The Proposed European Common Market Patent System and Its Effect on United States Inventions*

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The proposed European Patent Convention is compared with the presently existing individual patent systems of the six Common Market countries. The political, economic, and legal factors having a significant bearing on the ultimate fate of the proposed Patent Convention are discussed, and against this background the potential value of the proposed single European patent to U. S. business, with particular emphasis on the chemical and pharmaceutical industries, is appraised.

Businessmen through the world with an interest in industrial property rights have been keeping a watchful eye on the proposed adoption of a single European patent which would have effect in all six European Common Market (EEC) countries. Nearly three years has elapsed since the "Draft Convention Relating to a European Patent Law" was published by the Working Group of the EEC Commission (*1*). Thus far, there has been a great deal of discussion and speculation by business and professional groups, but as yet no official indication as to whether the proposed European patent law, or some modification of it, will ever be adopted.

This is not surprising because of the many political, economic, and legal factors which will have a significant bearing on the ultimate outcome.

The advantages of a single patent system for the entire EEC territory, over the six presently existing national patent systems, are obvious from the standpoint of economy, ease of procurement, utilization and enforcement, uniform rights, and relative certainty as to those rights throughout the territory. It is certainly consistent with the avowed intention of the six EEC countries to form a political, as well as an economic, unit or federation.

The Draft Convention does create a supranational patent effective in all six countries. It is a commendable result of the Working Group and it codifies several unique patent law concepts, and would seem to be a major step forward—but is it? Many commentaries (*2*) have been written about several of its controversial provisions, and any realistic appraisal of industrial property protection in the foreseeable future, within the EEC countries, necessarily raises the questions: (1) can the EEC countries be expected to adopt the proposed Draft Convention or some modification of it; (2) if they do, will it be made accessible to nationals or residents of countries outside of the EEC; and (3) if adopted and made accessible to U. S. companies and individuals, will it provide any real benefits not now available under the six national patent systems?

Adoption of the Draft Convention in the near future is quite doubtful. There are substantial differences between each of the six national patent systems and between those systems and the proposed new unitary system. The Draft Convention provides that each of the six national systems shall coexist indefinitely with the proposed supranational system. However, in creating the latter, each of the six countries must give up a part of their sovereignty in the field of industrial property protection and must accept some fundamental changes in concept of industrial property legislation. The history of multilateral international treaties demonstrates that unanimity is achieved very slowly because of the profound effect industrial property legislation has on the internal economic structure of a given country.

Thus far there has been an unprecedented willingness to cooperate within the EEC community, but there are still six individual countries and no true federation. Actually, the Draft Convention reflects many compromises as among the different philosophies of the six member countries. The Draft Convention has the attributes of both a unified law of patents, as would befit a true federation, and a convention or treaty as would exist among several independent sovereignties. It reflects, perhaps, the actual political circumstances and, in providing for the coexistence of the national and supranational patent systems, it is in tune with the present development of the EEC. Although there are political and economic reasons working against it, the Draft Convention (probably with some changes) might well be adopted because of the demonstrated desire of the EEC countries to achieve unity.

If adopted, what then? Will it be made available to U. S. businessmen (*3*)? They clearly have more than a mere passing interest in industrial property matters in the EEC, as evidenced by the fact that more than one-third of all foreign patent applications filed by U. S. interests are filed in the EEC countries (*4*). In 1963, for example, more than 37% of all such foreign applications were filed in the EEC countries. This amounted to approximately 31,000 patent applications as against some 66,700 U. S. patent applications filed by U. S. interests. In other

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words, nearly one-half as many applications were filed on behalf of U. S. inventors in those six countries as were filed in the United States itself.

The Draft Convention provides for adherence and association. Adherence seems out of the question for the United States. It would mean giving up a portion of the sovereignty of the U. S. government in this area. It would mean assuming all of the obligations, not just the benefits of the Convention, whereby the supranational patent would extend to the United States as well as to the EEC countries.

On the other hand, U. S. nationals should have the right to apply for a European patent by virtue of the Paris Union (5) to which some 68 countries, including the United States and the EEC countries, adhere. The underlying concept of that international treaty is the so-called national treatment principle whereby the nationals of a member country are entitled to the same treatment with regard to industrial property rights in another member country as are the nationals of that other country. There are many who believe that the European patent system should only be accessible to members of the EEC. They have put forth very nebulous legal reasons as to why it would be permissible for the EEC countries to exclude foreigners from having access to the proposed European patent without abrogating the provisions of the Paris Union. The alleged loophole is based on a provision of the Paris Union which permits member countries to have special arrangements as between themselves providing such arrangements do not contravene the provisions of the Union.

It seems abundantly clear that a special arrangement, such as the Madrid Arrangement (6) for trademarks (which only simplifies for nationals of the member countries the procedure for obtaining trademark registrations in the member countries), is the kind of thing contemplated by the provisions of the Paris Union. It could not very well authorize something like the proposed new European patent law which actually creates entirely new industrial property rights not now provided by the national laws of the respective countries. For example, a supranational patent could be granted under the terms of the Draft Convention for pharmaceutical inventions. Presently, there is no provision in Italy for obtaining either process or product patents for pharmaceuticals. This means that an EEC national could obtain a European patent for a pharmaceutical invention which would cover Italy, which is something a foreigner could not do unless free access to the supranational patent were granted.

No one can seriously contend that Italy could provide that Italian nationals or even nationals of any of the EEC countries, but no one else, could obtain pharmaceutical patents in Italy, without abrogating the provision of the Paris Union. How then can anyone do something legally which no one of them could do alone?

Thus, a fundamental analysis would seem to indicate quite clearly that U. S. nationals should be entitled to apply for a European patent under the terms of the Draft Convention, but there is no assurance that such access will be granted.

Although the answer to the first two questions is conjectural, supposing the Draft Convention is adopted and accessibility is given to U. S. nationals—what then?

An analysis of some of the more fundamental aspects of the proposed new law will perhaps indicate what, if any, benefits the European patent law would provide.

Coexistence. The presently existing six national patent systems would continue and each would be territorially limited by the boundaries of each of the respective countries. Although the six national systems would coexist with the proposed new supranational system, the same inventor in respect of the same invention would have to elect between applying for a supranational patent or one or more national patents. There is also a provision for converting an application for a supranational patent into one or more national patent applications should it be impossible to obtain a single European patent.

Moreover, during an undetermined transitional period, it will be possible to obtain both a single European patent and one or more national patents for the same invention.

It is also contemplated that during the early stages, the European Patent Office will be limited in its search facilities and will only accept patent applications in certain arts. If a European patent application is filed in respect to subject matter for which the Patent Office is not prepared to examine, the application will be considered as a joint filing for six national patent applications.

It would appear that this idea of coexistence is something which will lead to considerable confusion. It is an attempt to achieve unity without actually doing it and without the individual six countries giving up their full patent granting authority.

Patentability Subject Matter. The Draft Convention provides that any invention which is new and involves an inventive step and is capable of industrial utilization (and this specifically includes agriculture) may be patented, the only exception being inventions which are contrary to public order or morality or plant or animal varieties or biological processes for making them. This is probably the most important feature of the European patent, particularly from the standpoint of chemical, pharmaceutical, and food inventions, since new products of this kind would be patentable *per se*.

The present national law in Italy does not provide for product nor process protection for pharmaceuticals, but other chemicals and foods are patentable *per se*. In Germany and Luxembourg, only processes for making new chemical, food, or pharmaceutical products are patentable, but a process patent automatically covers the product when made by the patented process. Also, in Germany purely mixing processes for making pharmaceuticals are not patentable.

In Holland, compositions of indeterminate form, which means any substances whether the direct result of a chemical reaction or a mere physical admixture, are not patentable *per se* and can be claimed only in terms of a process of making them.

Thus, the new European patent would be of especial interest and value to the chemical, food, and pharmaceutical industries as regards Germany, Luxembourg, and Holland, and to the pharmaceutical industry as regards Italy; but in Belgium and France the same protection can be obtained for chemical, food, and pharmaceutical inventions by taking out national patents.

Statutory Bars to Novelty. The Draft Convention adopts the so-called absolute novelty rule and provides that prior

art shall be considered anything made available to the public by written or oral description or by use prior to the filing data or priority date of European patent application.

Also, an important innovation is that even an unpublished European patent application of earlier filing or priority date will be substantive prior art against later filed applications.

Under the present national laws, an earlier filed but unpublished patent application is not considered prior art, and need only be considered to the extent of the invention claimed therein. It is only necessary that the junior application claim an invention different from that claimed in the senior but unpublished application.

The Draft Convention also excuses any publications within six months of the filing date of the European patent application if the publication was in contravention of the rights of the applicant or his assignee or if it was displayed at an officially recognized exhibit or fair etc.

Each of the six national laws provide that prior publication anywhere is a statutory bar, but there is a grace period of six months preceding the Germany filing date for publications made by the inventor or someone who has acquired ownership of the invention from the inventor, and in Belgium there is provision for so-called patents of importation in respect of which the principal statutory bar is commercial use in Belgium prior to the filing date of the importation application. (Prior use in Belgium should be the only statutory bar to an importation patent, but unofficial prior publications, *i.e.*, other than Patent Office publications, could possibly be regarded as a statutory bar.)

Prior use anywhere in the world is a bar only in France, Holland, and Italy; prior use, to be a statutory bar under the laws of Germany, Belgium, and Luxembourg, must occur in the country for whose patent an application is filed.

Thus the novelty requirements of the Draft Convention are more stringent than are those of the existing national laws.

Procedure. The administrative procedure for obtaining a single European patent has been the subject of considerable criticism.

The first step is the obtaining of a so-called provisional patent which simply involves satisfying formal requirements and paying for an initial novelty examination. The provisional patent has a maximum term of 5 years from grant and will automatically lapse if it is not confirmed within that time. Anyone may apply for the confirmation of a provisional patent.

Although it would be possible to file an infringement suit (in a national court in the country where the infringement is allegedly taking place) on the basis of a provisional patent, it can only be assumed that the defendant would immediately ask for confirmation in order to test the validity of the provisional patent. The infringement proceedings before the court would then be held up and the detailed examination into inventive level would take place in the European Patent Office.

Also, instead of the usual opposition procedure, there is provision for so-called intervention by third parties in connection with the confirmation procedure. This means that the European Patent Office Examiners will be called upon to simultaneously conduct the normal examination into inventiveness and act as a judge in what would be similar to an opposition proceeding.

An appeal from the examining division of the European Patent Office to the Appeal Board would be available in the confirmation and intervention proceedings, and a further appeal to the European Patent Court would also be possible under certain circumstances.

All of this will unquestionably result in considerable delay in ultimately obtaining a regular, fully enforceable European patent. Although a provisional patent will be granted rather quickly (and also published and the invention made known to the public very early) it may take several years to obtain a patent which is of definite scope and fully enforceable.

Since the European patent, if granted, will cover all six countries, it can only be assumed that competitors will maintain a close watch for the publication of such provisional patent applications and either institute on their own motion, or certainly if sued for infringement, the confirmation procedure, or will intervene if such procedure is instituted by others.

Of the six existing national systems, only the recently adopted one in Holland is comparable.

The German examination system is strict and has the classic opposition procedure. Once a patent application is published, an infringement action may be filed in a German court, even if the application is opposed. If the defense of invalidity is raised, the matter is referred to the German Patent Tribunal (a special Federal Court located at the Patent Office and having a jurisdiction limited to hearing appeals from the Patent Office, patent nullity or revocation proceedings, and compulsory license proceedings), but the infringement proceeding does not necessarily come to a standstill. There are delays under the German system, but it is reasonable to assume that there will be many more under the procedure outlined in the Draft Convention for the European patent.

The other four countries of the EEC are so-called registration countries where patents are granted promptly, and, when sued upon, the scope is determined by the court with whom the infringement action is filed, rather than having the infringement action held up and the question of validity referred back to the Patent Office and subject to numerous dilatory appeal proceedings.

From the practical standpoint, therefore, it would seem rather dangerous to put "all eggs in one basket" in seeking a single European patent, when four national patents could be obtained immediately, and very likely with less delay in Germany, only Holland having a procedure comparable to that envisioned for the European patent.

The cost factor is an important one. However, it is certain that the filing expense for a European patent application will be substantially greater than it is for any one of the national patent applications. Also, there will be fees and attorneys' charges at various stages of the prosecution of a European patent application which will make the total cost of obtaining a European patent substantially greater than the cost of obtaining a national patent.

Validity and Infringement. Patent infringement actions would be filed with the national court in the country

where the alleged infringement is taking place. On the other hand, the validity of a patent would be determined by the European Patent Office or possibly by appeal to the European Patent Court.

This could result in six entirely different interpretations of the scope of the same patent by the six different national courts and determination of validity of an entirely separate body, *i.e.*, the supranational European Patent Office or European Patent Court.

There is also provision for seeking a declaratory judgment from the European Patent Office to ascertain if a contemplated activity would constitute an infringement of a European patent. This also could lead to further confusion, bearing in mind that any actual infringement suit would not be brought before the European Patent Office or Patent Court, but rather before one of the national courts. Consequently, a declaratory judgment thus obtained would be of uncertain value.

Assignment and Licensing. The Draft Convention provides that a European patent may be assigned only for the entire territory of the EEC, but may be licensed for only a portion of it.

Therefore, the assignment situation would be quite different from that of having one or more individual national patents. The unitary European patent would have to be assigned to the same entity for the entire EEC territory whereas individual national patents may each be assigned to the same or different entities.

Although the possibility of licensing a European patent for a portion of the EEC would seem to make the licensing situation much the same as in the case of licensing national patents, this may not be so. Two alternative proposals are made in the Draft Convention for defining the rights conferred by a European patent. The one preferred by the majority of the Working Group would provide, in effect, that once a patented article were placed on sale by the patentee (or a licensee) in one of the EEC countries, it could not be stopped from entering another EEC country. Of course, this is consistent with the general philosophy of the Rome Treaty (which created the EEC), and the antitrust provisions of that Treaty do apply, with certain exceptions, to the licensing of national patents. However, such provisions certainly do not automatically impose such a practical restriction on territorial limitations resulting from the separate licensing of national patents as would inherently be imposed upon territorial limitations in a European patent license. Thus, if the preferred alternative were adopted, it would mean that in many instances it would be impossible to effectively license a European patent for less than the entire EEC, something which could be done with one or more individual national patents.

The Draft Convention also differs from the existing national laws with regard to compulsory licensing.

For example, a patentee, who could not carry out his patented invention without infringing an earlier European patent, would be able to obtain a compulsory license under the earlier patent and apparently without objection on the part of the prior patentee, provided the exploitation of the later invention was for industrial purposes different from those of the earlier invention, or the later invention was a significant technical advance over the earlier invention. If the same industrial purposes were involved, the compulsory license would be granted subject to the grant of a cross-license under the later patent to the earlier patentee if he asks for it. Under each of the national laws, a patentee has the right to contest any third party petition for a compulsory license.

A third party would be able to seek a compulsory license under a European patent on the ground that the invention has not been manufactured or used throughout the entire territory of the EEC to an extent sufficient to meet the needs of the entire public. On the other hand, the compulsory licensing laws applicable to national patents apply only to an abuse of the patent monopoly within a given country and not to the entire EEC territory.

Normally, a compulsory license would be granted for the entire territory of the EEC, but if the circumstances are such, they may be limited territorially.

Generally speaking, a patent under the national laws is presently subject to revocation if a compulsory license has been in effect for at least two years and there is still an abuse of the monopoly. However, revocation for nonworking is generally considered to be more of an academic possibility than a reality, except in Italy, where a patent could possibly be revoked if the invention is not being actually worked to an extent sufficient to satisfy the reasonable demands of the Italian public.

There is a bilateral treaty between the United States and West Germany which exempts U. S. nationals from actually exploiting in West Germany inventions covered by their German patents.

There is no provision in the Draft Convention for possible revocation of a European patent for nonworking, *i.e.*, should a compulsory licensing arrangement prove unsatisfactory. However, it does provide that national legislation with respect to compulsory licenses in the public interest will also apply to European patents. This apparently would apply particularly to pharmaceutical and food inventions where under the national laws it is frequently easier to obtain compulsory licenses, butseemingly the national legislatures could otherwise extend or modify compulsory licensing regulations applicable to a European patent within the individual countries.

FURTHER DEVELOPMENTS

The Council of Europe, which includes representation by the six EEC countries as well as several other European countries, has in recent years drafted certain proposed international treaties (7), two of particular interest being the European Convention Relating to the Formalities Required for Patent Applications and The European Convention on the Unification of Certain Points of Substantive Law on Patents for Invention.

The Convention relating to formalities has been ratified by all six EEC countries, and the one dealing with substantive law has been signed by all but Luxembourg, but has not yet been ratified by any European country.

It is understood that the EEC Commission has recently been considering, as an alternative to the Draft Convention, the adoption for the six EEC countries of something like this Council of Europe Convention for unifying the substantive patent laws and predicated on harmonizing the national patent laws of the six individual EEC countries. This would provide for a single European filing,

but for the grant of one or more individual national patents. This would, of course, involve amendment of the national laws by each of the six EEC countries so that they would be in complete agreement on certain fundamental points.

This approach leading to harmonization of the six national patent laws would seem to be a much sounder and less complicated initial step toward unity than the Draft Convention. The problem is clearly one of all six EEC countries being able to agree on what the fundamental law of industrial property should be, and, unless and until they are in accord in this area, there can never really be an effective single European patent covering the entire EEC territory.

CONCLUSIONS

The adoption of the presently proposed Draft Convention in the foreseeable future is doubtful, and, if adopted, accessibility to it by U. S. interests is not assured.

Assuming it is adopted and made accessible, the unified law as presently contemplated would seem to be of marginal value to U. S. business, except possibly as to obtaining patents for new chemical, food, and pharmaceutical products *per se* in Germany, Holland, and Luxembourg, and for pharmaceuticals in Italy. However, the rather drastic change in legislative policy by four of the six countries needed to make inventions of this kind patentable throughout the EEC territory would be surprising. It would seem more probable that the Draft Convention, if adopted, will first be modified so as to permit each member country to decide whether a patent monopoly should be granted for such products. This modification is even suggested in the Council of Europe Convention for unifying the substantive patent laws wherein the proposed definition of patentable subject matter is substantially the same as in the EEC Draft Convention, but each of the Contracting States is given the option for a period of ten years after their adherence to the Convention of not granting patents for foods or medicines *per se*. Although a country adhering to that Convention would be expected within ten years to provide for patents for foods and medicines, it recognizes that immediate harmonization of the various national patent laws on this point cannot be expected.

The single European patent as contemplated by the Draft Convention will be relatively difficult, time consuming, and expensive to obtain. National patents can readily be obtained in four of the six EEC countries and with less problems in Germany, only Holland having a system comparable to that proposed in the Draft Convention. Thus, in most instances, American business men would probably be well advised to continue to take out individual national patents rather than taking a chance on obtaining a single European patent, once an election as between the two must be made. During the transitional period, consideration might be given to applying for a European patent and also for national patents in those countries of primary importance within the EEC.

The alternative proposal, based on harmonizing the six national laws in certain respects and with a common filing for one or more national patents, would be a better start toward the ultimate creation of a really unified and effective European patent. This would do away with considerable procedural duplication and expense. However, accessibility without adherence to this kind of an arrangement is less likely than in the case of the Draft Convention. It would be more like the Madrid Arrangement for trademarks. Accessibility of U. S. businessmen and other foreigners could probably be denied without abrogating the Paris Union, and there are cogent reasons mentioned earlier why the United States cannot be expected to join such an arrangement.

Although a single European patent in place of, and not coexisting with, the individual national patent systems is obviously desirable, it cannot reasonably be expected until such time as the six EEC countries become a true federation and are prepared to accept a common ground with regard to the protection of industrial property rights and to delegate to a supranational authority their patent-granting sovereignty. The Draft Convention as proposed is really not the answer and, if adopted, it would be necessary to individually appraise each invention to determine whether a European patent and/or one or more national patents should be applied for.

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(6) See "Arrangement of Madrid of April 14, 1891, Concerning International Registration of Trademarks"; "Arrangements of Madrid of April 14, 1801, for Prevention of False Indication or Origin"; and "Arrangement of the Hague of November 6, 1925, Concerning the International Deposit of Industrial Designs or Models."

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