European Court of Justice, 14 July 1981, Merck v Stephar

PATENT LAW – FREE MOVEMENT

Free movement of goods

- **Proprietor of a patent for a medicinal preparation who sells the preparation in a member state where no patent protection exists, cannot prevent the marketing of that preparation imported from the other member state into a member state, where patent protection exists.**

The reply to the question which has been raised therefore should be that the rules contained in the EEC Treaty concerning the free movement of goods, including the provisions of article 36, must be interpreted as preventing the proprietor of a patent for a medicinal preparation who sells the preparation in one member state where patent protection exists, and then markets it himself in another member state where there is no such protection, from availing himself of the right conferred by the legislation of the first member state to prevent the marketing in that state of the said preparation imported from the other member state.

Source: **Eur-Lex**

European Court of Justice, 14 July 1981, Merck v Stephar

(Mertens de Wilmars, Pescatore, Mackenzie Stuart, Koopmans, O' Keeffe, Touffait, Due, Everling, Chloros)

Parties

In case 187/80

Reference to the court under article 177 of the EEC Treaty by the president of the arrondissementsrechtbank (district court) rotterdam for a preliminary ruling in the action pending before that court between

Merck & co inc., rahway, new jersey, United States of America,

And

1. Stephar BV, rotterdam,
2. Petrus Stephanus Exler, residing at Capelle aan den IJssel,

Subject of the case

On the interpretation of the rules of the EEC Treaty on free movement of goods and in particular article 36 in relation to patent law,

Grounds

1 By a judgment of 2 july 1980 which was received at the court on 15 september 1980 the president of the arrondissementsrechtbank rotterdam referred to the court for a preliminary ruling under article 177 of the EEC Treaty a question on the relationship between the provisions of the treaty concerning free movement of goods, in particular article 36, and the protection of industrial and commercial property afforded by national laws.

2 In the judgment making the reference the president of the arrondissementsrechtbank described the elements of fact and national law constituting the background to the question substantially as follows :

- merck & co inc. (hereinafter referred to as ' ' merck ' ') is the proprietor of two netherlands patents protecting a drug, moduretic, and its manufacturing process, by virtue of which pursuant to netherlands law it has a legal remedy against the protected product ' s being marketed in that country by other persons, even when that product has been marketed in a different member state by or with the consent of the holder of the patent.
- the company markets the drug in italy where it has not been able to patent it owing to the fact that at the time when the drug was sold in italy the italian patent law (regio decreto (royal decree) no 1127 of 29 june 1939) - which was subsequently declared unconstitutional by a judgment of the italian corte costituzionale (constitutional court) delivered on 20 march 1978 - prohibited the grant of patents for drugs and their manufacturing processes.
- Stephar imports the drug from italy into the netherlands and markets it there in competition with merck.

3 On the basis of those facts the court has asked whether in such circumstances the general rules of the treaty concerning the free movement of goods, notwithstanding the provision of article 36, prohibit the proprietor of a patent who sells a drug protected by that patent in a member state (the netherlands) from preventing, as he may under the national legislation of that member state, the drug which he himself sells freely in another member state where no patent protection exists (italy), from being imported from that other member state and marketed by other persons in the first member state (the netherlands).

4 The parties to the proceedings commenced their discussion of the question by emphasizing that the court has already stated, in **its judgment of 31 october 1974 (sterling drug, case 15/74 (1974) ecr 1147)**, that inasmuch as it provides an exception, for reasons concerned with the protection of industrial and commercial property rights, to one of the fundamental principles of the common market, article 36 admits of such a derogation only in so far as it is justified for the purpose of safeguarding rights which constitute the specific subject-matter of that property, which as far as patents are concerned is in particular to guarantee ' ' that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either

directly or by the grant of licences to third parties, as well as the right to oppose infringements ' '.
5 In the same judgment the court declared that an obstacle to the free movement of goods may be justified on the ground of protection of industrial property where such protection is invoked against a product coming from a member state where it is not patentable and has been manufactured by third parties without the consent of the patentee.
6 The parties are in agreement as to the fact that the situation under consideration in the present instance differs from that which was the subject of that decision because, although it concerns a member state where the product in question is not patentable, that product has been marketed not by third parties but by the proprietor of the patent and manufacturer of the product himself ; however, from that statement they draw opposite conclusions.
7 Stephar and the commission conclude that once the proprietor of the patent has himself placed the product in question on the open market in a member state in which it is not patentable, the importation of such goods into the member state in which the product is protected may not be prohibited because the proprietor of the patent has placed it on the market of his own free will.
8 In contrast merck, supported by the french government and the government of the united kingdom, maintains that the purpose of the patent, which is to reward the inventor, is not safeguarded if owing to the fact that the patent right is not recognized by law in the country in which the proprietor of the patent has marketed his product he is unable to collect the reward for his creative effort because he does not enjoy a monopoly in first placing the product on the market.
9 In the light of that conflict of views, it must be stated that in accordance with the definition of the specific purpose of the patent, which has been described above, the substance of a patent right lies essentially in according the inventor an exclusive right of first placing the product on the market.
10 That right of first placing a product on the market enables the inventor, by allowing him a monopoly in exploiting his product, to obtain the reward for his creative effort without, however, guaranteeing that he will obtain such a reward in all circumstances.
11 It is for the proprietor of the patent to decide, in the light of all the circumstances, under what conditions he will market his product, including the possibility of marketing it in a member state where the law does not provide patent protection for the product in question. If he decides to do so he must then accept the consequences of his choice as regards the free movement of the product within the common market, which is a fundamental principle forming part of the legal and economic circumstances which must be taken into account by the proprietor of the patent in determining the manner in which his exclusive right will be exercised.
12 That is borne out, moreover, by the statements of the court in its judgments of 22 june 1976 (terrapin, case 119/75 (1976) ecr 1039) and 20 january 1981 (musik-vertrieb membran and k-tel, joined cases 55 and 57/80 (not yet published) inasmuch as "the proprietor of an industrial or commercial property right protected by the law of a member state cannot rely on that law to prevent the importation of a product which has been lawfully marketed in another member state by the proprietor himself or with his consent ' '.
13 Under those conditions to permit an inventor, or one claiming under him, to invoke a patent held by him in one member state in order to prevent the importation of the product freely marketed by him in another member state where that product is not patentable would bring about a partitioning of the national markets which would be contrary to the aims of the treaty.
14 The reply to the question which has been raised therefore should be that the rules contained in the EEC Treaty concerning the free movement of goods, including the provisions of article 36, must be interpreted as preventing the proprietor of a patent for a medicinal preparation who sells the preparation in one member state where patent protection exists, and then markets it himself in another member state where there is no such protection, from availing himself of the right conferred by the legislation of the first member state to prevent the marketing in that state of the said preparation imported from the other member state.

Decision on costs

15 The costs incurred by the french government, the government of the united kingdom and the commission of the european communities, which have submitted observations to the court, are not recoverable. As this case is, in so far as the parties to the main proceedings are concerned, in the nature of a step in the proceedings before the national court, the decision as to costs is a matter for that court.

Operative part

On those grounds,
The court,
In answer to the question referred to it by the president of the arrondissementsrechtbank rotterdam by an order dated 2 july 1980, hereby rules :
The rules contained in the EEC Treaty concerning the free movement of goods, including the provisions of article 36, must be interpreted as preventing the proprietor of a patent for a medicinal preparation who sells the preparation in one member state where patent protection exists, and then markets it himself in another member state where there is no such protection, from availing himself of the right conferred by the legislation of the first member state to prevent the marketing in that state of the said preparation imported from the other member state.