European Court of Justice, 29 february 1968, Parke Davis

Parke Davis building in Detroit

PATENT LAW – FREE MOVEMENT OF GOODS

Free movement of goods

- **Exercising patent rights possible against imported products.**[1]

The national rules relating to the protection of industrial property have not yet been unified within the community. In the absence of such unification, the national character of the protection of industrial property and the variations between the different legislative systems on this subject are capable of creating obstacles both to the free movement of the patented products and to competition within the common market.

As regards the provisions relating to the free movement of products, prohibitions and restrictions on imports may be justified under article 36 on grounds of the protection of industrial property, but subject to the expressly stated reservation that these "shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between member states". For similar reasons, the exercise of the rights arising under a patent granted in accordance with the legislation of a member state does not, of itself, constitute an infringement of the rules on competition laid down by the treaty.

Prohibition of cartel

- **Mere exercise of a patent is not a prohibited cartel nor abuse of a dominant position**

A patent taken by itself and independently of any agreement of which it may be the subject, is unrelated to any of these categories, but is the expression of a legal status granted by a state to products meeting certain criteria, and thus exhibits none of the elements of contract or concerted practice required by article 85(1). (…) The exercise of such rights cannot of itself fall either under article 85(1), in the absence of any agreement, decision or concerted practice prohibited by this provision, or under article 86, in the absence of any abuse of a dominant position.

- **Prohibition on cartel only sees to exercising a patent right on the basis of an agreement, decision or concerted practice**

Nevertheless it is possible that the provisions of this article may apply if the use of one or more patents, in concert between undertakings, should lead to the creation of a situation which may come within the concepts of agreements between undertakings, decisions of associations of undertakings or concerted practices within the meaning of article 85(1). (…) The exercise of such rights cannot of itself fall either under article 85(1), in the absence of any agreement, decision or concerted practice prohibited by this provision, or under article 86, in the absence of any abuse of a dominant position;

Dominant position

- **Difference in price does not necessarily constitute abuse of a dominant position.**

Accordingly, since the existence of patent rights is at present a matter solely of national law, the use made of them can only come within the ambit of community law where such use contributes to a dominant position, the abuse of which may affect trade between member states. Although the sale price of the protected product may be regarded as a factor to be taken into account in deter-mining the possible existence of an abuse, a higher price for the patented product as compared with the un-patented product does not necessarily constitute an abuse. (…) A higher sale price for the patented product as compared with that of the unpatented product coming from another member state does not necessarily constitute an abuse.

Source: **eur-lex.europa.eu**

European Court of Justice, 29 February 1968
(Lecourt, Donner, Strauss, Trabucchi, Monaco)
(…)
In case 24/67
Reference to the Court under article 177 of the treaty establishing the European Economic Community by the Gerechtshof (court of appeal), The Hague, for a preliminary ruling in the action pending before that court between
Parke, Davis and co.
And
Probel, Reese, Beintema-interpharm and Centrafarm

Subject of the case

On the interpretation of articles 85(1) and 86 of the treaty establishing the EEC - considered in conjunction with the provisions of articles 36 and 222 thereof - concerning the rights which the holder of a patent granted in a member state may request the courts to enforce.

Grounds

In a judgment dated 30 June 1967, which reached the court on 6 July, the Gerechtshof, The Hague, under article 177 of the treaty establishing the EEC, put to the court two questions on the interpretation of articles

[1] Note IPPT: The products were imported to The Netherlands from Italy, where a patent was not possible at that time.

85(1) and 86. It appears from the facts given by the court making the reference that the questions put concern the exercise of rights attaching by Netherlands law to a patent which protects a proprietary medicinal product in the Netherlands as regards the introduction into that state of a similar product manufactured in another member state where proprietary medicinal products are not patentable .

In the first question the court is asked to rule whether the concept of practices prohibited under articles 85(1) and 86, possibly considered with articles 36 and 222 of the treaty, includes the action of the holder of a patent issued in a member state when, by virtue of that patent, he requests the national courts to prevent all commercial dealing in the territory of that state in a product coming from another member state which does not grant an exclusive right to manufacture and sell that product.

In the second question the court making the reference asks whether the possible application of the abovementioned articles may be affected by the fact that the assign of the patent - holder offers the patented product at a price higher than that of a similar unpatented product coming from another member state.

The national rules relating to the protection of industrial property have not yet been unified within the community. In the absence of such unification, the national character of the protection of industrial property and the variations between the different legislative systems on this subject are capable of creating obstacles both to the free movement of the patented products and to competition within the common market.

As regards the provisions relating to the free movement of products, prohibitions and restrictions on imports may be justified under article 36 on grounds of the protection of industrial property, but subject to the expressly stated reservation that these "shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between member states". For similar reasons, the exercise of the rights arising under a patent granted in accordance with the legislation of a member state does not, of itself, constitute an infringement of the rules on competition laid down by the treaty.

Under article 85(1) of the treaty, "all agreements between undertakings, decisions by associations of undertakings and concerted practices" which may affect trade between member states and which have as their object or effect an interference with competition are prohibited as incompatible with the common market. Although the generality of the words used is evidence of an intention to include without distinction all the categories of agreement described in this provision, the restrictive nature of the said provision is incompatible with any extension of the prohibition for which it provides beyond the three categories of agreement exclusively enumerated therein.

A patent taken by itself and independently of any agreement of which it may be the subject, is unrelated to any of these categories, but is the expression of a legal status granted by a state to products meeting certain criteria, and thus exhibits none of the elements of contract or concerted practice required by article 85(1). Nevertheless it is possible that the provisions of this article may apply if the use of one or more patents, in concert between undertakings, should lead to the creation of a situation which may come within the concepts of agreements between undertakings, decisions of associations of undertakings or concerted practices within the meaning of article 85(1).

However, notwithstanding the allusions made during these proceedings to such a situation, which is for the Gerechtshof, The Hague, alone to assess, the wording of the questions referred and the contents of the file do not enable the court to take this possibility into account.

Under article 86 of the treaty : "any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between member states". For this prohibition to apply it is thus necessary that three elements shall be present together: the existence of a dominant position, the abuse of this position and the possibility that trade between member states may be affected thereby. Although a patent confers on its holder a special protection at national level, it does not follow that the exercise of the rights thus conferred implies the presence together of all three elements in question. It could only do so if the use of the patent were to degenerate into an abuse of the abovementioned protection.

Moreover, in a comparable field, article 36 of the treaty, after providing that articles 30 to 34 shall not preclude restrictions on imports or exports justified on grounds, inter alia, of the protection of industrial and commercial property, expressly states, as has already been observed, that such restrictions "shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between member states".

Accordingly, since the existence of patent rights is at present a matter solely of national law, the use made of them can only come within the ambit of community law where such use contributes to a dominant position, the abuse of which may affect trade between member states.

Although the sale price of the protected product may be regarded as a factor to be taken into account in determining the possible existence of an abuse, a higher price for the patented product as compared with the unpatented product does not necessarily constitute an abuse.

It follows from all the above: first, that the existence of the rights granted by a member state to the holder of a patent is not affected by the prohibitions contained in articles 85(1) and 86 of the treaty; secondly, that the exercise of such rights cannot of itself fall either under article 85(1), in the absence of any agreement, decision or concerted practice prohibited by that provision, or under article 86, in the absence of any abuse of a dominant position; finally, that a higher sale price for the patented product as compared with that of the unpat-

ented product coming from another member state does not necessarily constitute an abuse.

Decision on costs

The costs incurred by the commission of the EEC and the governments of the kingdom of the Netherlands, the federal republic of Germany and the French republic, all of which have submitted their observations to the court, are not recoverable .

As these proceedings are, in so far as the parties to the main action are concerned, in the nature of a step in the action pending before the Gerechtshof, The Hague, the decision as to costs is a matter for that court;

Operative part

The court

In answer to the questions referred to it by the Gerechtshof, The Hague, by judgment of that court of 30 June 1967, hereby rules :

1 . The existence of the rights granted by a member state to the holder of a patent is not affected by the prohibitions contained in articles 85(1) and 86 of the treaty;

2 . The exercise of such rights cannot of itself fall either under article 85(1), in the absence of any agreement, decision or concerted practice prohibited by this provision, or under article 86, in the absence of any abuse of a dominant position;

3 . A higher sale price for the patented product as compared with that of the unpatented product coming from another member state does not necessarily constitute an abuse;

And declares : It is for the Gerechtshof, The Hague, to make an order as to the costs of the present proceedings.