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European National IP Laws under the EU Umbrella: From National to European Community IP Law

Jean-Luc Piotraut
University of Metz

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I. Introduction

In Europe, intellectual property ("IP") law combines copyright and other copyright-related rights laws and industrial property law (i.e. patent, trademark, and geographical indications laws).

Considering the sovereignty of states, intellectual property rights first had to comply with territoriality principles, which used to hinder economic and cultural exchanges. Some form of international protection, therefore, was quickly considered. In the field of IP, an international organization was established in the late 19th century to provide countries with an administrative framework and a permanent forum for discussion.\(^1\) With its headquarters in Geneva, Switzerland, this intergovernmental organization is now known as the World Intellectual Property Organization ("WIPO"), initially named the Bureaux for the Protection of Intellectual Property (best known by its French acronym, BIRPI). Its main job is to administer the multinational intellectual property agreements signed under its aegis, with the purpose of establishing unions of all states that have adhered to the treaty in question (whether dealing with copyrights or related rights, patents, plant patents, etc.).\(^2\)

Moreover, IP has become a focal point of the modern global trading system: it was addressed in 1994 at the creation of the World Trade Organization ("WTO") through the side agreement on Trade-Related Intellectual Property Rights ("TRIPs").

In Europe, the ongoing construction of an economic and political community has required the European Community ("EC") to address IP law as well. As a result, IP law in Europe seems to have evolved from resting solely on national laws into a partial European Community law, the importance of which continues to grow daily.

This article examines the ways in which such "Europeanification" of IP law has been brought about. Currently, there are five main approaches, which will be presented successively in Parts II to VI. Part II focuses on regional IP law treaties in the field of patent law. Part III describes the EC case law delimitation of national IP laws, in particular, the free movement of goods and free competition...
policy. Part IV examines Community statutory delimitations of national IP laws under provisions not exclusively limited to IP law. Part V discusses the different methods of ongoing harmonization of national IP laws in the European Union (“EU”). Part VI describes the current establishment of a Community IP law through the adoption of industrial property rights largely unbound and independent of national legal systems.

My assertion is that the methods of harmonizing IP law in Europe may contribute to a reappraisal of the fundamental international legal principle of territoriality based on the IP rights which should be governed only by national laws.

II. “Europeanification” Through Regional IP Law Treaties

Two regional treaties have been implemented to harmonize or unify the European national patent laws: the Strasbourg Convention and the Munich Convention. Both constitute an important source of European patent law.

As a matter of fact, an additional European treaty, the Luxembourg Convention of December 15, 1975 for the European patent for the common market (“Community Patent Convention”) created a unitary Community patent having equal effect throughout the whole EC territory. Such a Community patent would have been “granted, transferred, revoked or allowed to lapse” only within this entire territory.

However, such a system would have been very costly because all patent documents would have to be translated into the languages of each Member State. For this reason, notwithstanding a Council agreement in 1989, a sufficient number of countries did not ratify this treaty and it therefore never came into effect.

By now, despite the lasting success of the Strasbourg and Munich Conventions, the ongoing “Europeanification” of IP law does not seem to be brought about through regional treaties any longer.

A. The Strasbourg Convention on the Unification of Certain Points of Substantive Law on Patents for Inventions

The Strasbourg Convention was signed on November 27, 1963, under the Council of Europe, an international organization founded in 1949 which is independent of the European Union, and designed to encourage political cooperation between the countries of Europe. Its purpose is to harmonize the patentability requirements in European national laws. Article 1 of the convention provides:

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6 Luxembourg Convention, supra note 5, art. 2(2).
7 Council agreement (89/695/EEC) relating to Community patents, done at Luxembourg on December 15, 1989.
In the Contracting States, patents shall be granted for any inventions which are susceptible of industrial application, which are new and which involve an inventive step. An invention which does not comply with these conditions shall not be the subject of a valid patent.

This provision lays down four substantive conditions for the validity of a patent: an invention, an industrial application, novelty, and an inventive step.

Only 12 countries have formally joined the Strasbourg Convention; however, nearly every European country has passed similar provisions through its own legislation. These provisions are also contained in the Munich Convention on the granting of European patents.

In addition, each WTO member must comply with the requirements set forth in TRIPs agreement Article 27(1):

Patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application.

B. The Munich Convention on the Grant of European Patents

The Munich Convention on the Grant of European patents, also known as the European Patent Convention ("EPC"), was signed on October 5, 1973. Twenty-nine countries have already joined it, including countries that are not currently members of the European Community (e.g. Bulgaria, Switzerland and Turkey). The impending adherence of several more countries is planned.

The EPC sets up a centralized registration system in the European Patent Office ("EPO"), located in Munich, Germany.

By this time, the grant of a European patent only allows the patentee to be protected under national patents in countries appointed in his/her application. This means that despite the administrative examination of the filings in the EPO, national courts are free to decide on both validity and infringement issues.

III. "Europeanification" Through EC Case Law: Delimitation of National IP Laws

At the beginning of the European construction, the Community only had very restricted power. Therefore, it seemed necessary to combine the purely national IP laws and the EC law, especially those related to the free movement of goods and free competition policy. The first step in the creation of European IP law has

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8 Including those which are not Member States of the EC.
9 Munich Convention art. 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."
11 Id.
European National IP Laws Under the EU Umbrella

been a Community delimitation of national laws made by the European Court of Justice ("ECJ"), and the Court of First Instance of the EC.

A. Respective Scopes of National IP Laws and Community Law

In the 1960's, European law included no IP provision except for former Article 36 EEC, currently Article 30 EC. This provision excuses Member States for respecting the policy favoring the free movement of goods, which prohibits quantitative restrictions on imports or exports and all measures having equivalent effect on different grounds such as:

the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. (Emphasis added.)

This means that for more than 20 years after the beginning of the construction of the European Community, you could only find IP provisions in European national laws, and these provisions were sometimes very different from one country to another. Therefore, the first question the ECJ, seated in Luxembourg, had to solve consisted of specifying the respective scope of national IP laws and European Community law.

With this goal in mind, the ECJ delivered two main judgments: one in the field of patents, Parke Davis13 and one in the field of trademarks, Sirena.14 They both draw a very important distinction between the existence and exercise of national IP rights and the limits these may take in the EC: while the existence of IP rights granted by a Member State shall not be affected by the prohibitions contained in the EC Treaty, the exercise of such rights may fall under one of those prohibitions.

B. Application of the EC Treaty's Community General Principle of Non-Discrimination on Intellectual Property Rights

Although it was delivered before the beginning of the approximation of literary and artistic property laws in Europe, the Phil Collins case15 gave the ECJ its first opportunity to apply the Community general principle of non-discrimination to copyright and related rights:


64 Loyola University Chicago International Law Review Volume 2, Issue 1
Within the scope of application of this Treaty, and without prejudice to any special provisions contained therein, any discrimination on grounds of nationality shall be prohibited.\textsuperscript{16}

This case involved an infringement suit brought in Germany by musician Phil Collins against a distributor who had marketed an unauthorized CD in Germany containing a recording of a U.S. concert.\textsuperscript{17} However, at the time, the current German law only allowed German artists to prohibit the distribution of their foreign performances.\textsuperscript{18}

Such a provision was condemned by the ECJ because it did not comply with the Community general principle of non-discrimination.\textsuperscript{19} The Court stated that the requirements of this general principle:

be interpreted as precluding the legislation of a Member State from denying to authors and performers from other Member States, and those claiming under them, the right, accorded by that legislation to the nationals of that State, to prohibit the marketing in its national territory of a phonogram manufactured without their consent, where the performance was given outside its national territory.\textsuperscript{20}

C. Delimitation of National IP Laws Related to the Free Movement of Goods

Articles 24 to 30 of the EC treaty (formerly Articles 30 to 36, EEC) relate to the elimination of quantitative restrictions between Member States, especially on imports (Article 28 EC) and exports (Article 29 EC). However, according to Article 30 EC, those provisions “shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on... the protection of industrial and commercial property.”\textsuperscript{21}

This means that the “protection of industrial and commercial property” constitutes an exception to the free movement of goods policy implemented in the European Community.

The ECJ has been asked to construe such a provision and decide whether the use of legal national monopolies given by IP rights would violate the European policy on the free movement of goods. In other words, is the owner of an IP right entitled to bring an infringement suit to prevent goods from getting over internal borders inside the EC territory?

\textsuperscript{16} Treaty Establishing the European Community (Amsterdam Consolidated Version), October 2, 1997. [hereinafter EC TREATY] ( Provision initially located in Article 7 of the EEC TREATY – which has become Article 6 after the Maastricht Agreement was signed in 1992 – and now written in Article 12).


\textsuperscript{18} Id.

\textsuperscript{19} Id.

\textsuperscript{20} Id.

\textsuperscript{21} EC TREATY art. 30.
I. The Principle of Community Exhaustion of IP Rights

The ECJ has laid down a principle of IP rights exhaustion within the Community. This principle essentially means that a product lawfully manufactured and marketed in a Member State, where it is protected under an IP right, is entitled to circulate freely in the entire EC territory. In other words, national IP rights shall not extend to acts done in the territory of a Member State after a product has already been placed in the market in the territory of any EC Member State by the owner of the IP right without his or her express consent.

a) Community Exhaustion in the Field of Copyright and Related Rights

The ECJ first formulated its exhaustion doctrine in the Deutsche Grammophon case, a case regarding a producer's sound recording right. The court held that a German producer may not rely on its exclusive right of distribution to prohibit the marketing of records in Germany that it had previously supplied to its French subsidiary.

The Community exhaustion doctrine was next applied to copyright in the Musik-Vertrieb Membran decision. The dispute involved a German copyright management society and undertakings that, under the consent of the copyright owner, imported U.K. manufactured and U.K. marketed records into Germany but calculated royalties based only on U.K. distribution. The ECJ first held that the statutory expression found in Article 30 EC, "protection of industrial and commercial property" was to be interpreted to include the protection of copyright. Secondly, the ECJ found the policy concerning the free movement of goods prevailed over the protection of copyright, in spite of the requisite license, because putting the recordings in the British market led to an exhaustion of copyrights so that, subject to the payment of the due fees, anybody was entitled to exploit the works already put into circulation in the British market with the consent of their owners.

b) Community Exhaustion in the Field of Industrial Property

In the field of industrial property, the ECJ has held that neither parallel patents nor parallel trademarks could prevent the importation of protected drugs by a third party from a Member State to another.

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22 This principle is similar to the U.S. first-sale doctrine in copyright law. See 17 U.S.C. § 109.
24 Id.
26 Id.
27 Id.
28 Id.
The leading cases here are the *Sterling Drug* case, involving patents and the *Winthrop* case, involving trademarks. In both cases, the Dutch firm, *Centrafarm*, bought lesser-priced pharmaceutical products in other European countries and then distributed them in the Netherlands. Since the owners of those industrial property rights were protected either with parallel patents or parallel trademarks, they brought infringement suits against *Centrafarm*, based on their Dutch IP rights. Nevertheless, the ECJ rejected the actions as "incompatible with the rules of the EEC treaty concerning the free movement of goods within the common market." 

In *Sterling Drug*, the ECJ held:

> Whereas an obstacle to the free movement of goods of this kind may be justified on the ground of protection of industrial property where such protection is invoked against a product coming from a Member State where it is not patentable and has been manufactured by third parties without the consent of the patentee and in cases where there exist patents, the original proprietors of which are legally and economically independent, a derogation from the principle of the free movement of goods is not, however, justified where the product has been put onto the market in a legal manner, by the patentee himself 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.

The *Winthrop* decision states:

> In fact, if a trademark owner could prevent the import of protected products marketed by him or with his consent in another Member State, he would be able to partition off national markets and thereby restrict trade between Member States, in a situation where no such restriction was necessary to guarantee the essence of the exclusive right flowing from the trademark.

2. Exceptions to the Community Exhaustion of IP Rights

The principle of Community exhaustion is not uncompromising; the ECJ has admitted that IP right protection can prevail over the policy favoring the free movement of goods, at least in certain situations.

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31 Cases 15/74 & 16/74.
32 *Id.*
33 Case 15/74, ¶ 11.
34 Case 16/74, ¶ 11.
a) As Regards to Remaining Differences between National Laws Inside the European Community

In its "EMI 2" decision,\textsuperscript{35} made before European harmonization concerning the duration of copyright protection, the ECJ held that such a duration was "inseparably linked to the very existence of the exclusive rights."

As a result, the lawful distribution of Cliff Richard sound recordings into the Danish market, where they were already in the public domain, did not lead to any Community exhaustion of reproduction and distribution rights. The German distribution company, \textit{EMI Electrola}, was consequently entitled to oppose, on the ground of its protected copyright, exports of those sound recordings in Germany by bringing an infringement suit.

b) As Regards to a Patent Compulsory License

The \textit{Pharmon} case\textsuperscript{36} was brought before the ECJ after the German company \textit{Hoechst}, the proprietor of a pharmaceutical product patent in Germany and of parallel patents in the Netherlands and in the U.K., sought to prevent the Dutch company \textit{Pharmon} from marketing in the Netherlands a consignment of those medicines bought by a British undertaking, which had obtained a compulsory license in the U.K. .

The ECJ emphasized that, in the case of a compulsory license, "the patentee cannot be deemed to have consented to the operation of that third party. Such a measure deprives the patent proprietor of his right to determine freely the conditions under which he markets his products."\textsuperscript{37}

Therefore, "the theory of the exhaustion of patent rights which presupposes that the product in question has been marketed freely and voluntarily by the patent proprietor, or by a third party with the proprietor's consent, does not apply in the case of a compulsory license."\textsuperscript{38}

c) As Regards to Repackaging and Re-Branding of a Pharmaceutical Product

The ECJ has admitted that trademark protection on a pharmaceutical product can prevail over the free movement of goods policy.

In the \textit{Hoffmann La-Roche} case,\textsuperscript{39} the Court considered the question of repackaging parallel imported products (Valium tablets) within the E.U. This issue arose from the difference between the prescribed pack size in the country of import, the U.K., and the country of export, Germany.\textsuperscript{40} The court held that there

\textsuperscript{35} Case 341/87, EMI Electrola GmbH v. Firma Patricia Im- und Export Verwaltungs GmbH, 1989 E.C.R. 79.


\textsuperscript{37} \textit{Id.}

\textsuperscript{38} \textit{Id.}


\textsuperscript{40} \textit{Id.}
was no exhaustion of IP rights if the repackaging could adversely affect the original condition of the pharmaceutical product.\textsuperscript{41}

The \textit{Bristol-Myers Squibb} case\textsuperscript{42} concerned not only repackaging, but also rebranding. Re-branding takes place where the owner of the right uses different marks in the country of export and country of import, and where the parallel importer applies to the trademark used for that product in the country of import. However, since the reputation of the trademark and its owner may suffer from the inappropriate presentation of a repackaged product, the ECJ decided that there would be no exhaustion of IP rights if the repackaging could damage the reputation of the trademark and its owner.\textsuperscript{43} Paragraph 75 emphasizes that, in such a case:

\begin{quote}
[T]he trademark owner has a legitimate interest, related to the specific subject matter of the trademark right, in being able to oppose the marketing of the product. In assessing whether the presentation of the repackaged product is liable to damage the reputation of the trademark, account must be taken of the nature of the product and the market for which it is intended.\textsuperscript{44}
\end{quote}

Consequently, "the packaging must not be defective, of poor quality, or untidy," and the importer must give "notice to the trademark owner before the repackaged product is put on sale," and, on demand, to supply "him with a specimen of the repackaged product."\textsuperscript{45}

D. Delimitation of National IP Laws Related to Free Competition Policy

It arises from Articles 2 and 3 of the EC treaty that one of the tasks of the Community is to establish a common market by implementing common activities, such as "a system ensuring that competition in the internal market is not distorted."\textsuperscript{46}

But since IP rights allow territorial monopolies, they are able to harm the EC free competition policy. That is why the European construction of IP rights has articulated concerns regarding both national IP rights exploitation and EC free competition policy, \textit{i.e.} anti-competitive agreements regulations on the one hand and abuses of dominant position regulations on the other.

\begin{itemize}
\item \textsuperscript{41} \textit{Id.}
\item \textsuperscript{42} \textit{Id.}
\item \textsuperscript{43} \textit{Id.}
\item \textsuperscript{44} \textit{Id.}
\item \textsuperscript{45} \textit{Id.}
\item \textsuperscript{46} EC TREATY art. 3(g).
\end{itemize}
1. Compliance of IP Rights Exploitation with the Anti-Competitive Agreements (or Cartels) Regulations

To be effective, competition assumes that the market is made up of suppliers, working independently of each other. However, if certain companies agree among themselves to collude rather than compete, such agreements impair competition. This is why Article 81 (formerly Article 85) of the EC treaty prohibits, as incompatible with the common market:

all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market, and in particular those which:

(a) directly or indirectly fix purchase or selling prices or any other trading conditions;
(b) limit or control production, markets, technical development, or investment;
(c) share markets or sources of supply;
(d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
(e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.\footnote{EC Treaty art. 81(1).

Alternatively, an agreement which restricts competition may still be accepted according to European competition law under the conditions provided in Article 81(3), as such an agreement “contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit,”\footnote{While free competition seems to be the only goal of US antitrust law (especially the Sherman Act of 1890, under which Congress prohibited agreements “in restraint of trade”). See 15 U.S.C. §§ 1-7. EC competition law has two stated goals, which are, first, to protect the competitive process from restraint and, second, to promote the European integration. This means, as a result, that although they restrict competition, some agreements or conducts may be accepted in Europe, in particular if they contribute to promote technical progress or to improve distribution.} and does not:

(a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
(b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

Now, the ECJ must decide on the case of agreements on IP rights, which are likely to be used for anti-competitive practices.
a) Reciprocal Representation Contracts between Copyright Management Societies

The Tournier case\textsuperscript{49} arose from a complaint of the high royalty rate demanded by SACEM (the society that manages copyright in musical works in France) of discotheque operators who had been prohibited to deal directly with copyright management societies in other countries; those societies asserted that they were bound by "reciprocal representation contracts" with SACEM, and accordingly refused to grant direct access to their repertoires.

The ECJ was to determine whether those reciprocal representation contracts specifically enabling a copyright management society to prevent users from selecting works from foreign authors without being obliged to pay royalties on these repertoires, constituted a concerted practice in breach of European competition law.\textsuperscript{50}

The Court held that the reciprocal representation contracts in question are not in themselves restrictive of competition, but "the position might be different if the contracts established exclusive rights whereby copyright management societies undertook not to allow direct access to their repertoires by users of recorded music established abroad."\textsuperscript{51} On the contrary, "concerted action by national copyright management societies with the effect of systematically refusing to grant direct access to their repertoires to foreign users must be regarded as amounting to a concerted practice restrictive of competition and capable of affecting trade between the Member States."\textsuperscript{52}

b) Exclusive License of Breeders’ Rights on New Plant Varieties

The Nungesser decision\textsuperscript{53} is among the most important regarding compliance of an exclusive license in the field of antitrust law. The case actually dealt with the assignment of breeders’ rights on new plant varieties, which formed part of a series of operations intended to organize the overall distribution of these seed varieties in Germany.

The judgment laid down an essential distinction between "open" exclusive licenses and exclusive licenses with "absolute territorial protection":

An open exclusive license, "whereby the owner merely undertakes not to grant other licenses in respect of the same territory and not to compete himself with the licensee on that territory," is accepted because it may be necessary, for instance to introduce a new and risky technology on the market.

On the other hand, an exclusive license with absolute territorial protection, under which the parties to the contract propose, as regards the products and the territory in question, to "eliminate all competition from third parties, such as parallel importers or licensees for other territories" is prohibited because it "man-


\textsuperscript{50} Id.

\textsuperscript{51} Id.

\textsuperscript{52} Id.

ifestly goes beyond what is indispensable for the improvement of production or distribution or the promotion of technical progress."\(^{54}\)

2. Compliance of IP Rights Exploitation with the Abuses of Dominant Position Regulations

Article 82 (formerly Article 86) of the EC treaty provides:

Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between Member States. Such abuse may, in particular, consist in:

(a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
(b) limiting production, markets or technical development to the prejudice of consumers;
(c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
(d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.\(^{55}\)

This means, according to European antitrust law, an undertaking is allowed to have a dominant position in its market. “Dominant position” here refers to the economic power that enables an undertaking to operate in the market without having account for the reaction of its competitors or of intermediate or final consumers: what is forbidden is only the abuse of such a dominant position, which may arise from IP rights uses.

The ECJ had to look into the very problem of copyright and industrial property rights uses likely to constitute an abuse of a dominant position.

a) Abuse of Copyright Exploitation

In the field of copyright, the abuses of dominant position regulations were first brought to the attention of the ECJ by copyright management societies’ practices. The \textit{SABAM} case\(^{56}\) involved exorbitant provisions imposed on its members by a Belgian copyright management society, specifically its provision requiring for the global assignment of all present and future copyrights.

The Court held that this could constitute an abuse given that a copyright management society, which was entrusted with the exploitation of copyrights and occupied a dominant position, “impose(d) on its members obligations which are

\(^{54}\) Id.

\(^{55}\) \textit{EC Treaty} art. 82.

not absolutely necessary for the attainment of its object and which thus encroach unfairly upon a member’s freedom to exercise his copyright.”

Later on, in the Magill case, the ECJ had to apply the abuses of dominant position law to the exploitation of copyrights for a TV guide.

At the time, no comprehensive weekly television guide was available on the market in Ireland or in Northern Ireland. Each television station published a guide listing only its own programs. The stations also provided, based on their copyrights, free daily listings of their program schedules to newspapers on request; these listings were accompanied by a license setting out the conditions under which that information could be reproduced.

However, it was found to be an abuse of a dominant position when the BBC and two Irish broadcasting stations refused to grant licenses to Irish newspapers for the publication in their respective weekly listings.

b) Abuse of Industrial Property Rights Exploitation

European case law contains two key decisions on the abuse of industrial property rights exploitation: first, the Renault decision, regarding a refusal to supply or to produce protected spare parts for motor vehicles and second, the Tetra Pak decision, regarding the acquisition of an exclusive license.

The Renault case was brought by a trade association of a number of Italian undertakings which manufactured and marketed bodywork spare parts for motor vehicles. The ECJ was to determine, notwithstanding the abuse of dominant position regulations, whether the French car manufacturer, Renault, was entitled to secure the benefit of its exclusive industrial property rights to ornamental designs, the effect of which would enable the manufacture to prevent the unauthorized sales of these protected products by third parties.

The ECJ did not condemn Renault’s refusal to supply spare parts to independent repairers, but it admitted that an abuse of a dominant position might result from an arbitrary refusal to supply spare parts to independent repairers, or from a decision to stop production of spare parts for a particular model even though many of that particular model are still in circulation.

57 Id.
59 Id.
60 Id.
61 Id.
62 Id.
65 While in the U.S., designs are protected either under copyright law or under patent law, in Europe, they usually can be protected under a sui generis legislation for industrial design, which relates to industrial property law.
European National IP Laws Under the EU Umbrella

In its *Tetra Pak* decision, the Court of First Instance of the EC noted, "the mere fact that an undertaking in a dominant position acquires an exclusive license does not *per se* constitute abuse." It did, however, hold that there was abuse when Tetra Pak, already in a dominant position in the aseptic packaging of liquid foods (especially milk) in cartons, then acquired an exclusive patent license for a new UHT milk-packaging process.

Actually, the acquisition of the exclusivity of the license not only "strengthened Tetra’s very considerable dominance but also had the effect of preventing, or at the very least considerably delaying, the entry of a new competitor into a market where very little if any competition is found."

### IV. “Europeanification” Through an EC Statutory Delimitation of IP Law

European Community legislation has two main statutory schemes that focus on a delimitation of IP laws, although they are part of broader statutes that do not limit themselves to IP: first, there are several Commission “block exemption” regulations, and second, the Charter of Fundamental Rights of the EU.

#### A. “Block Exemption” Regulations

As early as the 1960’s, the Commission has been empowered to apply Article 81(3) of the EC treaty by regulation to certain categories of agreements and concerted practices falling within the scope of Article 81(1).

According to these Commission regulations, categories of agreements of the same nature, such as technology transfer agreements and agreements in research and development, may benefit from group exemptions, also called “block exemptions.” As long as they comply with the exemptions, agreements falling under such a block exemption are assumed to be compatible with European competition law.

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68 *Id.*
69 *Id.*
70 According to Article 249 of the EC Treaty, a regulation has “general application, and it is binding in its entirety and directly applicable in all Member States.”
71 The first block exemption regulations used to detailed a list of provisions usually contained in the relevant category of agreement, and to distinguish the clauses which did not prevent exemption from the ones which prevented such an exemption. The more recent block exemptions place greater emphasis on defining the categories of agreements which are exempted up to a certain level of market power and on specifying the restrictions or clauses which are not to be contained in such agreements.
72 Under Council Regulation (EEC) No 17/62, 1962 O.J. (L 13) 204 (first regulation implementing Articles 81 and 82), undertakings had to notify their agreements to the Commission in order to know whether the latter were compatible with the European antitrust law (especially whether a possibly anticompetitive agreement may be approved thanks to its ultimately beneficial economic effect on the market). Such an obligation to notify does not exist anymore under Regulation (EC) No 1/2003, 2003 O.J. (L 1) 1, on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty (which repealed Regulation No 17/62 on May 1, 2004).

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74 Loyola University Chicago International Law Review  Volume 2, Issue 1
Some of these exemption regulations relate to IP rights because they involve agreements that either include restrictions imposed on the acquisition or use of industrial property rights or the research and development of products or processes.

1. Exemption of categories of agreements that include restrictions imposed in relation to the acquisition or use of industrial property rights

Pursuant to Council Regulation (EEC) No 19/65 of March 2, 1965, the European Commission became entitled to pass exemption regulations for the benefit of certain categories of agreements and concerted practices which "include restrictions imposed in relation to the acquisition or use of industrial property," for example, patents, utility models, designs or trademarks. Block exemption regulations of this kind have been adopted on such a basis, especially in the field of distribution agreements and agreements for the transfer of technology.

a) Supply and Distribution Block Exemption Regulation

Commission Regulation (EC) No 2790/1999 of December 22, 1999, on the application of Treaty Article 81(3) to categories of vertical agreements and concerted practices is aimed at undertakings that operate at a different level on the production or distribution chain, and relate to the conditions under which the parties may purchase, sell or resell certain goods or services. This Regulation replaces three previous regulations: one on exclusive distribution, one on exclusive purchasing, and one on franchise agreements. This Regulation also reflects a shift from former EC policy, which relied largely on formalistic assessment criteria for vertical agreements, towards an approach focusing more on the economic effects of vertical agreements. The basic aim of this new approach is:

- to simplify the rules applicable to vertical restraints and to reduce the regulatory burden for companies, while ensuring a more effective control of agreements entered into by companies holding significant market power.

According to Article 3 of EC 2790/1999, the exemption generally applies up to a market share threshold of 30% of the relevant market held either by the supplier on which it sells the contract goods or services or, in vertical agreements

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74 Subject to the car distribution, which is ruled by a specific regulation, i.e. Commission Regulation (EC) No 1400/2002 of July 31, 2002, on the Application of Article 81(3) to Certain Categories of Vertical Agreements and Concerted Practices in the Motor Vehicle Sector, 2002 O.J. (L 203) 30.
76 European Commission, 34 EU Competition Policy, REPORT ON COMPETITION POLICY 1999, 17 (Luxembourg, 2000).
containing exclusive supply obligations, by the buyer on which it purchases the contract goods or services.\textsuperscript{77}

The list of "hard-core" restrictions that cannot benefit from the block exemption codifies, to a large extent, current case law. It includes, in particular:

"the restriction of the buyer's ability to determine its sale price," whether in the form of fixed or minimum prices (Article 4(a));

"the restriction of active or passive sales to end users by members of a selective distribution system operating at the retail level of trade, without prejudice to the possibility of prohibiting a member of the system from operating out of an unauthorized place of establishment" (Article 4(c));

"Any direct or indirect non-compete obligation, the duration of which is indefinite or exceeds five years. A non-compete obligation which is tacitly renewable beyond a period of five years is to be deemed to have been concluded for an indefinite duration" (Article 5(a)).\textsuperscript{78}

b) Technology Transfer Block Exemption Regulation ("TTBER")

Commission Regulation (EC) No 772/2004 of April 7, 2004, on the application of Article 81(3) of the Treaty to categories of technology transfer agreements replaces former regulation EC No 240/1996 of January 31, 1996.\textsuperscript{79} It applies the new economic approach, which the Commission already applied to vertical agreements block exemption to technology transfer agreements.\textsuperscript{80} The preamble of this Regulation reads:

Technology transfer agreements concern the licensing of technology. Such agreements will usually improve economic efficiency and be pro-competitive as they can reduce duplication of research and development, strengthen the incentive for the initial research and development, spur incremental innovation, facilitate diffusion and generate product market competition.\textsuperscript{81}

Accordingly, in Article 3 of this new legislation, such agreements are exempt on the condition that the market share of the parties on the relevant technology and product market does not exceed:

\textsuperscript{77} In pursuance of Article 2(2), it includes agreements concluded by retailer's associations, on condition that no member has a turnover of more than EUR 50 million.

\textsuperscript{78} However, Article 5(a) adds that "the time limitation of five years shall not apply where the contract goods or services are sold by the buyer from premises and land owned by the supplier or leased by the supplier from third parties not connected with the buyer, provided that the duration of the non-compete obligation does not exceed the period of occupancy of the premises and land by the buyer."

\textsuperscript{79} Which had itself replaced, on the one hand, Regulation (EEC) No 2349/84, 1984 O.J. (L 219) 15, on the application of Article 85(3) of the Treaty to certain categories of patent licensing agreements, and, on the other hand, Regulation (EEC) No 556/89, 1989 O.J. (L 61) 1, on the application of Article 85(3) of the Treaty to certain categories of know-how licensing agreements, in order for those two block exemptions to be combined into a simplified single regulation covering technology transfer agreements.


20% of the combined market share, where the agreement has been concluded between competing undertakings;
30% of each party’s market share, where the agreement has been concluded between not competing undertakings.
Articles 4 and 5 still specify the restrictions that are not to be contained in agreements, such as:

The restriction of a party’s ability to determine its prices when selling products to third parties...
Any direct or indirect obligation on the licensee to grant an exclusive license to the licensor or to a third party designated by the licensor in respect of its own severable improvements to or its own new applications of the licensed technology...
Any direct or indirect obligation on the licensee to assign, in whole or in part, to the licensor or to a third party designated by the licensor, rights to its own severable improvements to or its own new applications of the licensed technology...
Any direct or indirect obligation on the licensee not to challenge the validity of intellectual property rights which the licensor holds in the common market, without prejudice to the possibility of providing for termination of the technology transfer agreement in the event that the licensee challenges the validity of one or more of the licensed intellectual property rights.82

2. Exemption of categories of agreements regarding the research and development of products or processes

Council Regulation No 2821/71 empowers the Commission to apply Article 81(3), formerly Article 85(3), of the Treaty to certain agreements, decisions or concerted practices falling within the scope of Article 81(1), formerly Article 85(1); these agreements, decisions, and practices must “have as their objective the research and development of products or processes up to the stage of industrial application, and exploitation of the results, including provisions regarding intellectual property rights.”

The Commission has made use of this power by adopting Regulation (EC) No 2659/2000 of November 29, 2000, on the application of Article 81(3) of the Treaty to categories of research and development agreements.83 The underlying principle behind this legislation is to provide:

[c]ooperation in research and development and in the exploitation of the results generally promotes technical and economic progress by increasing the dissemination of know-how between the parties and avoiding duplication of research and development work, by stimulating new advances

82 Id.
83 This regulation hands over former Regulation (EEC) No 418/85 of December 19, 1984, on the application of Article 85(3) of the Treaty to categories of research and development. 1984 O.J. (L 53) 5.
through the exchange of complementary know-how, and by rationalizing the manufacture of the products or application of the processes arising out of the research and development.\textsuperscript{84}

With this principle in mind, under certain conditions listed in Articles 3 and 4, this Regulation exempts agreements where two or more undertakings pursue joint research and development of products or processes and/or joint exploitation of the results of research and development.\textsuperscript{85} For instance:

All the private undertakings who participate in such an agreement "must have access to the results of the joint research and development for the purposes of further research or exploitation" (Article 3(2)).

Where two or more of the participating undertakings are competing undertakings, "the combined market share of the participating undertakings does not exceed 25\% of the relevant market for the products capable of being improved or replaced by the contract products" (Article 4(2)).\textsuperscript{86}

But the exemption does not apply to certain agreements, specified in Article 5(1), such as:

The restriction of the freedom of the participating undertakings to carry out research and development independently or in cooperation with third parties in a field unconnected with that to which the research and development relates or, after its completion, in the field to which it relates or in a connected field. . .

The prohibition to challenge after completion of the research and development the validity of intellectual property rights which the parties hold in the common market and which are relevant to the research and development or, after the expiry of the research and development agreement, the validity of intellectual property rights which the parties hold in the common market and which protect the results of the research and development, without prejudice to the possibility to provide for termination of the research and development agreement in the event of one of the parties challenging the validity of such intellectual property rights. . .

The fixing of prices when selling the contract product to third parties. . .

The prohibition to make passive sales of the contract products in territories reserved for other parties. . . \textsuperscript{87}

\textsuperscript{84} Regulation (EC) No 2659/2000, pmbl. point (10), 2000 O.J. (L 304) 7. Moreover, Point (12) adds that "consumers can generally be expected to benefit from the increased volume and effectiveness of research and development through the introduction of new or improved products or services or the reduction of prices brought about by new or improved processes."

\textsuperscript{85} Id. art. 1(1).

\textsuperscript{86} On the contrary, where the participating undertakings are not competing undertakings, the exemption "shall apply for the duration of the research and development." Id. art. 4(1). And "where the results are jointly exploited, the exemption shall continue to apply for seven years from the time the contract products are first put on the market within the common market." Id. art. 4(2).

\textsuperscript{87} Id. art. 5(1).
B. Charter of Fundamental Rights of the European Union

The Charter of Fundamental Rights of the EU\(^8\) ("Charter") was adopted on December 7, 2000, in Nice, France, on the fringes of the European Council. Article 17 of the charter, dealing with the Right to Property, reads as follows:

1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law insofar as is necessary for the general interest.

2. Intellectual property shall be protected.

Such a right to property is a fundamental right, common to all national European constitutions, and it has been recognized on numerous occasions by ECJ case law.\(^8\)\(^9\)

According to the "official" explanations to the text of the draft Charter:

Protection of intellectual property, one aspect of the right of property, is explicitly mentioned in paragraph 2 because of its growing importance and Community secondary legislation . . . . The guarantees laid down in paragraph 1 shall apply as appropriate to intellectual property.\(^9\)

Paragraph 2 of the Charter may therefore be seen as an example of a brief statutory delimitation of IP law, in the sense that, in Europe, protection of intellectual property would relate to the protection of fundamental rights.

However, the legal effects of such a peremptory statement, – "\textit{intellectual property shall be protected}," – are uncertain, especially since no normative effect have been given to the Charter itself, which merely seems to reflect a will to mention the human rights protection in the EU legal system.\(^9\)\(^1\) Actually, the stated purpose of the Charter, as stated in its preamble, is only:

\begin{quote}
to strengthen the protection of fundamental rights in the light of changes in society, social progress and scientific and technological developments by making those rights more visible. . . .
\end{quote}

But things might change if a treaty establishing a Constitution for Europe\(^9\)\(^2\) is ultimately passed because the Charter of Fundamental Rights of the Union would be intended to become part of the European Constitution. The result is that protection of intellectual property would be of constitutional significance at the

\(^8\) 2000 O.J. (C 364) 1.


\(^9\) Text of the explanations to the complete text of the draft Charter of fundamental rights of the EU, prepared at the instigation of the Praesidium (Brussels, Belgium, 2000).


\(^9\) As submitted to the President of the European Council in Rome on July 18, 2003.
Community level rather than handled variously through national laws and through Commission Regulations and Directives.  

V. "Europeanification" Through a Community Harmonization of National IP Laws

The ongoing Community harmonization of national IP laws has been made by several means.

A. Harmonization with a View of Promoting the Establishment or Functioning of the Common Market

Article 94 (formerly Article 100) of the EC Treaty empowers the Council to issue "directives for the approximation of such laws, regulations or administrative provisions of the Member States as directly affect the establishment or functioning of the common market."  

According to Article 249, a European directive is "binding, as to the result to be achieved, upon each Member State to which it is addressed," but it leaves "to the national authorities the choice of form and methods," so that all EU Member States are obligated to conform their domestic laws to such directives.  

However, it seems that, in IP law, only one harmonization directive has currently been passed on such a basis, namely Council Directive 87/54/EEC of December 16, 1986, on the legal protection of topographies of semiconductor products, which approximated European integrated circuits layout-designs laws with legal protection under a sui generis registered right.

B. Harmonization with a View of Establishing the Internal Market

The European Community has, in particular, been allotted "the aim of progressively establishing the internal market," which comprises "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured." With this view in mind, Article 95 (formerly Article 100A) especially enables the Council to:

[a]dopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.

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93 In pursuance of the (current draft) Treaty establishing the European Constitution, Part II (the Charter of Fundamental Rights of the Union), Title II (Freedoms), Article II-17(2).
95 EC TREATY art. 94.
96 This legislation was inspired by the US Semiconductor Chip Protection Act of November 8, 1984 (Pub. L. No 98-620, 98 Stat. 3335, 3347).
97 EC TREATY art. 14(1).
98 Id. art. 14(2).
99 Id. art. 95(1).
European National IP Laws Under the EU Umbrella

Such approximate measures may be taken either through regulations or through directives. Regarding IP law, they relate to both substantive law and enforcement law.

1. Substantive Law Harmonization

a) Harmonization through Regulations

In the field of patent law, two harmonization regulations have been passed in order to create supplementary protection certificates:
Council Regulation (EEC) No 1768/92 of June 18, 1992, concerning the creation of a supplementary protection certificate for medicinal products;
A supplementary protection certificate is intended to prolong the duration of the patent protection on products for which marketing authorization is required, since such authorization is usually delivered after several years. So, in order to avoid penalties in relevant sectors, a supplementary protection certificate takes over for the patent as soon as the latter expires. Article 13 of those two Regulations state:

1. The certificate shall take effect at the end of the lawful term of the basic patent for a period equal to the period which elapsed between the date on which the application for a basic patent was lodged and the date of the first authorization to place the product on the market in the Community reduced by a period of five years.

2. Notwithstanding paragraph 1, the duration of the certificate may not exceed five years from the date on which it takes effect.100

According to their preambles, the creation of a supplementary protection certificate granted by each of the Member States actually provides for a uniform solution at Community level, "thereby preventing the heterogeneous development of national laws leading to further disparities which would be likely" to hinder the free movement of medicinal products and plant production within the Community "and thus directly affect the functioning of the internal market."101

b) Harmonization through Directives

Article 95 (formerly Article 100A) constitutes the legal basis for substantive law harmonization directives in the field of both copyright and related rights law and industrial property law.

At the moment, although such directives are a little more numerous in the field of copyright and related rights law than in the field of industrial property law, the latter has a greater approximated value because European construction was origi-
nally purely economic and, in Europe, connected only with industrial property while copyright mainly corresponded with culture (for which the power of Community authorities is much more recent).

In the field of copyright and related rights law, seven harmonization directives have been passed thus far, with a goal of promoting the establishment and functioning of the common market:

Council Directive 91/250/EEC of May 14, 1991, on the legal protection of computer programs, which obliged EU members to expend specific statutory copyright protection to software;¹⁰²

Council Directive 92/100/EEC of November 19, 1992, on rental right and lending right and on certain rights related to copyright in the field of intellectual property, which required European countries to enact legislation protecting the rental right for works protected under copyright and related rights regimes;

Council Directive 93/83/EEC of September 27, 1993, on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, under which EU countries had to provide literary and artistic property right holders with a satellite broadcasting right and a cable retransmission right, both to be exercised under a principle of contractual freedom (the latter generally through collecting societies);

Council Directive 93/98/EEC of October 29, 1993 harmonizing the term of protection of copyright and certain related rights, which notably imposed EU countries to extend the copyright term to life plus 70 years;¹⁰³

Directive 96/9/EC of the European Parliament and of the Council of March 11, 1996 on the legal protection of databases, which demanded Member States to enact legislation providing a *sui generis* right against unauthorized extraction and reutilization of a substantial part of a database;


Directive 2001/84/EC of the European Parliament and of the Council of September 27, 2001 on the resale right for the benefit of the author of an original work of art, under which each Member State will soon be obliged to provide, for the benefit of authors of graphic and plastic works of art, a right to receive a royalty based on the sale price obtained for any resale of the work, subsequent to the first transfer of the work by the author, involving as sellers, buyers or intermediaries art market professionals.¹⁰⁴

¹⁰² This legislation has been enacted under the influence of the amendment to the U.S. Copyright Act regarding computer programs of December 12, 1980 (Pub. L. No 96-517, § 10(b), 94 Stat. 3028), as well as the American leading case of Apple Computers, Inc. v. Franklin Computer Corp., 714 F.2d 1240 (3d Cir. 1983), *cert. denied*, 464 U.S. 1033 (1984).


¹⁰⁴ Such as salesrooms, art galleries and, in general, any dealers in works of art.
In the field of industrial property law, with the exception of national patents, which have already been harmonized through the European Patent Convention of 1973, three harmonization directives in the field of industrial property law have currently been passed on the basis of Article 95 (formerly Article 100A) of the EC Treaty:

Council Directive 89/104/EEC of December 21, 1988, to approximate the laws of the Member States relating to trademarks, which has contributed to harmonize aspects of substantive national laws concerning registered trademarks, apart from questions of procedure as regards registration, nullity, and invalidity;

Directive 98/44/EC of the European Parliament and of the Council of July 6, 1998, on the legal protection of biotechnological inventions, which has obliged EU countries to provide inventors of a biological invention with a patent protection because, "in particular in the field of genetic engineering, research and development require a considerable amount of high-risk investment and therefore only adequate legal protection can make them profitable";\(^{105}\)

Directive 98/71/EC of the European Parliament and of the Council of October 13, 1998, on the legal protection of designs, which has harmonized EU national laws on registered designs, in particular as regards protection requirements, scope and term of protection, and rights conferred by the design right.

In addition, the European Parliament and the Council made, on February 2002, a proposal for a directive on the patentability of computer-implemented inventions,\(^{106}\) under which a computer-implemented invention would be patentable on the condition that it makes "a technical contribution."\(^{107}\)

2. Enforcement Law Harmonization

Since "the disparities between the systems of the Member States regarding the means of enforcing intellectual property rights are prejudicial to the proper functioning of the Internal Market,"\(^{108}\) Article 95 has been chosen as the legal basis for Directive 2004/48/EC of the European Parliament and of the Council of April 29, 2004, for the enforcement of IP rights.

The Directive "does not aim to establish harmonized rules for judicial cooperation, jurisdiction, the recognition and enforcement of decisions in civil and commercial matters, or deal with applicable law";\(^{109}\) its objective is just "to approximate legislative systems so as to ensure a high, equivalent and homogeneous level of protection in the Internal Market."\(^{110}\)

For example, it encompasses measures for preserving evidence (Article 7), and it confers to IP rights holders the right to apply for an injunction against infring-
European National IP Laws Under the EU Umbrella

ers (Article 11) or the right to receive damages appropriate to the actual prejudice suffered by him as a result of the infringement (Article 13).

C. Harmonization with a View of Implementing the Common Commercial Policy

Article 133 (formerly Article 113) of the EC Treaty is “the key provision as regards common commercial policy. It lays down the scope thereof, the powers conferred, as well as the procedural rules which apply to the negotiation and conclusion of international agreements concluded by the Community.”

Now, even though IP rights do not relate specifically to international trade, there is an undeniable connection between intellectual property and trade in goods:

The power to prohibit the use of a trademark, the manufacture of a product, the copying of a design or the reproduction of a book, a disc or a videocassette inevitably has effects on trade.

For this reason, the powers conferred to the Community by Article 133 may apply to the negotiation and conclusion of agreements on the commercial aspects of intellectual property. Since “it relates to measures to be taken by the customs authorities at the external frontiers of the Community,” Any EC regulation passed in pursuance of an international agreement concluded by the Community, concerning the prohibition of the release into free circulation of counterfeit goods, could therefore be rightly based on such Article 133.

At the moment, the only IP regulation based on Article 133 is the Council Regulation (EC) No 1383/2003 of July 22, 2003, concerning customs’ action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights. Its main purpose is to oblige Member States to have their custom authorities fight against infringement by harmonizing their powers.

According to its Article 1, this Regulation lays down both the conditions under which the national custom authorities have to act where goods suspected of infringing an intellectual property right “are entered for release for free circulation, export or re-export,” or “are found during checks on goods entering or leaving the Community customs territory, placed under a suspensive procedure, in the process of being re-exported subject to notification, or in a free zone or free warehouse”; and the “measures to be taken by the competent authorities

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112 Opinion 1/94 of the Court of November 15, 1994, Competence of the Community to conclude international agreements concerning services and the protection of intellectual property, Point (57), EUROPEAN COURT REPORT 1-5267 (1994).
113 EC TREATY art. 133(5).
114 Opinion 1/94, supra, note 112, Point (55).
115 This Regulation replaces former Council Regulation (EC) No 3295/94, 1994 O.J. (L 341) 8, laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods (which is repealed with effect from July 1st, 2004).
when the [above-mentioned] goods . . . are found to infringe intellectual property rights.”  

As an example of substantive law provision, Article 13 reads:

1. If, within 10 working days of receipt of the notification of suspension of release or of detention, the customs office . . . has not been notified that proceedings have been initiated to determine whether an intellectual property right has been infringed under national law . . . or has not received the right-holder’s agreement . . . where applicable, release of the goods shall be granted, or their detention shall be ended, as appropriate, subject to completion of all customs formalities. This period may be extended by a maximum of 10 working days in appropriate cases.

2. In the case of perishable goods suspected of infringing an intellectual property right, the period referred to in paragraph 1 shall be three working days. That period may not be extended.

D. Encouragement of Member States to Adhere to the Same International Treaties

For a long time, all EU Member States have been adhering to the main WIPO-administered international treaties in the field of industrial property law such as the Paris Convention and the Patent Cooperation Treaty (“PCT”), but this was not always the case in the field of copyright and related rights law.

That is why, on December 11, 1990, the Commission submitted a proposal for a Council Decision concerning the accession of the Member States to the Berne Convention of September 9, 1886 for the protection of literary and artistic works and also the Rome Convention of October 16, 1961, for the protection of performers, producers of phonograms and broadcasting organizations.

Since such a decision would have been binding on all, EU Member States opposed it, and the Council instead adopted on May 14, 1992, a Resolution on increased protection for copyright and neighboring rights. As a resolution, this merely encourages the Member States to become parties to those two Conventions.

Moreover, the ECJ admitted that, regarding IP law, the EU adherence to an International Convention should not be regarded as a sufficient legal basis for a Community harmonization since IP rights “affect internal trade just as much as, if not more than, international trade.”

117 Id.
120 COM(90) 582 final.
121 1992 O.J. (C 138) 1.
122 Opinion 1/94 of the Court, supra, note 112, Point (57).
VI. “*Europeanification*” Through the Establishment of a Community IP Law

The current establishment of a Community IP law through the adoption of IP rights submitted solely under EC law, and therefore largely unbound to national legal systems, represents one further step on the road to European integration.

Since the Luxembourg Convention of 1975 on the Community Patent never came into force (because it has not been ratified by enough countries), European authorities have, since the 1990s, chosen to establish Community IP rights mostly by passing EC regulations in the field of industrial property law on both distinctive signs and industrial creations.

A. Community IP Rights on Distinctive Signs

1. *Community Geographical Indications and Designations of Origin*

The EU has enacted several separate and detailed regulations governing the use, among other things, of geographical designations for wines, spirit drinks, or agricultural products and foodstuffs.

*a) Designations for Wines*

As part of a common agricultural policy, Council Regulation (EC) No 1493/1999 of May 17, 1999, on the common organization of the market in wine encompasses measures for the adaptation of wine-growing potential and a quality policy. It includes, in particular, provisions on the use of a geographical indication for designating quality wines produced in specified regions (“QWPSR”) and table wines.

*b) Designations for Spirit Drinks*

Council Regulation (EEC) No 1576/89 of May 29, 1989, sets down general rules on the definition, description and presentation of spirit drinks. This Regulation was enacted in order to maintain a certain quality standard for the products in question, especially by securing the use of certain terms for the sole products of the same quality as traditional products.

Actually, some of those terms may constitute protected geographical indications “provided that the stages of production during which the finished product acquires its characteristics and definitive properties are completed in the geographical area in question.” For instance, the designations: ‘Grappa’ may be used solely for certain grape mark spirit drinks produced in Italy;

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125 *Id.* art. 1.4.f(2).
European National IP Laws Under the EU Umbrella

‘Pacharán’ may be used solely for certain fruit spirit drinks manufactured in Spain;¹²⁶
‘Ouzo’ may be used solely for certain aniseed-flavored spirit drinks produced in Greece.¹²⁷

c) **Designations for Agricultural Products and Foodstuffs**

Council Regulation (EEC) No 2081/92 of July 14, 1992, on the protection of geographical indications and designations of origin for agricultural products and foodstuffs,¹²⁸ establishes a community-wide registration system for designations of origin in order to provide information to those involved in trade and to consumers. Such a system, which aims to encourage the diversification of agricultural production and to improve quality, applies to agricultural products intended for human consumption, including beers and spring waters.

The text especially distinguishes between designation of origin and geographical indication, although both refer to the name of a region or a specific place used to describe an agricultural product of a foodstuff, but the former relates to qualities or characteristics, “which are essentially of exclusively due to a particular geographical environment with its inherent natural and human factors, and the production, processing and preparation of which take place in the defined geographical area.”¹²⁹

The latter relates to “a specific quality, reputation or other characteristics attributable to that geographical origin and the production and/or processing and/or preparation of which take place in the defined geographical area.”¹³⁰

2. **Community Trademark**

Approximation of national trademark laws laid down by Council Directive of 1988¹³¹ may sometimes be insufficient for products and services of undertakings to be distinguished by identical means throughout the entire EU territory. A Community trademark (“CTM”) was therefore created pursuant to Council Regulation (EC) No 40/94 of December 20, 1993.¹³²

According to Articles 7 and 8 of this regulation, which regime is very close to national ones since their approximation, the main substantive requirements of protection are that the trademark has a distinctive character; the trademark is not

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¹²⁶ *Id.* art. 1.4.l(2).
¹²⁷ *Id.* art. 1.4.o(3).
¹³⁰ *Id.* art. 2(2)(b).
of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or services; and the trademark is not identical with an earlier trademark protected for identical goods or services.\textsuperscript{133}

Since the Community trademark can only be obtained by registration,\textsuperscript{134} an Office for Harmonization in the Internal Market ("OHIM") for trademarks and designs was established,\textsuperscript{135} with its headquarters in Alicante, Spain.

B. Community IP Rights on Industrial Creations

1. Community Designs

The OHIM has been given responsibility for registering Community designs since April 1st, 2003, under Council Regulation (EC) No 6/2002 of December 12, 2001,\textsuperscript{136} which lays down the new EU Community system for designs protection with uniform effect throughout the entire territory of the Community.

The reasons for adopting Community designs are similar to those for adopting the Community trademark, but there is a supplementary reason:

Enhanced protection for industrial design not only promotes the contribution of individual designers to the sum of Community excellence in the field, but also encourages innovation and development of new products and investment in their production.\textsuperscript{137}

The main substantive requirements of protection, which are very close to national requirements, considering the prior Directive 98/71/EC of October 13, 1998 on the legal protection of designs, are novelty and individual character:\textsuperscript{138}

A design shall be considered to be new if no identical design has been made available to the public;\textsuperscript{139}

A design shall be considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public.\textsuperscript{140}

Registered designs are protected in the whole Community for up to 25 years, but registrations need to be renewed every five years up to that maximum. Moreover, unregistered designs are also protected for three years from the date of their

\textsuperscript{133} Regulation (EC) No 40/94, arts. 7 & 8, 1994 O.J. (L 11) 1.
\textsuperscript{134} Id. art. 6.
\textsuperscript{135} Id. art. 2.
\textsuperscript{137} Regulation (EC) No 612002, pmbl. point (7), 2002 O.J. (L 3) 1.
\textsuperscript{138} Id. art. 4(1).
\textsuperscript{139} Id. art. 5(1).
\textsuperscript{140} Id. art. 6(1).
disclosure to the public within the EU, which may occur through designs going on sale or through prior marketing or publicity.\textsuperscript{141}

2. \textit{Community Plant Variety Rights}

At the moment, contrary to other industrial property regimes, industrial property regimes for plant varieties have not been harmonized at the Community level. Nevertheless, Council Regulation (EC) No 2100/94 of July 27, 1994 on Community plant variety rights,\textsuperscript{142} organized a uniform regime which, although co-existing with national ones, "allows for the grant of industrial property rights valid throughout the Community."\textsuperscript{143}

According to this regulation, the main substantive requirements of protection are \textit{distinctness, uniformity, stability} and \textit{novelty} of a variety:\textsuperscript{144}

Article 7(1) provides that "a variety shall be deemed to be distinct if it is clearly distinguishable by reference to the expression of the characteristics that results from a particular genotype or combination of genotypes, from any other variety whose existence is a matter of common knowledge on the date of application."

Article 8 provides that "a variety shall be deemed to be uniform if, subject to the variation that may be expected from the particular features of its propagation, it is sufficiently uniform in the expression of those characteristics which are included in the examination for distinctness, as well as any others used for the variety description."

Article 9 provides that "a variety shall be deemed to be stable if the expression of the characteristics which are included in the examination for distinctness as well as any others used for the variety description, remain unchanged after repeated propagation or, in the case of a particular cycle of propagation, at the end of each such cycle."

A Community Plant Variety Office, with headquarters in Angers, France, was also established because a Community plant variety right can be obtained only by registration. As to its effects, a Community plant variety right should, in principle, last 25 years or, in the case of varieties of vine and tree species, 30 years from the grant.\textsuperscript{145}

\textsuperscript{141} \textit{Id.} art. 11.


\textsuperscript{144} In addition, such a protectable variety has to be designated by a prescribed variety denomination.

\textsuperscript{145} Regulation (EC) No 2100/94, art. 19(1).
3.

**Forthcoming Community Patent**

In order to bypass the failure of the Luxembourg Convention on the Community patent, the European Commission made a proposal in 2000 for a Council Regulation on Community patent. Member States within the EU Council agreed to the proposal on March 3, 2003.

Such a system would “be introduced by allowing the European Community, as a single entity, to become a member of the Munich Convention (which created the European Patent Organization). The Community would have the status equivalent to that of a member joining an international convention so that any applicant, whether based in the Community or not, could obtain a patent which would apply to the whole territory of the Community. Registration, examination of applications and the granting of patents would be handled by the European Patent Office.”

The main features of the planned legislation are as follows:
- Upon grant of patent, applicants would only be required to translate the patent claims into all languages of the Union (to avoid excessive translation costs which would make the Community patent far less attractive);
- A Community patent would be granted, transferred or voided only for the Union as a whole;
- Community patent litigation would be concentrated at the Community Patent Court, under the aegis of the ECJ.

**VII. Conclusion**

This study and overview reveals that IP law in Europe has evolved from resting solely on European national laws to a partial EC law. However, considering the overlapping powers, it also obliges a reappraisal of the classical and fundamental doctrine of nationality or territoriality in IP rights.

Such an opinion arises from three characteristic examples, which hardly fit the principle of territoriality of IP rights.

First, the centralized registration system in the European Patent Office set up by the Munich Convention only allows the patentee to be protected under national IP rights. Domestic courts are consequently free to decide on the validity and infringement issues, which may lead to contradictory interpretations of the same legislation. The “Epilady” case (about an electric body hair shaver) illustrates how courts in different European jurisdictions adjudicating the same patent have come to conflicting conclusions about the alleged infringement: a British...

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146 *See* Luxembourg Convention, *supra* note 5.


patent court held that there was no infringement\textsuperscript{150} while a German court came to the opposite conclusion.\textsuperscript{151}

Second, however legitimate it may be, the ECJ case law delimitation of national IP laws, notably as regards the principle of non-discrimination and the free movement of goods, constitutes a real restriction made by a supranational court in the exercise of national IP rights.

Finally, the unitary EC industrial property rights currently adopted are supposed to “have equal effect throughout the whole Community.”\textsuperscript{152} However, they are not totally unbound to national legal systems in certain respects such as:

- The remaining competence of national courts regarding infringement suits, with differences in judicial procedures and sanctions from one country to another;
- National authorities are required to actively participate in the implementation of EC regulations in the field of geographical indications;
- A Community trademark application may be defeated because it would be descriptive in a single EU country or because of the existence of prior conflicting rights in this country.\textsuperscript{153} Moreover, with the expansion of the EU to twenty-five countries on May 1, 2004, “holders of earlier rights in new member states can enforce their rights against extended CTMs as permitted by their legislation, provided that the earlier right was registered, applied for, or acquired in good faith in the new member state prior to the date of accession of that state.”\textsuperscript{154} Professor Dinwoodie is therefore right to mention that the CTM affects a “revision to the territoriality principle”\textsuperscript{155} of IP rights.

\textsuperscript{152} Article 1(2) of the Trademark Regulation, Article 1(3) of the Designs Regulation and Article 2(1) of the Proposal for a Patent Regulation.
\textsuperscript{154} Id.
\textsuperscript{155} Id.