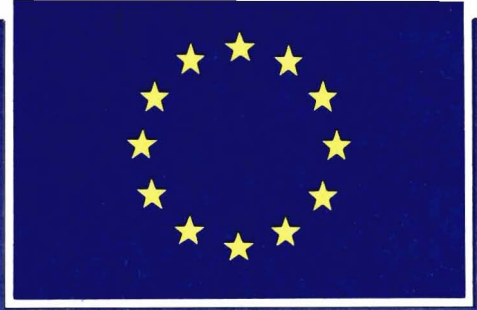

EUROPEAN FILE

# Patents, trade marks and copyright in the European Community

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Among the measures which are to be taken in order to complete the large European internal market by 1992 — and which will stimulate economic growth and employment while strengthening the foundations for European union — there are several which concern the business environment, particularly the rules for industrial, commercial and intellectual property. Some of these measures relating to patents, trade marks and copyright have already been adopted; others are the subject of proposals — though some of these were tabled a long time ago, their importance and urgency is now underlined by the 1992 deadline[1].

The expansion of markets, through economic integration in the European Community as well as expansion in the world at large, intensifies competition and makes it more necessary than ever to protect inventions, trade marks which guarantee the commercial origin of a product or service, and the recognized rights of those who create works of the intellect.

Clearly, society needs industrial, commercial and intellectual property to be protected, so as to encourage creative effort, innovation and investment. This protection has traditionally been provided by national measures, which have varied from one country to another and each has been effective only within the territory of the State concerned. This situation has damaging consequences for intra-Community trade and for the capacity of businesses to consider the common market as a single economic environment for their activities.

- ☐ Those who want to have the benefit of a trade mark, for example, are obliged to take legal measures in every one of the countries in which their rights are to be guaranteed. The rights thus acquired, after multiple procedures which are often long and costly, will vary from country to country. In some cases access to a national market will not be possible because rights have already been accorded to a competitor.

- ☐ The existence of differing national legislation makes for protectionist barriers which interfere with free competition and the free movement of goods — basic principles of the European common market. The Communities' Court of Justice can of course prohibit the use of a patent or trade mark which is unfair in the sense of disguising illegal agreements between companies, national discrimination or an attempt to restrict trade between Member States. The European Treaties do however permit import restrictions when these are justified by the need to protect industrial or commercial property rights. The task therefore is to eliminate — or at least to limit — the reasons which can justify such restrictions.

The creation within the Community of conditions similar to those for the acquisition and use of patents and trade marks in national domestic markets would bring a number of benefits, in particular:

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[1] This file replaces our No 18/81.

- ☐ fuller protection of industrial, commercial and intellectual property rights, as well as administrative simplification. Registration of a trade mark at Community level would save the applicant the trouble of dealing with 10 different national administrations. These administrations, which often have difficulty in coping with the volume of applications, would have their workload eased by the creation of specialized Community services.

- ☐ the possibility for industrialists and traders to operate a production and distribution policy better suited to the scale of the common market and free of the obstacles posed by national frontiers and legal barriers. This would help economic growth.

- ☐ the possibility for consumers to draw greater benefit from the opening of national frontiers, the strengthening of competition and large-scale lower-cost production.

The experience of recent years has also underlined the need to adapt the rules for industrial, commercial and intellectual property to cope with ever-faster technological progress. This adaptation could be done by the Community Member States individually, but that would mean doing the same work 12 times over, with the risk of creating new disparities in legislation which would mean new barriers to trade. Whether in the field of biotechnology or one of the many forms of electronic data processing, the Community provides the natural framework for jointly working out arrangements that can satisfy all the interests involved.

## 1. European patent and Community patent

A patent is an official registration which can be requested by the author of an industrial invention or discovery and which gives that author the exclusive right to use the invention for his or her own benefit for a specific period. The author can also license a third party to exploit the discovery. The patent has an information function besides, as patented inventions are subject to official description and publication.

To overcome the disparities in national patent legislation and the shortcomings of international conventions in this field, two European conventions have been drawn up.

- ☐ The Munich Convention (1973) on the European patent was signed by most Member States of the Community and other countries of Western Europe. It entered into force in 1977, instituting a European system for the granting of patents. Its main provisions are as follows:

  - any legal entity or individual, whatever their country of origin, can apply for a European patent. Alternatively he or she can apply simply for a national patent, which will continue to be available in parallel to the European one.

- a European Patent Office has been set up. This Office, which is located in Munich, issues patents which protect inventions in all the countries belonging to the Convention or in all the contracting countries selected by the applicant. In each of these countries the European patent has the effect of a national patent. It is subject to the national provisions, with the exception of certain matters for which common rules have been agreed in the Convention: these relate in particular to the duration of the patent, which is set at 20 years, and to the criteria for nullification which can be invoked against it.

- each application for a European patent is examined on the one hand for conformity with the prescribed formalities and on the other hand to ensure that the product or process is really a new one.

- the European patent is issued and published in one of the Office's official languages (German, French or English). Any person can state their opposition to it within nine months from the date of issue.

- the rights conferred by a patent relating to a process also cover products obtained directly by the process.

Despite its relatively high cost, the European patent is less onerous and involves fewer procedures than the obtaining of three or four national patents in different States. The number of applications has risen rapidly, from 1 500 per month in 1980 to more than 4 000 at present.

□ The Luxembourg Convention (1975) on the Community patent was signed only by the Community Member States and supplements the Munich Convention. It effectively provides for a unitary patent law, to ensure that the European patent has the same effect in all the countries of the Community. Moreover, to eliminate distortions of competition and obstacles to the free movement of goods, this Convention provides that, after a transitional period, any application for a European patent for one Member State will be effective throughout the Community. The Convention also provides for:

- an end to the segmentation of the common market into national markets. Products protected by the Community patent will be able to circulate freely once the holder of the patent has put them on the market anywhere within the Community. The same will hold for products lawfully marketed by the holder of a contract licence.

- the possibility of restricting (through a compulsory licensing system) the exclusive rights conferred by a Community patent, in cases where the method of exploitation of the product or process may prejudice the general interest. One example would be where a firm holding a Community patent delays the marketing of a particularly useful pharmaceutical product lest it supersede another, the research and commercialization costs of which have not yet been recouped. It will be for the competent national authorities to issue the compulsory licences, and the rules for these will gradually be harmonized.

- arrangements for the handling of litigation, with a joint tribunal ruling on certain points of law before a final definitive judgment can be handed down by the competent national jurisdiction.

- continuation of national patents for inventors who are interested only in their national markets. This is qualified, however, by provisions to minimize the repercussions on the functioning of the common market.

The coming into force of the Luxembourg Convention has been delayed for a long time by constitutional or political obstacles to membership for some Member States, as well as by difficulties over the linguistic and financial arrangements for the Community patent (into which languages must it be translated?, how should the receipts of the Community Office be divided among the Member States?). An intergovernmental conference has been called in order to solve these problems and enable the Community patent to become a reality without further delay.

To supplement this effort at legal integration and to take account of the speed of scientific progress, the Commission presented a proposal in October 1988 on legal protection for inventions in biotechnology. By ensuring that these inventions can be patented in all the Community countries, this measure aims to encourage research in the context of the large market and to help European industry compete on equal terms with its American and Japanese rivals, who already enjoy such a facility. The proposed directive would enable living matter — plants, animals and micro-organisms — to be patented; it defines the scope of the protection thus accorded and it sets out a registration system for micro-organisms, to supplement where necessary the descriptions usually required for obtaining a patent.

## 2. The Community trade mark

Independently of the patent, the trade mark is one of the principal ways of legally protecting a consumer product. There are several million trade marks in the Community; they are usually registered, but some arise out of usage. Here too disparities in legislation can hinder the free circulation of goods and the free supply of services and can distort conditions for competition — all the more so as, unlike the patent, trade mark rights have no time limit.

The Community has taken action on two fronts.

- Reducing differences in national legislation. A directive to this effect was adopted in 1988. It specifies that the exclusive right conferred on the holder of a trade mark enables him or her to prevent any other person or company from using, for business purposes and without consent, any identical or similar distinguishing sign on products or services identical or similar to those covered by the registered trade mark, when such use creates a risk of confusion in the public mind. The directive is voluntarily confined to those national provisions

which have the most direct impact on the free circulation of goods and services. It limits itself to harmonizing the national rules which define the distinguishing signs and characteristics that can be protected and the provisions regarding the extent of trade mark protection, the use of trade marks, and the reasons for refusing to register or continue protection of a trade mark.

Also, a Community regulation adopted in 1986 set out the procedures for holders of a trade mark to get Member States' customs authorities to prevent the marketing of counterfeit merchandise originating outside the Community.

□ The creation of a Community trade mark. A proposal to this effect was presented by the European Commission in 1980 and modified in 1984. As long as national trade mark laws, however similar, continue to exist, their application will be limited geographically to each Community country, so that there will remain numerous sources of conflict between identical or similar trade marks governed by such legislation and held by different owners. In the interests of both producers and consumers, this proposal aims to create within the Community the conditions for a European internal market for trade marked products.

The Community trade mark will be issued by a single Community office and will be valid throughout the Community under uniform Community legislation. Both producers and consumers should benefit.

- Producers will have the same wide-ranging protection for their trade marks everywhere; they will be able to extend their promotional activities — in which the trade mark is a major factor — throughout the whole common market, and produce in greater quantities, thus benefiting from the advantages of mass production (lower costs, etc.).

- Consumers will be able to exercise their choice on a much wider range of products of the same kind, with less risk of confusing one product with another.

The Commission's proposal — adoption of which has been held up by differences over the site of the Office and its working languages — provides for:

- a 10-year registration, renewable for further periods of 10 years.

- refusal of registration if the proposed trade mark is already held by another owner, has no distinguishing characteristic or is unlawful (for example, if it includes indications which are likely to mislead the public as to the nature, quality or origin of the product).

- a procedure for settling legal disputes in cases of counterfeit or of contested validity of a Community trade mark. In particular, holders of an existing trade mark could oppose a registration or demand its cancellation, where a mark similar or identical to theirs was to be used.

- the continued existence of national trade marks, which will remain useful to firms whose limited activity does not require protection on a Community scale.

### 3. Copyright

Works of the intellect are not subject to patent or trade mark, but they do benefit from protection — copyright — in national legislation and in various international conventions. Here also the law contains plenty of gaps and disparities. These are particularly troublesome in certain fields where the speed of technological progress calls for massive investment, spending which often cannot be profitable except on a European scale: design and production of integrated circuits and computer programs, data banks, development of a market for new audio and audiovisual formats such as digital recording, and so on. To open the debate and facilitate broad-based consultation with all interested groups, the European Commission published a green paper in 1988 called 'Copyright and the technological challenge'. The document is aimed at creating a stable and unified legal environment, to protect authors and industry from practices which could discourage investment and reduce profitability. It examines as priorities the problems posed by:

- ☐ piracy, or unauthorized reproduction for commercial purposes, of films, cassettes, discs or computer programs. Along with certain technical innovations (marking etc.), legal measures appear necessary in order to protect copyright. In particular this means recognition throughout the Community of the right of authors, producers and artistes to authorize the reproduction of their work, and more effective suppression of piracy. Work covered by copyright should also be brought within the scope of the Community's rules on counterfeit products.

- ☐ private copying. This poses a real problem in the music sector, where digital recording in principle enables anyone to make a copy as good as a studio master recording. The green paper envisages several options for guaranteeing the right of authors to remuneration: technical limitation of the possibility of reproduction, introduction of a levy on recording material or equipment, etc.

- ☐ right of distribution. Compact discs are practically immune to wear. Television stations and cassette producers vie with cinemas to obtain new films, while the producer may have an interest in commercializing them by stages. To overcome these problems, the Commission envisages giving recognition throughout the Community to the right of authors to authorize rental of their work, or at least to obtain fair remuneration from the rental.

The green paper also examines the problems of copyright in regard to data banks and computer programs. The European Commission has already tabled a proposal for a directive to cover software, which would oblige Member States to protect the author's exclusive rights of reproduction, adaptation and distribution for a period of 50 years.

In addition, a Community directive adopted in December 1986 provided for Member States to give legal protection, according to common rules, to the topography of semi-conductor products (or integrated circuits) used in data-processing technology. Here too it was a case of stimulating investment and protecting the results: it is estimated that the development of a sophisticated microchip can require an investment of ECU 100 million, while it costs only ECU 50 000 to 100 000 to plagiarize an existing topography.[1] The duration of the rights of reproduction or commercial exploitation recognized for creators of these products is 10 years. Similar measures had been taken by the United States, Japan and various Western European countries outside the Community, and the directive enabled a system of mutual protection of creator's rights to be instituted, which covers the major part of the industrialized world.

The Community's institutions are still working on the problems of copyright, particularly in the areas of television and books. In recent discussions ministers agreed to review in the light of experience the copyright problems posed by the spread of television broadcasting across frontiers. Also, in a communication on books and reading, published in August 1989, the European Commission drew attention to the problems caused by the spread of copying and by various legislative gaps and disparities in such areas as publishing contracts and duration of copyright protection.

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The European Commission urges rapid adoption of the proposals still under discussion in the fields of industrial, commercial and intellectual property. These are indispensable elements in the full realization of the large market without frontiers which the Member States of the Community have undertaken to institute by the end of 1992 ■

[1] ECU 1 (European currency unit) = about £0.71, Irl £0.77 or US $1.1 (at exchange rates current on 30 October 1989).

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