Chapter V

Industrial Property

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I. PROTECTION OF INDUSTRIAL PROPERTY

A. INTRODUCTORY REMARKS

The establishment of the European Common Market has raised many questions in the United States with respect to its effects on patent, design, trademark, and other industrial property rights. This is particularly so because the six members of the Common Market Community are, with Great Britain, the foreign countries in which ownership and exploitation of industrial property rights by American firms and their foreign subsidiaries are most extensive.

Patents are sought in these countries not only with licensing or the establishment of manufacturing facilities in mind, but also because manufacturers in Western Europe enjoy strong competitive positions in world markets in part by means of foreign patents, and it is therefore vitally important for Americans to seek patent protection in this source of exports. Similarly, the acquisition of trademark rights through registration in the six countries prevents misappropriation and eliminates a source of dissemination of infringing marks to the rest of the world.

The acquisition and maintenance of industrial property rights in these six countries have assumed an even greater importance in the period following World War II because of the very significant shift in American business methods in this part of the world. Instead of exporting goods manufactured in the United States, American enterprises are in increasing numbers licensing manufacturing subsidiaries or independent manufacturers located in Europe. It is a

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matter of personal knowledge that licensing agreements in this period have increased by more than 1000% as compared with the pre-war period.

The acquisition and maintenance of industrial property rights in the Six present many difficulties. Some are caused by the fact that each of the Six is an industrial country competing with other industrial countries. All are technologically advanced; their populations are highly inventive; and each has large industrial concerns which file many patent applications and use or register a large number of trademarks.

Other difficulties stem from the fact that their laws and procedures are not uniform, so that the American inventor, designer or trademark owner encounters different problems in each of the Six. Further, their laws are based on economic and political philosophies or applied in keeping with judicial traditions and administrative procedures which differ from ours. For instance, a patent specification as filed in any of these countries may differ considerably from one which would be acceptable in an American patent application. The United States patent system permits independent product claims not limited to the process of manufacture. In most of the European countries such independent claims are not permitted. The American system imposes neither penalties for failure to work patents, nor annual taxes during the term of the patent in order to maintain it. The Common Market countries impose both. A symbol, device, or word which may be registered as a trademark in the U.S. Patent Office may not be admitted to registration or validly registered in some Common Market countries and the laws governing licensing and assignment of trademarks differ from American law.

What bearing will the creation of the Common Market have on these and other problems? Will the European Community adopt uniform patent, design, or trademark laws or will it seek only "harmonization" of the laws of its individual members? If "harmonization" is attempted, how will the attempt be made? Will the Common Market countries adopt special arrangements for the benefit of Community nationals, and will American nationals also enjoy the benefits of such arrangements?

The purpose of this chapter is to attempt to give some answers to these questions.

The Treaty establishing the European Economic Community seeks to abolish economic boundaries between Member Countries. To this end, Article 3 foresees as one goal of the Community the "approximation of national legislation to the extent necessary for the functioning of the Common Market." The Treaty, in addition to providing for the removal of barriers to the free movement of goods, persons, services, and capital in the Common Market countries, contains a number of specific provisions envisaging coordination of national legislation to facilitate free movement. The Treaty does not provide specifically for harmonization or unification of industrial property law. Any development of this kind will only be effected by action of the institutions pursuant to the general provisions of Articles 100 and 235.

Article 100 provides that the Council of the Community, voting unanimously on a proposal of the Commission,

shall issue directives for the approximation of such legislative and administrative provisions of the Member States as have a direct incidence on the establishment or functioning of the Common Market.

In addition Article 235 provides:

If any action by the Community appears necessary to achieve, in the functioning of the Common Market, one of the aims of the Community in cases where this Treaty has not provided for the requisite powers of action, the Council, acting by means of a unanimous vote on a proposal of the Commission and after the Assembly has been consulted, shall enact the appropriate provisions.

Action by the Council in the field of industrial property may indeed be necessary if the disparities among the laws of the Six create substantial obstacles to the proper functioning of the Common Market, or if the harmful effect of such laws on the free movement of goods in the Common Market is to be reduced to a minimum. It would seem illogical to abolish national economic boundaries by means of the Treaty and yet permit the barriers created by private industrial property rights to continue to exist.

Pending such action by the Council, the only important limitation to which industrial property legislation is subjected by the Treaty (with the possible exception of that imposed by Articles 85 ff.,
which are discussed later in this chapter) is that imposed by the last sentence of Article 36. The drafters intended that otherwise the regulation and protection of industrial property should be left to the Member States, as Article 36 makes clear.

Following provisions prohibiting quantitative restrictions on the importation or exportation of goods (Articles 30–34), Article 36 provides:

The provisions of Articles 30–34 inclusive shall not be an obstacle to prohibitions or restrictions in respect of importation, exportation or transit which are justified on grounds of public morality, public order, public safety, the protection of human or animal life or health, the preservation of plant life, the protection of national treasures of artistic, historical or archeological value or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute either a means of arbitrary discrimination or a disguised restriction on trade between Member States. (Italics added).

Article 36, it will be noted, is stated in negative terms. It does not say that Member States retain under the Treaty full and virtually unrestricted power to maintain and create legislation concerning industrial property, but the effect is the same as if it so provided. This is clear since the bulk of the Treaty’s provisions is directed at the removal of prohibitions and restrictions in respect of imports, exports, and transit and Article 36 places such prohibitions and restrictions, which are aimed at the protection of industrial or commercial property, beyond their reach. Ultimate definition of the limitation on this legislative freedom imposed by the last sentence of Article 36 is left to the Community Court by Article 177.

Article 36 is probably derived from, and corresponds to, Article XX of the General Agreement on Tariffs and Trade (G.A.T.T.). Article XX provides that the Agreement shall not be construed to prevent the adoption or application by the contracting countries of measures necessary for the protection of public morals, of health, and of life; or of laws or regulations relating to “the protection of patents, trademarks and copyrights”; or of measures “proper to prevent practices of a nature to induce to error.”

Article 36 refers to “the protection of industrial and commercial property.” “Industrial property” is an expression which has an accepted meaning. “Commercial property” is not. Although the meaning of “prohibitions or restrictions . . . justified on grounds of . . . the protection of . . . commercial property . . .” seems
broader, this clause is probably a restatement of what Article XX of G.A.T.T. expresses by the terms "measures proper to prevent practices of a nature to induce to error"; that is, it is probably directed at protection against unfair competition.

Reference also must be made to Article 234 of the Treaty, the first paragraph of which provides:

The rights and obligations resulting from conventions concluded prior to the entry into force of this Treaty between one or more Member States, on the one hand, and one or more third countries, on the other hand, shall not be affected by the provisions of this Treaty.

One of the Conventions to which this Article may be deemed to refer is certainly the International Convention for the Protection of Industrial Property, commonly known as the Paris Union Convention, originally adopted in 1883, and periodically revised in the ensuing years. The revision which last went into effect prior to the signing of the Rome Treaty was that of London in 1934. A more recent revision of the Paris Union Convention was made at Lisbon on October 31, 1958. Member States of the Common Market are required, by virtue of the second paragraph of Article 234, to take all necessary steps to remove any incompatibility between the Paris Union Convention and the Treaty.

In view of this provision and also of the provision of Article 100 which contemplates action by the Council to harmonize those laws, regulations and administrative rules of the Member States which directly affect the operation of the Common Market, and therefore to harmonize their industrial property laws, it is necessary to review the systems of industrial and commercial property in the Six resulting from municipal legislation and regulation and from international treaties. This review will not examine the systems of the Six in their entirety but only those aspects which may involve prohibitions or restrictions capable of frustrating the purposes of the Common Market.

C. PROTECTION OF INDUSTRIAL PROPERTY
BASED ON NATIONAL LEGISLATION
AND INTERNATIONAL TREATIES

National industrial property laws are territorial in character, that is, the territorial scope of the rights they grant and the obligations they create is limited to the areas in which those laws obtain.
The validity of a patent granted in Germany cannot extend beyond Germany's boundaries. A trademark right acquired in France is effective only in France.

The national law applicable in the territory of a state determines the subject matter of protection, the formalities and conditions of protection, the administrative procedure governing the acquisition of various rights, the scope of protection, the means of enforcement, and the duration of the right. All of these are determined by each state in the light of its political structure, its legislative, judicial and administrative traditions and policies, and its internal economy.

In the history of law industrial property legislation is comparatively recent. Generally such legislation was first introduced during the latter half of the last century as new conditions of industrial and commercial life developed which demanded recognition of new claims and the satisfaction of new interests. Because these claims and interests were generally similar, it was possible for countries to model their industrial property laws on those of other countries whose general laws and legal phraseology were akin to their own. Certain type-groups of industrial property legislation are therefore found throughout the world, the countries of each group having enacted legislation based on common principles which produced similar administrative regulations.

But law consists not only of legislative texts or formal regulations. It includes administrative practice, techniques in handling legal materials, and political and social ideas and ideals which nourish and give life to legal materials and their administration. This makes industrial property laws, which are much alike in legislative texts—for example, those of France and Belgium—quite different in application.

By the beginning of the last quarter of the last century, it was already clear that the strict territorial theory of industrial property law and the disparities among legal regulations resulting from varying legislative and administrative practice were not in harmony with the nature of industrial property which should not be restricted irrelevantly by national boundaries; that the great multiplication and development of means of communication were creating a unified world; and that no country could expect to satisfy the claims and protect the interests of its own people in this sphere without securing for them protection on an international level.

This led to the adoption of the International Convention for the

1 Switzerland passed its first patent law in 1888 and the Netherlands, not until 1910.
Protection of Industrial Property at Paris in 1883. The international regime of industrial property established by this Convention has been periodically revised in the three-quarters of a century that the Convention has been in existence, and it now constitutes an international charter which is of extraordinary importance in international trade and international investment.

This Convention has established two fundamental principles:

1. the principle of national treatment according to which nationals of each contracting country enjoy in the other contracting countries the same protection and the same rights which those countries accord to their own nationals; and

2. the principle that each country is required to extend specified special rights or advantages to the nationals of the other contracting countries, the object of which is to establish either certain uniform standards or certain kinds of protection, both of which are made necessary by the fact that the contracting countries have differing laws, and that adequate protection of industrial property must transcend the boundaries of individual countries.

The most important special rights and advantages for which the Paris Union Convention provides are:

1. the right of priority under which a foreign applicant for a patent, design or trademark may first file in one contracting country and claim the priority date of this first filing in another contracting country upon the filing of a second application there, provided his subsequent application is filed within a certain term (twelve months for patents and six months for designs and trademarks, from the date of the first filing);

2. the abolition of the forfeiture of a patent because of importation of articles made by the patentee in another country and restriction of the sanctions for non-working of his invention in the country in which he has obtained a patent;

3. a period of grace for the payment of fees and annuities;

4. the abolition of penalties for failure to work a design and for importation of articles bearing the design;

5. the abolition of the requirement of prior home registration as a condition of registration of a trademark in Member Countries;

6. the validation of trademarks registered abroad, subject to certain exceptions;

7. the protection of the owner of a well-known trademark against misappropriation even though the owner has no registration in the foreign contracting country;
(8) the protection of trade names without the obligation of registration;
(9) protection against acts of unfair competition.²

This remarkable list of rights and advantages was designed to establish a far-reaching uniformity of legislative treatment of industrial property rights throughout the 47 countries which are parties to the Convention. The provisions of the Convention are given effect either on the theory that certain of them are self-executing or by legislation or administrative regulation. A number of signatory countries have been lax in bringing their laws into conformity with the Convention, but where implementing legislation was necessary, it has generally been enacted in each of the Six. Indeed, on the whole and in the long run, the growth of national law and practice which conforms to the Convention has been marked.

Each of the Six has long been a party to the Paris Union Convention of 1883, and each has ratified the revised London Text of 1934. All are therefore bound by it not only in their relations to each other but also to the other 41 countries of the Paris Union (including, therefore, the United States). The obligations created by the Convention are therefore of great significance in considering future industrial property developments in the Common Market.

Fulfilment of these obligations will not, however, resolve the problem for the Common Market of economic barriers created by industrial property rights. On the other hand a logical and complete

²The following additional special rights and advantages are provided for in the Convention:
(a) the independence of patents obtained in the various countries, so that refusal, forfeiture or cancellation of the patent in one contracting country does not affect patents obtained in other contracting countries;
(b) the elimination of refusals to a patent and of the invalidation of patents on the ground that the sale of the patented product is subject to restrictions or limitations resulting from the domestic law;
(c) the exemption from patent-infringement rules of the use of a patented device on board vessels or aircraft temporarily entering the territory of a country;
(d) the protection of process patents against the importation of products made in another country on the basis of such process patents;
(e) the creation of an obligation of contracting countries to protect industrial designs;
(f) the protection of armorial bearings, flags, state emblems, and official signs or hall marks against appropriation as trademarks;
(g) the protection of service marks;
(h) the permission to assign foreign trademarks with the local goodwill only;
(i) the permission to license trademarks (although of very inadequate effect); 
(j) the protection of the trademark owner against misappropriation of his mark by a foreign representative or agent;
(k) the protection of association or collective marks;
(l) protection against false indications of origin.
answer to this problem would be the adoption of single patent and trademark laws, and a general unification of other industrial property laws throughout the Common Market. It is unlikely that the Six will go so far in the foreseeable future. Industrial property law is intimately connected with civil, procedural, commercial and criminal laws of the countries in question. It cannot be fully unified unless large segments of those laws are also effectively unified.

The question, then, is how far the Six may be willing to go in harmonizing their industrial property laws, and in considering this question two fundamental observations should be kept in mind. First, development in this field depends on choices among several vital alternatives of policy. Is the European Community to seek extensive or limited economic integration of the Member States, and in either case is it: to pursue a policy of free trade or one directed at a controlled economy; to impose specialization of industry or encourage competition; to seek an economy of large or of small units? These general problems of policy will determine to a large extent the answers to the questions posed.

Secondly, we must distinguish between unification or harmonization of the law of industrial property directed at simplifying the obtaining, maintenance and enforcement of industrial property rights—goals which are plainly desirable whether or not a Common Market exists—and that which is specifically necessary or desirable in order to increase freedom of movement of goods or to remove obstacles to such movement in the Common Market.

II. PATENTS

A. PATENT LAWS IN THE COMMON MARKET COUNTRIES

A patent is a statutory monopoly granted to an inventor in exchange for the disclosure of his invention to the public in his application for a patent. Ownership of a patent for a particular product or process in one country of the Common Market enables the patentee to stop at the borders of that country the importation of the subject matter of the patent from any of the other five. Differences in the patent laws of the Six are important from the point of view of administrative procedure for the grant of patents, patentability of inventions, subject-matter restrictions, annuities, working requirements and duration of patents.
1. ADMINISTRATION PROCEDURE

The administrative procedures prescribed by the laws of the Six for grants of patents differ in important respects and the consequences of these differences are significant.

In two of the countries of the Common Market, Belgium and Luxembourg, there is no examination of an application, except with respect to formal matters. Administrative officials do not undertake to examine whether the invention is adequate or whether the claims are proper. The patent will be issued immediately, and determination of its validity is left to the courts. In France and Italy, examination is confined to subject matter, form, and unity of invention. In France, subject matter is considered only in the case of pharmaceuticals, and in Italy only in the case of pharmaceuticals and foods and beverages. Prior art is not cited in any of these four countries. In Germany and the Netherlands, on the other hand, examination is extremely strict as regards form, unity of invention, subject matter, and novelty; and domestic and foreign prior art may be cited. Oppositions may be filed after publication of acceptance.

2. PATENTABLE INVENTIONS

Whether or not the patent office examines an application in detail prior to grant of the patent, the question of patentability of the invention may be litigated after the grant in each of the Six. A basic requirement in each country is novelty of the invention, but the definition of novelty varies.

The existence of an issued prior patent or any other printed publication anywhere covering the same subject matter is a bar to validity in all six countries, except that in Belgium an importation patent may be granted, although a corresponding foreign patent has been issued, provided there has been no public use in Belgium prior to

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3 "Claims" in a patent application define the monopoly granted to the patentee. They tell the public the prohibited ground that the inventor claims for himself. If, for instance, the specification describes machinery in its entirety, and does not state which parts the inventor claims as new, the patent will be void if any particular part turns out to be old.

4 "Subject matter" in a patent application means the field to which the invention relates, for instance, a new process for the manufacture of food products or new foodstuffs or an invention in the chemical field or in the electronic field.

5 "Unity of invention" means that the application does not purport to claim separate and distinct inventions. If more than one invention is covered, a separate application must be filed for each.

6 "Prior art" means the prior knowledge in the particular industry or technology. Such knowledge may be embodied in scientific or technical publications, patent specifications, issued patents, etc.
filing there. In France, Italy, and the Netherlands, moreover, prior publicity of the invention anywhere sufficient to enable it to be worked is a bar. This is absolute in the sense that any publication, whether printed or not, and any public use is fatal. In Belgium and Germany printed prior publication anywhere is a bar, while public use of the invention in other countries is not. In Germany, moreover, public use or any printed disclosure by the inventor during the six months preceding the filing date is not a bar and printed publications more than one hundred years old are not considered as affecting the novelty of the invention claimed.

The standard of invention which will justify the issue of a patent in the strict-examination countries, Germany and the Netherlands, is of the highest. The patent office examiners in these countries must be convinced not only of the novelty of the invention but also that a requisite level of inventiveness is disclosed and that the invention represents an advance in the art. The applicant is usually called upon to establish a "new technical effect" and must prove that the invention at the time of the application was not obvious to a person skilled in the particular art.

3. SUBJECT MATTER RESTRICTIONS

Restrictions relating to immoral inventions, financial schemes, and the like aside, significant differences in the laws of the Six relate, first of all, to the problem of process and product patents and, secondly, to exclusion of certain fields of invention from patent protection.

Belgium is the only one of the Six which grants patents for new processes as well as new products, in the pharmaceutical field. On the other hand in Italy no patents may be obtained either for products or for processes in the pharmaceutical field. In Luxembourg, the Netherlands, and Germany inventions relating to chemical or pharmaceutical products and foodstuffs can only be protected by

7 This is not true in the Netherlands. Its courts have held that a publication (or public use) is only fatal with respect to novelty if a Dutch expert could discover it, and the Patent Office takes the view that this may be prevented by factors of language or place of publication.

8 An invention necessarily involves an addition to the stock of knowledge, i.e., the public must be told something which it did not know before. No invention is involved in merely doing what has not been done before if it could have been achieved by a skilled workman as a matter of shop routine. Mere application of ordinary knowledge or of obvious matter is not invention. There is no invention in the adaptation, without ingenuity, of a well-known idea in a well-known manner for a well-known purpose. There must be an exercise of inventive faculty and a display of thought, skill and design in working it out. But the quantum of such exercise or display required is not the same in all countries.
process claims. This was also true in France for pharmaceutical compositions and remedies, but a recent law passed on February 4, 1959, authorizes special patents for pharmaceutical products. In the Netherlands, products and compositions in bulk form, so-called *Stof*, can only be protected by process patents.

But while independent claims for products, as distinct from processes, are not allowed, claims covering the manufacture of given products are in effect permitted in Germany, the Netherlands, and Luxembourg, in the sense that these products are an inherent part of the process claims. If an infringer is sued on the ground that he is using or selling a product made by the patented process, the burden of proving that it was made by the protected process is usually on the patentees if the product is old, but this burden is shifted to the defendant if the product was new on the date of the process patent.  

4. ANNUITIES

All six countries impose annual taxes on the patentee during the life of the patent. In Belgium, France, Luxembourg, and Italy, these are payable annually from the filing date; in the Netherlands annually from the date of grant (which may be two or three years after filing); and in Germany, annually beginning with the third year after the filing date.

5. WORKING REQUIREMENTS

In each of the Six the patentee has an obligation to work his invention. The sanction for failure to do so is a restriction of his exclusive right. This obligation and the sanction therefor are basically affected by Article 5 of the Paris Union Convention. Article 5 provides that each country has the right to enact legislation providing for the grant of compulsory licenses to prevent abuses—notably failure to work—of the exclusive rights conferred by patents. Under the text as revised at Lisbon, an application for a compulsory license may not be made, on the ground of failure to work or insufficient working, until four years have expired since the date of filing of the patent application or three years since the date of the grant of the patent, whichever period last expires. An application for a compulsory license is in any case refused if the patentee justifies his inaction. Revocation of a patent is not permitted except in cases where

*Such date being the date of the filing of the application or priority date of the process patent.*
the granting of compulsory licenses is not sufficient to prevent abuses resulting from non-working. Even in such cases, however, a proceeding for revocation may not be instituted until two years have expired since the granting of the first compulsory license.

Although the domestic law has not been revised in Belgium and Luxembourg in accordance with Article 5, the courts have held that its provisions are self-executing and must therefore be given effect. In France since 1953 and in the Netherlands since 1957 the law has conformed to the London text of the Convention. The German law also reflects the provisions of the Convention. In Italy, however, the law governing working requirements is not conforming.

Italian law requires that a patent must be worked in Italy within three years from the date of grant. Failure to work within such term entails forfeiture of the patent. Patentees may void this result only by exhibiting the patented invention at one of the official Italian Fairs within the period fixed for working. The theory is that such an exhibition is in effect a working of the patent for the duration of the exhibition. Exhibition may be effective, however, only once.

6. DURATION OF PATENTS

In Belgium, France and Luxembourg patents are granted for a term of twenty years from the filing date. Importation patents are granted in Belgium for the remainder of the term of the corresponding foreign patent, if the term remaining does not exceed twenty years. In the Netherlands the term is eighteen years from the date of grant, and in Germany eighteen years from the day after the filing date. In Italy the term is fifteen years from the filing date. Patents of addition in all six countries are granted for the remainder of the term of the parent patent.

B. POSSIBILITIES OF UNIFICATION OR HARMONIZATION OF PATENT LAWS IN THE COMMON MARKET

Patents create lawful monopolies by granting the patentee the exclusive right to control the subject matter of the patent throughout the territory of the granting state. By the same token, patents restrain the liberty of others either to make and sell the same product, in the case of product patents, or to utilize the process, in the case of process patents. Article 36 of the Treaty reserves to each
of the Six the power to enforce all prohibitions and restrictions to
the free movement of goods required by the protection of patent
rights.

Is it possible, however, that no attempt will be made to unify or
harmonize the six distinct patent systems of the Common Market?
Such inaction seems unlikely, because the merging economic life of
the Six must certainly create pressure to eliminate obstacles to the
free flow of trade in the Community.

Indeed, efforts at harmonizing patent law had already been initi­
ated before the conclusion of the Treaty, beginning in 1951 within
the Council of Europe.10 A Committee of Experts on Patents was
appointed by this Council to study unification, and on October 7,
1955 adopted the following resolutions:

The Committee believes that the unification on certain
points of the substantive law concerning patents is one
of the conditions for the creation of a European patent
to be issued either by a European Patent Office or by na­
tional Patent Offices.

Unification, at least in the first stage, shall bear on:

(a) the general conditions of patentability (industrial
character, novelty, technical progress, inventive effort,
effect of prior patents and patent applications);
(b) the effect to be given to the specification and claims.11

Before this resolution was adopted, various plans had been sub­
mitted by Longchambon (1949), Reimer (1953, 1954), de Haan
(1954) and Was (1954).12 These did not meet with approval.
Then Dr. W. Lampert of Stuttgart suggested a project of unifica­
tion.13 This project contemplates the conclusion of a treaty permit­
ing an applicant to file a patent application in one of the contracting
countries practicing prior examination, the filing to be effective in
all contracting countries. The applicant would have the right to
require that his application be communicated to the other contract­
ing countries so that they might examine it in accordance with their
laws. The countries whose patent offices do not practice examination
with regard to novelty could only advise the applicant that they

10 67 LA PROPRIETE INDUSTRIELLE 19, 68 (1951); 70 ID. 59, 60 (1954).
11 71 ID. 236 (1955).
12 Longchambon, Rapporteur of the Committee for Economic Questions of the Con­sultative Assembly of the Council of Europe; Reimer, President of the German Patent
Office; De Haan, President of the Dutch Patent Office; Was, Dutch Patent Attorney.
13 See Report of Coordinating Committee on Industrial Property Rights, [1957] AN­
NUAIRE DE L'ASSOCIATION INTERNATIONALE POUR LA PROTECTION DE LA PROPRIETE IN­
would deal with the copy of the application as if it were a national application, and the applicant would be granted a national patent after fulfilling the usual requirements. Any country which practices examination would have the choice of adopting as its own the examination made in the first country or of submitting the application to an examination of its own as soon as it was advised that the first country was ready to publish the invention.

The Patent Commissioners of countries practicing examination have had a number of meetings. Among those present at the first of these, which was held at The Hague in April 1956, were the Commissioners of Germany and the Netherlands (as well as those of Britain, Austria, Norway, and Sweden). The following resolution was adopted:

This meeting, taking notice that nearly all the European Patent Offices which undertake a search for novelty have difficulty in disposing of the present very large number of applications for patents because of the general shortage of technically-trained staff, and the increasing volume of search material and complexity of inventions, observing that when applications in respect of the same invention are lodged in more than one of these Offices the search for novelty has to be made in each of them, thus leading to a considerable repetition of work, and being of the opinion that this repetition of work might be avoided to some extent if the result of a search in one Office could be available to other Offices in which an application in respect of the same invention has been made,

1. Recommends that these Offices should examine with interested parties in their countries whether powers,

   (a) to require an applicant for a patent to disclose the result of the search made in or on behalf of any other Office, and/or
   (b) to enable Offices themselves to exchange search results would be of advantage to the Offices and would be acceptable in their countries.

2. Requests the Government of the Netherlands to bring the resolution to the notice of the Secretary-General of the Council of Europe with the explanation that the measures proposed are of an exploratory nature.

At a second meeting in Munich in April 1957, the Commissioners accepted the Lampert project as the basis of a proposed first stage of unification. They appointed a sub-committee to prepare a
draft Convention for Applications for a European Patent. The sub-committee discussed the subject and submitted its conclusions to a third meeting of the Commissioners in Vienna in April 1958.

The sub-committee agreed that a convention should be concluded providing for the filing of a joint patent application by any person entitled to file a national patent application. The joint application should be filed in the country of which the applicant is a national or in which he resides. He should indicate, on filing, the countries to which his patent application is to extend, and the application should contain a specification and claims. The fees to be paid would be the sum total of the fees payable to each of the countries covered by the joint application, and examination would be made by the patent office of the country in which the application was filed or by the International Institute of Patents at The Hague, the results to be communicated to the patent offices of the countries concerned. No patent office would be bound to accept these results, each therefore remaining free to make its own examination. A subsequent meeting was held in October 1959 in Vienna. This meeting discussed a modification of the previous plan under which a joint application is presented to the Patent Office of one country with a list of the countries in which protection is desired. A copy of the specification and full filing fees for each such country are remitted. The Patent Office receiving the joint patent application distributes the documents to the other countries and keeps them advised of the prosecution of the original application. The other countries may start their examination at any time or may await the results of the search in the original country. The meeting in Vienna decided to entrust a sub-committee consisting of representatives of the Patent Offices of Germany, Great Britain, Austria, Netherlands, Sweden, and Switzerland with the preparation of a draft Convention.

In the meantime, an organization known as The Committee of the National Institute of Patent Agents (C.N.I.P.A.) has produced its own plan, known as the "C.N.I.P.A. Plan." Its general outline is that an applicant filing application in one country shall be entitled to file in other countries, within the Paris Convention priority of twelve months, an inexpensive preparatory application to be completed within a prescribed period which will be long enough to allow him to receive the result of the official novelty search upon his first application. It is proposed that this period be six months. The preparatory application will include a copy of the specification on file in the originating application in the same language. After the
preparatory application is completed, a certified copy of the novelty search in respect of the first should be filed. This search may be undertaken by the Institute of The Hague. The usual documents and the regular fees must also be filed with the complete application which will then be examined, in accordance with the law of the country. The advantages of this plan are: original payment of small fees and saving of expenses of translation of specification which are generally quite high; a term of 18 months for filing a complete specification in other countries.\textsuperscript{14a}

The directors of the patent offices of the countries which do not practice examination also had a meeting in Paris in June 1957.\textsuperscript{15} They favored a simpler procedure, which would leave untouched the existing laws in each country and would provide only for a common novelty examination. Applicants would be entitled to file an international application meeting certain requirements: unity of invention, specification and claims, and the like. The national offices would then refer the application to the International Institute of Patents of the Hague for novelty examination. The findings would be communicated to the applicant who would then indicate in what countries he wished to obtain patent protection. Each country would then be free to proceed with the application and grant or refuse the patent.

The directors of the patent offices of the Six have also decided to meet regularly to examine problems raised by the Common Market. Such meetings were held in Paris, Rome, Munich, The Hague, and Nice during the year 1958. At these meetings the directors discussed the conditions necessary for the harmonization of national laws, and particularly of the laws pertaining to working requirements within the Community; the possibility of common adoption of certain provisions of given national laws; and a common procedure which would permit inventors to obtain protection more simply.

Harmonization of patent law is, then, actively being sought. Under the aegis of the Council of Europe, two Conventions have already been concluded: a Convention for Uniform Formalities of Patent Applications signed December 11, 1953,\textsuperscript{16} and a Convention for the International Classification of Patents, signed December 19, 1954.\textsuperscript{17} The first has been ratified by four of the Common Market

\textsuperscript{14a} 1960 \textit{Annuaire de l'Association Internationale pour la Protection de la Propriété Industrielle} (n.s. No. 9) 14-15.
\textsuperscript{15} \textit{Id.} at 205-206.
\textsuperscript{16} \textit{Id.} at 21-28 (1954).
\textsuperscript{17} \textit{Id.} 3-5 (1955).
countries: Germany, Italy, Luxembourg, and the Netherlands, and the second by five: Belgium, France, Italy, Germany, and the Netherlands.

A common search for novelty of claims for inventions is already operative in an informal way through the International Institute of Patents at The Hague, which was established by a Treaty of June 6, 1957. Belgium, France, Luxembourg, and the Netherlands are parties to this Treaty. The Institute is an international non-profit organization set up to carry out documentary research for the benefit of the governments of the member countries, of inventors, and of industry in general. The Institute functions independently of any government or state, and is staffed by qualified engineers and scientists of various nationalities who are engaged for specialized research in each of the different technical fields. Staff members are not permitted to perform any technical work other than that of the Institute.

The Institute has access to the documentation system used by the Netherlands Patent Office which covers patent specifications of Belgium, France, Germany, Great Britain, Luxembourg, Netherlands, Switzerland, and the United States. Requests for searches may be made by the appropriate national patent offices or private persons and organizations of the countries which are parties to the Hague Agreement and also by persons of any nationality of a country which is party to the Paris Union Convention.

Other attempts to simplify procedure, limited to the Common Market countries, are foreseeable. It is not unreasonable to expect that a plan may be worked out which will permit a Common Market inventor to make, at his option, a single filing in one country which will give him a filing date for all six countries, provided that the application satisfies requirements of form, content (proper description, claims, drawings, etc.) and certain other agreed requirements of the Six. It will probably be required, as in the Lampert plan, that copies of applications be transmitted by the patent office in which the application is first filed to the patent offices of the other Common Market countries.

It will probably be agreed that applications for novelty examination may be submitted to the International Institute of Patents at The Hague and that it shall communicate its findings to the patent office in which the first application was filed, and, in accordance with the applicant's request, to other of the Common Market countries. Under such a plan the applicant would have to do nothing further,
in connection with his application, in France, Belgium, Luxembourg, and Italy and his application would require only further examination in the Netherlands and Germany.

Such simplification of procedure is plainly desirable. The greater the difficulties in filing applications and obtaining patents in the Six—whether due to language differences, methods of drawing up applications, requirements concerning the enumeration of claims, or other causes—the greater the advantage which large and financially strong corporations have over smaller firms and individual inventors. If legal protection of inventions is justified, however, clearly it should be effected by the most efficient and equitable system possible, that is, one which enables everyone to obtain protection, and with a minimum of expense, trouble, and legal red tape.

With regard to procedure the greatest difficulty lies in obtaining from Germany and the Netherlands agreement to adopt the procedural system of the other four countries, or vice versa. It is difficult to believe that Germany and the Netherlands will agree to abandon their systems of examination. Nor would these two countries be willing to abolish their procedures for publication of inventions (the purpose of which is to make opposition by interested parties possible), even though the other four might be willing to subject applications to examination as to novelty, probably through the Institute of The Hague.

An agreement making it possible to obtain a single patent for the whole of the Common Market would increase freedom of movement of goods since it would eliminate the barriers created by the acquisition of patents in some only of the Six or by the acquisition of patents for the same invention in the various countries of the Common Market by different persons. But such an agreement presupposes agreement among the Six on a single procedure for the examination of inventions with respect to novelty and patentability, and uniform definitions of novelty, patentability and subject matter. An agreement on uniform definitions will be even more difficult to obtain than agreement on procedure.

If separate patents continue to be granted by each of the Six, harmonization of the law on these substantive points is highly desirable to avoid the possibility that a patent right and its inherent statutory monopoly may be available in one or some of the countries of the Common Market but unavailable in others. If harmonization is not achieved, products freely made in a Member Country in which no patent may issue will not be able freely to cross the
boundaries of Member Countries which have granted patents on the particular subject matter—a negation of the Common Market's aims. Moreover, conditions to which enterprises in the various countries of the Six will be subject will thereby be made less equal and intra-Common-Market division of labor discouraged. If small technical improvements may be patented in France but not in Germany, technical improvements in France may be unduly restricted. If pharmaceutical products may be patented in France but not in Italy, economic inequality between the two countries may result. Moreover, the movement from Italy into France of such products, freely made in Italy, can be blocked.

It would obviously be undesirable to lower standards by compromising the best laws with the worst. But any attempt to reach agreement as to what is the “best” law would encounter basic differences of opinion, strongly entrenched habits of mind and reluctance to change.

One revision of the laws of the Six which suggests itself, however, is the adoption of certain uniform requirements as to patentability coupled with a provision in each of the laws of the Six that anything which is not patentable in one of them, because it is not considered novel, should be so regarded in the others. Patent protection as a means of encouraging invention in the Common Market territory as a whole would seem to be economic justification of such a revision.

Uniformity of requirements of patentability may also be aided by resolving the problem of invention definition. In France, Belgium and Luxembourg the inventor describes the general operation or function of his invention and need not refer to all the features and advantages of the machine or device or product or to every new idea which is implied in every part of his invention or in the combination of different parts or details. No broad or detailed claims need be specified. A general résumé, however, must end the description. More specific delimitation of inventions is left to judicial determination which will decide in a case involving the validity or scope of a patent whether a special function, operation, feature or idea is covered by it, taking into consideration the whole of the description and drawings. This is also true to a certain extent in Italy.

In Germany and the Netherlands on the other hand, the inventor must make an enumeration of distinct claims, though these need not be too specific and detailed. The ambit of the claims depends on the nature of the result to be obtained by the device described in the
light of the common knowledge of the art at the date of the patent. A compromise between the two systems would not be impossible.

Harmonization of other aspects of patent law is less difficult. Certainly a uniform term for patents may be adopted, particularly if a common examination system is agreed upon so that the term may be computed in all countries from the date of the grant of the patent. Such uniformity is desirable because it will mean that statutory monopolies of patents on the same invention will come to an end at the same time in all six countries, and freedom of manufacture and of movement of goods throughout the Common Market will thereby be simultaneously ensured in all.

The necessity of paying annuities in each of the Member Countries for the maintenance of patents should be eliminated, moreover. Failure to pay the annuity in one Member Country may otherwise result in forfeiture of a patent there which continues in force in other Member Countries, again creating an obstacle to the free movement of goods. This problem could be effectively solved by providing for a single payment of annuities at a central office which would apportion it among the Six in accordance with an acceptable formula.

Finally, the problems created by working requirements for patents in the Six require a solution. Under the Paris Union Convention and the present law in the Member Countries, outside Italy, the ordinary sanction for non-working is the grant of a compulsory license. The pressure will, therefore, be great on Italy to change its law by introducing compulsory licensing as the first sanction for non-working.

Forfeiture of the patent will always threaten wherever it is possible that a Member Country may consider compulsory licensing insufficient to satisfy public interest in the subject matter of the patent. But forfeiture in one Member Country would leave an industry free to manufacture the subject matter of the patent in that country, although it would not be free to distribute such goods to other Member Countries where no forfeiture had occurred.

A patent owner is rarely, if ever, forced to exploit his own patent in every one of the countries where working requirements exist. He seeks out willing and qualified licensees with whom he can enter into negotiated license agreements. An intra-Common Market arrangement according to which working of the invention in one of the Six would be deemed to satisfy working requirements in all of the
others, would permit the owner of a patent to consider only eco-
nomic factors in selecting the country or countries of the Community
in which he or his licensees should work the patent. This would
further one basic aim of the Common Market—the rationalization
of production.

C. Effects of Unification or Harmonization on American Interests

The right to file a single patent application in a central Common
Market office or in the patent office of one of the Six (which would
transmit copies of the application to patent offices in the other Mem-
ber Countries) could be made available to the nationals of any coun-
try or only to nationals of Common Market countries. If the latter,
justification would be sought in the Paris Union Convention. Article
15 of the Convention provides that the countries of the Paris Union
reserve the right to make separately, between themselves, special
arrangements for the protection of industrial property insofar as
these arrangements do not contravene provisions of the Convention.

On the basis of Article 15 a number of countries of the Union
have concluded the Madrid Arrangement for the International
Registration of Trademarks. So long as the United States is not a
party to this Arrangement, its nationals cannot register at the In-
ternational Bureau.\(^1\)\(^8\) Similarly, an internal arrangement in the
Common Market for a special patent filing system need not be open
to Americans.

By the same token a system of common search for patent antici-
pations and single examination as to novelty could be closed to Ameri-
can nationals. Since the natural result of such a system would, how-
ever, be to eliminate searches and examinations in each country,
such a system would doubtless be opened to American patent appli-
cants, and it would be to their advantage. In order to ensure such
advantage to its nationals the United States might, however, be
required to adhere to the Arrangement of The Hague of 1947
which established the International Institute of Patents.

Adoption of a uniform duration for patents in the Six could not
result in a disparity between the duration of patents owned by non-
Community nationals and those owned by Community nationals be-
cause of the national-treatment clause of the Paris Union Conven-
tion. Therefore the advantages of uniformity in this area would

\(^{18}\) This is the International Bureau of Berne set up by the Paris Union Convention
as a central organ of the Union.
necessarily accrue to American owners of Community patents. The same may not be true with regard to any special system of payment of annuities in the Common Market countries, since such a system need not effect a change of the laws of the Six with regard to patents not obtained under a single filing system. The total amount of annuities paid by an American patentee in the Six might therefore be higher since he would be forced to continue to pay them to each of the Common Market countries.

A serious question may arise with respect to working requirements. Germany and Switzerland have long had individual treaties with the United States providing that working of the invention in one country exempts the patent from the requirement of working it in the other. Other countries of the Paris Union cannot claim the benefits of these treaties in Germany and Switzerland because they are special arrangements under Article 15 of the Paris Union Convention. Similarly the Six may invoke Article 15 and provide that working of a patent in one of them will be deemed to satisfy working requirements in the other five. So long as each of the Six retains existing working requirements for its own nationals, the national-treatment clause of the Paris Union Convention would not entitle American nationals to claim the benefits of such an arrangement. This would put American patentees at a disadvantage in the Common Market since they would continue to be bound to work the patent in each of the Six and not only in one of them.

III. INDUSTRIAL DESIGNS AND MODELS

A. INDUSTRIAL DESIGN AND MODEL LAWS IN THE COMMON MARKET COUNTRIES

Whether in theory industrial designs should form a separate branch of industrial property or be classified as artistic property is a problem which has long been discussed and is at present the subject of serious consideration by an international coordinating committee organized by U.N.E.S.C.O. As a matter of fact, however, Article 1 of the Paris Union Convention includes industrial designs in its definition of industrial property, and most countries have special legislation for their protection which involves regulations of a hybrid nature related to both patent and copyright law. In any case, the protection of designs involves the creation of legal monopolies granting an exclusive right to make copies of the design.

19 See Ladas, The International Protection of Industrial Property 367 (1930).
The possibility that such monopolies, because of differences among the laws of the Six, may impede the functioning of the Common Market requires consideration. Two of the Common Market countries, Luxembourg and the Netherlands, have no special legislation at all on designs, and no protection of designs is given in their territory to either nationals or foreigners. At the last conference at Lisbon, the Paris Union Convention was revised for the first time to require all signatory countries to protect designs (new Article 5 quinquenni), and it may reasonably be expected that upon ratification of the revised Convention, Luxembourg and the Netherlands will adopt legislation on designs. Indeed it has recently been announced that a Benelux industrial-designs law is under preparation.

The essential differences among the laws concerning industrial designs in the other four countries of the Common Market relate to administrative procedure, subject matter, scope of the right and duration of protection.

I. ADMINISTRATIVE PROCEDURE

In Belgium and France, industrial designs are treated as artistic works. A special law in each country provides for optional deposit of designs, but even without such deposit designs are protected by the copyright law. No examination whatsoever is made of the deposit application. Indeed, the deposit may be made under seal. Since the basis of protection is copyright, originality of creation rather than novelty is material. Therefore, prior publication or public use of the design by the author or owner of the design does not affect the validity of the deposit.

In Germany and Italy 22 designs are, in the first place, protected under special legislation for the protection of designs and models. In Germany, in addition, copyright protection is possible if the design achieves a certain artistic standard. As a result, cumulative protection both by the design and the copyright law is in many cases possible.

In Italy, an artistic design or work of art applied in industry is subject to copyright protection only if the design is a work of art

20 Designs can sometimes be protected under general torts provisions or, in special cases, by the copyright law.


conceptually separable from the industrial product in which it is embodied as another entity. Cumulative protection in Italy by both the design law and the copyright law is not possible. In any case, protection of given subject matter as an industrial design requires compliance with the special legislation on designs which in turn requires registration. Novelty is essential.

In Germany applications for registration of designs must be filed before their public use in Germany or publication anywhere, and in Italy before public use or publication anywhere. While examination to determine novelty or registrability is not made, examination to determine compliance with formal requirements—in regard to the adequacy of representations, or to the proper titles of designs, for example—is made.

2. SUBJECT MATTER

In Belgium and France a design must, like any other creation entitled to copyright under the law concerning artistic property, be original. In Germany and Italy the courts have held that the design must satisfy the artistic taste and sense of the public.

The German, French, Belgian and Italian laws contain no other limitations of subject matter, and on the whole it may be said that, subject to the requirement of novelty in Germany and Italy, a particular design when registered will be protected in all four countries. In Belgium and France it will be protected even without registration.

3. SCOPE OF THE RIGHT

The scope of protection in Belgium and France is measured by the copyright law. Therefore, any "copying" which would be an infringement of a work of art is also an infringement of a design. Also, the right is measured not by the deposit but by the creation as embodied in the design itself. The exclusive right in the design is measured in Italy by the deposit, and the rights and protection of the owner are similar to those of a patentee. It follows that in Italy protection is limited to the application of the design to the particular product or article for which the design is registered.

4. DURATION OF PROTECTION

The fact that basic concepts of designs differ—some countries viewing them as essentially artistic property, others as a separate branch of industrial property—accounts for the difference in the terms of protection. In France a design may be deposited for a
term of five or twenty-five years at the applicant's option, renewal making possible a maximum total term of fifty years. In Belgium the term is the same as for artistic works in general, that is, the life of the creator plus fifty years after his death, except that designs created by corporations are limited to fifty years and that foreigners are limited to the term of protection enjoyed in their country of origin. In Germany, the applicant has the choice of a term of three, ten, or fifteen years; a term of less than fifteen years may be renewed for a maximum of fifteen years. In Italy, designs are registered for a term of two years, renewable for another two years, or initially for four years. Moreover, in Italy protection is conditioned upon a working of the design within one year from grant.

B. POSSIBILITIES OF UNIFICATION OR HARMONIZATION OF LAWS RELATING TO DESIGNS IN THE COMMON MARKET

As already stated, the whole subject of design protection is now under review by a coordinating committee organized by U.N.E.S.C.O. It is not unlikely that the Six will find it possible, under the impetus of this review and in response to the necessities of the Common Market, to harmonize their laws.

Four of these countries, Belgium, France, Germany, and the Netherlands, are already parties to the Arrangement for the International Deposit of Designs concluded at The Hague in 1925 by some of the member countries of the Paris Union. Under this Arrangement nationals of the contracting countries may deposit directly at the International Bureau of Berne designs which they desire to have protected in all countries which are parties to the Arrangement. It is reasonable to expect that Luxembourg and Italy may now accede to this Arrangement. This will resolve for the Common Market countries the problem of a single filing office for designs. A revision of the Arrangement of The Hague is planned for November 1960 which, it is hoped, may attract a wider adherence to it from among countries party to the Paris Convention.

The adoption of a uniform law on designs by the Benelux countries may also advance significantly the harmonization of substantive and administrative law concerning designs in the Common Market as a whole, particularly if the Benelux law contains certain concessions by Belgium altering the too-liberal character of its present design law. Such concessions might enable Germany and France to harmonize their laws with the new Benelux law. The largest effort

23 The United States is not a party to this arrangement.
to improve the protection of designs must be made by Italy, whose present law is very inadequate.

C. EFFECTS OF UNIFICATION OR HARMONIZATION OF LAWS ON AMERICAN INTERESTS IN INDUSTRIAL DESIGNS

Unification or harmonization of the law concerning industrial designs throughout the Common Market should, on the whole, be beneficial to American interests in designs. Under a unified Common Market law American nationals would have to obtain only one registration for all six countries, thereby substantially reducing costs. Harmonization of the law should at the least mean that designs would henceforward be protected in Luxembourg and the Netherlands, and that the term of protection in Italy would be longer than it is at present. It is not likely that the Common Market countries will conclude other arrangements among themselves which benefit only their own nationals.

IV. TRADEMARKS

A. TRADEMARK LAWS IN THE COMMON MARKET COUNTRIES

The protection of trademarks is an aspect of the protection against unfair competition, and the principles of fair dealing and avoidance of deception of the public are therefore fundamentals of it. Trademarks are symbols which distinguish the goods of one manufacturer or merchant from those of another. With use on goods of such symbols goodwill accrues to them which the law recognizes and protects as a property right. Free enterprise depends in large measure on the legal recognition of this right. Competition would be virtually impossible if competing goods were not distinguished from one another, since purchasers would thereby be deprived of a means of choosing among them. In protecting trademarks, the law protects owners against infringement, but it also shields purchasers from confusion and fraud.

All six countries of the Common Market recognize the fundamental principles of trademark protection, but their laws are by no means uniform and the territoriality principle may create conflicts even more serious than those created as to patents. Trademarks are more numerous than patents; while the latter have an average effective life of five to six years, trademarks are theoretically per-
petual. Insofar as trademarks create exclusive rights in certain symbols or words, and insofar as they require for their protection the exclusion of others even from the use of similar marks or from the use of the same symbols or words with regard to similar goods, they may operate as serious impediments to the free movement of goods in the Common Market. Impediments resulting from the recognition in one Member Country of trademark rights in symbols or words which other Member Countries consider unregistrable, and therefore available for use in trade, could be particularly serious. Avoidance of conflicts in this area is essential, and harmonization of the laws of the Six must therefore be sought.

Apart from the Paris Union Convention, little conscious effort has been made to harmonize trademark laws in the Six. Administrative habits and traditions of the various countries, rather than differing political or economic philosophies, have been allowed to reflect themselves in the regulation of trademarks. The laws and practice of the Six have drifted apart from one another and each country has become excessively jealous of its own way of resolving the conflicts of interest between trademark owners and the trade.

1. ADMINISTRATIVE PROCEDURE

Formalities of application for registration of trademarks are simple and any differences among them in the Six of no moment. The procedure for dealing with such applications is of two kinds. In Belgium, France and Luxembourg, the owner deposits what amounts to a claim to a trademark. The registering authority makes no examination to determine the registrability of the mark, either with regard to its character or in the light of prior registrations. In Italy only questions of form are considered. In Germany both a formal examination and an examination to determine registrability of the trademark in accordance with the law are undertaken. When these are completed, the applicant is advised of any prior registrations, but the application is not rejected if prior registrations have been found. The application is published, and interested persons may oppose it. In the Netherlands, the mark is examined as to registrability both in terms of its character and prior registrations, and the application may be rejected as a result of either examination. No publication to permit opposition is effected but once registered the mark is published and interested persons may demand cancellation by a complaint filed in the District Court of The Hague. Such complaints are heard in summary proceedings.
Germany requires proof of prior registration of the trademark in the home country of the applicant as a condition of registration of the same mark in Germany (except where exemption from this requirement has been officially promulgated on a reciprocal basis). Similarly, in Belgium and France courts have held that the validity of a registration by a foreigner is predicated upon the existence of a prior corresponding registration in his home country. Recently, however, the OMEGA decision of the Cour d’Appel of Paris, affirmed by the Cour de Cassation on February 3, 1959, interpreted the law of France differently.\(^{24}\) In the other countries of the Common Market there is no requirement of prior home registration.

2. REGISTRABILITY

Views in the Six differ as to what constitutes a registrable trademark. While generally descriptive or generic words are not proper trademarks which may be validly registered, Germany and the Netherlands apply a much stricter test in this regard than do the other countries. In Belgium and France the mark is not validly registrable only if it is the usual and necessary description of a product (or if it is deceptive or misdescriptive). Letters per se or numerals per se are not registrable in Germany except when they have attained secondary meaning. Three dimensional marks are not registrable in Germany and the Netherlands, but they are in Italy. Whether registration in Italy may prevent others from putting goods on the market having the form shown in the representation is a subject of controversy. Combinations of colors without other distinctive elements are not registrable in Germany and the Netherlands. Names in Belgium and France are validly registrable only when represented in a special or distinctive manner.

Obviously, these differences mean that a certain mark may be a valid trademark and validly registrable in some countries of the Common Market while it cannot be the subject of an exclusive right of use in others.

3. EFFECTS OF REGISTRATION

In all the Common Market countries except Germany, property in a mark is acquired by use, and registration is only “declaratory” of title to the trademark. Therefore, registration may always be

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contested by a prior user, and, if he proves his prior use, he may cause the registration to be cancelled. In Germany ownership is based on registration, and the first applicant is therefore entitled to registration and may maintain it as against a prior user, unless the mark of the prior user has become commonly and generally known in the trade as distinguishing the goods of the owner. In Italy, the rigor of the principle of prior use as the basis of ownership has been mitigated by the provision that a registration uncontested by a prior user for a period of five years from the date of registration becomes incontestable and conclusive. This is now also the system of most countries of the world including the United States.

The scope of the registrant's right is generally measured by the description of the goods for which it is registered, but two exceptions should be noted. In all six countries, the applicant may file for any description, but registration is not necessarily limited to the products for which the mark is in fact used or for which its use is proposed. (In Germany and the Netherlands, however, the goods listed in the application must fall within the applicant's business activity). In general, therefore, registration may result in too broad coverage.

In the second place, protection extends in principle to similar goods but similarity is more narrowly construed in France and Belgium than in the other four countries. With regard to marks of exceptional reputation the protection may extend to dissimilar goods in Germany, the Netherlands, and—in quite exceptional cases—in Italy. This protection is based, however, on the law of unfair competition rather than on trademark law.

4. USER REQUIREMENTS

A condition of the continued protection of his registered trademark in some of the Six is the owner's use of his mark. There are no user requirements in the trademark laws of France, Belgium, Luxembourg, and Germany, but non-use for three years may cause forfeiture of the registration in Italy and the Netherlands. In Belgium, however, prevailing judicial opinion is that the trademark right is lost by an unjustified non-use for a long period of time, and in Germany marks that are not being used (reserve and defensive marks) are protected by the courts only under special conditions.
5. TERM OF REGISTRATION

The term for which registration is granted to an applicant is ten years in Germany and Luxembourg, fifteen in France, twenty in the Netherlands and Italy and perpetual in Belgium. Renewal of registration is always possible for a similar term prior to expiration of the previous term.

6. ASSIGNMENTS AND LICENSES

Assignment of a trademark is permitted in France with or without the goodwill of the business. In Belgium, Italy, and Luxembourg the "establishment" attached to the mark must be transferred with it. Since 1957 in the Netherlands it has been sufficient that the part of the enterprise situated in the Netherlands be transferred with the trademark. In Germany, the entire business of the owner or a part of it must be transferred to the assignee.

Licensing of trademarks is freely permitted in France and the Netherlands. In Belgium, Luxembourg, and Italy a license is deemed an assignment of the right to use, and to be valid it must be accompanied by a communication to the licensee of specifications, formulae and the like, which will permit the manufacture of equivalent products. In Germany the position is probably the same, but there has been no judicial sanction of licensing as yet.

B. POSSIBILITIES OF UNIFICATION OR HARMONIZATION OF TRADEMARK LAWS IN THE COMMON MARKET

A certain degree of harmonization of the trademark laws of the Six has already been achieved by two national treaties: the Paris Union Convention, and the Madrid Arrangement for the International Registration of Trademarks (the "Madrid Arrangement"). Each of the Six is a party to both of these agreements.

By virtue of the latter particularly, nationals of, and persons domiciled or having a bona fide and effective industrial or commercial establishment in, any of the Six may obtain an international registration at the International Bureau of Berne for any trademark which is registered in their home countries. These persons, therefore, need no longer apply for a national registration of their marks in each of the Six. Filing through the Bureau of Berne, however, does not eliminate the substantive differences of the law of the Six. Countries practicing prior examination may refuse an international registration and in the others the validity of the inter-
national registration may always be contested by an interested person under the provisions of the local Trademark Law.

At the last revision of the Madrid Arrangement at Nice on June 15, 1957, a provision was inserted that any of the signatory countries may notify the Berne Bureau that an international registration may not extend to it unless the owner of the mark specifically requests such an extension in his application for international registration. The purpose of this amendment was to make possible territorial limitation of international trademarks which, prior to the amendment, had automatically extended to all twenty-one signatory countries. Even assuming that any of the Six will send such notification to the Berne Bureau, it is to be expected that applicants for international registrations will specify that they request protection in all six countries.

Mention also should be made here of the Arrangement for International Classification of Goods for Trademarks, also adopted at Nice on June 15, 1957. This Arrangement adopts the classification of goods used by the International Bureau of Berne for the international registration of trademarks and requires the signatory countries to adopt it in regard to national registration of trademarks. France and Italy have already done so, and since Luxembourg, Belgium, and the Netherlands have had no classification in the past, it should be easy for them to follow suit. Only Germany, therefore, must abandon its own classification in order to adopt the international classification.

By virtue of the Paris Union Convention the following aspects of trademark law do or will receive uniform solution in the Six:

(1) Requirement of Prior Home Registration: The present requirement in Germany, Belgium, and France for prior home registration will be eliminated as a result of the amendment of the new Article 6 of the Convention at Lisbon.

(2) Effect of Prior Home Registration: Article 6 of the Convention (new Article 6 quinquies in the Lisbon revision) establishes the rule that a mark registered in the country of origin of the applicant must be accepted for registration in other signatory countries subject to stated exceptions. These exceptions constitute in effect a negative definition of what is not properly registrable as a trademark. The provision has left unresolved many differences among national laws concerning registrability, but it has been helpful.

(3) Prior Registration versus Prior User as Determinative of Ownership: The rigor of the German law which bases ownership in
a trademark on prior registration rather than prior user is mitigated as a result of Article 6 bis of the Convention in the sense that the prior user of a well-known mark is permitted to contest an infringing registration. (The theory of the protection of "get-up" of Article 25 of the German Trademark Law, which results in the protection of a reputation acquired in the trade with respect to a mark, has a similar mitigating effect.)

(4) Assignment of Trademarks: The provision of Article 6 quater concerning the assignment of trademarks is a uniform determination of the validity of an assignment of a trademark in a foreign country. Thus, a national of one of the six countries may validly assign his trademark in the other five countries, provided he transfers the local goodwill or establishment.

(5) Grace Period for Fees Payments: A period of grace of six months for payment of fees for the renewal of registration is provided for in Article 5 bis and must be given effect in the signatory countries.

But there is a substantial scope for further unification of trademark law in the Common Market. Differences still exist among the laws of the Six concerning: acquisition of ownership in a trademark by prior use or prior registration, registrability, user requirements, terms of registration, and licensing. These differences may impede the free movement of goods within the Common Market.

The logical solution of the problems created by these differences is the adoption of a uniform trademark law applicable in all six countries. The Benelux countries have been working toward the adoption of a Benelux Trademark Law for some years, and it has recently been announced that the text of such a law had been initialled by the three governments and was to be submitted to their parliaments. Should this project result in a uniform trademark law for all three countries, it might give impetus to a movement to adopt a uniform trademark law for the Six.

In the meantime, other possibilities are open. A common search bureau for trademarks, combining the search facilities of the Six, is wholly feasible. A committee established by the Berne Bureau has for some time now been discussing ways and means of creating such a search center. The essential problems are those of money

25 "Get-up" is understood under German law to be "a device considered in commercial circles as a sign of identification of the same or similar goods of another person," and this has been broadly interpreted to cover any distinctive sign including trademarks.

26 74 LA PROPRIÉTÉ INDUSTRIELLE 29-33 (1958). The Lisbon Conference of 1958 appears to have killed the proposal for a search center at the Berne Bureau.
and time required to establish such a center, and these may be mini-
mimized if the center’s sphere of operation is limited to the Six.

The adoption of a uniform term of registration is also a possible
improvement, given the fact that terms in the Six range from ten
years to perpetuity and that for international registrations at the
Berne Bureau the term is twenty years. Uniform provisions on as-
signment and licensing of trademarks are also possible and highly
desirable. Agreement could be reached on a quantum of goodwill
which must accompany transfer of a trademark and on basic require-
ments of a valid license—which should include an obligation to
record the license for the information of the public.

The only subject on which general agreement will be truly diffi-
cult is registrability. Based on differing concepts of what best suits its
own needs, each of the Six has struck a different balance between the
interests and claims of individual traders and those of the trade
generally. Must three-dimensional marks, that is, new forms of con-
tainers or products, be registrable? Must monopolization by the
first user or applicant of numerals and letters, color combinations,
slogans, surnames and geographical terms be permitted?

It is essential to arrive at a unified standard of registrability for
the Common Market. Otherwise goods, bearing a word or symbol
which is open to the trade to use or common to the trade in one of
the Six, may be stopped at another’s borders because that word or
symbol is the subject in the latter country of a statutory monopoly
resulting from its registration as a trademark. Such a uniform stand-
ard could be achieved by an arrangement among the Six providing
that a mark refused registration in one of them, on the ground that
it is not a proper trademark, shall not be admitted to registration
or protection in the others. Another possibility would be to establish
a Bureau analogous to the International Institute of Patents at The
Hague which would give opinions on registrability controlling in
all six countries.

A third possibility would be to adopt the revised provision in the
new Article 6 quinquies, para. C (1) of the Paris Union Conven-
tion, as a basis for unification. This provision permits the owner of a
trademark to prove that his trademark has acquired distinctiveness
by long and exclusive use; and any trademark, be it a three-dimen-
sional mark or a mark consisting of numerals, letters, slogans, sur-
names, or geographical terms, may be admitted to registration on
that basis, although it may not have been originally registrable when
first adopted and used.

Similarly the differences among the laws of the Six on user re-
quirements for trademarks may be reconciled by the adoption by each of a provision (which would have been voted into effect as part of the Paris Union Convention at the Lisbon Conference but for the objection of Japan) that the registration of a trademark may be expunged from the register on proof that the mark has not been used for a period of five years. The provision could add that use in one of the Six would satisfy user requirements in the others.

Uniformity of the law on all of the subjects hereinabove discussed may be brought about, short of the adoption by treaty of a single Common Market trademark law similar to the proposed Benelux law, in two ways: by amendment of the trademark legislation in each country through the adoption of uniform provisions pursuant to a directive of the Council or through the conclusion of a Common Market trademark arrangement which would provide for a single search and single registration at a common trademark bureau and would cover such points as registrability, basis of ownership, opposition, user requirements, assignments, licenses and term of registration, leaving to each country to determine by its own law other matters such as infringements, remedies, fees, renewals, and the like.

C. Effects of Unification or Harmonization of the Laws of the Six on American Interests in Trademarks

The adoption of a single Trademark Law (like the proposed Benelux Trademark Law) for the whole of the Common Market would be in many respects beneficial to American interests. European Common Market trademarks would replace separate French, German, Dutch, Italian, Belgian and Luxembourgean trademarks. Reduced registration and renewal expenses and the simplification of procedure for the obtaining of registration and for the recording of assignments and changes of name would result. American nationals would be treated as Community nationals would be, and would, in addition, be entitled to the benefits of the Paris Union Convention.

If, instead of adopting a single law, the Six should merely amend their national laws in order to harmonize them on certain material points (registrability, duration, user and the like), American nationals would also be benefitted, since advantages accruing to Community nationals as a result of harmonization would also accrue to American nationals by virtue of the national-treatment clause of the Paris Union Convention.

Certain problems for American trademark owners would arise
only if the Six concluded a treaty arrangement containing provisions taking precedence over the national trademark laws of the Six. Any such provisions which were applicable only to nationals of any one of the Six seeking protection in the others would not change the protection afforded by each country to its own nationals. Therefore national-treatment protection of the Paris Union Convention could not be invoked. Moreover the compatibility of such provisions with the Convention might be defended by contending that they constitute a special arrangement sanctioned by Article 15. One result of such provisions would be discrimination against American owners of trademarks in the Community Countries.

Such an arrangement might provide that use of a trademark in one of the Six shall be deemed to satisfy the user requirements of the other five countries. This would discriminate against American trademark owners who would continue to be required to satisfy the user requirements provided for by the law of any of the Six on penalty of forfeiture.

It is impossible to believe, however, that provisions of an intra-Common Market arrangement can be adopted which will not be accompanied by a change of the national law of each of the countries. For instance, it is wholly unlikely that Germany will agree to an arrangement under which a trademark belonging to a French national may be freely assigned without goodwill and yet continue to consider invalid a similar assignment of a German national’s trademark. Equally unlikely would be its agreement to an arrangement under which a French national might register in Germany a three-dimensional mark, even though German nationals continued to be unable to do so.

V. OTHER RIGHTS OF INDUSTRIAL PROPERTY

A. PROTECTION OF TRADE NAME

A trade name purports to distinguish the commercial activity of a person as distinct from a trademark which distinguishes the products of a manufacturer or trader from similar products of another. The concept of a trade name is broader under the law of some countries than under that of others, but the protection of trade names is generally ensured by the general law of unfair competition. The formalism and technicalities which have developed with reference to trademark protection are, therefore, not encountered. 27

27 The Netherlands has a special Trade Names Act of 1921.
Registration of trade names in the commercial register of the place where the business is located is required either for the recognition of the right in a trade name or simply as a means of informing the public. In Germany, Belgium, and France trade names are registered in the Commercial Register, in Italy with the Registry of Companies and in the Netherlands with the Registry of the Chamber of Commerce.

Conflicts in trade names, like conflicts in trademarks, may create obstacles to the free movement of goods in the Common Market. In this connection it should be noted that Article 8 of the Paris Union Convention provides:

the trade name shall be protected in all countries of the Union without obligation of deposit or registration, whether or not it forms part of a trademark.

Thus, a French or a German national may be required under his own national law to register his trade name in order to protect it, whereas he will be assured of its protection in other Union countries without registration. But does this also mean that a trade name adopted and used in France must be protected in the other Union countries without the fulfillment of any other condition or requirement as against the adoption and use of the same or a similar name by another? Is protection in the entire Common Market based on prior use anywhere in the Common Market or on first use also in the other countries in which protection is sought? Article 8 of the Paris Union Convention is not clear, and these questions are in dispute.

The extent of protection is left to the laws of each country. Thus they control the protection of trade names consisting of or containing surnames as against the adoption and use of similar trade names by persons lawfully entitled to the same surname, the scope of protection of trade names with respect to the businesses in which they are used, the protection of generic trade names and the like.

For the purposes of the Common Market the most important problem to be solved is that of protection of trade names throughout the Six upon their adoption and use in one of them. Failure to solve it may create conflicts of rights and obstacles to the free movement of goods. The problem is a difficult one, particularly when a trade name consists of or contains a surname which two firms, established in two different countries in the Common Market, have an

28 The commercial register in civil law countries is maintained by the clerk of the commercial tribunal.
equal right to use. One possible solution would be to require registration of trade names in a central trade name bureau, or to centralize in such a bureau for search purposes all trade name registrations made in the individual countries. The other possibility would be to interpret Article 8 of the Paris Union Convention to mean that the person who first adopts and uses a trade name in one of the Six shall be protected against the use of the same or a confusingly similar name by another in the others. Article 8 was recently so interpreted by an Austrian Tribunal. If deemed necessary, this interpretation could be adopted for the Common Market by an agreement among the Six. The scope of protection of trade names and remedies against infringement may be left to determination by the laws of each Member Country.

No unification or harmonization of the laws of the Six concerning trade names can involve discrimination against American trade names, again because of the national-treatment clause of the Paris Union Convention.

B. Repression of False Indications of Origin

Goods originate not only from particular manufacturers or traders but also in particular places where these products are produced, manufactured, grown, or otherwise derived. This latter origin is indicated by appropriate expressions affixed to the goods. These are of two kinds: indications of geographical source which are direct or indirect indications of the places (country, region, locality) from which the products or merchandise come; and appellations of origin which are geographical names of the places (country, region, locality) where the products are grown, manufactured, or otherwise obtained and which by virtue of their soil, climate, or techniques give such products their qualities.

Indications of geographical origin which are false or misleading—for instance, the use on a perfume of the indication “Made in France” although the perfume was not, in fact, made in France, or “Swiss Watch” on a watch not made in Switzerland—deceive the purchasing public. If the products are of inferior quality or other-

29 Judgment of September 16, 1958, [1958] Ö PatBl. 189. It is to be noted, however, that this is based also on Articles 10 and 22B of the Austrian Trademark Law. Furthermore, it involved a family name rather than a trading name.

30 For instance, the indication “Made in U.S.A.” or the marking of an address of establishment or factory, such as “Detroit.”

31 For instance, “Moselle wine” or “Roquefort cheese.”
wise unsatisfactory, they may also damage the reputation of the particular country or locality whose name is thus falsely used. The law in all countries generally prohibits false or misleading indications of origin of this kind. In the Six, the general provisions of the unfair competition law and penal provisions on mismarking or fraud may be invoked to suppress such false or misleading marking.

Difficulties with respect to the second kind of indications of origin, appellations of origin, are of two kinds: those involving delimitation of the area of the locality or region within which producers may use the appellation in question; and those involving a determination of the cases in which a geographical term or name is a true appellation of origin, and not merely an arbitrary designation or a generic or descriptive term.

An appellation of origin is a badge of distinction when, either because of some natural advantage of its soil or climate, or because of traditional techniques and the skill of its producers, a locality or region has created a special reputation for its goods. Goodwill attaches to such appellations of origin in favor of the producers of that locality or region which the law seeks to protect. The right to the exclusive use of an appellation of origin by the producer of a given region or locality and the correlative right to prevent others from using it were not recognized earlier as industrial property rights. National legislation and regulations defining the rights by delimiting the region in question and by controlling the use of appellations of origin are developments of the twentieth century. By the time such definition had been effected, however, a number of such appellations had lost their distinctiveness and had become generic terms indicating merely that the goods in connection with which these appellations were used had certain characteristics or qualities. The difficulty today is to decide whether in a particular country the geographical designation in question is still an appellation of origin or has become a generic term. For example, Eau de Cologne and Suede Gloves are now generally admitted to be generic terms of special kinds of goods. But the generic character of other names, such as Champagne, Cognac, Camembert, Roquefort, Pilsner, and Porto is still subject to controversy.

Italy and Germany have some interest in the protection of appellations of origin but France has a far larger stake in such protection than any other country because of the exceptional reputation many French local or regional names enjoy, particularly those used in
connection with wine and cheese products. France has also gone much further than any other country in defining the right to the use of such names and in controlling their use.

Generally four countries of the Common Market protect appellations of origin in a uniformly effective manner either by legislation or by international treaties among themselves. These are France, Belgium, Luxembourg, and Italy. The Netherlands and Germany look to deception of the public rather than to property rights in appellations of origin as the basis for protection.

The Paris Union Convention does not go very far in the protection of appellations of origin. Article 10, as revised at Lisbon, prohibits "the direct or indirect use of a false indication of origin," but this leaves open the question whether the use of a particular appellation in a certain country must be deemed false. The claim that a particular term is used in trade as a generic term and is not an appellation of origin may, therefore, always be made.

With a view to obtaining more effective protection and enforcing stricter rules for the protection of appellations of origin, certain countries of the Paris Union have concluded among themselves the Madrid Arrangement for the Repression of False Indications of Origin. Generally, it permits the tribunals of each country to decide whether an appellation of origin by reason of its generic character cannot be protected, but it specifies that regional appellations of origin of wine products may not be so treated. They must always be protected, and no allegation that such an appellation has become generic will be considered. Germany, France, and Italy are party to this Arrangement. It is not unlikely that the Six will agree on uniform protection of appellations of origin. Free movement of goods in the Community would be seriously hampered by the failure to reach such an agreement.

A new Arrangement was also adopted at the Lisbon Conference by some countries for the international registration at the Berne Bureau of appellations of origin. Any appellation of origin recognized and protected in the country of origin may be so registered. The other countries may refuse protection by an appropriate motivated declaration addressed to the Berne Bureau within a year. If they make no objection, the appellation of origin thus registered at the Berne Bureau must be protected in the contracting countries, and they are not free to assert later that it is a generic term. At Lisbon, only France and Italy among the Common Market countries signed this Arrangement. It is not unlikely that the other four countries
may accede to it or that it may, in a modified form, be adopted as a particular agreement among the Six. This may prevent American producers from exporting to the Six certain products in connection with which appellations of origin are used generically (for instance, Champagne, Sauterne or Burgundy for wines). Theoretically such trade was possible in the past—but this is hardly a significant factor in American trade.

C. PROTECTION AGAINST UNFAIR COMPETITION

In contrast to patent, design and trademark law, where by legislation, regulation or administrative technique the Six have developed differences which create serious obstacles to uniformity, the fundamentals of the law of unfair competition—the requirements of good faith toward competitors and the public—are in many respects uniformly viewed by the Community countries. The reasons are historical. The French Revolution abolished guilds and merchant corporations, and the principle was recognized that every person should be free to engage in such business or to exercise such profession, art, or trade as he sees fit. Secondly, and as a corollary to the first principle, it was recognized that this freedom should be limited to those competitive efforts which are the results of one's own labor and merit and that the first principle should not be extended to sanction commercial benefits derived from usurpation of the fruits of a competitor's labor. Thirdly, the need was recognized to make civil remedies available where either intentional or negligent usurpation had occurred. Articles 1382 and 1383 of the Napoleonic Code were broadly enough stated to do so. Article 1382 reads:

Any person who causes injury to another by any acts whatsoever is obligated to compensate such other person for the injury sustained.

And Article 1383 provides:

A person is responsible for damages not only for those acts which he has actually committed but also for any damage caused by his negligence or imprudence.

These provisions are still in the French and Belgian Civil Codes. They are also copied in Articles 1401 and 1402 of the Dutch Civil Code and Article 2598 of the Italian Civil Code of 1942 (replacing Article 1151 of the old Italian Civil Code). The courts of these four countries, with admirable resourcefulness and flexibility, have created a vast law of unfair competition by a body of decisions
which goes beyond anything we have been able to accomplish through the supposedly adaptable instrument of our common law.\footnote{23}

Germany has a special Act against Unfair Competition of June 7, 1909 (which served as a model for similar legislation in many other countries). Its first section contains the so-called general clause which, first of all, outlaws competitive conduct contrary to honest practices. In its subsequent sections the Act specifies and prohibits various acts of unfair competition, such as deceptive and unfair advertising, the interference with contracts of employees, the discrediting of a competitor, his business or goods, the misuse of business secrets and acts causing confusion. German courts, even before this Act, had protected against unfair competition on the basis of general provisions of law.\footnote{24}

Indeed, the Six already had a well-established system of law against unfair competition by the end of the last century so that they could readily agree on the inclusion of provisions in this area of law in the Paris Union Convention. These are contained in Article 10 bis which, as last revised at Lisbon, reads as follows:

\begin{enumerate}
\item The countries of the Union are bound to assure to persons entitled to the benefits of the Union effective protection against unfair competition.
\item Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
\item The following in particular shall be prohibited:
\begin{enumerate}
\item all acts of such a nature as to create confusion by any means whatever with the establishment, the goods or the industrial or commercial activities of a competitor;
\item false allegations in the course of trade which are of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities of a competitor;
\item indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of the goods.
\end{enumerate}
\end{enumerate}

This provision of the Paris Union Convention is self-executing, and, in the area which it covers, it summarizes the law of unfair competition as enforced in the Common Market countries. But there are

\footnote{24}{Kohler, \textit{Der Unlautere Wettbewerb} (1914).}
aspects of unfair competition which are not covered by this provision, such as comparative advertising, enticement of employees, interference with contracts or advantageous relationships of competitors, use of marks of great reputation on dissimilar products, reference to a competitor's name or trademark in the sale of spare parts, use of the original trademark on repaired or reconstructed products, servile imitation of appearance of products, and the like. In these areas the domestic law of each country is controlling.

The Paris Union Convention obligates the contracting countries to assure "effective protection" against unfair competition. Does this imply the obligation to make injunctions or other summary proceedings available in addition to civil actions which may provide too slow a remedy? No such speedy remedy is available in France and Italy. The German Law of 1909 affords an extremely speedy remedy—the temporary injunction. In the Netherlands the general procedural law provides for provisional injunction by a summary proceeding before the District Court. In Belgium a special summary proceeding may be brought before the President of the Tribunal of Commerce under the Arrêté Royal of December 23, 1934.

The need to harmonize the laws of the Six concerning unfair competition is minor, since they are, except with respect to comparative advertising, servile imitation of products, regulation of prices, gifts and discounts and the like, generally uniform. The Community should be little disturbed by differences of detail in the application of such laws. On the other hand, because of the broad similarity of the law, a uniform law against unfair competition should not be difficult to adopt, and it would be useful, since it could ensure uniform treatment particularly of more recent problems created by competitive activity such as the novel problem of know-how.

Americans would welcome any such efforts in the Common Market. The existence of a uniform code for fair competition, and the attendant certainty that a given act would be uniformly condemned in every part of the Common Market, would be highly desirable from the American businessman's viewpoint, however strict the requirements of good faith and fair competition.

D. PROTECTION OF KNOW-HOW

Although still at the law's periphery, know-how is a subject of increasing importance in international agreements and international investment. It is intimately related to patents, designs, and trademarks, is frequently included in licensing agreements and may, in-
deed, be the only subject matter of such agreements. The success of an industry in the competitive market depends on the development of know-how by costly research of its own or on the availability of know-how developed by others. New inventions permit an industry to make rapid advances but not until new technology and new organizational practices have been developed which make exploitation of the inventions technically and economically feasible.\(^{34}\)

The challenge of our times is the achievement of a greater economic development and higher standards of living. The sharing of technical knowledge and experience—of know-how—is of essential relevance to such achievement. Manufacturers in economically developed, and even more in economically underdeveloped countries, are anxious to share and to acquire from others technical information and experience, and thousands of agreements are today being concluded to accomplish this. The rules which determine the conditions under which know-how is to be communicated, the restrictions imposed on the recipient, and the enforcement of these rules are obviously of material importance, therefore, in meeting the challenge we face.

It is arguable that Article 36 of the Treaty includes protection of rights in know-how in the broad notion of “protection of commercial property.” If this is so, the laws of each of the Six will determine the protection of these rights by virtue of the express provision of Article 36. In any case, no other provision of the Treaty contemplates action in regard to protection of rights in know-how by the authorities of the Community except, of course, Article 100 of the Treaty, the application of which could result in harmonization of laws relating to those rights.

I. DEFINITION OF KNOW-HOW

The English term appears to have acquired an international acceptance and is generally employed in contracts in languages other than English. It is generally understood to cover both tangibles—recipes, formulae, designs, drawings, patterns, technical records, specifications, lists of materials, and the like—and intangibles—information concerning processes, practical procedures, details of workshop practice, technological experience and training. No dis-

\(^{34}\) For instance, a patent for an antibiotic may broadly define the organism, or describe its fermentation in a nutrient medium as demonstrated by laboratory experiment, but commercialization of the subject matter will entail very considerable additional expense since practical manufacturing techniques must be developed which will permit production at a reasonable cost.
tinction is made in the legal treatment of these two elements of know-how in the countries with which we are concerned. In license agreements both elements, tangible and intangible, are covered and in the actual execution of these agreements, both may be furnished. Practically they differ in that the communication by the licensor to the licensee of tangibles is more readily proved, and in regard to problems of secrecy of the subject matter.

In European countries, know-how, which is the subject of license agreements, is distinguished from industrial and business secrets. The latter are protected without regard to the existence or absence of contractual obligations, and such protection is available only if a betrayal of secrets or breach of confidence in bad faith has occurred. The fact that industrial secrets may be the subject of license agreements can neither increase or decrease the protection afforded by these rules.

There is general agreement that the elements of know-how in a given instance must be of practical commercial or industrial value to merit protection. But must they also be secret in the sense that prior to disclosure to the licensee they were known only by the licensor; or is it sufficient that they were unknown to the licensee only, or that, even though known to some competitors, they were also kept secret by them and were not, therefore, known to competitors generally?

In Belgium and France, opinion is divided. In the Netherlands and Germany it may, perhaps, be sufficient that know-how is valuable to the licensee in that without the license he could only obtain the information and knowledge it comprises by expending time and money. In Italy exclusive knowledge of the licensor is not required, but there must be secrecy in the sense that the matter is not generally known to competitors or readily available to the licensee from normal sources.

2. NATURE OF THE RIGHT IN KNOW-HOW

Is the right in the know-how, as the subject matter of a grant, a property right or is it only a right based on a contractual relationship? If know-how is considered to be property, certain consequences follow: transfer of possession only might be contracted for, the grantor retaining title; in such a case a third party without notice might be prevented from using or disclosing the know-how, and it would not be part of the goodwill of the licensee transferable along with other elements of goodwill. Moreover, creditors could not attach it. If, on the other hand, title were transferred to the grantee,
creditors could attach the know-how. Here the distinction between tangible and intangible elements of know-how, as well as the contract terms, might be of importance.

In this field, as in others, the right is defined by the remedy available under law. In the Six the remedy available is one for a breach of contract. Breach of the obligation to respect secrecy may also be considered a tort, and the penal law affords a sanction as well.

Articles 17 and 19 of the German Law against Unfair Competition provide for both civil and criminal sanctions, and injunctions are also available under its general provisions. In Belgium and France, an action for damages is available under the broad provisions of Article 1382 of the Civil Code, which is the basis of the law against acts of unfair competition. Article 309 of the Belgian Penal Code and Article 418 of the French Penal Code provide for criminal punishment of anyone who fraudulently, or with intention to cause harm, communicates manufacturing secrets to third parties. In addition, Article 2 of the Arrêté Royal of December 23, 1934, of Belgium provides for a summary remedy akin to an injunction in certain cases of unfair competition, which include the unauthorized use of models, specimens, technical combinations, and formulae of a competitor, and generally, of all information or documents entrusted to another. In Italy, the general principles of unfair-competition law based on Article 2598 of the Civil Code protect know-how. A special provision in Article 2105 of the same Code affords protection against the divulging of information relating to the organization or methods of production of an enterprise. Anyone who, having had access by reason of his status or profession to information intended to remain secret, communicates such information to others or exploits the same for his own benefit is subject to criminal punishment under Article 623 of the Penal Code, and damages may also be obtained. In the Netherlands, a contract or a tort action may be brought and there are also penal provisions (Articles 272 and 273 of the Penal Code) against intentional divulgation of secret information which should be kept confidential because of the actual or previous professional position of the person who divulges or because a commercial or industrial enterprise had ordered that such information be kept secret. The courts also may enjoin the unauthorized use of know-how.

In the absence of recognition of property in know-how, a third party is not liable to action and may keep and use the know-how received from the communicatee so long as he has paid value for it
and had no knowledge of the contractual restrictions between the licensor and licensee. In Germany tortious conduct by a third party—for instance, the employing of a former employee of the licensee who was able, by reason of inadequate control, to obtain information or documentary material relating to the know-how—exposes such third party to an injunction.

Availability of know-how to the public, after communication to the licensee, which is not attributable to the fault of the licensee, terminates the right to obtain an injunction against the licensee in order to prevent violation of the license agreement under both German and Belgian law, but damages may still be obtainable if the agreement is violated and if the contract makes no exception in regard to public availability. The obligation to pay royalties in such cases may, however, cease under German law according to a decision of the Bundesgericht (1951, 17 B.G.H. 2, p. 42), but not under Dutch or Belgian law, unless the contract provides otherwise. Even in Germany, however, there are exceptions in the case where the intention of the contract was to give the licensee a time advantage or where it provides for a continuous flow of know-how to him and the royalty is presumed to be unaffected by the publication of a portion of know-how from time to time.

The undertaking by the licensee not to use the know-how after termination of the license agreement is fully enforceable under the laws of Belgium and the Netherlands, but in Germany the right to use is so limited only during the period from termination of the agreement until know-how becomes generally accessible.

3. RESTRICTIVE CLAUSES

License agreements involving the communication of know-how may contain stipulations restricting the licensee for the term of the agreement or even after its termination. These include:

(1) clauses prohibiting the licensee from selling the products made with the aid of know-how outside a defined territory;

(2) clauses prohibiting the licensee from communicating the know-how to subsidiaries or branches abroad;

(3) clauses restricting the licensee to use of the know-how in the manufacture solely of products, the components, ingredients or raw materials for which are supplied by the licensor;

(4) clauses prohibiting the licensee from manufacturing competitive equipment or products for a period of years after termination of the agreement;
(5) clauses obligating the licensee to use exclusively the trademark or trademarks of the licensor;
(6) clauses requiring the licensee to use the know-how only for the manufacture of a certain type of products designated by the licensor.

The German Law against Restrictions on Competition of June 27, 1957, is the only national law in the Community which purports to deal with restrictions to competition relating to know-how. Article 21 makes applicable to know-how the provisions of Article 20 concerning agreements for patents. Article 21 provides that these provisions of Article 20 apply in the case of:

agreements concerning the cession or use of results of inventive character not protected by law, manufacturing processes, constructions, other results enriching technique as well as results not protected by law which enrich cultivation in the field of growing plants insofar as they represent commercial secrets.

Under the provisions of Article 20, agreements are without legal effect if they impose restrictions on commercial activity which exceed the scope of the patent monopoly. Under this law restrictions relating to the nature, the extent, the quantity, the area, or the period of the use of such commercial secrets are permissible.

Of the six restrictive clauses listed above which may appear in agreements concerning know-how, numbers (1), (2), (5), and (6) are permissible under German law. Clause (3) is of doubtful legality, and Clause (4) is definitely illegal. The same answers obtain under the French Law Decree of August 19, 1953. Under Dutch law, any of these clauses are unenforceable if held contrary to public interest by administrative decision. On the other hand, in Belgium and Italy, in the absence of any law against restraints of competition and in view of the broad recognition of the freedom of contract, all six clauses would be fully enforceable.35

VI. GENERAL QUESTIONS

A. PROBLEMS OF TERRITORIAL ASSIGNMENTS AND LICENSES IN THE COMMON MARKET

The assignment by a patentee or a trademark owner who has obtained protection throughout the Common Market, of his patent or

35 The International Chamber of Commerce through its International Commission on Industrial property is studying the whole subject of know-how with the view to adopting model provisions for insertion in agreements which would receive uniform enforcement in all countries.
trademark rights in one or some of the Six, or his licensing of the
use of such rights on an exclusive or non-exclusive basis raises new
problems. One of these—whether such agreements are affected by
the rules against restraint of competition under Articles 85 to 90 of
the Treaty—will be considered in the next section of this chapter.

A right of industrial property implies the power to exploit it
commercially, and such exploitation includes the grant of assign­
ments or licenses for a particular country, which are valid under its
industrial property laws. Such grants may, however, create much
the same barriers to the free movement of goods as may result where
adverse rights have been initially obtained by different persons. The
question, then, is whether barriers which may be created by such
assignments and licenses are sanctioned by Article 36 of the Treaty.

Article 36 is directed at the powers of governments of the Mem­
ber States, reserving to each freedom to legislate in order to pro­
tect inter alia industrial property within its territory. Article 36
therefore permits prohibitions and restrictions on importation, ex­
portation, and transit justified by legislative protection of industrial
property. In short, it does seem to sanction barriers created by the
assignment or licensing of patents or trademarks.

Moreover, such assignments and licenses are, as a matter of
policy, to be encouraged: they further economic progress and de­
velop competitive conditions. The assignment by a German patentee
of his Italian patent to an Italian enterprise permits the establish­
ment of a new industry or the improvement of national production
in Italy. Licensing by a Dutch trademark owner of his Belgian trade­
mark to a Belgian firm coupled with communication of the relevant
know-how permits the establishment of a new industry in Belgium.

The prohibition of such assignments and licenses would result in
the retention in each country of the Common Market of all technical
improvements achieved in it and therefore in a possible imbalance
of economic development. Yet Article 29 of the Treaty specifically
entrusts the Commission with the task of promoting:

... (b) the development of competitive conditions
within the Community to the extent to which such develop­
ment will result in the increase of the competitive ca­
pacity of the enterprises;
... (d) a rational development of production and an
expansion of consumption within the Community.

The ultimate question is whether the geographical partitioning of
industrial property rights which results from assignments and li­
censes can be permitted without creating obstacles to the free move­
ment of goods within the Community. It can be, perhaps, if only the right of the assignee or licensee to manufacture and sell is recognized, but not his right to prevent the free circulation of goods originating with the assignor or licensor. Denial of the latter right would permit purchasers of any goods lawfully placed in the market of one of the Six by the owner, assignee or licensee of a patent or trademark, to move them freely throughout the Community.

The Treaty may, indeed, be found to embody such a denial, for it may be argued that restriction of the free movement of goods which have been placed in the market of one of the Six would constitute "a disguised restriction of trade" in the sense of the last sentence of Article 36. In any case it seems certain that the Council and the Commission will have to grapple with this problem.36

B. RULES AGAINST RESTRAINTS OF COMPETITION AND THEIR EFFECTS ON INDUSTRIAL PROPERTY RIGHTS

It is reported that a wave of consolidation, concentration, specialization and rationalization of industry in the Six is rising. A recent study lists sixty consolidations of industries in the Six and seventy-one agreements between or among financial, industrial, commercial, and professional enterprises across Community borders involving the building of new plants and the sharing of technical processes.37 Some of these arrangements will raise questions when viewed in the light of the rules against restraints on competition of Articles 85–90 of the Treaty.38

Article 85 provides in general terms that agreements of all kinds which have as their object or result the prevention, restriction or distortion of competition within the Common Market are incompatible with the Common Market and void. Article 86 prohibits the abuse of a dominant position in the Common Market by one or more enterprises. Article 87 provides for machinery to establish, within three years, the regulations and directives necessary to give effect to Articles 85 and 86. Article 88 makes provision for the

37 N.Y. Times, March 29, 1959, § 1, p. 19, col. 3 (late city ed.).
38 A thorough analysis of these Articles is undertaken in another chapter. The possible significance of Articles 85 to 90 of the Treaty to industrial property agreements or to dominant positions centered in industrial property rights alone will be considered here.
period before the regulations contemplated in Article 87 are issued, requiring each Member State to pass upon agreements and the use of dominant positions in accordance with its own law and the provisions of Articles 85 and 86. Article 89 provides for the policing of Articles 85 and 86 by the Commission. Article 90 applies only to public enterprises, fiscal monopolies, and similar non-private corporate bodies.

Whether these provisions apply in the field of industrial property, for example to license agreements involving patents, designs or trademarks, or to action by one or more firms based on a dominant patent position, has been debated. One argument has been that in excluding prohibitions or restrictions in respect of importation, exportation or transit justified by the protection of industrial or commercial property from the Treaty's reach, Article 36 must also exclude those due to commercial use and exploitation of such property. Article 90 relating inter alia to enterprises to which Member States accord special or exclusive rights, has also been interpreted as applicable to industrial property, since the owner thereof must, by the nature of things, be deemed to receive from the Member States "special or exclusive rights." 39

These views must be discounted. The terms of Articles 85 and 86 are too general and broad to permit the assumption that they were not intended to apply to industrial property. Had there been such an intention, it would have been clearly indicated as, for instance, is done in the British Restrictive Trade Practices Act of 1956 (Section 8) and in the German Restrictive Trade Practices Act (Gesetz gegen Wettbewerbsbeschränkungen) of June 27, 1957 (Articles 16, 20 and 21). Article 36 of the Treaty leaves to the Member States the power to legislate to protect industrial property rights, but this is not in conflict with Articles 85 and 86 which will affect the action or agreements of those entitled to industrial property rights which tend to restrict competition unduly.

The real issue, therefore, is how far it is possible to reconcile two equally important objectives of the Common Market: the promotion of economic progress and development by recognizing and protecting lawful monopolies involved in industrial property; and the elimination of concentrations of economic power and of agreements unduly restricting competition by enforcing anti-monopoly and anti-trust rules.

European jurists generally advocate special rules for restrictions related to industrial property rights, since such restrictions have always been accepted as a normal and necessary method of exploiting industrial property. The owner of such rights, who is fully entitled to prohibit others from using his property, should also be able to grant limited rights—for instance, exclusive rights limited to one country only, or rights conditioned upon his control of production by the licensee or upon sale by the licensee at fixed prices.\(^{40}\)

In the view of these jurists the regulations to be issued under Article 87 by the Council should specifically except such "normal" exploitation of industrial property rights, and a list of clauses of agreements which should be permissible has been suggested.\(^{41}\)

\(^{40}\) Bodenhausen, *The Effect of the European Common Market and Free Trade Area on Industrial Property*, British Group of International Association for the Protection of Industrial Property, Feb. 25, 1958. Professor Bodenhausen states the position quite forcefully:

It is not only normal, but also in principle desirable, on account of the common interest underlying the recognition of industrial property, that the owner of such property, whose rights fully entitle him to prohibit others from using his property, should also be able to grant limited rights to certain selected parties, for instance in the form of exclusive licenses confined to one or more countries or by means of a series of non-exclusive licenses on mutually differing terms. In granting such licenses, production control, price fixing, and so on, are indispensable adjuncts. If such arrangements are no longer permitted, the owners of industrial property will either prefer to exercise their rights solely by prohibiting others from industrial property altogether, that is to say, they will apply for fewer patents or none at all and instead try to keep their inventions secret, or they will invest less in the exploitation and protection of trademarks. If this were to happen, industrial property, which has hitherto been recognized as being in the public interest, would to some extent cease to serve its purpose.

\(^{41}\) The Commission d'Etudes de la Propriété Industrielle of the Belgian Group of the International Association of Industrial Property attached to a report dated September 6, 1958, the following appendix on what must be considered "normal exploitation of industrial property":

1. In granting licenses the holder of industrial property rights is at liberty to decide on the licensee and on the scope of the license which he wishes to grant.

   For example, he may

   (a) stipulate the geographical area;

   (b) stipulate the technical scope;

   (c) stipulate whether the license shall be exclusive or not;

   (d) grant merely a sales license or limit the manufacturing license solely to licensee's own use or to sales in a specified territory;

   (e) fix the term on the license;

   (f) decide on quantity and quality.

2. In granting licenses, the holder of industrial property rights is at liberty to stipulate conditions relating to the creation and keeping in force of those rights.

3. In granting licenses, the holder of industrial property rights is at liberty, in order to safeguard the commercial value of his rights, to stipulate the conditions under which the products or services covered by the license shall be traded or performed by the licensee.

   For example, he may stipulate

   (a) price conditions, possibly at second or further hand (think of branded goods);
Reference in this connection is made to the Treaty establishing the European Coal and Steel Community which contains provisions, analogous to those of Articles 85 and 86 of the Rome Treaty, in Articles 60, 65, and 66. The High Authority of the Coal and Steel Community in its Fourth Report on its activities covering the period April 1955–April 1956 on page 151, stated:

The High Authority holds the view that agreements relating solely to the working of patents are not to be regarded as a restriction to the normal operation of competition within the meaning of the Treaty, and that accordingly, the granting of exclusively regional rights in the present case is not at variance with the provisions of the Treaty.

This statement of the High Authority of the Coal and Steel Community is rather limited in its scope and cannot be cited in support of the general proposition that any agreement or action which does involve undue restraint is permitted so long as it is related to an industrial property right.

4. In granting licenses, the holder of industrial property rights is at liberty to fix the system of remuneration, which may e.g. take one or more of the following forms:
   (a) a lump sum payment;
   (b) payment of royalties;
   (c) agreement on a minimum remuneration;
   (d) a remuneration independent of the number or actual use of the industrial property rights to which the license relates;
   (e) a ceiling amount for the payment of royalties;
   (f) payment of fees necessary to keep the rights in force (think of the exclusive licensee);
   (g) acquisition of ownership of, or license on, industrial property rights belonging to the licensee.

5. In granting licenses, the holder of industrial property rights is at liberty to impose conditions to safeguard the technical exercise of the industrial property rights.
   He may, for example, stipulate
   (a) quality control;
   (b) the obligatory use of specified raw materials, semi-manufactured products, components or tools.

6. In granting licenses, the holder of industrial property rights is at liberty to attach the following conditions to the licenses:
   (a) the licensee may be prohibited from concluding similar license agreements with others;
   (b) the licensee may be bound to supply to the patentee goods manufactured or services performed under the license, possibly limited to a specified quantity and/or at a specified price.

7. It is admissible in itself to pool industrial property rights for the purpose of exploiting them.

In all the cases mentioned above, the holder is at liberty, when granting licenses to different parties, to vary the extent of the conditions from one licensee to another.
Instead of this overly general proposition would it not be more reasonable to hold that insofar as agreements involving industrial property rights keep within the scope of the grant of the patent, design or trademark right, the making of such agreements constitutes the exercise of the lawful monopoly embodied in such grant, but insofar as they go outside the scope of the grant, they may be prohibited by Articles 85 and 86? Fixing the price at which the licensee shall sell is not within the scope of the grant nor is a clause obligating the licensee to buy raw materials, available in the market, from the patentee. On the contrary, the grant by the patentee or trademark owner of a license limited to a particular territory is within such scope.

Indeed, if industrial property rights are deemed to be agencies of economic progress and industrial and technical advance, then agreements granting rights thereunder would be agreements "which contribute to the improvement of the production or distribution of goods, or to the promotion of technical or economic progress" under paragraph 3 of Article 85 of the Treaty. As such they would not be prohibited, provided they:

(a) neither impose on the enterprises concerned any restrictions not indispensable to the attainment of the above objectives;

(b) nor enable such enterprises to eliminate competition in respect of a substantial proportion of the goods concerned (Article 85 para. 3).

To European lawyers the concept of "restrictions of competition" is a novel one. In the Six, and particularly in the field of industrial property, the familiar concepts are "abuse of right" or "offense against the public interest." For example, in contrast to American patent law, which in no case does so, European patent laws penalize non-working of patents by compulsory licensing and enable the application of restrictions to the patentee's rights for reasons of public interest (national security, promotion of public health and safety, and the like).

It is doubtful, however, whether Article 85 paragraph 3 will be interpreted, under the directives and regulations to be issued under Article 87, as incorporating only the ideas of "abuse" and "offense against the public interest."

A further question is raised by Article 88 which provides that, pending the promulgation of appropriate regulations or directives under Article 87, the Member States shall pass upon agreements
(involving *inter alia*, industrial property rights) according to their own laws and to the provisions of Article 85, especially paragraph 3. The domestic law of the Six plainly differs from the rules established by Articles 85 and 86. Belgium, Luxembourg, and Italy have no antitrust law of any kind and certainly agreements of the "normal" type described above relating to industrial property rights would be entirely proper and valid. In the Netherlands, the law of June 28, 1956, requires agreements to be registered and the Minister of Economic Affairs has the right to annul, by means of an administrative decision, an agreement contrary to public interest. In Germany, the law of July 23, 1957 declares all agreements in restraint of competition, with certain exceptions, to be in principle null and void. Among these are vertical price agreements in respect of trademarked goods (in Article 16) and a number of restrictive clauses in contracts concerning the acquisition or use of patents (in Articles 20 and 21). In France, the Decree of August 9, 1953, prohibits the fixing of minimum prices, but exceptions are permitted in cases of exclusive rights based on a patent, license or design.

The Treaty goes well beyond the national law of the Member countries. Nonetheless it is difficult to conclude that at least "normal" agreements involving industrial property rights will be invalidated. This is true even if Articles 85 and 86 are held to be self-executing and even if they are held applicable to industrial property agreements.

The final definition of the scope of Articles 85 and 86 in regard to agreements relating to industrial property is of importance to Americans. The Common Market subsidiaries of U.S. corporations will, of course, be subject to Community law, even if they are beyond the reach of United States antitrust law. Moreover Community law will be relevant to the validity of agreements between American corporations and their subsidiaries or third parties in the Community.

If regulations or directives issued under Article 87 exempt agreements relating to industrial property rights or if such agreements

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41a By February 1960, antitrust bills have been introduced before the Parliaments of Italy and Belgium.

42 Tuberies Louis Julien S.A. v. Van Katwijk's Papier-en carton verwerkende Industrien, Rechtb, Zutphen, July 11, 1959, [1958] Nederlandse Jurisprudentie 984 (Neth.) held that Articles 85 and 86 were not applicable, and that the existing domestic law continued to apply.

On the other hand, the decision in Judgment of February 19, 1959, 2 Beschlussabteilung des Bundeskartellamts, [1959] GRUR Ausl. 252 held that the provisions of Articles 85 ff. of the Treaty are applicable law in a case dealing with provisions in the license of a patent which limited competition.
are within paragraph 3 of Article 85, properly construed, American owners of industrial property rights may, on the one hand, be required by Common Market licensees to enter into the kind of agreements which in the light of American decisions may be frowned upon by our courts.

VII. GENERAL CONCLUSIONS

A. THE LIKELIHOOD THAT CHANGES IN INDUSTRIAL PROPERTY LAW WILL OCCUR

The adoption by the Six of a uniform patent, design or trademark law is unlikely in the near future. So, probably, is any major rewriting of their industrial property laws. These laws reflect a balance of the interests of those who own industrial property rights, the consuming public, and the state. Their amendment would shift this balance, and the reappraisal and attempted new reconciliation of interests which would necessarily precede it would be a difficult process even if the ends sought were purely domestic. Since goals in this context would be those of a community of six nations, the difficulties would obviously be far harder to overcome.

It seems equally unlikely—as the above discussion has indicated—that industrial property law in the Common Market will remain unchanged. The question is how far changes will go and how soon they will take place.

B. THE PROBABLE KINDS OF CHANGES

It may be reasonably expected that procedure will be simplified, both as a result of forces which were already at work in Europe and of others which the Common Market will inevitably set in motion. The Conventions for Uniform Formalities and Uniform Classification of Patents will almost certainly be ratified by the few countries of the Six that have not already done so, but further simplification is possible. An agreement may be reached making it possible to institute a common search for novelty through the Institute of The Hague, or even to file a single patent application, copies of which would thereafter be communicated to the individual patent offices of the Six.

These changes, however, are not of immediate significance to the principal goal of the Common Market—the creation of an area within which goods, persons, services, and capital can circulate with ever-increasing freedom. A second question is, therefore, whether
the law will be harmonized in order to avoid obstacles to the free movement of goods which industrial property rights, arising under six disparate legal systems, would otherwise tend to create.

The probability of harmonization will be determined by two factors. The first—which will exert pressure in favor of harmonization—is the fact that where industrial property rights are created by differing laws, obstacles to the free movement of goods do inevitably tend to result. The discussion in the previous pages of the problems resulting from differences in the laws of the Six makes this clear.

The second factor which will determine the probability of harmonization (essentially by determining what weight will be given to the first factor) is the direction in which the Common Market will evolve. The Treaty's effect should be ultimately to free trade, permitting it to flow increasingly in natural economic channels and to conform to the logic of mass production, specialization, and centralization. But political and economic policies of the Member States may retard this process, and nationalistic attitudes may prevent appropriate counteraction by Community authorities. If these pessimistic apprehensions do not materialize, integration should inevitably proceed. The Rome Treaty would then be only a beginning, and logic would compel extension of common action to new fields. Harmonization of industrial property laws in such an environment would necessarily follow.

C. LAWS WHICH ARE LIKELY TO BE HARMONIZED

Harmonization of the law is most likely where it is essential and therefore least likely to provoke vigorous opposition. Harmonization of the patent laws of the Six may probably be expected, therefore, which will:

1. result in a uniform duration of patents;
2. make possible a single payment of annuities to be apportioned among the Six;
3. create a system of working requirements under which working in one of the Six will satisfy requirements in each of the others; and
4. result in a common definition of novelty of inventions.

Harmonization even after the twelve to fifteen years transition period seems improbable in other areas of patent law. Some of the problems in other areas—opposition procedure, patentability, subject-matter—have been discussed. Others—inventions of employees, the treatment of inventions of additions or improvements by
Harmonization of certain aspects of the laws of the Six governing designs may come about through the agreement now being discussed by the inter-Governmental Committee sponsored by U.N.E.S.C.O. Otherwise even an agreement on uniformity of duration appears difficult in view of the wide divergence between the fifty-year term in France and the four-year term in Italy. The only safe prediction is that Luxembourg and the Netherlands will pass legislation to protect designs.

Harmonization of the trademark laws of the Six may be very extensive. I am advised that plans are already being discussed in Germany for the institution of a “European Community Trademark.” The adoption and registration of such a mark at a central office would be given effect throughout the Common Market area. The already existing system of international registration at the Berne Bureau should give added impetus to such a plan.

The new Convention of Nice of 1957 providing for a uniform classification of goods will most probably be ratified by all six countries. The creation of a common search center for trademarks of the Common Market countries to enable easy searches for anticipations should not, moreover, be difficult. Harmonization could also result in a uniform duration of trademark registrations, a provision that use of a registered trademark in one of the Six will prevent forfeiture of the registrations of the mark in the other five. Finally, uniform provisions may be adopted defining the quantum of transfer of goodwill which will validate an assignment of a trademark and the requirements of a valid license. The latter may include recording in a central European office in order to ensure notice to the public.

Leaving aside problems of trade names, appellations of origin, unfair competition, and know-how, harmonization of laws controlling territorial assignments and licenses and agreements involving industrial property, which may involve unlawful restrictions of competition, is also indicated. Free circulation of goods throughout the Common Market, once they have been lawfully placed on the market by the owner of the industrial property right, calls for uniform regulation. With regard to the application of Articles 85, 86 and 88 to agreements involving grants of industrial property rights, it is assumed that the Council will issue directives under Article 87.
D. How Harmonization May be Effecte

Harmonization of the laws may be brought about in two ways. The domestic law of the Six may be changed pursuant to directives of the Council. If this should be the avenue chosen, nationals of countries outside the Common Market, and therefore American nationals, will be entitled to the benefits of these changes by virtue of the national-treatment clause of the Paris Union Convention. On the whole, these changes will be advantageous to American owners of European industrial property rights since simplification and uniformity of procedural and substantive law will result. Because of the compromises which the changes will necessarily entail, some Americans may find new laws in individual countries less advantageous than are the present ones, however.

A second means of bringing about harmonization of the procedural and substantive laws of the Six would be intra-Common Market arrangements extending defined reciprocal benefits to the nationals of the other countries of the Six. If this means is chosen, the primary question will be whether such arrangements will be closed or open to countries which are not members of the Common Market Community. If closed, only American nationals and branches or subsidiaries of American corporations established in the six countries will be entitled to the benefit of such arrangements; if open, and if the United States becomes a party to them, Americans and American corporations established in the United States and elsewhere may avail themselves of the provisions of such arrangements.

It is not likely that there will be an attempt to conclude closed arrangements. Should closed arrangements be concluded, it is nevertheless probable that they will be followed by the enactment of laws in each Member Country making their provisions applicable to its nationals and consequently to persons enjoying national treatment under the Paris Union Convention. This conclusion is based on a number of considerations.

First, it is plainly to the interest of each of the Six to extend to its own nationals in its own territory any benefits or advantages extended to other Community nationals. If Italy is to agree that the obligation to work a patent owned by a German national will be complied with if the patent is worked in Germany, Italian patentees will also want to be able to meet Italian working requirements by working their patents in Germany. If Italian patentees alone are
to continue to be required to work their inventions in Italy, they may be forced to transfer their inventions to associates in the other countries of the Common Market, or run the risk of forfeiture. Transfer or forfeiture in Italy for non-working would represent economic loss to Italy, destroying an Italian asset in the European Economic Community.

When each country is a separate economic unit sheltered by economic barriers, it may, moreover, make sense to require local manufacture of patented inventions. Having created a unified economic area within which products, services and capital may move freely, the Six can no longer justify working requirements, however.

Secondly, a special arrangement among the Six extending reciprocal benefits to their nationals but leaving unchanged the domestic law in each country would, in effect, create discrimination against nationals of the other Paris Union countries. It may be argued that such a special arrangement is authorized by Article 15 of the Paris Union Convention, which reads:

> It is understood that the countries of the Union reserve the right to make separately between themselves special arrangements for the protection of industrial property, insofar as these arrangements do not contravene the provisions of the present Convention.

Examples of “restricted Unions” created under Article 15 are those of the Madrid Arrangement for the International Registration of Trademarks, the Madrid Arrangement for the Repression of False Indications of Origin, the Arrangement of The Hague for the International Deposit of Designs, and the Lisbon Arrangement for the International Registration of Appellations of Origin. These Arrangements give the nationals of the parties thereto special advantages not available under the Paris Union Convention, but they remain open to accession by any Paris Union member.

A special arrangement of the Six providing that working of a patent by a Community national in one of them would satisfy working requirements in the others, would obviously discriminate against patentees of the other Paris Union countries. If the Six concluded such a closed Treaty, however, its conformity with the spirit of the Paris Union Convention would be questionable. Article 15 does not require that special arrangements be open to accession by all countries of the Union, but the general qualification that such arrangements should not “contravene the stipulations of the Con-

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43 The United States is not a party to any of these Arrangements.
vention” must be understood to imply that arrangements may not defeat the fundamental purpose of the Convention—the most complete and effective protection of industrial property possible—nor may they substitute reciprocity for national treatment as the basic principle of the Union.

Thirdly, even if such a closed treaty were permissible under Article 15 of the Paris Union Convention, it would be self-defeating. For one of its main objects would be the removal of barriers to the free flow of Community trade and yet it would of itself encourage the creation of substantial trade barriers in the Community. For if a non-Community national could not avoid compulsory licensing or forfeiture of his patent by working it in only one country of the Six, he would be motivated to create barriers either by entering into exclusive license agreements with particular manufacturers in each of the six countries or by forfeiting his patent in some of the countries and retaining it in others, thereby preventing the free circulation of the relevant goods in the latter.

Finally, an attempt by the Six to create special rules for industrial property rights not applicable to non-Community nationals might provoke similar moves by others, for example, the Outer Seven. This would not only counter-balance the Community’s action but might also be fatal to the Paris Union Convention.

The only logical solution is therefore uniformity of the law on the points which may create obstacles to the free movement of goods in the Common Market so that the same benefits will be available to all owners of Community industrial property rights regardless of their nationality or domicile.

For these reasons, American owners of industrial property rights should welcome progress towards harmonization of industrial property laws in the Common Market.