national patents (Article 87),

- there is no legal remedy in the event of failure to comply with the 12 months timing limit,

- the priority has to be expressly claimed at the time of filing (Article 88.1),

- priority from an earlier European application may be claimed,

- the priority document and a certificate issued by the national authority stating the date of filing of the previous application must be filed within 16 months,

- a translation should be supplied within 21 months if another language has been used,

- failure to comply with the above requirements results in loss of the priority (Article 91.3),

- several priorities may be claimed even from different states (Article 88.2).

II.7 Applications relating to micro-organisms

The written description may be supplemented by a deposit of the micro-organism. Special regulations apply which differ from the US and Japanese one. See Rule 28 EPC.

II.8 Where to file

The application may be filed :

a) at the EPO, Munich, The Hague or Berlin,
b) at the industrial property office of the Contracting States,

either directly or by post.

III. THE DISCLOSURE

The description, drawings and claims constitute the disclosure. The abstract is only for technical information (Article 85).

III.1 The description

The description must include (Rule 27) :

a) a title,
b) the technical field of the invention,
c) the background art as known by the applicant,
d) a disclosure of the invention as claimed, allowing the problem and its solution to be understood, also indicating the advantageous effects, if any,

e) a brief description of the drawings,
f) a detailed description of at least one way of carrying out the invention using examples where appropriate,
g) the indication, if not obvious, of the way in which the invention is capable of exploitation in industry (industrial application requirement).

A different manner or order can be used if it affords a better understanding or a more economic presentation.

There is no requirement to have a best mode described or to use Titles through the description. Also, the requirement in g) above is for the invention to be industrially applicable, not to have "utility" as before the USPTO.

III.2 The claims

Article 84 : "The claims shall define the matter for which protection is sought. They shall be clear and concise and be supported by the description".

The form and content of claims is set out in Rule 29. The main principles are :

- the subject matter should be defined in terms of technical features,

- claims are accepted in the two-parts form or in the one-part,

- an independent claim must contain all the essential features of the invention,

- there may be several independent claims,

- any independent claim may be followed by one or more dependent claims for particular embodiments,

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- dependent claims may refer to different previous independent claims,

- all dependent claims referring back to one or more of the preceding claims must be grouped together,

- the number of claims must be reasonable in consideration of the subject-matter,

- reference in the claims to reference signs in the drawings are encouraged,

- general reference to the description or to the drawings may not be used,

- there may be, in special circumstances, different sets of claims for different designated States.

IV. PATENTABLE SUJECT-MATTER

The EPC gives no definition of the term "inventive" but excludes from patentability, in Article 52(2), as not being inventions, a list of subject matters containing :

a) discoveries, scientific theories and mathematic methods,

b) aesthetic creations,

c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers,

d) presentations of information.

Patentability is excluded but only as far as the patent application is dealing only with such subject-matter.

Also excluded, but for lack of industrial applicability (Article 52(4)), are the methods for treatment of the human or animal body by surgery or therapy and diagnostic methods.

Patents are not granted in respect of inventions which would be contrary to the "ordre public" or morality (Article 53(a)).

Plants and animals are also the subject of reservations (Article 53(b)).

V. THE EUROPEAN EXAMINATION PROCEDURE-MAIN PRINCIPLES

The examination procedure is in two-parts :

- the 1st part is mandatory and leads to the publication of the European patent application and the Search Report

- the 2nd part takes place only at the applicant's request and leads to the grant or refusal of the patent.

Following the grant of the patent, the file is opened to opposition within a certain delay.

V.1. FIRST PART OF THE EXAMINATION

Publication : The first part, takes place in The Hague or Berlin. After a formality examination by the Receiving Section, the application will be published (Article 93) :

- as soon as possible after 18 months,
- earlier on request.

The publication will not occur if the patent is withdrawn before the terminaiton of the technical preparations for publication.

Search : The search is performed by specialized Search Examiners using the proper documentation in The Hague and Berlin and the most modern computer data bases.

The Search Report (Article 92) is a list of pertinent documents indicating :

- the relevant parts of the documents,
- the claims which they concern,
- the category of the documents as according to the PCT.

There is no opinion expressed as to the patentability of the invention, but a lack of unity objection might have been made (Rule 46).

The Search Report is sent to the applicant and from the date of the mention of its publication in the Bulletin starts a 6 months delay to enter in the second phase : the Substantive Examination.

V.2. SECOND PART-SUBSTANTIVE EXAMINATIONt

Request : Substantive examination has to be requested by the applicant and an examination fee paid (Article 94).

The file is then sent to Munich and allocated to an Examination Division.

Procedure : The Examination Division, consists of three technical examiners but may, on its request, be enlarged to incorporate a legal member. One of the members of the division is in charge of the file. The other members are more acting as advisers for the 1st one. The decision whatever it is, grant or refusal, will be taken by the division.

It is important to note that the decision is not a decision of the Office or of the President of the Office but a decision of the Board of Examiners.

The examination procedure is most often a written procedure. The Examining Division inviting the applicant in a reasoned communication to file its observations and, where appropriate, to amend the claims, description or drawings, within a certain time limit (Article 96).

The normal time limit is 4 months with an "automatic" extension up to 6 months on request. Any further extension has to be justified (O.J. 5/1989, page 180).

If the applicant fails to reply within the given time limit, the application is deemed to be withdrawn. The applicant may, however, under payment of a tax, request the further processing of the application and complete the omitted act (Article 121). No grounds have to be given. The request has to be filed within two months of the notification that the patent application was refused or deemed to be withdrawn.

There is no limit either on the amount of communications from the examiners or on the length of the examination procedure. In order to speed up the procedure it is sometimes advisable, and examiners are encouraged to do so, to have a telephone conversation or arrange a meeting with the applicants.

On request of the applicant or the examining division an official Oral Hearing (Article 116) may also take place.

Amendments : The application may not be amended before receipt of the Search Report (Rule 86(1)).

- After receiving the Search Report and before the 1st communication from the Examining Division, the applicant may, of its own volition, amend the application (Rule 86(2)).

- After the 1st communication, the applicant can amend once more together with its reply to the communication. Further amendments may be refused by the Examining Division (Rule 86(3)). The aim is, however, practically to refrain an abuse by applicants of the possibility to amend.

Amendments to the European patent application should not extend beyond the contents of the application as filed (Article 123). However, examples or statements of advantages of the invention filed subsequently may be taken into account as evidence in support of the patentability. This technical information will be added to the part of the file which is opened to the public and an appropriate mention will be printed on the cover page of the patent specification.

Divisional Applications : Divisional applications may be filed (Article 76) at any time until approval of the text in which the European patent is to be granted (Rule 25). The designated contracting States should remain the same (Article 76(2)).

The divisional application which does not extend beyond the content of the earlier application, keeps the filing date, or priority date, of that earlier application.

The divisional application is, as far as fees are concerned, handled as a new European application.

Observations by third parties (Article 115) : Any person may present observations in writing concerning the patentability of the invention during the substantive examination phase. That

person shall not be a party to the proceedings. The observations are considered by the Examining Division and sent to the applicant for comment.

V.3. BEST Project

BEST means Bringing Examination and Search Together. This project is now running as a test. It started with a few Search examiners in The Hague who were trained to do also the substantive examination (but no opposition work). It is foreseen this year to have about 100 search examiners involved. Similarly we are now to start the equivalent project with the Substantive Examiners who will do also the Search.

VI. OPPOSITION PROCEDURE

Within nine months from the publication of the mention of the grant of the European patent, any person may give notice to the EPO for opposition to the European patent granted (Article 99).

The grounds for opposition are limited in Article 100 to the following :

- lack of novelty, inventive step, or industrial applicability.
- the subject matter is excluded from patentability,
- the patent extends beyond the content of the application as filed,
- insufficiency of the disclosure.

If the opposition is admissible the Patentee is invited to file its observations and, where appropriate, to file amendments (Rule 57). These are communicated to the other parties.

The Opposition Division, which has to be partially different from the Examining Division (Article 19), will then examine the grounds and, if necessary, invite the parties to file further observations. The procedure will lead either to :

- revocation of the patent,
- rejection of the opposition,
- maintenance of the patent but in an amended form approved by all parties.

VII. APPEAL

Decisions of the Receiving Section, Examining and Opposition Divisions and the Legal Divisions are subject to appeal (Article 106) before the Boards of Appeal of the EPO.

The notice of appeal has to be filed within two months after the date of notification of the decision appealed from and a fee paid (Article 108).

Within four months from the same date, the written statement setting out the grounds of appeal must be filed (Article 108).

The appeal procedure is very similar to the examining/opposition procedure. It is held before a board of three members among them one of them is a lawyer. If the Examining/Opposition Division was a four members divisin, the Appeal Board will have five members.

Finally, in special circumstances, mainly on disputed points of law, an enlarged Board of Appeal may be appointed.

The Boards are part of the European Office. They, however, decide independently from any instruction and are only bound by the Convention.

PART II

Selected topics in opposition procedure

Admissibility

1. Rule 55(c) EPC requires the opponent to provide "an indication of the facts, evidence and arguments" presented in support of the grounds of opposition.

2. Rule 55(c) is satisfied only if "the opponents case can be properly understood on an objective basis" (T222/85). The EPO and the patent proprietor must be able to understand the case without further investigation (T2/89). Thus, the requirements of Rule 55(c) are not satisfied if the opponent merely makes a general reference to several documents or a general reference to one document containing several teachings. It is necessary to identify which document or which part of a document is being presented to support which argument (T449/89).

3. An opposition could be declared inadmissable by the Opposition Division under Rule 56(1) EPC even after a communication under Rule 57(1) indicated that the opposition was admissable. This is because the Rule 57(1) communication is not a decision of the Opposition Division (T222/85).

Late-filed documents

1. The 9-month opposition period was designed to give sufficient time for an oppoennt to present a complete case against the opposed patent. Documents filed in evidence after the expiry of this period could be disregarded under Article 114(2) as being not submitted in due time.

2. However, it was decided in T156/84 that Article 114(1), under which the Opposition Division shall examine the facts of its own motion, takes precedence over Article 114(2). The reason is that the EPO has a duty vis-à-vis the public not to maintain patents which it is convinced are not legally valid.

3. Nevertheless, Article 114(2) has not lost its purpose. If the Opposition Division concedes that the late-filed documents are not material to the issues to be decided, it may disregard them without giving detailed reasons for so doing.

4. Note that the documents considered in the examination proceedings on the corresponding European application are not automatically included in the opposition proceedings (T198/88). Opposition proceedings are independent and are not a continuation of the examination proceedings.

Late-filed requests for amendment

1. Requests for amendment in opposition proceedings should be filed as soon as possible. Although not bound by Rule 86(3), which applies only to examination proceedings, the Opposition Division may refuse to consider very late-filed requests (eg. alternative claims) if such requests are not clearly allowable (see OJ 10/84 page 494).

2. This principle was confirmed by T153/85, which states that clearly an Opposition Division exercises a discretionary power in relation to requests for amendment in proceedings before it, having regard to the context of such proceedings.

Powers and duties of the Opposition Division:
Extent of examination

1. At the present time there are two conflicting views - two conflicting philosophies, in fact - regarding the obligations of the Opposition Division. These views may be summarised as follows:

a) Opposition proceedings form an exception to the general rule that the EPO has no jurisdiction over an EP after grant. The opposition procedure is an exceptional procedure whereby, during a limited period of time, centralised action for revocation of an EP may be bought before, and decided by the EPO. The Opposition Division is, in fact, deciding on the rights of a patent proprietor in the period in which these rights normally come within the competence of national authorities. The Opposition Division should not interfere unnecessarily with these rights.

Consequently, the activities of the Opposition Division should be limited to considering only the grounds of opposition substantiated by the opponent (and amendments arising out of those grounds) and to those parts of the patent which have been attacked by the opponent.

This "narrow" view is followed in decisions such as T117/86, T406/86, T9/87, T320/88, T648/88 and is most explicitly set out in T182/89.

b) For an opposition to be admissible, it is sufficient if one ground of opposition is alleged and supported by evidence. Nevertheless, the Opposition Division must examine all the grounds of opposition. Regardless of the extent of the opponents' attack (certain grounds or certain parts of the patent), the Opposition Division has an over-riding duty to the public not to knowingly

maintain invalid patents. This principle is enshrined in Article 114(1) EPC, which states that the EPO shall examine the facts of its own motion. It is the task of the Opposition Division under Article 101 to examine whether the grounds of opposition mentioned in Article 100 prejudice the patent, not merely the grounds mentioned by the opponent.

This "wide" view is followed in decisions such as T156/84, T266/87, T197/88, T393/89 and is most explicitly set out in T493/88 (see OJ 7/91 for a report of T493/88 v T182/89).

2. Put another way, there is a conflict as to the correct interpretation of Article 114(1). Is Article 114(1) subject to Article 101 (T182/89) or is it not (T493/88)? At present, Opposition Divisions are recommended to follow the "wide" line (b) rather than the "narrow" line (a), with the proviso that T493/88 goes perhaps too far when it states that the Opposition Division must examine all the grounds of opposition.

3. Hopefully, this conflict will soon be resolved by the Enlarged Board of Appeal, to which the following questions have been put (T580/89):

a) Is the power of an Opposition Division ... to examine and decide on the maintenance of an EP under Articles 101 and 102 dependent upon the extent to which the patent is opposed in the Notice of Opposition pursuant to Rule 55(c) EPC?

b) If the answer is yes, are there any exceptions to this dependence?

4. With regard to amendments the Opposition Division must establish that the amended text meets the requirements

of the EPC. However, this obligation extends only to amendments made in response to the grounds of opposition or to any consequential amendments which arise. Article 102(3) does not give a licence to the parties to make amendments in, or to raise objections to, those parts of the text which are not affected by the grounds of opposition (T301/87, T406/86, T295/87, T89/89).

5. When substantive amendments are made to a patent (in response to the opposition, the Opposition Division has the power to deal with grounds or issues arisng from the amendments even if they are not specifically raised by the opponent (T227/88). The Opposition Division has the power, but not the duty to so so (T337/88).

Preparing, Filing and Prosecuting European Patent Applications

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A1 Patentable Subject Matter

Legal provisions:

Article 52 EPC

Patentable inventions

(1) European patents shall be granted for any inventions which are susceptible of industrial application, which are new and which involve an inventive step.

(2) The following in particular shall not be regarded as inventions within the meaning of paragraph 1:

(a) discoveries, scientific theories and mathematical methods;

(b) aesthetic creations;

(c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;

(d) presentations of information.

(3) The provisions of paragraph 2 shall exclude patentability of the subject-matter or activities referred to in that provision only to the extent to which a European patent application or European patent relates to such subject-matter or activities as such.

(4) Methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised on the human or animal body shall not be regarded as inventions which are susceptible of industrial application within the meaning of paragraph 1. This provision shall not apply to products, in particular substances or compositions, for use in any of these methods.

Article 53 EPC

Exceptions to patentability

European patents shall not be granted in respect of:

(a) inventions the publication or exploitation of which would be contrary to "ordre public" or morality, provided that the exploitation shall not be deemed to be so contrary merely because it is prohibited by law or regulation in some or all of the Contracting States;

(b) plant or animal varieties or essentially biological processes for the production of plants or animals; this provision does not apply to microbiological processes or the products thereof.

Article 57 EPC

Industrial application

An invention shall be considered as susceptible of industrial application if it can be made or used in any kind of industry, including agriculture.

Practical Implications

Methods for treatment of the human or animal body not patentable.

Borderline: Gr 05/83 "Second medical indication" (O.J. EPO 1985,64)

I. A European patent with claims directed to the use may not be granted for the use of a substance or composition for the treatment of the human or animal body by therapy.

II. A European patent may be granted with claims directed to the use of a substance or composition for the manufacture of a medicament for a specified new and inventive therapeutic application.

Cosmetic treatments are not excluded.

Borderline T 144/83 "Appetite suppressant/DUPONT" (O.J. EPO 1986/301)

The fact that a chemical product has both a cosmetic and therapeutic effect when used to treat the human or animal body does not render the cosmetic treatment unpatentable (as in the present case where it may be used to cause loss of weight or to cure obesity).

Diagnostic methods practised on the human or animal body not patentable

Borderline: T 385/86 "Non-invasive measurement/BRUKER" (O.J. EPO 1988, 308)

I. The only diagnostic methods to be excluded from patent protection are those whose results immediately make it possible to decide on a particular course of medical treatment. Methods providing only interim results are thus not diagnostic methods in the meaning of Article 52(4), first sentence EPC, even if they can be utilised in making a diagnosis.

II. A method involving interaction with the human or animal body is susceptible of industrial application if it can be used with the desired result by a technician without specialist medical knowledge and skills.

III. As an exclusion clause, Article 52(4), first sentence, EPC must be narrowly construed. A diagnostic method is practised on the human or animal body in the meaning of this provision only if both examination and establishing the symptoms on the basis of the examination results are performed on a living human or animal body.

Animal varieties not patentable

Borderline: T 19/90 "Onco-mouse"/HAVARD (O.J. EPO 1990,476)

I. The exception to patentability under Article 53(b) EPC applies to certain categories of animals but not to animals as such.

II. In particular in the case of genetic manipulation of animals involving, as in this case, the insertion of an activated oncogene, there are compelling reasons to consider the provisions of Article 53(a) EPC in relation to the question of patentability.

Plant varieties and essentially biological processes for the production of plants not patentable:

Guidelines C IV 3.4

> . . a plant or animal to improve its properties or yield or to promote or suppress its growth e.g. a method of pruning a tree, would not be essentially biological since although a biological process is involved, the essence of the invention is technical; the same could apply to a method of treating a plant characterised by the application of a growth-stimulating substance or radiation. The treatment of soil by technical means to supress or promote the growth of plants is also not excluded from patentability

T 320/87 "Hydrid plants/LUBRIZOL" (O.J. EPO 1990, 71)

> *I. Whether or not a (non-microbiological) process is to be considered as "essentially biological" within the meaning of Article 53(b) EPC has to be judged on the basis of the essence of the invention taking into account the totality of human intervention and its impact on the result achieved (cf. point 6 of the reasons).*
>
> *II. Hybrid seed and plants from such seed, lacking stability in some trait of the whole generation population, cannot be classified as plant varieties within the meaning of Article 53(b) EPC*

A2 What constitutes Prior Art?

Novelty of an invention is judged by comparison with the prior art or "state of the art" as it is termed in the European Patent Convention.

Art. 54 EPC (1.) An invention shall be considered to be new if it does not form part of the state of the art.

What constitutes prior art is defined in

Art. 54 EPC (2.) *The state of the art shall be held to comprise* everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.

This definition should be supplemented to remove any doubts by:

"everywhere in the world":	so there is no geographical limitation like in the old British and German laws
and	
made available "by anybody":	thus including the inventor himself

There is no "grace period" like in the old German law or like in the US except for the extremely restricted provision in

Art. 55 EPC

> (1) For the application of Article 54 a disclosure of the invention shall not be taken into consideration if it occurred no earlier than six months preceding the filing of the European patent application and if it was due to, or in consequence of:
>
> (a) an evident abuse in relation to the applicant or his legal predecessor, or
>
> (b) the fact that the applicant or his legal predecessor has displayed the invention at an official, or officially recognised, international exhibition falling within the terms of the Convention on international exhibitions signed at Paris on 22 November 1928 and last revised on 30 November 1972.
>
> (2) In the case of paragraph 1(b), paragraph shall apply only if the applicant states, when filing the European patent application, that the invention has been so displayed and files a supporting certificate within the period and under the conditions laid down in the Implementing Regulations.

A totally different approach compared to the US is taken by the EPC with respect to senior but not prior published patent applications. This is determined by

Art. 54 (3.) Additionally, the content of European patent applications as filed, of which the dates of filing are prior to the date referred to in paragraph 2 and which were published under Article 93 on or after that date, shall be considered as comprised in the state of the art.

and (4.) Paragraph 3 shall be applied only in so far as a Contracting State designated in respect of the later application, was also designated in respect of the earlier application as published.

Note that only European patent applications, not national patent applications, and only in so far as they designate the same countries are relevant in this respect.

However, such senior European patent applications are relevant only with respect to novelty, but they are not taken into account when considering inventive step as is determined in

Art. 56 An invention shall be considered as involving ar inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art. I the state of the art also includes documents within the meaning of Article 54, paragraph 3, these documents are not to be considered in deciding whether there has been an inventive step.

Please also note that the prior patent application is taken into account with its priority date and not with its filing date in the EPO (compare Hilmer-doctrine).

A3 Preparing Specification

Legal provisions:

Art. 83 EPC

The European patent application must disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art.

Rule 27 EPC

(1)* The description shall:

(a) specify the technical field to which the invention relates;

(b) indicate the background art which, as far as known to the applicant, can be regarded as useful for understanding the invention, for drawing up the European search report and for the examination, and, preferably, cite the documents reflecting such art;

(c) disclose the invention, as claimed, in such terms that the technical problem (even if not expressly stated as such) and its solution can be understood, and state any advantageous effects of the invention with reference to the background art;

(d) briefly describe the figures in the drawings, if any;

(e) describe in detail at least one way of carrying out the invention claimed using examples where appropriate and referring to the drawings, if any;

(f) indicate explicitly, when it is not obvious from the description or nature of the invention, the way in which the invention is capable of exploitation in industry.

(2) The description shall be presented in the manner and order specified in paragraph 1, unless because of the nature of the invention, a different manner or a different order would afford a better understanding and a more economic presentation.

- The description does not need to be readily comprehensible by anybody but only by the person skilled in the art. Therefore avoid lengthy explanations of subject matter which belongs to the general knowledge of a person skilled in the art (cost saving). However define specific terms which are used in a specific manner or perhaps only within specific industries in the US.

- There is no best mode requirement.

- Advantages obtained by the invention (Problem/Solution Approach).

- Avoid theoretical explanations.

- "Incorporation by reference" effective, if at all, only if it relates to a prior publication, ineffective if it relates to US-Serial.

- Incorporate the subject matter of all claims into the description, preferably with the same wording (Art. 84).

- Incorporate sufficient draw-back positions.

- Avoid unclear terms (high-temperature, high velocity) without defining them precisely (of above 100°C, preferably above 120°C) so that they can be used for restricting the claims.

- Remember that the specification at least at a later stage in the prosecution must be translated. Therefore, to avoid translation errors, use plain language, avoid sophisticated or slang expressions and wording. Avoid unnecessary repetitions and keep specification short to cut down on translation costs.

- Remember that clarification and/or amendments after filing are not admissible (Art. 123(2)). There is no cip!

Only correction of obvious errors is possible:

Rule 88 EPC

> Linguistic errors, errors of transcription and mistakes in any document filed with the European Patent Office may be corrected on request. However, if the request for such correction concerns a description, claims or drawings, the correction must be
>
> obvious in the sense that it is immediately evident that nothing else would have been intended than what is offered as the correction.

Risk of validity of the granted patent (Art. 100(c), Art. 138(1c))

- Supplementary description by deposition (of biological matter)

Rule 28 EPC

> 1.) If an invention concerns a microbiological process or the product thereof and involves the use of a micro-organism which is not available to the public and which cannot be described in the European patent application in such a manner as to enable the invention to be carried out by a person skilled in the art, the invention shall only be regarded as being disclosed as prescribed in Article 83 if:
>
> (a) a culture of the micro-organism has been deposited with a recognised depositary institution not later than the date of filing of the application;
>
> (b) the application as filed gives such relevant information as is available to the applicant on the characteristics of the micro-organism;
>
> (c) the depositary institution and the file number of the culture deposit are stated in the application.
>
> 2.) .....
>
> 3.) The deposited culture shall be available upon request to any person from the date of publication of the European patent application and to any person having the right to inspect the files under the provisions of Article 128, para-

Rule 28 also applicable to plasmides, cell cultures and other biological material.

- Availability of deposited material:

T 39/88 "Micro-organisms/CPC" (O.J. EPO 1989, 499)

There may be a deficiency in complying with Rule 28 EPC when the deposit of a culture of a micro-organism, originally made under other legislation, was not converted into a deposit under Rule 28 EPC or the Budapest Treaty before the filing of a European patent application.

- Depositor and patent applicant must be identical:

T 118/87 "Amylolytic enzymes/CPC" (O.J. EPO 1991, 474)

II. The applicant of an invention for a microbiological process and the depositor of a micro-organism must in principle be one and the same. Exceptionally it is justified to consider the parent company and subsidiary as one entity for the purposes of Rule 28 EPC, if the parent company has full control of the deposits made by the subsidiary company.

A4 Preparing Claims

Legal provisions:

Article 84 EPC

The claims shall define the matter for which protection is sought. They shall be clear and concise and be supported by the description.

Rule 29 EPC

(1) The claims shall define the matter for which protection is sought in terms of the technical features of the invention. Wherever appropriate, claims shall contain:

(a) a statement indicating the designation of the subject-matter of the invention and those technical features which are necessary for the definition of the claimed subject-matter but which, in combination, are part of the prior art;

(b) a characterising portion – preceded by the expression "characterised in that" or "characterised by" – stating the technical features which, in combination with the features stated in sub-paragraph (a), it is desired to protect.

(2) Subject to Article 82, a European patent application may contain two or more independent claims in the same category (product, process, apparatus or use) where it is not appropriate, having regard to the subject-matter of the application, to cover this subject-matter by a single claim.

(3) Any claim stating the essential features of an invention may be followed by one or more claims concerning particular embodiments of that invention.

(4) Any claim which includes all the features of any other claim (dependent claim) shall contain, if possible at the beginning, a reference to the other claim and then state the additional features which it is desired to protect. A dependent claim shall also be admissible where the claim it directly refers to is itself a dependent claim. All dependent claims referring back to a single previous claim, and all dependent claims referring back to several previous claims, shall be grouped together to the extent and in the most appropriate way possible.

(5) The number of the claims shall be reasonable in consideration of the nature of the invention claimed. If there are several claims, they shall be numbered consecutively in arabic numerals.

(6) Claims shall not, except where absolutely necessary, rely, in respect of the technical features of the invention, on references to the description or drawings. In particular, they shall not rely on such references as: "as described in part ... of the description", or "as illustrated in figure ... of the drawings".

(7) If the European patent application cont drawings, the technical features mentioned in claims shall preferably, if the intelligibility of claim can thereby be increased, be followed by erence signs relating to these features and pla between parentheses. These reference signs s not be construed as limiting the claim.

- Claims are important for the extent of the protection conferred by a European patent (Art. 69 EPC). Claims are also important for providing a basis for possible restrictions of the patent after grant.

- The main claim should be the broadest claim. Dependent subclaims should be directed to single specific features.

- Combination of features is safeguarded by the dependency of the claims. Therefore repetition of features is not required and should be avoided.

- There is no limitation as to multiple dependent claims.

- Markush-type claims are permissible.

- The problem of broad claims is not only one of the Patent Offices, but also one of the applicants:

  The broader a claim - the greater the danger that it may be invalidated

  The narrower a claim - the greater the likelihood that it is valid.

- Different claim categories are possible, and several claim categories are allowable in one application:

claims to a physical entity	(product claims, apparatus claims)
claims to an activity	(process claims, use claims)

- Typical claim categories for an invention comprising a novel chemical substance useful as pharmaceutical:

1.) Pyridine derivatives having the general formula....(I)

(Substance claim confering broadest protection for the substance, for any process of preparing the substance and for any use of the substance).

2.) Pyridine derivatives according to claim 1 for use as a medicament.

(Substance claim limited to medical use, useful if the substance turns out to be not novel, but never had been described as a medicament. Such a claim structure is possible due to Article 54(4) EPC).

3.) Use of a pyridine derivative according to claim 1 for the manufacture of a medicament for therapeutic application.

(Use claim of similar scope as claim 2; in case of first medical use the "therapeutic application" may be general, not limited to a specific therapeutic use).

4.) Use of a pyridine derivative according to claim 1 for the manufacture of a medicament for the treatment of desease Y.

(Use claim applicable for the second or any subsequent medical use. Useful if substance turns out to have been known already as a medicament.)

5.) Pharmaceutical composition (or medicament) comprising a pyridine derivative according to

claim 1 and a suitable carrier or diluent.
(Claim on a composition of matter of similar scope as claim 3).

6.) Process for making a pyridine derivative according to claim 1 characterized by

a) reacting compound A with compound B or
b) reacting compound A with compound C or
c) reacting compound D with compound F
.....
.....

(Several analogy processes can be claimed in one claim so to cover all reasonable manufacturing processes. Such a process claim is necessary for "process countries", in countries where product claims are available of little value.)

- In case a chemical subtance cannot be defined by its chemical structure but only by the process for its preparation, a product-by-process claim is permissible drafted in a generalized manner:

Substance X (definition as far a possible)
obtainable by the process.....
(definition of the process).

The term "obtainable" implies that protection is conferred not only to the substance when obtained by said process, but to any identical substance also if obtained by a different process.

A claim to the substance when "obtained" by said process is not required when the process is claimed, because

protection is conferred automatically by virtue of Article 64(2) EPC

> (2) If the subject-matter of the European patent is a process, the protection conferred by the patent shall extend to the products directly obtained by such process.

- An apparatus claim should not only list the different parts but should indicate how these parts are interrelated. This does not only improve the understanding of the claim, but may even broaden the scope of protection by opening the possibility to include equivalents.

- An apparatus claim should contain reference numbers from the drawings. The mention of reference numbers in the claims does not limit the claim.

- Wherever applicable the claims should be in the two-part formulation:

  In the pre-characterizing clause those features should be mentioned, which are also present in the prior art document which is considered nearest to the invention (however only those features which are present in <u>one</u> piece of prior art, do never combine features from more than one piece of prior art, such a combination may be already part of the invention).

  In the characterizing clause mention the additional features or how the known features have been modified according to the invention.

In chemical subtance claims, in use claims or when the only relevant prior art is a senior European patent application falling within the terms of Article 54(3) the two-part formulation should be avoided.

- Omnibus claims are not allowable.

- By skilful back-reference of the claims the number of claims can be reduced, thereby considerable cost-saving can be obtained in view of the claim fees for all claims above 10.

B Filing of a European Patent Application

There are only few but essential requirements for an effective filing of a European patent application:

1.) A request for the grant of a European patent. In case of an US-applicant it should be signed by the European professional representative (European patent attorney). Signature of applicant or inventor not required.

2.) Designation of the Contracting States in which protection is desired. The list cannot be extended or altered after filing (it can be limited, however). The EPC presently embraces the following States:

Austria
Belgium
Switzerland and Liechtenstein
Germany
Denmark

Spain
France
United Kingdom
Greece
Italy
Luxembourg
Monaco
Netherlands
Portugal
Sweden

3.) Information necessary for indentifying the applicant

4.) A description of the invention complying with the requirements of the EPC including drawings if applicable. The description cannot be supplemented at a later stage and the disclosure cannot be altered. The possibilities for amendment are extremely limited.

5.) At least one claim. Claims can be added and the claims can be altered, also broadened, at a later stage as far as they are based on the original disclosure of the description.

6.) If a priority should be claimed, the date and state of the previous filing must be stated on filing the European patent application (Rule 38 EPC).

Requirements which still can be attended to after filing of the European patent application include:

a) payment of filing fee (within one month after the filing date)

search fee (within one month after the filing date)

designation fees (if a priority is claimed, within 12 months after the priority date or within one month after the filing date, whatever period expires later)

claims fee (within one month after the filing date)

b) filing of an abstract

c) designation of inventor (within 16 months after filing resp. priority date, Rule 42, Article 91(5)

d) official reference of priority application (within 16 months after priority date)

e) certified copy of the priority application (wihtin 16 months after priority date)

f) translation of the priority application if not in English, German or French (within 21 months after priority date)

g) authorisation (power of attorney) for the professional representative (European patent attorney) only if in an exceptional case requested by the EPO.

Although the right to a European patent belongs to the inventor, in the proceedings before the European Patent Office

the applicant shall be deemed to be entitled to exercise the right to the European patent (Art. 60).

The European patent application may be filed by two or more applicants designating different Contracting States (Art. 59).

The European patent application may be filed and prosecuted in one of the Official languages: English, German or French. The language of the original specification determines the language of the procedure.

No signature of the applicant and no signature of the inventor(s) are needed.

C Prosecuting a European Patent Application

After the European patent application has been filed applicant in due time will receive a notification of the European Patent Office with the information when the application will be published. The publication date will be not earlier than 18 months after the filing date, resp. after the priority date, if a priority is claimed.

A European patent application provisionally confers upon the applicant from the date of this publication such protection in the designated States as is provided for by the National Law in said designated States. Every State must ensure at least, that from the date of publication the applicant can claim a reasonable compensation from any person who makes use of the invention in said state in circumstances where that person should be liable under National Law for infringement of a National patent. (Art. 67 EPC).

Any Contracting State which does not have as an Official language the language of the proceedings of the European patent application may prescribe that this provisional protection shall not be effective until such time as a translation of the claims into its Official language has been made available to the public or has been communicated to the person using the invention in said state.

To obtain provisional protection in Germany it is required to file a German translation of the published claims with the German Patent Office.

The European patent application should be published together with the European search report (A1 document). If this is not possible because the European search report has not yet been drawn up at the time of the publication of the European patent application, the European patent application will be published without the search report (A2 document) and the search report will be published separately at a later date (A3 document).

The European search report lists the documents considered to be relevant in different categories. The following categories are used:

X: particularly relevant if taken alone
Y: particularly relevant if combined with another document of the same category
A: technological background
O: non-written disclosure
P: intermediate document (published between priority date and filing date)
T: theory or principle underlying the invention
E: earlier patent document, but published on, or after the filing date (see Article 54(3))
D: document cited in the application
L: document cited for other reasons

The search report also states to which claims the document is considered to be relevant.

Annexed to the European search report the EPO provides a list of the patent family members relating to the patent documents cited in the European search report. Therefore the applicant who is confronted for instance with a French patent document may find in this list the equivalent US patent which might be easier for him to read, however it is dangerous to rely on the corresponding document only.

The European search report is transmitted to the applicant immediately when it has been drawn up and before it is published. Therefore upon receipt of the search report the applicant may withdraw the application if he considers that there is little point in taking it further and thereby prevent its publication (provided that the technical preparations for the publications have not been completed, which is 10 weeks before expiry of the 18th month following the date of filing or, if priority is claimed, following the date of priority (President EPO - O.J. EPO, 1978, 312)).

It should be noted that the search report is drawn up on the basis of the claims only and will not consider features hidden in the description. Therefore, if such features during prosecution of the application are taken up into the claims the examiner may supplement the search.

Before receiving the European search report the applicant may not amend the description, claims or drawings of the application in any way (Rule 86(1)), unless it is to remove obvious errors in the sense that it is immediately evident that nothing else would have been intended than what is offered as the correction ((Rule 88).

It has been suggested that applicant after having received the European search report and before receipt of the first Official Action by the examiner should, of his own volition, amend the

claims to ease examination. In view of my experience I do not recommend to amend the claims in response to the outcome of the search. I believe it is a waste of effort (and money) with dubios result because applicant may restrict his claims more than might be required by the examiner. It is true, that Rule 86 provides that after receipt of the first Official Letter from the examiner the applicant may, of his volition, amend the claims only once and that no further amendment may be made without the consent of the Examining Divison, but I never experienced any problems when making further amendments for which I can state reasons to the examiner.

The EPO examines the application only on written request. The request for examination is only effective after the examination fee has been paid. The request for examination has to be filed up to the end of six months after the date on which the European Patent Bulletin mentions the publication of the European search report. If the request for examination has not been filed by the end of this period the patent application shall be deemed to be withdrawn (Article 94).

If the request for examination has been filed and the examination fee has been paid already before the European search report has been transmitted to the applicant, the EPO will invite the applicant after the transmission of the report to indicate, whether he desires to proceed further with the European patent application. If applicant fails to reply in due time the application shall be deemed to be withdrawn (Article 96). In this case the examination fee will be refunded (Rules Relating to Fees, Art. 10b). So without financial risk the examination fee could be paid already together with the other fees at the time of filing the European patent application.

A refund of the examination fee in full is possible, if the European patent application is withdrawn refused or deemed to be withdrawn before the Examining Division has assumed responsibility and it may be refunded at a rate of 75 % if the European patent application is withdrawn, refused or deemed to

be withdrawn after the Examining Division has assumed responsibility but before substantive examination has begun.

During the examination procedure applicant will be invited in reasoned reports to file his observations and where appropriate to amend the description and the claims.

If the applicant fails to reply to such an invitation within the specified time limit, the application will be deemed to be withdrawn. The time limit usually is four months at least for the first Official Action and for overseas applicants. This time limit can be extended usually without greater problems up to six months. An extension over six months can be obtained only under extraordinary exceptional circumstances.

When the claims are amended, different to the practise in the US it is not recommended to request isolated amendments of words or passages in one claim, but to re-file the entire claim or even the entire set of claims. No consecutive numbering of the claims is applied as in the US, but the amended main claim again will be claim 1 and so on. Utmost care should be applied not to violate Article 123(2) EPC, i.e. to introduce subject matter which is not explicitly disclosed in the original specification. Even if this would not be objected by the examiner it might make the granted patent invalid.

For economic reason I recommend to amend the specification only when there is reasonable probability that the claims are in allowable form.

The examination is carried out by an Examining Division comprising 3 technical examiners. However, the examination prior to a final decision is, as a general rule, entrusted to one member of the Divsion only.

In some cases it may be very expedient to have an oral discussion with the examiner. Oral proceedings either at the instance of the EPO or at the request of the applicant before

the Examining Division are provided for. Instead of oral proceedings before the Examining Division I prefer, however, to have an informal interview with the examiner.

Rejection of the application is possible already after the first Official Action and even if it is possible for the examiner to envisage amendments which might enable progress towards grant. Applicant may, to avoid the risk of an adverse decision, request oral proceedings or an interview at any time at least by way of an auxiliary request (compare decision of the Technical Board of Appeal T 300/89 "Amendments/MINNESOTA"" (O.J. EPO (1991, 480)).

If the Examining Division is of the opinion that the patent application does not meet the requirements of the convention, it refuses the patent application by a formal, appealable decree. If the Examining Division is of the opinion that the application meets the requirements of the convention it will grant the European patent. Before the Examining Division decides to grant the European patent, it shall inform the applicant of the text in which it intends to grant the patent and shall request him to indicate his approval of the text notified (Rule 51(4) EPC). If it is established that the applicant approves the text in which the Examining Division intends to grant the European patent, applicant is invited to pay the fees for grant and printing and to file a translation of the claims in the two official languages of the EPO other than the language of the proceedings (Rule 51(6)).

Thereafter the decision to grant the European patent will be issued.

The obligation to pay annuities to the European Patent Office terminates with the payment of the annuity due in respect of the year in which the mention of the grant of the European patent is published (Article 86). Thereafter the annuities are payable to the national patent offices in the designated states. (To be more precise: annuities have to be paid to the

national patent offices when the day of the mention of the grant of the patent is on or before the day corresponding to the day of filing of the European patent application).

After the grant of the European patent the requirements to validate the European patent in the designated states have to be fulfilled.

PATENTING IN EUROPE CONFERENCE, MARCH 17 & 18, 1992

How to prepare, file and defend oppositions in the European Patent Office.

by
Sietse U. Ottevangers

I. Why opposition?

In the discussions leading to the conclusion of the European Patent Convention it has never been doubted that third party participation would be needed in the granting procedure. This was not so amazing since opposition was a common feature in some of the major examining systems in Europe. One could say therefore that opposition was introduced in the system as result of tradition. On the other hand there is another reason. The basic philosophy of the European system is that, as far as possible, any discussion on validity of the European patent should be concentrated in the beginning, where the European patent is still at the "bundle" stage. And since it seems not possible that any Patent Office can ever guarantee to grant a fool-proof patent by itself, the inevitable conclusion was that third parties should have an opportunity to take part in the proceedings before the EPO.

In case third parties are given an opportunity to take part in the proceedings they should really take part. It was therefore not sufficient to offer them the rôle of informant or amicus curiae, leaving it to the Patent Office to use the material as it sees fit. Of course in some cases third parties, who do not care to take the trouble and expense of full flown opposition proceedings might prefer such rôle. Therefore this way is also provided for in the European Patent Convention, see Article 115 "Observations by third parties". In practice the route of

Article 115 is seldom used by third parties, just because of the disadvantage that the third party has no influence at all on the way in which his observations are being used by the Examiner. "That person shall not be a party to the proceedings before the European Patent Office".

II. Opposition and admissibility

II.1. Opposition (Articles 99 to 105 EPC) is a post-grant procedure. An opposition is directed against a patent which has been actually granted and the remedy sought is revocation rather than refusal. Nevertheless it is a unitary procedure dealt with by the European Patent Office (Article 99 under 2: The opposition shall apply to the European Patent in all the Contracting States in which that patent has effect). The advantage to opponents is obvious. The centralized opposition in fact was one of the reasons that in the beginning applicants hesitated to make use of the European Patent System (the argument of "all your eggs in one basket").

II.2. Admissibility of an opposition - grounds for opposition. Opposition may only be filed on the three grounds mentioned in Article 100 EPC:

a) the subject-matter of the European patent is not patentable within the terms of Articles 52 to 57 (novelty, inventive step, industrial application)
b) the European patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art.
c) the subject matter of the European patent extends beyond the content of the application as filed.

The grounds for opposition mentioned in Article 100 are the only grounds. This excludes questions of entitlement to the patent and more formal requirements, such as unity of invention, but also an argument that the claims are obscure. Another argument that cannot be used as a ground for opposition is the argument of unjustified claiming of priority. However,

if without priority the invention would no longer be new or non-obvious in relation to what is then the relevant state of the art, the patent nevertheless may be opposed pursuant to ground a): lack of novelty and/or lack of inventive step.

II.3. Admissibility of an opposition - formal matters.
The Opposition Division of the European Patent Office has to consider whether the opposition is admissible before examination of the grounds for opposition can take place. In Rule 55 "Content of the Notice of Opposition" requirements for the notice of opposition are given. Further requirements are to be found in Article 99 and in Rule 1. Although in Article 99 it is said that any person may oppose, the question who is "any person" or whether any person is indeed any person has been raised in a case in which the proprietor of a patent had filed an opposition. The Enlarged Board of Appeal ruled that a notice of opposition against a European patent is not inadmissible merely because it has been filed by the proprietor of that patent (G 01/84, decision of July 24, 1985). Care should be taken however: if a professional representative files notice of opposition in his own name although - as he later allows - he is acting in a professional capacity on behalf of a client, the notice does not comply with Rule 55 EPC (Technical Board of Appeal 3.3.1, 15 March 1983, T 10/82).

The opponent should be identified. Rule 55(a). If the identity of an opponent has not been established before expiry of the period allowed for opposition, the opposition is inadmissible (Technical Board of Appeal 3.3.1, 18 December 1985, T 25/85). What if a mistake has been made? Deliberate concealment of an opponent's identity must be regarded as intentional non compliance with Rule 55(a) EPC and cannot be corrected as a "mistake", but if an opponent is not correctly identified in the notice of opposition, owing to a genuine mistake, in principle the mistake can be corrected even after expiry of the opposition period (Technical Board of Appeal 3.2.2, 3 July 1987, T 219/86).

The patent should be identified. Rule 55(b). Although Rule 55 under b requires that the number of the patent under opposition is mentioned, together with the name of the proprietor and the title of the invention, the Technical Board of Appeal (3.2.1, 15 April 1988, T 317/86) has ruled that either of the numbers (publication number or application number) will normally suffice, provided that all the other particulars given with the notice of opposition together with the file establish beyond all doubt that the patent is the one intended.

Attention must be drawn upon Rule 55(c). The notice of opposition shall contain a statement of the extent to which the European patent is opposed and of the grounds on which the opposition is based as well as an indication of the facts, evidence and arguments presented in support of these grounds. Thus the opponent cannot confine himself to simply asserting one of the grounds for opposition mentioned under Article 100. He must substantiate his allegation by giving facts, evidence and arguments. Please note, that this requirement is only satisfied if the contents of the notice of opposition are sufficient for the opponent's case to be properly understood on an objective basis. (Technical Board of Appeal 3.3.2, 21 January, 1987, T 222/85). And: The facts presented in support of grounds for an opposition must be sufficient for the EPO and the patent proprietor to understand the case without further investigation (Technical Board of Appeal 3.3.2, 3 July, 1989, T 2/89).

II.4. Decisions on admissibility of opposition are taken by an Opposition Division without any action to be taken by the patentee. Only after the decision has been taken it is communicated to the patentee together with the notice of opposition in question. (Rule 56, 3 for rejected notices of opposition, Rule 57, 1 for admitted notices of opposition).

Of course, one and the same patent may be the object of several oppositions. Therefore, further prosecution of an admissible

opposition has to wait for the expiry of the opposition period. In case more than one opposition has been filed, all will be processed together in the course of the same proceedings, to which all opponents are parties together.

Please note, that the opposition has to be filed within nine months from the publication of the mention of grant of the European patent. The opponent who, in spite of all due care required by the circumstances having been taken, was unable to observe the nine months' time limit, has bad luck. The "Restitutio in integrum" facility of Article 122 is not applicable. This is not too hard on the prospective opponent as he, in any event, disposes of the alternative of revocation proceedings in the national court. Nowadays a European patent may be granted for a maximum of sixteen countries. The opponent who forgets to oppose has only to initiate sixteen law suits to nullify the patent.

III. Examination of the Opposition.

III.1. Examination by the Opposition Division.
In Article 19 EPC the organization and composition of the Opposition Division is mentioned.

III.2. Extent of the examination.
In principle, the Opposition Division will confine its examination to those grounds for opposition brought forward by the opponent. However, opposition proceedings are based on the investigative principle (Article 114 "Examination by the European Patent Office of its own motion").

III.3. Non-patentability pursuant to Articles 52 to 57.
The same substantive requirements apply in the opposition procedure regarding patentability pursuant to Articles 52 to 57 as in the examination procedure. In opposition proceedings more than in the examination procedure use will be made of state of

the art disclosed in other ways than in patent publications or even printed publications.

III.4. Insufficient disclosure of the invention.
Principles that are to be used in the examination procedure will also apply in the opposition procedure.

III.5. Subject matter of the European patent extending beyond the original disclosure.
Reference is made to Article 123 EPC, also concerning amendments made during the opposition procedure itself.

IV. Procedure for the examination of the opposition.

Reply by the patentee to the opposition filed. Further observations in writing. Examiner's communications. Oral proceedings. Decision by the Opposition Department.

V. Intervention of the alleged infringer (Article 105 EPC).

The principle is that any third party who lets the nine months' opposition period pass by, no longer can play a rôle before the EPO. The exception to this principle is given in Article 105 of the Convention. A third party actually implicated in proceedings for infringement of the European patent may intervene in the proceedings if the European patent at that time is still the object of opposition proceedings.
There are some restrictions imposed on this intervention facility. A mere warning from the patentee, however formal it may be, is no sufficient basis for intervention. The intervening party has to prove that either actual infringement proceedings were instituted by the patentee or that he himself has instituted proceedings for a court ruling that he is not infringing. Furthermore, the intervention has to be declared within three months of the date on which one of the mentioned proceedings was instituted.

Intervention is allowed for at any stage of the proceedings, whether still before the Opposition Division or already in appeal before a Board of Appeal. However, the intervening party must accept the state of the proceedings at the time of the intervention.

VI. Preparation and filing of oppositions.

Advantages of making use of the standard form, obtainable from the European Patent Office (EPO Form 2300.1).

VII. How to defend.

The number of oppositions as indication of the importance of your invention. Are the arguments used by the opponent real new arguments? Is the opponent making use of your invention?

VIII. Miscellaneous.

Success of oppositions. Statistics.

Ott/RL/EU

HOW THE PATENT COOPERATION TREATY

ASSISTS IN FILING AND PROSECUTING EPO CASES

© 1992 by Michael N. Meller of M.N. Meller & Associates, New York, NY, and Adjunct Professor of International Patent Law, Franklin Pierce Law Center, Concord, NH

The Patent Cooperation Treaty is a Godsend for those U.S. patent attorneys who do not want to deal with the elaborate details of European patent procedures, but who instead want to have a patent filing procedure for filing outside of the United States, but in the United States at minimum cost and personal involvement.

Genesis

PCT was first conceived of back in 1964 by the then managers of the international patent operations at General Electric and IBM to cut down on the tremendous amount of duplication and effort which filing in Europe then entailed.

In 1966, the PTO picked up the ball on this and provided for a rather elaborate system which was then further refined by BIRPI (predecessor to WIPO). In 1968-69 the PCT was debated and formulated as part of the work of the ABA's Patent Section at a time when the U.S. still had some real clout internationally, culminating in the Washington Diplomatic Conference of 1970 which established the Treaty.

The system started on June 1, 1978, the same day as the European Patent Convention started, but has had rough sledding since, both because of its complexity, but also because of its essential need to compete for the profession's attention when most were busy learning the intricacies of EPC.

A generational battle has also surrounded PCT, both by those "International Patent Specialists" who are private practitioners, but also by corporate practitioners who were afraid that its use by those who essentially are primarily U.S.-trained patent attorneys would decrease the value of their services to their client/employer.

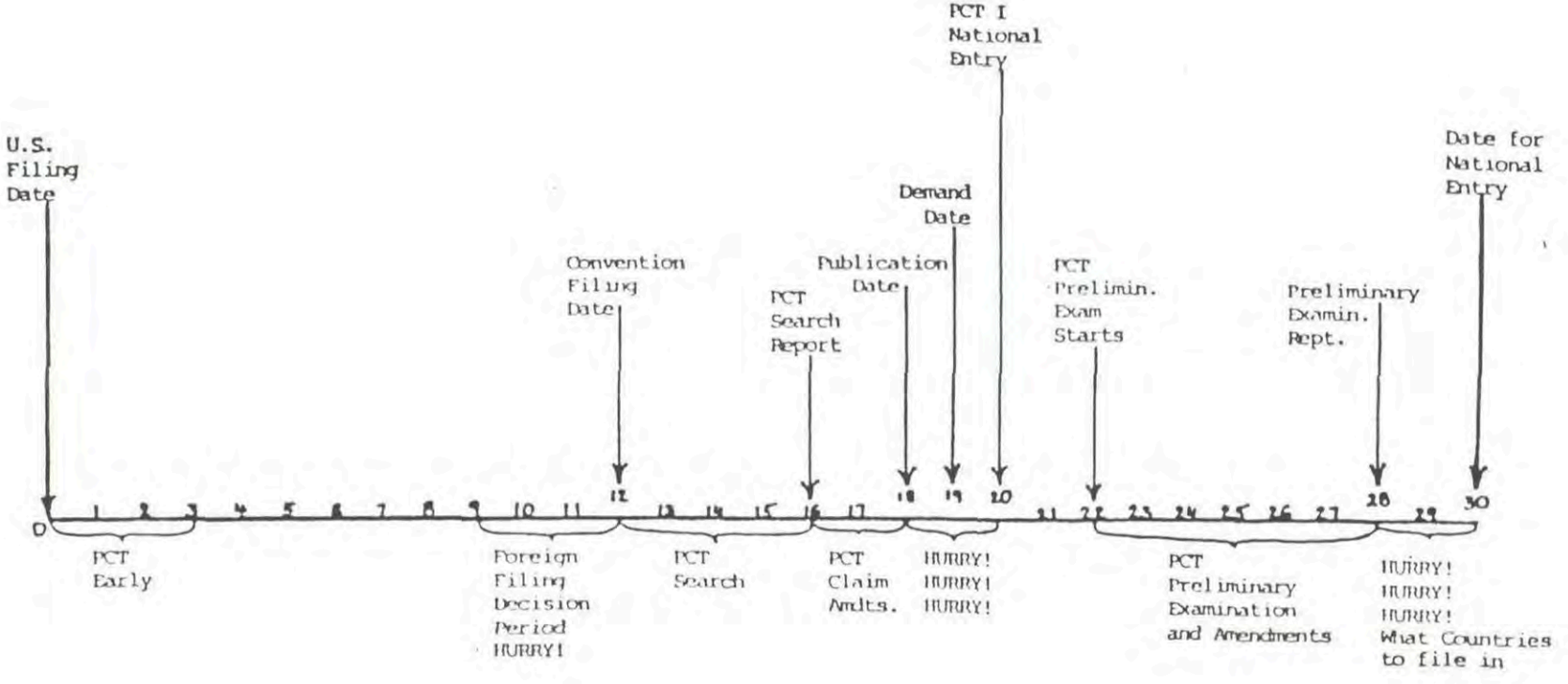
By the same token, the associates in Europe have also frequently been very reluctant to embrace PCT because of the "frozen specification" concept, making it impossible for them to amend a specification until the national European or EPO amendment stage, following entry of the PCT case into the national or European Patent Office procedures.

This would then inevitably lessen the involvement of the European patent attorneys in the process, hence reducing the need for their services.

Many U.S. private practitioners have also discouraged their clients from considering PCT, especially since among private practitioners there is a real ethical problem with letting a client use procedures which defer expenditures and require the performance of services at a point later in time, when the client may have lost his interest. Many reason that when a client is "hot to trot" is the time when the client should be encouraged to expend his funds for European patent protection.

The cost factors, too, have been emphasized repeatedly as providing added expenses, but this is only an argument raised by those who just do not want to see PCT being used. In actual fact as will be shown in the following, the up-front cost of PCT in Europe and a few other countries is not only cancelled out by filing through the PCT mechanism, but frequently, even additional savings can be made available by PCT in such areas as direct filing in the respective patent offices, enabling such money to be used elsewhere.

PCT TIMELINE



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STRATEGY OF FILING

Broad List of 60-odd Countries to File In

Class	Country	Language	Treaty
[4]	Algeria	Arabic	
[2]	Argentina	Spanish	
[2]	Australia	English	PCT
[1]	Austria	English	PCT/EP
[4}	Bahamas	English	
[4]	Barbados	English	
[1]	Belgium	English	PCT/EP
[4]	Bolivia	Spanish	
[2]	Brazil	Portuguese	PCT
[4]	Bulgaria	Bulgarian	PCT
[1]	Canada	English	PCT
[4]	Chile	Spanish	
[3]	China	Mainland Chinese	
[4]	Colombia	Spanish	
[2]	Czechoslovakia	Czech	PCT
[1]	Denmark	Danish	PCT/EP
[4]	Ecuador	Spanish	
[3]	Egypt	Arabic	
[4]	Ethiopia	Amharic (Cautionary Notice only)	
[2]	Finland	Finnish	PCT
[1]	France	English	PCT/EP
[1]	Germany	English	PCT/EP
[1]	Great Britain	English	PCT/EP
[1]	Greece	English	PCT/EP
[4]	Guatemala	Spanish	
[4]	Honduras	Spanish	
[2]	Hong Kong	English (Reg. of EP/British)	
[2]	Hungary	Hungarian	PCT
[4]	Iceland	English	
[3]	India	English (Non-conv.)	
[3]	Indonesia	English	
[4]	Iran		Arabic
[4]	Iraq		Arabic
[2]	Ireland	English	
[3]	Israel	English	
[1]	Italy	English	PCT/EP
[4]	Jamaica	English	
[1]	Japan	Japanese	PCT

Class	Country	Language	Treaty
[4]	North Korea	Korean	PCT
[2]	South Korea	Korean	PCT
[1]	Lichtenstein w.CH	English	PCT/EP
[1]	Luxembourg	English	PCT/EP
[3]	Malaysia	English (No longer GB Reg.)	
[2]	Mexico	Spanish (Considering PCT)	PCT
[1]	Netherlands	English	PCT/EP
[3]	New Zealand	English	
[2]	Norway	Norwegian	PCT
[3]	Pakistan	English	
[4]	Panama	Spanish	
[3]	Philippines	English	
[3]	Poland	Polish	PCT
[2]	Portugal	English	
[3]	Romania	Romanian	PCT
[4]	Saudi Arabia	Arabic	
[x]	Scotland	English (Part of G.B.)	
[1]	Sweden	English	PCT/EP
[1]	Switzerland w.LI	English	PCT/EP
[3]	Singapore	English (Reg. of G.B.)	
[2]	South Africa	English	
[1]	Spain	English	EP
[4]	Syria	Arabic	
[2]	Taiwan	Chang Chinese	
[x]	Tibet	Part of China	
[3]	Turkey	Turkish	
[3]	USSR(?)	Russian	PCT
[4]	Venezuela	Spanish	
[3]	Yugoslavia(?)	Serbo-Croatian	

LEVELS OF IMPORTANCE

Level I Countries

EPO
Japan
Canada

Level II Countries

Argentina
Australia
Brazil
Czechoslovakia
Finland
Hungary
Ireland
South Korea
Mexico
Norway
South Africa
Taiwan

Level III Countries

China (PRC)
Egypt
India
Indonesia
Israel
Malaysia
New Zealand
Pakistan
Philippines
Poland
Rumania
Singapore
Turkey
USSR(?)
Yugoslavia(?)

Note: Iffy to file in, but proceed.

Level IV Countries

Algeria
Bahamas
Bolivia
Bulgaria
Chile
Colombia
Ecuador
Ethiopia
Guatemala
Honduras
Iceland
Iran
Iraq
Jamaica
North Korea
Panama
Saudi Arabia
Syria
Venezuela (Except for oil companies)

Note: Why bother, is patent protection worth the cost? Any enforcement history?

LDC-S do not have our wherewithal and ability to handle such sophisticated matters.

EPC COUNTRIES

Austria
Belgium
Denmark
France
W. Germany
Great Britain
Greece
Italy
Lichtenstein (w.CH)
Luxembourg
Portugal*
Netherlands
Spain
Sweden
Switzerland (w.LI)

PCT COUNTRIES

Australia
Austria
Belgium (OK via EPO)
Brazil
Bulgaria
Canada
Denmark
Finland
France (OK via EPO)
W. Germany

Great Britain
Greece (OK via EPO)
Hungary
Italy (OK via EPO)
Japan
Luxembourg
Netherlands
No. Korea (don't mixup w/So. Korea)
So. Korea
Norway
Poland
Spain (OK via EPO)
Sweden
Switzerland (OK via EPO)
USSR

EEC

Belgium
Denmark
France
W. Germany
Great Britain
Greece
Ireland - neither EPC nor PCT
Italy
Luxembourg
Netherlands
Spain

*Not a member of PCT, therefore special procedure is necessary.

NEITHER EPC nor PCT
REMAINING COUNTRIES

Algeria
Argentina
Bahamas
Bolivia
Chile
China
Colombia
Czechoslovakia
Ecuador
Egypt
Ethiopia
Guatemala
Honduras
Hong Kong (Reg. of G.B.)
Iceland
India
Iraq
Ireland (EEC Country)
Israel
Jamaica
Malaysia
Mexico (may soon join PCT)
New Zealand
Pakistan
Panama
Philippines
Poland
Portugal (will join EPC)
Rumania
Saudi Arabia
Singapore (Reg. of G.B.)
South Africa
Syria
Taiwan
Turkey
Venezuela
Yugoslavia (observer status to EPC)

PRACTITIONER'S PERSPECTIVE

A) Chapter I

1. Ease of filing in PTO

2. Last minute filing

3. Option to chose PTO or EPO search

4. Opportunity to supplement, i.e., drawings, size of paper A-4, abstract, etc., the type of things local associate might take care of in national cases or tasks one must conventionally ask for by telex or fax - here all taken care of by U.S. attorney on American soil with maximum efficiency.

Always remember, however, that PCT is only a filing treaty, not a patent system, and that a PCT filing must be strictly followed up at intervals of 16 months, 18 months, 19 months, 20 months, 24 months, etc. indicated on the time line, to be sure that the minuet danced by applicant's U.S. attorney with the searching office, be it the PTO or the EPO, and the examining office, be it the PTO or EPO is on time and proceeding smoothly.

What really is true of PCT is that there is a relationship developing between applicant's U.S. patent attorney and the searching/examining office, work which is normally carried out by the foreign patent attorney with his local office.

B) PCT, Chapter II

1. Filing of Demand in PTO or EPO must be done within 19 months, but if done sooner, will result in a longer examination period and hence one or more opinions are possible before final examination report issued. Limits on EPO examination under PCT have been eliminated. If claims are not changed nationally where case is filed in EPO, examination a second time is generally straight forward.

2. Must respond to opinion if there are any problems of substance raised, especially of patentability; otherwise examination report leverages those problems PCT-wide in the designated countries.

3. Types of claiming can be central or peripheral, latter preferred by Americans and acceptable both in EPO and JPO, for instance, as well as other offices, such as Australia and Canada. European examiners, however, prefer central claims.

4. Full faith and credit - Is this being extended to U.S. searches and examinations by EPO or Japan or how does EPO react to its own searches/examinations and how does Japan react to either the work of the U.S. or EPO?

B) PCT, Chapter II (cont'd.)

5. Remember, if you wish to enter Chapter II by filing a demand, this must be done by the end of the 19th month, otherwise only Chapter I is possible.

6. Remember, PCT merely defers action, but does not excuse inaction.

PRACTITIONERS COUNTRY SELECTION STRATEGY

1. Limited by PCT membership

2. Designation - how long can you defer? Designating all 47 countries by paying fee for ten is a worthwhile option.

3. Exhaustion of monopoly considerations in for instance, Ireland. Is this a legitimate concern or one borne out of overly cautious American-type concerns of extrapolating certain legal concepts? If no concerns, how about after January 1, 1993.

COMPLETION OF NATIONAL FILINGS

1. Analogous to conventional filings, but should be supplemented by providing all details needed by associate.

2. Never assume that anything is available to associates through the EPO files. Always send to them all they need.

3. Translations. Should have enough time to perform them especially if particular country requirements mandate filing in local language without possibility of extensions, such as the Japanese.

4. Can also file directly in EPO, i.e., but very tricky and sophisticated procedures are needed.

HYPOTHETICAL FILING PROGRAM COSTS

with 20 pages of specification, 10 claims

COUNTRIES	CONVENTIONAL FILING COSTS:
EPC (UK,FR,DE,IT,BE,NE)	$ 7,130.00
JP	5,200.00
AU	2,205.00
CA	1,865.00
	16,400.00
IF DONE VIA PCT, TOTAL COST FOR FILING IN EP, JP, AU, CA:	2,696.00
THUS, MONEY NOT SPENT:	13,704.00
SAVINGS OBTAINED VIA PCT I:	
Certified copies not needed [@ $12/copy]	24.00
EPC search refund when entering EPO in national phase	1,300.00
Interest on 13,900.00 for 8 mos. @ 12%/yr	1,096.32
	2,420.32

THUS $2,696.00-$2,420.32 MEANS THAT THE NET COST FOR:

USING PCT CHAPTER I FOR FILING IS $275.68

IF YOU GO ON WITH PCT II YOU SPEND ADDITIONALLY:

EPO examining fee	$1,790.00
Attorney Demand fee	300.00
	2,090.00

BUT WHEN YOU GO NATIONAL IN EPO, SAVINGS ARE:

70% of Examining fee	1,113.00
Additional 10 mos. interest on 13,900.00 @ 12%/year	1,370.40
	2,483.50

Therefore,

	TOTAL PCT CASH OUTLAYS:	TOTAL PCT SAVINGS:
PCT Chapter I	2,696.00	2,420.32
PCT Chapter II	2,090.00	2,483.40
	4,400.00	4,903.72

SAVINGS THAT CAN BE APPLIED ELSEWHERE: $117.72

IF FOREIGN FILING IS TO BE PROCEEDED WITH, NEED NOT BUDGET FOR IT UNTIL BUDGET YEAR OF 1993/94

ADDITIONAL COST SAVINGS

1. Internal Attorney Time = $\frac{\text{No. of countries}}{\text{case time}}$ expended if preliminary examination accepted, i.e., in above example, 1/3 the amount of time needed per country.

2. Can docket from PCT Timeline dates on which domestic attorney must provide decision and advice in each case, thus obtaining advance notice and hence maximum utilization of his time.

3. PCT enables applicant to file in local Patent Office, without need for local associate on filing. Hence in EPO, can file and then have Associate take case over after filing, thus realizing huge savings.

4. Additional cost and other advantages when filing PCT first or early enables delaying of U.S. prosecution and hence save the need for continuing applications.

P A T E N T I N G I N E U R O P E -
BOSTON March 17 & 18, 1992

THE BOARDS OF APPEAL

George S.A. Szabo

Introduction.

It is an important feature of the European patent system that an appeal lies from the decisions of the Office, including the Examining an Opposition Divisions, to appropriate Boards of Appeal under Article 106 of the European Patent Convention (EPC). Appeals concerned with the decisions of the Receiving Section or the Legal Division are handled by the Legal Board of Appeal which consist of three legally qualified members whilst all the others come before the Technical Boards, which normally have two technically qualified members and one lawyer, or occasionally three technical members and two lawyers. Although a Technical Board is usually chaired by a permanent technical chairman there are now three boards out of the total of 12 where lawyers preside.

It may be worth emphasizing that in Europe, traditionally, *the applicant is entitled to obtain his patent* unless there is evidence to the contrary. The burden is on the European Patent Office or later on on the opponent to show that the conditions for patentability are not satisfied. It is assumed that, contrary to this, the applicant has the burden in the U.S.A. to convince the examiner that he deserves his monopoly, and may even have to repeat his alleged advantages and results under oath in order to be believed. Of course if a strong presumption is created against the European application or patent the position may be reversed.

The appeal.

Any adversely affected party may appeal to the Boards, as suggested, and the other parties in the earlier proceedings shall take part as of right in the appeal. It is important to remember that the time limit for filing the Notice of Appeal is within two months of the date of the decision concerned and the same applies to the payment of the appeal fee, which is about $ 600. The Statement of Grounds must be lodged within four months of the date of the decision. If the appellant misses these dates his appeal will be deemed not to have been filed or be inadmissible, depending on the circumstances. Applicants, proprietors or opponents may request a **restitutio in integrum** if the time limits were missed in spite of all due care (Art.122 and G1/86). There is a heavy burden of proof in such instances.

In technical cases an adverse decision can mean that the application for the patent was refused or, in opposition cases, the patent was revoked or only maintained with restricted claims. Of course, an opponent can also appeal against a decision rejecting the opposition or maintaining the patent with a reduced scope. Whilst opponents other than the appellant automatically become part of the appeal proceedings and need not pay the fee, such parties may not continue the appeal in case when the appellant-opponent withdraws the appeal later on (G2/91).

The Notice of Appeal is usually a short letter identifying the case, the decision and the appellant, and should also contain a request as to the remedy. An appeal may be filed against a decision of the Opposition Division even if the patent has been surrendered or has lapsed. It is important to put forward reasons and arguments in the Statement of Grounds so that the Board can examine the requests in the light of facts, evidence and arguments submitted in the appeal. It happened occasionally that the amendments presented on behalf of the patentee already implied to the Board what he wanted, but there were also cases where the Board was unable to work on the case because it was impossible to figure out the intentions of the appellant. In the absence of explanations and reasons there is a risk that the appeal will be considered as inadmissible.

The character of the investigation.

The Boards of Appeal are courts of the last instance. They are not revisionary tribunals which only have power to consider whether or not the previous instance made the right decision in the then given circumstances irrespective of any further evidence. The Boards are rather investigatory in character also allowing the submission of new evidence relating to the issues. This may partly be due to the fact that according to the Common Provisions relevant to any procedure within the terms of the EPC any gremium " ... shall examine the facts of its own motion; it shall not be restricted to the facts, evidence, and arguments provided by the parties and the relief sought."(Art 114(1)).

If the Board itself has power to extend the investigation in such a manner, the parties might also want to raise facts and evidence not yet considered by the first instance. These two kinds of situations are somewhat comlementary and are still in some basic respects undecided, particularly in extreme situations. It should also be taken into consideration that under Art.115 any third party can file observations concerning the patentability of the case, toge-ther with a statement of grounds any time after

publication of the application. Whilst such persons would not become parties to any proceedings, the article illustrates the possibility for the Office and also for the boards to act **ex officio** on the basis of information obtained from anywhere. How far this power to broaden the scope of investigation should or could go, is particularly contraversial.

There is no problem at the simplest level since it is natural that where the decision of the first instance contains allegations or conclusions which have to be refuted, the parties may very well file new documents, or submit counterevidence relating to such matters as a reaction to what emerged during the development of the case.

The deepening of the argument before the Boards relating to the existing issues is thus normal practice, but the question arises, particularly in opposition appeals, at what stage can new documents be presented, and whether or not new grounds could be raised at all after the period for filing an opposition has expired, for instance later on during the appeal proceedings themselves.

Late submissions.

It should be remembered that the above mentioned duty to look into related matters **ex officio** is not unlimited since the second paragraph of the article allows that late filed "facts or arguments" may be disregarded" completely (Art.114(2). Whilst many years ago the Boards had considered the peculiar circumstances of late submissions as decisive, later on most Boards followed the principle that relevant facts, i.e. which might reverse the outcome of the case, cannot be disregarded (T 156/84). Hence the so called test for relevancy which should first establish the likelihood of a different outcome on the basis of the new submission. This may have to be done even at the latest stage, i.e. at the beginning of the oral hearing, for instance when a new document is presented which shows a clear anticipation or is undoubtedly coming closer to the claimed subject-mater than anything else presented earlier. On the other hand new submissions which cannot even be examined quickly for lack of time or which fail the relevancy test, can simply be exluded on account of lateness without any further explanation.

Of course, it is another matter whether or not the Board itself would consider the new **prima facie** relevant evidence itself after admitting the same in the procedure or should instead remit the case to the first instance with the order to assess the case again in the light of the new facts. This is particularly recommended if the Board finds the technical

implications of the evidence very complex which necessitates an examination by the earlier instance having more specialised knowledge than the Board in the technical field. Of course, a loss of instance should also be avoided if this could unfairly harm the interests of the applicant or patentee (T 258/84)). Alternatively, the Board may decide to entertain the matter itself if it is clear enough (T 416/87). The affected party might himself agree that the new evidence should be admitted because it considers that it would be in his interest to have it assessed (T 253/85). It may strengthen his patent if the decision is at the end favourable.

In case of delay in consequence of late filed relevant documents the Board may order some apportionment of costs to compensate the affected party for the inconvenience and delay, but this may only be a small consolation in the situation (T 117/86 and T 416/87). Whilst it is somewhat unfair to the patentee to face new evidence late in the opposition proceedings, let alone during the appeal, it can indeed happen that the opponent learns accidentally about an anticipation at a very late stage.

If so, should the Board disregard the matter completely, *leaving a clearly invalid right on the register*? The question also arises with observations sent to the Office under Art.115 which can, as already mentioned, be filed by any party and, again, any time after grant. The Office or the Boards have no obligations to consider such reports but the relevancy of the matter influences the outcome on the basis of the above quoted Art 114(1), allowing or, according to another view, even encouraging **ex officio** actions. The aspect of public interest lurks behind this article but there are also some balance of convenience considerations which influence the Boards in applying the principle.

New grounds raised during proceedings.

Beyond the question of filing evidence late in the proceedings, there is the even more difficult question about the scope of the investigations. Some decisions by various Boards are contradictory in approach and in principles. According to the first decision (T 9/87) neither the Opposition Division nor the Board of Appeal has the obligation or the power to examine or decide on the maintenance of a European patent except to the extent to which it is opposed. In a more recent case (T 189/89) it was held that that the Opposition Division should deal with all grounds raised and supported and should reject those *which are unsupported as if they were inadmissible*. It should not decide potential grounds which have not been alleged. On the other hand, another Board

clearly recommended that the Opposition Division should examine the facts of its own motion including all grounds whether raised or not (T 493/88). The whole matter is now pending before the Enlarged Board of Appeal and the outcome would no doubt influence inter partes conflicts before the EPO in the future.

It is apparent that nature of these proceedings is at stake, including the question whether or not the assessment of some validity questions after grant, on behalf of the national authorities, is in essence a fully fletched continuation of the examining procedure. Beyond this, the qustion may also have a bearing on the character of the Boards and their role as parts of the Office or as Courts having their own principles, which may not necesserily be identical with those relevant to the first instances including the Opposition Division.

Presumption of validity.

It must be remembered that the Boards are really the last instance only if the applicant or patentee loses his case. His adversaries have another chance to challenge the validity ot the granted European patent before the national Courts. Thus in case of doubt the Boards might exercise their discretion in favour of the patentee to give also him another chance.

If there is a conflict of evidence the Board may appoint an independent expert to settle the technical issue, but normally the matter can be decided on the basis of weighing the evidence from the parties. If parties make contrary allegations which they cannot substantiate the patent proprietor is given the benefit of the doubt. This is because the opponent has to prove invalidity convincingly and not the patentee that he is valid (T 219/83). A granted patent has the presumption of validity.

The Enlarged Board of Appeal

As already mentioned, occasionally it is the Enlarged Board of Appeal which has, on request, the responsibility to resolve difficult legal questions and remove inconsistencies from the jurisprudence. The Enlarged Board is constituted from five senior legally qualified members, including its chairman, and two technically qualified members who are normally at chairman level in their Technical Boards. The members in each case are specially selected to represent a wide variety of national backgrounds and to avoid prejudice positions for instance by having earlier participated in any of the contraversial Technical Board decisions about the matter or aleady published strong views on it.

It must be emphasised that the Enlarged Board is not another instance of appeal. Apart from the President of the EPO who would raise matters if he sees contradictory decisions by various Boards, the Boards themselves may also submit legal qustions in order to be helped to decide a particular case of their own. Such move can be suggested by the parties but they have themselves no right to take a legal question to the Enlarged Board.

Ex parte appeals.

Of course, the examination of appeals from the decisions of the Examining Division refusing the application, has a character of its own. If the applicant survives the matter, i.e. the decision is reversed or some explanation or amendment has removed the objection, the case may be remitted to the Division to continue the substantive examination on the outstanding issues. It can also happen that objections on other grounds were not raised at all by the first instance since there would have been no basis for objections, and the Board then feels free to grant the patent. This is done in order to save time.

Actually, the first instance has a duty to reconsider the matter on the basis of the appeal before forwarding the case to the Appeal Boards. For instance when the applicant may have abandoned his resistance to the suggestions of the examiner as to what may be allowable and submits to the Board amendments perfectly in accordance with what was recommended (Art.109). Such "interlocutory revision" stops the file before the Board has to consider it. However, if the appellant wants to have other requests considered with alternative claims (auxiliary requests), the first instance would not handle the matter and the case is passed over to the Boards.

Lack of clarity in inter partes cases.

Generally the issues before the Boards in opposition appeals are exactly those which are before the Opposition Divisions. Lack of clarity, i.e. ambiguity, or disunity are not opposition grounds but the former may arise in connection with newly amended claims in appeal proceedings since it must be checked under Art.102(3) whether they comply with all requirements of the Convention.

Notwithstanding this, experience shows that lack of clarity is often an argument which is usually linked to an allegation of insufficiency. Even if there was an amendment, one Board expressed the view that the test for clarity under Art.84 should really be con-

fined to the features which were involved in the amendment and not to others, unless there are special grounds for objecting to the wording of the rest of the claim (T 301/87).

Of course lack of clarity which causes gross insufficiency can happen but this is rare. One Board took the view that the disclosure is sufficient if the skilled person has no real difficulty in reproducing the invention for instance as exemplified. "If there is one way " available on the basis of disclosure problems which can be resolved with common general knowledge will normally not be fatal to the patent. This maxim is particularly relevant to claims with terms of unlimited scope, where a component is for instance a functionally defined "means for something". The patent cannot be invalid for the sole reason that the term, representing a component, embraces future inventions of yet unknown composition. The same may not be applicable to terms expressing a finite set where one would expect reproducibility for each and every embodiment.

Thus, lack of clarity on the basis of insufficiency at the fringe of the claimed area need not become a decisive matter and could be disregarded in particular when the claim is to be maintained as granted. However, if it were not possible to assess validity because a particular embodiment, lacking novelty or inventive step, is falling exactly in the grey area between the broad or narrow interpretations of the claim, ambiguity could become necesserily an issue for the patentee. Unless the matter is clarified by amendment the Board might take the broader scope as relevant in its interpretation of the claim, to the detriment of the patentee. Thus the issue of lack of clarity can have serious consequences in such situations.

Unpatentable matter.

As regards the other grounds handled in opposition appeals the Boards issued several decisions relating to patentability under Art. 54(2) in particular in relation to programs for computers, or to presentation of information in general. In case of the so called "onco-mouse" case from Harward even the issue of morality under Art.53(a) cropped up, in addition to the question of what is an 'animal variety' under Art 53(b) (T 19/90). Some other cases related to genetic manipulations and to genes and nucleotides .

Applications in this field have often some problems with unity, in view of fine differences in structural variations. It should be remembered that the Technical Boards also handle the protest against disunity rulings by the Office as an International Searching

Authority under the PCT. However, the overwhelming majority of decisions is concerned with novelty and with the inventive step.

Novelty.

As far as novelty is concerned, a tendency can be observed to widen the scope of the concept in favour of patentees, when compared with the traditional approach in Europe. The decision of the Enlarged Board of Appeal some years ago opened the door for patenting second and further indications for an otherwise known medicament by declaring novel the method of preparation of such a thing for the new purpose. (G 5/83).Thus novelty was no more a mere question of fact, depending entirely on the intrinsic structural properties of an article or the conditions for a process, but also matter of intent. This development supplemented the introduction of per se coverage for known substances or compositions, when first recommended for a therapeutical purpose, in the Convention itself (Art.54(5)).

The legal evolution to grant patents for discoveries, even if the actual article or the method of use remained the same, was continued in the decision by the Enlarged Board which allowed the claiming of the same activity,i.e a method, provided a new and yet unsuspected additional result, a function, was discovered to ensue from the known process (G 2/88 and G 6/88). The issue of prior use for the old and known purpose in such cases is, of course, something which may have to be taken care of by the national Courts in cases of an allegation of infringement, but this was considered to be not a matter which should prevent the patenting of the same activity. Since the industrially relevant aspect was to prevent contributory infringements by manufacturers recommending also the new use, the grant of the patent is not a reward for a contribution to technical arts but to the increase of the scale of manufactures and sales. Thus not only the new and useful technology is relevant but also some commercial considerations.

In spite of this lateral development of the novelty concept, the assessment in normal cases remain the same. Equivalents of what was specificaly disclosed are not considered as being directly available in the state of the art and could only be entertained under the heading of possible obviousness. This is complementary to the principle which is suggested in a great number of decisions and by the Guidlines for Examination that not only expressly disclosed facts are in the state of the art, but also what is **directly and unambiguously** implied. In other words matters which are also undoubtedly already there in the disclosure for the skilled person. Equivalents,

on the other hand, are not implied because they are not really there, but are merely envisaged and thereby added to the disclosure by the skilled person on the basis of his common general knowledge. Equivalents are not unambiguously generated either, since there could be a number of them, in various directions. Selection cases can therefore be covered, as being not implied and still novel, as long as the claimed group of entities to be covered is not yet disclosed in an individualised manner.

Another interesting attempt to narrow the field of anticipations against applicant for a patent is shown in a decision which was partly concerned with the question of possible lack of novelty in consequence of sales of a certain composition. It was suggested in the decision that unless the public could be shown to have had interest (Ger. "Anlaß") in analysing the product sold on the market the constitution of such composition could not be said to have been available to the skilled person.(T 93/89).It would have been no problem to analyse the product. This interpretation of novelty is now also before the Enlarged Board.

Amendments.

Of course the test for novelty has some implications as to what is allowable for the amendment of an application or patent under Art.123(2) which prohibits the addition of new matter and refers to "the content of the application as filed". This means the total information content, express, and directly and unambiguously implied, and the idea that **any time** an amendment should not go beyond that content must not be mixed up with the question of scope of claims which are not allowed to be amended **after grant** so as to extend the protection conferred (Art.123(3)).

Before grant there is therefore no prohibition of broadening the claim provided that such subject-matter is also disclosed, expressly or implicitly in the original filing. The Boards developed two kinds of approach in this respect. The first is based on testing the novelty of the extended area. Should it be impossible to claim such area in a hypothetical later application because of lack of novelty vis-à-vis the original disclosure, the amendment should be allowable (T 201/83). The other approach relies on the idea of "essential features" (T 260/87 and T 331/87). The latter case suggested that a feature may be rendered essential either by the applicant through his disclosure by presenting the feature as essential, or because the disclosed problem solving effect is not achievable without it, or finally by the fact that the omission would require a re-design of the rest of the features. Accordingly, the applicant cannot simply throw away a feature contrary to

his own conduct, or to technival relevancy, or against the principle that the disclosure cannot be rewitten to accommodate his new ideas. A further decision in this series compared the two approaches and came to the conclusion that the suggested "novelty" test and "essentiality" tests are not contradictory and should provide the same result (T 514/88). Indeed simply expressed: breaking essential relationships must appear novel to the reader.

In an interesting borderline case, where the improper i.e. unsupported new limiting feature was incorporated in the granted claim during prosecution contrary to Art.123(2) because of a recommendation by the examiner, the same feature could not be removed after grant in opposition since that would have broadened the claim in violation of Art.123(3). The Board found a salamonic answer by deciding that the latter requirement has dominance over the former since the public must not be embarrassed after grant by the broadening, but the improper feature can be tolerated in the claim provided it is declared that the patentee cannot rely on it to strenghten his position in respect of novelty or of inventive step (T 23/89).

The acceptance of amendments is always within the discretion of the Boards and requests may be disregarded if they are neither appropriate nor necessary (T 406/88).

Priority.

It may be worth mentioning that the strict novelty test was considered not to be always applicable according to a decision of a Board when priority is tested on the basis of features. It was suggested that certain limiting or inessential features could be added without necesserily losing priority if these do not change the character of the invention (T 16/87, T 73/88, and T 212/88). It is also known that in the famous Biogen decision a Board suggested that in cases of multiple priorities the claims of a later priority date should not be adversely affected by the earlier publication of the subject-matter of claims of earlier priority date.(T 301/87). Although this decision is nearly three years old the expected strong objections have not materialised.

Inventive step.

Most of the decisions of the Boards concern the question of the inventive step. It is perhaps already known that this is normally handled by the Office and by the Boards with the so called **problem and solution** approach. What does this mean? After all, decisions in the national courts even outside Europe have occa

sionally referred to technical problems which the inventor had solved. The difference may lie in the actual timing of the recognition of the problem. In the Anglo-Saxon world the inventor was supposed to be concerned by some need for an article or method in answer to a general human or social problem. He wanted to make light brighter than gas light or a really good means for cutting grass or something useful in the kitchen. This would be his problem.

He would then carefully observe what is on the market and what might have been published in the literature, and he would subsequently consider all features available and create something new and hopefullly non-obvious by some combinations and modifications to solve his "problem". In the examination procedure his sources are equally and critically assesed on account of their authority, freedom from contradictions, and likely accesibility and so on, to see what weight they represent trough their information content.

The technical problem according to the jurisprudence of the Boards of Appeal in the EPO is different from the above since it presupposes that the problem only arises **after** a person skilled in the art reads a particular technical document, - anywhere, in any language in the world disclosing an article or a method. If such source was available, i.e citable to destroy novelty of something else, it is assumed to be equally available by chance to form a starting point for obviousness considerations. The skilled person is capable to assess the technical aspects of what he reads, or what he sees in case of prior public use anywhere in the world, and can also recognise possible technical problems in relation of what is provided by his source. .

He can formulate desired areas or directions of improvement, in a qualitative and quantitative sense, in order to increase versatility, to eliminate some setbacks, disadvantages, side effects, expenses and the like. All this is vis-à-vis the **primary document or use**. He may not even want to get a different effect but he might want to achieve the same result by using a substantially different or simplified construction.

Only with this technical problem in mind, which is defined on the basis of desired effects or achievements, if you wish: utilities, does he look around in the literature and published patents, including general knowledge in textbooks, or recognises articles on the market, to find means which are clearly achieving the same kind of effect he needs. If he finds something relevant and promising, the next question is whether or not the structures and conditions in such **secondary source**, potentially providing the sought-

after effect, could be incorporated into or combined with the primary reference in order to modify the same. Only if the marriage between the two sources is feasible and uninhibited can one say that the modification of the former on the basis of the knowledge of the latter, is obvious.

It is assumed as a matter of very fundamental principle that whoever the skilled person might have been to read the primary document, he had a right to follow up those recognisable problems and solve them, without anybody preventing this with patents, provided he does not depart from a direct and obvious route freely available to him in the art in the above manner.

It is clear that such hypothetical direct avenue to the claimed subject-matter must be started from the **closest state of the art**. It has been said that this is arbitrary and ex post facto and therefore unfair. However, if one considers that the invention must be non-obvious in respect of any starting point whatsoever, it will become clear that it would be futile to consider one by one other documents as starting points, since these would be less likely to lead to the invention. The most dangerous citation against the subject-matter is objectively most relevant and makes economic sense since the survival of an attack from this springboard implies that the subject-matter would even more easily survive arguments starting from a less close point. A single conceivable avenue which is leading to the invention on the basis of the art is sufficient to show lack of inventive step.

Since non-obviousness must mean that there was no avenue at all available from anywhere leading to the invention, the Boards therefore choose the most promising one to check whether or not the the skilled person could have got to the claimed subject-matter. In addition it is sometimes necessary to show that the closest art suggested by the opponent is similarly ineffectual as a primary source in destroying the patent. This is to avoid the criticism that the argument of the losing side was disregarded. Of course, if the claims turn out to be invalid in view of a certain choice in this respect, the argument of what is closer becomes irrelevant.

The secondary documents are of course carefully scrutinised from the point of view of their authority or credibility, as well from the point of view whether our skilled problem-solver would have found the desired information in the same field of technology as that of the primary source, or at least in a neighbouring areas. After all, he cannot be expected to search in every possible publication in remote fields but is assumed to possess also knowledge about general scientific and engineering methods and means. It

should be emphasised that only the primary document is by coincidence in his hands, he must find the other sources himself and so to speak sniff around, with his desired effect in his nose. He would be critical and choosey in selecting his sources.

There is really no arbitrariness either in recognising the most relevant problem in the knowledge of the real achievements of the invention. The list of possible individual problems arising on the basis of the the first citation can be objectively established and could be tested for each problem separately as to whether it would lead to the claimed invention. Since the latter only provides certain effects and no others, it is easy to see that only one or two of the recognisable problems might lead to the invention and the rest is ineffectual and therefore immediately irrelevant.

Thus again, it is only worth persuing the most promising objectively available problem and not the others. It should not be forgotten that if this route turns out to be obvious to any skilled person, a monopoly for the resulting matter would be improper. Thus what would be obvious to the author of the first document after further searches, or to those close to him who have accidentally read the same, cannot be validly protected. This eliminates the inconsistency of the old structure-centered system, where the initial recognition of a problem may have depended on the enviroment of the inventor.

It is apparent that the modern problem and solution approach is very effect-centered as opposed to the traditional structure-centered outlook. No prima facie structural obviousness arises, irrespective of what the suggested subject-matter is trying to achieve. Extrinsic properties of an entity disclosed in the art are not considered to be known unless these come to light visibly when the thing is made or used for the purposes indicated. Hidden properties are irrelevant even if they are superior to those supporting the patentability of close analogues and homologues for instance in chemistry.

It is evident that the Office prefers to cite in chemical cases those compounds which already provide the kind of effect on which the inventor relies, even though they may be structurally further away. If the starting point fails to reveal the effect in question, and the need for such an effect could hardly be derived without the knowledge of the invention, i.e. **ex post**, a different kind of use of the problem and solution approach can be applied. Indeed, in such cases the discovery or notion that a small modification could lead to the emergence of the new and wholly unexpected effect can render the claimed solution automatically non-obvious. Such cases can be termed as

"problem inventions" although, of course, not the problem is claimed but the solution itself (T 2/83).

In such situation the most trivial, in itself obvious measure could be claimed. This measure is, of course, only obvious if one knows the invention itself, i.e. through ex post knowledge. This is why the so called analogy processes, leading to products which are patentable, become themselves non-obvious as methods because nobody suspected that such inventive products **should** be made. It is to be rembered that the effect of a method is the product or result (T 119/82), and the above processes are therefore not releted to the solution of a recognisable problem, since the effect is yet unknown. They can thus be interpreted as "problem inventions" in the above sense. One decision said that for obviousness it is not that relevant what the skilled person **could** do but what he **would** do in the given circumstances (T 2/83).

Because of this there is, as already mentioned, no p structural obviousness in our system which need be refuted by the applicant, since he could have modified the known compound in thousand different ways. On the other hand, if he relies on the same effect or a property which is known to be the case for the closest art there would bee prima facie obviousness on the basis of identical effect, unless he shows unexpected superiority in degree or some surprising advantage in kind. Thus convincing evidence might be required. It is again evident that the quality and quantity of effects, i.e. the problem aspect of problem solving dominates the outcome and not the in itself irrelevant closeness of the structure.

The above mentioned situations also illustrate the deeply effect-centered mentality of the Boards. The real contribution to the art is not the thing as a static entity but its dynamic relevance in use. Even if the static structural peculiarities carry the inventive step, the actual provision of the old effect differently, perhaps more cheaply, or the new effect, is the raison d'être of the invention. Perhaps it can be even said that the question is not whether the subject-matter is in itself obvious but rather: obvious for what?

It should be mentioned that the decisive character of the surprising effect is not absolute. There have been cases where the known entity was modified for very obvious reasons since certain improved effects could be predictably achieved on the basis of impressive other disclosures in the art. Neverteless there was an additional effect also obtained with the result which was somewhat unexpected. The Boards rejected the idea that such "bonus" effects should make non-obvious what is for other reasons perfectly obvious provided the route to the invention was a so

called one-way-street situation. In other words, there were no other practical choices available to achieve the first, already obvious improvement and the skilled person would have inevitably obtained the second result in any case following his desire to improve his article or device from the first point of view (T 192/82).

This is somewhat similar to what is called a public domain obviousness in certain national laws, according to which one should be reluctant to restrain with patents the skilled person to do certain routine or natural modifications, notwithstanding the unexpected extra effects or advantages also obtained.

Procedure before the Boards.

The appeal file is normally first sent to the Board responsible for the main international classification group indicated in the specification. The chairman appoints the composition of the Board including one or two rapporteurs. Depending on the issues, these are technically and/or legally qualified. In all cases the legal member examines the admissibility of the appeal but he would also be responsible to report on other legal matters, if any.

Normally the substantive work of a Technical Board is initiated by the opinion of the technical rapporteur. Others may also submit opinions particularly if these represent different views. Since the procedure is, if possible, conducted in writing, a decision may be issued provided the matters are clear and it would not be adverse to a party which requested an oral hearing. Such simple cases are very rare.

More often, the Board considers it necessary to issue a communication in order to clear some point or to indicate its preliminary views on the main issues. It is not bound by such views as is also shown by final decisions later on, which represent reasons to the contrary to the views expressed earlier, in consequence of subsequent convincing explanations or submissions. Since the decision cannot be based on reasons which the affected party is not aware of (Art.113), it is necessary and useful to indicate any views from the Board which may be new to the parties. Even if the preliminary views of the Board are not favourable to a party, at least it enables that side to recognise the danger and to concentrate on the critical questions with all what may be available.

It is an important principle in practice that neither the parties nor the Board should be surprised or embarrased in an unfair nanner. This also applies to the time of filing documents as it has already been indicated. If what was submitted is clear and the

Board has no additional ideas of his own to add, no communication may be issued. If this is not the case, or at least the party which is in the weaker position has requested an oral hearing, a normal communication or one which is related to the summons to oral hearings may be sent to indicate the preliminary position on the issues and the problems, which may have to be answered or discussed at the oral hearing.

Oral proceedings are fairly common in inter partes cases and happen also frequently in ex parte appeals. It is important that the applicant or patentee should submit, in advance, at least a month before the date, new claims or new explanations if he wishes to rely on such so that all concerned have a chance to consider them in advance. Last minute changes in strategy, for insatance in consequence of meetings with the European representative the night before the critical day, are risky and unfair to the other parties and to the Board itself. In extreme cases this may result in an adjournement of the oral hearing at the expense of the guilty party.

The chairman usually identifies the issues in his introductory remarks and recognises the requests already received. If there is an objection about late filed documents, the debate may first be confined to that issue so that the Board can immediately decide whether these are admitted or not. This has, of course, a bearing on the subsequent arguments on the main issues.

The appellant pleads first and the respondent, if any, answers with his submissions. This goes on alternately for a few times. There is no time limit but of course the chairman would try to keep the formal discussion within limits and to prevent repetitions. The parties would know that the members of the Board are familiar with the file, They might ask several questions to clarify the arguments, or be advised on technical points. The members of the Board may also point out principles which have been established by earlier decisions and ask for comments.

If there are formally summoned witnesses the qustions and answers are recorded and a transcript is prepared for the parties to sign, as part of the protocol. Since there might have been an interrogation already before the first instance, the Board could rely on the earlier protocol unless some new circumstances necessitate further summons.

If new requests for amendments arise from the discussion, these will usually be allowed provided the Board has the impression that these would be helpful. Such "organically" evolving requests are no surprise and are the result of what was said during the hearing. Short adjournements may enable these to be

prepared and submitted, the requests being appropriately amended for the protocol at the end.
The discussion is then closed and the Board usually withdraws for its final consultation. The decison is given orally immediately afterwards but the full text in writing with reasons is only issued some weeks later. Very rarely the proceedings are declared to be continued in writing or the Board delays the decision for a time.

The atmosphere at the hearing is formal but nevertheless allows a real discussion of the important technical and legal points. The aim is to see the truth and the whole truth as far this is possible within the given circumstances. The result is often a satisfactory scope of protection appropriate to the technical meaning of the invention and its originality, provided there is a real contribution to the art. It is hoped that this also satisfies the patent profession in countries outside the European Patent Convention and contributes through its jurisprudence to the harmonisation of patent law all around the world.

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PATENT-UND RECHTSANWÄLTE
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& PARTNER

EPO Appeals - From the Standpoint of a Representative

Bernhard H. Geißler

A. *Introduction*

B. Principles by individual items

1. Procedural imbalance

   In dubio pro inventore
   (see Beier, The remedies of the Patent Applicant and his Competitors in comparison - Balance or imbalance? A comparative law study, 1989 IIC 407 - 438)

2. Revocation of a patent gives the right to copy
   (see Bardehle, Die Freigabe von Know-How durch das prüfende Patentamt, GRUR-Int. 1990, 673 - 675)

3. Reinstitution of opponent

   Not into opposition period

   Not into appeal period (2 month) period

   But into 4 months period for appeal brief

4. Article 114 EPC

   - Modified ex officio procedure

   - There must be something to the invention
   - You will get **a** (not necessarily your) claim
   - Sales job

C. Experience and hints

1. Formal correctness

   - great emphasis. Be prepared, power, presentation of a case by non-EPI member

2. Article 114 (2) EPC

   - The better the art the later you can bring it, but...

   - comparative runs - patentee's and opponent's

3. Auxiliary requests

- flood gate effect of revocation of claim 1

- many auxiliary requests = weakness

- most important: disclosure

  - words

  - stay as close as possible to disclosed words

    example: Disclosed: "... subsequently ... ", claimed " ... distance smaller than ... ".

  - formal correctness emphasized

4. Article 123 (2), (3) EPC

   - Novelty tests/essentiality test. Same thing?
   - disclosure versus legal certainty

     T260/85 OJEPO 1989, 105; T194/84 OJEPO 1989, 59; G2/88 OJEPO 1989, 93; T401/88 OJEPO 1989, 297; T331/87 OJEPO 1991, 22

D. Active substantive issues:

1. Information processing

2. Second medical indication

Ad 1:
the principle:

- the statute is of no help
- you need a technical appendix

  T208/84 OJEPO 1987, 14; T115/85 (Text processing)

Ad 2:

the principle:

- the statute is of help: it courtifizes the exception (narrowmindedness?)
- absolute product protection
- only emphasis **a first** exception
- further inventions: you must use a crutch

  G1, 5, 6/83 OJEPO 1985, 60, 64, 67

E. Wish list

1. Article 1.23 (2) EPC: Disclosure versus reliance: Disclosure of an invention deserves a patent

2. Adaptation of specification: DE/EPC/US

   A document is made uncertain

3. Non-printed art and accessibility

   Possibility versus probability

F. Closing thought

Close opposition appeals:
- You need an "aha" - It is usually not sufficient to say "but there was no suggestion".

HANDLING APPEALS AND HEARINGS BEFORE THE EPO

by
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Patenting in Europe
March 17, 1992

Boston, Massachusetts

Decisions in the Depts of the EPO under the Convention are really no different from the processes of examination in an individual state namely, (i) procedural, viz observance of time limits, and, (ii) substantive, such as questions of novelty or obviousness.

The procedures of appeal under the Convention are important, mainly because of the curbs on the powers exercisable by the EPO.

Boards of Appeal status is independent of any Dept of EPO.

The Provisions relating to EPO appeals are in Articles 21 to 24 and 106 to 112 and rules 10, 11, 12, 64 to 67 of the European Patent Convention.

Arts 21 to 24 deal with constitution and function: the others deal with procedures.

Art 114 is important in the exercise of discretionary powers.

##

There are 3 stages of appeals procedure

1 Examination for admissibility

2 -do- in relation to allowability

3 Decision

Stage 1 - Admissibility

Must comply with Arts 106 to 108 & Rule 64
This is the job of the legal rapporteur He decides

Essential contents of Notice of Appeal in R64(b)

EPC does not specify essential contents of a notice of appeal

2 extra months to file statements of grounds the contents of which are intended to be substantive in nature.

Guide in OJ EPO 8/1984 page 376

Art 108 states that a written statement setting out the grounds must be filed. These are only the minimum.

The appellant must set out a full concise and well reasoned statement of the facts law and argument as to the adverse affect of the Decision or Opposition.

The Boards of Appeal have a strict view of the requirements of the contents of the statement

Assuming the Appeal is Admissible it passes to stage 2 governed by Art 110 and Rule 66.

Stage 2 - Examination

Controlled by the rapporteur.

He may call for further information and evidence.

He will write a confidential internal report for other members.

This procedure enables the system to be tailored to the circumstances.

Every appeal must be decided in a reasonable time so as to provide legal certainty

Art 21 EPC contains provisions prescribing membership of the Boards

Appeals from procedural decisions of the Receiving Section will be heard by legal members These are given "J" numbers.

Appeals from substantive decisions of the Examining or Opposition Divisions raising a mixture of legal and technical issues will be heard by a Board consisting of 3 or 5 Members with a predominance of technical over legal members in the mix as the case requires.

Technical Appeals are given a "T" number

Enlarged Board Appeals are prefixed "G".

An Appeal will be either ex-parte or inter-partes.

##################################

Another important decision is **EISAI Co Ltd**

The case was the culmination of no less than seven separate appeals against refusal of applications falling foul of Art 52 (4) as a method (viz - setting out a sequence of steps) for the treatment of human or animal body by surgery or therapy or diagnostic methods. Such purposes are not patentable according to Art. 52 (4) .

With regard to the taking of evidence, Art 117 extends to Appeals the general very broad power as to form.

Art 113 (1) is a check

> The decisions of the EPO may only be based on grounds or evidence on which the parties concerned have had an opportunity to present their comments

BASF T02/89

A procedural case

On appeal Held
requirements of R55(c) must be distinguished from the question of the strength of the Opponents case. Admissibility within the meaning of Rule 55(c) does not depend upon opponents having to consider all the characteristics of a claim.

Procedural law is not an end in itself.

BSAF is a restatement of PPG ungelled, polyesters T222 /85 case.

The Webb case at the same time in 1989 illustrates the liberal view taken of procedural irregularities

The powers within Art 114 are wide.

Sumitomo decision T 182/89 seems to be acting as a curb on the powers exercisable on the part of the EPO.

##

Oral Proceedings

Although Oral proceedings are as a matter of right (Art 116), or at the behest of the, such proceedings must be applied for in writing at an early stage. Similarly, withdrawal should be made well in advance.

Guidance in the conduct of oral proceedings is set out in OJ EPO 8/1984 p 376

Parties are notified by summons under Rule 71

3rd March 1992

The precepts for Appeal procedure are to be found in OJ EPO 10/1989 page 417.

Art 101

(1) If the Opposition is admissible, The Opposition Division shall examine whether the grounds for opposition laid down in Art 100 prejudice the maintenance of the European patent

(2) In the examination of the opposition, which shall be conducted in accordance with the Implementing Regulations, the Opposition Division shall invite the parties, **AS OFTEN AS NECESSARY**, to file observations, within a period to be fixed by the Opposition Division, on communications from another party or issued by itself

Art 111(1) .....exam of allowability.....

The Board of Appeal may either exercise any power within the competence of the department which was responsible for the decision appealed or remit the case to that department for further prosecution

Art 114 (1)

In proceedings before it ..... it shall examine the facts of it's own motion : it shall not be restricted in this examination to the facts evidence and arguments provided by the parties and the relief sought.

In exercising, discretionary powers there are checks and balances

Art 112 requires uniform application of the law.

An example of the extent and use of discretionary powers is the case of Biotronic Mess u Therapiegerate GmbH & Co -v- Medtronic (Decisions G05/88 G07/88 G08/88 of Nov 90

As regards the competence of the Boards under Art 111, the Xerox case of July 1990 ref:- T 79/89 is worth looking at.

COUNTRIES OF THE WESTERN EUROPEAN COMMUNITY
Y/N means Yes or No

(1) Country	(2) Type of Government	CONVENTION MEMBERSHIP OF (3) EEC	(4) EPC	(5) PCT	(6) Brussels Convention (Litigation with EEC)	(7) Budapest (Micro Organisms)	(8) Allows Simultaneous Protection	(9) National Law set to Harmonise with EPC	(10) First to file	(11) Searches and Examinations	(12) Opposition	(13) Compulsory Licence
1. Austria # (AT)	Federal Republic	EFTA	Y	Y	N/A	Y	Y	Y	Y	Adopts EPC criteria of patentability	N	Y
2. Belgium ** (BE) #	Monarchy	Y	Y	Y	Y	Y	N	Y	Y	-- do -- New law 1/1/87	N	Y
3. Denmark (DK)	Monarchy	Y	N	Y	Y	Y	N/A	N	Y	*** National law persists	Y	Y
4. Finland (FI)	Republic	EFTA	N	Y	N/A	N	N/A	N	Y	-- do --	Y	Working of patent compulsory
5. France ** (FR) #	Republic	Y	Y	Y	Y	Y	N	Y	Y	EPC type system	N	N
6. Germany W. ** (DE) #	Federal Republic	Y	Y	Y	Y	Y	N	Y	Y	-- do --	N	Y
7. Greece (GR)	Monarchy	Y	Y	N	Y (to be ratified)	N	N	Y	Y	National law persists	Y	Y
8. Iceland (IS)	Republic	EFTA	N	N	N/A	N	N	N	Y	Based on Danish law	Y	Y
9. Ireland - (IE)	Republic	Y	N	N	Y	N	N	N	Y	Follows UK 1949 Patents Act criteria	Y	Y
10. Italy ** (IT) #	Republic	Y	Y	Y	Y	Y	N	N	Y	National law persists	N	Y
11. Luxembourg ** (LU)	Grand Duchy	Y	Y	Y	Y	N	N	Y	Y	EPC type system	N	Y
12. Netherlands** (NL) #	Monarchy	Y	Y	Y	Y	N	N	Y	Y	National law persists	N	Y
13. Norway (NO)	Monarchy	EFTA	N	Y	N/A	Y	N/A	N	Y	National law persists	Y	Y
14. Portugal (PT)	Republic	Y	N - joining 1992	Y	Y (to be ratified)	N	N/A	N	Y	-- do --	Y	Y
15. Spain # (ES)	Monarchy	Y	Y	N	Y (to be ratified)	Y	N	Y	Y	EPC type system	Y	Y
16. Sweden # (SE)	Monarchy	EFTA	N	Y	N/A	Y	Y	N	Y	National law persists	Y	Y
17. Switzerland # (CH) & Liechtenstein (LI)	Federal Republic	EFTA	Y	Y	N/A	Y	N	Y	Y	EPC type system	N	Y
18. United Kingdom ** (UK) #	Monarchy	Y	Y	Y	Y		N	Y	Y	EPC type system	N	Y

a Patent can be obtained through either National or EPC route
** Countries which have ratified the Community Patents Convention
*** Denmark : for novelty examination is based on search of patents and abstracts DK, FR, NO, SE, DE, UK, US - novelty criteria of PCT and EPC

THE FUTURE OF EUROPEAN NATIONAL PATENTS vs. PATENTS OBTAINED UNDER THE EPC AND CPC

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OUTLINE

I. INTRODUCTION
   - A. Background
   - B. Harmonization Considerations

II. THE EUROPEAN COUNTRIES
   - A. Insiders
     1. European Community
     2. European Free Trade Association
     3. Others
   - B. Outsiders
     1. Central and Eastern Europe
     2. Others

III. CONVENTIONS AND TREATIES
   - A. Paris Convention
   - B. Patent Cooperation Treaty
   - C. European Patent Convention
   - D. Community Patent Convention

IV. NATIONAL AND EUROPEAN PATENT LAWS
   - A. Patentable Subject Matter
   - B. Patent Term
   - C. Publication
   - D. Examination
   - E. Opposition
   - F. Other Considerations

V. FILING STRATEGIES
   - A. Factors
     1. Country Selection
     2. Cost of Prosecution and Maintenance

3. Speed of Prosecution
4. Difficulty of Prosecution
5. Patent Validity and Comity
6. Other Factors

B. Filing Agencies
1. European vs. National Patent Offices
2. Patent Cooperation Treaty Receiving Offices

VI. CONCLUSION

MAJOR WESTERN EUROPEAN COUNTRIES AND MEMBERSHIPS
(As of March 1, 1992)

European Community	ParisC	PCT	EPC	CPC
Belgium	x	x[1]	x	x
Denmark	x	x	x	[x]
France	x	x[1]	x	x
Germany	x	x	x	x
Greece	x	x[2]	x	x
Ireland	x			[x]
Italy	x	x[1]	x	x
Luxembourg	x	x	x	x
Netherlands	x	x	x	x
Portugal	x		x	x
Spain	x	x[2]	x	x
United Kingdom	x	x	x	x
European Free Trade Association				
Austria	x	x	x	
Finland	x	x		
Iceland	x			
Liechtenstein	x	x[2,3]	x[3]	
Norway	x	x		
Sweden	x	x	x	
Switzerland	x	x[2,3]	x[3]	
Other				
Monaco	x	x	x	

1 Any designation of this State is treated in the same way as an indication of the wish to obtain a European patent designating such State.

2 Is not bound by Chapter II PCT.

3 Any designation of this State is treated in the same way as a joint designation of Switzerland and Liechtenstein.

INFLUENCES AFFECTING THE VIABILITY OF NATIONAL PATENTS IN A UNITARY EUROPEAN MARKET

by Ronald E. Myrick
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Presented at
Patenting in Europe Conference
Boston, Massachusetts
March 18, 1992

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INFLUENCES AFFECTING THE VIABILITY OF NATIONAL PATENTS IN A UNITARY EUROPEAN MARKET

by Ronald E. Myrick[1]

INTRODUCTION

Europe today is one of the most dynamic environments for the development of intellectual property law as there are multiple currents and cross-currents reflecting themselves in a variety of initiatives and jurisprudential developments. The European Commission is particularly active through its Directorate General III in developing harmonization and other regulatory initiatives for intellectual property, primarily focussing currently on copyright and design protection, but with potential policy implications for patents as well. In addition, the Commission through its Directorate General IV is also exerting substantial influence on the development of intellectual property law through its activities regarding competition policy and the interface between that policy and intellectual property. Other Directorates General are also influential in varying degrees. Moreover, the jurisprudence of the Member States

and the European Community ("Community" or "EC") is also developing along paths which have substantial potential for impact on various aspects of intellectual property law including patents.

It is beyond the scope of this paper to address all of these currents, cross-currents, initiatives, jurisprudential developments and other influences which can and do conflict with varying effect on the intellectual property law system. Only selected influences will be addressed in the context of their impact upon the viability of patents in the Europe of the future. (The term "viability" here has reference to the continued effectiveness of patents as a means for establishing or maintaining exclusivity so as to gain the necessary compensation for innovative effort.) Moreover, the law in respect of many of these influences is unsettled or developing such that there remains considerable scholarly debate on many issues. In this paper some of that debate will be ventilated, but by no means all, and some positions discussed herein are themselves the subject of continuing study and critical review. It is hoped that this paper may contribute in some way to the debate, hopefully positively. Finally, the debate on these issues is vital and active, so much so that this paper has been and will be in a developmental flux of its own as new factors, issues and influences appear in this process of dynamic development of intellectual property law.

National patents remain the only currently available option in Europe and this may continue to be the case in the medium term. A Community Patent for the whole EC has been planned but bedevilled with problems for many years. Efforts are being made to push it forward. Other speakers are most ably addressing the Community Patent Convention and, accordingly, I shall not address it to any substantial degree. Even if the Community patent becomes a reality, however, national patent systems will remain. How viable national patents will be depends on, inter alia, how well they are respected by the European Community and national courts in the light of Community rules such as those on free movement of goods and also competition law. This then will be the principal focus of this paper.

It is necessary that some background in the instruments and institutions of the Community be provided to form a base for the discussion substantively of influences on the viability of patents in Europe after 1992. Each of these instruments and institutions has a role to play

in developing intellectual property law and policy in Europe. Indeed, many of those institutions are currently actively involved as various initiatives and adjudications are in progress now which will have substantial effect on intellectual property law and policy. Therefore, it is desirable to set the scene by describing in a broad and general way the nature of the European Community after 1992 (which may come to comprise virtually all of Europe by the turn of the century or shortly thereafter). For those who are already familiar with the Community the immediately following Section in regard to Europe after 1992 will be found to be quite basic, but it is hoped that it will be seen as a useful general foundation. The succeeding Sections 2 and 3 also set the scene by describing the current position of patents in Europe, again, quite generally as other speakers will well cover this topic more thoroughly. The substantive discussion of the principal topic at hand for this paper begins at Section 4.

1.0 EUROPE AFTER 1992 - GENERAL

1.1 The Original Objectives of the EC

The European Community was founded by the Treaty establishing the European Economic Community, frequently referred to as the Treaty of Rome (the "Treaty"). The Treaty came into effect on January 1, 1958. There are now 12 Member States: Belgium, France, Germany, Italy, Luxembourg, the Netherlands (the original six members), plus Denmark, Ireland, Greece, Portugal, Spain, and the United Kingdom.

The founders aimed to create a single economic community. According to Article 2 of the Treaty they agreed to establish a common market, progressively approximate the economic policies of Member States and thus the relevant laws, and promote throughout the Community a "harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it". Thereby they would create a common market in which goods, services, labor and capital would move as freely throughout the Community as they could within each Member State, and in which the economies of the Member States would be coordinated. As its aims were originally expressed in the Treaty, the Community was to be primarily economic in nature, but economics can never be divorced entirely from

politics. Thus, a fundamental principle underlying both the application of the Treaty and of Community law generally is the advancement of the goal of European economic union; some would say simply "European Union"! The application of Community competition law and, increasingly, developments in intellectual property law within the Community, reflect this goal.

1.2 What is "1992"?

Although considerable progress had been made by the mid-1980s, the Member States were still far from achieving the ideals set out in the Treaty and in many respects national markets remained fragmented. Individual country markets continued to remain separate internal markets as a result of a host of direct and indirect non-tariff barriers. These were often actively used to prevent exporters in other Member States from gaining access to national markets on a fair and competitive basis with local firms.

A renewed determination arose on the part of the Commission (and the EC) to remove these residual barriers and achieve a true common market, and "1992" is shorthand for the resulting legislative program.

1.3 The "White Paper"

In 1985 the Commission published a "White Paper"[2] on "Completing the Internal Market" in which it set out in essence an "8-year plan" for demolishing physical, technical and fiscal barriers and creating a single integrated internal market by the end of 1992.

The White Paper was a wide-ranging review. It took stock of developments achieved so far, focused on those areas where Community measures were required, outlined the Commission's proposals for action, and proposed a timetable for the adoption of appropriate measures by the Council. It did not purport to be a detailed plan for every area of European integration, or a comprehensive list of all the Commission's proposed measures affecting the internal market. It did, however, attempt to identify the principal barriers to the free movement of goods, persons, services and capital within the Community. The White Paper was therefore

an important statement of Commission policy with regard to those issues which are of principal concern to European undertakings, and indeed to non-EC enterprises wishing either to invest in EC companies or to trade in the Community.

The White Paper outlined a program of nearly 300 proposals for completion of the internal market and the removal of physical, technical, and fiscal barriers by the end of 1992.

1.4 The Single European Act ("SEA")

The commitment to complete the single or unitary market was formally embodied in a special Act, the Single European Act, which has been in force throughout the Community since July 1, 1987. It is a treaty amending and supplementing the Treaty between the 12 Member States and has been adopted and given effect under domestic law in each of them. The Act defines "internal market" as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured" and requires the Community to adopt measures with the aim of progressively establishing the internal market by the end of 1992.

As of September 1991 progress had been significant but 69 out of the 282 White Paper measures still required a decision of the Council of Ministers. Responsibility for these measures was spread across a number of different ministerial Councils - 17 concerned the Internal Market Council, 25 the Economics and Finance Council (ECOFIN), and 20 the Agriculture Council. Six Member States, including the UK, had implemented 75% or more of White Paper measures. Five fell within the 60-75% category. Italy was at the bottom of the list with just 40% of measures implemented.

The most recent step in the evolution of the EC has been the Maastricht Treaty on European Union which was signed on February 7, 1992. The Maastricht Treaty represents the culmination of more than a year's work in two inter-Governmental conferences, one on political union and one on economic and monetary union. It makes various amendments to the Treaty of Rome, extending the policy areas in which the EC has "competence" and including new provisions on inter alia, foreign and security policy, interior and justice matters, citizenship and social policy (although Britain elected to opt out of the social policy

provisions signed by the other 11 Member States).

Changes are also made to the EC institutional structure which will mean that the European Parliament will have new powers in monitoring the EC's financial affairs as well as increased influence in the EC legislation procedure.

A timetable for implementation of the provisions for economic and monetary union is set out in the Maastricht Treaty, which aims for a single currency by 1999 at the latest. However, it must now be ratified by all 12 Member States before it can come into force. The target date is January, 1993. This may be optimistic in view of elections in the United Kingdom and Italy, referenda required by certain countries' constitutions and revisions to the text proposed by countries such as Germany. The Single European Act (which provoked a referendum in Ireland) took nearly 18 months from signature (February 8, 1986) to entry into force (July 1, 1987). It remains to be seen whether the Maastricht Treaty will encounter similar local difficulties.

The breadth and nature of the above provisions indicate that the Maastricht Treaty is indeed a document which aims for political as well as economic union.

1.5 EC Institutions

1.5.1 The Council of Ministers ("Council")

The Council is the Community's principal legislative body, although some legislative competence is delegated to the Commission. The Council acts on proposals submitted to it by the Commission. It is made up of ministerial representatives from each of the Member States. The actual make-up of a particular meeting of the Council depends upon the subject at hand. The presidency of the Council carries considerable political influence and rotates every six months among the Member States. Portugal currently holds the Presidency until June 1992, when the United Kingdom will take over until the end of 1992.

1.5.2 The European Commission ("Commission")

The Commission is the Community's executive. Its principal job is to prepare and propose new policies and laws for the Community and to ensure that decisions, once taken, are carried out. It comprises 17 "Commissioners". The Commissioners are not elected, but nominated by their governments. Once appointed, however, they owe their duty to the Community; they are not representatives of the individual Member States. The Commission has a support staff of about 12OO. It is organized into 23 specialist departments called "Directorates-General" (DGs) based in Brussels plus a central Secretariat. Important DGs for intellectual property rights and technology generally include:

DG III	Internal Market and Industrial Affairs
DG IV	Competition
DG XI	Environment, Consumer Protection and Nuclear Safety
DG XII	Science, Research and Development
DG XIII	Telecommunications, Information Industries and Innovation.

Generally, the Commission has the power to initiate legislation. As such, it is an active source of intellectual property initiatives and many such initiatives are in work at the moment. While the Commission may not finally decide these initiatives itself, in one sense the Commission holds the pen on such initiatives and is very influential in regard to the development of intellectual property within the Community.

1.5.3 The European Parliament ("EP" or "Parliament")

The Members of the European Parliament ("MEPs") are directly elected in elections held throughout the Community every five years. The Parliament is playing an increasing role as a result of increased powers given it by the Single European Act. For instance under Article 1OOA the Council must decide on the content of legislation relating to the internal market with the "cooperation" of the Parliament. The consequence of this is that the Parliament has a right of "second reading" in respect of such legislation, in effect most of the legislation relating to the 1992 program. The Parliament's influence will be further increased

as a result of the new "co-decision procedure" embodied in the Maastricht Treaty. This is discussed more fully below.

1.5.4 The Economic and Social Committee ("ECOSOC")

This is an advisory or consultative body made up of members drawn from various walks of economic and social life (e.g. trade unionists, producers, farmers and professional people). It has few real powers. Its main significance is that the Treaty often requires the ECOSOC to deliver opinions to the Council on proposals issued by the Commission. For example, Article 100A requires the Council to consult with the ECOSOC on legislation concerning the internal market.

1.5.5 The European Court of Justice ("ECJ") and Court of First Instance ("CFI")

Based in Luxembourg, the ECJ (often called the "Court") comprises 13 judges (one from each Member State plus one chosen in rotation from the five biggest Member States to ensure an uneven number). The ECJ is the final arbiter of Community law. It must be remembered that Community law now forms part of the domestic law of each Member State, and that where there is a conflict, Community law prevails. The ECJ's job is to see that Community law is properly applied throughout the Community. Thus, in matters where the Community is competent, the ECJ is its highest court of appeal.

The CFI was established by the SEA to take some of the ECJ's work load. All competition-related cases are now generally heard first by the CFI, leaving the ECJ to concentrate on important or complex matters. CFI decisions are subject to an appeal to the ECJ. The CFI is playing an important role as its decisions of recent date have generated considerable influence and debate. Witness the recent decision of the CFI in the Magill[3] cases and the PVC case[4] which have generated or are generating much interest.

1.6 EC Legislation

Legislation may take the form of Regulations, Directives, Decisions or Recommendations and Opinions.

Directives - These define the results to be achieved and require that national legislation be introduced by a specified date. Within defined parameters the form and method of achieving results is left to the discretion of national governments. Certain Directives have, however, been interpreted as being directly applicable and thus have an effect similar to Regulations. As examples, a Directive is in place for the protection of Software by copyright; one was recently proposed for the protection of Databases; one has been proposed for some time to harmonize patentability of biotechnological inventions.

Regulations - These in contrast are immediately binding on all Member States and individuals. They are "directly effective". No national legislation is required for their implementation. Interestingly the Commission has proposed (and the Council has adopted) a Regulation, rather than a Directive, to provide for extended terms for pharmaceutical patents in the Community. A Regulation and Directive have been proposed for the protection of Designs.

Decisions of the Council or Commission - These are binding on Member States or any other legal or natural person to whom they are addressed who may be affected by them.

Recommendations and Opinions - These have no legal force as such and are merely advisory. Often the aim is to encourage desirable, but not necessarily enforceable, good practices throughout the Community.

1.7 The Legislative Procedure

The Council can delegate its powers to allow the Commission to adopt Regulations and

Directives without further reference back to the Council - usually acting on technical advice given by a Standing Committee - those procedures will not be discussed further here. What follows are the procedures by which major EC legislation is adopted.

There are two current procedures and a third proposed:

1.7.1 Consultative Procedure

Under the simple consultative procedure the Commission makes a proposal for a directive or regulation to the Council. The European Parliament and ECOSOC must deliver a formal opinion, but the Council is free to ignore any such recommendations made. The Commission may revise its proposal at any time up to the final adoption by the Council. However, the Council may only amend the proposal if acting by unanimity. If the proposal is acceptable to the Council, it will adopt it (by qualified majority or unanimously as the Treaty requires). If the Council cannot reach agreement the proposal lies dormant until such time as a consensus can be achieved.

1.7.2 Cooperation Procedure

The Cooperation Procedure was introduced (with effect from July 1987) to try to speed up the legislative process and to give the European Parliament more power. Under this procedure, once a proposal has been made by the Commission the Council must adopt a "Common Position" which takes into account the Parliament's opinion on that proposal. This Common Position goes back to the Parliament for a second reading and time limits then apply. The Parliament has three months to approve the common position or propose amendments. If it approves (or does nothing), the Council must adopt the proposal forthwith. If the Parliament rejects the common position the Council can overrule the Parliament but must do so by unanimity. If the Parliament proposes amendments, the Commission then has a month to review them and submit its views to the Council. The Council has three months either to adopt the Commission's proposal by a qualified majority, or adopt by unanimity any EP amendments not approved by the Commission. If the Council fails to act at all, the proposal lapses.

1.7.3 Proposed Co-decision Procedure: Maastricht Treaty

At Maastricht a new "co-decision" procedure was agreed which will increase still further the influence of the European Parliament in the EC legislative process. Under the new procedure, (which, of course, is not yet in force) once the Council has adopted a Common Position, if the European Parliament proposes amendments which the Council cannot accept, a Conciliation Committee (consisting of an equal member of Council Members and of Parliament representatives) will be set up to try to agree upon a joint text. The Commission's role will be to try to reconcile the positions of the Council and of the Parliament. Decisions of the Committee will be taken by a qualified majority vote of Council representatives and simple majority of Parliament representatives.

The Committee has six weeks in which to achieve a joint text, and then the full Parliament and the Council have a further six weeks in which to approve this text. If no joint text can be agreed, the Council has six weeks in which to confirm its original common position, with or without amendments proposed by the Parliament, but this can then be blocked by the Parliament, voting within a further six weeks to reject the text. Limited extensions of these time limits are possible in some circumstances.

If, on the other hand, the Parliament intends to reject completely the Council's common position, either the Conciliation Committee is again set up, or the proposal lapses. This is different from the cooperation procedure where, you will recall, the Council is able to override the Parliament and adopt its common position by unanimity. However, the Parliament is going to have to be disciplined about timing when voting on co-decision proposals. If it fails to take a view within three months on a common position, the Council may adopt it. Whenever the Parliament votes in the co-decision procedure, it must achieve an absolute majority of its members, i.e., 260 votes (half of 518 plus one) have to be cast, not merely a majority of these present when the vote is taken.

The composition of the Parliament is currently (March 1992(predominantly Socialist (180 seats, with the centrist Christian Democrats at 128) and it has on occasion held up internal

market measures to mark its disapproval of lack of progress on the so-called "social dimension".

No transitional provisions are provided in the Maastricht Treaty for legislative proposals going through the decision-making process at the time the Treaty comes into force, so the procedure to be used will depend on the stage a particular proposal has reached (Council Common Position, Parliament position on Council Common Position and so on). Bearing in mind the lobbying and publicity which surrounded the debating of the EC Software Directive during 1988 to 1990, and the vehement continuing "Green" opposition to the proposed directive to harmonize patentability of biotechnological inventions, new initiatives (like the proposed directive on protection for Databases) may have an easier or harder legislative passage depending on the stage they have reached when the Maastricht Treaty comes into force. This may lead to a strategy of trying to get certain proposals adopted early before the Maastricht amendments become operative.

2.0 PATENTS IN EUROPE - THE CURRENT POSITION

2.1 Introduction

Currently all patents in Europe are national. To date, there is no pan-European nor even pan-EC patent. A Community Patent is contemplated and efforts are currently under way to get it off the ground. The Community Patent is, however, not intended to replace national patent rights, but to complement such rights. Therefore, currently, national rights remain the only available rights.

Patent protection is available by applying individually at each national patent office, or by using the streamlined routes offered by the European Patent Convention (EPC) or Patent Cooperation Treaty (PCT), or a combination of these.

2.2 The European Patent Convention (EPC)

The EPC system provides for centralized filing, examination and prosecution before the

European Patent Office (EPO) in Munich. The countries in which patents are desired must be designated when making the application. If granted the application then issues not as a single "European" patent but as a bundle of national patents in the designated countries.

The EPC has proved a major force in harmonizing patent laws in Europe (including the EC). All the EC countries except Ireland have ratified the EPC, and all the EFTA countries except Finland and Iceland. Most of the EC and EFTA Member States have also amended their national laws to harmonize them with the EPC. The exception is Ireland which has still neither ratified the EPC nor amended its national laws. Although not members of the EPC, both Finland and Norway have amended their laws in conformity with the EPC. So the underlying national patent statutes within Europe now are significantly in harmony.

Although the statutory patent laws may be similar, it does not follow that national courts will always interpret statutory provisions or patent claims similarly. As a consequence, there is still significant diversity in the application of patent law in Europe. Accordingly, to promote consistency among the courts, a Protocol on the Interpretation of Article 69 of the EPC[5] provides in essence that the correct approach by the courts to patent claim construction is not to apply a strict literal meaning, nor only to use the claims as a guideline, but to arrive at a middle ground "which combines a fair protection for the patentee with a reasonable degree of certainty for third parties". Notwithstanding this, considerable diversity still exists.

2.3 National Patent Systems

The respective national patent systems remain in each Member State (or in the case of Benelux Member State grouping) and the national patent laws co-exist alongside the EPC notwithstanding substantial harmonization. The EPC has proved extremely successful since its inception in 1978 and the majority of patent applications in Europe are probably now filed through the European rather than national route.

2.4 PCT

The PCT system is not an alternative to the European or national systems but sits alongside

them as a way of preserving an applicant's position and enabling a preliminary search to be obtained before the expenses of general international filings need be incurred. It is therefore basically a work saving arrangement whereby the applicant effectively has 20 months after filing a basic application to file national applications in other participating countries. In the meantime he will have obtained an international search report which will help him decide if and how best to proceed with a full filing program.

3.0 COMPULSORY LICENSING FOR "ABUSE" OF RIGHTS

The national patent laws of the EC all provide for the imposition of compulsory licenses in appropriate circumstances. It is beyond the scope of this paper to cover each country. Taking the United Kingdom as an illustration, the circumstances in which compulsory licenses may be imposed are dealt with in Section 48 of the UK Patents Act 1977. The grounds upon which a compulsory license may be obtained in the UK are briefly:[6]

- A patented invention capable of being commercially worked in the United Kingdom is not being so worked at all or to the fullest extent that is reasonably practicable;

- Demand for a patented product in the United Kingdom is not being met on reasonable terms or is being met to a substantial extent by importation only;

- The commercial working of the patented invention in the United Kingdom is being prevented or hindered by the importation of the patented product or the product of a patented process;

- By reason of the refusal of the patentee to grant a license or licenses on reasonable terms a market for the export of any patented product made in the UK is not being supplied; or the working or the efficient working in the UK of any patented invention which makes a substantial contribution to the art is prevented or hindered; or the establishment or development of commercial or industrial activities in the United Kingdom is unfairly prejudiced; and

- The manufacture, use or disposal of materials not protected by the patent, or the establishment or development of commercial or industrial activities in the United Kingdom, is unfairly prejudiced by reason of conditions imposed by the patentee on the grant of licenses under the patent, or on the disposal or use of the patented product or on the use of the patented process.

In appropriate cases licenses may be granted not only to the applicant but also to the applicant's customers. Furthermore existing licenses to the applicant may be cancelled and replaced by the new one or the existing license may be amended. There are also provisions allowing the Government to effect compulsory licenses where reasons of national security so demand.

These are the provisions contained in the Patents Act for imposition of a compulsory license effectively resulting from an abuse of the exclusive right granted to the patentee by the Act. The Designs Act also includes compulsory license provisions. There are no such statutory, general compulsory licensing provisions in the UK for copyrights. The Patents Act also contains separate provisions negating the enforceability of a patent or validity of a license agreement when certain restrictive provisions are present in the agreement.

4.0 EC GOALS VERSUS NATIONAL PATENT RIGHTS

As discussed above, currently national patent rights are the only option for patent protection in Europe today. We have also seen that on the other hand the aim of the EC is to create a single market within which firms can be active across borders, competing on a fair and efficient basis. In this single market goods and services should be able to circulate freely, without hindrance because of the mere fact that they cross the border between one Member State and another. The aim is to achieve this by the end of 1992.

Patent rights are by their very nature exclusive. The patentee may if he chooses derive remuneration from exploitation by licensees. But he may also in his discretion keep the right to exploit for himself and exclude all third parties from using the invention. The protective effect of patents is limited to the territory of the Member State granting such protection.

National patent rights therefore potentially create barriers to trade between Member States; a tension can therefore exist between national patent rights on the one hand and the principles of free movement on the other. Also, by their nature such rights also affect the abilities of third parties to compete with the patentee, thus presenting a further tension between patent law and competition law. Accordingly, the continued viability (in the sense of continued effectiveness as rights of exclusion) of national patent rights in the EC depends on such tensions being properly rationalized by the Commission and the ECJ.

It is now well established that in case of conflict Community law prevails over the national law of Member States. However, against this background, Article 222 provides that the provisions of the Treaty (including those on free movement and competition) "shall in no way prejudice the rules in Member States governing the system of property ownership". This provision has been held also to apply to intellectual property, including patents.[7]

There is thus a degree of tension between the Community ideal and, specifically, the free movement of goods provisions of the Treaty on the one hand, and patents and others forms of intellectual property on the other hand. This is because patents can resurrect borders between Member States, and at first sight reduce or even eliminate competition.[8] The holder of the right thus seems to be in a position to defeat (or at least frustrate) the objectives of the Community. It is from the inherent conflict between these notions - the territorial status of exclusive national rights, and the unified market with free competition - that problems in connection with patents and, indeed, other forms of intellectual property are perceived to arise.

It should be noted in passing that similar, but not identical, issues arise in the context of other categories of intellectual property, notably trademark, copyright and design rights. However, precisely because the characteristics of each type of intellectual property are different, care must be taken to tailor the resolution of the conflict between national intellectual property rights and free movement in each case having regard to the particular categories of intellectual property in question.

The relationships between EC law and national patent rights may be further affected the

introduction in the Maastricht Treaty of the principle of subsidiarity, according to which the EC should only take action when objectives cannot be sufficiently achieved by Member States acting individually. This principle is intended to guard against over-centralization and over-regulation at European level, but it remains to be seen what effects it will have in relation to the interaction between national intellectual property rights on the one hand and the competition and free movement of goods provisions of the Treaty on the other hand.

The institutions of the Community and the Member States have thus far endeavored to find solutions on three different levels.

First, the Treaty itself contains certain rules dealing with the free movement of goods and with free competition, and these rules may be used to balance conflicting objectives.

Second, national laws on patents and other forms of intellectual property rights may be harmonized to mitigate some of the adverse effects caused by the conflict.

Third, the Community-wide patent may be introduced and in due course possibly other Community-wide intellectual property rights.

Some of these solutions and the conclusions to be derived therefrom are discussed below. Particular attention will be paid to competition law as applied to patents. Before doing so, however, it will be helpful to sketch, however briefly, the way in which the application of Community law to patents (and other forms of intellectual property) has evolved.

4.1 Articles 222 and 36

As mentioned above, Article 222 of the Treaty protects intellectual property rights. It provides that "[t]his Treaty shall in no way prejudice the rules in Member States governing the system of property ownership" (emphasis added). Article 222 is found in Part Six of the Treaty, the "General and Final Provisions", and therefore applies to all of the provisions of the Treaty.

By contrast, the "free movement of goods" provisions (Articles 30 to 36) are included in Part Two, Title I of the Treaty. Article 36 provides:

> The provisions of Articles 30 to 34 [on the free movement of goods] shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of ... the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

While Article 36 applies to free movement of goods cases, it does not apply to competition cases (which are found in Part Three, Title 1, Chapter 1, "Rules on Competition" of the Treaty). This may be relevant because Article 36 is more stringent than Article 222 in that it contains a reference to arbitrary discrimination and disguised restrictions which Article 222 does not contain. It may, however, be appropriate to contrast the ambit of the two provisions - Article 222 applies to the existence of rights, while Article 36 is concerned both with the existence and the exercise of rights and, in particular, their use as a means of restricting intra-Community trade.

4.1.1 The Meaning of Article 222

Article 222 underpins to a substantial degree the ECJ's case law concerning intellectual property and competition. It is worthwhile therefore to review its precise meaning. In one of its earliest cases, Consten and Grundig v. Commission concerning Article 85, the ECJ held that Article 222 also applies to intellectual property.[9] In the words of the Advocate-General's Opinion in that case, Article 222 must be interpreted as meaning that:

> all the basic elements of the national system of property ownership must remain unchanged. This equally means that the existence of rights appertaining to inventions analogous to property rights must remain unchanged.[10]

It has been questioned whether this was the original intention of the draftsmen of the Treaty. The first draft of Article 222 provided that "[t]his Treaty shall in no way prejudice the system of ownership of the means of production existing in the Community".[11] The reference to

"means of production" was considered insufficiently clear and replaced by a reference to "undertakings to which the provisions of this Treaty apply".[12] In the final drafting stages, the words ("of undertakings ... apply") were deleted.[13] The result is a broadly stated provision.

The first drafts of Article 222 were very similar to Article 83 of the European Coal and Steel Community ("ECSC") Treaty, which served to reserve the right of Member States to nationalize or privatize coal and steel corporations.[14] Some have suggested that the original purpose of Article 222 was the same.[15] The changes that were made in the final drafts (in particular the deletion of "of undertakings") and the wider application of the EC Treaty beyond the areas of coal and steel strongly suggest, however, that Article 222 has a broader scope. This issue was the subject of debate immediately after the adoption of Article 222. The Commission argued that Article 222 did not exempt intellectual property rights from the application of the Treaty provisions.[16]

The ECJ settled the matter and rationalized the debate in Grundig and Consten and subsequent cases by developing an analysis based upon the dichotomy between the existence of an intellectual property right and its exercise. Since that time, the meaning of Article 222 has not been directly challenged. The approach of the ECJ to Article 222 does not mean that intellectual property rights are sacrosanct and can be used to avoid the results to be achieved by the Treaty. The ECJ held that:

> whilst the Treaty does not affect the existence of rights recognized by the laws of a Member State in matters of industrial and commercial property, yet the exercise of those rights may nevertheless, depending on the circumstances, be restricted by the prohibitions contained in the Treaty.[17]

So far in case law, the ECJ has consistently applied the distinction between exercise and existence to decide what will be subject to its scrutiny and what will not. The question is how to distinguish the existence from the exercise of an intellectual property right.

4.1.1.1 Specific Subject Matter

To ensure that the "existence" of an intellectual property right in a given case before the ECJ is not prejudiced, the ECJ has in almost every case defined the "specific subject matter"[18] or the "substance"[19] of the right involved, or the "essential rights" of the rightholder.[20] There may be minor semantic differences between these terms.[21] In practice, however, these terms have been used more or less interchangeably across the broad range of the ECJ jurisprudence including both competition and free movement of goods cases.[22]

From the case law of the ECJ referred to above it can be concluded that "existence", "substance", "specific subject matter" and "essential rights" refer to a bundle of rights that are at the very core of the intellectual property right at issue. In the case of a patent, for instance, it has been held that its specific subject matter is:

> The guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties, as well as the right to oppose infringement.[23]

This definition protects the patent holder against unauthorized application of his invention and against the marketing of products or services using his invention without his permission and is thus central to the patent's fundamental role of encouraging innovation by granting monopolistic rights as a compensation device.

The core bundle of rights is distinguished from rights that only constitute the fringe of the intellectual property right.[24] An example of such a fringe characteristic is the territorial nature of the right, in situations where national law allows the rightholder to prevent imports of products marketed abroad by him or with his consent (provided he has had his reward - see discussion of exhaustion below).

4.1.1.2 Interesting Aside on Article 222

A final note on an issue that may be relevant for harmonization of intellectual property law

within the Community is that Article 222 applies to national intellectual property, so as to protect its "existence" and, therefore, its specific subject matter. Article 222 also applies if the national laws are introduced in order to implement Community directives. If, however, intellectual property rights are introduced by regulation at a Community level, or even, perhaps, by a directly applicable directive, Article 222 presumably will not apply. A proprietor of such a Community Patent, Design or Trade Mark would, therefore, not be able to rely on article 222 in resisting a particular application of the free movement of goods or competition provision of the Treaty to his intellectual property.

4.1.2 Free Movement of Goods Provisions - The Meaning of Article 36

In Article 36 cases (concerning the free movement of goods), the ECJ not only uses the notion of the "substance" of the right, but sometimes also invokes the "basic function"[25] or "essential function"[26] of intellectual property rights. These terms tend to refer to the objective of the legislature in granting the right.[27] The essential function of a patent, for instance, is to ensure for the inventor an opportunity to obtain a reward for his efforts or innovation and thus, if seen ex ante, gives an incentive for would-be inventors to invest time, money, and efforts into research.[28] If a particular exercise of an intellectual property right does not reasonably correspond to the essential function of the right, the principle of free movement of goods prevails.

More recently, the ECJ has taken to using the words "legitimate exercise" and "abusive" or "improper exercise" in copyright and design cases involving Article 36.[29] "Legitimate" exercise is "justified" under Article 36 to protect intellectual property, and "abusive exercise" is defined as "of such a nature as to maintain or establish artificial partitions within the common market".[30]

Why has the ECJ begun to use different words than the traditional "exercise" and "existence" and why does it ponder the "function" of the rights? It has been said that the existence of an intellectual property right can be equated to the aggregate of all the different ways of exercising it.[31] This mere semantic debate may be at the root of the ECJ's wording. However, the matter also may be more fundamental. In recent Article 36 cases, the ECJ

apparently felt the need to explain why the national law was reasonable and why it should be available as a defense against a claim based on Article 30.[32] Such an analysis is suggested by the text of Article 36, which requires that the restriction of imports be "justified" by the protection of the intellectual property right and that the "prohibitions or restrictions shall not ... constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States."

The word "justified" has a connotation of proportionality and reasonableness. For this reason it might be taken to indicate that the ECJ is entitled to review the "substance" of intellectual property under national law, in order to verify whether the core bundle of rights granted by national law indeed outweighs the interest the Community has in the free movement of goods. It is important to note, however that the ECJ has so far consistently rejected arguments that it should review the legitimacy of, for instance, trademark protection in Germany, or patent or design rights in the United Kingdom or Italy.[33] Moreover, as has been emphasized before, Article 36 applies to free movement of goods and services cases only and Article 222 is not identical to Article 36. Article 222 does not refer to restriction having to be "justified" and does not contain the reference to "arbitrary discrimination" or "disguised restriction on trade". These considerations may be relevant when applying the competition provisions of the Treaty to patents and other forms of intellectual property.

5.0 ARTICLES 85 AND 86: COMPETITION RULES

5.1 Article 85

While Article 85 applies to both horizontal and vertical arrangements on the exploitation of intellectual property,[34] most case law in relation to intellectual property rights concerns license agreements. The first cases date back to the 1960s[35] and 1970s.[36] From the 1970s onwards, the Commission adopted block exemptions which state precisely the conditions under which certain kinds of agreements are automatically exempted. The most relevant regulations in the field of intellectual property concern patent licensing agreements (1984) and know-how licensing agreements (1989). Agreements that do not comply with the conditions for application of the block exemption regulations continue to be dealt with by the

Commission on an individual basis.[37]

The Commission's traditional approach to license agreements has been criticized on the ground that certain restrictions on the licensee's and licensor's conduct may discourage competition. In particular, if the parties are unable to impose certain ancillary restrictions, they may decide not to enter into a licensing agreement, in which case there will be not more, but less competition. Recent case law of the Commission[38] and the ECJ[39] has allowed for such considerations to be taken into account.

5.2 Article 86

Article 86, which prohibits the abuse of a dominant position, has also been applied in the field of intellectual property.

5.2.1 Dominance

The ECJ has defined a dominant position as:

> a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by giving it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of consumers.[40]

The possession of an exclusive right may be one of the factors determining dominance, but it is not in itself conclusive.[41] A patent does not in and of itself allow a patentee to ignore competitors and customers if another product can be substituted for the product covered by the patent, and the function and characteristics of the other product are sufficiently similar from the point of view of the user. Nevertheless, if intellectual property rights cover spare parts that cannot be substituted by a third party's spare parts, the Commission has on occasion shown itself quickly inclined to find dominance.[42]

The nature of the right may also be relevant. For example, it is arguable that a copyright which is necessarily co-existent with a product of economic value could be a key indicator of

dominance in a relevant product market, and that the same is less likely to be true in the case of a patent, which may only be an element of a product. Equally, a trademark might not necessarily have any direct relationship to a particular product market.

In general, if a firm has a market share of more than 40% of the relevant product market in the relevant geographical market, there is a risk that it might be found to be dominant (unless in an oligopolistic market situation).

5.2.2 Abuse

The very essence of a patent is that it is exclusionary. A mere refusal to allow others to exploit an invention should therefore not be considered to be abusive, since that would mean stripping rights under national law of all effect and leaving but a mere shell with no meaningful existence. As explained above, under Article 222, the provisions of the Treaty (in particular Articles 85 and 86) may not prejudice the rules in Member States governing the existence of intellectual property.

For this reason, the ECJ has held that the mere fact that an exclusive right is enforced does not constitute an abuse,[43] nor does the simple refusal to grant a license to a third party. In the words of the ECJ

> ... the rights of a proprietor of a protected design to prevent third parties from manufacturing and selling or importing, without its consent, products incorporating the design constitutes the very subject matter of his exclusive right. It follows that an obligation imposed upon the proprietor of a protected design to grant to third parties, even in return for a reasonable royalty, a license for the supply of products incorporating the design would lead to the proprietor thereof being deprived of the substance of his exclusive right, and that a refusal to grant such a license cannot in itself constitute an abuse of a dominant position.[44]

Prohibiting the mere exercise of the right would reduce it, in some cases, out of existence. As explained below, this is exactly what happened in Magill which is now on appeal to the ECJ. In Magill the Commission and the CFI prohibited copyright holders from doing the

very thing that the applicable national copyright law allowed them to do: prevent unauthorized third parties from producing and distributing copyrighted material. (If such result should be affirmed broadly, the effectiveness of patent based exclusionary rights could be influenced thereby.)

As has been seen, traditionally the ECJ has drawn a line between the "existence" and the "exercise" of a right, indicating that an abusive exercise requires certain additional features over and above the mere refusal to allow others to use the protected rights.[45] Use is not in itself abuse. To illustrate this approach, in Volvo and Renault, the ECJ mentioned three carefully selected examples of such additional features.

The three examples of abusive conduct cited in Volvo and Renault were the following: (i) the arbitrary refusal to supply body panels (i.e., the protected goods) to independent repairers (i.e., purchasers who used these goods for the services they offered), (ii) the fixing of prices for the body panels at an unfair level and (iii) ceasing production of the body panels even though they would still be needed on a large scale for repairs and maintenance.[46] In effect, the ECJ indicated that it would not permit intellectual property rights to be used to gain an unfair advantage in a market for products not covered by the rights. In other words, the ECJ would not permit the rights of the patentee or other rightholder to be exercised illegitimately outside their proper scope. On the other hand, the ECJ declined to uphold a challenge to either the existence of the right, or rights fundamental to that existence.

Thus, taking the first two examples, if spare parts are arbitrarily refused or unfairly highly priced, third parties are precluded from repairing certain automobiles, since they cannot purchase the parts and are precluded from making the spare parts without a license. As a result, they cannot compete with the repair service provided by the rightholder. The market in which the latter thus obtains an advantage, the service market, does not require exploitation of the intellectual property or performance of any act which is reserved for the rightholder. Independent repairers only need the spare part, not the right to make it.

As to the third example, if spare parts for recent models cease to be available and no third party is authorized to produce them, users of cars with defective parts (i.e., customers who

have been supplied in the past and who have therefore become dependent on the supply of parts) are forced to purchase new models. The market in which the effect of the behavior is felt and the unfair advantage is obtained is the market for automobiles. A remedy in all three examples would be to leave the choice to the producer whether to supply the parts within a reasonable time and at reasonable prices or to grant a license.

Although the list of examples is not exhaustive, it does not suggest that other examples should include situations where competing firms need to engage in restricted acts (copying, in the case of copyright and design, or exploiting an invention, in the case of patents) to enter the dependent market. There is no indication that the ECJ in Volvo and Renault abandoned the principle set out in Article 222 that there is a core bundle of rights which are reserved to the rightholder and which are not called into question by the competition rules of the Treaty.

Thus, the law remained, after Volvo and Renault, that even if the reasoning expressed in those cases applies equally to patents, as may well be the case, there is no principle of Community law which requires the granting of a license, except in the particular type of circumstances discussed above. Specifically, one might still expect the specific subject matter of a patent to comprise at least (i) the exclusive right of the patentee to place patented goods on the market either himself or through a third party with his consent, i.e., a licensee; and (ii) the right to pursue infringers.

However, there are now the decisions of the Commission and the CFI in Magill[47] to which reference has been made above, and which is currently on appeal to the ECJ. The potential significance of Magill is difficult to assess, even if the existing Commission Decision and judgment of the CFI are upheld, because of its very particular facts. However, because of its possible serious implications, it is worthy of special mention.

5.3 Magill - Its Reasonable Implications

The essence of the three Magill cases is that the Commission and the CFI prohibited three broadcasting organizations, BBC, ITP and RTE, from invoking a right they had under

national copyright law to exclude competitors from copying and disseminating certain program lists. Although the Magill cases concern copyrights, they may present fundamental questions on the relationship between intellectual property and EC competition law. Thus, these cases are relevant to the question of whether national patents will continue to be viable to maintain exclusionary rights in inventions in the EC in the future. Notably, the "market" which was the object for exploitation in Magill (assuming it was a separate market) was a market for products that required reproduction of the protected work. In this major respect, Magill deviates from Volvo and Renault.

In order to reach its conclusion, the CFI seemed not to refer to the traditional existence/exercise dichotomy. Instead, it used a somewhat confusing array of different arguments.

First, it distinguished "legitimate exercise" from "improper exercise" - notions which it seems to have taken from cases decided under Article 36.[48] "Improper exercise" is defined as "likely to create artificial partitions within the market or pervert the rules governing competition". This appears to differ from the definition of "improper exercise" used in the past in the case law of the ECJ, which referred only to "artificial partitions within the common market". Moreover, the CFI did not indicate clearly why the broadcasting companies' behavior was an abuse, i.e., what additional circumstances or behavior over and above the exercise of the copyright itself led to a finding of abuse. The notions of "legitimate" and "abusive" exercise appear to be derived from cases concerning Article 36. It is perhaps questionable whether they are relevant in an Article 86 context, as explained above, since Article 36 is a special rule that applies only to the free movement of goods provisions.

In addition, there is no reference in Magill to any set of core rights inherent in the existence of the copyright which are - as Article 222 dictates - free from the interference of the EC Treaty so long as they are based on national law.

The CFI acknowledged the "actual substance of the intellectual property" by quoting earlier cases from the ECJ.[49] It stated that the exclusive rights of the author "are not called in question by the rules of the Treaty".[50] However, the CFI appears then to have done

something at least quite similar to that when it said that:[51]

> While it is plain that the exercise of the exclusive right to reproduce a protected work is not in itself an abuse, that does not apply when, in the light of the details of each individual case, it is apparent that that right is exercised in such ways and circumstances as in fact to pursue an aim manifestly contrary to the objectives of Article 86. In that event, the copyright is no longer exercised in a manner which corresponds to its essential function, within the meaning of Article 86 of the Treaty, which is to protect the moral rights in the work and ensure a reward for the creative effort, while respecting the aims of, in particular, Article 86. (para. 71, emphasis added).

Thus, the CFI applied the "essential function" test (which is based on the word "justified" in Article 36, not on Article 222) though perhaps changing its meaning somewhat. In addition, it changes the meaning of "essential function". According to the case law of the ECJ, the "essential function" is a concept of Community law, the contents of which are determined by national law. The CFI seems to have imported EC competition rules (Article 86) into the contents of "essential function" and thus into the "existence" of copyright.

In other words, whereas under the case law of the ECJ in competition cases there was a core bundle of rights (determined by national law in the absence of Community harmonization), which the provisions of the EC Treaty did not affect, the CFI now seems to be using Article 86 of the Treaty to determine what the core rights are, and thus circumvent Article 222. In doing so, it has allowed Community law to override national laws in an area which Article 222 reserved to national legislation and harmonization.[52] The CFI justified its reasoning that Article 86 may override national law by saying that the "primacy of Community law, particularly as regards principles as fundamental as those of the free movement of goods and freedom of competition, prevails over any use of a rule of national intellectual property law in a manner contrary to those principles".[53] This statement seems to be contrary to Article 222, as interpreted until now by the ECJ. The CFI confirms its approach by stating that "the exercise of an exclusive right which, in principle, corresponds to the substance of the relevant intellectual property may nevertheless be prohibited by Article 86 if it involves, on the part of the undertaking holding a dominant position, certain abusive conduct".[54]

5.4 The Potential Effects of the Magill Cases

If the judgments in the Magill cases are upheld broadly by the ECJ and if, in addition, similar reasoning is subsequently applied in a patents context (which it is to be hoped would not be the case), then the consequences could be detrimental for the encouragement of innovation. This might, in turn, undermine true competition both within the Community and between the Community and its major trading partners.

The main substantive effect of the Magill reasoning is that at its broadest it could be understood as potentially having the effect of forcing an intellectual property proprietor to license its core rights to would be competitors for products that compete with the proprietor's own product but have some different characteristics. In spite of the CFI's identifying a different product market, there was evidence that the comprehensive weekly guide would compete head-on with the broadcasters' weekly guides. The Commission in its decision took the view that the raw information itself (the advance listing) could be a separate market.[55]

With markets so narrowly defined, one could possibly identify competing but different products also in other areas, such as pharmaceuticals and data processing, or treat raw "technology" (i.e., the patent right) as a separate market. This could substantially affect intellectual property protection. If a competitor can obtain access to a patentee's technology to apply it in a different but competing product, the incentive to invest in research and development may be expected to decrease. Inventors will likely have less discretion to decide how to exploit their rights and competing businesses may in many cases attempt to obtain a license rather than developing competing technology themselves, resulting in a reduction of technological variety. If the ECJ affirms Magill, it is to be hoped, inter alia, that it will limit the application of the principles underlying Magill to cases involving markets for products that do not compete and where firms have been made dependent by the overt acts of the rightholder.[56]

Another effect could be produced by the difference between Magill and the traditional refusal to supply cases. In previous cases, a refusal to supply has only been found to be abusive if the customer was previously supplied and there was no objective justification for choking off

supplies.[57] This could be explained by the circumstance that the customer had made investments and had become dependent on the supply of the products in question. By contrast, in Magill a new business opportunity (which competed to a greater or lesser extent with the broadcasters' magazines) was to be pursued by exceeding the terms of any license available from the program makers. In order to avoid such a shift in the law, the ECJ may, indeed, take care to limit the effect of Magill to cases where there is both an existing market and actual demand, or where arbitrary conditions of supply are being applied.

Further, in Magill it was said that the broadcasting companies prevented the emergence of a so-called "new product" for which there was alleged potential consumer demand which (according to the Commission) was not met. Comprehensive weekly guides existed in all Member States except the United Kingdom and Ireland. They were "new" in the sense that they combined the BBC, ITP and RTE listings in a single magazine. Purchasers could get all the details by buying the three independent magazines and demand was substantially being met by the rightholders. It is a serious question whether it is justified to abrogate exclusivity rights where demand is being met by the rightholders or by one or more (cross) licensees and there is simply an opening for a slightly different but perhaps more convenient product. Nevertheless, that appears to be the present result of Magill.

Under a more traditional analysis, a patentee should be able in his discretion to keep certain technology and information for itself and to exploit it by incorporating it in his own products. To force a patentee to institute a licensing program for technology where he has not made the technology available to third parties, would be a great danger for the commercially feasible exploitation of intellectual property.

5.5 Some Options for the ECJ in Magill

5.5.1 Option 1

The ECJ could overturn the decision's grant of a compulsory license and confirm in clear and unambiguous terms that an abuse under Article 86 requires more than just the exercise of an intellectual property right.

5.5.2 Option 2

The ECJ need not follow the CFI's approach to the definition of dominance and, indeed, might wish to take the opportunity afforded by Magill to reassert that dominance must be determined by reference to economic power and ability to act independently in the market place.

5.5.3 Option 3

The ECJ need not follow the CFI's approach to confirm that the broadcasting companies abused a dominant position. Arguably, the broadcasting companies' conduct (in particular, the conditions they applied to licenses), for example, may be deemed to have been discriminatory and arbitrary. In this regard the broadcasting companies appear to have been willing to license their program listings to any interested parties. It appears to have been only when they perceived that Magill was intent on exceeding the parameters of that license in a manner that threatened their own publications that they chose to assert their copyright. Possibly this conduct could be deemed arbitrary and discriminatory and, to that extent, not dissimilar to the conduct regarded as prohibited in both Volvo and Renault. The court might in either case point out that the facts and circumstances in Magill were very unusual.

5.5.4 Option 4

The ECJ could attempt to limit Magill to its facts. The cases present some special features that distinguish them from other situations where a refusal to license could arise.

These special features include the facts that:

- BBC, ITP and RTE had by statute exclusive responsibility for the dissemination of television programs, and thus were the only entities which could create listings. No amount of investment would allow third parties to create a competing listing. The broadcasters might therefore be regarded as having a special obligation to make the information available.

- The program listings were a by-product of the creation of the programs themselves. The control of program listings and their publication is thus arguably more a question of broadcasting regulation than of intellectual property.

In the end, however, these considerations are as much in the nature of policy arguments as of purely legal arguments. They are, therefore, particularly appropriate considerations to be taken into account by the legislature when reforming broadcasting - and the United Kingdom Government has indeed done so in a statute.

The fact that the program listings did not involve much intellectual or artistic effort also is a suspect justification for abridging the principle set out in Article 222. As long as there is no harmonized Community law on copyright and national law governs these rights, the Community should accept -- and, in the past, has accepted[58] -- the discrepancies resulting therefrom. This includes the fact that certain Member States protect "banal" or (in Commission terminology) "functional or utilitarian" works.

The ECJ could limit the case to intellectual property rights such as copyright that, unlike patents, are not subject broadly to statutory compulsory licenses, on the basis of the argument that if the national legislature provides expressly for a compulsory license to prevent unfair exploitation, this must be exhaustive, whereas in the absence of a compulsory license provision, abusive exercise must be limited otherwise.[59]

5.5.5 Option 5

The ECJ could uphold the CFI decision without limiting the case to its facts and suggesting distinguishing factors. This would raise serious questions in terms of the obligations (in the case of other types of intellectual property and in particular, patents) to grant licenses on reasonable commercial terms. In this connection it is noteworthy that the Magill cases arguably had more to do with the underlying information than copyright (as hinted at by the Commission in its judgment). The ECJ may choose to build upon that distinction, perhaps reflecting upon the Commission's recently adopted proposals for a Directive to regulate electronic databases with which there are many parallels with television program listings.

In this proposal the Commission suggests that there should be a separate right to control and prevent the unfair extraction of the contents of a database. However, this right is subject to compulsory licensing on fair and non-discriminatory terms if the material cannot be independently created or obtained from another source. The possible parallel with Magill is clear.

Moreover, the Community now has a "legislative baseline" for the inter-relationship between competition and copyright law, in the so-called Software Directive.[60] Interestingly, while the Software Directive allows decompilation (an otherwise prohibited act), it does not allow this for the purpose of developing a competing product. Moreover, such a right is enjoyed only by a legitimate licensee does not take away a copyright holder's right to determine whether or not to license its product.

5.5.6 Option 6

Even more of a departure: the ECJ might attempt to adopt the approach of finding that no copyright should have existed in the TV listings. This would involve a reinterpretation of Article 222 enabling the ECJ to review the existence of national intellectual property rights and many might argue the implications to be more damaging than a straightforward endorsement of Magill.

5.6 Other Issues

Of course, the Magill case raises many issues which have not been discussed here and which are in any case worthy of papers in themselves. Not the least of these is whether all intellectual property rights are based on the same philosophy. It could, for example, be argued that copyright has as much to do with ownership and attribution of authorship as with exclusive rights in contrast to intellectual property rights such as patents which are said primarily to do with "monopoly". Such an argument would have attractions to many European jurists.

Also worthy of discussion is whether copyright differs from other intellectual property rights

in that there is usually a coexistence between a copyright and a product of economic value which is not necessarily the case with rights such as patents. In the Magill case, the CFI certainly seemed to be preoccupied by the co-existence of copyright and the concept of a "factual monopoly" in the underlying information. Seen in those terms, the concept of "factual monopoly" may seem innocuous enough but it is, perhaps, a dangerous principle for the development of the Community competition law whether restricted to the intellectual property field or not.

Magill also raises fundamental questions as to the viability of market definitions and concepts of dominance in Community competition law and, therefore, could turn out to be a watershed decision for Community law. Equally, of course, it might be thought to be something of an aberration based on highly unusual circumstances.

In the light of the foregoing, it is thought likely that the ECJ will find a way of limiting the effect of Magill to its facts since to do otherwise will have broad and far reaching effects which are not likely to be warranted or desirable and are not demanded by the Magill factual situation. At the very least, the ECJ may feel constrained to restrict Magill to copyright. Its effects in that domain may of course be serious not least because it would be substantially inconsistent with the Software Directive, the proposed Database Directive and certain other proposals for copyright harmonization, all of which are supposed to be declaratory of the existing law.

Attention is now directed to the last major item to be addressed here: the application of the free movement of goods provisions to patents in the EC.

6.0 FREE MOVEMENT OF GOODS

6.1 Exhaustion of Rights

Article 30 EC Treaty ensures the free movement of goods throughout the Community. It prohibits quantitative restrictions of imports between Member States, as well as any state measure that has an equivalent effect. The ECJ has broadly defined "measures of equivalent

effect" as including any State measure hindering "directly or indirectly, actually or potentially" the importation of goods.[61] This includes court decisions in individual cases enforcing intellectual property rights.

As explained above, Article 36 allows exceptions to the principles of free movement of goods and services, if justified by the need to protect intellectual property rights. Since many intellectual property rights are by nature territorial, they may give the holder the right to prohibit imports of the patented goods into the country where the patent has been granted. Enforcement or exercise of intellectual property rights may therefore affect trade between Member States.

The ECJ has held that once an intellectual property right is "exhausted" in regard to any particular product, it cannot be relied upon to prevent the importation of that product into another Member State. The notion of "exhaustion" has not been invented by the EC Commission or by the ECJ, but is much older. The idea is that the purpose of a patent is to reserve a reward to the inventor, but that he is entitled to this reward only once. If the inventor has put his product (or the protected process) on the market and has had his opportunity of remuneration, the protection afforded to him by his patent comes to an end; the patent is "exhausted" with respect to this product which may henceforth freely circulate.[62] Arguably, the idea is related to notions of the legitimate ambit or exercise of an intellectual property right.

The notion of exhaustion was introduced into Community law on the basis of Article 36. Article 36 provides that Article 30 "shall not preclude prohibitions or restrictions on imports ...justified on grounds of ... the protection of industrial and commercial property", provided that such restrictions do not "constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States." The ECJ indicated that

> an obstacle to the free movement of goods may arise out of the existence, within a national legislation concerning industrial and commercial property, of provisions laying down that a patentee's right is not exhausted when the product protected by the patent is marketed in another Member State, with the result that the patentee can prevent importation of the product into his own

> Member State when it has been marketed in another Member State.
>
> [Such obstacles] are not justified where the product has been put onto the market in a legal manner, by the patentee or with his consent, in the Member State from which it has been imported, in particular in the case of a proprietor of parallel patents.[63]

The prevention of imports of patented goods that have been put on the market in the EC previously by the patentee himself is not within the substance of the right, if this would allow him a second reward. Likewise, the patentee will not be allowed to block the import of patented goods that have been put on the market in the EC by a person to whom he voluntarily granted a license, because in that case, too, the patentee has already received his reward in the form of the license fee.[64] The crucial point is the patentee's consent.

The patentee's consent to the manufacturing and putting into circulation of a product by a third party is deemed to be lacking when the patentee has not been in a position to negotiate freely the reward for his efforts. Thus, a patentee can prevent imports of products manufactured under compulsory license in another Member State, or products manufactured by a third party who is not a licensee, if the product in question is not patentable in the Member State where it is first put into circulation.[65] The ECJ has now also held that a trademark right is not exhausted if a product is marketed in another Member State with a trademark that originally belonged to the same proprietor, but which by expropriation was transferred to another party.[66] The basis is again absence of consent.

6.2 Obtaining Patent Protection in EC: Policy Considerations

The following questions arise in this context:

- If a patentee has a patent in some, but not all, Member States, can he prevent imports of goods which have been manufactured by him or with his consent into those countries from (i) other Member States where his product is not patentable; (ii) other Member States where he has not filed for a patent although a patent could have been granted; (iii) outside the EC?

- Would the answers be any different if the products concerned are not those of the patentee but are manufactured by a third party without his consent?

EC law recognizes that it is for the patentee to decide under what conditions he will put his product into circulation in the Community for the first time.[67] When the patentee has done so, he must accept the consequences of his choice as regards the free movement of the product within the Community.

Thus, products first put into circulation by the patentee in Member States where no protection is available may freely circulate throughout the EC.[68] If the patentee chooses to market in a Member State where the product could not be patented, he must accept the consequences, even if the price in that Member State is lower because of the absence of patent protection.

The next question is whether, if the patentee could, but chose not to, obtain a patent in a Member State, products marketed there by him or with his consent can also be freely exported to other Member States. As the patentee has consented to the marketing of the products, they should be able to circulate freely throughout the Community.

The third question is whether a patentee may block importation of products into the Community from a third country, where they have been placed on the market by the patentee or with his consent. Articles 30-34, which only apply to restrictions on trade "between Member States", cannot be invoked in respect of the initial importation of the products into the Community from non-EC States.[69] Thus, if the patentee holds a patent in the country of first importation, as a matter of EC law he should be able to rely on his patent to block the importation of the products from outside the Community. If no patent protection is held in the Member State of first importation, the goods will be able to enter that Member State. Whether the patentee may prevent the goods from then entering another Member State where he holds a patent has not yet been considered by the ECJ. Again, however, consent should be the key. On that basis, if the patentee has marketed the goods outside the Community, or has consented to their being so marketed, and if the patentee has chosen not to obtain patent protection in all Community Member States, then it may well be that, once

the goods have entered the Community via a Member State in which no patent protection has been obtained, they will be entitled to circulate freely throughout the rest of the Community, i.e. even into those Member States where the patentee has valid and subsisting patent protection.

Finally, what is the position if the products concerned are not placed on the market originally by the patentee or with his consent, but by an independent third party?

Where the third party places the products on the market outside the Community and the patentee enjoys patent protection throughout the Community, it is clear that the patentee can rely on his patent rights to prevent importation of the goods into the Community. Similarly, and while there is no case law directly on point, it seems that the patentee would be able to block imports of products manufactured by a third party without his consent from a Member State where no patent has been obtained and where they are first placed on the market, into Member States where patent protection exists, on the basis that he has not consented to the marketing of the product in the first Member State.

It has been suggested that failure to obtain patent protection for a particular product in all Member States could constitute "consent" at large to the marketing of those products by third parties in the "patent free" countries.[70] The argument is based on a general principle that a person should not hold another person liable for damages to which he contributed through his own behavior.[71] There is little in the case law of the ECJ to support this conclusion. The ECJ has so far accepted the principle of "constructive consent" only where the rightholder himself marketed the products in the patent free country or licensed others to market (in other words, where there was privity of contract).

The ECJ has emphasized that consent is critical, the key. The ECJ is not likely to apply Article 30 where this will result in the protection offered by the national intellectual property rights becoming "meaningless" or "worthless". The specific subject matter of patents would be so affected if products made and sold by third parties without the consent of the patentee in the "patent free" territories could then move freely anywhere in the EC. The patentee's national rights would become worthless.

There may, however, be circumstances in which implied consent by the patentee would be held to give rise to exhaustion. For example, an inference of consent might be justified if the patentee has known of the situation and has not only taken no steps to stop the imports when the practice had been going on for some time and involved significant amounts, but has also in some way suggested that he is happy for the practice to continue, for example if the patentee had in fact been knowingly collecting royalties in regard to the quantities imported.

CONCLUSIONS

It is believed that national patents should remain viable in the EC for the foreseeable future. Such patents are respected by the ECJ although their exercise may be subject to restraint.

In free movement of goods cases, the courts may engage in a balancing act under Article 36 and verify whether the use of intellectual property rights in accordance with their substance is "justified" having regard to the negative effect on the free movement of goods between Member States. But in essence, unless the patentee has consented to the marketing of a patented product, national patent rights remain fully effective. The EC rules of exhaustion should not oblige an inventor to obtain patents in each Member State to ensure adequate protection EC-wide. Generally, it should be sufficient to file for protection in Member States that are or may become important markets.

In competition cases the courts are expected to maintain the traditional distinction between existence and exercise. The CFI has in the Magill case created uncertainty both in its definition of dominance and in arguably finding mere exercise of a copyright abusive. It is an unclear and general decision, but the decision on appeal in Magill will hopefully preserve the viability of patent and other intellectual property rights. There is, however, some risk of a different result.

ENDNOTES

1. This paper has been prepared with the help and advice of Jeremy Brown and Tim Lord of Linklaters & Paines, London office, Maurits Dolmans of Cleary, Gottlieb, Steen & Hamilton, Brussels office and Guy Leigh and David Barrett of Theodore Goddard, London office, and is expected to be the first paper of a series to be published giving an overview of the fundamental issues governing the legal protection of intellectual property rights in the European Community.

2. "Completing the Internal Market" White Paper from the Commission to the European Council (Milan, 28-29 June 1985) COM (85) 310 final.

3. Case T-69/89, Radion Telefis Eireann v Commission of the European Communities, (1991); Case T-70/89, British Broadcasting Corporation v Commission of the European Communities, (1991); and Case T-76/89, Independent Television Publications Limited v Commission of the European Communities, (1991). In the text, for convenience, these cases will be referred to collectively as Magill, but it should be noted that the BBC case (T-70/89) was not appealed to the Court of Justice. Therefore, the shorthand usage of the collective term Magill in regard to the proceedings in the Court of First Instance refers to all three cases for convenience, and in regard to the proceedings in the Court of Justice, refers to only those which were appealed thereto.

4. Joined Cases T-79/89, T-84/89, T-85/89, T-86/89, T-89/89, T-91/89, T-92/89, T-94/89, T-96/89, T-98/89, T-102/89 and T-104/89, BASF, Limburgse Vinyl Maatschappij, DSM and DSM Kunststoffen, Huls, Atochem, Societe Artesienne de Vinyl, Wacker Chemie, Enichem, Hoechst, ICI, Shell International Chemical Company and Montedison v Commission.

5. Protocol on the Interpretation of Article 69 of the European Patent Convention.

6. It had been thought for some time that the failure of Section 48 to recognize working of the patent anywhere within the EC rather than just in the UK was inconsistent with the UK's treaty obligations. This has now been confirmed by the ECJ which held on February 18, 1992 (unreported as yet) that the UK and Italy were in breach of Article 30 of the EC Treaty insofar as they did not recognize working anywhere in the EC as sufficient. The same will of course apply to other Member States which similarly require national working.

7. Cases 56 and 58/64, Consten and Grundig v Commission, [1966] ECR 345. See also Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55, at 72 and The Opinion of Advocate-General Roemer, at 77; and Case 78/70, Deutsche Grammophon v Metro, [1971] ECR 487, para. 11.

8. It would be wrong simply to describe intellectual property rights as "anti-competitive". They are needed to reward efforts made in the development of new products or techniques, or in creating goodwill of a firm, and thus to create an incentive to induce firms to incur the risks associated with new developments. Intellectual property rights are thus deliberately endowed with exclusivity to achieve an increase of competition superior to the limitation of competition resulting from the exclusive character of the intellectual property right.

9. Cases 56 and 58/64, Consten and Grundig v Commission, [1966] ECR 345. See also Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55, at 72 and the Opinion of Advocate-General Roemer, at 77; and Case 78/70, Deutsche Grammophon v Metro, [1971] ECR 487, para. 11.

10. Opinion of Advocate-General Roemer in Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55, at 77.

11. Draft of 5 December 1956 of the Groupe de Redaction, Doc. MAE 641/56 (art 9) (1956).

12. Doc. MAE 177/57 (art. 43) of 1 January 1957.

13. Doc. MAE 243/57 (art. 43) of 21 January 1957 and Doc. MAE 786/57 (art. 282) of 6 March 1957.

14. Article 83 of the Treaty establishing the European Coal and Steel Community reads: "The establishment of the Community shall in no way prejudice the system of ownership of undertakings to which this Treaty applies."

15. Smit & Herzog, The Law of the European Economic Community, Vol. 5, 6-216.64; see also Advocate-General Roemer in Grundig v Consten, above at 366.

16. Smit & Herzog, above, 6-216.65-66. See also Marenco & Banks, Intellectual Property and the Community Rules on Free Movement: Discrimination Unearthed, [1990] ELR 226.

17. Case 102/77, Hoffman-La Roche v Centrafarm, [1978] ECR 1139, para. 6; see also Case 78/70, Deutsche Grammophon v Metro, [1971 ECR 499; Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55 and the Opinion of the Advocate-General in that case; and Case 53/87, Consorzio Italiano della Componentistica di Ricambio per Autoveicoli (CICRA) and Maxicar v Renault, [1988] ECR 6039, and Case 238/87 Volvo v Veng, [1988] ECR 6211. All these cases concerned also the rules of competition.

18. Case 15/74, Centrafarm v Sterling Drug, [1974] ECR 1162, para. 9; Case 187/80, Merck v Stephar and Exler, [1981] ECR 3080, para. 4; Case 193/83, Windsurfing v Commission, [1986] ECR 655; Case 434/85, Allen and Hanburys v Generics, [1988] ECR 1273, paras. 10-11; Case 238/87, Volvo v Veng, [1988] ECR 6211, para. 8; Case 53/87, CICRA v Renault, [1988] ECR 6039, paras. 11 and 15.

See also: Case 192/73, Van Zuylen v Hag ("Hag I"), [1974] ECR 744, para. 9; Case 16/74, Centrafarm v Winthrop, [1974] ECR, para. 8; Case 102/77 Hoffman-La Roche v Centrafarm, [1978] ECR 1164; Case 119/75, Terrapin v Terranova, [1976] ECR 1061, paras. 5 and 6; Case C-10/89, SA CNL SUCAL NV v Hag GF AG ("Hag II"), [1990] 3 CMLR 571;

19. Case 187/80, Merck v Stephar and Exler, [1981] ECR 2081, para. 9; Case 19/84, Pharmon v Hoechst, [1985] ECR 2298, para. 26.

20. Case 158/86, Warner Brothers v Christiansen, [1988] ECR 2629, para. 13.

21. For instance, in Case 187/80, Merck v Stephar the words "specific purpose" were used as a synonym for "specific subject matter", and the "substance" of the patent (the core rights associated with the patent) was derived therefrom.

22. See, for instance, Case 15/74, Centrafarm v Sterling Drug, para. 7 (on Articles 30 and 36) and para. 39 (on Article 85).

23. Case 15/74, Centrafarm v Sterling Drug, [1974] ECR 1147 at pp. 1162-1163. See also Case 187/80, Merck v Stephar [1981] ECR 2063 at p. 2081, where the ECJ said that: "The substance of a patent right lies essentially in according the inventor an exclusive right of first placing the product on the market. That right of first placing a product on the market enables the inventor, by allowing him a monopoly in exploiting his product, to obtain the reward for his creative effort without, however, guaranteeing that he will obtain such a reward in all circumstances." The phrase is also used in Case 193/83, Windsurfing International v Commission [1986] ECR 643 at p. 655, where the ECJ seems to regard quality controls on licensed products covered by a patent as within the "specific subject matter" of that patent, but only if such quality controls are carried out on the basis of objectively verifiable criteria.

24. Beier, F.K., International Review of Industrial Property and Copyright Law, Volume 21 (1990); Beier, F.K., Industrial Property and the Free Movement of Goods in the Internal European Market, 21 (1990) IIC 131 at p.148.

25. Case 119/75, Terrapin v Terranova, [1976] ECR 1061, para. 5 and 6.

26. Case 62/79, Coditel v Cine Vog, [1990] ECR 903, para. 14; Case 262/81, Coditel v Cine Vog II, [1982] ECR 3401, para. 12 et seq; Case 102/77, Hoffman-La Roche v Centrafarm, [1978] ECR 1164; see also Case C-10/89, SA CNL SUCAL v NV Hag GF AG (Hag II"), [1990] 3 CMLR 571.

27. In Case 102/77, Hoffman-La Roche and Case C-10/89, Hag II (both concerning trade marks), the "specific subject matter" was distinguished from the "essential function".

28. This ex ante-approach, looking at the incentive rather than at a reward, appears only in recent case law, see Case 35/87 Thetford v Fiamma [1988] ECR 3585, at para. 19. Reward and incentive are, however, two sides of the same coin: prospects of a reward act as an incentive, and the actual reward is nothing but the incentive realized.

29. Case 144/81, Keurkoop v Nancy Kean Gifts, [1982] ECR 2873, para. 24; Case 341/87, EMI v Patricia, [1989] ECR 95, para. 8. The Tribunal also used these terms in the Magill cases in an Article 86 context (see below).

30. See also, for instance, Case 3/78, Centrafarm v American Home Products, [1978] ECR 1823.

31. Korah, EEC Competition Law and Practice, 4th ed. 1990. p. 147; for criticism of the distinction between existence and exercise, see also Beier, Industrial Property and Internal Market, 21 (1990) IIC 131, at 147.

32. See Case 158/86, Warner Brothers, paras. 15 and 16; Case 35/87, Thetford v Fiamma, para 15; Case 341/87, EMI v Patricia.

33. Case 35/87, Thetford v. Fiamma; Case 158/86, Warner Brothers; Case 119/75, Terrapin v Terranova.

34. See e.g. Case 395/87, Ministere Public v Tournier, [1989] ECR 70 (on copyright management societies).

35. Cases 56 and 58/64, Consten and Grundig v Commission.

36. Case 258/78, Nungesser KG and Eisele v Commission of the European Communities [1982] ECR 2015, [1983] 1 CMLR 278.

37. For instance, Case 193/83, Windsurfing International Inc. v Commission of the European Communities (193/83), [1986] ECR 611, [1986] 3 CMLR 489; Case 65/86, Bayer AG and Maschinenfabrik Hennecke GmbH v Sullhofer, [1988] ECR 5249; Case 320/87 Kai Ottung v Klee & Weilbach A/S and Thomas Schmidt A/S, [1989] ECR 1177.

38. Commission Decisions 87/14/EEC (Yves Rocher) OJ 1987 L 8/49; 87/407 (Computerland) OJ 1987 L 222/12; 89/94/EEC (Charles Jourdan) OJ 1989 L 35/31.

39. Case 161/84 Pronuptia de Paris Frankfurt v Pronuptia de Paris Irmgard Schillgallis [1985] ECR 3933 (concerning a franchising agreement); Case 27/87 Erauw-Jacquery v La Hesbignonne Societe Cooperative [1988] ECR 1919 (concerning breeders' rights).

40. Case 27/76, United Brands v Commission, [1978] ECR 207.

41. Case 78/80, Deutsche Grammophon v Metro [1971] ECR 487, para. 17.

42. See Case 22/78, Hugin v Commission [1979] ECR 1869; Advocate-General Mischo' Opinion in Volvo and Renault, above.

43. Case 53/87, Consorzio Italiano della Componentistica di Ricambio per Autoveicoli (CICRA) and Maxicar v Renault [1988] ECR 6039, para. 15.

44. Case 238/87, Volvo v Veng [1988] ECR 6211, para. 8.

45. Case 102/77, Hoffman-La Roche v Centrafarm [1978] ECR 1139, para. 16; Case 402/85, Basset v SACEM [1987] ECR 1747, para. 18-19; Case 53/87, CICRA v Renault [1988] ECR 6039, para. 16; Case 238/87, Volvo v Veng [1988] ECR 6211, para. 9.

46. Case 53/87, CICRA v Renault [1988] ECR 6039, para. 16; Case 238/87, Volvo v Veng [1988] ECR 6211, para. 9.

47. The factual background for Magill is stated in the Response to Notice of Appeal of the Commission in Case C-241/91P, Radio Telefis Eireann v Commission of the European Communities, para. 2-5 as follows:

2. The Commission reminds this Court that the Decision of December 21, 1988 arose out of a complaint to the Commission by an Irish enterprise called Magill TV Guide Ltd. (Magill). Magill desired to bring out a weekly publication containing details of forthcoming radio and television programmes, showing not just one broadcaster's programmes but several broadcasters' programmes (BBC, RTE and ITP) in parallel. Such guides are common in other Member States but did not emerge in the U.K. or in Ireland because of the refusal of the broadcast companies there, based on copyright law unique to those countries, to permit the publication of any magazine which would damage the monopoly position of the broadcasters' own "captive" weekly magazine. Thus Irish consumers who wished to plan a week's viewing had to buy RTE Guide, Radio Times (BBC), and TV Times (ITP), whereas Magill wanted to offer a single guide containing all this information.

3. The broadcasters prepared weekly "listings" of their own programmes for the forthcoming week, and distributed those widely to national, regional and local newspapers, encouraging them to reprint programme times on a daily basis (two days at weekends) but forbidding them to reprint the material on a weekly basis. The publication of weekly schedules of the U.K. broadcasters' programmes in other Member States (such as Belgium, France and The Netherlands) was tolerated or not opposed. However, they acted swiftly to close down the Magill TV Guide immediately after its publication of multi-channel programme information on a weekly basis. The U.K.-based companies were concerned that copies of the Magill TV Guide could be sold in the U.K. and could encroach on the parallel monopoly otherwise enjoyed there by Radio Times and TV Times respectively.

4. When the Decision was taken in December 1988, Magill had already been closed down by the grant of interlocutory relief to the three companies. On July 26, 1989, Lardner J held that under Irish copyright law copyright could indeed subsist in the lists of programmes, rejecting the arguments of Magill that the plaintiffs were seeking an impermissible copyright over mere information. He declined to make a distinction between arranging a series of programmes with the purpose of attracting viewers, and the publication of information about that series of programmes. It was clear that a slavish reproduction of copyright material could constitute an infringement; but whether Magill's new method of presenting and compiling a combination of data, including basic facts such as time, channel and title descriptions in a novel multi-channel format would constitute a new, non-infringing, compilation appears not to have been considered.

5. The Commission's findings were that the three enterprises were each dominant on two markets, the market for the supply of television listings and the market for weekly television programme guides. The Commission found that the Applicants' respective dominant positions had been abused by the assertion of copyright rights in one market to retain the effective monopoly they enjoyed on the second market, and which they exercised to prevent the emergence of a new product.

48. RTE, para. 67; BBC, para. 52; ITP, para. 52. The CFI took these words from Keurkoop, and other cases concerning Article 36 EEC cited above.

49. Case T-69/89, RTE v Commission, para. 69; Case T-70/89, BBC v Commission, para. 56; Case T-76/89, ITP v Commission, para. 54.

50. Case 158/86, Warner Brothers v Christiansen, [1988] ECR 2605, para. 13.

51. See the Response to Notice of Appeal of the Commission in Case C-241/91P, Radio Telefis Eireann v Commision of the European Communities, para. 37-38 where the Commission's view is expressed..."National law [should] receive all proper respect from the Commission and this Court, but it cannot be sovereign."

52. See the Response to Notice of Appeal of the Commission in Case C-241/91P, Radio Telefis Eireann v Commission of the European Communities, para. 40 where the Commission is even more explicit: it states that "Whether the Court of First Instance would be right or wrong in its assessment of the meaning of concepts like the essential function and specific subject matter of copyright within Article 36 is not dispositive on the question of whether the conduct of the Applicants can fall foul of Article 86". This suggests that Article 36 does, and Article 222 does not, apply in Article 86-cases.

53. Case T-70/89, BBC, para. 58; Case T-69/89, RTE, para. 71; Case T-76/89 ITP, para. 56.

54. Case T-69/89, RTE, para. 72; Case T-70/89, BBC, para. 59; Case T-76/89, ITP, para. 57.

55. Commission Decision 89/205, Magill TV Guide/ITP, BBC and RTE, OJ No L 78, 21 March 1989, pp. 43-51, para.20. It should be emphasized that the Court of First Instance identified two product markets in Magill the first being the market for TV listings themselves and the second being the market for TV listing magazines. This peculiar market definition allowed the CFI to find abuse in the form of exploiting dominance in one market by controlling a derivative market. Of course, although the finding of abuse in circumstances where dominance in one market is used to gain an advantage in another market is unsurprising, e.g., tying arrangements, what is unusual is the market definition in this case which allows such an analysis to proceed. The first market is arguably a market in the intellectual property rights themselves. Such market definition would proceed to a finding of abuse in almost any case where there was refusal to license intellectual property rights.

The very peculiar nature of the copyright material in Magill cannot be over emphasized. Copyright in compilations where there is no artistic or original creativity involved is only recognized in the United Kingdom, Ireland, Denmark and The Netherlands. All other EC countries have a more stringent test for originality which would exclude such material from copyright protection. The protection given listings in The Netherlands is largely a function of how broadcasting time is allocated on the public service channels in that country. The time allocated is based on the number of subscribers to a particular broadcaster's listings magazine. It is also noteworthy that in The Netherlands each magazine carries listings from

all the broadcasters as they license one another but not other publications. The protection of listings in Denmark is pursuant to a specific statutory right separate to copyright which is of a shorter duration than copyright (10 years). This protection is not extended to non-nationals.

The continental European justification for copyright protection is based on the author's right to control the publication and reproduction of the fruits of his own creative effort. Although recognition of certain copyright works such as films serves to protect purely economic interests literary copyright serves to protect only the author's creative effort under continental European jurisprudence.

56. In this connection it should be noted that the market definition is not before the Court.

57. Cases 6 and 7/73, Commercial Solvents v Commission [1974] ECR 223, 250; Case 22/78, Hugin v Commission [1979] ECR 1869; Case 311/84, Telemarketing v CLT [1985] ECR 3261.

58. Case 144/81, Keurkoop v Nancy Kean Gifts [1982] ECR 2853, para. 18; Case 341/87, EMI Electrola v Patricia [1989] ECR 79.

59. Another important distinction is between copyright and know-how. As appears from the Commission's block exemption for know-how licensing agreements, secrecy is the essential subject matter of know-how. Articles 1(7)(1) and (2) and Article 2(1)(1) of Commission Regulation 556/89 on the application of Article 85(3) to certain categories of know-how licensing agreements (OJ No L 61, 4 March 1989, pp. 1-13). The information in the listings was not secret and a supply obligation to a limited number of licensees therefore did not prejudice the right to enforce the copyright as against third parties who did not qualify for a compulsory license. In the case of know-how, however, there is a risk that once the information is disseminated widely enough, it will not be possible to enforce confidentiality obligations under the rules of trade secret, confidence, contract, unfair competition, tort, and other laws relevant to protect know-how. This could lead to a loss of the income from exploitation and license agreements.

60. Council Directive of 14th May 1991 on the Legal Protection of Computer Programs, 91/250/EEC.

61. Case 8/74, Procureur du Roi v Dassonville [1974] ECR 837.

62. Exhaustion as to resale does not mean that the intellectual property right cannot be relied upon to prevent other unauthorized forms of exploitation, such as rental or public performances in the case of copyright. See e.g. Case 158/86, Warner Brothers, and the Article 4 of the Council Directive on the legal protection of computer programs.

63. Case 15/74, Centrafarm v Sterling Drug [1974] ECR 1162, para. 10-11.

64. Case 78/70, Deutsche Grammophon GmbH v Metro SB-Grossmarkte [1971] ECR 487 (concerning copyright which follows, however, similar rules in this aspect); Case 15/74, Centrafarm v Sterling Drug [1974] ECR 1147.

65. Case 19/84, Pharmon v Hoechst [1985] ECR 2281; for a limitation of this rule see Allen & Hanbury v Generics [1988] ECR 1245: in the case of patents subject to compulsory license under national law, imports may not be prevented if the importer was prepared to take out a license and this would, according to the applicable national law, prevent an injunction being granted against an infringer.

66. Case C-10/89, HAG II.

67. Case 187/80, Merck v Stephar.

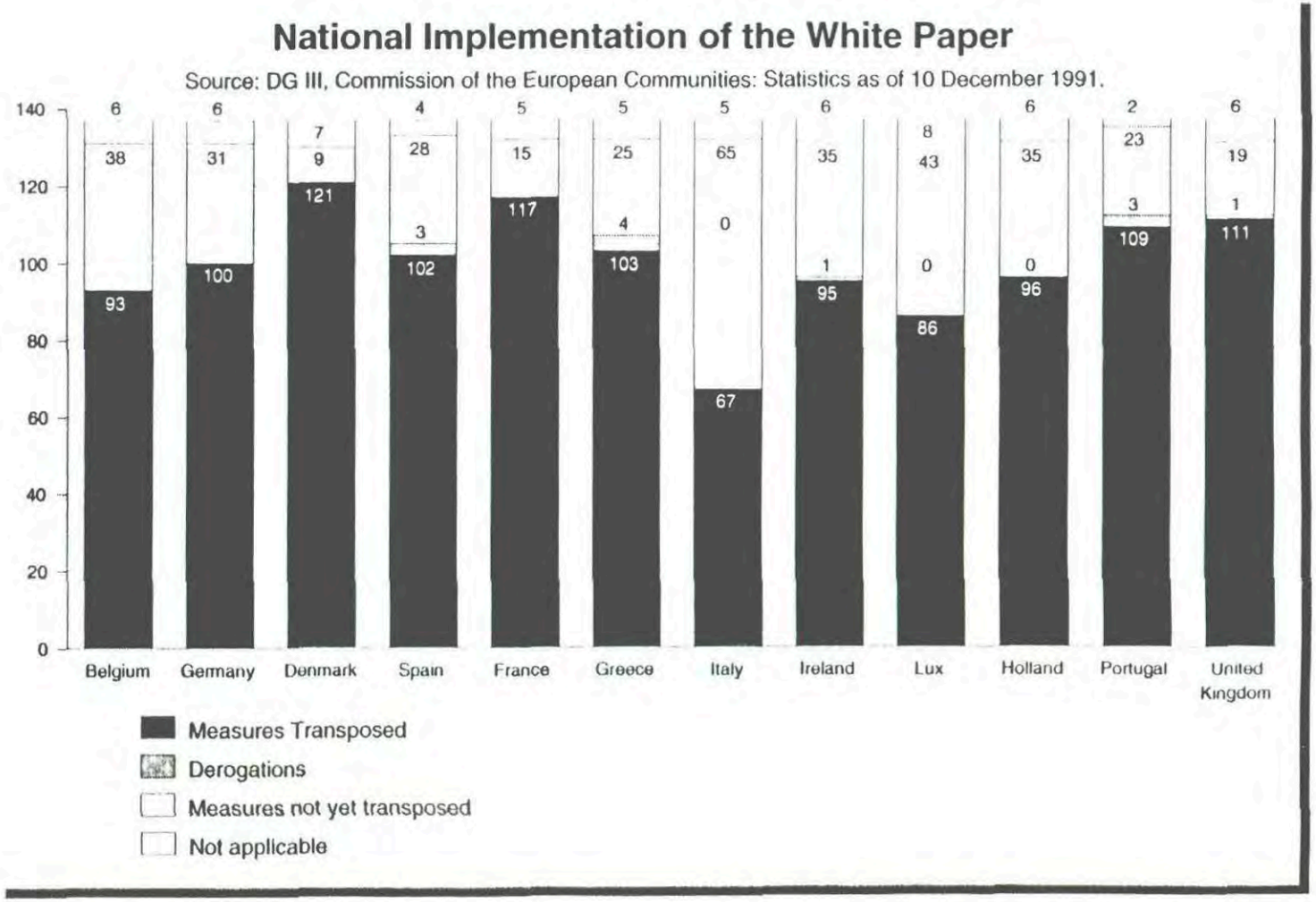
68. In the Green Paper on the Legal Protection of Industrial Design, (III/F/5131/91-EN) (June 1991), para. 3.2.2., the Commission seems to suggest otherwise. It mentions as an example spare parts that "must fit", which are not protected in the United Kingdom, but are protected elsewhere. In the other Member States, imports of such spare parts from the United Kingdom can probably not be blocked if they were marketed in the United Kingdom by the firm that owns the rights in the other Member States.

69. Case 51/75, EMI v CBS [1976] ECR 811.

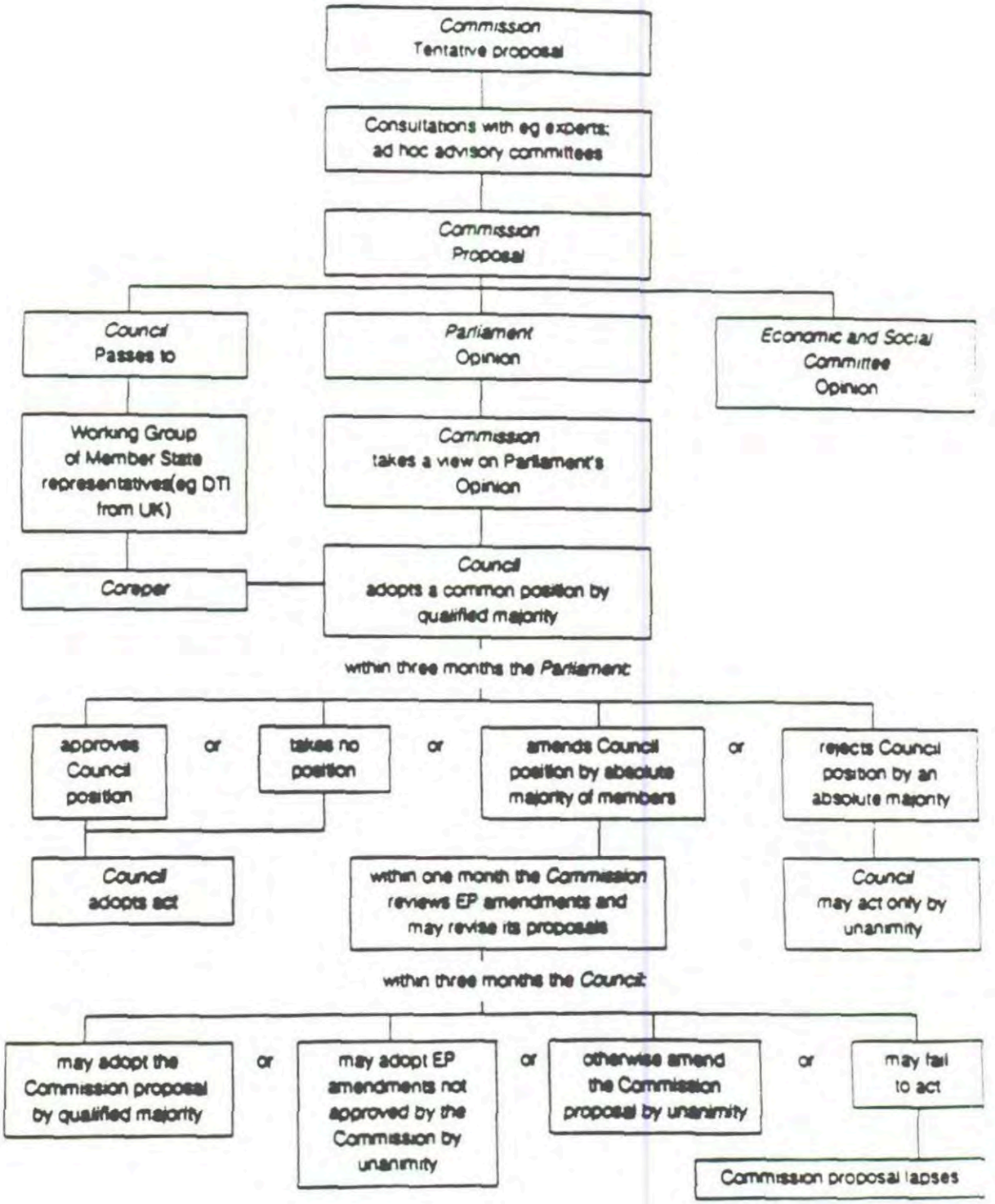
70. Redies, "Liberties and Risks in the Present System of Patent Protection in the European Community", [1989] 6 EIPR 192-196.

71. Redies, above, 193 ff.

Appendix 1.1


National Implementation of the White Paper
Source: DG III, Commission of the European Communities: Statistics as of 10 December 1991.
140
120
100
80
60
40
20
0
Belgium
Germany
Denmark
Spain
France
Greece
Italy
Ireland
Lux
Holland
Portugal
United Kingdom
6
38
93
6
31
100
7
9
121
4
28
3
102
5
15
117
5
25
4
103
5
65
0
67
6
35
1
95
8
43
0
86
6
35
0
96
2
23
3
109
6
19
1
111
Measures Transposed
Derogations
Measures not yet transposed
Not applicable

The Legislative Process under the Single European Act



APPENDIX 2.1

European Countries	EPC	PCT	EEA		
			EC	EFTA	"Associates"
Austria	Y	Y		Y	
Belgium	Y	Y	Y		
Czechoslovakia	N	Y			Y
Denmark	Y	Y	Y		
Finland	N	Y		Y	
France	Y	Y	Y		
Germany	Y	Y	Y		
Greece	Y	Y	Y		
Hungary	N	N			Y
Iceland	N	N		Y	
Ireland	N	N	Y		
Italy	Y	Y	Y		
Liechtenstein	Y	Y		Y	
Luxembourg	Y	Y	Y		
Monaco	Y	Y			
Netherlands	Y	Y	Y		
Poland	N	Y			Y
Portugal	Y	N	Y		
Spain	Y	Y	Y		
Sweden	Y	Y		Y	
Switzerland	Y	Y		Y	
UK	Y	Y	Y		

Y = Membership of convention or grouping

N = Not a member

EPC = All EC countries except Ireland

= All EFTA countries except Finland and Iceland

= No "Associates"

PCT = All EC except Ireland and Portugal

= All EFTA except Iceland

= All "Associates" except Hungary.

COMPUTER PROGRAM PROTECTION

BY PATENT AND COPYRIGHT

IN THE EUROPEAN COMMUNITY

WILLIAM T. ELLIS

MARCH 18, 1992

PATENTING COMPUTER PROGRAM RELATED INVENTIONS IN THE EPC

1. Introduction

The European Patent Convention permits the acquisition of patents in multiple EPC Member States (Austria, Belgium, Denmark, France, Germany, Greece, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland, Liechtenstein, and the United Kingdom) via a single application and examination. Upon allowance of the application, a national patent will issue in those EPC member states selected by the applicant. Of course, each of those national patents will only be enforceable in that respective country.

The European Patent Convention permits the patenting of computer program-related inventions if they meet certain conditions. This Article will deal with those conditions as interpreted by the European Patent Office (EPO) in their Guidelines for Substantive Examination, and in their case law.

Note that a patent applicant does have the option of making a separate application in each of the European countries of interest, and avoiding the EPO, altogether. This strategy will be more expensive, but may be indicated where, based on EPO case law, there appears to be a low probability of obtaining an EPO allowance. In this regard, practice in the United Kingdom appears to be comparable to EPO practice regarding computer program-related inventions. French practice is similar or possibly slightly more liberal than EPO practice. German practice appears to be more restrictive then EPO practice. Dutch practice appears to be more liberal compared to EPO practice. Of course, a patent in this area will always be available in European countries with registration systems, such as Spain. However, the validity of such patents may be subject to question.

This Article will begin with a recitation of EPC Article 52, followed by a discussion of those portions of the EPO Guidelines for Substantive Examination that deal with computer program-related inventions, then a discussion of EPO case decisions relating to computer program-related inventions, and concluding with a summary of the key points.

2. Subject Matter Restrictions on Computer Program-Related Inventions in the Convention

Article 52 of the Convention imposes an explicit restriction on the patenting of computer programs and other items as follows:

> "Article 52 - Patentable Inventions
>
> " (1) European patents shall be granted for any inventions which are susceptible of industrial application, which are new and which involve an inventive step.
>
> (2) The following in particular shall not be regarded as inventions within the meaning of paragraph (1):

a. discoveries, scientific theories and mathematical methods;

b. aesthetic creations;

c. schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;

d. presentations of information.

(3) The provisions of paragraph (2) shall exclude patentability of the subject matter or activities referred to in that provision only to the extent to which a European patent application or European patent relates to such subject matter or activities as such." (Underlining added for emphasis.)

A. Interpreting Article 52(2) - Guidelines for Substantive Examination

The Guidelines for Substantive Examination, set out in the European Patents Handbook, provide substantive guidance to EPO Examiners on Article 52. Note that the Guidelines are the equivalent of the U.S.P.T.O. Manual of Patent Examining Procedure. The Guidelines clarify that if the computer program-related invention, AS A WHOLE, makes a contribution to the art which is of a TECHNICAL CHARACTER, and the invention claimed encompasses more than a mere computer program AS SUCH, then a patent may issue.

A.1. "Technical Character"

The Guidelines state in Chapter IV that in addition to the three basic requirements (that the invention be new, involve an inventive step, and be susceptible of industrial application), there is an implicit requirement that

> "(ii) The invention must be of 'technical character' to the extent that it must relate to a technical field (rule 27(1)(b)), must be concerned with a technical problem (rule 27(1)(d)), and must have technical features in terms of which the matter for which protection is sought can be defined in the claim (rule 29(1)) (see III, 2.1)." European Patents Handbook, (2nd Ed.) Rel. 1, 1988.

The Guidelines clarify that to be patentable, the invention must not be "ABSTRACT" or "NON-TECHNICAL," but rather "must be a concrete and technical character."

A.2. "As Such"

The Guidelines further clarify that the exclusions from patentability only apply to applications that do not encompass anything more than the excluded subject matter.

"Firstly, any exclusion from patentability under Article 52(2) applies only to the extent to which the application relates to the excluded subject matter AS SUCH." (Emphasis for AS SUCH in the Guidelines.)

A.3. Invention "As A Whole"

The Guidelines also caution the Examiner to look to the "real contribution" to the art "considered as a whole," and to not be swayed by the form of the claim.

"Secondly, the Examiner should disregard the form or kind of claim and concentrate on its contents in order to identify the real contribution which the subject matter claimed, considered as a whole, adds to the known art."

The Guidelines cite the following example in applying the foregoing "AS SUCH" and "AS A WHOLE" concepts:

"Similarly, if a computer program is claimed in the form of a physical record, e.g., on a conventional tape or disc, the contribution to the art is still no more than a computer program. In these instances the claim relates to excluded subject matter as such and is therefore not allowable. If, on the other hand, a computer program in combination with a computer causes the computer to operate in a different way from a technical point of view, the combination might be patentable."

Note that implicit in this example is the view that it is not necessary that there be new hardware set out in the claim. Rather, a computer programmed in a new way in a claimed invention may be enough, if the claim, as a whole, has a technical character.

A.4 "Mathematical Methods"

"Purely abstract" or intellectual methods are not patentable under the EPC. On this point the Guidelines recite the following example:

"For example, a shortcut method of division would not be patentable but a calculating machine constructed to operate accordingly may well be patentable. A mathematical method for designing electrical filters is not patentable; nevertheless filters designed according to this method could be patentable provided they have a novel technical feature to which a product claim can be directed."

A.5 "Programs for Computers"

The Guidelines reiterate, per Article 52(2), that a claim for a computer program by itself or as a record on a carrier is not patentable, but that if the claimed subject matter makes a technical contribution, patentability will not be denied merely on the ground that a computer program is included in the product or process. However, the claims must include those features in the invention necessary to accomplish the technical effect. But once this

technical effect is found to be present, then product, process and use type claims should generally be available.

> "...A computer program claimed by itself or as a record on a carrier, is not patentable irrespective of its content. The situation is not normally changed when the computer program is loaded into a known computer. If however the subject matter as claimed makes a technical contribution to the known art, patentability should not be denied merely on the ground that a computer program is involved in its implementation. This means, for example, that program-controlled machines and program-controlled manufacturing and control process should normally be regarded as patentable subject matter. It also follows that, where the claimed subject matter is concerned only with program-controlled internal working of a known computer, the subject matter could be patentable if it provides technical effect. As an example consider the case of a known data-processing system with a small fast-working memory and a larger but slower further memory. Suppose that the two memories are organized under program control, in such away that a process which needs more address space than the capacity of the fast-working memory can be executed at substantially the same speed as if the process data were loaded entirely in that fast memory. The effect of the program in virtually extending the working memory is of technical character and might therefore support patentability.
>
> Where patentability depends on a technical effect the claims must be so drafted as to include all the technical features of the invention which are essential for the technical effect."

A.6 "Presentations of Information"

The "presentation of information" exclusion in Article 52(2) is pertinent to computer screen inventions. The Guidelines clarify that any representation of information characterized solely by the content of the information is not patentable. However, the Guidelines note that

> "If, however, the presentation of information has new technical features there could be patentable subject matter in the information carrier or in the process or apparatus for presenting the information. The arrangement or manner of representation, as distinguished from the information content, may well constitute a patentable technical feature."

B. Interpreting Article 52(2) - Technical Board of Appeals Decisions

The following decisions of the Technical Board of Appeals for the EPO deal with the patentability of computer program-related inventions and may shed light on how the Board will apply Article 52(2) in the future:

B.1 Method for Digitally Processing Images

VICOM: T208/84 [1987] EPOR 2

The VICOM decision is the first published decision dealing with computer program-related inventions. The Board held that claims directed to a method for digitally processing images were not excluded by Article 52. Claim 1 reads as follows:

> "1. A method of digitally processing images in the form of a two-dimensional data array having elements arranged in rows and columns in which an operator matrix of a size substantially smaller than the size of the data array is convolved with the data array, including sequentially scanning the elements of the data array with the operator matrix, characterized in that the method includes repeated cycles of sequentially scanning the entire data array with a small generating kernel operator matrix to generate a convolved array and then replacing the data array as a new data array; the small generating kernel remaining the same for any single scan of the entire data array and although comprising at least a multiplicity of elements, nevertheless being of a size substantially smaller than is required of a conventional operator matrix in which the operator matrix is convolved with the data array only once, and the cycle being repeated for each previous new data array by selecting the small generating kernel operator matrices and the number of cycles according to conventional error minimisation techniques until the last data array generated is substantially the required convolution of the original data array with the conventional operator matrix."

VICOM - Mathematical Methods AS SUCH

The Board first dealt with the EPO Examining Division argument that the method of Claim 1 is excluded from patentability on the ground that it is a "mathematical method AS SUCH." The Board began its analysis by noting that the fact that an operation can be represented in mathematical terms is not determinative. Rather, it clarified, the key factor is whether a technical process is being carried out on a physical entity (such as an image stored as an electrical signal by some technical means (such as a computer)) which results in a change in the physical entity. Even if the idea underlying an invention may be considered to reside in a mathematical method, a claim directed to a technical process in which the method is used does not seek protection for the mathematical method AS SUCH. The pertinent recitation is set out below.

> "5. There can be little doubt that any processing operation on an electric signal can be described in mathematical terms. The characteristic of a filter, for example, can be expressed in terms of a mathematical formula. A basic difference between a mathematical method and a technical process can be seen, however, in the fact that a mathematical method or a mathematical algorithm is carried out on numbers (whatever these numbers may represent) and provides a result also in numerical form, the

mathematical method or algorithm being only an abstract concept prescribing how to operate on the numbers. No direct technical result is produced by the method as such. In contrast thereto, if a mathematical method is used in a technical process, that process is carried out on a physical entity (which may be a material object but equally an image stored as an electric signal) by some technical means implementing the method and provides as its result a certain change in that entity. The technical means might include a computer comprising suitable hardware or an appropriately programmed general purpose computer.

6. The Board, therefore, is of the opinion that even if the idea underlying an invention may be considered to reside in a mathematical method a claim directed to a technical process in which the method is used does not seek protection for the mathematical method as such.

7. In contrast, a 'method for digitally filtering data' remains an abstract notion not distinguished from a mathematical method so long as it is not specified what physical entity is represented by the data and forms the subject of a technical process, that is a process which is susceptible of industrial application."

VICOM - Computer Program AS SUCH

The Board next considered the EPO Examining Division argument that the claims were directed merely to a computer program AS SUCH.

The Board, having already determined that the claims related to a technical process, easily disposed of this second argument with the following language:

"12. The Board is of the opinion that a claim directed to a technical process which process is carried out under the control of a program (be this implemented in hardware or in software), cannot be regarded as relating to a computer program as such within the meaning of Article 52(3) EPC, as it is the application of the program for determining the sequence of steps in the process for which in effect protection is sought. Consequently, such a claim is allowable under Article 52(2)(c) and (3) EPC."

VICOM - Apparatus Claims

The EPO Examining Division also argued, on the issue of entitlement to apparatus claims, that a new apparatus is not disclosed because a conventional computer programmed to carry out the present method is not novel. The Board dismissed this argument as follows:

"14. In the view of the Board, however, Article 54 EPC leaves no room for such an interpretation. A computer of known type set up to operate according to a new program cannot be considered as forming part of the state of the art as defined by Article 54(2) EPC.

The Board summarized its decision with the following statement:

> "15. ...Generally claims which can be considered as being directed to a computer set up to operate in accordance with a specified program (whether by means of hardware or software) for controlling or carrying out a technical process cannot be regarded as relating to a computer program as such and thus are not objectionable under Article 52(2)(c) and (3) EPC.
>
> 16. In arriving at this conclusion, the Board has additionally considered that making a distinction between embodiments of the same invention carried out in hardware or in software is inappropriate as it can fairly be said that the choice between these two possibilities is not of an essential nature but is based on technical and economical considerations which bear no relationship to the inventive concept as such.
>
> Generally speaking, an invention which would be patentable in accordance with conventional patentability criteria should not be excluded from protection by the mere fact that for its implementation modern technical means in the form of a computer program are used. Decisive is what technical contribution the *invention as defined in the claim when considered as a whole* makes to the known art.
>
> Finally, it would seem illogical to grant protection for a technical process controlled by a suitably programmed computer but not for the computer itself when set up to execute the control."

X-Ray Apparatus For Radiological Imaging

Koch & Sterzel: T26/86 [1988] 2 EPOR 72 (Opposition)
(21 May 1987)

The Board held that claims drawn to an x-ray apparatus for radiological imaging were not excluded by Article 52.

Claim 1 was directed to an X-ray apparatus for radiological imaging having a data processing unit which stores rating curves for different exposure parameters and uses these to set the appropriate tube voltage for the exposure parameters selected. The apparatus is characterized in that the data processing unit determines by a specified method the tube voltage and exposure parameters to ensure optimum exposure with protection against overloading. The Board said that the claim was directed to a technical effect.

The Board stated that the invention 'must be assessed as a whole' and *that the use of non-technical means does not detract from the technical* character of the overall teaching.

Claim 1 reads as follows:

> "1. X-ray apparatus for radiological imaging having an input unit (20) both for selecting one of several X-ray tubes (46, 48,

50) with adjustable focal spot size and rotating anode speed and for selecting X-ray tube current and exposure time, said apparatus also having a data processing unit (12) which stores the X-ray tube rating curves for different exposure parameters and uses these to set the tube voltage values for the exposure parameters selected, characterized in that in order to ensure optimum exposure with sufficient protection against overloading of the X-ray tube within any given routine the data processing unit (12):

(a) initially maintains both the X-ray tube voltage and the product of tube current and exposure time constant, while decreasing the tube current from the maximum permissible value until the relevant rating curve permits an exposure,

(b) where no exposure is possible and the maximum permissible exposure time has been reached, increases the tube voltage and decreases the tube current as a function of the secondary requirement of constant density until the relevant tube rating curve does allow an exposure, and

(c) determines the exposure parameters, firstly on the basis of the rating curve of the smallest focal spot optimum for image resolution and of the standard speed of the rotating anode, and where exposure is not permitted, compares the exposure parameters selected with the nearest-to-optimum rating curves for image resolution for different focal spot values and with the anode rotation speed, starting with the curves for the smallest focus spot and a faster anode rotation speed,

and in that means are also provided to transmit the exposure parameter values obtained from the data processing unit (12) under the given routine, via appropriate selection circuits (58/60 or 64) to an operating and supply circuit (52) in order to set the high-voltage generator."

The opposers argued that the only difference between Claim 1 and the state of the art consisted in using a new program in a known computer. Additionally, the opposers argued that there was no constant technical interaction during the process, but that a technical effect occurred only at the end of a computing operation.

The Board rejected these arguments as follows:

"It [Claim 1] is in fact an X-ray apparatus incorporating a data processing unit operating in accordance with a routine which produces a technical effect in the X-ray apparatus.

This emerges clearly from the characteristics (a), (b), and (c) *of Claim 1, which states that the X-ray tubes are controlled* by the routine so that by establishing a certain parameter priority, optimum exposure is combined with adequate protection against overloading of the X-ray tubes.

The subject-matter of Claim 1 is therefore an invention within the meaning of Article 52(1) EPC and patentable irrespective of whether or not the X-ray apparatus without this computer program forms part of the state of the art.

3.2 Appellant 01l believed there was no constant technical interaction between the program and the X-ray apparatus but that a technical effect was produced only at the end of a computing operation, so that the conventional X-ray apparatus and the computer program had to be looked at quite separately. The Board of Appeal is unable to share this opinion. When the technical effect occurs is irrelevant to the question of whether the subject-matter claimed constitutes an invention under Article 52(1) EPC. The only fact of importance is that it occurs at all."

The Board also dismissed the opposer argument that the Board should follow a German Federal Court decision that required the weighting of the technical and non-technical aspects of the invention to determine which aspect makes the essential contribution to the invention's success, as follows:

"The Board holds that an invention must be assessed as a whole. If it makes use of both technical and non-technical means, the use of non-technical means does not detract from the technical character of the overall teaching. The European Patent Convention does not ask that a patentable invention be exclusively or largely of a technical nature; in other words, it does not prohibit the patenting of inventions consisting of a mix of technical and non-technical elements."

...

...The Board therefore regards it as unnecessary to weigh up the technical and non-technical features in the claim in order to decide whether it relates to a computer program as such."

System For Automatically Generating A List of Expressions Semantically Related to an Input Linguistic Expression

IBM: T52/85 [1989] 8 EPOR 454 (16 March 1989)

The Board held that claims to a system for automatically generating semantically related expressions is not of a technical nature and is unpatentable under Article 52(2).

The claimed invention related to a method of generating a list of expressions semantically related to an input linguistic expression using a programmable data processing system comprising a processor, memories, an input device and display means. The claimed invention was characterized in that data, stored in one of the memories, was arranged in a particular manner and was accessed by a number of "steps" resulting in the list of expressions being displayed.

Claim 1 reads as follows:

> "1. System for automatically generating a list of expressions semantically related to an input linguistic expression comprising an input device for inputting the linguistic expression, a first memory (15) storing a vocabulary of linguistic expressions including a pre-sorted index of said vocabulary, each linguistic expression including address code keyed to said index, and a display device (3) for displaying linguistic expressions; said system being characterized in that it comprises:
>
> a second memory (12) storing data linking the address codes of the linguistic expressions stored in said first memory, being arranged as a logical representation of the matrix type with N inputs where N is equal to the number of linguistic expressions of the vocabulary stored in said first memory,
>
> comparison logic comparing the input linguistic expression to said pre-sorted index for finding the address location of said input linguistic expression in said first memory, and
>
> storing the address code associated with the stored linguistic expression when an equal occurs,
>
> access logic for accessing said second memory of the address specified by the stored address code,
>
> decode logic for decoding the data stored at the accessed address into address codes for said first memory,
>
> utilisation logic for utilising the corresponding address codes to access said linguistic expressions stored in said first memory, and
>
> concatenation logic for concatenating the accessed linguistic expressions located at the address codes in said first memory into said display device."

The Board characterized the claim as being directed to a semantical relationship relating to the linguistic information content, with no relationship to any physical entity.

> "5. According to the opening passage of Claim 1, protection is sought for a system (intended and suitable) for automatically generating a list of expressions semantically related to an input linguistic expression.
>
> "5.1 Such a semantical relationship is basically not of a technical nature but a matter of the meaning of those expressions, that is, of their abstract linguistic information content; it does not relate to any physical entity. A semantical relationship can be found by performing mental acts only, with no technical means involved. This does not necessarily mean that any system automatically concatenating, in place of a human being, semantically-related expressions to a list is excluded

from patentability. Rather, this will depend on whether the manner in which it is automated, involves features which make a contribution in a field outside the range of matters excluded from patentability under Article 52(2) and (3) EPC.

"5.2 ...Those [semantical] data are, however, featured only by their linguistic properties, namely their semantical relationship. So, these features do not make a contribution in a field outside the linguistic significance of the data stored."

Regarding the specific hardware listed in Claim 7, the Board recites as follows:

"It follows that the functional features of the individual system elements relate to the linguistic evaluation, on the basis of a linguistic relationship, of input linguistic data, for the purpose of displaying a linguistic result, the actual processing involving only conventional techniques of storing, accessing, etc. coded data. No contribution is therefore made in a field outside linguistics nor outside the field of conventional computer performance."

The Board distinguished the VICOM and Koch & Sterzel cases by noting that those cases dealt with the processing of data or signals which represented physical entities in a technical process.

"5.5 The present case is, for the above reasons, to be distinguished from cases where a program-controlled computer is used for processing data or signals which represent physical entities in a technical process. In such cases a contribution is made in a field outside the range of matters excluded from patentability, in particular outside computer programming. For instance, in one case already decided (T208/84*, OJ EPO 1987, 14), this contribution consisted in enhancing or restoring the technical quality of digitally-processed images; in another (T26/86**, OJ EPO 1988, 19), it consisted in controlling an X-ray tube so as to ensure optimum exposure with efficient protection against overloading of the tube. In contrast to such cases, the claimed system displaying semantically-related linguistic expressions has no comparable technical effect and makes no contribution, based on such a technical effect, to the art."

Finally, on the question of whether a technical problem was being solved, the Board stated that the finding of semantically-related linguistic expressions relates to the linguistic significance of words, and is thus a linguistic problem. There is no technical problem of the computer to be solved. Rather, the claimed solution is a straight-forward automation of a linguistic problem.

Automatically Abstracting a Document

Document Abstracting and Retrieval

IBM T22/85 [1990] EPOR 98 (5 October 1988)

The Board held that claims directed to abstracting a document by comparing the terms in the document to certain relevant words stored in a dictionary memory and retaining and storing those terms that compare along with certain other proper names and acronyms, and using the stored abstracted terms to retrieve the document when there is a match to one of the terms in an input query, fell in the category of schemes, rules, and methods for performing mental acts under Article 52(c), and were not patentable.

Claim 1 reads as follows:

> "1. System for automatically abstracting a document and storing the resulting abstract comprising: a dictionary memory (8) storing a dictionary of language terms commonly used in document preparation with each entry thereof for containing a language term, input means (16) for receiving the input document in machine readable form, a main memory (12), and a processor (10) connected to said dictionary memory and to said input means; said system being characterized in that said processor comprises:
>
> means for comparing the language terms of the input document to the entries in said dictionary memory,
>
> first means for selecting the language terms from said input document that do not compare to an entry in said dictionary memory, thereby being message specialisation terms such as proper names, acronyms and numerics,
>
> second means for selecting the language terms from said input document that compare to an entry in said dictionary memory which has a code identifying certain ones of said language terms as selected parts of speech,
>
> first means for storing in said main memory an abstract of said input document composed of said language terms that do not compare or compare to an entry of said dictionary memory, all other terms of said document being discarded, and
>
> second means for storing in a file of said main memory a record of each selected language term including said term and several parameters determining said term with respect to said input document, said file being used to retrieve a document from terms of an input query."

The Board began its analysis by characterizing the claim as simply a set of rules for abstracting and retrieving, as follows:

> "6. Any new concept disclosed in the present application could only be in the rules according to which the abstracting, storing and retrieving of documents are performed in order to establish an information retrieval procedure which, judged on the basis of essentially administrative criteria, can be regarded as giving satisfactory results. These rules cannot be regarded as having a technical character but are of a purely intellectual nature."

With respect to the hardware elements recited in the claim, the Board stated

> "8. For carrying out in practice an activity excluded as such under Article 52(2)(c) EPC some means may be used which themselves could be qualified as technical, for example, a computer controlled by appropriate software. A claim directed to an excluded activity but at the same time containing such technical features would not appear to be unallowable under all circumstances. However, the mere setting out, as in the present case, of the sequence of steps necessary to perform the activity in terms of functions or functional means to be realised with the aid of conventional computer hardware elements does not import any technical considerations and can, therefore, neither lend a technical character to that activity nor to the claimed subject-matter considered as a whole, no more than solving a mathematical equation could be regarded as a technical activity when a conventional calculating machine is used and thereby overcome the exclusion from patentability."

In response to the argument that the hardware elements were used in an unusual manner, the Board responded:

> "...Although the Board agrees that this interrelationship is different, the appellant's argument is not convincing as the claimed functional interrelationship does not define a new way of operating the computer in a technical sense. In fact this relationship is the logical consequence of the rules chosen for abstracting/storing and retrieving documents, and only expresses the algorithm underlying the program which is required to run the conventional computer so as to operate in accordance with the said rules."

Finally, the Board distinguished VICOM by noting that that decision dealt with the physical entity of an image, even though represented by an electrical signal. But, in the present case, the Board stated

> "13. ...The electric signals processed according to the present application are not of this kind but represent (part of) the information content of a document, which could be of any nature. The claimed activity does not bring about any change in the thing operated upon (that is, the document to be abstracted) but derives therefrom a new information to be stored."

The Board closed by stating that the present decision would be the same whether the invention was implemented entirely with hardware, or via a programmed general-purpose computer.

Computerized Message Display

IBM: T115/85 [1990] EPOR 107 (5 September 1988)

The Board held that the claimed method of displaying one of a predetermined set of messages comprising a phrase made up of a number of words in response to an event occurring in the input/output device of a text processing system is not excluded by Article 52(2).

Claim 1 reads as follows:

> "1. Method for displaying one of a set of predetermined messages comprising a phrase made up of a number of words, each such message indicating a specific event which may occur in the input/output device (1), in a text processing system comprising furthermore a processor (2), a keyboard (6), a display (8) and a memory (4); said method comprising the following steps:
>
> upon receiving a message of event from said input/output device (1), said processor (2) calls into operation a message build program (52) stored in the memory (4),
>
> said message build program outputs a message number to a message frame index table (56) stored in the memory (4) to obtain therefrom an appropriate pointer into a phrase table (57) stored in the memory (4),
>
> upon receiving the message from said message index table, the phrase table pointer is advanced to the next pointer and the first pointer position is substracted from the second pointer position to obtain the number of bits included in the phrase,
>
> the bits making up said phrase are compared with a decode table (58) stored in the memory (4) comprising words coded and ordered on a byte value/frequency of use basis, until a match is found thereby providing a word pointer,
>
> the word pointer is provided to a word table (59) stored in the memory (4) containing words encoded on a user basis to define the beginning of a word to be displayed which is transferred to an output buffer, and
>
> the contents of said output buffer are displayed when a test determines that the end of the phrase has been reached."

The Board noted that to carry out this method there must be a means for detecting the events, means for visually presenting a message, and in between, some form of message-build program.

The Board then stated that giving visual indications automatically about conditions prevailing in an apparatus or system is "basically a technical problem" and concluded:

> "9. Even if the basic idea underlying the present invention might be considered to reside in that computer program and the way the tables are structured, a claim directed to its use in the solution of a technical problem cannot be regarded in the Board's opinion as seeking protection for the program as such within the meaning of Article 52(2)(c) and (3) EPC."

Data Processing Network

IBM: T06/83 [1990] EPOR 91 (6 October 1988)

The Board held as patentable under Article 52(2) claims for a data processing system in which interconnected data processors and intercommunication facilities are controlled and coordinated by a computer program so that a transaction request in an application program involving the use of several programs as well as data files at remote processors can be automatically run as one operation from the terminal of any one of the processors.

Claim 1 reads as follows:

> "1. A data processing system having a plurality of data processors interconnected as nodes in a telecommunication network, at least one of said nodes including an input/output device, means at each node to process a transaction request originating at a local input/output device using data stored at the node by setting up and executing a transaction process associated with each particular request, each processor having an independent control system, characterized in that each of the control systems includes:
>
> means to determine when a transaction process requires the use of a resource held at another node, to generate, in such a case, a further transaction request and to transmit this further transaction request to said another node preceded by an identifier indicating to the remote need that the further transaction has to be treated as if it had been generated locally;
>
> means to receive such a further transaction request from a requesting node, to transform such a received request into a form suitable for local processing and to operate on a received and transformed transaction request as if it were a local request by setting up and executing a transaction process associated with the received and transformed request and then to transmit the results of the transaction process using the local resource to the requesting node."

The Board found that although the claimed system does not involve any changes in the physical structure of the processors or the transmission network and that the control functions are effected by software,

the claimed system does solve a problem which is essentially technical in nature, using the following language:

> "6. The Board holds the view that an invention relating to the coordination and control of the internal communication between programs and data files held at different processors in a data processing system having a plurality of interconnected data processors in a telecommunication network, and the features of which are not concerned with the nature of the data and the way in which a particular application program operates on them, is to be regarded as solving a problem which is essentially technical. Such an invention therefore is to be regarded as an invention within the meaning of Article 52(1) EPC."

Text Clarity Processing

IBM: T38/86 [1990] EPOR 606 (14 February 1989)

The Board held unpatentable under Article 52(2) claims directed to a method for detecting and replacing uncomprehensible expressions (expressions exceeding a predetermined understandability level) using conventional hardware and a dictionary of uncomprehensible expressions stored in a processor.

Claim 1 reads as follows:

> "1. A method for automatically detecting and replacing linguistic expressions which exceed a predetermined understandability level in a list of linguistic expressions in a text processing system comprising a processor (11) with a memory included a dictionary section (31) storing said linguistic expressions each with an appended grade level code and a synonym section (32) storing a list of synonymic expressions for said dictionary section each with an appended grade level code, a keyboard (10) including cursor control keys and a display (14) for displaying said linguistic expressions stored in either memory section to the operator; said method being characterized in that it comprises the steps of:
>
> (a) inputting into said text processing system by means of said keyboard, a code representing a predetermined understandability level, said code being stored in said memory;
>
> (b) comparing in said processor each member of said list of linguistic expressions to said dictionary of linguistic expressions;
>
> (c) comparing in said processor the grade level code of the dictionary linguistic expression which compares equal to said member of linguistic expressions, to said stored understandability level code;
>
> (d) highlighting on said display said member of linguistic expressions when the grade level code of the dictionary

linguistic expression is greater than said stored understandability level code;

(e) retrieving in said synonym section of the memory, the linguistic expressions which are synonyms of said member of linguistic expressions;

(f) displaying a set of synonyms on said display when at least one of them has an appended grade level code which does not exceed said stored understandability level code, whereby the operator is enabled to replace the highlighted linguistic expression with a member of said displayed synonyms by positioning the display cursor underneath said synonym member by means of said keyboard."

The invention is directed to text-proofing for the purpose of reviewing word content against the educational level of the intended audience. The text-proofing is accomplished by coupling a specialized dictionary of words with appended grade level data to a text-processing system for automated text review and recomposition to meet a desired grade level. As an example, the expression "prima facie" might be replaced by the phrase "at first sight" for certain grade levels.

The Board analyzed each step in Claim 1.

It is noted that step (a) involves entering and storing information "solely for linguistic purposes... in a manner which is conventional from a technical point of view." (Emphasis added.)

Steps (b and c) involve comparing in a conventional manner "signals representing only linguistic information."

Step (d) involves displaying the results of steps (a)-(c) in a manner which is conventional.

Step (e) involves retrieving in a conventional manner information "solely for linguistic purposes."

Step (f) involves "only the comparison of grade level codes to determine whether at least one of the synonyms retrieved in step (e) meets the linguistic requirement of being easier to understand than the expression highlighted in step (d), followed by the display of information...."

The Board characterized the steps of Claim 1 as setting out schemes, rules, and methods for performing mental acts.

"11. It seems to the Board that a person who wishes to detect and replace linguistic expressions which exceed a predetermined understandability level in a list of linguistic expressions, doing everything by himself with pencil and paper, would have to proceed in a similar way and follow the same sequence of steps

(a) to (f) as described in Claim 1, but without using the technical facilities indicated there:

[The Board lists Mental Steps A-F at this point.]

"Proceeding in this way, the said person would only use his skills and judgment and would consequently perform purely mental acts within the meaning of Article 52(2)(c) EPC. The schemes, rules and methods, that is, the steps as enumerated under the foregoing items A-F for performing these mental acts are not inventions within the meaning of Article 52(1) EPC."

The Board noted that the use of technical means for carrying out a method, that if performed by a human being would involve mental steps, may render the method a technical process. But the Board then clarified that patentability, per Article 52(2), requires that "the invention involves a contribution to the art in a field not excluded from patentability."

With respect to the technical implementation of the method steps, the Board stated that the implementation

"13. ...involves no more than the straightforward application of conventional techniques and must therefore be considered to be obvious to a person skilled in the (technical) art, so that the method according to Claim 1 of the present application does not contribute to the art anything involving an inventive step within the meaning of Article 56 EPC in a field not excluded from patentability by Article 52(2)(c) EPC."

The Board summarized by emphasizing that the linguistic data being processed has no technical significance, as follows:

"15. It can be seen from the analysis in paragraphs 4 to 10 above that the operations performed in the method claimed in Claim 1 of the present application do not go beyond the processing of data relating to a list of linguistic expressions and codes representing their understandability level. The overall effect of the method is that signals representing one linguistic expression in the list are replaced with signals representing another linguistic expression. These signals are not different from a technical point of view. They differ only in that they represent different linguistic expressions, which are purely abstract expressions without any technical significance. The overall effect of the method is thus not technical.

16. The fact that the claimed method involves a new method of operating, as pointed out by the appellant, cannot by itself confer patentability on the method, since the specified hardware is conventional, the data processed has no technical significance and the processing of this data involves only conventional techniques of entering, storing, retrieving, comparing, displaying, highlighting and selecting from a menu. The Board cannot find anything in the claimed method, considered as a whole, or in any of its details, which could involve an inventive step in

a field which is not excluded from patentability by Article 52(2) EPC." (Emphasis added.)

Text Processing - Homophone Error Correction

IBM: T65/86 [1990] EPOR 181 (22 June 1989)

The Board held unpatentable under Article 52(2) a method for automatically detecting and correcting contextual homophone errors characterized by the steps of defining and storing homophones and their contextual characteristics, entering and comparing a text document with the same, and highlighting on a display those homophones whose surrounding text does not have the appropriate contextual characteristics for that homophone. A contextual homophone error occurs when one of a number of confusable words, such as "affect" and "effect" for example, has been used in an inappropriate context.

Claim 1 reads as follows:

"1. A method for automatically detecting and correcting contextual homophone errors in a text document, in a text processing system comprising a processor (11) with a memory (23) and a process execution unit (24), a keyboard (10) with graphic symbol keys and control keys including a display cursor control key and a data enter key, said keyboard being connected to the input (21) of said processor (11) for entering data into a keystroke queue portion (26) of said memory (23), a text buffer portion (27) of said memory (23) being connected to said keystroke queue portion (26) for receiving data therefrom, and a display refresh buffer (12) connected to the output (23) of said processor (11) for controlling the generation of characters on a screen (40) of a display device (14) said method being characterized in that it includes the steps of:

(a) defining sets of homophones and storing, under control of said execution unit (24), said sets of homophones in a portion (31) of said memory (23);

(b) defining contextual characteristics for each said homophones and storing, under control of said execution unit (24), said characteristics in a portion (32) of said memory (23);

(c) storing in a portion (34) of said memory (23) a set of data segments related to each homophone;

(d) entering, from said keyboard (10) a text document into said text buffer portion (27) and said display refresh buffer (12) for displaying by said display device (14);

(e) controlling said execution unit (24) of said processor (11) to scan word-by-word the contents of said display refresh buffer (12) and to compare each scanned word to the said sets of homophones stored in said memory portion (31), in order to

determine whether homophones are present in said display refresh buffer (12);

(f) controlling said execution unit (24) to compare the data segments surrounding each homophone found in step (e) to the defined contextual characteristics stored in portion (32) for the homophone;

(g) highlighting on said display device (14) each homophone whose surrounding data segments do not compare with said defined contextual characteristics;

(h) controlling said executive unit (24) to access those sets of data segments stored in said memory portion (34), and related to said highlighted homophones, and to cause said display device (14) to display said sets of data segments;

(i) moving said display cursor, through actuation of said cursor control key, underneath a data segment selected among the displayed set of data segments related to an highlighted homophone;

(j) actuating said data enter key on the keyboard (10) to cause said cursored data segment to be substituted for the highlighted homophone in the said text document."

The Board began its analysis by noting that the present invention does not relate to a technical problem.

"2. ...In the opinion of the Board, a contextual homophone error is a purely linguistic error and has no technical significance at all."

With reference to Claim 1, the Board noted that steps (a)-(d) involve the entering and storing in a conventional manner of "information required solely for linguistic purposes."

Step (e) involves comparing in a conventional manner data "for the sole purpose of determining whether the data in the display refresh buffer meet certain purely linguistic criteria."

Step (g) involves displaying to the operator in a conventional manner the result of the comparison of step (f).

"The information displayed is required solely for linguistic purposes, namely to indicate to the operator those of the detected homophones which are suspected of being incorrectly used."

Step (h) involves retrieving and displaying in a manner which is conventional from a technical point of view "information required solely for linguistic purposes."

Step (i) involves the selection by the operator, using his skill and judgment, of the appropriate homophone.

Step (j) involves "one item of data having only linguistic significance [being] replaced by another item of data having only linguistic significance."

The Board's analysis in this case is similar to its analysis of T38/86 both with respect to its characterization of the claim steps as setting forth schemes, rules, and methods, and its clarification that to be patentable under Article 52(2), "the invention must involve a contribution to the art not excluded from patentability."

The Board noted that the signals/data represent only linguistic expressions without any technical significance.

> "20. The overall effect of the method claimed in Claim 1 is that signals representing one linguistic expression in the text document are replaced with signals representing another linguistic expression. These signals are not different from a technical point of view. They differ only in that they represent different linguistic expressions, which are purely abstract expressions without any technical significance. The overall effect of the method is thus not technical.

The Board summarized as follows:

> "26. In the present case, all the operations performed are *conventional from a technical point of view and amount to no* more than the processing of abstract data, for a non-technical purpose, by means of computer programs running on conventional hardware. The Board has found nothing in the claims, description and drawings of the present application which could be regarded as making a contribution to the art in a field which is not excluded from patentability by Article 52(2)(c) EPC."

Improved Display of Individual Characters

SIEMENS: T158/88 (12.12.89) OJ EPO 1991, 11

The invention relates to method for displaying orthogonally correct character forms on a screen. The Board held that the claims were not patentable subject matter under Articles 52(2) and (3).

Claim 1 reads as follows:

> "1. Process for displaying characters on a visual display unit, in which characters are displayed in isolated form, start form, middle form or end form depending on their position in a word, *characterized in that*
>
> (a) a first character (Z1) is initially displayed in a first complete basic form on a screen (AE),

(b) if a second character (Z2) is then entered, it is displayed in a second complete basic form and the first character (Z1) already displayed on the screen (AE) is replaced by a character (Z1) in its complete start form,

(c) if the first basic form differs from the start form and no further character is entered, the first character (Z1) already displayed on the screen (AE) is replaced by a character (Z1) in its complete isolated form,

(d) if further characters (Z3) in the word are entered, these are displayed in their complete second basic form on the screen (AE) and the preceding characters (Z2) already displayed are replaced by characters (Z2) in their complete middle form, and

(e) if no further character is entered, the last character (Z3) already displayed on the screen (AE) is replaced by a character (Z3) in its complete end form."

The Board began its analysis by characterizing the claims as relating merely to data processing, with no ultimate technical effect. The Board noted that the processing of characters for use in a display does not result in a change in the physical or technical functioning of the display unit (for example, enhanced luminance), but at most improves the mental registerability to the viewer of the characters displayed. The data processed in accordance with the claimed procedure neither constitute operating parameters of a device nor affects its physical or technical functioning, nor solves a technical problem. Excerpts from the Board's analysis follow:

"2.2 Claim 1 does indeed state that the characters are 'displayed on a visual display unit' ...or 'displayed on a screen', and that characters are 'entered' or 'replaced'. However, these technical descriptions serve only to characterize the forms in which the characters appear, the selection criteria for any exchange of characters which may prove necessary and the result of the selection. The 'process for displaying characters on a visual display unit' as defined in Claim 1 does not involve any kind of procedure which uses technical means to influence the visualization of the characters. It is simply a method of processing data according to the specific selection criteria set out in Claim 1. The effect on the computer of the process claimed in Claim 1 is to retrieve data representing a specific character form from a memory and, where appropriate, to replace it by data representing the same character in a different form. These data differ only in the information they contain, not technically. In the Board's opinion, Claim 1 therefore essentially describes not a technical operating procedure for a computer and its visual display unit but an idea for a program, i.e. general instructions on how to program a software-controlled computer to achieve the desired effect (immediate display of a character in a pre-determined form

selected from several possible forms, and retention or replacement of such form by another in accordance with pre-defined rules).

...

...A computer program is not considered part of a technical operating procedure if the claimed teaching merely modifies the data and produces no effects beyond information processing.

2.4 In contrast to the point at issue in decision T26/86 (Koch & Sterzel, OJ EPO 1988, 19), the claimed process does not constitute an invention consisting of a mix of technical and non-technical elements. In the former case, the data processed by means of the non-technical part of the program were the operating parameters of a device, and, once processed, influenced the physical/technical functioning of the device by altering X-ray tube voltages and currents and their anode rotation speeds and focal spot sizes.

In the present case, the data to be processed represent characters, and once processed, serve only to make those characters more readily comprehensible to the viewer without affecting the (technical) means of displaying them.

The claimed process, which defines a computer program, does not result in a change in the physical or technical functioning of the device operating by this process, i.e., the visual display unit and screen. The characters are always displayed in the same way (not explained in any detail in the claim or description). The program described in Claim 1 has no technical effect, such as enhanced luminance of the display elements, image enlargement, etc.; at most, it improves the (mental) registrability of the characters displayed. This result is not technical in nature. The applicants are indeed right in thinking that the registering--i.e., recognition--of a character generally presupposes that the reader has visualized it. In the present case, however, such recognition is not improved by technical means (e.g., enhanced image contrast) but by means that influence mental assimilation of the visual stimulus...."

Accordingly, it can be seen that there must be a technical problem that is solved by physical/technical functioning.

HOW DOES EPO PRACTICE COMPARE TO THE U.S. AND JAPAN

A comparative study of the practices of the EPO, the USPTO, and the JPO was issued as a trilateral cooperation document by the three patent offices in September of 1989 entitled "Patentability of Computer Related Inventions -- A Comparative Study." One of the major conclusions of the study was the following:

"It would appear that the concepts of patentable inventions, including those which are computer-related, are not fundamentally different from each other. The basic patentability

criterion, namely the technical character of an invention considered as a whole, appears to be commonly accepted. The test or methods used to assess patentability appear to lead, in spite of their different approach, to substantially the same results as can be seen from the typical cases and examples."

SUMMARY

It can be seen that the EPO Examiner will look to the claimed invention AS A WHOLE.

The Examiner will determine initially whether a given claim for a computer-related invention encompasses a MATHEMATICAL METHOD, a set of RULES, a method for performing MENTAL ACTS or DOING BUSINESS, or a PROGRAM FOR COMPUTERS.

If any of these items are found in the claims, then the Examiner will look to see if there is a TECHNICAL EFFECT, or whether the claim is merely directed to the prohibited subject matter AS SUCH.

In VICOM, the processing of image data stored as electrical signals which processing causes a change in that image, was held to result in a technical effect.

In KOCH & STERZEL, the calculation of an appropriate X-ray tube voltage for a given set of exposure parameters was held to result in a technical effect in the X-ray apparatus.

In the IBM text processing cases, it was held that text processing per se (generating semantically related expressions, abstracting a document, replacing difficult to understand words and expressions, and homophone error correction) involves the manipulation of data having only linguistic significance and thus relates to nothing more than the performance of mental acts, regardless of how much computer hardware is referenced in the claims.

However, in IBM: T06/83, a computer program-controlled process for coordinating and controlling the internal communication between programs and data files held at different processors in a telecommunication network was found to create a technical effect. The Board stated that the claim is not concerned with the nature of the data or the way in which a particular application program operates on it.

In IBM: T115/85, it was held that the automatic display of visual indications signifying conditions prevailing in a text processing apparatus is a technical effect.

In Siemens, the replacement of data representing a specific character for use in a display, with data representing the same character in different form to make the characters more readily comprehensible to the viewer was held to be unpatentable as merely an idea for a program.

From the above, it can be seen that to be successful in prosecuting computer program-related inventions in the EPO, it will be necessary

to find a technical effect, and to emphasize that technical effect in both the specification and the claims. If the invention relates to linguistic processing, it will be necessary to include novel and nonobvious structure in the claims in order to obtain an allowance.

Good luck!!

COPYRIGHT PROTECTION FOR COMPUTER PROGRAMS

Copyright protection for computer programs in the European Community is controlled by the recently adopted "Council Directive On The Legal Protection of Computer Programs," May 14, 1991. All European Community (EC) member countries are required to enact/harmonize their national legislation to implement the provisions of the Directive by 1 January 1993.

ANALYSIS OF THE DIRECTIVE:

Protection As A Literary Work Under Berne.

The Directive requires the Member States to protect computer programs "by copyright, as literary works within the meaning of the Berne Convention." (Article 1.1).

Note that literary work protection will bring into play the traditional standard for determining the scope of protection--the idea/expression distinction, thereby ensuring a uniformity of protection from country-to-country. The reference to Berne in the Article will ensure automatic protection for programs at creation in each of the EC member countries without formalities. Also, the Berne Convention requires national treatment (no discrimination against foreign works) and places a limit on derogations from the author's rights.

The Directive Articles purposely do not contain a definition of what a computer program is in order to ensure flexibility to cover changing technology.

Expression in Any Form Protected.

Protection applies to "expression in any form of a computer program." (Article 1.2). This Article clarifies that expression, whether literal or non-literal, and whether in source code, object code, microcode, or in some other form, will be protected.

Ideas and Principles -- Not Protected.

"Ideas and Principles which underlie any element of a computer program, including those which underlie its interfaces, are not protected by copyright under this Directive." (Article 1.2)

Copyright Eligibility Criteria -- Originality.

The Common Position fixes the German Inkasso holding by requiring that a "computer program shall be protected if it is original in the sense that it is the author's own intellectual creation. No other

criteria shall be applied to determine its eligibility for protection." (Article 1.3). (The Inkasso case had applied a qualitative eligibility test for copyright protection by requiring the author to prove that his work has "creative" value and that the programming exceeded the level of skill of the average programmer. The application of such a test resulted in many programs protected in other countries of the Community not being protected in Germany.)

Who Is The Author?

> "The author of a computer program shall be the natural person or group of natural persons who had created the program or, where the legislation of the Member State permits, the legal person designated as the rightholder by that legislation." (Article 2.1)

However, this is not a positive requirement to recognize work-for-hire authorship in a commissioning party or in an employer. Also, note that there is no obligation imposed on other Member States to recognize such authorship for a work created in a Member State that recognizes such authorship.

Employee-Created Works.

However, even though there is no requirement in the Directive to recognize work-for-hire authorship in employers, Article 2.3 vests economic rights in the employer, subject to a contractual override. The provision reads:

> "Where a computer program is created by an employee in the execution of his duties or following the instructions given by his employer, the employer exclusively shall be entitled to exercise all economic rights in the program so created, unless otherwise provided by contract."

The Article does not regulate moral rights in computer programs in the Member States.

Exclusive Rights.

Under Article 4 the author is provided the exclusive rights of "permanent or temporary reproduction of a computer program by any means, in any form, in part or in whole," "translation, adaptation, arrangement, and any other alteration of a computer program and the reproduction of the results thereof", and "any form of distribution to the public, including rental."

However, the first sale of the program in the Community of a copy by the rightholder or with his consent exhausts the distribution right (but not the rental right) within the Community for that copy.

Exceptions to Restricted Acts -- To Facilitate Lawful Use.

Article 5.1 provides that "In the absence of specific contractual provisions", the acts of reproduction, translation, adaptation, arrangement, or alteration are permitted "where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction."

It should be noted that the right to "error correction" is included in Article 5.1, rather than the broader right of "maintenance" of programs, which had been recommended by the European Parliament.

Exceptions to Restricted Acts -- Backup Copies.

Article 5.2 provides that a person having a right to use a computer program may not be prohibited from making backup copies "insofar as it is necessary for that use". Contract provisions contrary to this provision are null and void under Article 9.2. Presumably, if backup copies have been supplied by the rightholder, this provision would no longer excuse copying for backup.

Exceptions to Restricted Acts -- Observe, Study, Test.

Article 5.3 provides the right to a legitimate user "to observe, study or test the functioning of the program in order to determine the ideas and principles which underlie any element of the program if he does so while performing any of the acts of loading, displaying, running, transmitting or storing the program which he is entitled to do." Contract provisions contrary to this provision are null and void under Article 9.2.

Decompilation.

Decompilation is permitted under Article 6.1 if it is

> "indispensable to obtain the information necessary to achieve the interoperability of an independently created computer program with other programs, provided that the following conditions are met:
>
> "(a) these acts are performed by the licensee or by another person having a right to use a copy of a program...;

"(b) the information necessary to achieve interoperability has not previously been readily available to the persons referred to in subparagraph (a); and

"(c) these acts are confined to the parts of the original program which are necessary to achieve interoperability." (Emphasis Added)

However, when decompilation is authorized under the preceding language, Article 6.2 clarifies that the provisions of paragraph 1 shall not permit the information obtained through its application:

"(a) to be used for goals other than to achieve the interoperability of the independently created computer program;

"(b) to be given to others, except when necessary for the interoperability of the independently created computer program; or

"(c) to be used for the development, production or marketing of a computer program substantially similar in its expression, or for any other act which infringes copyright."

As a further safeguard, Article 6.3 includes a rephrasing of Article 9.2 of the Berne Convention that

"...the provisions of this Article may not be interpreted in such a way as to allow its application to be used in a manner which unreasonably prejudices the rightholder's legitimate interests or conflicts with a normal exploitation of the computer program."

Finally, Directive Article 9.2 expressly abrogates freedom of contract in this area by providing that contractual provisions contrary to Article 6 or Articles 5(2) and (3) "shall be without effect and void."

Note that the term interoperability used in this Article is defined in the "WHEREAS" recitals in the preamble as

"the ability to exchange information and mutually to use the information which has been exchanged."

Knowing Possession or Circulation of Infringing Copies.

Article 7.1(a) and (b) require Member States to provide appropriate

remedies against a person who puts into circulation or possesses for commercial purposes a copy of a computer program "knowing, or having reason to believe, that it is an infringing copy."

Means to Circumvent Copyprotect Are Illegal.

Article 7.1(c) requires Member States to provide appropriate remedies for the "act of putting into circulation, or the possession for commercial purposes of, any means the sole intended purpose of which is to facilitate the unauthorized removal or circumvention of any technical device which may have been applied to protect a computer program."

Seizure.

Infringing copies are subject to seizure under Article 7.2.

Means used to circumvent copy-protect mechanisms are subject to seizure under Article 7.3.

Term.

Under Article 8 protection is granted for the life of the authors plus 50 years from the death of the last surviving author. Anonymous and corporate authors receive a term of 50 years from the time that the program is first lawfully made available to the public.

Other Intellectual Property Rights.

Article 9.1 clarifies that the "Directive shall be without prejudice to any other legal provisions such as those concerning patent rights, trade marks, unfair competition, trade secrets, protection of semi-conductor products or the law of contract."

Licenses Predating 1 January 1993.

The Directive applies to programs created before 1 January 1993, per Article 9.2.

However, "acts concluded and rights acquired before that date" shall not be prejudiced.

THE FUTURE OF BIOTECHNOLOGY PATENTS IN THE EUROPEAN COMMUNITY

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FRANKLIN PIERCE LAW CENTER
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THE FUTURE OF BIOTECHNOLOGY PATENTS IN THE EUROPEAN COMMUNITY

BIOTECHNOLOGY! WHAT IS THIS THING CALLED BIOTECHNOLOGY? IS IT GOOD? IS IT EVIL? DOES IT HAVE A FUTURE? WILL WE BE ABLE TO OBTAIN PATENT PROTECTION ON IT IN EUROPE TOMORROW?

BIOTECHNOLOGY MEANS THE MANIPULATION OF THE BASIC SUBSTANCE OF LIVING MATTER AND ITS MODIFICATION TO ACHIEVE THE PURPOSES OF THE MANIPULATOR. TAKE LIVING OUT AND YOU HAVE THE DEFINITION OF ANY PREVIOUSLY KNOWN TECHNOLOGY. ANOTHER WAY TO DEFINE BIOTECHNOLOGY IS: ANY TECHNIQUE THAT USES LIVING ORGANISMS (OR PARTS OF ORGANISMS) TO MAKE OR MODIFY PRODUCTS, TO IMPROVE PLANTS OR ANIMALS OR TO DEVELOP MICROORGANISMS FOR SPECIFIC USES. SUCH TECHNIQUES CAN BE OF VARIOUS LEVELS OF SOPHISTICATION, RANGING FROM THE SELECTIVE BREEDING OF PLANTS AND ANIMALS TO THE MANIPULATION AND ALTERATION AT THE CELLULAR AND MOLECULAR LEVELS OF HYBRIDOMAS, RNA, DNA, VECTORS, PLASMIDS, MONOCLONAL ANTIBODIES, VACCINES AND ALTERED MICROORGANISMS.

WHETHER WE LIKE IT OR NOT, BIOTECHNOLOGY IS HERE AND IT IS HERE TO STAY, AT LEAST IN THOSE COUNTRIES HAVING THE FORESIGHT TO PROVIDE INVENTORS AND INVESTORS SUFFICIENT INTELLECTUAL PROPERTY PROTECTION FOR THE FRUITS OF THEIR EFFORTS. BIOTECHNOLOGY IS THE MOST POWERFUL SCIENCE TO BLOSSOM IN THE WORLD SINCE MICROELECTRONICS WHICH REVOLUTIONIZED COMMUNICATIONS, INFORMATION STORAGE AND RETRIEVAL, SCIENTIFIC DEVELOPMENTS, TRANSPORTATION AND COMPUTERIZED THE HUMAN RACE THROUGHOUT THE WORLD. GOVERNMENTS THROUGHOUT THE WORLD HAD TO ADAPT THEIR LAWS TO PROVIDE ADEQUATE PROTECTION FOR THE NEW MICROELECTRONIC INVENTIONS TO ACHIEVE ITS SUCCESS WE SEE TODAY.

BIOTECHNOLOGY OFFERS GREAT PROMISE TO MANKIND. IT CAN PROVIDE A REVOLUTION FOR INTELLECTUAL PROPERTY DEVELOPMENTS IN THE AREAS OF AGRICULTURE AND HUMAN HEALTH CARE. GIVEN THE TENS OF MILLIONS OF STARVING PEOPLE IN THE WORLD AND HUNDREDS OF MILLIONS OF MALNOURISHED PEOPLE, THE GOAL OF STIMULATING FOOD DEVELOPMENT THROUGH THE SCIENCE OF BIOTECHNOLOGY IS A MUST FOR MANKIND. THE SOCIAL AND ECONOMIC POTENTIAL OF BIOTECHNOLOGY IS STAGGERING AND IT OFFERS UNPRECEDENTED PATHWAYS TO PRECISION AGRICULTURE. GREAT OPPORTUNITIES EXIST IN AGRICULTURE PER SE THROUGH BIOPESTICIDES, IN PLANT SCIENCE BY GENETICALLY ALTERING PLANTS TO IMPROVE THEIR RESISTANCE TO CHEMICALS AND DISEASES AND MOST IMPORTANTLY TO ENHANCE THEIR PRODUCTION OF FOOD MATTER, AND IN ANIMAL SCIENCE BY GENETICALLY ALTERING ANIMALS TO IMPROVE RESISTANCE TO DISEASES AND TO ENHANCE THE QUANTITY AND QUALITY OF THEIR MILK AND MEAT PRODUCTION.

LIKEWISE, BIOTECHNOLOGY OFFERS TREMENDOUS OPPORTUNITIES FOR DEVELOPMENTS IN THE HEALTH CARE FIELD. IT CAN ENHANCE RESEARCH EFFORTS TO FIND AND DEVELOP DRUGS FOR THE TREATMENT AND CURE OF MANY DISEASES AFFLICTING MANKIND, SUCH AS CANCER, AIDS AND HEART DISEASE. IT CAN ASSIST IN ANIMAL MEDICAL TREATMENT, SUCH AS WOUND HEALING. UNFORTUNATELY, THE PATENT CLIMATE IN MOST COUNTRIES THROUGHOUT THE WORLD FOR GENETICALLY ENGINEERED PRODUCTS IS NOT HOSPITABLE TO THE BIOTECHNOLOGY INVENTOR AND INVESTOR. THE LAWS OF MANY COUNTRIES DO NOT PROVIDE WITH CERTAINTY THE ADEQUATE GENERIC PATENT PROTECTION FOR THOSE WHO ARE INVESTING HEAVILY IN

BIOTECHNOLOGY. WITHOUT ADEQUATE BIOTECHNOLOGY PROTECTION THROUGH PATENTS, PARTICULARLY IN THE AREAS OF PLANT AND ANIMAL SCIENCES, THIS TREMENDOUS SCIENCE WILL BE COMPLETELY STIFLED.

MUCH HAS BEEN WRITTEN AND SAID ABOUT THE CURRENT PROBLEMS IN THE PROTECTION OF BIOTECHNOLOGY INVENTIONS. INDEED, MANY NATIONAL PATENT LAWS CONTAIN PROVISIONS EXCLUDING VARIOUS, IF NOT ALL, BIOTECHNOLOGY INVENTIONS FROM PATENT PROTECTION. SUCH EXCLUSIONS CLEARLY PROVIDE A MAJOR DISADVANTAGE TO THE INVENTORS AND INVESTORS IN THE BIOTECHNOLOGY ARENA TODAY. QUITE UNDERSTANDABLY, TRADITIONAL PATENT LAWS WERE NOT DRAFTED WITH VISIONS OF TODAY'S SOPHISTICATED TECHNIQUES, PARTICULARLY IN BIOTECHNOLOGY. WHEN MOST PATENT LAWS NOW IN EXISTENCE WERE DRAFTED, THE DRAFTERS COULD NOT HAVE FORESEEN GENETICALLY TRANSFORMING PLANTS TO ACHIEVE INSECT RESISTANCE, FROST RESISTANCE, DROUGHT RESISTANCE, VIRAL RESISTANCE AND HERBICIDE RESISTANCE, OR GENETICALLY-ALTERING ALL TYPES OF ANIMALS TO PROVIDE RESEARCH TOOLS FOR DEVELOPMENT OF DRUGS, ENHANCING FARM ANIMAL MEAT AND DAIRY PRODUCTION, OR THE PROTECTION OF ANIMALS INCLUDING HUMANS FROM DISEASES.

HOWEVER, A PATENT SYSTEM TO BE VIBRANT, VIABLE AND INSURE DEVELOPMENT WITHIN ITS TERRITORY MUST PUT EXCLUSIONARY POWER TO GOOD USE. A PATENT SYSTEM MUST BE DRAFTED TO ENCOURAGE INNOVATION. PATENT LAWS MUST BE DRAFTED TO BE INHERENTLY FLEXIBLE AND, THEREFORE, READILY ACCOMMODATE NEW AND EMERGING TECHNOLOGIES. ANY THOUGHTS THAT DIFFERENT PATENT LAWS ARE NECESSARY FOR DIFFERENT TECHNOLOGIES IS TOTALLY ERRONEOUS. A PATENT SYSTEM MUST ENCOURAGE THE DEVELOPMENT AND DISCLOSURE OF ANY TECHNOLOGY TO ADVANCE MANKIND IN HIS STANDARD OF LIVING AND WELL BEING.

BIOTECHNOLOGY HAS CREATED AN EXPLOSIVE MORAL, RELIGIOUS, ETHICAL, ENVIRONMENTAL AND ECONOMIC CONTROVERSY. THIS CONTROVERSY IS UNPRECEDENTED COMPARED TO CONTROVERSIES CREATED BY PAST EMERGING TECHNOLOGIES AND IT IS NOT YET SETTLED. PUBLIC CONTROVERSIES TEND TO TREMENDOUSLY HAMPER THE DEVELOPMENT AND FULFILLMENT OF NEW TECHNOLOGIES. THEY TEND TO DELAY GOVERNMENTS FROM ADAPTING THEIR PATENT SYSTEMS TO PROVIDE ADEQUATE PROTECTION OF INVENTIONS SPRINGING FORTH FROM EMERGING TECHNOLOGIES.

THE UNITED STATES HAS BEEN A FORERUNNER IN THE WORLD FOR ADAPTING ITS PATENT SYSTEM TO PROTECT INVENTIONS FROM EMERGING TECHNOLOGIES. THE U.S. LAW IS DRAFTED GENERICALLY AND, THUS, ALLOWS FLEXIBILITY.

INVENTION IS DEFINED TO MEAN INVENTION OR DISCOVERY.

PROCESS IS DEFINED TO MEAN PROCESS, ART OR METHOD, AND INCLUDES A NEW USE OF A KNOWN PROCESS, MACHINE, MANUFACTURE, COMPOSITION OF MATTER, OR MATERIAL.

PATENTABLE INVENTIONS ARE DEFINED IN CHAPTER 35 OF THE UNITED STATES CODE SECTION 101. THIS SECTION READS AS FOLLOWS:

"WHOEVER INVENTS OR DISCOVERS ANY NEW AND USEFUL PROCESS, MACHINE, MANUFACTURE, OR COMPOSITIONS OF MATTER, OR ANY NEW AND USEFUL IMPROVEMENT THEREOF, MAY OBTAIN A PATENT THEREFOR, SUBJECT TO THE CONDITIONS AND REQUIREMENTS OF THIS TITLE".

THE CONDITIONS AND REQUIREMENTS REFERRED TO ARE THAT THE INVENTION IS NOVEL AND UNOBVIOUS OVER THE PRIOR ART. THE U.S. LAW DOES NOT SPECIFICALLY EXCLUDE PARTICULAR TECHNOLOGIES AND IS DRAFTED TO BE READILY ADAPTABLE TO NEW AND EMERGING TECHNOLOGIES THROUGH INTERPRETATION BY THE COURTS.

ALTHOUGH MOST PEOPLE ASSUME THAT BIOTECHNOLOGY IS A MODERN DEVELOPMENT AND ONLY RECENTLY HAVE BIOTECHNOLOGY INVENTIONS BEEN CONSIDERED PATENTABLE. THIS IS NOT TRUE. PATENTS COVERING BIOTECHNOLOGY DEVELOPMENTS HAVE HISTORIC ORIGINS. THE U.S. PATENT AND TRADEMARK OFFICE GRANTED PATENTS ON LIVING MATTER, SUCH AS YEAST AS EARLY AS 1873. OTHER EARLY PATENTS CLAIMED A VACCINE IN THE FORM OF AN ALTERED VIRUS AND A PROCESS FOR OPTIMIZING THE EFFICIENCY OF ANAEROBIC BACTERIA. IN THE PAST, PATENTS HAVE BEEN ROUTINELY GRANTED ON FERMENTATION PROCESSES. HOWEVER, IN THE LATE 1970'S THE U.S. PATENT AND TRADEMARK OFFICE REJECTED CLAIMS DIRECTED SOLELY TO MICROORGANISMS ON THE BASIS THEY DEFINE LIVING MATTER.

IN 1980, THE UNITED STATES SUPREME COURT IN A LANDMARK BIOTECHNOLOGY DECISION (DIAMOND V. CHAKRABARTY, 447 U.S. 303) SAID THAT LIVING MATTER WHICH OWES ITS UNIQUE EXISTENCE TO HUMAN INTERVENTION IS PATENTABLE SUBJECT MATTER. THIS DECISION OPENED THE DOOR FOR MEANINGFUL PATENT PROTECTION OF INVENTIONS INVOLVING THE SCIENCE OF BIOTECHNOLOGY. THE SUBJECT MATTER OF THIS CASE INVOLVED A NEW MAN-MADE MICROORGANISM STRAIN CAPABLE OF PRODUCING ENZYMES FOR DEGRADING FOUR DIFFERENT COMPONENTS OF OIL AND WAS, THUS, USEFUL IN CLEANING UP OIL SLICKS.

THIS DECISION WAS A GREAT STEP FORWARD IN CLARIFYING THE PATENTABILITY SITUATION OF BIOTECHNOLOGY INVENTIONS IN THE U.S. IT OPENED THE DOOR WIDE FOR BIOTECHNOLOGY DEVELOPMENTS IN THE CRUCIAL FIELDS OF HUMAN HEALTH AND AGRICULTURE. AS JUDGE RICH RECENTLY SAID, THIS DECISION HAD A GREAT STIMULATING EFFECT ON BIOTECHNOLOGY START-UP COMPANY CREATIONS AND INVESTMENTS IN THESE COMPANIES. BIG CORPORATIONS ALSO BECAME IMMEDIATELY INTERESTED IN THE FUTURE POTENTIAL OF BIOTECHNOLOGY AND STARTED INVESTING GREAT SUMS IN BIOTECHNOLOGY RESEARCH. MOLECULAR BIOLOGISTS AND GENETIC ENGINEERS ARE FRANTICALLY SEARCHING FOR LEADS TO AN EFFECTIVE AIDS VACCINE AND IMPROVED DRUGS TO TREAT CANCER AND OTHER MAJOR DISEASES.

THIS DECISION LED TO LATER DECISIONS INVOLVING ORGANISMS OF A HIGHER ORDER THAN SINGLE CELL MICROORGANISMS. IN 1988, THE U.S. PATENT AND TRADEMARK OFFICE ISSUED TO HARVARD UNIVERSITY THE FIRST U.S. PATENT ON AN ANIMAL. THE SUBJECT MATTER OF THIS PATENT IS A MOUSE WHICH WAS GENETICALLY ALTERED TO CONTAIN A CANCER-CAUSING GENE, THEREBY GIVING THE MOUSE A PREDISPOSITION TO CANCER. THIS INVENTION PROVIDES THE WORLD A USEFUL LABORATORY TEST MODEL FOR SCREENING POTENTIAL ANTI-CANCER DRUGS. THE CONTROVERSY OF ANIMAL PATENTS IN THE UNIVITED STATES IS NOT YET OVER, BUT AN INROAD HAS BEEN MADE.

THUS, IT WAS ESTABLISHED THAT MICROORGANISMS, AS DISTINGUISHED FROM CHEMICAL COMPOUNDS, ALTHOUGH ALIVE IS A DISTINCTION WITHOUT LEGAL SIGNIFICANCE FOR THE PURPOSES OF PATENT LAW. THE PATENT LAWS SHOULD PERMIT PATENTS ON ANYTHING UNDER THE SUN THAT IS MADE BY MAN. IF THE LIVING THING RESULTS FROM HUMAN INTERVENTION AND IS DIFFERENT AND USEFUL, IT SHOULD BE PATENTABLE TO THE INNOVATOR.

I HAVE DIGRESSED FROM THE TOPIC OF TODAY'S SUBJECT - THE FUTURE OF BIOTECHNOLOGY PATENTS IN EUROPE - MERELY TO SET THE BACKGROUND FOR THE DEFICIENCIES AND UNCERTAINTIES WE FACE IN FORESEEING SATISFACOTRY BIOTECHNOLOGY PATENT PROTECTION IN EUROPE IN THE FUTURE.

THE EARLIEST AND MOST PROMISING PRODUCTS OF BIOTECHNOLOGY ARE HUMAN PHARMACEUTICALS, HUMAN DIAGNOSTICS AND PRODUCTS FOR ANIMAL SCIENCE. PROMINENT AMONG THESE ARE RECOMBINANT HUMAN AND ANIMAL PROTEINS AND PEPTIDES WHICH MIMIC THE BODY'S NATURAL AGENTS AND MODULATE CELLULAR FUNCTION. EXAMPLES ARE HUMAN INSULIN, HUMAN GROWTH HORMONE, BOVINE GROWTH HORMONE, HUMAN INTERFERON, HUMAN INTERLEUKIN, TISSUE PLASMINOGEN ACTIVATOR, ERYTHROPOIETIN, TUMOR NECROSIS FACTOR AND OTHERS.

IN A REMARKABLE SHORT TIME, BIOTECHNOLOGY HAS DELIVERED A HOST OF EXCITING FIRST GENERATION PROTEINS AND PEPTIDES WHICH MIMIC SO MANY NATURALLY-OCCURRING PRODUCTS AND WHICH OFFERS GREAT PROMISE FOR TREATING MAJOR DISEASES. IT HAS ALLOWED MANY COMPANIES WORLDWIDE TO BACTERIALLY PRODUCE PROTEINS AND PEPTIDES WITHOUT THE LONG AND ARDUOUS CHEMICAL SYNTHESIS AND SCREENING PROCEDURE SO TRADITIONAL IN THE PHARMACEUTICAL ARTS.

AS BIOTECHNOLOGY DEVELOPS SECOND AND FURTHER GENERATION PRODUCTS, THEY UNDOUBTEDLY WILL BE SMALLER, SHORTER MOLECULES WHICH FEATURE IMPROVED ACTIVE BINDING SITES WITH SPECIAL AFFINITY FOR CELL RECEPTOR SITES WITHIN THE HUMAN BODY.

CELL RECEPTORS ARE PROTEINS ON CELL SURFACES THAT BIND MESSENGER MOLECULES LIKE HORMONES OR NEUROTRANSMITTERS TO LET A CELL COMMUNICATE WITH THE WHOLE ANIMAL. CELL RECEPTOR TECHNOLOGY (RT) HAS RECENTLY COME OF AGE IN CONVENTIONAL DRUG DESIGN. RT ALLOWS RESEARCH TO DETERMINE QUICKLY WHETHER A GIVEN COMPOUND IS ACTIVE IN THE BODY AND, IF SO, WHERE IT ACTS. IT IS FASTER AND CHEAPER THAN ANIMAL TESTINGS.

THE TIMELY ARRIVAL OF GENETIC ENGINEERING HAS SYNERGIZED WITH RT BY FACILITATING THE SEQUENCING OF VARIOUS RECEPTORS SUCH AS THOSE FOR INSULIN, ETC.

WITH THE SIMULTANEOUS AVAILABILITY OF ALL THESE POWERFUL BIOMEDICAL RESEARCH TECHNIQUES, ONE CAN EXPECT DRAMATIC AND SPEEDY ADVANCES IN HUMAN THERAPEUTICS. INDEED, MANY SCIENTISTS FORECAST THAT THIRD GENERATION BIODRUGS WILL EMPLOY LARGE CHEMICAL GROUPS TO IMITATE NATURAL MOLECULES WHILE AVOIDING THE PRESENT-DAY NEED TO ADMINISTER THERAPEUTIC PROTEINS THROUGH INJECTION. GREATER EFFICACY AND FEWER SIDE EFFECTS ARE LIKELY.

IT HAS BEEN PREDICTED THAT THE INTERFERONS AND INTERLEUKINS OF TODAY'S BIOTECH WILL EVENTUALLY BE SUPERSEDED BY SUPERIOR BUT MORE TRADITIONAL CHEMICAL FORMS -- CHEMICAL FORMS WHICH OUR ESTABLISHED INTERNATIONAL PATENT SYSTEMS HAVE ACCOMMODATED FOR DECADES.

AT THE PRESENT, HOWEVER, WE MUST CONTINUE TO COPE WITH THE PECULIAR PATENT TRENDS SURROUNDING FIRST GENERATION PROTEINS WHILE GAINING WISDOM FROM EMERGING COURT DECISIONS. OVER THE LONG TERM, THE CURRENT CHEMICAL PATENT LAWS OF INDUSTRIALIZED COUNTRIES SHOULD BE VERY CAPABLE OF DEALING WITH GENETICALLY-ENGINEERED PROTEINS, RECOMBINANT MICROORGANISMS AND OTHER BIOLOGICAL MATERIALS, THUS AFFORDING EXCLUSIVITY TO THE INVENTOR AND HIS SPONSOR COMMENSURATE WITH THE SCIENTIFIC CONTRIBUTION. THIS WILL BE THEIR INCENTIVE FOR R&D INVESTMENT AND RISK-TAKING. IT HAS WORKED IN THE PAST AND IT CAN SURELY WORK FOR BIOTECH INVENTIONS IN THE PHARMACEUTICAL AND HEALTH SCIENCES AREAS.

SOME FINE-TUNING OF NATIONAL PATENT LAWS TO ACCOMMODATE PHARMACEUTICAL BIOTECH HAS ALREADY OCCURRED AND MORE CHANGES CAN BE EXPECTED TO COME. DEPOSIT AND PROTECTION OF RECOMBINANT MICROORGANISMS, FOR EXAMPLE, WILL CONTINUE TO RECEIVE ATTENTION IN CERTAIN COUNTRIES.

IN THE EUROPEAN COMMUNITY, PATENT PROTECTION OF BIOTECHNOLOGY INVENTIONS FOR THE PHARMACEUTICAL AND HEALTH SCIENCES AREAS APPEARS PROMISING NOW AND IN THE FUTURE. HOWEVER, PATENT PROTECTION ON AGRICULTURE AND PLANT SCIENCE INVENTIONS AS WELL AS ON ANIMALS AND ANIMAL SCIENCE IS MUDDY AND IN A STATE OF CONFUSION.

MANY NATIONAL PATENT LAWS CONTAIN PROVISIONS EXCLUDING PLANT AND ANIMAL VARIETIES FROM PATENTING BECAUSE OF SPECIAL SYSTEMS WHICH PROVIDE OTHER RIGHTS SUCH AS TO PLANT BREEDERS FOR NEW PLANT VARIETIES WHICH THEY CREATE. AS I MENTIONED EARLIER, PATENT LAWS IN MOST COUNTRIES WERE NOT DRAFTED WITH VISIONS OF TODAY'S SOPHISTICATED TECHNIQUES FOR GENETICALLY TRANSFORMING PLANTS TO ACHIEVE INSECT RESISTANCE, FROST RESISTANCE, DROUGHT RESISTANCE, HERBICIDE RESISTANCE AND MANY OTHER DESIRABLE PROPERTIES. THESE DESIRABLE TRAITS ARE NOT CONFINED TO A SINGLE PLANT VARIETY BUT CAN AFFECT A HOST OF VARIETIES OF, E.G., SOYBEANS, SUGARBEETS, ETC. AND HEREIN LIES THE CRUX OF TODAY'S COMMOTION ABOUT PLANT BIOTECHNOLOGY PATENTS.

PLANT BIOTECHNOLOGY SCIENCE OFFERS UNPRECEDENTED PATHWAYS TO "PRECISION AGRICULTURE" FOR THE BETTERMENT OF MANKIND WORLDWIDE. THE SOCIAL AND ECONOMIC POTENTIAL OF THIS PLANT REVOLUTION IS STAGGERING. YET, SADLY, WE DO NOT SEE THE PATENT LAWS OF MANY IMPORTANT COUNTRIES SUCH AS THE EUROPEAN COMMUNITY AFFORDING WITH CERTAINTY THE PROPER GENERIC PROTECTION TO THOSE WHO ARE INVESTING HEAVILY IN PLANT BIOTECHNOLOGY. AND, IRONICALLY, THE SCIENCE OF PLANT CELL TRANSFORMATION IS NEWER, MORE DIFFICULT AND MORE EXPERIMENTAL THAN BACTERIAL EXPRESSION OF RECOMBINANT HUMAN PROTEINS. TODAY, IF EVER THERE WAS A REAL NEED FOR PATENT PROTECTION AS AN INCENTIVE FOR RISK-TAKING, PLANT BIOTECHNOLOGY IS THE PLACE.

IF ADEQUATE PATENT PROTECTION IS UNAVAILABLE TO PROVIDE A FAIR RETURN ON THE PROPRIETOR'S R&D INVESTMENT, HE WILL EITHER STOP INNOVATING IN THE PLANT BIOSCIENCE AREA OR WILL RESORT TO SOME FORM OF TRADE SECRECY TO AVOID ILLICIT COPYING. EITHER ALTERNATIVE IS CERTAIN TO STIFLE THIS SCIENCE. TRADITIONAL PLANT VARIETY PROTECTION IS A WHOLLY INADEQUATE SHELTER FOR A GENERIC PLANT INVENTION OF BIOTECHNOLOGY. TRADE SECRECT LAWS IN MANY COUNTRIES ARE INADEQUATE FOR THE PLANT SCIENTISTS TO RESORT TO MERELY TRADE SECRECT PROTECTION OF THEIR EFFORTS.

THE USE OF HYBRID VARIETIES HAS TRADITIONALLY SERVED AS AN ANTICOUNTERFEITING TOOL FOR THE PLANT BREEDER. HYBRID PLANTS ARE INHERENTLY PROTECTED FROM DUPLICATION BECAUSE THEY DO NOT REPRODUCE COMPLETELY AND FAITHFULLY FROM SEED. BY KEEPING SECRET THE IDENTITY OF THE PARENT PLANTS FROM WHICH THE HYBRID VARIETY WAS BRED, THE PROPRIETOR FORCES THE USER TO PURCHASE NEW SEED FOR EACH PLANTING SEASON. WHILE THIS SCHEME MAY HAVE APPEAL AT FIRST BLUSH, IT IS AN UNNATURAL, SLOW AND UNSATISFACTORY SUBSTITUTE FOR GENERIC PATENT PROTECTION.

LACK OF PROPRIETARY PROTECTION FOR GENETICALLY-ENGINEERED PLANTS IN EUROPE REMAINS A SERIOUS LIMITATION FOR THE AG BIOTECHNOLOGY ENTREPRENEUR. PLANT AND ANIMAL VARIETIES ARE LARGELY EXCLUDED FROM PATENT PROTECTION BY EUROPEAN COUNTRIES THAT SIGNED THE 1973 EUROPEAN PATENT CONVENTION. THIS GROUP COMPRISES MOST COUNTRIES OF WESTERN EUROPE PLUS GREAT BRITAIN. AT THIS TIME, ONLY SPECIFIC PROCESSES CAN BE PATENTED AND THAT IS NOT SUFFICIENT.

WHILE THE EUROPEAN PATENT OFFICE IN MUNICH AND THE EUROPEAN COMMISSION IN BRUSSELS CONTINUE TO DEBATE THE MERITS OF MODIFYING THE CURRENT PRACTICE OF EXCLUDING PLANTS AND ANIMALS FROM PATENT PROTECTION, IT IS LIKELY TO TAKE CONSIDERABLE TIME TO CLARIFY, CODIFY AND MODERNIZE THE EUROPEAN PLANT BIOTECHNOLOGY PATENT SITUATION TO BRING IT INTO CONFORMANCE WITH THAT OF THE UNITED STATES.

ANOTHER LINGERING CLOUD IN EUROPE IS THE HISTORICAL PROPENSITY TO PERMIT COMPULSORY LICENSING -- SOMETIMES CALLED "DEPENDENCY LICENSING". UNDER THIS PRACTICE, A LATER DEVELOPER OF A SUBSERVIENT IMPROVEMENT CAN DEMAND A LICENSE UNDER DOMINATING RIGHTS OF AN EARLIER PROPRIETOR THROUGH MERE PAYMENT OF COMPENSATION TO THAT EARLIER PROPRIETOR. UNFORTUNATELY, THIS PRACTICE TAKES AWAY ANY EXCLUSIVITY TO THE SENIOR PROPRIETOR.

AS YOU KNOW, THE SO-CALLED "HARVARD MOUSE" EPC APPLICATION HAS NOW BEEN ALLOWED. IT SHOULD ISSUE THIS YEAR AND, MOST PROBABLY, WILL BE VIGOROUSLY OPPOSED UNDER THE EPO OPPOSITION PROCEDURE. THUS, WE MAY NOT KNOW FOR A CONSIDERABLE PERIOD OF TIME WHETHER THE EUROPEAN COMMUNITY WILL RISE TO THE OCCASION OF ALLOWING ANIMAL PATENTS. THE DECISION ALLOWING THE APPLICATION NOTED THAT THE GENERIC TRANSGENIC ANIMAL CLAIMS CANNOT BE READ AS CLAIMS TO AN "ANIMAL VARIETY" [IN THE SENSE OF ARTICLE 53(B) EPC] AND THAT THE ONCO ANIMALS CLAIMED IN THE APPLICATION ARE NOT IMMORAL SUBJECT-MATTER.

TODAY, IN EUROPE, PATENTING IS SOMEWHAT COMPLICATED IN THAT PATENTS CAN BE OBTAINED UNDER SEPARATE NATIONAL LAWS OF INDIVIDUAL COUNTRIES OR UNDER THE REGIONAL LAW OF THE EPC. THE ENFORCEMENT OF A EUROPEAN PATENT WHEN GRANTED FALLS UNDER THE JURISDICTION OF THE DESIGNATED STATES AND IS A MATTER FOR NATIONAL COURTS. BECAUSE THIS OPENS THE DOOR TO MANY DIFFERENT INTERPRETATIONS OF THE SAME PATENT IN VARIOUS COUNTRIES, A PROPOSED EUROPEAN COMMUNITY DIRECTIVE IS BEING VIGOROUSLY STUDIED, DEBATED, AMENDED, ETC., ETC. THE DIRECTIVE IS NOT SEEKING ANY CHANGE IN THE EPC OR TO SECURE ANY OBJECTIVE CONTRARY TO THE EPC. IT IS SIMPLY DIRECTED TO THE NATIONAL LAWS OF THE EC MEMBER STATES, MOST OF WHICH ARE ALREADY EPC-CONTRACTING STATES.

SOME OF THE IMPORTANT POINTS OF THE EC DIRECTIVE ARE:

1. PATENTABILITY OF LIVING MATTER - NO INVENTION IS TO BE REFUSED PATENT PROTECTION FOR THE SOLE REASON THAT LIVING MATTER IS INVOLVED.

2. THE PLANT PATENT ISSUE - THE EPC EXCLUDES BOTH PLANT AND ANIMAL VARIETIES FROM PATENT PROTECTION - THE GENETIC MODIFICATION OF PLANTS BY MEANS OF BIOTECHNOLOGY REQUIRES A STRONGER AND MORE SUITABLE FORM OF LEGAL PROTECTION, TO PROVIDE RECOMBINANT METHODS AND TRANSGENIC PLANTS WITH ADEQUATE LEGAL COVERAGE. ARTICLE 3 OF THE DIRECTIVE AFFIRMS THAT, APART FROM PLANT AND ANIMAL VARIETIES AS SUCH, PLANTS AND ANIMALS CAN NEVERTHELESS BE PATENTED.

3. THE ANIMAL PATENT ISSUE - ALTHOUGH THE EPO ALLOWED CLAIMS TO THE TRANSGENIC MAMMAL IN THE HARVARD MOUSE CASE, IT HAS RESERVED AN OPEN POSITION ON THE GENERALITY OF TRANSGENIC ANIMAL PATENTS IN VIEW OF ETHICAL ISSUES. THE DIRECTIVE FAVORS PATENTS FOR TRANSGENIC ANIMALS SINCE THESE ARE NOT "VARIETIES" BUT THE ORIGINAL TEXT IS SILENT ON ETHICAL QUESTIONS.

4. NATURAL PRODUCTS - THE PRESENCE OF A PRODUCT AS PART OF A PRE-EXISTING MATERIAL IS NOT ALONG A SUFFICIENT GROUND FOR REFUSING A PATENT FOR IT. THUS, A PATENT CAN BE GRANTED FOR A SUBSTANCE ISOLATED FROM A NATURALLY-OCCURRING MATERIAL.

5. SCOPE OF PROTECTION - CLARIFICATION IS NEEDED IN THE INTERPRETATION OF THE SCOPE OF A PATENT FOR SELF-REPLICABLE MATERIAL OR MATERIAL CONTAINING GENERAL INFORMATION WHICH PERMITS MULTIPLICATION OR PROPAGATION. PATENTS FOR PRODUCING LIVING MATTER OR MATERIAL CONTAINING GENETIC INFORMATION MUST COVER FURTHER GENERATIONS OF THE PRODUCT AND ANY DERIVED PRODUCTS IN WHICH THE GENERIC INFORMATION HAS BEEN INCORPORATED. PATENT RIGHTS NORMALLY BECOME EXHAUSTED WHEN THE PRODUCT IS MARKETED. HOWEVER, FOR A PRODUCT WHICH CAN BE MULTIPLIED BIOLOGICALLY, E.G. SEEDS, WHILE THE PURCHASER CAN OBVIOUSLY PRODUCE THE PURCHASED PRODUCT FOR THE PURPOSE IMPLIED IN THE SALE, THEY SHOULD NOT BE FREE TO MULTIPLY IT FOR USE AS PROPAGATION MATERIALS.

6. DEPENDENCY LICENSE FOR PLANT VARIETIES - WHEN A PARTY HAS BRED A NEW PLANT VARIETY FROM A PATENTED PLANT AND HAS OBTAINED A PLANT BREEDER RIGHT FOR IT AND THE NEW VARIETY IS OF EXCEPTIONAL VALUE, A COMPULSORY LICENSE FROM THE OWNER OF THE PLANT PATENT IS PERMITTED. THIS HURST THE PATENT OWNER'S EXCLUSIVE RIGHTS.

7. DEPOSIT OF MICRO-ORGANISMS, ACCESS, REVERSAL OF PROOF - A SAMPLE OF ANY MATERIAL WHICH IS NECESSARY FOR THE INVENTION TO BE PUT INTO PRACTICE MUST BE DEPOSITED IN AN ACCEPTABLE CULTURE COLLECTION (RULE 28 EPC). QUESTIONS ARISING FROM THIS ARE: THE MATERIAL IS AVAILABLE TO OTHER PARTIES WHEN THE EUROPEAN PATENT IS PUBLISHED. IN THE U.S., SUCH MATERIAL IS NOT AVAILABLE UNTIL THE DEPOSITOR HAS OBTAINED ENFORCEABLE RIGHTS. UNDER THE EPC THE SO-CALLED INDEPENDENT EXPERT SOLUTION ALLOWS FOR AVAILABILITY AT THE EARLY PUBLICATION STAGE TO BE RESTRICTED TO AN INDEPENDENT EXPERT ACTING FOR A THIRD PARTY. THE EXPERT CAN REPORT INFORMATION TO THE THIRD PARTY AND OTHERS BUT MUST RETAIN POSSESSION OF THE SAMPLE.

IT WAS HOPED THAT THE EC DIRECTIVE WOULD HAVE BEEN DISCUSSED IN FEBRUARY, BUT UNFORTUNATELY IT WAS REMOVED FROM THE PARLIAMENT'S AGENDA AT THE LAST MINUTE AT THE REQUEST OF THE FARM LOBBY. THUS, TIMELY ADOPTION OF THE EC DIRECTIVE IS LOST AND WE CANNOT PREDICT WITH CERTAINTY WHEN IT WILL BE CONSIDERED AGAIN.

ANOTHER FACTOR CREATING CONFUSION OF BIOTECHNOLOGY PATENTS IN EUROPE IS THE TRIPS/GATT NEGOTIATIONS. AT PRESENT, ALTHOUGH THE CLIMATE CHANGES DAILY, THE PRESENT TRIPS AGREEMENT IN ARTICLE 27(3)(B) RECITES, AMONG OTHER THINGS, THAT PLANTS AND ANIMALS MAY BE EXCLUDED FROM PATENTABILITY BY PARTIES TO A GATT AGREEMENT. THIS IS A GREAT SET-BACK TO THOSE COMPANIES SPENDING ENORMOUS SUMS OF MONEY IN RESEARCH ON TRANSGENIC PLANTS AND SEEDS. ALTHOUGH, ONE COULD ARGUE, OF COURSE, THAT THE EXCLUSIONARY LANGUAGE IS MERELY PERMISSIVE, IT IS NOT MANDATORY. SUCH TEXT MAY NOT CAUSE A LOWERING OF PATENTABILITY STANDARDS ALREADY IN PLACE TODAY IN EUROPE TODAY. HOWEVER, THE EC DRAFT DIRECTIVE IS MUCH MORE HOSPITABLE TO PLANT AND ANIMAL PATENTS THAN THE TRIPS TEXT. AT THIS TIME, THE EC DRAFT DIRECTIVE DOES NOT YET CONSTITUTE STATUTORY AUTHORITY AND, THUS, THE TRIPPS LANGUAGE MAY WELL UNDERMINE THE PROCESS WHICH HAS HERETOFORE BEEN MADE IN ADVANCING THE EC DRAFT DIRECTIVE IN REGARD TO PATENT LIFE FORMS.

IN CONCLUSION, THE CRYSTAL BALL IS OPAQUE TO VIEW THE FUTURE OF BIOTECHNOLOGY PATENTS IN EUROPE, PARTICULARLY WITH RESPECT TO PLANTS AND ANIMALS. IT WOULD BE MOST PRUDENT FOR THE EUROPEAN COMMUNITY TO INSURE IN ITS PATENT LAWS THAT ALL TECHNOLOGICAL INNOVATIONS WHETHER BASED ON LIVING MATTER OR NOT BE PATENTABLE, OF COURSE, WITH THE NORMAL QUALIFICATIONS OF NOVELTY AND USEFULNESS. PATENT LAWS SHOULD BE DRAFTED UNIFORMLY TO ADEQUATELY AND FULLY PROTECT ALL INNOVATIONS MADE BY MAN REGARDLESS OF THE SPECIFIC TECHNOLOGY INVOLVED AND THE PATENT LAWS SHOULD NOT BE DRAFTED TO USURP OTHER LAWS ADMINISTERED BY OTHER GOVERNMENTAL AGENCIES TO REGULATE AND CONTROL PRODUCTS BY SPECIFICALLY EXCLUDING CERTAIN INNOVATIONS, PRODUCTS, SCIENCES FROM PATENT PROTECTION CONSIDERATION.

WITH RESPECT TO THE MORAL ISSUE OF PATENTING LIVING MATTER, THE CRITICS MUST SOMEDAY REALIZE THAT BIOTECHNOLOGY HAS CONSIDERABLE GOOD TO OFFER MANKIND AND IS NOT GENERICALLY EVIL. MANY INVENTIONS WHICH ARE NOT BASED ON LIVING MATTER AND WHICH HAVE HAD A TREMENDOUS ADVERSE EFFECT ON PLANTS AND ANIMALS HAVE BEEN READILY PATENTED AND PRACTICED BECAUSE THEY ALSO HAVE MANY ADVANTAGES. THUS, BECAUSE A TRUE INVENTION MERELY INVOLVES LIVING MATTER IS NOT A GOOD REASON THAT IT SHOULD NOT BE PATENTABLE.

ONE FINAL COMMENT REGARDING EUROPEAN PATENT PRACTICE THAT IS DIFFERENT FROM THE U.S. AND WHICH IS A DETRIMENT TO THE BIOTECHNOLOGY INNOVATOR IS THE FIRST TO FILE SYSTEM. BIOTECHNOLOGY RESEARCH REQUIRES A CONSIDERABLE AMOUNT OF TIME TO PERFECT AN INVENTION AND DEFINE IT FULL SCOPE. THUS, WITHOUT CIP PRACTICE AND A RUSH TO THE PATENT OFFICE SYSTEM, THE BIOTECHNOLOGIST IS AT A TREMENDOUS DISADVANTAGE FOR PERFECTING HIS INVENTIONS AND OBTAINING PATENTS HAVING THE PROPER AND ADEQUATE CLAIM SCOPE TO WHICH HIS ENDEAVORS SHOULD ENTITLE HIM.

Michael Lantos

Danubia
Patent & Trademark Attorneys

Patent Laws of Future EPC Members from Central/Eastern Europe

Ladies and Gentlemen:

It has been a great honor to me to have had a chance to speak to you on the present situation and prospects of protecting intellectual property rights in Central/Eastern Europe and to sketch the ways how I think the rights of these countries will change until they will be members of the European Convention.

I am a Hungarian patent attorney, have practice in Hungary and have worked intensively with colleagues in the neighboring countries and watch the ever changing events carefully, nevertheless feel myself incompetent and unskilled to fulfill this task and it is rather doubtful whether there exists now anyone who could foresee the future even in this particular field.

In our time when information flows from different media sources like rivers people have got accustomed to obtain concise news and it happens very often that long-term events with very slow but substantial changes got overlooked or reported as if they were news. In each country intellectual property and the various institutions for its protection forms an important but tiny fraction of national economy. In those countries, however, where the questions of national freedom or sovereignty have not been solved or there is no final solution for problems connected with the basic structure of national economy (i.e. central or free market economy, degree of presence of the state in the economy) the protection of intellectual property forms a secondary issue and in case of existing rights the enforcement of such rights may be questionable. These questions and problems are all present in certain parts of Central/Eastern Europe and this explains why it is so difficult to give any true picture. To deal with these issues is nevertheless important both to professionals and companies having long term goals and interests. This can be explained by the long term nature of intellectual property rights. One has to make decisions now if he wants a long term protection in a country that might become important in the future because any missed decision or action can cause grounds for later problems.

If we believe (and I do so) that the present political tensions in certain parts of the concerned area are consequences of the collapse of an ill system which had prevailed through a very long period and has just been ended, as well as of the poor

economic situation left behind those systems, then we have to expect a stabilization in a not too distant future and a normalization of the economic life. In this regard the states in Central/Eastern Europe are in different position and there is a high probability that in case of Poland, Czech and Slovake Republic and Hungary - by now associated members of the European Community - the democratic system and the laws of market economy will bring about an economic stabilization and the decline in GNP will soon end and give place to growth. In other countries the way might be a bit longer, however, the rate of development will be uneven and surprisingly fast recoveries may well happen.

The area could be grouped to countries, in which the accession to the European Patent Convention is already foreseeable and to those in which both political and economic stabilization should take place before such question might arise. I am in general against any cathegorization therefore you cannot expect me to make any great error by grouping any particular country to either one of these groups. Instead of making this, I will try to illustrate you the difficulties I see in Hungary how an old and in its time quite functioning structure can be transformed to a more effective one. In this way you will understand that the introduction of modern laws forms only a portion of the transformation of the system, rules of practice and enforcement should also be created and time is required until people get used to these rules and learn to keep them in their everyday's lives. This requires education and training and much patience. In this process there might be no sudden great news but the streams under the surface can be very substantial.

Before doing this I am going to try to give you updated information on recent changes in the basic laws of IP rights in Central/East European countries.

In this regard it can be said in general that up to the present in all states that existed as such last summer a modern, updated IP system has been introduced. There is no authors' certificate any more, the term of patent protection is everywhere 20 years from the filing date and there is an 18 months publication, a substantial examination and appropriate chances to appeal if the Patent Offices rejects an application.

With the exception of Yugoslavia all countries are members of PCT (both chapters) and this makes filing much easier.

The subject matter that can be protected is not quite uniform, in Poland and Hungary there is no chemical product protection so far. Plant varieties and animal breeds can be protected in few ones of these countries including Hungary. In Hungary an intensive preparation work is going on concerning the updating of the patent law and the introduction of the chemical product protection. I cannot forecast precisely when this kind of protection will start, according to recent information this will happen not later than somewhen in 1994. I think, however, that our legislation will realize the need for such protection earlier and a more sudden change might happen. The reason of the reluctance in the introduction of chemical product protection in Hungary might be the result of certain lobbysts in the pharmaceutical industry who state that their industry would suffer substantial losses by the introduction of such protection and

they forecast a substantial increase in the price of pharmaceuticals as a consequence.

While the current laws offer rather wide scopes for protection, there is very few information how and at what costs and time can these rights be enforced. In this regard the well-established Court system and practice in Hungary with comparatively high number of precedences and Supreme Court decisions and guidelines make Hungary a leading example. The living IP structure in our country is demonstrated by the high number and international qualification of patent practitioners compared to other countries with much higher population. I think that it will take a longer time until such enforcement practice is established in other Central/East European countries.

To evaluate the level of protection of IP rights in a given country, apart from existing laws, the costs, the number and professional level of representatives do have great significance. According to my experiences attorney costs are extremely high in Bulgaria, Rumania, Russia, very expensive in Poland and acceptable in Czechoslovakia. In countries with extremely high costs there is practically no choice for selecting other representatives and the largest portion of the charges are formal tariff items with formal actions and not those that concern professional services. Growing competition starts making prices down in Poland. The prices in Hungary are definitely below the average of Western European practitioners.

Short survey of patent protection in states which have gained or are going to gain their independence in these days.

The main concern of most foreign clients is how to secure and establish rights in the territory of the former Soviet Union. Here we have to distinguish between States that have joined the Commonwealth of Independent States and the remaining ones, i.e. the Baltic States

We have received information from various sources stating that Russia is the legal successor of the former Soviet Union and in the field of all international agreement concerning industrial property protection the competent Patent Office is the Russian Patent Office which started operation on February 1, 1992. The Russian Patent Office is active and receives patent, trademark and design applications just as previously.

It has not been finalized so far (at least to my knowledge) which states wish to establish own Patent Office, with what competency and from what date. There is a great probability that certain states will have own Patent Offices but the Search and substantive examination will be made by the Russian Patent Office in Moscow.

Instead of finding out facts let me please quote information available to me from different sources from which you can form a picture on the current situation.

COMMONWEALTH OF INDEPENDENT STATES

GOSPATENT GOES OUT OF BUSINESS; REPUBLICS SIGN AGREEMENT IN MINSK

By Dr.Alexander von Füner, v.Füner Ebbinghaus Finck, Munich

Gospatent, the Patent Office of the former Soviet Union, ceased to exist on February 1.

In the Russian Federation, it was replaced on the date by Rospatent, the Committee for Patents and Trademarks of the Ministry for Science, Higher Education and Technical Policy of the Russian Federation. Other republics, such as the Baltic States of Estonia, Latvia, and Lithuania, have created - or are about to create - their own patent offices, and reports indicate that a new law was approved by the Russian Federation Supreme Soviet.

According to a notice published in the February 1 Izvestia, Rospatent is the "successor in title" to Gospatent and is accepting patent, trademark, and industrial design applications. "The earlier established regulations for filing applications and the requirements as to their formulation will be used until new decrees have been accepted and come into force," the notice said, according to an unofficial translation. Applications will be accepted by the All Union Scientific Institute of Official Patent Examination, which is located at Berezhkovskaya nab., korp. 1,12858 Moscow. Vitaly P.Rossokhin is the chairman of the Committee.

Minsk Agreement

In December, a temporary agreement on intellectual property was signed by representatives of the republics of Armenia, Belarus (formerly Byelorussia), Kazakhstan, Moldova (formerly Moldavia), Russia, Tajikistan, and Ukraine. Pursuant to the agreement, prior Soviet laws and regulations will remain in effect in the republics until their individual procedures are in place.

The agreement is intended to cover patents, designs, trademarks, service marks, designations of origin, firm names, trade secrets, semiconductor chips, plant and animal species, and utility models.

It is not yet clear what will happen with regard to international treaties, such as the Paris Convention, Madrid Agreement, and Patent Cooperation Treaty. The temporary agreement would at least make it possible to secure the filing of an application, the priority of filed applications, and filings for which a foreign priority is claimed for the whole - or part - of the former Soviet Union.

The agreement was to take effect when three republics ratified it - although that did not happen by February 1.

As an annex 2 to this presentation there is a draft of the Lithuaninan patent law (obtained from Mssrs. Füner, Ebbinghaus, Munich).

A further piece of information was published in the March issue of WIPR this is as follows:

LITHUANIA ENACTS COMPANY NAMES LAW, CONSIDERS PATENT, TRADEMARK LAWS

By Marius J. Jason, Felfe & Lynch, New York (Citation from WIPR March 1992)

Following the establishment of the Lithuanian Patent and Trademark Office ("State Patent Bureau") on April 12, 1991, Lithuania began the process of drafting its intellectual property legislation. On October 31, a company names law was enacted, and registration of company names began on December 1. In addition, laws concerning the registration and protection of trademarks, patents, and industrial designs are being drafted and will be presented to Parliament leter this year.

Pursuant to the new company names laws, a company name must be registered before the company can do business in Lithuania. An examination must be conducted to determine if the same or similar name has been registered, and the applicant must be given a reply within 15 days of the application.

Lithuania also is expected to enact a law providing that former USSR trademark registrations and patents will be in effect in Lithuania until their expiration dates, if they are re-registered in Lithuania within one year of the law's enactment date.

It is possible that this law and the trademark law will be enacted within the next few months.

In a still further report obtained from Mssr. Ristic and Ristic, Belgrade the following information is contained:

USSR/CIS (COMMONWEALTH OF INDEPENDENT STATES)

"1) The State Patent Office of the USSR (Gospatent) has been abolished. Its functions have been transferred to the Russian Federation Patent and Trademark Committee as an Office in the Ministry of Science, High School and Technical Policy of the Russian Federation (Rospatent).

Vitaly P. Rossokhin is the chairman of the newly born Committee which is the Assignee of Gospatent and receives patent applications for invention and utility model as well as applications for registering trade marks.

2) It continues to use the earlier established procedure of filing applications as well as requirements with respect to preparation and execution thereof until new regulations are adopted and come into force.

3) A draft patent law of Russian Federation has been prepared, the text of which was approved by the R.F. Supreme Soviet in the first hearing which took place on February 12, 1992.

Among the most significant features thereof in comparison with the Patent Law of the USSR which came into force on July 1, 1991 (which has been discussed and commented in Ristic & Ristic Manual of Industrial Property in Eastern European Countries and commented in Ristic & Ristic Bulletin No. 1 of November 1, 1991) are the following:

- Layout-design of an Integrated Circuit, Varieties of plants and Breeds of Animals are considered to be non-patentable;

- Patentability of an invention shall be affected by public disclosure of any information pertaining to the invention by an applicant/inventor or any other person having access to such information unless an application for the invention is filed no later than twelve months since the date of the disclosure;

- Procedure of using rights belonging to inventors is determined by an agreement between themselves. Nobody is empowered to interfere with execution of the rights but the courts;

- The Russian Federation Patent Office shall establish a procedure at attesstation and registration of patent agents;

- Preliminary/formal Examination of patent application shall be carried out within two months from the date of receipt thereof by the Russian Federation Rospatent;

- Examination of a patent application shall be carried out by the Russian Federation Rospatent at any time within three years from the date thereof upon a request for examination to be filed by an applicant or any third party;

- A patent application shall be considered withdrawn if a request for examination is not filed by an applicant or any third party within the prescribed term;

4) During the transitional period the Scientific Institute of State Patent Examination (VNIIGPE) continues to issue patents covering the whole territory of the former Union.

5) At the present stage only the following independent states - members of Commonwealth have already established their own Patent offices:

- Ukraine
- Latvia
- Lithuania
- Estonia (early in 1992)

- Kazahstan and Byelorussia are in the process of making their own decisions in the matter.

6) Patent laws of the respective states are being developed still.

7) A Preliminary Agreement stipulating establishment of a single patent territory whereon single examination service will be used, has been signed by authorized representatives of the independent states-members of the Commonwealth.

Upon its approval by Parliaments and/or Presidents of the states the Agreement will come into force. It is also aimed to establish an interstate Patent Office for the members of te Commonwealth."

Looking at these pieces of informnation I think that sufficient transitory measures will be published before the independent Patent Offices start their function and clients will be given sufficient time to have their rights registered
in the states where they wish to maintain protection.

Protection of rights in Hungary

I have published sufficient information concerning material and procedural rights in Hungary, in the March issue of WIPR there is a detailed description of patent and trademark procedures and in the January issue there is a short summary of our newly enacted utility model law and the law for protecting topographies of microelectronic devices. Let me refer to the first paper as annex 5 to this presentation.

I dare not bore you with details of procedural items that you can well read yourself if the need arises, however, would like to emphasize certain characteristics of the utility model protection law that has come into force on January 1, 1992.

This law incorporates most items of the planned Harmonization Treaty i.e. it offers protection for equivalent solutions, provides for a grace period, it interprets prior art just as it is defined in the European Patent Convention and gave up the requirement of technical progress. The law provides a possibility for the conversion of utility model applications both to patent applications and design applications. The possibility for conversion is reciprocal. In this regard there is a kind of discrepancy between rights coming from utility model protection and those from patent protection.

This contradiction supports the fact that in certain respects our patent law have become obsolete and the preparation of the new patent law has been is going for some time. The Hungarian Group of the AIPPI has formed a working committee to make suggestions for the amendment of the patent law and its report has been studied by the Patent Office. The final Official draft has not come out so far the delay might be connected with the uncertainties in the Harmonization Treaty.

While legislative work is going on, everyday practice improves and there are always certain fields in which advance can be experienced. In the recent period there has been a long series of consultation between competent examiners in the Patent Office and our pharmaceutical staff on matters concerning the official procedure of applications directed to recombinant DNA procedures. The result is a short study that has been incorporated here as an annex 1.

Further legislative work is going on on the new law on patent attorneys. The draft law has just been issued by the Patent Office for observations by the competent parties. This will be a fully modern regulation that creates a good legal background for us practitioners to continue professional activities.

The modernization of our penal code is also a great task, and as far as I am informed, penal sanctions will be introduced against willful infringers of others' copyrigths and trademarks.

Yugoslavia

There are different sources that report the situation in Yugoslavia.

In any event it is true that the Yugoslavian Patent Office has been continuously acting in Belgrade and for the time being that is the only competent office. The states of the former Yugoslavia have basically agreed on the continuity of rights, i.e. all new states acknowledge existing rights obtained in the Federal Patent Office.

The Slovenian Patent Office will start operation soon and we have similar information concerning Croatia as well. In case of Croatia there is (or will be) a possibility of filing trademark applications. Concerning Croatia there will be no need for registering former federal patents and registered trademarks, they will be valid in Croatia automatically. This is true for all rights obtained till October 8, 1991.

In December 1991 the way of payment of maintenance fees have been changed at the Yugoslavian Patent Office. While previously there were two discrete payments for the two 7 years periods, from the new regulation onwards annual maintenance fees will have to be paid.

To demonstrate the various aspects of information in Annexes 3 and 4 there are the reports obtained from Mssrs. Ristic and Ristic, Belgrade and Patentna Pisarna, Ljubljana.

ANNEX 1

The Hungarian patent practice in examining applications concerning recombinant DNA procedures

I. Reproducibility of starting materials

In the chemical procedures the starting materials are well characterized, identified by physico-chemical methods and in most cases they can be found in chemical catalogues, but in the recombinant DNA procedures most of the starting materials (for example gene, plasmid, micro-organism strain) cannot or hardly can be identified by physico-chemical means. Generally the following sources of starting materials are named by the applicant:

1. A Culture Collection which acquired status under the Budapest Treaty as an International Depository Authority. This source guarantees the most solid starting materials.

2. Chemical catalogue. Many companies sell plasmids and strains in lyophilized form. These are commercially available for anybody, so they can be accepted as biological starting materials. In case of a material like this the Hungarian Patent Office does not ask for a deposition number.

3. Description of the procedure, by which the biological starting material was prepared. In most of such cases a publication is referred to which describes the preparation of the biological starting material (in most cases from another biological starting material or from a natural source). The acceptability of this depends on

- the extent of availability of the latter "other starting material"
- sufficiency of disclosure of the reproduction procedure.

The Hungarian Patent Office rarely examines very thoroughly these references, but there is no doubt that if a party with counter-interest proves that the mentioned "other starting material" is not available, the patent can be invalidated by the Hungarian Patent Office.

4. The simple reference to the "well known" status of a strain, plasmid etc. is not accepted by the Hungarian Patent Office. The "well known" concept cannot replace the "available" or "reproducible" concept. The "well known" strain or plasmid surely can be found in a culture collection or publication, so a corresponding reference must be supplied by the applicant. A process cannot be reproduced on the basis that something is well-known but rather on the basis of availability; accordingly, if the applicant does not supply the certificate of availability, the Hungarian Patent Office rejects the application.

5. The reference to gifting of biological starting materials (gift of professor X, gift of the firm Y) is not accepted by the Hungarian Patent Office. It is up to the donor whether a gift is available from him or not, so a gift cannot be considered as reliable starting material for the reproduction of a procedure.

In many applications the applicants do not even try to name the source, they simply state that the procedure can be carried out with any other, similar plasmid, strain etc. This argument is not accepted by the Hungarian Patent Office which insists on the availability of the starting materials in a given example but does not want to limit thereby the procedure but rather wishes to have a real example which renders possible to carry out reproduction experiments.

II. The feasibility of the procedure to be patented

One of the most embarrassing questions in recombinant DNA technology is the feasibility of the patent on the basis of the description.

One keystone of the feasibility, the availability of the starting materials, has already been discussed in Chapter I. Now we turn to the reproducibility of the steps in the procedure.

From the viewpoint of the elaborateness the description of biological patent applications is strongly different. There are applications in which the complete procedure is described step by step, as it is absolutely natural in case of chemical applications. Here the reproducibility cannot be disputed. The other extremity is when the applicant describes the starting material (for example a gene sequence) and describes the final product (for example a protein), and the steps are just indicated in the form of references. When the Office criticizes this practice, the answer generally is that "by knowing the starting material and the final product, the reproduction of the procedure belongs to the obligatory knowledge of an expert". Applications of this kind are unacceptable for the Office, for reasons discussed below in more detail.

In the "conventional" disciplines (machinery, electricity, chemistry) the requirements of patent applications developed decades ago and were put down in laws, enacting clauses or presidential orders, or just exist as judicial practice. These requirements are quite similar in many countries. In the biotechnology, especially in the recombinant DNA technology, such a unified requirement system does not exist, and this fact explains the above distinct differences in patent applications.

The Hungarian Patent Office thinks that the practice common in chemical applications is acceptable for applications in the field of recombinant DNA technology. In chemical applications it is quite natural to give some concrete examples in which the procedures are given in full details (molar ratios, reaction times, pH-s, mixing rates etc.). This is done although also here it would be possible to refer to "the obligatory knowledge of an expert". In the field of recombinant DNA technology, which is considered to

be a new field, it is even more necessary to have concrete and reproducible working examples than in chemical patents. In the following the basic requirements for an acceptable working example are listed.

The starting materials must be available for everybody (this was discussed in chapter I).

The working example is most suitable if all the steps are described in great detail. The details of the isolation of the gene, the temperature, pH, mixing rate, concentration range data of digestions, ligations, filling-ups of sticky ends, transformations and fermentation conditions should be disclosed in details common in chemical procedures.

The Hungarian Patent Office accepts if some steps are replaced by adequate references. Such references can be

- manuals (for example the manual of Maniatis et al.);
- protocols of producing firms (for example, a firm producing a restriction enzyme gives the optimum working conditions, the pH and composition of the buffer to be used, etc., together with the product);
- publications (for example a publication describing an analytical or selection procedure).

In each case it must be judged individually how far a publication can be accepted and whether it is necessary to give more details. For example in case of partial digestions no reference can be accepted since the temperature and time of the digestion must be known for the concrete case, the extent of digestion being dependent on these parameters. The situation is similar in case of exonucleases, where the shortening of the chain is dependent on the reaction conditions.

It turns out from above that the acceptability of the references depends on the judgement of the Office, so it is much more practical for the applicant to choose the way of detailed description.

Beyond doubt, a smart patent agent proceeds correctly if his (her) application contains as much details as is necessary to fulfil the minimum requirements of feasibility, but does not give details of know-how which not only make the reproduction too easy but even may give ideas to circumvent the patent. This problem is the same as in any other patent field.

In the field of chemical and pharmaceutical patents it is possible to give some details of the procedure to the Office in the form of non-public material. These details, which are rather of know-how character, convince the Examiner of the feasibility of the procedure but at the same time, as secret material, do not give any know-how to competitors. In case of biotechnological procedures so far there was no precedent for such a solution but the introduction of such a practice is also possible only if the procedure can be carried out without the non-public material, too.

Annex 2

Non-Official translation of the Provisional Order of Latvia on Patent Protection

(Obtained from Mssrs. Füner, Ebbinghaus and Finck, Munich)

In order to ensure a legal protection of the Inventions, Designs and Trade Marks in the Republic of Latvia, as well as the interests and rights of inventors and patent proprietors, temporarily, to the Laws on Patents, Designs and Trade Marks takes a legal effect, the Council of Ministers of the Republic of Latvia resolves:

1. To establish that the creators of inventions and designs or his successors in title is entitled to submit an application for corresponding patents in the Patent Office of the Republic of Latvia, after the application fee has been paid.

The application shall be submitted in the Latvian, Russian or English languages and shall to meet the formal requirements established for International or former USSR Patent Office patent applications. In this case the priority shall be enjoyed or earlier priority remained (by filing date in Patent Office of the Republic of Latvia, or by earlier Convention priority date, or by international application filing date). If an application is in a Russian or English language, the identical translation in the Latvian shall be submitted within two months from the filing date.

If the application is made accordingly to Paragraph 1. requirements, the application shall be allowed with the Patent Office and priority will be established. The further examination is declared in abeyance until the appropriate laws take in legal effect.

2. To establish that the creators of inventions and designs together with applicant or patent proprietors, who filed the applications in the former USSR Patent Office prior to December 31, 1991, will be submitted a request at the Patent Office of the Republic of Latvia to grant a patent of the Republic of Latvia, if:

a) the request was made not later that 20 (15) years after the filing date of the invention's (design's) application on the former USSR Patent Office;

b) the request is appended with a copy of former USSR Patent Office protection document or with certified copy of decision that such document shall be granted;

c) the application fee document accompany the request.

The patent may be granted to the inventor or to anyone (in this resolution any physical person and legal entity), who is named in the request (if a deed certifying the proprietors title is added).

3. The request appending documents, mentioned in Paragraph 2(b) may be replaced by former USSR Patent Office filing certificate and copies of application documents. In this case request shall be considered equivalent to application submitted in Patent Office of the Republic of Latvia, and shall be examined in accordance with the provisions of Paragraph 1.

4. To the inventions and designs, mentioned in Paragraphs 1-3 shall be ensured a provisional protection from the day, when the application, filed in the Patent Office of the Republic of Latvia is published, to the day, when patent if granted.

Anyone who prior the application's publishing date begun commercially exploiting or has made substantial preparations for commercial use of the invention or design may, notwithstanding the Latvian patent granted, continue such use without expanding amount of use.

5. Anyone who at the time of provisional protection was commercially used the inventions or designs after the patent of the Republic of Latvia is granted:

a) shall pay a reasonable (by mutual consent) compensation;

b) shall stop such use or grant a license.

6. Inventions and designs, to which before August 21, 1991 the author's certificates or certificates had been issued anyone may use under provisions, which had been into force to this date, including the payment of author's reward, except cases, when the patents of the Republic of Latvia is granted in accordance with a provision of paragraph 2.

7. It is established that the proprietors of trade (service) marks to December 31, 1992 may re-register their own trade (service) marks in accordance with Paragraph 2. and register a new mark.

After this date the legal protection shall be ensured only for trade marks, registered in Patent Office of the Republic of Latvia.

8. The Patent Office of the Republic of Latvia to February 28, 1992 shall affirmiate the decrees on Patent, Design and Trade (service) Marks granting formalities.

Annex 3

YUGOSLAVIA

Obtained from Messrs. Ristic and Ristic, Belgrade

To date, the only existing and functioning Patent & Trademark Office in Yugoslavia, covering the entire territory of Yugoslavia (including Slovenia and Croatia now recognized as independent states by a majority of the E.C. countries but not yet by the U.N. or U.S.A.), is the Patent & Trademark Office in Belgrade, which is operating normally. While there has been some indication that Slovenia (representing about 8 % of the population of Yugoslavia) and Croatia would soon be eastablishing independent patent and trademark offices and registries and enacting their own laws, there is no confirmation as yet that these events have taken place. Slovenia has passed a regulation on the establishment of its *own Industrial Property Office (Official Gazette of the* Republic Slovenia" No. 27/91), while Croatia passed a law under which it takes over all federal regulations on industrial property as republican regulations and authorizes its government to set up a special office or entrust an existing administrative agency with the discharge of tasks

related to industrial property ("Official Gazette" No. 53/91).

When these two countries do establish such offices, we are advised that filings in the same will cover only Slovenia and Croatia, and not, at least initially, the other territories of Yugoslavia. It has also be reported that Slovenia will recognize all international intellectual property treaties ratified by Yugoslavia, and that to date, Slovenia and Croatia continue to recognize Yugoslavian intellectual property laws, previously registered marks and pending applications. One source has observed that there will probably be a transitory period in Slovenia and Croatia, and possibly some other states, involving bilateral agreements with these two (or other prior) republics when Belgrade recognize these states. Until this political situation regarding the secession is resolved, the transitora period may involve some kind of "frozen status".

Regarding the status of Slovenian and Croatian patent and trademark agents and attorneys, Art. 16 of Yugoslavian Patent Act ("Federal Official Gazette" No. 34/1981) which states that "In proceedings before law courts and organs of administrations in Yugoslavia, foreign legal entities and natural persons shall realize their rights, provided for in this law, through a professional agent who or which is either a Yugoslav citizen or a Yugoslav legal entity", may jeopardize their representation before the Yugoslavian Patent & Trademark Office. Moreover, introduction of separate monetary system and currency in Slovenia and Croatia, resulting in their severance from Yugoslavian monetary system, has affected Slovenian and Croatian practitioners in respect of proper payment of official fees and taxes.

Failure to effect such payment within defined preclusive terms, directly jeopardizes the priority rights and may cause withdrawal and rejection of many applications. We have been advised that from January 29, 1992, Yugoslavian Patent & Trademark Office started to officially reject new applications assignments and other cases for which the official government fees have not been properly and timely paid.

Annex 4

Slovenia

Information as obtained from Patentna Pisarna, Ljubljana:

At the end of January 1992 the Slovenian government published a draft of Industrial Property Law and sent it into the parliamentary procedure. If it should pass through the competent committees and the different houses of the Parliament without any amendments being proposed, the Law could be passed within a month and come into force eight days after.

This draft does not really differ from the Yugoslavian law as far as trade and service marks, designs and appellations of origin are concerned, whereas there are some substantial differences in connection with patents.

Discoveries, scientific theories, mathematical methods, computer programmes and any other rules, schemes, methods and processes for performing mental acts as such are not considered as inventions (Art. 8).

As to patentability there are excluded only two kinds of inventions, namely

1. inventions the publication or use of which would be contrary to law or morality;

2. inventions of a surgical or diagnostic method or a method of treatment practised directly on the human or animal body, with the exception of inventions referring to substances for use in any of these methods (Art. 12).

The draft of the Law foresees that the Slovenian Patent Office will not carry out any substantial examination (as e.g. it is the case in Belgium). The patent application (abstract) will be published in the Patent Gazette eighteen months after the filing/priority date (Art. 68) and, as of the date of publication, the patent will be recognized and entered onto the register of patents (Art. 70). The duration of the patent shall be 20 years as of the filing date (Art. 37; however, by the end of the ninth year of the duration of the patent, the patentee must submit to the Office written proof that the patented invention satisfies all prescribed requirements. If no such proof is submitted, the patent will expire after ten years (Art. 71).

As written proof one of the following documents is counted:

1. a patent granted on the identical invention after a substantial examination by any national or international patent office enjoying the status of a PCT Preliminary Examining Authority or by another patent office under special arrangement;

2. a novelty report issued by an institution enjoying the status of a PCT International Searching Authority or by another patent office under special arrangement (Art 72).

The patentee must also submit the above-mentioned written proof when instituting an action for infringement against a third person (Art. 71).

There is also foreseen the institution of a short-term patent:

> With the exception of inventions for methods, plant and animal varieties, there can be protected by a short-term patent: 1. an invention fulfilling the conditions for patent protection; 2. an invention which is new, can be applied in industry and is a result of creative work.
>
> The duration of a short-term patent is 10 years as of the filing date. The short-term patent is requested at filing the patent application or within 12 months after the filing date at the latest. After this term has expired, the request cannot be revoked (Art.76).

The convention priority will be recognized although for the time being Slovenia is not a member of Paris Convention (Art. 48).

Pharmaceuticals cannot be protected if the patent application for the pharmaceutical is filed before or on 31 December, 1992 or if for such an application a priority right of earlier than 31 December 1992 is claimed (Art. 121). Novel compounds as such are of course patentable also if useful for pharmaceuticals.

There is also a new provision concerning the licence of right. If the applicant, together with the application, submits an irrevocable written statement that anyone can use his invention on payment of a suitable royalty on the basis of an unexclusive licence agreement, he is exempted from the payment of maintenance fees until the first such agreement has been concluded of for five years at the most (Art. 112).

In connection with the procedure of nullity action, the Slovenian Industrial Property Law foresees an actio popularis and the action is instituted in the competent court (whereas the competent authority in the Yugoslavian Patent Law is the Federal Patent Office) (Art. 87).

The most important transitional provision is contained in Art. 123:

> All industrial property rights that have been applied for or registered in the Federal Patent Office in Belgrade by the date when this Law comes into force, with the exception of appellations of origin, shall be valid uncurtailed up to their expiration.

Concerning the filing of applications in the countries of former Yugoslavia, the situation is as follows:

At the moment, until the Slovenian Industrial Property Law has been passed, it is possible to file applications in the Federal Patent Office in Belgrade and they are valid for all countries of former Yugoslavia, Slovenia included.

After the Slovenian Industrial Property law has been passed, it will be necessary to file a separate application for Slovenia (and probably one for Croatia and possibly for Macedonia) and a separate application for the remainder of Yugoslavia in the Federal Patent Office in Belgrade.

ANNEX 5

SURVEY OF INTELLECTUAL PROPERTY FILING PROCEDURES IN HUNGARY

By Michael Lantos, Danubia, Budapest

(Editor's Note: Following is a discussion of Hungarian rules for filing patent, trademark, and design applications. For a discussion of Hungary's new laws on semiconductor chips and utility models, see 6 WIPR 10.)

PATENTS

Requirements of patentability are novelty including non-obviousness, technical character, progress, and reproducibility.

Novelty: Absolute novelty is required, *i.e.*, any publication (printed, oral or by practical use) prior to the priority date forms a novelty bar. Lack of novelty is established if the prior art renders the technical solution obvious for an average expert. Earlier patent applications are not considered to belong to the prior art, and a younger application is granted if there is no claim-collision with the older one.

Technical character: When a technical solution brings about a change in a manufacturing process or in a product, it has a technical character. A broad interpretation is used here but mental steps, organizational rules, or software are not patentable for lack of technical character.

Progress: According to this requirement the technical solution should be compared to the state of the art, and it is progressive if it satisfies a previously unsatisfied need. In making the comparison the state of the art should always be represented by actual technical solutions, with all advantages and disadvantages. The technical progress cannot be rejected if there exists a field of application in which the invention is more favorable than the existing technique.

Not patentable are medicines, chemical products, and foods used for human or animal consumption, but the manufacturing methods of such products can be patented.

Protection

Scope of protection: determined exclusively on the basis of the claims. The claims, which should be interpreted on the basis of the description and the drawings, should be drafted with care, since the theory of equivalence is not considered. In court practice, however, there exist examples showing some consideration of equivalents instead of the claimed characteristics.

Provisional protection: begins with the publication of a patent application. The provisional protection period ends when the patent is granted.

Patent rights: The owner of a patent has an exclusive right to use and license the invention. The term "use" includes production, sale and utilization. The protection granted for a method also covers the product made directly by the method. In the case of a product protected by a manufacturing method, if it is argued by a party that the product was made by the patented method, the burden of proof is on that party, unless other methods are known for the production of the same product.

Duration: 20 years from the filing date.

Compulsory license: Domestic enterprises can apply for it if an invention has not been used to the extent required by the national economy. Such claims cannot be filed earlier than four years following the filing date or three years after granting the patent, whichever is longer.

Revocation

A patent is revoked with retroactive effect from its filing date if its subject matter does not satisfy the requirements of patentability or the description of the invention is not satisfactory. Where the conditions of revocation exist only partially, the scope of claims is limited accordingly.

Infringement

Patent infringement is established if an invention protected by a patent is used unlawfully. The patentee or the license owner (if the license is entered in the patent

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register) can begin a lawsuit against the infringer and request that:

- the fact of the infringement be officially established;
- the infringer should desist from infringing the patent;
- the infringer should publicly declare his regret for having committed infringement;
- the enrichment obtained through the infringement should be restituted;
- the means used for committing the infringement and the infringing products should be seized by the court; and
- these means and products should be divested of their infringing character or should be auctioned.

Infringement gives cause for the compensation of damages according to the general rules of the Civil Code. From this summary it can be seen that strong measures are available for the patent owner to enforce patent rights against the infringer.

Negative Statement (Declaration of Non-Infringement)

If, during the use or intended use of a product or a method, the user wishes to know whether such use infringes a particular patent, he can file a request for a negative statement. This request cannot be filed if an infringement suit has already been started. A negative statement declared under this rule excludes the possibility of starting an infringement suit on the same matter.

This action is carried out by the Patent Office and not by the Court, as in the case of an infringement suit.

Patent Examination Procedure

Deferred Examination: Where the examination is deferred, the Patent Office postpones the examination of novelty and technical progress until a request for examination is filed. This request must be filed within four years from the date of publication. The request can also be filed by third parties who do not participate in the official procedure. The Office has the right to order the examination in individual cases.

Complete Examination: Here the Office examines all conditions of patentability, and if the application is found to satisfy these conditions, the patent is granted.

Publication: occurs automatically 18 months from the earliest priority date. The publication is independent of the actual status of the examination. When an application is published, its main bibliographic data and a technical abstract (with a pertinent figure if any) are printed in the official Bulletin. From that time on, the file is open for public inspection.

Following publication, third parties can file notices or remarks which are considered by the Examiner during the examination. On the basis of a well-founded request the publication can be deferred or fully dispensed with. As soon as an application is published, the accumulated annuities for the preceding period will be due.

Priority: The priority should be claimed on the date of filing and a certified copy of the priority document should be filed within three months from the date of application. The Office generally does not require a Hungarian translation of the priority document.

Requirements of a Patent Application: A patent application should consist of a request, a description with claims, abstract, and drawings if any. Application rights can be derived from a patent application which contains at least the name and address of the applicant and the disclosure of the essence of the invention enabling a person skilled in the art to make the invention. A reference to a priority application for which priority has been claimed is satisfactory. All further documents and amendments can be filed later by voluntary amendments or when responding to official actions.

Requirement of Unity: Only one invention can be claimed in a patent application, although more than one can be included if their object matter is closely interrelated, *i.e.*, if they are based on a common inventive idea. A method and an apparatus for carrying out the method or a device used for practicing the method are generally considered not to offend the requirement of unity.

Modifications and Divisions: The applicant has the right to modify (amend) the description and the claims until the delivery of the decision of grant. The modification can include new matter so long as the amendment remains within the subject originally filed (in this respect the rules for unity should be considered). The new matter will have the priority of its own filing date.

Separate applications can be combined in a common application if both their applicant(s) and inventor(s) are identical and the combined application does not infringe the rule of unity. The filing day of the combined application will be the earliest of the individual applications and the respective claims can maintain their priorities from the individual applications.

The time limit for dividing an application is the same as that for modifications. A divisional application enjoys the filing date and priority of the original application.

Annuities

The applicant should pay annual maintenance fees, which are due on the filing day. The first payment must be made when the application is published. The amount of the first annuity is defined according to the length of the specification and the drawings, and the amount increases every fifth year. If any annuity is not paid within six months from the due date, the application becomes abandoned.

Restoration: If an application has been abandoned due to non-payment of the annual maintenance fee, the applicant can file a request for restoration together with a statement of grounds for having overlooked the duty of paying the fee. This request should be filed within three months following the last day of the sixth month from the due date, and it should be accompanied by the payment of the fee with a 100 percent surcharge.

Reduction of Fees for Individual Inventors: If the applicant is the inventor, the filing fee, the fee for filing a request for subsequent examination, and the second five annuities are reduced by 50 percent, while the first five annuities are reduced by 66 percent.

Procedure Before the Court

Procedures for reviewing (changing) the decisions issued by the Patent Office fall under the jurisdiction of the Metropolitan Court of Budapest, whose decisions may be appealed to the Supreme Court. A request for reviewing a decision issued by the Patent Office should be filed with the Patent Office within 30 days, and it will transmit the file to the Metropolitan Court within 15 days from receipt of the request.

The Metropolitan Court acts in senates composed of three professional judges, of whom at least two must have a university or equivalent degree in a technical field. In such proceedings the provisions of the Code of Civil Procedure must be followed. If questions arise before the Court that were not considered before the Patent Office (*e.g.*, widening the scope of protection), the Court remits the case to the Patent Office.

In addition to the cases decided in the first instance by the Patent Office, the Metropolitan Court acts as a competent court in suits relating to compulsory licenses and to rights concerning prior use, as well as in infringement suits. All other suits relating to patent matters should be prosecuted before competent County Courts, which are Appeal Courts in general civil procedures.

National Phase of PCT Applications

The rules for granting patents on PCT applications are generally the same as for national applications. The specific rules for PCT applications can be summarized as follows:

1. The international date of filing represents the national date of filing, which becomes the "base date" for paying annuities.

2. The international publication is not considered a national publication, so the provisional protection and the duty of paying annuities begins with the national publication.

3. If Hungary is a designated country, the national phase must be started within 21 months from the earliest priority date.

4. If Hungary is an elected country, the national phase must be started within 30 months from the earliest priority date.

5. A priority document and a translation thereof do not need to be submitted.

6. To start the national phase the applicant must pay the fee; submit a Hungarian translation of the international application; submit a power of attorney for the representative; and submit a declaration of assignment if the applicant is not the inventor, if not already done within the time limit applicable under PCT Article 22 or 39(1).

Concerning the minimum requirements, it is sufficient to file a request for starting the national phase. All actions described in paragraph 6 can be done later in response to an official invitation to do so.

General Requirements For Filing a Patent Application

The applicant and/or its foreign representative should send the following documents (information) to the Hungarian representative for the purpose of filing the application:

Documents (information) required immediately for filing an application: name and address (city, country) of the applicant; priority data (if priority is claimed); disclosure of the invention in any language (which can be replaced by the priority data in case of urgency).

Documents (information) that can be filed following the date of filing: translation of the specification, claims and abstract into Hungarian; name, address (city, country) and occupation of the inventor(s); drawings in three sets (the rules for the drawings are substantially in conformity with PCT rules); priority document, which should be filed within three months from the date of filing; power of attorney signed by the applicant (no legalization is required); and declaration signed by the inventors and the applicant (if they are not the same). The signatures need not be legalized.

All other requirements and formalities can be made by the representative.

TRADEMARKS

Requirements of Registrability

The following may be registered as a trademark: a word, a combination of words, a figure, a combination of colors, a two- or three-dimensional device, an audio or visual signal, or a combination of these elements. A mark will not be granted trademark protection if it is liable to create confusion; if its use would be contrary to law or socially accepted moral rules; if it infringes individual rights of third parties; or if it is identical or confusingly similar to a trademark held by a third party and well-known in Hungary, even if that trademark is not registered in Hungary.

Trademark protection will not he granted to a mark which consists exclusively of the name, abbreviation, flag, armorial bearing or emblem of a state, an authority or an international or intergovernmental organization, or an imitation thereof; these marks may be used, however, with the authorization of the competent authority as elements of trademarks.

With respect to identical or similar goods, a mark will not be granted trademark protection if it consists of official signs or hallmarks indicating control and warranty, or imitations thereof; if it has been under trademark protection for the benefit of a third party and, the protection having expired because of surrender or failure to renew, less than two years has elapsed since expiration; if it is identical or similar to a degree liable to create confusion with a third party's trademark registered on an earlier priority date or to a trademark effectively used but not registered; or if it is the name of a protected plant variety or animal breed.

Collective marks may be registered by an organization having a legal entity (union, professional association) for an enterprise belonging to the organization, even if the

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organization itself is not entitled to pursue economic activities, provided the goods of the enterprise have some common characteristics and the trademark is used by the enterprise under the control of the organization.

Formal requirements for filing an application include the name and address of the applicant; an indication of the applicant's business activity; a specification of the goods or services (International Classification); a Power of Attorney (unlegalized, late filing possible); a Home Certificate (only if priority is claimed), which must be filed within three months after the filing date and for which no extension is possible; and 12 prints of the mark (only for device marks). Electrotypes are not required.

Protection

Registration gives the registrant the exclusive right to use the mark or to grant licenses. The registration of a trademark will be cancelled if it is proved that the mark has not been used (without adequate justification) in Hungary for five years on the goods, services, wrappers, business correspondence or advertising. Advertising every 18 or 24 months satisfies this requirement.

As there is no provision for opposition, cancellation is possible only if the mark has been registered. The registration of a mark will be cancelled if the registration was made in violation of the law; if five years has elapsed since registration and the trademark has become known through effective use, in which case cancellation may be sought only if the use is contrary to law or socially accepted moral rules; or if conditions of cancellation exist only in relation to a part of the list of goods of the trademark, in which case the list will be limited accordingly.

Cancellation proceedings must be started at the Patent Office; these procedures, based on lack of novelty or non-use, are *inter partes*.

A reconsideration request can be filed against a decision of the Patent Office with the Metropolitan Court of Budapest, whose decisions can be appealed to the Supreme Court.

Official Procedure

The first applicant is entitled to registration of the mark, but prior use by another may bar registration. There will be an examination as to absolute and relative registrability. In the case of identical marks, consent letters are not accepted. There are no opposition proceedings. Marks are published after registration in the Official Gazette of Patents and Trademarks.

The decision of the Patent Office becomes valid at its delivery. A reconsideration request can be filed with the Metropolitan Court of Budapest within 30 days, and appeal of the Court's decision may be lodged with the Supreme Court.

Marks are registered for 10 years from the date of application, and can be extended for like periods. Renewals may be requested, at the earliest, 12 months before and, at the latest, six months after the date of registration or date of expiry. A signed power of attorney is required only if the address for service has changed. Reclassification according to the International Classification is obligatory.

Assignments are permissible but are subject to certain limitations. To be affective against third parties, the assignment should be recorded. A Power of Attorney must be signed by the assignee, and a deed of assignment must be signed by the assignor and assignee, with no legalization required. There are analogous requirements relating to recordal of license agreements.

The owner may file a declaration abandoning the registration.

Infringement

An action for infringement may be filed with the Metropolitan Court of Budapest. If the plaintiff is not a resident of a member country of the Hague Convention, a power super-legalized by the Hungarian Consulate in the plaintiff's country is required.

INDUSTRIAL DESIGNS

Requirements of Registration

The new external shape of an industrial product may be protected as an industrial design, provided that the design is novel and is not excluded from protection. A design is new if it has not been made available to the public anywhere in such a manner as to enable the manufacture thereof.

A design will not be protected if it is defined by a technical solution or is the consequence of the purpose of the product concerned; if it is detrimental to the normal use of the product; if it is identical to designs registered at an earlier priority date or is similar thereto in such a degree that confusion could arise; or if its use is contrary to law or morality.

The owner of a design has an exclusive right to use and license it. Designs are registered for a period of five years, and the protection is extendible for a further five years.

Official Procedure

The basic procedural rules are similar to the patent rules. Only the picture or a graphical representation of the product can form the subject matter of the design application. There is no need (and possibility) for filing a description or claims.

An owner may file a declaration abandoning the registration.

A design is revoked with retroactive effect from its date of filing if it does not satisfy the requirements for registration.

Infringement

An action for infringement can be filed at the Metropolitan Court of Budapest. If the plaintiff is not a resident of a member country of the Hague Convention, a power super-legalized by the Hungarian Consulate in the plaintiff's country is required.

An appeal against the judgment of first instance can be lodged with the Supreme Court.

The terms of such a licence would have to be "fair and non-discriminatory", but it would be left to the Member States to provide "appropriate measures for arbitration between the parties in respect of such licences" (Article 8.3). This would allow considerable scope for inconsistency and might encourage forum-shopping on the part of prospective licensees.

Term of Protection

Article 9.1 provides that, subject to any future Community harmonisation, database copyright would last for the same term as that provided for by each Member State for literary works. The Commission has, in fact, recently proposed that the term of copyright be harmonised at life of the author plus 70 years. Article 9.2 provides that "insubstantial changes" to a database's selection or contents would not result in an extension of the original term of protection. This may be a difficult rule to apply in practice, as a large number of insubstantial changes might result, over a period of time, in the creation of a database completely different from the original database from which it had evolved.

The right to prevent unfair extraction would expire at the end of 10 years, calculated from 1st January in the year following that in which the database was first lawfully made available to the public.

Conclusion

The dust has not yet settled on the Software Directive adopted by the EC Council of Ministers last May. Indeed, the publication of national implementing legislation is likely to throw into sharp relief some of the latent ambiguities and inconsistencies of that measure. It remains to be seen whether this new Database Directive proposal will stir comparable passions. The significant and rapidly growing information services market worldwide, coupled with the further ambiguities and inconsistencies of this new draft Directive, are likely to ensure that a lively debate will be provoked by this second major EC copyright harmonisation measure. The proposed implementation deadline of 1st January 1993 seems highly unlikely to be met.

SURVEY OF INTELLECTUAL PROPERTY FILING PROCEDURES IN HUNGARY

By Michael Lantos, Danubia, Budapest

(Editor's Note: Following is a discussion of Hungarian rules for filing patent, trademark, and design applications. For a discussion of Hungary's new laws on semiconductor chips and utility models, see 6 WIPR 10.)

PATENTS

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Progress: According to this requirement the technical solution should be compared to the state of the art, and it is progressive if it satisfies a previously unsatisfied need. In making the comparison the state of the art should always be represented by actual technical solutions, with all advantages and disadvantages. The technical progress cannot be rejected if there exists a field of application in which the invention is more favorable than the existing technique.

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Scope of protection: determined exclusively on the basis of the claims. The claims, which should be interpreted on the basis of the description and the drawings, should be drafted with care, since the theory of equivalence is not considered. In court practice, however, there exist examples showing some consideration of equivalents instead of the claimed characteristics.

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Patent rights: The owner of a patent has an exclusive right to use and license the invention. The term "use" includes production, sale and utilization. The protection granted for a method also covers the product made directly by the method. In the case of a product protected by a manufacturing method, if it is argued by a party that the product was made by the patented method, the burden of proof is on that party, unless other methods are known for the production of the same product.

Duration: 20 years from the filing date.

Compulsory license: Domestic enterprises can apply for it if an invention has not been used to the extent required by the national economy. Such claims cannot be filed earlier than four years following the filing date or three years after granting the patent, whichever is longer.

Revocation

A patent is revoked with retroactive effect from its filing date if its subject matter does not satisfy the requirements of patentability or the description of the invention is not satisfactory. Where the conditions of revocation exist only partially, the scope of claims is limited accordingly.

Infringement

Patent infringement is established if an invention protected by a patent is used unlawfully. The patentee or the license owner (if the license is entered in the patent

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register) can begin a lawsuit against the infringer and request that:

- the fact of the infringement be officially established;
- the infringer should desist from infringing the patent;
- the infringer should publicly declare his regret for having committed infringement;
- the enrichment obtained through the infringement should be restituted;
- the means used for committing the infringement and the infringing products should be seized by the court; and
- these means and products should be divested of their infringing character or should be auctioned.

Infringement gives cause for the compensation of damages according to the general rules of the Civil Code. From this summary it can be seen that strong measures are available for the patent owner to enforce patent rights against the infringer.

Negative Statement (Declaration of Non-Infringement)

If, during the use or intended use of a product or a method, the user wishes to know whether such use infringes a particular patent, he can file a request for a negative statement. This request cannot be filed if an infringement suit has already been started. A negative statement declared under this rule excludes the possibility of starting an infringement suit on the same matter.

This action is carried out by the Patent Office and not by the Court, as in the case of an infringement suit.

Patent Examination Procedure

Deferred Examination: Where the examination is deferred, the Patent Office postpones the examination of novelty and technical progress until a request for examination is filed. This request must be filed within four years from the date of publication. The request can also be filed by third parties who do not participate in the official procedure. The Office has the right to order the examination in individual cases.

Complete Examination: Here the Office examines all conditions of patentability, and if the application is found to satisfy these conditions, the patent is granted.

Publication: occurs automatically 18 months from the earliest priority date. The publication is independent of the actual status of the examination. When an application is published, its main bibliographic data and a technical abstract (with a pertinent figure if any) are printed in the official Bulletin. From that time on, the file is open for public inspection.

Following publication, third parties can file notices or remarks which are considered by the Examiner during the examination. On the basis of a well-founded request the publication can be deferred or fully dispensed with. As soon as an application is published, the accumulated annuities for the preceding period will be due.

Priority: The priority should be claimed on the date of filing and a certified copy of the priority document should be filed within three months from the date of application. The Office generally does not require a Hungarian translation of the priority document.

Requirements of a Patent Application: A patent application should consist of a request, a description with claims, abstract, and drawings if any. Application rights can be derived from a patent application which contains at least the name and address of the applicant and the disclosure of the essence of the invention enabling a person skilled in the art to make the invention. A reference to a priority application for which priority has been claimed is satisfactory. All further documents and amendments can be filed later by voluntary amendments or when responding to official actions.

Requirement of Unity: Only one invention can be claimed in a patent application, although more than one can be included if their object matter is closely interrelated, *i.e.*, if they are based on a common inventive idea. A method and an apparatus for carrying out the method or a device used for practicing the method are generally considered not to offend the requirement of unity.

Modifications and Divisions: The applicant has the right to modify (amend) the description and the claims until the delivery of the decision of grant. The modification can include new matter so long as the amendment remains within the subject originally filed (in this respect the rules for unity should be considered). The new matter will have the priority of its own filing date.

Separate applications can be combined in a common application if both their applicant(s) and inventor(s) are identical and the combined application does not infringe the rule of unity. The filing day of the combined application will be the earliest of the individual applications and the respective claims can maintain their priorities from the individual applications.

The time limit for dividing an application is the same as that for modifications. A divisional application enjoys the filing date and priority of the original application.

Annuities

The applicant should pay annual maintenance fees, which are due on the filing day. The first payment must be made when the application is published. The amount of the first annuity is defined according to the length of the specification and the drawings, and the amount increases every fifth year. If any annuity is not paid within six months from the due date, the application becomes abandoned.

Restoration: If an application has been abandoned due to non-payment of the annual maintenance fee, the applicant can file a request for restoration together with a statement of grounds for having overlooked the duty of paying the fee. This request should be filed within three months following the last day of the sixth month from the due date, and it should be accompanied by the payment of the fee with a 100 percent surcharge.

Reduction of Fees for Individual Inventors: If the applicant is the inventor, the filing fee, the fee for filing a request for subsequent examination, and the second five annuities are reduced by 50 percent, while the first five annuities are reduced by 66

Procedure Before the Court

Procedures for reviewing (changing) the decisions issued by the Patent Office fall under the jurisdiction of the Metropolitan Court of Budapest, whose decisions may be appealed to the Supreme Court. A request for reviewing a decision issued by the Patent Office should be filed with the Patent Office within 30 days, and it will transmit the file to the Metropolitan Court within 15 days from receipt of the request.

The Metropolitan Court acts in senates composed of three professional judges, of whom at least two must have a university or equivalent degree in a technical field. In such proceedings the provisions of the Code of Civil Procedure must be followed. If questions arise before the Court that were not considered before the Patent Office (*e.g.*, widening the scope of protection), the Court remits the case to the Patent Office.

In addition to the cases decided in the first instance by the Patent Office, the Metropolitan Court acts as a competent court in suits relating to compulsory licenses and to rights concerning prior use, as well as in infringement suits. All other suits relating to patent matters should be prosecuted before competent County Courts, which are Appeal Courts in general civil procedures.

National Phase of PCT Applications

The rules for granting patents on PCT applications are generally the same as for national applications. The specific rules for PCT applications can be summarized as follows:

1. The international date of filing represents the national date of filing, which becomes the "base date" for paying annuities.

2. The international publication is not considered a national publication, so the provisional protection and the duty of paying annuities begins with the national publication.

3. If Hungary is a designated country, the national phase must be started within 21 months from the earliest priority date.

4. If Hungary is an elected country, the national phase must be started within 30 months from the earliest priority date.

5. A priority document and a translation thereof do not need to be submitted.

6. To start the national phase the applicant must pay the fee; submit a Hungarian translation of the international application; submit a power of attorney for the representative; and submit a declaration of assignment if the applicant is not the inventor, if not already done within the time limit applicable under PCT Article 22 or 39(1).

Concerning the minimum requirements, it is sufficient to file a request for starting the national phase. All actions described in paragraph 6 can be done later in response to an official invitation to do so.

General Requirements For Filing a Patent Application

The applicant and/or its foreign representative should send the following documents (information) to the Hungarian representative for the purpose of filing the application:

Documents (information) required immediately for filing an application: name and address (city, country) of the applicant; priority data (if priority is claimed); disclosure of the invention in any language (which can be replaced by the priority data in case of urgency).

Documents (information) that can be filed following the date of filing: translation of the specification, claims and abstract into Hungarian; name, address (city, country) and occupation of the inventor(s); drawings in three sets (the rules for the drawings are substantially in conformity with PCT rules); priority document, which should be filed within three months from the date of filing; power of attorney signed by the applicant (no legalization is required); and declaration signed by the inventors and the applicant (if they are not the same). The signatures need not be legalized.

All other requirements and formalities can be made by the representative.

TRADEMARKS

Requirements of Registrability

The following may be registered as a trademark: a word, a combination of words, a figure, a combination of colors, a two- or three-dimensional device, an audio or visual signal, or a combination of these elements. A mark will not be granted trademark protection if it is liable to create confusion; if its use would be contrary to law or socially accepted moral rules; if it infringes individual rights of third parties; or if it is identical or confusingly similar to a trademark held by a third party and well-known in Hungary, even if that trademark is not registered in Hungary.

Trademark protection will not he granted to a mark which consists exclusively of the name, abbreviation, flag, armorial bearing or emblem of a state, an authority or an international or intergovernmental organization, or an imitation thereof; these marks may be used, however, with the authorization of the competent authority as elements of trademarks.

With respect to identical or similar goods, a mark will not be granted trademark protection if it consists of official signs or hallmarks indicating control and warranty, or imitations thereof; if it has been under trademark protection for the benefit of a third party and, the protection having expired because of surrender or failure to renew, less than two years has elapsed since expiration; if it is identical or similar to a degree liable to create confusion with a third party's trademark registered on an earlier priority date or to a trademark effectively used but not registered; or if it is the name of a protected plant variety or animal breed.

Collective marks may be registered by an organization having a legal entity (union, professional association) for an enterprise belonging to the organization, even if the

PATENTING IN EUROPE

PATENT LICENSING CONSIDERATIONS THROUGHOUT EUROPE

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I. EUROPEAN ECONOMIC COMMUNITY (COMMON MARKET)

A. Presently Twelve Countries

1. Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, U.K.

2. Greenland left EEC in 1985.

B. Associated with European Free Trade Association (EFTA)

1. Austria, Finland, Iceland, Norway, Sweden, Switzerland.

II. ROME TREATY (1957)

A. Competition Rules Have Two Themes

1. Encourage conditions of competition.

2. Unify market and eliminate trade barriers.

B. Conditions of Competition Theme	U.S. Equivalent
1. Article 85-"Agreements" or "concerted practices" between enterprises which distort competition.	1. Sherman Act I-Contracts, combinations or agreements in restraint of trade.
2. Article 86 "Improper advantage of a dominant position."	2. Sherman Act II-Monopolization or attempts to monopolize.

C. Market Unification Theme	U.S. Equivalent
1. Article 30 and 36 - free flow of goods among Member States; industrial property rights shall not constitute a disguised restriction.	Adams v. Burles, 17 Wall 453 (1873) (coffin lids manufactured under license in one state, then sold in another state).

III. THE EXHAUSTION OF MONOPOLY DOCTRINE

A. Centrafarm v. Sterling Drug, 2 CMLR 4860, CCH. Com. Mkt. Rept., par 8247 (Eur. Ct. Just. 1974)

"Negram" manufactured under license in U.K.; resold in Holland despite counterpart patent. First licensee sale "exhausts" rights.

B. Merck v. Stephar, 3 CMLR 463 (Eur. Ct. Just. 1981)

Drug manufactured in Italy by owner (no patent possible); resold in other Member State. First patent owner sale "exhausts" rights.

IV. LIMITS OF THE EXHAUSTION DOCTRINE

A. Parke, Davis, CCH Com. Mkt. Rep., Par. 8054 (Hague Ct. App. 1968)

Pharmaceutical produced in Italy (no patent then possible) without consent of patent owner. Resold in Holland where patent in force. Injunction permitted.

B. Re Tylosin, 1 CMLR 460 (Germ. Fed. Sup. Ct. 1976)

Antibiotic imported into Germany from U.S., and from England (before its accession to Common Market). No exhaustion.

C. Polydor Ltd. v. Harlequin, 1 CMLR 677 (Eur. Ct. Just. 1982)

Copyrighted records purchased in Portugal (not then member of EEC, but signatory of Treaty of Association). Records then sold in U.K. where there was counterpart copyright. Held: infringement.

D. Pharmon BV v. Hoechst, 3 CMLR 775 (Eur. Ct. 1984)

Product sold under compulsory license in one Member State (U.K.). Resold in Holland where counterpart patent in effect. Held: resale is infringement; immaterial whether royalties were paid.

E. Warner Bros. & Metronome Video v. Christiansen, [1988] ECR 2605, 9 ECLR 281 (Eur. Ct. Just. 1988)

Videocassettes copyrighted in both U.S. and Denmark. Purchased in U.K. Brought to Denmark for home rental business. Rental prohibited since Denmark copyright law (but not U.K. law) prevents unauthorized leasing of purchased videotape.

V. EEC ADVISORY LETTER

A. "Christmas Letter" (12/24/62) - withdrawn, 8/22/84

First attempt at enunciating acceptable restraints in patent licenses.

VI. PATENT LICENSE BLOCK EXEMPTION

A. Issued 7/23/84; Effective 1/1/85

1. Various drafts circulated since 1976.

2. Applied to patent licenses.

3. Does not cover copyrights.

4. Covers know how only as ancillary to patent license.

B. Principal Terms

1. Acceptable provisions--i.e. exempt from Article 85 (1).

(1) Exclusive or sole licenses including exclusive sales for any portion of the Common Market so long as "passive" sales are not prohibited, and so long as licensee or his contractor is manufacturer. Even "passive" sales may be prohibited for five years from date of first authorized sale in EEC insofar as such prohibition is based on the existence of parallel patents.

(2) Tie ins if technically indispensable.

(3) Minimum royalties or quantities.

(4) Field of use restrictions based on technical distinction.

(5) Restrictions on assignment or sublicense.

(6) Patent marking.

(7) Confidentiality of know-how--even after patent has expired.

(8) Sue infringers.

(9) Quality control by licensor.

(10) Non exclusive grantbacks.

(11) Most favored licensee clause.

2. Non exempt (bad) provisions.

(1) Prohibition of validity challenge.

(2) Duration beyond expiration of patents in existence at time of license execution--unless each party has annual right to terminate.

(3) Non competition clause--except where license is exclusive.

(4) Royalties on unpatented products, or under expired patent (post expiration royalties)--unless as part of installment payment plan.

(5) Maximum quantity limitations.

(6) Price fixing.

(7) Marketing restrictions--unless dictated by technical field of use restrictions.

(8) Assignment back.

(9) Mandatory package license.

(10) Refusal to sell in other territory of the Common Market (i.e. beyond that permitted in B, 1, (1) above).

3. Other provisions.

(1) Questionable clauses may be notified to Commission (negative clearance) which has 6 months to oppose.

(2) Does not apply to patent pools, joint ventures, or plant breeder's rights.

(3) Does not apply to license exchanges between competitors (unless unrestricted use permitted throughout Common Market).

(4) Exemption may be withdrawn if (a) no effective competition, or (b) exclusive licensee fails to work patent and licensor has *no right to terminate exclusivity after* 5 years, or (c) such effects are caused by an arbitration award.

VII. JOINT RESEARCH BLOCK EXEMPTION

A. Issued 12/19/84; Effective 3/1/85

B. Purpose is to encourage cooperation in research and development

C. Applied where all participants have access to results and are free to exploit results alone or together

D. Not applicable where participants are competitors and together have more than 20% of relevant market in EEC (or a substantial part thereof)

E. For others, exemption lasts for duration of research program, or if jointly exploited, for 5 years after first marketing in EEC

(1) Duration can continue thereafter so long as participants' combined share of relevant market in EEC does not rise above 20%.

F. Principal Terms

1. Acceptable provisions--i.e. exempt from Article 85 (1).

   (1) No independent research in field.

   (2) No research with others in field.

   (3) Territorial, or technical manufacturing restrictions.

   (4) 5-year active territorial sales restrictions.

   (5) Use restrictions on trade secret information provided.

   (6) Obligation to obtain patents, sue infringers or share royalties.

2. Non exempt (bad) provisions.

   (1) Research restrictions not related to field of contract.

   (2) Manufacturing quantity limitations.

   (3) Prohibition of challenge to validity of patents.

   (4) Price restrictions.

   (5) Customer restrictions.

3. Other provisions.

   (1) Questionable clauses may be notified to Commission (negative clearance) which has 6 months to oppose.

   (2) Exemption may be withdrawn if lack of exploitation or of effective competition.

VIII. KNOW HOW BLOCK EXEMPTION

A. Effective April 1, 1989

B. Covers Know How License Which May Include Ancillary Patent Rights

C. Principal Terms

1. Acceptable provisions.

(1) Exclusive or sole licenses including exclusive sales (all limited to 10 years from date of 1st license) for any portion of the Common Market so long as "passive" sales are not prohibited, and so long as the licensee or his contractor is manufacturer. Even passive sales may be prohibited for 5 years from date of first license in the EEC.

(2) Secrecy and non use obligations even after the agreement has expired.

(3) Restrictions on assignment/sublicense.

(4) Non-exclusive grant backs--but only for a period equal to licensee's rights.

(5) Quality control.

(6) Tie ins if technically necessary.

(7) Field of use restrictions based on technical distinction.

(8) Minimum royalties or quantities.

(9) Most favored licensee.

(10) Marking with licensor's name.

2. Non-exempt (bad) provisions.

(1) Non use where the know how has entered the public domain through no fault of the licensee.

(2) Assignment/exclusive grantbacks.

(3) Prohibition against contesting the secrecy of the know how.

(4) Customer restrictions unless based on technical field of use.

(5) Maximum quantity restrictions, except where licensee is producing for his own needs; or as a second source for same customer.

(6) Duration of agreement is automatically prolonged by addition of licensor's improvements (unless licensee has right to refuse, or agreement terminates every 3 years after initial term).

(7) Price or research restrictions.

(8) Tie ins if not technologically necessary.

3. Other provisions.

Similar to VI, B, 3 of Patent License block exemption.

IX. MINOR AGREEMENT EXEMPTION

A. General exemption for agreements having minor effect on EEC economy.

1. Parties share of relevant market in EEC for licensed product is less than 5%.

2. Combined worldwide revenues of the parties for all products is no more than 200 million ECU (European Currency Units).

X. EASTERN EUROPEAN COUNTRIES

A. Transition to Free Market Economies

1. Recent adoption of competition laws in Bulgaria, Czechoslovakia, Hungary, and Poland.

(1) Such laws prohibit "abusive practices"; query whether they will be used to promote competition, or be an instrument of excessive market intervention.

2. Czechoslovakia, Hungary and Poland appear to be most promising markets.

B. U.S. Technology Export Regulations

1. Export Administration Regulations.

2. International Traffic in Arms Regulations.

3. Czechoslovakia, Hungary and Poland Being Considered for "Deproscription".

(1) Baltic States probably next.

(2) Key is antidiversion safeguards.

SEMINAR - PATENTING IN EUROPE

Boston, Massachusetts - March 17-18, 1992

Patent Litigation Before The European National Courts: Today And Tomorrow

M. J. Pantuliano

As far as a more unified Europe is concerned, "tomorrow" is scheduled to begin at the start of 1993. There are, of course, some questions as to the extent of this new unification, and indeed the extent of the latter may very well depend upon the nationality of the person to whom the questions are addressed. European unification may have a different meaning to a German than to a Frenchman, and, almost certainly, than to an Englishman. There are even some questions which may occur to Americans; for example, will the new Europe be more inward-looking and excessively parochial? Will it perhaps even be protectionist or quasi-protectionist?

However, while Europe may change in many ways, perhaps even dramatically so, after 1992 there appears to be little or no change contemplated in the basic philosophies of law and procedures governing patent litigation for the nations of the EEC. The United Kingdom and the Republic of Ireland will presumably remain common law countries, and will continue to espouse an essentially adversarial system of conducting litigation; the continental nations will continue to be civil code countries and will conduct patent litigation in an essentially inquisitional manner. However, even among the civil code countries, the procedural differences in

conducting litigation will evidently remain; the French, Italians and Belgians will continue to have a effective means of obtaining evidence of and proof of infringement; the Germans, as a prime example, apparently will continue to resist the inclusion of such means in their system of jurisprudence. In the latter country, proving the infringement of a process patent will thus continue to be an adventure not for the timid or faint of heart.

In short, the philosophical and procedural national manifestations of "Patent Litigation Before The European Courts" is likely to be the same "Tomorrow" as it is "Today." However, this is not to say that at least some change in the trappings of European patent litigation may not be in the offing, post-1992. A fairly profound change in (**at least**) the way in which suits are brought and considerations of infringement and validity are determined could in time result if, and it is still an if, the Community Patent comes into existence, and if, and it is still a big if, the latter is widely used.

The Community Patent

Under the European Patent Convention, a bundle of national patents are obtained. These are then separately enforceable in the individual national courts, both in the first instance and on appeal. While pursuant to the EPC and the enabling patent statutes of each country, issues of infringement and validity are ostensibly

harmonized, as we shall discuss later there are still more "glitches" in such "harmonization." Moreover, as we shall also discuss later, the aforesaid philosophical differences remain, as well as the wide variations in the national courts with respect to how evidence is obtained and presented, the manner in which trials are conducted, the remedies and defenses available, etc.

The Community Patent, however, would create a "market" patent which would have equal force throughout the EEC in much the same manner as a U.S. patent has equal force throughout the territory of the United States.

After the issuance of the Community Patent, challenges to validity can be effected by filing a nullity procedure before a special nullity division of the EPO. However, in the event of an infringement within the EEC, special national courts will be designated in the countries of the EEC to handle issues of infringement and patentability, i.e. both will be considered by these courts. In other words, one can file a request for nullity in the nullity division, or file for the nullity of the allegedly infringed Community Patent as a defense to the infringement, along with the defense of non-infringement.

Of special interest to us, however, is the fact that appeals from the decisions of these special national courts can be brought to a new appeals court, termed the "Community Patent Appeal Court" which will have the acronym COPAC. This appeal court will be

exclusively responsible for making appellate rulings on infringement and validity, but only on these two issues. Injunctions, damages, etc. will remain the province of the national courts. COPAC will also be the appeal court for reviewing decisions of the special nullity division of the EPO. It is important to remember again that the decisions of COPAC will be binding on all the community courts on matters of infringement and validity.

An advantage arising from the Community Patent judicial system is that the procedural expense in pursuing and defending patent infringement suits should be considerably reduced since one action for the entire EEC can be brought in a special national court, and one appeal jurisdiction will consider infringement and/or validity.

Aside from cost, another tangible advantage could be the elimination of the "glitches" which now exist among the states of the European Patent Convention concerning such matters as scope of claim protection, equivalency, obviousness, etc. No doubt the "special" national courts will initially issue diverse opinions on some of these matters, just as American district courts have done, but COPAC will be the final arbiter and eventually could provide a consummate body of law on infringement and validity which could provide a harmonized standard for such matters for all the national courts of the EEC to follow. It is not inconceivable that COPAC

could turn into the European CAFC, at least as far as infringement and validity are concerned.

But before we get too euphoric, we should keep in mind again that the Community Patent may not come into being, and if it does, it may not be widely used. It is quite possible that the EPO will continue to be the main instrument for patent protection, and thus the national courts will continue to do "their own thing." Moreover, even under the enforcement procedures of the Community Patent Convention, it would seem hardly likely that the philosophical differences between the common law and civil code countries will disappear or that many of the differences between the continental judicial systems will disappear. (**For example, it is not likely that the Germans will adopt the "seizure" proceedings of the French.**)

Litigating in the U.K., France and Germany

The three major litigating countries of Western Europe are the United Kingdom, Germany, and France. Perhaps not coincidentally, these three can also be said to represent, to some extent, the different litigating systems to be found in Western Europe. One can say with some logic that the British speak for the Irish (**in litigation, not otherwise**), the French for the Italians and Belgians (**and perhaps the Spaniards, Greeks, etc.**) and the Germans for the Austrians and perhaps the Dutch, Swiss and the Scandinavian

countries (**though there might be some arguments raised in that regard**).

(1) Among these three countries, you have two different kind of systems, one, the U.K., is a common law country; the other two, France and Germany, are civil code countries. The French and Germans also have differences between each other, but these are not philosophical in nature. The differences between the U.K. and others are not merely semantic but translate into basic philosophical procedural differences, including trial methods. These differences can have a profound effect on the outcome of litigation and should certainly be a factor in determining in which of the three countries suit should be brought, <u>if</u> you have a choice.

(2) Whether or not it is a direct result of being a common law country, proceedings in the U.K. (**and Ireland, Australia, New Zealand <u>and</u> the United States**) are primarily adversarial in nature. The parties through their counsel obtain, present and argue the evidence. Cross-examination of witnesses is integral to the procedures. Within time frames strictly set by the courts, the parties present

their cases to the courts who are not ordinarily active participants in the proceedings. In these jurisdictions the courts hear the evidence, and come to a decision based thereon. However, the parties try the cases and use the judicial tools commensurate with this undertaking. (**That may explain why the British (and the Americans, the Irish, the South Africans, Australians, (even the Indians) have some form of discovery.**)

(3) On the other hand, the French and German Courts, indeed all the civil code countries, are primarily inquisitional in nature. It is the courts who take evidence, often appoint the legal experts, make requirements of the parties as to the evidence needed, etc. Certainly there is still a great deal of advocacy and skill required by the attorneys handling the cases but the courts have far greater discretionary power as to how and as to what evidence is to be heard, and on the relevancy and impact of the evidence. Cross-examination, if it can even be called that, is very limited and indeed is more often than not handled by the court.

(4) Can these philosophical differences in the legal systems of our three countries lead to different

results? I think there is no question but that they can and do and that you must tailor-make your case to the forum in which you are bringing suit.

Proof of Infringement

It is in the area of proof of infringement or, better stated, of obtaining the evidence necessary to prove infringement, that we will find the widest differences between the "three" countries. We have already stated that U.K. proceedings are primarily adversarial in nature, a fact which I feel may arise from its common law jurisprudence. Thus, one would expect that the manner of obtaining evidence and advocating such evidence before a court would be different than in a civil code country. As we shall see, this is certainly the case. What is surprising, however, is that although France and Germany are civil code countries, the French have a very effective and viable way of obtaining evidence to prove infringement, while bluntly stated, the Germans do not.

Clearly, where the infringement involves an easily obtainable product or apparatus, it is not overly difficult, even in Germany, to present the facts sufficient to prove infringement. However, all too often, the issue of infringement is not clear, or even more dramatically, the infringement involves an apparatus present only on the defendant's premises, e.g. a turbine for example, or involves a process patent. In these latter situations the burden

of proving infringement in Germany can be extremely difficult. If the product made by the patented process is not new, or even if it could be said to be new, is not identical to the product being sold by the infringer, the task can come close to being insurmountable; it is much less difficult in the U.K. or France.

I mentioned to you previously that the British have "discovery." Be forewarned, it is not U.S. style! The British system is far more controlled, far more restricted, and much less extensive and expensive (**although the weak dollar hurts**). It is really a kind of "uncovery" procedure, in which the respective solicitors "uncover" to each other documents relevant only, repeat only, to matters in issue between the parties and pleaded by the parties! There are no depositions, and the use of interrogatories is extremely limited, usually only if the court orders such and then only if the information sought is not apparent from the documents disclosed, or which ought to have been disclosed.

Despite these restrictions, British discovery is very effective. With much less effort and expense than in the U.S., evidence of infringement of Patents covering on-site apparatus, and patented processes, can be obtained to a degree not markedly different than that of the U.S.

The British also have another means of obtaining the evidence to prove infringement and that is the Anton Piller order. This is an order for the preservation of evidence and materials pending trial. It requires a defendant to deliver up (**immediately**) all infringing material in his possession together with all documents relating to the infringement. There are other aspects of this order, but it makes for a very lovely way of obtaining evidence of infringement. This is true even in cases where the infringing apparatus or material is (**only**) on the defendant's premises, or where the infringement is of a process patent, even where the product made thereby is not new. (**Incidentally, in its initial form it was primarily intended for the "shifty" and perhaps indigent defendant; indeed some British attorneys maintain this is still the case.**)

The French (**and the Italians and Belgians**) also have a very effective procedure to bring evidence of infringement to the Court's attention. This procedure is termed a "SAISIE" in France or Belgium, and a "Descriptione" in Italy.

Briefly, a Bailiff commissioned by the patentee is authorized by the court to investigate (**invest is probably a better term**) the premises of the alleged infringer in order to obtain evidence of the alleged infringement. There are certain technical and specific procedures involved in this "procedure" but in general the first knowledge the defendant has of the "seizure" is when the Bailiff

shows up at his establishment and serves him with the ordinance authorizing the immediate investigation of his premises. The ordinance specifies the limits of the inspection and whether the seizure will be exclusively descriptive or will also involve seizure of allegedly infringing samples.

N.B. the plaintiff is only present through his attorney (**thus the latter has to be carefully briefed on what he is to look for or seize**). There are also certain caveats to be followed, but suffice it to say, this is a traumatic experience for the defendant and it is very effective. Suit has to be brought within a short prescribed period after the seizure.

What of the Germans. No discovery, no on-site inspection (**except in certain extreme circumstances authorized by the Court**), no seizure proceedings! (**As an aside, it is a fair question whether a primarily inquisitional system could have a discovery procedure. I suppose there could be court-ordered discovery but how this would work is anyone's guess.**)

Question:

Why do the Germans not have seizure proceedings, or some other kind of on-site inspection? Why does a country with an otherwise brilliant intellectual property system not provide some minimal means of proving infringement, or obtaining evidence of

infringement in those cases where the evidence is not readily obtainable? I have never received a satisfactory answer.

Of course, the Germans will assert (**so will the Austrians and Japanese**) that under provisions of their law if the product of a patented process is "new," the burden of proof of infringement of the process patent will shift to the alleged infringer to show he is not infringing. However, note that in these statutes the product made by the alleged infringing process has to be "identical."

Question:

Does an "equivalent product" shift the burden? How close to "identical" does the product have to be?

Question:

What does "new" mean? (**In a WIPO harmonization session the question of what constitutes "new" under this exception to the burden of proof, was argued interminably without resolution. Does "new" mean "patentably new," "novelty new," "commercially new"?**)

But even if this is a bonafide way of proving infringement in this situation, what of the situation where the product is an "old" product. We all know these can be very important patents. What then? In Germany, as I stated, you then quite often have an

insurmountable problem, which can only be overcome with great difficulty and imagination.

Therefore, even if the scope of protection would be the same in each country, even if the question of validity would be decided in the same way in each country, obviously the results of an infringement suit in each country will be different if you are able to obtain the evidence to prove infringement in one country, but not in another, e.g. Germany.

One should also keep in mind that the adversarial nature of the proceedings in the U.K. could also affect the outcome of the proceedings. In this regard it seems self-evident that the sharp cross-examination and intense scrutiny of evidence and witnesses in an adversarial environment can also result in different findings - even as to infringement and validity.

But even within the continental nations, the conduct of the infringement proceedings (**i.e. trial procedures**) differ. The French and Italian proceedings are virtually all conducted by written testimony. There is usually very little oral testimony (**and that usually only court-directed questioning of expert technical witnesses**). On the other hand, the Germans have two oral hearings, one preliminary and one final at which times some questioning of witnesses is permitted. However, even here, the

length of the trial is usually measured in hours (**in contrast to a British trial which can last for weeks**).

Our three countries also differ in still another procedural sense. As a defense to a charge of patent infringement invalidity can be raised in the U.K. or France. However, it is not a defense which can be raised in a German suit. As in Japan, in Germany infringement and validity are considered in separate actions. Infringement is determined in a general law district court; nullity is determined by the German Federal Patent Court. In some German courts, including Dusseldorf which is the most sophisticated court for hearing patent matters, infringement actions will most often not be stayed pending the outcome of a nullity action or of an opposition before the EPO unless the court is satisfied that there is a very strong possibility that the patent or application will be found invalid or unpatentable. Note: under the Community Patent judicial system, all the designated national courts will consider both infringement and validity. This would clearly be a departure, therefore, for the Germans.

Patentability and Scope of Protection

These are areas in which, at least ostensibly, there should, under the enabling statutes enacted in the national legislatures, be the greatest conformity. In this regard, it should be noted that in discussing patentability and scope of protection or claim

interpretation, the more realistic question would have been, not how these will be changed post-1992 but rather how they were affected by the enabling statutes enacted in 1978. In other words, the European Patent Convention had far more impact on the substantive matters of litigation, i.e. on questions of infringement and validity, than would any contemplated changes in the "new Europe" of 1993.

Scope of Protection

The enabling statutes of 1978 in each of the signatories to the European Patent Convention contain language identical to Article 69 of the European Patent Convention. Note, however, that the word "equivalency" does not appear in this Article. The Germans have already indicated that equivalency under their system will remain as it was before the advent of the EPC. The French have equivalency but I have never seen it really defined. The British have apparently continued their doctrine of equivalency established by their CATNICK decision. Their feeling is that it is in conformity with the provisions of the EPC. Nevertheless without going into detail it would still seem to be somewhat narrower than the German. Therefore until or unless COPAC comes into being what constitutes equivalency in a given EEC country is still something to be considered before you embark on a suit.

In addition to equivalency, the Germans have had a tradition of providing somewhat broader claim interpretation than other countries. Again, until otherwise defined by the German courts, or until the Community Patent Appeal court comes into being, it is likely that the language of Article 69 will be construed rather generously. The British have traditionally been strict constructionists. Will this continue? The feeling seems to be that it will not, and that decisions on scope of claim interpretation will be in conformity with the language of Article 69. Until fairly recently the French did not even have claims in their specifications, so it is hard to confirm that the scope of claim protection will be the same as in the U.K. or Germany. Again, before litigating or deciding on where to litigate, do not take it for granted that our three countries will approach claim interpretation in exactly the same way.

Patentability

The enabling statutes in our three countries contain sections analogous to Article 54 dealing with "Novelty" and Article 56, "Inventive step." This is an area where there should be the greatest harmonization and consistency in our three countries. Nevertheless a fairly recent German decision caused a bit of an uproar, particularly in the U.K., because it seemed to imply that the Germans have a higher standard of patentability, as far as inventive step was concerned, than did the EPO. The Germans with

whom I spoke said this was blown out of proportion, that all the German Federal Patent Court meant was that they were applying the EPC standard on "inventive step" in the light of "German evaluation standards," in effect that the German decision is the way in which the EPO should have ruled. This is rather a subtle distinction when one considers that the counterpart European application was granted after opposition and after opposition appeal. Incidentally, the decision was not appealed to the German Supreme Court so we do not know how definitive it will be. It may very well be an aberration.

The point is, however, that you still cannot take anything for granted. You cannot assume you will get the same reading even for "inventive step," on the same facts in our three countries.

Please keep the magic year of 1978 in mind when considering novelty. There are still plenty of patents lying around waiting to be enforced which were filed prior to the enabling statutes of 1978. Some of these patents will still be around until 1997 or 1998. You may even own some of them or represent clients that do. In this regard it is to be carefully noted that the novelty requirements of the U.K., pre-1978, were not those of post 1978. The U.K. was then a local novelty country, for prior use, sale and/or publication. Germany was a local novelty country for prior use and sale, but absolute for publication. Thus a pre-1978 U.K.

patent could be valid over a prior use in the U.S., whereas a post-1978 U.K. patent could be invalid over such use. The same thing applies to Germany. So another practical question before beginning suit (**and/or after being sued**) is - what law applies - pre or post 1978?

Let's look at a few preliminary considerations which you might think about prior to initiating suit for patent infringement in Europe, and more specifically, in our three countries.

(1) Determine precisely <u>why</u> you want to sue (**or if a defendant why you are being sued**) and what is hoped to be accomplished by the suit. In large measure this will dictate the where and the manner of the suit. For example:

(a) If you are the patentee and are really being hurt by the infringement, and damages at the end of the line would be inadequate, then you must think preliminary injunction. Of the above three countries, preliminary injunctions have only been available in France since 1984. Moreover, up to very recently these could only be obtained if you or your licensee were manufacturing in France; however with a new law which has

just recently come into being, preliminary injunctions are now obtainable in France if you or your licensee are manufacturing in any of the Community countries. Nevertheless this is not a requirement of the U.K. or Germany. Moreover, each country has somewhat varying requirements which must be met before a preliminary injunction can be obtained. Obviously, the differences in requirements might very well determine where you should seek this relief.

(**<u>One important caveat:</u> In any of these countries, if you seek a preliminary injunction you <u>must</u> act quickly after ascertaining the infringement. Six months delay for example is probably too long.**)

(b) If the "why" of your suit is to collect damages for past infringement, you must think statute of limitations. This will also vary country-to-country.

(c) If you merely want to force a license then you should think market-size and the value in controversy. The latter could have a considerable impact on costs in Germany.

(2) You must also think about the kind of patents you are enforcing, and how burdensome will be the chore of proving infringement. As we have seen these three countries differ rather markedly from each other as to the means available for obtaining evidence of infringement, or other evidence as well. If you have a process patent, and you have a choice of jurisdictions, would you pick Germany?

(3) When you choose a jurisdiction you must get your litigation team in place quickly, preferably <u>before</u> you send a warning letter. If you "warn" first and then try to pick a team, i.e. trial attorneys, patent attorneys, etc., you may find your first choices have already been taken by the other side. In many European countries this can be a real problem. With the exception of the U.K. or Germany there is a paucity of qualified specialists in patent litigation throughout Europe.

(4) I have always found it helpful to have the claims of a non-English language patent re-translated, before bring suit. For two reasons:

(a) So that you can seek to amend the claims before suit, if you can amend them. (**This can be done in Germany and the U.K., not in France!**)

(b) So you will know if there is a problem with the language of the claims, now rather than later.

The Epilady Case

On the subject of preliminary injunctions there was a case not so long ago that further illustrates that the millennia indeed has not arrived and that national courts in Europe can still arrive at dramatically different results. The case in question was a suit brought by Improver Corporation against Remington, and involved a European patent for a depilatory device marketed under the name "Epilady."

To sum up the facts very briefly, plaintiffs sought a preliminary injunction against defendants in the U.K. and Germany. One of the criteria for obtaining a preliminary injunction in either country is that there has to be a reasonably strong presumption of infringement. In this case, if there was

infringement it had to be based on claim interpretation and more specifically, equivalency. The U.K. Patents Court found for the defendant. The requirements of the CATNICK decision had not been met, this court said and a preliminary injunction was denied. The Dusseldorf Court, however, found exactly the opposite; it stated that German claim interpretation did support a case for infringement and accordingly granted a preliminary injunction. Appeals were taken in each country on each decision. By now you can guess the outcome. The English Court of Appeals reversed the decision of the U.K. Patents Court, and found for the Plaintiff, i.e. it granted the preliminary injunction! However, the Dusseldorf Court of Appeals came to the opposite conclusion! It discharged the preliminary injunction granted by the lower German Court! Please also note this decision will <u>not</u> be remedied by the Community Patent or COPAC - preliminary injunctions will still be only the province of the national courts, as at present.

As a final note, should there be and will there be "forum shopping" in the new "post 1992" Europe as in the "old"? For the foreseeable future the answer has to be <u>yes</u>, perhaps even more "yes" than before because of the greater interaction between the countries of Europe and the greater likelihood of interlocking infringements. Perhaps <u>this</u> will be the greatest difference in litigating in post-1992 Europe.

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NOTES

PATENTING IN EUROPE

March 17 & 18, 1992 — QUESTIONNAIRE TALLY — Tremont House, Boston

Bill
Check it out!

FACULTY

High				Low
5	4	3	2	1

Remond

5 = 1 response
4 = 5 responses
3 = 11 responses
2 = 3 responses

- Lack of facility in English and placement before lunch made following very difficult.
- Added to material
- Written and presented material good, but presentation poor.
- Difficult to understand
- Should have allowed more time for questions
- Good remarks but hard to understand accent
- Difficult to understand
- Some difficulty understanding
- Slightly harder to understand
- Duplicative of Lederer & Ottevangers. Difficult accent.

Lederer

5 = 7 responses
4 = 12 responses
3 = 1 responses

- Use of Articles & Rules in paper helped greatly
- Good practical tips
- Thorough, comprehensive, easy to understand
- Very well presented & very informative

Ottevangers

5 = 6 responses
4 = 7 responses
3 = 3 responses
1 = 3 responses

- Used additional materials
- Especially helpful hints
- Read too much. Should have included Articles and EPO Form in material.
- Just read from article
- Would have liked to hear more on substantive points.

Meller

5 = 5 responses
4 = 9 responses
3 = 5 responses

- Was rude during other faculty's talks, by talking during their talks.
- Useful analysis of PCT
- Good practical tips; sometimes hard to follow
- Thorough

Szabo
5 = 1 response
4 = 12 responses
3 = 6 responses
2 = 1 response
o Very knowledgeable
o Nice handout
o Hard to understand; read.
o Comprehensive
o Tended to ramble
o Extremely informative

Geissler
5 = 7 responses
4 = 9 responses
3 = 3 responses
2 = 1 response
o Strident but with good material
o Excellent verbal, poor handouts
o Good advice
o Could have been more interesting; don't give us his theory.
o Dynamic
o Interesting commentary

Gladwin
4 = 3 responses
3 = 4 responses
2 = 8 responses
1 = 3 responses
o Scheduled too late
o Presentation didn't add much to previous presentations
o Read paper, did not project
o I felt bad .. it seemed that George & Bernhard already gave his talk.
o Tough job going last; too many cases.
o I can read cases
o Mumbled; jumped around too much; difficult to follow.
o Hard to follow his outline; mumbled.
o Monotonous speaking voice
o Mere recitation of case cites at end of day was not helpful.

Krittman
5 = 12 responses
4 = 6 responses
3 = 2 responses
o Very useful/businesslike analysis
o Good overview
o Would have liked more written material
o Very good speaker and a well organized talk.
o Good review & practical tips
o Good comprehensive overview with practical accommodations
o Outline much too skimpy
o Some duplicative material with other presenters.

Myrick
5 = 8 responses
4 = 6 responses
3 = 5 responses
2 = 1 response
o Very extensive paper(s)/well prepared
o Excellent--very thorough
o Clear statement of the problem
o Good subject; too much reading
o Thorough, well thought out presentation
o Excellent paper and bibliography
o Paper much too detailed for this type of course

Ellis
5 = 2 responses
4 = 7 responses
3 = 8 responses
2 = 1 response
o Extensive paper
o Mere reading of text
o Definitely just reading. Handout excellent!
o Too much reading; more practical tips needed.
o *Thorough treatment*
o Read paper

Passley
4 = 2 responses
3 = 8 responses
2 = 4 responses
1 = 2 responses
o Read paper (unprovided) with little new material
o Mere reading of text (not provided)
o Material good but presentation poor
o No written material; read paper
o Read too much. Not enough practical advice.
o Don't give a politcal speech; more content needed, less reading.
o Totally outside my area of expertise & interest.
o Thorough treatment but too much reading.
o Read paper
o Just read his notes
o Did not address topic well

Lantos
4 = 8 responses
3 = 9 responses
2 = 2 responses
o Good information limited by speaker's facility in English
o Delivery poor, material good
o Nice collection of Articles -- could have been organized better.
o Don't read; but good information in difficult topic
o Thorough treatment
o Good info
o Very useful and up to date
o Monotonous voice

Einhorn
6 (which was not an option) = 1 response
5 = 17 responses
4 = 1 response
o Most comfortable speaker
o Excellent as usual
o Great overview
o This was the most practical discussion. Excellent.
o Excellent; good practical tips; interesting
o Dynamic
o Straight forward, to the point presentation
o Excellent
o Excellent speaker
o Animated. Keeps audience interest.
o Excellent speaker--good info.

Pantuliano
5 = 10 responses
4 = 7 responses
o Good speaker/good materials
o Good overview
o Also a nice practical talk.
o *Good presentation, lively; informative*
o Comprehensive

SUBJECT MATTER

Please rate the overall subject matter.

	High				Low
	5	4	3	2	1

Patenting in Europe Today		Patenting in Europe Tomorrow	
5	5 responses	5	3 responses
4	12 responses	4	11 responses
3	3 responses	3	3 responses

o Today: too much emphasis on Appeal. Tomorrow: would be more useful if future *was more definite. Seems odd that Europeans spoke about Europe Today/Americans* about Europe Tomorrow.
o The 10 am to 6:30 schedule on Tues. made for a long day. A 9 am to 5:30 would have been better.
o 3 speakers on each general topic resulted in too much repetition. Each speaker should be given a specific topic.
o Good presentation of material; very worthwhile.

Was the program as you expected? Did our marketing portray an accurate picture of subject matter, etc.?

- Yes (13 responses)
- Slightly more for lawyers than expected.
- I was hoping to get more concrete advice. Many of the speakers raised more questions than answers. Due to the present state of affairs in Eastern Europe, I guess this is to be expected.
- I thought I would get more practical tips and hints in practice rather than a review of law.
- Better
- First day yes. Second day Myrick too general except last ten minutes.

Were there any particular areas you feel <u>should</u> have been covered? Please list.

- Biotech comparisons & projections should have been covered in better detail.
- Tuesday seems to have been intended as a "How-to" session. It would have been interesting (and helpful) to obtain examples (Filing Papers, Forms, etc.)
- More practical tips and hints in practice rather than a review of law.
- It would be nice to have a mock opposition hearing and also more detail for those of us who use the system already.
- Forms for filing application & demand in EPO.

What other topics would spark your interest enough to warrant your registration next year?

- Former USSR patenting
- Finding the law in the EPO
- Techniques for maximizing commercial exploitation of technology (either through licensing or expert or establishing manufacturing facilities globally) and doing so on a global scale.
- Based on the dicta in the Kodak/Polaroid case, Infringement Clearance opinions seem to be gaining importance in corporate practice. I've seen many good opinions and many awful ones. Perhaps you could provide a seminar on Infringement--Worldwide (....claim interpretation). "How to Avoid Willfil Infringement."

LOGISTICS

Is the timing of the Conference good for you? If not, what would be a better time of the year?

- Yes (16 responses)
- O.K. Late summer would be great to tie in with a vacation at the seashore.
- Further into spring, to minimize weather conditions.

Is downtown Boston a good location or would you rather the Conference be held elsewhere? Any suggestions on locations (FPLC in Concord, to keep costs low)?

- Downtown Boston good (10 responses)
- Boston is much easier to get to. It would be difficult to get flights to Concord.
- Either would be fine.
- Downtown Boston is easy to reach from out of town whereas Concord NH would not.
- Good! Easy access, good restaurants, on direct flights from airlines.

Location continued

- Concord is not as exciting as Boston. How about Stowe, VT! You could run the class from 8-1 (leaving pm for skiing) or 12-6 (leaving am for skiing). Thus you could compete with the Kayton courses.
- Concord would be a convenient location for me, but Boston ok also (2 responses)
- Boston or NH ok (2 responses)
- Concord not accessible enough.
- Boston okay/but could involve some organized activity. Lower cost would be good -- I don't need a lot in a hotel room & see no reason to pay for a lot.

Facility plays an important role in a well-run conference. Would you care to comment on the Tremont House or make suggestions for another facility?

- Rooms too small, not enough restaurants, no newspaper stand.
- Satisfactory
- It would have been nice to have lunches included (for an extra fee) so we could have continued discussions over the meals.
- Very good
- Perfectly adequate
- Hotel acceptable; newer hotel would be preferable.
- Fine
- Tremont was "adequate"
- Rooms were fair
- Rooms are too small; seminar room was cool; a more modern hotel (Marriott or another) would be much better, especially since no breakfast is served in the hotel until 9:30.
- Tremont House was nicer than I expected.
- Very poor -- the rooms were small -- no facilities for breakfast until 9:30 am -- bad setup for business travelers.
- Tremont is quite adequate, price is right.
- Tremont House quite satisfactory.
- Tremont House was adequate, if not luxurious.
- Rooms could be better.
- Hotel was fine, but I would have been more comfortable with on site parking.
- Facility good. Temperature of room controlled well, good chairs for a conference.
- The men's room smelled somewhat of sewage.

Please share with us any other observations, criticisms, ideas, etc. you may have.

- The conference should include a Friday or Monday to better enable weekend/over Saturday stays -- reduced airfares.
- Stingy with food and drink. Lunch on own is OK, but a few muffins or bagels would be nice through the AM. No coffee after lunch second day?! Evey (sic) Mr. Meller fell asleep at 2:30!
- Without speakers & FPLC students audience would have been very small.
- Many of the speakers were difficult to understand. There was no need for 3 speakers to cover the same general topics of Patenting in Europe.
- Make all overheads available as handouts.
- If a question is asked, it should be fully understood and fully answered, and this should be monitored by the moderator -- speaker should not be permitted to dodge a sensitive question as Mr. Rémond did mine.
- Fruit during break is a great idea!

IP

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INFLUENCES AFFECTING THE VIABILITY OF NATIONAL PATENTS IN A UNITARY EUROPEAN MARKET

by Ronald E. Myrick
Digital Equipment Corporation

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Presented at
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Boston, Massachusetts
March 18, 1992

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INFLUENCES AFFECTING THE VIABILITY OF NATIONAL PATENTS IN A UNITARY EUROPEAN MARKET

by Ronald E. Myrick[1]

INTRODUCTION

Europe today is one of the most dynamic environments for the development of intellectual property law as there are multiple currents and cross-currents reflecting themselves in a variety of initiatives and jurisprudential developments. The European Commission is particularly active through its Directorate General III in developing harmonization and other regulatory initiatives for intellectual property, primarily focussing currently on copyright and design protection, but with potential policy implications for patents as well. In addition, the Commission through its Directorate General IV is also exerting substantial influence on the development of intellectual property law through its activities regarding competition policy and the interface between that policy and intellectual property. Other Directorates General are also influential in varying degrees. Moreover, the jurisprudence of the Member States

and the European Community ("Community" or "EC") is also developing along paths which have substantial potential for impact on various aspects of intellectual property law including patents.

It is beyond the scope of this paper to address all of these currents, cross-currents, initiatives, jurisprudential developments and other influences which can and do conflict with varying effect on the intellectual property law system. Only selected influences will be addressed in the context of their impact upon the viability of patents in the Europe of the future. (The term "viability" here has reference to the continued effectiveness of patents as a means for establishing or maintaining exclusivity so as to gain the necessary compensation for innovative effort.) Moreover, the law in respect of many of these influences is unsettled or developing such that there remains considerable scholarly debate on many issues. In this paper some of that debate will be ventilated, but by no means all, and some positions discussed herein are themselves the subject of continuing study and critical review. It is hoped that this paper may contribute in some way to the debate, hopefully positively. Finally, the debate on these issues is vital and active, so much so that this paper has been and will be in a developmental flux of its own as new factors, issues and influences appear in this process of dynamic development of intellectual property law.

National patents remain the only currently available option in Europe and this may continue to be the case in the medium term. A Community Patent for the whole EC has been planned but bedevilled with problems for many years. Efforts are being made to push it forward. Other speakers are most ably addressing the Community Patent Convention and, accordingly, I shall not address it to any substantial degree. Even if the Community patent becomes a reality, however, national patent systems will remain. How viable national patents will be depends on, inter alia, how well they are respected by the European Community and national courts in the light of Community rules such as those on free movement of goods and also competition law. This then will be the principal focus of this paper.

It is necessary that some background in the instruments and institutions of the Community be provided to form a base for the discussion substantively of influences on the viability of patents in Europe after 1992. Each of these instruments and institutions has a role to play

in developing intellectual property law and policy in Europe. Indeed, many of those institutions are currently actively involved as various initiatives and adjudications are in progress now which will have substantial effect on intellectual property law and policy. Therefore, it is desirable to set the scene by describing in a broad and general way the nature of the European Community after 1992 (which may come to comprise virtually all of Europe by the turn of the century or shortly thereafter). For those who are already familiar with the Community the immediately following Section in regard to Europe after 1992 will be found to be quite basic, but it is hoped that it will be seen as a useful general foundation. The succeeding Sections 2 and 3 also set the scene by describing the current position of patents in Europe, again, quite generally as other speakers will well cover this topic more thoroughly. The substantive discussion of the principal topic at hand for this paper begins at Section 4.

1.0 EUROPE AFTER 1992 - GENERAL

1.1 The Original Objectives of the EC

The European Community was founded by the Treaty establishing the European Economic Community, frequently referred to as the Treaty of Rome (the "Treaty"). The Treaty came into effect on January 1, 1958. There are now 12 Member States: Belgium, France, Germany, Italy, Luxembourg, the Netherlands (the original six members), plus Denmark, Ireland, Greece, Portugal, Spain, and the United Kingdom.

The founders aimed to create a single economic community. According to Article 2 of the Treaty they agreed to establish a common market, progressively approximate the economic policies of Member States and thus the relevant laws, and promote throughout the Community a "harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it". Thereby they would create a common market in which goods, services, labor and capital would move as freely throughout the Community as they could within each Member State, and in which the economies of the Member States would be coordinated. As its aims were originally expressed in the Treaty, the Community was to be primarily economic in nature, but economics can never be divorced entirely from

politics. Thus, a fundamental principle underlying both the application of the Treaty and of Community law generally is the advancement of the goal of European economic union; some would say simply "European Union"! The application of Community competition law and, increasingly, developments in intellectual property law within the Community, reflect this goal.

1.2 What is "1992"?

Although considerable progress had been made by the mid-1980s, the Member States were still far from achieving the ideals set out in the Treaty and in many respects national markets remained fragmented. Individual country markets continued to remain separate internal markets as a result of a host of direct and indirect non-tariff barriers. These were often actively used to prevent exporters in other Member States from gaining access to national markets on a fair and competitive basis with local firms.

A renewed determination arose on the part of the Commission (and the EC) to remove these residual barriers and achieve a true common market, and "1992" is shorthand for the resulting legislative program.

1.3 The "White Paper"

In 1985 the Commission published a "White Paper"[2] on "Completing the Internal Market" in which it set out in essence an "8-year plan" for demolishing physical, technical and fiscal barriers and creating a single integrated internal market by the end of 1992.

The White Paper was a wide-ranging review. It took stock of developments achieved so far, focused on those areas where Community measures were required, outlined the Commission's proposals for action, and proposed a timetable for the adoption of appropriate measures by the Council. It did not purport to be a detailed plan for every area of European integration, or a comprehensive list of all the Commission's proposed measures affecting the internal market. It did, however, attempt to identify the principal barriers to the free movement of goods, persons, services and capital within the Community. The White Paper was therefore

an important statement of Commission policy with regard to those issues which are of principal concern to European undertakings, and indeed to non-EC enterprises wishing either to invest in EC companies or to trade in the Community.

The White Paper outlined a program of nearly 300 proposals for completion of the internal market and the removal of physical, technical, and fiscal barriers by the end of 1992.

1.4 The Single European Act ("SEA")

The commitment to complete the single or unitary market was formally embodied in a special Act, the Single European Act, which has been in force throughout the Community since July 1, 1987. It is a treaty amending and supplementing the Treaty between the 12 Member States and has been adopted and given effect under domestic law in each of them. The Act defines "internal market" as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured" and requires the Community to adopt measures with the aim of progressively establishing the internal market by the end of 1992.

As of September 1991 progress had been significant but 69 out of the 282 White Paper measures still required a decision of the Council of Ministers. Responsibility for these measures was spread across a number of different ministerial Councils - 17 concerned the Internal Market Council, 25 the Economics and Finance Council (ECOFIN), and 20 the Agriculture Council. Six Member States, including the UK, had implemented 75% or more of White Paper measures. Five fell within the 60-75% category. Italy was at the bottom of the list with just 40% of measures implemented.

The most recent step in the evolution of the EC has been the Maastricht Treaty on European Union which was signed on February 7, 1992. The Maastricht Treaty represents the culmination of more than a year's work in two inter-Governmental conferences, one on political union and one on economic and monetary union. It makes various amendments to the Treaty of Rome, extending the policy areas in which the EC has "competence" and including new provisions on inter alia, foreign and security policy, interior and justice matters, citizenship and social policy (although Britain elected to opt out of the social policy

provisions signed by the other 11 Member States).

Changes are also made to the EC institutional structure which will mean that the European Parliament will have new powers in monitoring the EC's financial affairs as well as increased influence in the EC legislation procedure.

A timetable for implementation of the provisions for economic and monetary union is set out in the Maastricht Treaty, which aims for a single currency by 1999 at the latest. However, it must now be ratified by all 12 Member States before it can come into force. The target date is January, 1993. This may be optimistic in view of elections in the United Kingdom and Italy, referenda required by certain countries' constitutions and revisions to the text proposed by countries such as Germany. The Single European Act (which provoked a referendum in Ireland) took nearly 18 months from signature (February 8, 1986) to entry into force (July 1, 1987). It remains to be seen whether the Maastricht Treaty will encounter similar local difficulties.

The breadth and nature of the above provisions indicate that the Maastricht Treaty is indeed a document which aims for political as well as economic union.

1.5 EC Institutions

1.5.1 The Council of Ministers ("Council")

The Council is the Community's principal legislative body, although some legislative competence is delegated to the Commission. The Council acts on proposals submitted to it by the Commission. It is made up of ministerial representatives from each of the Member States. The actual make-up of a particular meeting of the Council depends upon the subject at hand. The presidency of the Council carries considerable political influence and rotates every six months among the Member States. Portugal currently holds the Presidency until June 1992, when the United Kingdom will take over until the end of 1992.

1.5.2 The European Commission ("Commission")

The Commission is the Community's executive. Its principal job is to prepare and propose new policies and laws for the Community and to ensure that decisions, once taken, are carried out. It comprises 17 "Commissioners". The Commissioners are not elected, but nominated by their governments. Once appointed, however, they owe their duty to the Community; they are not representatives of the individual Member States. The Commission has a support staff of about 12OO. It is organized into 23 specialist departments called "Directorates-General" (DGs) based in Brussels plus a central Secretariat. Important DGs for intellectual property rights and technology generally include:

DG III	Internal Market and Industrial Affairs
DG IV	Competition
DG XI	Environment, Consumer Protection and Nuclear Safety
DG XII	Science, Research and Development
DG XIII	Telecommunications, Information Industries and Innovation.

Generally, the Commission has the power to initiate legislation. As such, it is an active source of intellectual property initiatives and many such initiatives are in work at the moment. While the Commission may not finally decide these initiatives itself, in one sense the Commission holds the pen on such initiatives and is very influential in regard to the development of intellectual property within the Community.

1.5.3 The European Parliament ("EP" or "Parliament")

The Members of the European Parliament ("MEPs") are directly elected in elections held throughout the Community every five years. The Parliament is playing an increasing role as a result of increased powers given it by the Single European Act. For instance under Article 1OOA the Council must decide on the content of legislation relating to the internal market with the "cooperation" of the Parliament. The consequence of this is that the Parliament has a right of "second reading" in respect of such legislation, in effect most of the legislation relating to the 1992 program. The Parliament's influence will be further increased

as a result of the new "co-decision procedure" embodied in the Maastricht Treaty. This is discussed more fully below.

1.5.4 The Economic and Social Committee ("ECOSOC")

This is an advisory or consultative body made up of members drawn from various walks of economic and social life (e.g. trade unionists, producers, farmers and professional people). It has few real powers. Its main significance is that the Treaty often requires the ECOSOC to deliver opinions to the Council on proposals issued by the Commission. For example, Article 100A requires the Council to consult with the ECOSOC on legislation concerning the internal market.

1.5.5 The European Court of Justice ("ECJ") and Court of First Instance ("CFI")

Based in Luxembourg, the ECJ (often called the "Court") comprises 13 judges (one from each Member State plus one chosen in rotation from the five biggest Member States to ensure an uneven number). The ECJ is the final arbiter of Community law. It must be remembered that Community law now forms part of the domestic law of each Member State, and that where there is a conflict, Community law prevails. The ECJ's job is to see that Community law is properly applied throughout the Community. Thus, in matters where the Community is competent, the ECJ is its highest court of appeal.

The CFI was established by the SEA to take some of the ECJ's work load. All competition-related cases are now generally heard first by the CFI, leaving the ECJ to concentrate on important or complex matters. CFI decisions are subject to an appeal to the ECJ. The CFI is playing an important role as its decisions of recent date have generated considerable influence and debate. Witness the recent decision of the CFI in the Magill[3] cases and the PVC case[4] which have generated or are generating much interest.

1.6 EC Legislation

Legislation may take the form of Regulations, Directives, Decisions or Recommendations and Opinions.

Directives - These define the results to be achieved and require that national legislation be introduced by a specified date. Within defined parameters the form and method of achieving results is left to the discretion of national governments. Certain Directives have, however, been interpreted as being directly applicable and thus have an effect similar to Regulations. As examples, a Directive is in place for the protection of Software by copyright; one was recently proposed for the protection of Databases; one has been proposed for some time to harmonize patentability of biotechnological inventions.

Regulations - These in contrast are immediately binding on all Member States and individuals. They are "directly effective". No national legislation is required for their implementation. Interestingly the Commission has proposed (and the Council has adopted) a Regulation, rather than a Directive, to provide for extended terms for pharmaceutical patents in the Community. A Regulation and Directive have been proposed for the protection of Designs.

Decisions of the Council or Commission - These are binding on Member States or any other legal or natural person to whom they are addressed who may be affected by them.

Recommendations and Opinions - These have no legal force as such and are merely advisory. Often the aim is to encourage desirable, but not necessarily enforceable, good practices throughout the Community.

1.7 The Legislative Procedure

The Council can delegate its powers to allow the Commission to adopt Regulations and

Directives without further reference back to the Council - usually acting on technical advice given by a Standing Committee - those procedures will not be discussed further here. What follows are the procedures by which major EC legislation is adopted.

There are two current procedures and a third proposed:

1.7.1 Consultative Procedure

Under the simple consultative procedure the Commission makes a proposal for a directive or regulation to the Council. The European Parliament and ECOSOC must deliver a formal opinion, but the Council is free to ignore any such recommendations made. The Commission may revise its proposal at any time up to the final adoption by the Council. However, the Council may only amend the proposal if acting by unanimity. If the proposal is acceptable to the Council, it will adopt it (by qualified majority or unanimously as the Treaty requires). If the Council cannot reach agreement the proposal lies dormant until such time as a consensus can be achieved.

1.7.2 Cooperation Procedure

The Cooperation Procedure was introduced (with effect from July 1987) to try to speed up the legislative process and to give the European Parliament more power. Under this procedure, once a proposal has been made by the Commission the Council must adopt a "Common Position" which takes into account the Parliament's opinion on that proposal. This Common Position goes back to the Parliament for a second reading and time limits then apply. The Parliament has three months to approve the common position or propose amendments. If it approves (or does nothing), the Council must adopt the proposal forthwith. If the Parliament rejects the common position the Council can overrule the Parliament but must do so by unanimity. If the Parliament proposes amendments, the Commission then has a month to review them and submit its views to the Council. The Council has three months either to adopt the Commission's proposal by a qualified majority, or adopt by unanimity any EP amendments not approved by the Commission. If the Council fails to act at all, the proposal lapses.

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1.7.3 Proposed Co-decision Procedure: Maastricht Treaty

At Maastricht a new "co-decision" procedure was agreed which will increase still further the influence of the European Parliament in the EC legislative process. Under the new procedure, (which, of course, is not yet in force) once the Council has adopted a Common Position, if the European Parliament proposes amendments which the Council cannot accept, a Conciliation Committee (consisting of an equal member of Council Members and of Parliament representatives) will be set up to try to agree upon a joint text. The Commission's role will be to try to reconcile the positions of the Council and of the Parliament. Decisions of the Committee will be taken by a qualified majority vote of Council representatives and simple majority of Parliament representatives.

The Committee has six weeks in which to achieve a joint text, and then the full Parliament and the Council have a further six weeks in which to approve this text. If no joint text can be agreed, the Council has six weeks in which to confirm its original common position, with or without amendments proposed by the Parliament, but this can then be blocked by the Parliament, voting within a further six weeks to reject the text. Limited extensions of these time limits are possible in some circumstances.

If, on the other hand, the Parliament intends to reject completely the Council's common position, either the Conciliation Committee is again set up, or the proposal lapses. This is different from the cooperation procedure where, you will recall, the Council is able to override the Parliament and adopt its common position by unanimity. However, the Parliament is going to have to be disciplined about timing when voting on co-decision proposals. If it fails to take a view within three months on a common position, the Council may adopt it. Whenever the Parliament votes in the co-decision procedure, it must achieve an absolute majority of its members, i.e., 260 votes (half of 518 plus one) have to be cast, not merely a majority of these present when the vote is taken.

The composition of the Parliament is currently (March 1992(predominantly Socialist (180 seats, with the centrist Christian Democrats at 128) and it has on occasion held up internal

market measures to mark its disapproval of lack of progress on the so-called "social dimension".

No transitional provisions are provided in the Maastricht Treaty for legislative proposals going through the decision-making process at the time the Treaty comes into force, so the procedure to be used will depend on the stage a particular proposal has reached (Council Common Position, Parliament position on Council Common Position and so on). Bearing in mind the lobbying and publicity which surrounded the debating of the EC Software Directive during 1988 to 1990, and the vehement continuing "Green" opposition to the proposed directive to harmonize patentability of biotechnological inventions, new initiatives (like the proposed directive on protection for Databases) may have an easier or harder legislative passage depending on the stage they have reached when the Maastricht Treaty comes into force. This may lead to a strategy of trying to get certain proposals adopted early before the Maastricht amendments become operative.

2.0 PATENTS IN EUROPE - THE CURRENT POSITION

2.1 Introduction

Currently all patents in Europe are national. To date, there is no pan-European nor even pan-EC patent. A Community Patent is contemplated and efforts are currently under way to get it off the ground. The Community Patent is, however, not intended to replace national patent rights, but to complement such rights. Therefore, currently, national rights remain the only available rights.

Patent protection is available by applying individually at each national patent office, or by using the streamlined routes offered by the European Patent Convention (EPC) or Patent Cooperation Treaty (PCT), or a combination of these.

2.2 The European Patent Convention (EPC)

The EPC system provides for centralized filing, examination and prosecution before the

European Patent Office (EPO) in Munich. The countries in which patents are desired must be designated when making the application. If granted the application then issues not as a single "European" patent but as a bundle of national patents in the designated countries.

The EPC has proved a major force in harmonizing patent laws in Europe (including the EC). All the EC countries except Ireland have ratified the EPC, and all the EFTA countries except Finland and Iceland. Most of the EC and EFTA Member States have also amended their national laws to harmonize them with the EPC. The exception is Ireland which has still neither ratified the EPC nor amended its national laws. Although not members of the EPC, both Finland and Norway have amended their laws in conformity with the EPC. So the underlying national patent statutes within Europe now are significantly in harmony.

Although the statutory patent laws may be similar, it does not follow that national courts will always interpret statutory provisions or patent claims similarly. As a consequence, there is still significant diversity in the application of patent law in Europe. Accordingly, to promote consistency among the courts, a Protocol on the Interpretation of Article 69 of the EPC[5] provides in essence that the correct approach by the courts to patent claim construction is not to apply a strict literal meaning, nor only to use the claims as a guideline, but to arrive at a middle ground "which combines a fair protection for the patentee with a reasonable degree of certainty for third parties". Notwithstanding this, considerable diversity still exists.

2.3 National Patent Systems

The respective national patent systems remain in each Member State (or in the case of Benelux Member State grouping) and the national patent laws co-exist alongside the EPC notwithstanding substantial harmonization. The EPC has proved extremely successful since its inception in 1978 and the majority of patent applications in Europe are probably now filed through the European rather than national route.

2.4 PCT

The PCT system is not an alternative to the European or national systems but sits alongside

them as a way of preserving an applicant's position and enabling a preliminary search to be obtained before the expenses of general international filings need be incurred. It is therefore basically a work saving arrangement whereby the applicant effectively has 20 months after filing a basic application to file national applications in other participating countries. In the meantime he will have obtained an international search report which will help him decide if and how best to proceed with a full filing program.

3.0 COMPULSORY LICENSING FOR "ABUSE" OF RIGHTS

The national patent laws of the EC all provide for the imposition of compulsory licenses in appropriate circumstances. It is beyond the scope of this paper to cover each country. Taking the United Kingdom as an illustration, the circumstances in which compulsory licenses may be imposed are dealt with in Section 48 of the UK Patents Act 1977. The grounds upon which a compulsory license may be obtained in the UK are briefly:[6]

- A patented invention capable of being commercially worked in the United Kingdom is not being so worked at all or to the fullest extent that is reasonably practicable;

- Demand for a patented product in the United Kingdom is not being met on reasonable terms or is being met to a substantial extent by importation only;

- The commercial working of the patented invention in the United Kingdom is being prevented or hindered by the importation of the patented product or the product of a patented process;

- By reason of the refusal of the patentee to grant a license or licenses on reasonable terms a market for the export of any patented product made in the UK is not being supplied; or the working or the efficient working in the UK of any patented invention which makes a substantial contribution to the art is prevented or hindered; or the establishment or development of commercial or industrial activities in the United Kingdom is unfairly prejudiced; and

- The manufacture, use or disposal of materials not protected by the patent, or the establishment or development of commercial or industrial activities in the United Kingdom, is unfairly prejudiced by reason of conditions imposed by the patentee on the grant of licenses under the patent, or on the disposal or use of the patented product or on the use of the patented process.

In appropriate cases licenses may be granted not only to the applicant but also to the applicant's customers. Furthermore existing licenses to the applicant may be cancelled and replaced by the new one or the existing license may be amended. There are also provisions allowing the Government to effect compulsory licenses where reasons of national security so demand.

These are the provisions contained in the Patents Act for imposition of a compulsory license effectively resulting from an abuse of the exclusive right granted to the patentee by the Act. The Designs Act also includes compulsory license provisions. There are no such statutory, general compulsory licensing provisions in the UK for copyrights. The Patents Act also contains separate provisions negating the enforceability of a patent or validity of a license agreement when certain restrictive provisions are present in the agreement.

4.0 EC GOALS VERSUS NATIONAL PATENT RIGHTS

As discussed above, currently national patent rights are the only option for patent protection in Europe today. We have also seen that on the other hand the aim of the EC is to create a single market within which firms can be active across borders, competing on a fair and efficient basis. In this single market goods and services should be able to circulate freely, without hindrance because of the mere fact that they cross the border between one Member State and another. The aim is to achieve this by the end of 1992.

Patent rights are by their very nature exclusive. The patentee may if he chooses derive remuneration from exploitation by licensees. But he may also in his discretion keep the right to exploit for himself and exclude all third parties from using the invention. The protective effect of patents is limited to the territory of the Member State granting such protection.

National patent rights therefore potentially create barriers to trade between Member States; a tension can therefore exist between national patent rights on the one hand and the principles of free movement on the other. Also, by their nature such rights also affect the abilities of third parties to compete with the patentee, thus presenting a further tension between patent law and competition law. Accordingly, the continued viability (in the sense of continued effectiveness as rights of exclusion) of national patent rights in the EC depends on such tensions being properly rationalized by the Commission and the ECJ.

It is now well established that in case of conflict Community law prevails over the national law of Member States. However, against this background, Article 222 provides that the provisions of the Treaty (including those on free movement and competition) "shall in no way prejudice the rules in Member States governing the system of property ownership". This provision has been held also to apply to intellectual property, including patents.[7]

There is thus a degree of tension between the Community ideal and, specifically, the free movement of goods provisions of the Treaty on the one hand, and patents and others forms of intellectual property on the other hand. This is because patents can resurrect borders between Member States, and at first sight reduce or even eliminate competition.[8] The holder of the right thus seems to be in a position to defeat (or at least frustrate) the objectives of the Community. It is from the inherent conflict between these notions - the territorial status of exclusive national rights, and the unified market with free competition - that problems in connection with patents and, indeed, other forms of intellectual property are perceived to arise.

It should be noted in passing that similar, but not identical, issues arise in the context of other categories of intellectual property, notably trademark, copyright and design rights. However, precisely because the characteristics of each type of intellectual property are different, care must be taken to tailor the resolution of the conflict between national intellectual property rights and free movement in each case having regard to the particular categories of intellectual property in question.

The relationships between EC law and national patent rights may be further affected the

introduction in the Maastricht Treaty of the principle of subsidiarity, according to which the EC should only take action when objectives cannot be sufficiently achieved by Member States acting individually. This principle is intended to guard against over-centralization and over-regulation at European level, but it remains to be seen what effects it will have in relation to the interaction between national intellectual property rights on the one hand and the competition and free movement of goods provisions of the Treaty on the other hand.

The institutions of the Community and the Member States have thus far endeavored to find solutions on three different levels.

First, the Treaty itself contains certain rules dealing with the free movement of goods and with free competition, and these rules may be used to balance conflicting objectives.

Second, national laws on patents and other forms of intellectual property rights may be harmonized to mitigate some of the adverse effects caused by the conflict.

Third, the Community-wide patent may be introduced and in due course possibly other Community-wide intellectual property rights.

Some of these solutions and the conclusions to be derived therefrom are discussed below. Particular attention will be paid to competition law as applied to patents. Before doing so, however, it will be helpful to sketch, however briefly, the way in which the application of Community law to patents (and other forms of intellectual property) has evolved.

4.1 Articles 222 and 36

As mentioned above, Article 222 of the Treaty protects intellectual property rights. It provides that "[t]his Treaty shall in no way prejudice the rules in Member States governing the system of property ownership" (emphasis added). Article 222 is found in Part Six of the Treaty, the "General and Final Provisions", and therefore applies to all of the provisions of the Treaty.

By contrast, the "free movement of goods" provisions (Articles 30 to 36) are included in Part Two, Title I of the Treaty. Article 36 provides:

> The provisions of Articles 30 to 34 [on the free movement of goods] shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of ... the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

While Article 36 applies to free movement of goods cases, it does not apply to competition cases (which are found in Part Three, Title 1, Chapter 1, "Rules on Competition" of the Treaty). This may be relevant because Article 36 is more stringent than Article 222 in that it contains a reference to arbitrary discrimination and disguised restrictions which Article 222 does not contain. It may, however, be appropriate to contrast the ambit of the two provisions - Article 222 applies to the existence of rights, while Article 36 is concerned both with the existence and the exercise of rights and, in particular, their use as a means of restricting intra-Community trade.

4.1.1 The Meaning of Article 222

Article 222 underpins to a substantial degree the ECJ's case law concerning intellectual property and competition. It is worthwhile therefore to review its precise meaning. In one of its earliest cases, Consten and Grundig v. Commission concerning Article 85, the ECJ held that Article 222 also applies to intellectual property.[9] In the words of the Advocate-General's Opinion in that case, Article 222 must be interpreted as meaning that:

> all the basic elements of the national system of property ownership must remain unchanged. This equally means that the existence of rights appertaining to inventions analogous to property rights must remain unchanged.[10]

It has been questioned whether this was the original intention of the draftsmen of the Treaty. The first draft of Article 222 provided that "[t]his Treaty shall in no way prejudice the system of ownership of the means of production existing in the Community".[11] The reference to

"means of production" was considered insufficiently clear and replaced by a reference to "undertakings to which the provisions of this Treaty apply".[12] In the final drafting stages, the words ("of undertakings ... apply") were deleted.[13] The result is a broadly stated provision.

The first drafts of Article 222 were very similar to Article 83 of the European Coal and Steel Community ("ECSC") Treaty, which served to reserve the right of Member States to nationalize or privatize coal and steel corporations.[14] Some have suggested that the original purpose of Article 222 was the same.[15] The changes that were made in the final drafts (in particular the deletion of "of undertakings") and the wider application of the EC Treaty beyond the areas of coal and steel strongly suggest, however, that Article 222 has a broader scope. This issue was the subject of debate immediately after the adoption of Article 222. The Commission argued that Article 222 did not exempt intellectual property rights from the application of the Treaty provisions.[16]

The ECJ settled the matter and rationalized the debate in Grundig and Consten and subsequent cases by developing an analysis based upon the dichotomy between the existence of an intellectual property right and its exercise. Since that time, the meaning of Article 222 has not been directly challenged. The approach of the ECJ to Article 222 does not mean that intellectual property rights are sacrosanct and can be used to avoid the results to be achieved by the Treaty. The ECJ held that:

> whilst the Treaty does not affect the existence of rights recognized by the laws of a Member State in matters of industrial and commercial property, yet the exercise of those rights may nevertheless, depending on the circumstances, be restricted by the prohibitions contained in the Treaty.[17]

So far in case law, the ECJ has consistently applied the distinction between exercise and existence to decide what will be subject to its scrutiny and what will not. The question is how to distinguish the existence from the exercise of an intellectual property right.

4.1.1.1 Specific Subject Matter

To ensure that the "existence" of an intellectual property right in a given case before the ECJ is not prejudiced, the ECJ has in almost every case defined the "specific subject matter"[18] or the "substance"[19] of the right involved, or the "essential rights" of the rightholder.[20] There may be minor semantic differences between these terms.[21] In practice, however, these terms have been used more or less interchangeably across the broad range of the ECJ jurisprudence including both competition and free movement of goods cases.[22]

From the case law of the ECJ referred to above it can be concluded that "existence", "substance", "specific subject matter" and "essential rights" refer to a bundle of rights that are at the very core of the intellectual property right at issue. In the case of a patent, for instance, it has been held that its specific subject matter is:

> The guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties, as well as the right to oppose infringement.[23]

This definition protects the patent holder against unauthorized application of his invention and against the marketing of products or services using his invention without his permission and is thus central to the patent's fundamental role of encouraging innovation by granting monopolistic rights as a compensation device.

The core bundle of rights is distinguished from rights that only constitute the fringe of the intellectual property right.[24] An example of such a fringe characteristic is the territorial nature of the right, in situations where national law allows the rightholder to prevent imports of products marketed abroad by him or with his consent (provided he has had his reward - see discussion of exhaustion below).

4.1.1.2 Interesting Aside on Article 222

A final note on an issue that may be relevant for harmonization of intellectual property law

within the Community is that Article 222 applies to national intellectual property, so as to protect its "existence" and, therefore, its specific subject matter. Article 222 also applies if the national laws are introduced in order to implement Community directives. If, however, intellectual property rights are introduced by regulation at a Community level, or even, perhaps, by a directly applicable directive, Article 222 presumably will not apply. A proprietor of such a Community Patent, Design or Trade Mark would, therefore, not be able to rely on article 222 in resisting a particular application of the free movement of goods or competition provision of the Treaty to his intellectual property.

4.1.2 Free Movement of Goods Provisions - The Meaning of Article 36

In Article 36 cases (concerning the free movement of goods), the ECJ not only uses the notion of the "substance" of the right, but sometimes also invokes the "basic function"[25] or "essential function"[26] of intellectual property rights. These terms tend to refer to the objective of the legislature in granting the right.[27] The essential function of a patent, for instance, is to ensure for the inventor an opportunity to obtain a reward for his efforts or innovation and thus, if seen ex ante, gives an incentive for would-be inventors to invest time, money, and efforts into research.[28] If a particular exercise of an intellectual property right does not reasonably correspond to the essential function of the right, the principle of free movement of goods prevails.

More recently, the ECJ has taken to using the words "legitimate exercise" and "abusive" or "improper exercise" in copyright and design cases involving Article 36.[29] "Legitimate" exercise is "justified" under Article 36 to protect intellectual property, and "abusive exercise" is defined as "of such a nature as to maintain or establish artificial partitions within the common market".[30]

Why has the ECJ begun to use different words than the traditional "exercise" and "existence" and why does it ponder the "function" of the rights? It has been said that the existence of an intellectual property right can be equated to the aggregate of all the different ways of exercising it.[31] This mere semantic debate may be at the root of the ECJ's wording. However, the matter also may be more fundamental. In recent Article 36 cases, the ECJ

apparently felt the need to explain why the national law was reasonable and why it should be available as a defense against a claim based on Article 30.[32] Such an analysis is suggested by the text of Article 36, which requires that the restriction of imports be "justified" by the protection of the intellectual property right and that the "prohibitions or restrictions shall not ... constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States."

The word "justified" has a connotation of proportionality and reasonableness. For this reason it might be taken to indicate that the ECJ is entitled to review the "substance" of intellectual property under national law, in order to verify whether the core bundle of rights granted by national law indeed outweighs the interest the Community has in the free movement of goods. It is important to note, however that the ECJ has so far consistently rejected arguments that it should review the legitimacy of, for instance, trademark protection in Germany, or patent or design rights in the United Kingdom or Italy.[33] Moreover, as has been emphasized before, Article 36 applies to free movement of goods and services cases only and Article 222 is not identical to Article 36. Article 222 does not refer to restriction having to be "justified" and does not contain the reference to "arbitrary discrimination" or "disguised restriction on trade". These considerations may be relevant when applying the competition provisions of the Treaty to patents and other forms of intellectual property.

5.0 ARTICLES 85 AND 86: COMPETITION RULES

5.1 Article 85

While Article 85 applies to both horizontal and vertical arrangements on the exploitation of intellectual property,[34] most case law in relation to intellectual property rights concerns license agreements. The first cases date back to the 1960s[35] and 1970s.[36] From the 1970s onwards, the Commission adopted block exemptions which state precisely the conditions under which certain kinds of agreements are automatically exempted. The most relevant regulations in the field of intellectual property concern patent licensing agreements (1984) and know-how licensing agreements (1989). Agreements that do not comply with the conditions for application of the block exemption regulations continue to be dealt with by the

Commission on an individual basis.[37]

The Commission's traditional approach to license agreements has been criticized on the ground that certain restrictions on the licensee's and licensor's conduct may discourage competition. In particular, if the parties are unable to impose certain ancillary restrictions, they may decide not to enter into a licensing agreement, in which case there will be not more, but less competition. Recent case law of the Commission[38] and the ECJ[39] has allowed for such considerations to be taken into account.

5.2 Article 86

Article 86, which prohibits the abuse of a dominant position, has also been applied in the field of intellectual property.

5.2.1 Dominance

The ECJ has defined a dominant position as:

> a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by giving it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of consumers.[40]

The possession of an exclusive right may be one of the factors determining dominance, but it is not in itself conclusive.[41] A patent does not in and of itself allow a patentee to ignore competitors and customers if another product can be substituted for the product covered by the patent, and the function and characteristics of the other product are sufficiently similar from the point of view of the user. Nevertheless, if intellectual property rights cover spare parts that cannot be substituted by a third party's spare parts, the Commission has on occasion shown itself quickly inclined to find dominance.[42]

The nature of the right may also be relevant. For example, it is arguable that a copyright which is necessarily co-existent with a product of economic value could be a key indicator of

dominance in a relevant product market, and that the same is less likely to be true in the case of a patent, which may only be an element of a product. Equally, a trademark might not necessarily have any direct relationship to a particular product market.

In general, if a firm has a market share of more than 40% of the relevant product market in the relevant geographical market, there is a risk that it might be found to be dominant (unless in an oligopolistic market situation).

5.2.2 Abuse

The very essence of a patent is that it is exclusionary. A mere refusal to allow others to exploit an invention should therefore not be considered to be abusive, since that would mean stripping rights under national law of all effect and leaving but a mere shell with no meaningful existence. As explained above, under Article 222, the provisions of the Treaty (in particular Articles 85 and 86) may not prejudice the rules in Member States governing the existence of intellectual property.

For this reason, the ECJ has held that the mere fact that an exclusive right is enforced does not constitute an abuse,[43] nor does the simple refusal to grant a license to a third party. In the words of the ECJ

> ... the rights of a proprietor of a protected design to prevent third parties from manufacturing and selling or importing, without its consent, products incorporating the design constitutes the very subject matter of his exclusive right. It follows that an obligation imposed upon the proprietor of a protected design to grant to third parties, even in return for a reasonable royalty, a license for the supply of products incorporating the design would lead to the proprietor thereof being deprived of the substance of his exclusive right, and that a refusal to grant such a license cannot in itself constitute an abuse of a dominant position.[44]

Prohibiting the mere exercise of the right would reduce it, in some cases, out of existence. As explained below, this is exactly what happened in Magill which is now on appeal to the ECJ. In Magill the Commission and the CFI prohibited copyright holders from doing the

very thing that the applicable national copyright law allowed them to do: prevent unauthorized third parties from producing and distributing copyrighted material. (If such result should be affirmed broadly, the effectiveness of patent based exclusionary rights could be influenced thereby.)

As has been seen, traditionally the ECJ has drawn a line between the "existence" and the "exercise" of a right, indicating that an abusive exercise requires certain additional features over and above the mere refusal to allow others to use the protected rights.[45] Use is not in itself abuse. To illustrate this approach, in Volvo and Renault, the ECJ mentioned three carefully selected examples of such additional features.

The three examples of abusive conduct cited in Volvo and Renault were the following: (i) the arbitrary refusal to supply body panels (i.e., the protected goods) to independent repairers (i.e., purchasers who used these goods for the services they offered), (ii) the fixing of prices for the body panels at an unfair level and (iii) ceasing production of the body panels even though they would still be needed on a large scale for repairs and maintenance.[46] In effect, the ECJ indicated that it would not permit intellectual property rights to be used to gain an unfair advantage in a market for products not covered by the rights. In other words, the ECJ would not permit the rights of the patentee or other rightholder to be exercised illegitimately outside their proper scope. On the other hand, the ECJ declined to uphold a challenge to either the existence of the right, or rights fundamental to that existence.

Thus, taking the first two examples, if spare parts are arbitrarily refused or unfairly highly priced, third parties are precluded from repairing certain automobiles, since they cannot purchase the parts and are precluded from making the spare parts without a license. As a result, they cannot compete with the repair service provided by the rightholder. The market in which the latter thus obtains an advantage, the service market, does not require exploitation of the intellectual property or performance of any act which is reserved for the rightholder. Independent repairers only need the spare part, not the right to make it.

As to the third example, if spare parts for recent models cease to be available and no third party is authorized to produce them, users of cars with defective parts (i.e., customers who

have been supplied in the past and who have therefore become dependent on the supply of parts) are forced to purchase new models. The market in which the effect of the behavior is felt and the unfair advantage is obtained is the market for automobiles. A remedy in all three examples would be to leave the choice to the producer whether to supply the parts within a reasonable time and at reasonable prices or to grant a license.

Although the list of examples is not exhaustive, it does not suggest that other examples should include situations where competing firms need to engage in restricted acts (copying, in the case of copyright and design, or exploiting an invention, in the case of patents) to enter the dependent market. There is no indication that the ECJ in Volvo and Renault abandoned the principle set out in Article 222 that there is a core bundle of rights which are reserved to the rightholder and which are not called into question by the competition rules of the Treaty.

Thus, the law remained, after Volvo and Renault, that even if the reasoning expressed in those cases applies equally to patents, as may well be the case, there is no principle of Community law which requires the granting of a license, except in the particular type of circumstances discussed above. Specifically, one might still expect the specific subject matter of a patent to comprise at least (i) the exclusive right of the patentee to place patented goods on the market either himself or through a third party with his consent, i.e., a licensee; and (ii) the right to pursue infringers.

However, there are now the decisions of the Commission and the CFI in Magill[47] to which reference has been made above, and which is currently on appeal to the ECJ. The potential significance of Magill is difficult to assess, even if the existing Commission Decision and judgment of the CFI are upheld, because of its very particular facts. However, because of its possible serious implications, it is worthy of special mention.

5.3 Magill - Its Reasonable Implications

The essence of the three Magill cases is that the Commission and the CFI prohibited three broadcasting organizations, BBC, ITP and RTE, from invoking a right they had under

national copyright law to exclude competitors from copying and disseminating certain program lists. Although the Magill cases concern copyrights, they may present fundamental questions on the relationship between intellectual property and EC competition law. Thus, these cases are relevant to the question of whether national patents will continue to be viable to maintain exclusionary rights in inventions in the EC in the future. Notably, the "market" which was the object for exploitation in Magill (assuming it was a separate market) was a market for products that required reproduction of the protected work. In this major respect, Magill deviates from Volvo and Renault.

In order to reach its conclusion, the CFI seemed not to refer to the traditional existence/exercise dichotomy. Instead, it used a somewhat confusing array of different arguments.

First, it distinguished "legitimate exercise" from "improper exercise" - notions which it seems to have taken from cases decided under Article 36.[48] "Improper exercise" is defined as "likely to create artificial partitions within the market or pervert the rules governing competition". This appears to differ from the definition of "improper exercise" used in the past in the case law of the ECJ, which referred only to "artificial partitions within the common market". Moreover, the CFI did not indicate clearly why the broadcasting companies' behavior was an abuse, i.e., what additional circumstances or behavior over and above the exercise of the copyright itself led to a finding of abuse. The notions of "legitimate" and "abusive" exercise appear to be derived from cases concerning Article 36. It is perhaps questionable whether they are relevant in an Article 86 context, as explained above, since Article 36 is a special rule that applies only to the free movement of goods provisions.

In addition, there is no reference in Magill to any set of core rights inherent in the existence of the copyright which are - as Article 222 dictates - free from the interference of the EC Treaty so long as they are based on national law.

The CFI acknowledged the "actual substance of the intellectual property" by quoting earlier cases from the ECJ.[49] It stated that the exclusive rights of the author "are not called in question by the rules of the Treaty".[50] However, the CFI appears then to have done

something at least quite similar to that when it said that:[51]

> While it is plain that the exercise of the exclusive right to reproduce a protected work is not in itself an abuse, that does not apply when, in the light of the details of each individual case, it is apparent that that right is exercised in such ways and circumstances as in fact to pursue an aim manifestly contrary to the objectives of Article 86. In that event, the copyright is no longer exercised in a manner which corresponds to its essential function, within the meaning of Article 86 of the Treaty, which is to protect the moral rights in the work and ensure a reward for the creative effort, while respecting the aims of, in particular, Article 86. (para. 71, emphasis added).

Thus, the CFI applied the "essential function" test (which is based on the word "justified" in Article 36, not on Article 222) though perhaps changing its meaning somewhat. In addition, it changes the meaning of "essential function". According to the case law of the ECJ, the "essential function" is a concept of Community law, the contents of which are determined by national law. The CFI seems to have imported EC competition rules (Article 86) into the contents of "essential function" and thus into the "existence" of copyright.

In other words, whereas under the case law of the ECJ in competition cases there was a core bundle of rights (determined by national law in the absence of Community harmonization), which the provisions of the EC Treaty did not affect, the CFI now seems to be using Article 86 of the Treaty to determine what the core rights are, and thus circumvent Article 222. In doing so, it has allowed Community law to override national laws in an area which Article 222 reserved to national legislation and harmonization.[52] The CFI justified its reasoning that Article 86 may override national law by saying that the "primacy of Community law, particularly as regards principles as fundamental as those of the free movement of goods and freedom of competition, prevails over any use of a rule of national intellectual property law in a manner contrary to those principles".[53] This statement seems to be contrary to Article 222, as interpreted until now by the ECJ. The CFI confirms its approach by stating that "the exercise of an exclusive right which, in principle, corresponds to the substance of the relevant intellectual property may nevertheless be prohibited by Article 86 if it involves, on the part of the undertaking holding a dominant position, certain abusive conduct".[54]

5.4 The Potential Effects of the Magill Cases

If the judgments in the Magill cases are upheld broadly by the ECJ and if, in addition, similar reasoning is subsequently applied in a patents context (which it is to be hoped would not be the case), then the consequences could be detrimental for the encouragement of innovation. This might, in turn, undermine true competition both within the Community and between the Community and its major trading partners.

The main substantive effect of the Magill reasoning is that at its broadest it could be understood as potentially having the effect of forcing an intellectual property proprietor to license its core rights to would be competitors for products that compete with the proprietor's own product but have some different characteristics. In spite of the CFI's identifying a different product market, there was evidence that the comprehensive weekly guide would compete head-on with the broadcasters' weekly guides. The Commission in its decision took the view that the raw information itself (the advance listing) could be a separate market.[55]

With markets so narrowly defined, one could possibly identify competing but different products also in other areas, such as pharmaceuticals and data processing, or treat raw "technology" (i.e., the patent right) as a separate market. This could substantially affect intellectual property protection. If a competitor can obtain access to a patentee's technology to apply it in a different but competing product, the incentive to invest in research and development may be expected to decrease. Inventors will likely have less discretion to decide how to exploit their rights and competing businesses may in many cases attempt to obtain a license rather than developing competing technology themselves, resulting in a reduction of technological variety. If the ECJ affirms Magill, it is to be hoped, inter alia, that it will limit the application of the principles underlying Magill to cases involving markets for products that do not compete and where firms have been made dependent by the overt acts of the rightholder.[56]

Another effect could be produced by the difference between Magill and the traditional refusal to supply cases. In previous cases, a refusal to supply has only been found to be abusive if the customer was previously supplied and there was no objective justification for choking off

5.5.2 Option 2

The ECJ need not follow the CFI's approach to the definition of dominance and, indeed, might wish to take the opportunity afforded by Magill to reassert that dominance must be determined by reference to economic power and ability to act independently in the market place.

5.5.3 Option 3

The ECJ need not follow the CFI's approach to confirm that the broadcasting companies abused a dominant position. Arguably, the broadcasting companies' conduct (in particular, the conditions they applied to licenses), for example, may be deemed to have been discriminatory and arbitrary. In this regard the broadcasting companies appear to have been willing to license their program listings to any interested parties. It appears to have been only when they perceived that Magill was intent on exceeding the parameters of that license in a manner that threatened their own publications that they chose to assert their copyright. Possibly this conduct could be deemed arbitrary and discriminatory and, to that extent, not dissimilar to the conduct regarded as prohibited in both Volvo and Renault. The court might in either case point out that the facts and circumstances in Magill were very unusual.

5.5.4 Option 4

The ECJ could attempt to limit Magill to its facts. The cases present some special features that distinguish them from other situations where a refusal to license could arise.

These special features include the facts that:

- BBC, ITP and RTE had by statute exclusive responsibility for the dissemination of television programs, and thus were the only entities which could create listings. No amount of investment would allow third parties to create a competing listing. The broadcasters might therefore be regarded as having a special obligation to make the information available.

- The program listings were a by-product of the creation of the programs themselves. The control of program listings and their publication is thus arguably more a question of broadcasting regulation than of intellectual property.

In the end, however, these considerations are as much in the nature of policy arguments as of purely legal arguments. They are, therefore, particularly appropriate considerations to be taken into account by the legislature when reforming broadcasting - and the United Kingdom Government has indeed done so in a statute.

The fact that the program listings did not involve much intellectual or artistic effort also is a suspect justification for abridging the principle set out in Article 222. As long as there is no harmonized Community law on copyright and national law governs these rights, the Community should accept -- and, in the past, has accepted[58] -- the discrepancies resulting therefrom. This includes the fact that certain Member States protect "banal" or (in Commission terminology) "functional or utilitarian" works.

The ECJ could limit the case to intellectual property rights such as copyright that, unlike patents, are not subject broadly to statutory compulsory licenses, on the basis of the argument that if the national legislature provides expressly for a compulsory license to prevent unfair exploitation, this must be exhaustive, whereas in the absence of a compulsory license provision, abusive exercise must be limited otherwise.[59]

5.5.5 Option 5

The ECJ could uphold the CFI decision without limiting the case to its facts and suggesting distinguishing factors. This would raise serious questions in terms of the obligations (in the case of other types of intellectual property and in particular, patents) to grant licenses on reasonable commercial terms. In this connection it is noteworthy that the Magill cases arguably had more to do with the underlying information than copyright (as hinted at by the Commission in its judgment). The ECJ may choose to build upon that distinction, perhaps reflecting upon the Commission's recently adopted proposals for a Directive to regulate electronic databases with which there are many parallels with television program listings.

In this proposal the Commission suggests that there should be a separate right to control and prevent the unfair extraction of the contents of a database. However, this right is subject to compulsory licensing on fair and non-discriminatory terms if the material cannot be independently created or obtained from another source. The possible parallel with Magill is clear.

Moreover, the Community now has a "legislative baseline" for the inter-relationship between competition and copyright law, in the so-called Software Directive.[60] Interestingly, while the Software Directive allows decompilation (an otherwise prohibited act), it does not allow this for the purpose of developing a competing product. Moreover, such a right is enjoyed only by a legitimate licensee does not take away a copyright holder's right to determine whether or not to license its product.

5.5.6 Option 6

Even more of a departure: the ECJ might attempt to adopt the approach of finding that no copyright should have existed in the TV listings. This would involve a reinterpretation of Article 222 enabling the ECJ to review the existence of national intellectual property rights and many might argue the implications to be more damaging than a straightforward endorsement of Magill.

5.6 Other Issues

Of course, the Magill case raises many issues which have not been discussed here and which are in any case worthy of papers in themselves. Not the least of these is whether all intellectual property rights are based on the same philosophy. It could, for example, be argued that copyright has as much to do with ownership and attribution of authorship as with exclusive rights in contrast to intellectual property rights such as patents which are said primarily to do with "monopoly". Such an argument would have attractions to many European jurists.

Also worthy of discussion is whether copyright differs from other intellectual property rights

in that there is usually a coexistence between a copyright and a product of economic value which is not necessarily the case with rights such as patents. In the Magill case, the CFI certainly seemed to be preoccupied by the co-existence of copyright and the concept of a "factual monopoly" in the underlying information. Seen in those terms, the concept of "factual monopoly" may seem innocuous enough but it is, perhaps, a dangerous principle for the development of the Community competition law whether restricted to the intellectual property field or not.

Magill also raises fundamental questions as to the viability of market definitions and concepts of dominance in Community competition law and, therefore, could turn out to be a watershed decision for Community law. Equally, of course, it might be thought to be something of an aberration based on highly unusual circumstances.

In the light of the foregoing, it is thought likely that the ECJ will find a way of limiting the effect of Magill to its facts since to do otherwise will have broad and far reaching effects which are not likely to be warranted or desirable and are not demanded by the Magill factual situation. At the very least, the ECJ may feel constrained to restrict Magill to copyright. Its effects in that domain may of course be serious not least because it would be substantially inconsistent with the Software Directive, the proposed Database Directive and certain other proposals for copyright harmonization, all of which are supposed to be declaratory of the existing law.

Attention is now directed to the last major item to be addressed here: the application of the free movement of goods provisions to patents in the EC.

6.0 FREE MOVEMENT OF GOODS

6.1 Exhaustion of Rights

Article 30 EC Treaty ensures the free movement of goods throughout the Community. It prohibits quantitative restrictions of imports between Member States, as well as any state measure that has an equivalent effect. The ECJ has broadly defined "measures of equivalent

effect" as including any State measure hindering "directly or indirectly, actually or potentially" the importation of goods.[61] This includes court decisions in individual cases enforcing intellectual property rights.

As explained above, Article 36 allows exceptions to the principles of free movement of goods and services, if justified by the need to protect intellectual property rights. Since many intellectual property rights are by nature territorial, they may give the holder the right to prohibit imports of the patented goods into the country where the patent has been granted. Enforcement or exercise of intellectual property rights may therefore affect trade between Member States.

The ECJ has held that once an intellectual property right is "exhausted" in regard to any particular product, it cannot be relied upon to prevent the importation of that product into another Member State. The notion of "exhaustion" has not been invented by the EC Commission or by the ECJ, but is much older. The idea is that the purpose of a patent is to reserve a reward to the inventor, but that he is entitled to this reward only once. If the inventor has put his product (or the protected process) on the market and has had his opportunity of remuneration, the protection afforded to him by his patent comes to an end; the patent is "exhausted" with respect to this product which may henceforth freely circulate.[62] Arguably, the idea is related to notions of the legitimate ambit or exercise of an intellectual property right.

The notion of exhaustion was introduced into Community law on the basis of Article 36. Article 36 provides that Article 30 "shall not preclude prohibitions or restrictions on imports ...justified on grounds of ... the protection of industrial and commercial property", provided that such restrictions do not "constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States." The ECJ indicated that

> an obstacle to the free movement of goods may arise out of the existence, within a national legislation concerning industrial and commercial property, of provisions laying down that a patentee's right is not exhausted when the product protected by the patent is marketed in another Member State, with the result that the patentee can prevent importation of the product into his own

> Member State when it has been marketed in another Member State.
>
> [Such obstacles] are not justified where the product has been put onto the market in a legal manner, by the patentee or with his consent, in the Member State from which it has been imported, in particular in the case of a proprietor of parallel patents.[63]

The prevention of imports of patented goods that have been put on the market in the EC previously by the patentee himself is not within the substance of the right, if this would allow him a second reward. Likewise, the patentee will not be allowed to block the import of patented goods that have been put on the market in the EC by a person to whom he voluntarily granted a license, because in that case, too, the patentee has already received his reward in the form of the license fee.[64] The crucial point is the patentee's consent.

The patentee's consent to the manufacturing and putting into circulation of a product by a third party is deemed to be lacking when the patentee has not been in a position to negotiate freely the reward for his efforts. Thus, a patentee can prevent imports of products manufactured under compulsory license in another Member State, or products manufactured by a third party who is not a licensee, if the product in question is not patentable in the Member State where it is first put into circulation.[65] The ECJ has now also held that a trademark right is not exhausted if a product is marketed in another Member State with a trademark that originally belonged to the same proprietor, but which by expropriation was transferred to another party.[66] The basis is again absence of consent.

6.2 Obtaining Patent Protection in EC: Policy Considerations

The following questions arise in this context:

- If a patentee has a patent in some, but not all, Member States, can he prevent imports of goods which have been manufactured by him or with his consent into those countries from (i) other Member States where his product is not patentable; (ii) other Member States where he has not filed for a patent although a patent could have been granted; (iii) outside the EC?

- Would the answers be any different if the products concerned are not those of the patentee but are manufactured by a third party without his consent?

EC law recognizes that it is for the patentee to decide under what conditions he will put his product into circulation in the Community for the first time.[67] When the patentee has done so, he must accept the consequences of his choice as regards the free movement of the product within the Community.

Thus, products first put into circulation by the patentee in Member States where no protection is available may freely circulate throughout the EC.[68] If the patentee chooses to market in a Member State where the product could not be patented, he must accept the consequences, even if the price in that Member State is lower because of the absence of patent protection.

The next question is whether, if the patentee could, but chose not to, obtain a patent in a Member State, products marketed there by him or with his consent can also be freely exported to other Member States. As the patentee has consented to the marketing of the products, they should be able to circulate freely throughout the Community.

The third question is whether a patentee may block importation of products into the Community from a third country, where they have been placed on the market by the patentee or with his consent. Articles 30-34, which only apply to restrictions on trade "between Member States", cannot be invoked in respect of the initial importation of the products into the Community from non-EC States.[69] Thus, if the patentee holds a patent in the country of first importation, as a matter of EC law he should be able to rely on his patent to block the importation of the products from outside the Community. If no patent protection is held in the Member State of first importation, the goods will be able to enter that Member State. Whether the patentee may prevent the goods from then entering another Member State where he holds a patent has not yet been considered by the ECJ. Again, however, consent should be the key. On that basis, if the patentee has marketed the goods outside the Community, or has consented to their being so marketed, and if the patentee has chosen not to obtain patent protection in all Community Member States, then it may well be that, once

the goods have entered the Community via a Member State in which no patent protection has been obtained, they will be entitled to circulate freely throughout the rest of the Community, i.e. even into those Member States where the patentee has valid and subsisting patent protection.

Finally, what is the position if the products concerned are not placed on the market originally by the patentee or with his consent, but by an independent third party?

Where the third party places the products on the market outside the Community and the patentee enjoys patent protection throughout the Community, it is clear that the patentee can rely on his patent rights to prevent importation of the goods into the Community. Similarly, and while there is no case law directly on point, it seems that the patentee would be able to block imports of products manufactured by a third party without his consent from a Member State where no patent has been obtained and where they are first placed on the market, into Member States where patent protection exists, on the basis that he has not consented to the marketing of the product in the first Member State.

It has been suggested that failure to obtain patent protection for a particular product in all Member States could constitute "consent" at large to the marketing of those products by third parties in the "patent free" countries.[70] The argument is based on a general principle that a person should not hold another person liable for damages to which he contributed through his own behavior.[71] There is little in the case law of the ECJ to support this conclusion. The ECJ has so far accepted the principle of "constructive consent" only where the rightholder himself marketed the products in the patent free country or licensed others to market (in other words, where there was privity of contract).

The ECJ has emphasized that consent is critical, the key. The ECJ is not likely to apply Article 30 where this will result in the protection offered by the national intellectual property rights becoming "meaningless" or "worthless". The specific subject matter of patents would be so affected if products made and sold by third parties without the consent of the patentee in the "patent free" territories could then move freely anywhere in the EC. The patentee's national rights would become worthless.

There may, however, be circumstances in which implied consent by the patentee would be held to give rise to exhaustion. For example, an inference of consent might be justified if the patentee has known of the situation and has not only taken no steps to stop the imports when the practice had been going on for some time and involved significant amounts, but has also in some way suggested that he is happy for the practice to continue, for example if the patentee had in fact been knowingly collecting royalties in regard to the quantities imported.

CONCLUSIONS

It is believed that national patents should remain viable in the EC for the foreseeable future. Such patents are respected by the ECJ although their exercise may be subject to restraint.

In free movement of goods cases, the courts may engage in a balancing act under Article 36 and verify whether the use of intellectual property rights in accordance with their substance is "justified" having regard to the negative effect on the free movement of goods between Member States. But in essence, unless the patentee has consented to the marketing of a patented product, national patent rights remain fully effective. The EC rules of exhaustion should not oblige an inventor to obtain patents in each Member State to ensure adequate protection EC-wide. Generally, it should be sufficient to file for protection in Member States that are or may become important markets.

In competition cases the courts are expected to maintain the traditional distinction between existence and exercise. The CFI has in the Magill case created uncertainty both in its definition of dominance and in arguably finding mere exercise of a copyright abusive. It is an unclear and general decision, but the decision on appeal in Magill will hopefully preserve the viability of patent and other intellectual property rights. There is, however, some risk of a different result.

ENDNOTES

1. This paper has been prepared with the help and advice of Jeremy Brown and Tim Lord of Linklaters & Paines, London office, Maurits Dolmans of Cleary, Gottlieb, Steen & Hamilton, Brussels office and Guy Leigh and David Barrett of Theodore Goddard, London office, and is expected to be the first paper of a series to be published giving an overview of the fundamental issues governing the legal protection of intellectual property rights in the European Community.

2. "Completing the Internal Market" White Paper from the Commission to the European Council (Milan, 28-29 June 1985) COM (85) 310 final.

3. Case T-69/89, Radion Telefis Eireann v Commission of the European Communities, (1991); Case T-70/89, British Broadcasting Corporation v Commission of the European Communities, (1991); and Case T-76/89, Independent Television Publications Limited v Commission of the European Communities, (1991). In the text, for convenience, these cases will be referred to collectively as Magill, but it should be noted that the BBC case (T-70/89) was not appealed to the Court of Justice. Therefore, the shorthand usage of the collective term Magill in regard to the proceedings in the Court of First Instance refers to all three cases for convenience, and in regard to the proceedings in the Court of Justice, refers to only those which were appealed thereto.

4. Joined Cases T-79/89, T-84/89, T-85/89, T-86/89, T-89/89, T-91/89, T-92/89, T-94/89, T-96/89, T-98/89, T-102/89 and T-104/89, BASF, Limburgse Vinyl Maatschappij, DSM and DSM Kunststoffen, Huls, Atochem, Societe Artesienne de Vinyl, Wacker Chemie, Enichem, Hoechst, ICI, Shell International Chemical Company and Montedison v Commission.

5. Protocol on the Interpretation of Article 69 of the European Patent Convention.

6. It had been thought for some time that the failure of Section 48 to recognize working of the patent anywhere within the EC rather than just in the UK was inconsistent with the UK's treaty obligations. This has now been confirmed by the ECJ which held on February 18, 1992 (unreported as yet) that the UK and Italy were in breach of Article 30 of the EC Treaty insofar as they did not recognize working anywhere in the EC as sufficient. The same will of course apply to other Member States which similarly require national working.

7. Cases 56 and 58/64, Consten and Grundig v Commission, [1966] ECR 345. See also Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55, at 72 and The Opinion of Advocate-General Roemer, at 77; and Case 78/70, Deutsche Grammophon v Metro, [1971] ECR 487, para. 11.

8. It would be wrong simply to describe intellectual property rights as "anti-competitive". They are needed to reward efforts made in the development of new products or techniques, or in creating goodwill of a firm, and thus to create an incentive to induce firms to incur the risks associated with new developments. Intellectual property rights are thus deliberately endowed with exclusivity to achieve an increase of competition superior to the limitation of competition resulting from the exclusive character of the intellectual property right.

9. Cases 56 and 58/64, Consten and Grundig v Commission, [1966] ECR 345. See also Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55, at 72 and the Opinion of Advocate-General Roemer, at 77; and Case 78/70, Deutsche Grammophon v Metro, [1971] ECR 487, para. 11.

10. Opinion of Advocate-General Roemer in Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55, at 77.

11. Draft of 5 December 1956 of the Groupe de Redaction, Doc. MAE 641/56 (art 9) (1956).

12. Doc. MAE 177/57 (art. 43) of 1 January 1957.

13. Doc. MAE 243/57 (art. 43) of 21 January 1957 and Doc. MAE 786/57 (art. 282) of 6 March 1957.

14. Article 83 of the Treaty establishing the European Coal and Steel Community reads: "The establishment of the Community shall in no way prejudice the system of ownership of undertakings to which this Treaty applies."

15. Smit & Herzog, The Law of the European Economic Community, Vol. 5, 6-216.64; see also Advocate-General Roemer in Grundig v Consten, above at 366.

16. Smit & Herzog, above, 6-216.65-66. See also Marenco & Banks, Intellectual Property and the Community Rules on Free Movement: Discrimination Unearthed, [1990] ELR 226.

17. Case 102/77, Hoffman-La Roche v Centrafarm, [1978] ECR 1139, para. 6; see also Case 78/70, Deutsche Grammophon v Metro, [1971 ECR 499; Case 24/67, Parke, Davis v Centrafarm, [1968] ECR 55 and the Opinion of the Advocate-General in that case; and Case 53/87, Consorzio Italiano della Componentistica di Ricambio per Autoveicoli (CICRA) and Maxicar v Renault, [1988] ECR 6039, and Case 238/87 Volvo v Veng, [1988] ECR 6211. All these cases concerned also the rules of competition.

18. Case 15/74, Centrafarm v Sterling Drug, [1974] ECR 1162, para. 9; Case 187/80, Merck v Stephar and Exler, [1981] ECR 3080, para. 4; Case 193/83, Windsurfing v Commission, [1986] ECR 655; Case 434/85, Allen and Hanburys v Generics, [1988] ECR 1273, paras. 10-11; Case 238/87, Volvo v Veng, [1988] ECR 6211, para. 8; Case 53/87, CICRA v Renault, [1988] ECR 6039, paras. 11 and 15.

See also: Case 192/73, Van Zuylen v Hag ("Hag I"), [1974] ECR 744, para. 9; Case 16/74, Centrafarm v Winthrop, [1974] ECR, para. 8; Case 102/77 Hoffman-La Roche v Centrafarm, [1978] ECR 1164; Case 119/75, Terrapin v Terranova, [1976] ECR 1061, paras. 5 and 6; Case C-10/89, SA CNL SUCAL NV v Hag GF AG ("Hag II"), [1990] 3 CMLR 571;

19. Case 187/80, Merck v Stephar and Exler, [1981] ECR 2081, para. 9; Case 19/84, Pharmon v Hoechst, [1985] ECR 2298, para. 26.

20. Case 158/86, Warner Brothers v Christiansen, [1988] ECR 2629, para. 13.

21. For instance, in Case 187/80, Merck v Stephar the words "specific purpose" were used as a synonym for "specific subject matter", and the "substance" of the patent (the core rights associated with the patent) was derived therefrom.

22. See, for instance, Case 15/74, Centrafarm v Sterling Drug, para. 7 (on Articles 30 and 36) and para. 39 (on Article 85).

23. Case 15/74, Centrafarm v Sterling Drug, [1974] ECR 1147 at pp. 1162-1163. See also Case 187/80, Merck v Stephar [1981] ECR 2063 at p. 2081, where the ECJ said that: "The substance of a patent right lies essentially in according the inventor an exclusive right of first placing the product on the market. That right of first placing a product on the market enables the inventor, by allowing him a monopoly in exploiting his product, to obtain the reward for his creative effort without, however, guaranteeing that he will obtain such a reward in all circumstances." The phrase is also used in Case 193/83, Windsurfing International v Commission [1986] ECR 643 at p. 655, where the ECJ seems to regard quality controls on licensed products covered by a patent as within the "specific subject matter" of that patent, but only if such quality controls are carried out on the basis of objectively verifiable criteria.

24. Beier, F.K., International Review of Industrial Property and Copyright Law, Volume 21 (1990); Beier, F.K., Industrial Property and the Free Movement of Goods in the Internal European Market, 21 (1990) IIC 131 at p.148.

25. Case 119/75, Terrapin v Terranova, [1976] ECR 1061, para. 5 and 6.

26. Case 62/79, Coditel v Cine Vog, [1990] ECR 903, para. 14; Case 262/81, Coditel v Cine Vog II, [1982] ECR 3401, para. 12 et seq; Case 102/77, Hoffman-La Roche v Centrafarm, [1978] ECR 1164; see also Case C-10/89, SA CNL SUCAL v NV Hag GF AG (Hag II"), [1990] 3 CMLR 571.

27. In Case 102/77, Hoffman-La Roche and Case C-10/89, Hag II (both concerning trade marks), the "specific subject matter" was distinguished from the "essential function".

28. This ex ante-approach, looking at the incentive rather than at a reward, appears only in recent case law, see Case 35/87 Thetford v Fiamma [1988] ECR 3585, at para. 19. Reward and incentive are, however, two sides of the same coin: prospects of a reward act as an incentive, and the actual reward is nothing but the incentive realized.

29. Case 144/81, Keurkoop v Nancy Kean Gifts, [1982] ECR 2873, para. 24; Case 341/87, EMI v Patricia, [1989] ECR 95, para. 8. The Tribunal also used these terms in the Magill cases in an Article 86 context (see below).

30. See also, for instance, Case 3/78, Centrafarm v American Home Products, [1978] ECR 1823.

31. Korah, EEC Competition Law and Practice, 4th ed. 1990. p. 147; for criticism of the distinction between existence and exercise, see also Beier, Industrial Property and Internal Market, 21 (1990) IIC 131, at 147.

32. See Case 158/86, Warner Brothers, paras. 15 and 16; Case 35/87, Thetford v Fiamma, para 15; Case 341/87, EMI v Patricia.

33. Case 35/87, Thetford v. Fiamma; Case 158/86, Warner Brothers; Case 119/75, Terrapin v Terranova.

34. See e.g. Case 395/87, Ministere Public v Tournier, [1989] ECR 70 (on copyright management societies).

35. Cases 56 and 58/64, Consten and Grundig v Commission.

36. Case 258/78, Nungesser KG and Eisele v Commission of the European Communities [1982] ECR 2015, [1983] 1 CMLR 278.

37. For instance, Case 193/83, Windsurfing International Inc. v Commission of the European Communities (193/83), [1986] ECR 611, [1986] 3 CMLR 489; Case 65/86, Bayer AG and Maschinenfabrik Hennecke GmbH v Sullhofer, [1988] ECR 5249; Case 320/87 Kai Ottung v Klee & Weilbach A/S and Thomas Schmidt A/S, [1989] ECR 1177.

38. Commission Decisions 87/14/EEC (Yves Rocher) OJ 1987 L 8/49; 87/407 (Computerland) OJ 1987 L 222/12; 89/94/EEC (Charles Jourdan) OJ 1989 L 35/31.

39. Case 161/84 Pronuptia de Paris Frankfurt v Pronuptia de Paris Irmgard Schillgallis [1985] ECR 3933 (concerning a franchising agreement); Case 27/87 Erauw-Jacquery v La Hesbignonne Societe Cooperative [1988] ECR 1919 (concerning breeders' rights).

40. Case 27/76, United Brands v Commission, [1978] ECR 207.

41. Case 78/80, Deutsche Grammophon v Metro [1971] ECR 487, para. 17.

42. See Case 22/78, Hugin v Commission [1979] ECR 1869; Advocate-General Mischo' Opinion in Volvo and Renault, above.

43. Case 53/87, Consorzio Italiano della Componentistica di Ricambio per Autoveicoli (CICRA) and Maxicar v Renault [1988] ECR 6039, para. 15.

44. Case 238/87, Volvo v Veng [1988] ECR 6211, para. 8.

45. Case 102/77, Hoffman-La Roche v Centrafarm [1978] ECR 1139, para. 16; Case 402/85, Basset v SACEM [1987] ECR 1747, para. 18-19; Case 53/87, CICRA v Renault [1988] ECR 6039, para. 16; Case 238/87, Volvo v Veng [1988] ECR 6211, para. 9.

46. Case 53/87, CICRA v Renault [1988] ECR 6039, para. 16; Case 238/87, Volvo v Veng [1988] ECR 6211, para. 9.

47. The factual background for Magill is stated in the Response to Notice of Appeal of the Commission in Case C-241/91P, Radio Telefis Eireann v Commission of the European Communities, para. 2-5 as follows:

2. The Commission reminds this Court that the Decision of December 21, 1988 arose out of a complaint to the Commission by an Irish enterprise called Magill TV Guide Ltd. (Magill). Magill desired to bring out a weekly publication containing details of forthcoming radio and television programmes, showing not just one broadcaster's programmes but several broadcasters' programmes (BBC, RTE and ITP) in parallel. Such guides are common in other Member States but did not emerge in the U.K. or in Ireland because of the refusal of the broadcast companies there, based on copyright law unique to those countries, to permit the publication of any magazine which would damage the monopoly position of the broadcasters' own "captive" weekly magazine. Thus Irish consumers who wished to plan a week's viewing had to buy RTE Guide, Radio Times (BBC), and TV Times (ITP), whereas Magill wanted to offer a single guide containing all this information.

3. The broadcasters prepared weekly "listings" of their own programmes for the forthcoming week, and distributed those widely to national, regional and local newspapers, encouraging them to reprint programme times on a daily basis (two days at weekends) but forbidding them to reprint the material on a weekly basis. The publication of weekly schedules of the U.K. broadcasters' programmes in other Member States (such as Belgium, France and The Netherlands) was tolerated or not opposed. However, they acted swiftly to close down the Magill TV Guide immediately after its publication of multi-channel programme information on a weekly basis. The U.K.-based companies were concerned that copies of the Magill TV Guide could be sold in the U.K. and could encroach on the parallel monopoly otherwise enjoyed there by Radio Times and TV Times respectively.

4. When the Decision was taken in December 1988, Magill had already been closed down by the grant of interlocutory relief to the three companies. On July 26, 1989, Lardner J held that under Irish copyright law copyright could indeed subsist in the lists of programmes, rejecting the arguments of Magill that the plaintiffs were seeking an impermissible copyright over mere information. He declined to make a distinction between arranging a series of programmes with the purpose of attracting viewers, and the publication of information about that series of programmes. It was clear that a slavish reproduction of copyright material could constitute an infringement; but whether Magill's new method of presenting and compiling a combination of data, including basic facts such as time, channel and title descriptions in a novel multi-channel format would constitute a new, non-infringing, compilation appears not to have been considered.

5. The Commission's findings were that the three enterprises were each dominant on two markets, the market for the supply of television listings and the market for weekly television programme guides. The Commission found that the Applicants' respective dominant positions had been abused by the assertion of copyright rights in one market to retain the effective monopoly they enjoyed on the second market, and which they exercised to prevent the emergence of a new product.

48. RTE, para. 67; BBC, para. 52; ITP, para. 52. The CFI took these words from Keurkoop, and other cases concerning Article 36 EEC cited above.

49. Case T-69/89, RTE v Commission, para. 69; Case T-70/89, BBC v Commission, para. 56; Case T-76/89, ITP v Commission, para. 54.

50. Case 158/86, Warner Brothers v Christiansen, [1988] ECR 2605, para. 13.

51. See the Response to Notice of Appeal of the Commission in Case C-241/91P, Radio Telefis Eireann v Commision of the European Communities, para. 37-38 where the Commission's view is expressed..."National law [should] receive all proper respect from the Commission and this Court, but it cannot be sovereign."

52. See the Response to Notice of Appeal of the Commission in Case C-241/91P, Radio Telefis Eireann v Commission of the European Communities, para. 40 where the Commission is even more explicit: it states that "Whether the Court of First Instance would be right or wrong in its assessment of the meaning of concepts like the essential function and specific subject matter of copyright within Article 36 is not dispositive on the question of whether the conduct of the Applicants can fall foul of Article 86". This suggests that Article 36 does, and Article 222 does not, apply in Article 86-cases.

53. Case T-70/89, BBC, para. 58; Case T-69/89, RTE, para. 71; Case T-76/89 ITP, para. 56.

54. Case T-69/89, RTE, para. 72; Case T-70/89, BBC, para. 59; Case T-76/89, ITP, para. 57.

55. Commission Decision 89/205, Magill TV Guide/ITP, BBC and RTE, OJ No L 78, 21 March 1989, pp. 43-51, para.20. It should be emphasized that the Court of First Instance identified two product markets in Magill the first being the market for TV listings themselves and the second being the market for TV listing magazines. This peculiar market definition allowed the CFI to find abuse in the form of exploiting dominance in one market by controlling a derivative market. Of course, although the finding of abuse in circumstances where dominance in one market is used to gain an advantage in another market is unsurprising, e.g., tying arrangements, what is unusual is the market definition in this case which allows such an analysis to proceed. The first market is arguably a market in the intellectual property rights themselves. Such market definition would proceed to a finding of abuse in almost any case where there was refusal to license intellectual property rights.

The very peculiar nature of the copyright material in Magill cannot be over emphasized. Copyright in compilations where there is no artistic or original creativity involved is only recognized in the United Kingdom, Ireland, Denmark and The Netherlands. All other EC countries have a more stringent test for originality which would exclude such material from copyright protection. The protection given listings in The Netherlands is largely a function of how broadcasting time is allocated on the public service channels in that country. The time allocated is based on the number of subscribers to a particular broadcaster's listings magazine. It is also noteworthy that in The Netherlands each magazine carries listings from

all the broadcasters as they license one another but not other publications. The protection of listings in Denmark is pursuant to a specific statutory right separate to copyright which is of a shorter duration than copyright (10 years). This protection is not extended to non-nationals.

The continental European justification for copyright protection is based on the author's right to control the publication and reproduction of the fruits of his own creative effort. Although recognition of certain copyright works such as films serves to protect purely economic interests literary copyright serves to protect only the author's creative effort under continental European jurisprudence.

56. In this connection it should be noted that the market definition is not before the Court.

57. Cases 6 and 7/73, Commercial Solvents v Commission [1974] ECR 223, 250; Case 22/78, Hugin v Commission [1979] ECR 1869; Case 311/84, Telemarketing v CLT [1985] ECR 3261.

58. Case 144/81, Keurkoop v Nancy Kean Gifts [1982] ECR 2853, para. 18; Case 341/87, EMI Electrola v Patricia [1989] ECR 79.

59. Another important distinction is between copyright and know-how. As appears from the Commission's block exemption for know-how licensing agreements, secrecy is the essential subject matter of know-how. Articles 1(7)(1) and (2) and Article 2(1)(1) of Commission Regulation 556/89 on the application of Article 85(3) to certain categories of know-how licensing agreements (OJ No L 61, 4 March 1989, pp. 1-13). The information in the listings was not secret and a supply obligation to a limited number of licensees therefore did not prejudice the right to enforce the copyright as against third parties who did not qualify for a compulsory license. In the case of know-how, however, there is a risk that once the information is disseminated widely enough, it will not be possible to enforce confidentiality obligations under the rules of trade secret, confidence, contract, unfair competition, tort, and other laws relevant to protect know-how. This could lead to a loss of the income from exploitation and license agreements.

60. Council Directive of 14th May 1991 on the Legal Protection of Computer Programs, 91/250/EEC.

61. Case 8/74, Procureur du Roi v Dassonville [1974] ECR 837.

62. Exhaustion as to resale does not mean that the intellectual property right cannot be relied upon to prevent other unauthorized forms of exploitation, such as rental or public performances in the case of copyright. See e.g. Case 158/86, Warner Brothers, and the Article 4 of the Council Directive on the legal protection of computer programs.

63. Case 15/74, Centrafarm v Sterling Drug [1974] ECR 1162, para. 10-11.

64. Case 78/70, Deutsche Grammophon GmbH v Metro SB-Grossmarkte [1971] ECR 487 (concerning copyright which follows, however, similar rules in this aspect); Case 15/74, Centrafarm v Sterling Drug [1974] ECR 1147.

65. Case 19/84, Pharmon v Hoechst [1985] ECR 2281; for a limitation of this rule see Allen & Hanbury v Generics [1988] ECR 1245: in the case of patents subject to compulsory license under national law, imports may not be prevented if the importer was prepared to take out a license and this would, according to the applicable national law, prevent an injunction being granted against an infringer.

66. Case C-10/89, HAG II.

67. Case 187/80, Merck v Stephar.

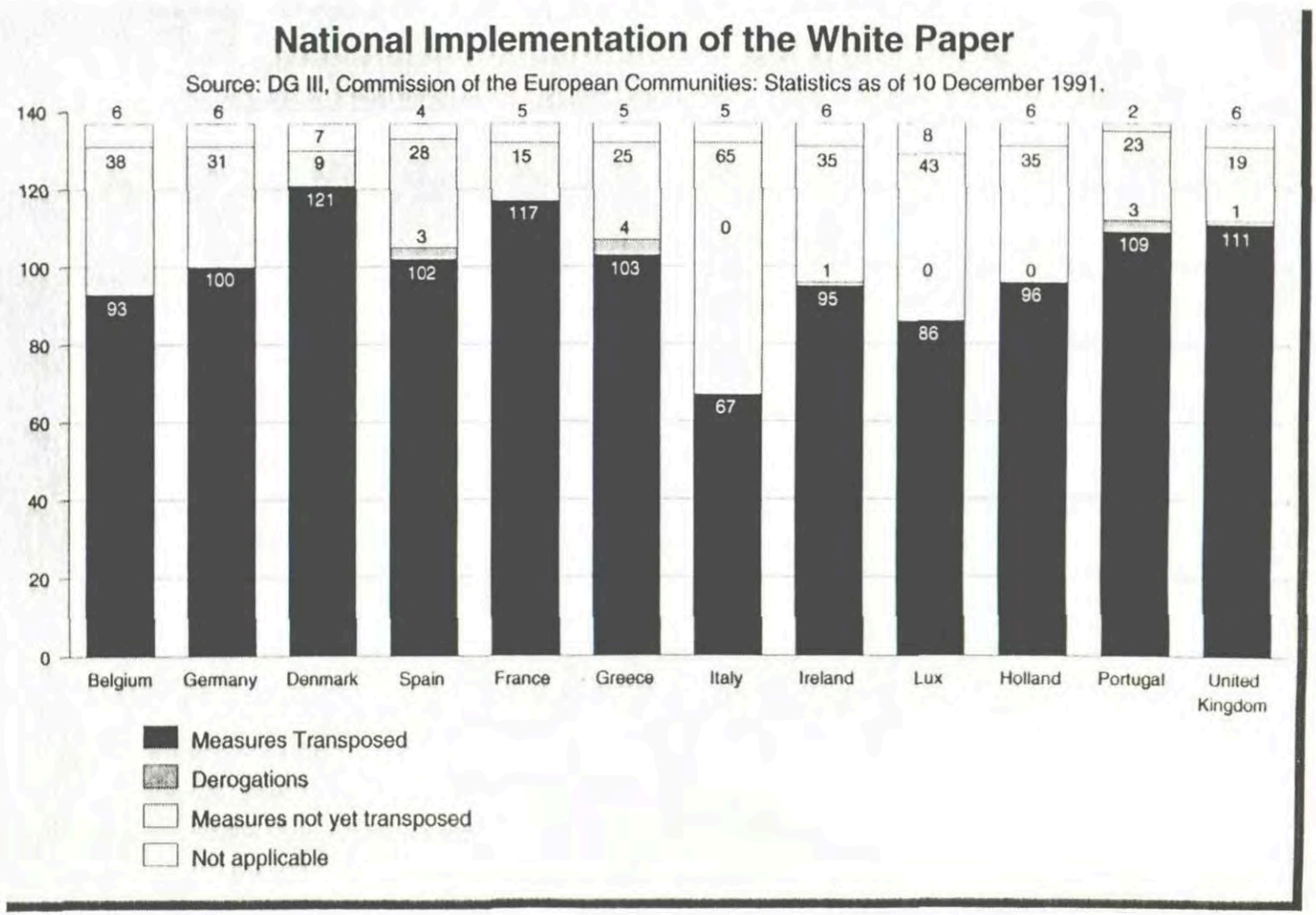
68. In the Green Paper on the Legal Protection of Industrial Design, (III/F/5131/91-EN) (June 1991), para. 3.2.2., the Commission seems to suggest otherwise. It mentions as an example spare parts that "must fit", which are not protected in the United Kingdom, but are protected elsewhere. In the other Member States, imports of such spare parts from the United Kingdom can probably not be blocked if they were marketed in the United Kingdom by the firm that owns the rights in the other Member States.

69. Case 51/75, EMI v CBS [1976] ECR 811.

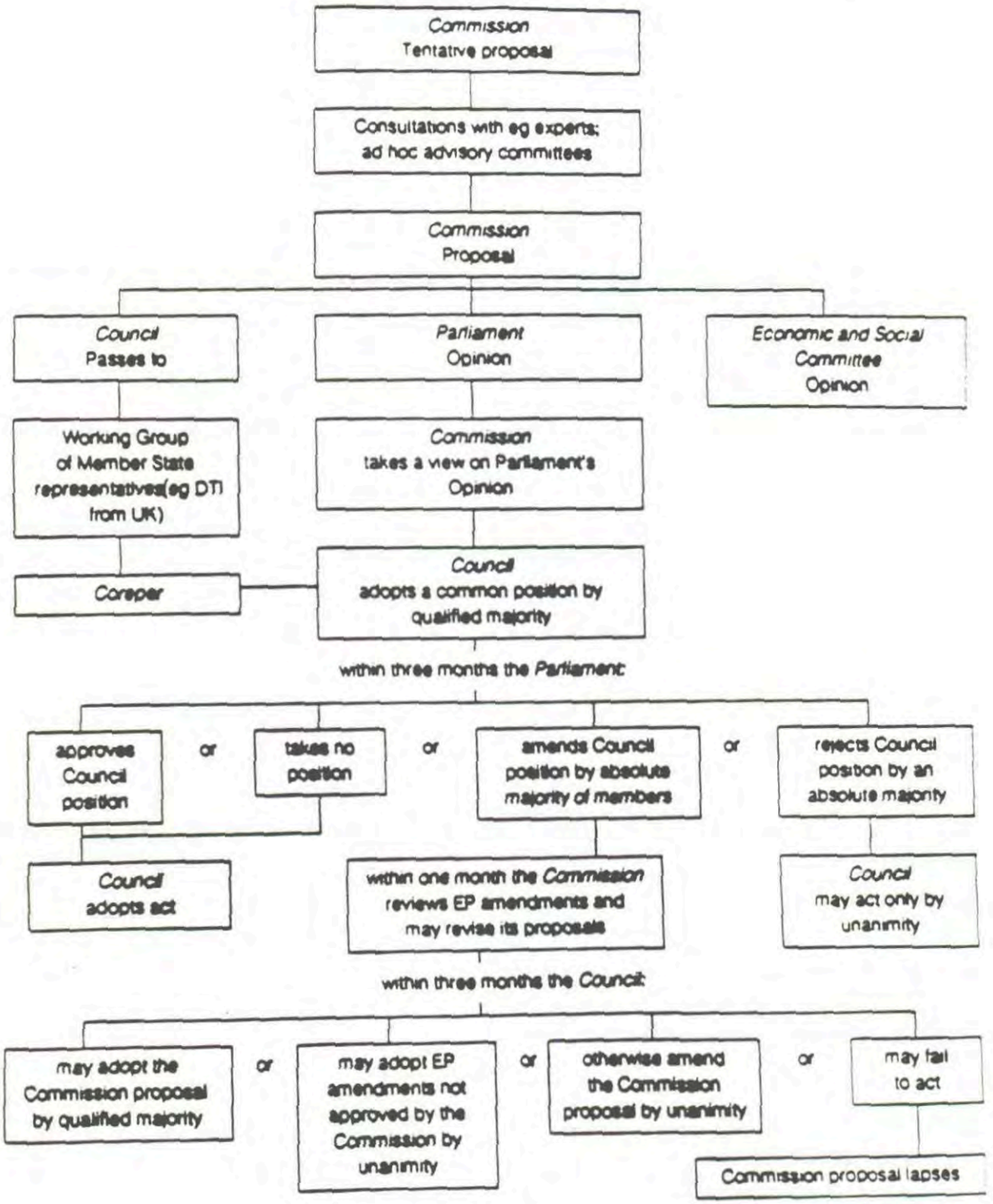
70. Redies, "Liberties and Risks in the Present System of Patent Protection in the European Community", [1989] 6 EIPR 192-196.

71. Redies, above, 193 ff.

Appendix 1.1


National Implementation of the White Paper
Source: DG III, Commission of the European Communities: Statistics as of 10 December 1991.
140
120
100
80
60
40
20
0
Belgium 6 38 93
Germany 6 31 100
Denmark 7 9 121
Spain 4 28 3 102
France 5 15 117
Greece 5 25 4 103
Italy 5 65 0 67
Ireland 6 35 1 95
Lux 8 43 0 86
Holland 6 35 0 96
Portugal 2 23 3 109
United Kingdom 6 19 1 111
Measures Transposed
Derogations
Measures not yet transposed
Not applicable

The Legislative Process under the Single European Act



APPENDIX 2.1

European Countries	EPC	PCT	EEA		
			EC	EFTA	"Associates"
Austria	Y	Y		Y	
Belgium	Y	Y	Y		
Czechoslovakia	N	Y			Y
Denmark	Y	Y	Y		
Finland	N	Y		Y	
France	Y	Y	Y		
Germany	Y	Y	Y		
Greece	Y	Y	Y		
Hungary	N	N			Y
Iceland	N	N		Y	
Ireland	N	N	Y		
Italy	Y	Y	Y		
Liechtenstein	Y	Y		Y	
Luxembourg	Y	Y	Y		
Monaco	Y	Y			
Netherlands	Y	Y	Y		
Poland	N	Y			Y
Portugal	Y	N	Y		
Spain	Y	Y	Y		
Sweden	Y	Y		Y	
Switzerland	Y	Y		Y	
UK	Y	Y	Y		

Y = Membership of convention or grouping

N = Not a member

EPC = All EC countries except Ireland
= All EFTA countries except Finland and Iceland
= No "Associates"

PCT = All EC except Ireland and Portugal
= All EFTA except Iceland
= All "Associates" except Hungary.