

**INTELLECTUAL PROPERTY AND THE EUROPEAN COMMUNITY,**

presented by:

the Intellectual Property & Entertainment Law Section  
of the Los Angeles County Bar and CentreBar of Europe  
Los Angeles 1994

**EUROPEAN PATENT LAW IN THE ENTERTAINMENT FIELD**

by Arnold Vahrenwald

also available as videotape.

EUROPEAN PATENT LAW IN THE ENTERTAINMENT FIELD

© ARNOLD VAHRENWALD, MUNICH, 1994

## EUROPEAN PATENT LAW IN THE ENTERTAINMENT FIELD

### A EUROPEAN PATENT CONVENTIONS

#### I THE COMMUNITY PATENT CONVENTION

#### II THE EUROPEAN PATENT CONVENTION AND THE EUROPEAN PATENT OFFICE

##### 1 THE EUROPEAN PATENT CONVENTION

##### 2 THE EUROPEAN PATENT OFFICE

#### III PATENTABLE INVENTIONS IN THE ENTERTAINMENT FIELD AND THE JURISDICTION OF THE BOARDS OF APPEAL OF THE EUROPEAN PATENT OFFICE

##### 1 AESTHETIC CREATIONS

##### 2 SCHEMES, RULES AND METHODS FOR PERFORMING MENTAL ACTS, PLAYING GAMES AND DOING BUSINESS

##### 3 PROGRAMS FOR COMPUTERS

##### 4 PRESENTATIONS OF INFORMATION

##### 5 MULTIMEDIA INVENTIONS

### B PATENT LICENSING AND THE ANTITRUST LAW OF THE EUROPEAN UNION: REGULATION NO. 2349/84 ON THE APPLICATION OF ARTICLE 85(3) OF THE TREATY OF ROME TO CERTAIN CATEGORIES OF PATENT LICENCE AGREEMENTS

#### I THE SCOPE OF THE REGULATION

#### II THE CATALOGUE OF CLAUSES REFERRED TO IN THE PATENT REGULATION

##### 1 ARTICLE 1 OF THE PATENT REGULATION

##### 2 ARTICLE 2 OF THE PATENT REGULATION

##### 3 ARTICLE 3 OF THE PATENT REGULATION

##### 4 ARTICLE 4 OF THE PATENT REGULATION

#### III CRITIQUE OF THE PATENT REGULATION

C AN EXAMPLE OF EUROPEAN COOPERATION AND PATENT LAW: THE COLUMBUS ELEMENT OF THE INTERNATIONAL SPACE STATION "FREEDOM"

## EUROPEAN PATENT LAW IN THE ENTERTAINMENT FIELD.

The analysis of European patent law insofar as relevant to the entertainment industry shall focus on the legal foundations of the European law, on the presuppositions of patent protection, on the exploitation of such patents in the EUROPEAN UNION and on an example of European cooperation. First, the European patent conventions will be introduced. Next, the requirements of patentability of the EUROPEAN PATENT CONVENTION concerning inventions of interest to the entertainment field will be examined. Third, the legal restraints which the antitrust law of the EUROPEAN UNION imposes upon the parties to patent licence contracts shall be discussed and, finally, some observations will be dedicated to the legal status of the European element of the international space station "Freedom".

### A EUROPEAN PATENT CONVENTIONS.

Patent law assures exclusivity in the exploitation of inventions not only in the individual but also in the national interest. Thus patents are granted by national patent offices for the national territory. With the creation of the community-wide market in Europe it was obvious that the strict application of the principle of territoriality would conflict with the principle of the free movement of goods and the harmonisation of economic policy as envisaged by Article 2 of the Treaty of Rome. Work on European conventions on patent law began as early as in 1960,<sup>1</sup> culminating in the COMMUNITY PATENT CONVENTION of 1975<sup>2</sup> and in the EUROPEAN PATENT CONVENTION of 1973.<sup>3</sup>

### I THE COMMUNITY PATENT CONVENTION.

The creation of one patent law applicable to the whole territory of the EUROPEAN UNION is the idea behind the COMMUNITY PATENT CONVENTION: one patent application, search, examination and granting procedure, one patent grant and the effects of one patent for the whole EUROPEAN UNION. However, the COMMUNITY

---

<sup>1</sup> On the establishment of the Conventions on European patent law see J.B. van Benthem, "The European Patent System and European Integration", (1993) IIC 435 to 445 at 436, 437.

<sup>2</sup> CONVENTION FOR THE EUROPEAN PATENT FOR THE COMMON MARKET (COMMUNITY PATENT CONVENTION), Luxembourg 1975, revised in 1989.

<sup>3</sup> CONVENTION ON THE GRANT OF EUROPEAN PATENTS (EUROPEAN PATENT CONVENTION), Munich 1973.

PATENT CONVENTION did not come into force, because it was not ratified by a sufficient number of states. This may be attributed mainly to two reasons: first, problems relating to jurisdiction, and, second, problems arising from the need of translations.

As to the first point, the COMMUNITY PATENT CONVENTION establishes as court of the first instance in litigation concerning patent issues such as those relating to the validity of the patent and to its infringement the specifically designated National Community patent courts. The designated courts of the first instance in England are the Patents County Court and the Patents Court. As court of the second instance the Protocol on Litigation establishes the Common Appeal Court (COPAC). The COPAC was to be an independent jurisdictional institution, and possibly was to have had its office in Luxembourg. The COMMUNITY PATENT CONVENTION does not provide for a third instance in patent issues. The COMMUNITY PATENT CONVENTION has the distinct advantage of having created a comprehensive patent law system for the whole EUROPEAN UNION. But the fear that without this CONVENTION, national patent rights could be used for the splitting up of the EUROPEAN UNION into different national markets has proven to be unfounded. The jurisdiction of the EUROPEAN COURT OF JUSTICE and the activity of the COMMISSION of the UNION which issued REGULATION No. 2349/84 on the Application of Article 85(3) of the Treaty of Rome to Certain Categories of Patent Licence Agreements prevent patent law being used to that effect, in particular in the application of the principle of the exhaustion of the patent right.

As to the second point which concerns problems arising from the need of translation, the 1989 revision of the COMMUNITY PATENT CONVENTION requires in Article 30 that the specification be translated in all the languages of the contracting states. Assuming that the CONVENTION will be applicable within the territory of the EUROPEAN UNION the specification has to be made available in 9 official languages. These are the three official languages English, French and German, and, additionally, the languages of the other states: Danish, Dutch, Greek, Italian, Portuguese and Spanish. This means costs of translation into 8 languages. Taking into account that the translation of a specification costs about \$ 2,500, the applicant for a Community patent will have to pay the sum of roughly \$ 20,000 for translation, and, if Finland, Norway and Sweden join the Union, even \$ 27,500.

In 1992 discussions took place between the member states of the EUROPEAN UNION with the aim of bringing the COMMUNITY PATENT CONVENTION into force on 1 January 1993. However, these efforts were not successful, and even though the

CONVENTION as revised in 1989 was ratified by some member states of the UNION,<sup>4</sup> it may be concluded that its entry into force is unlikely.

## II THE EUROPEAN PATENT CONVENTION AND THE EUROPEAN PATENT OFFICE

### 1 THE EUROPEAN PATENT CONVENTION.

The EUROPEAN PATENT CONVENTION provides for a single procedure for the granting of patents by the EUROPEAN PATENT OFFICE within the contracting states. The EUROPEAN PATENT OFFICE grants only national patents. Thus the EUROPEAN PATENT CONVENTION permits an inventor to file only one patent application with the EUROPEAN PATENT OFFICE but, after a successful examination performed by the EUROPEAN PATENT OFFICE, to obtain a bundle of national patents in those contracting states which the inventor has designated in his patent application. The rationalisation of the granting procedure is the distinct advantage of the EUROPEAN PATENT CONVENTION. Further, the EUROPEAN PATENT CONVENTION does not affect the national patent systems which remain fully intact. The choice of the applicant is to be between the filing of national patent applications with the different national patent offices or with the EUROPEAN PATENT OFFICE with the designation of those contracting states in which patents shall be granted. The choice of the applicant between the European patent application and applications with the national patent offices will be a matter of costs. Generally, if the applicant wants to obtain patents in three or more contracting states, it is cheaper to file a European application; if the combined costs for the multiple national patent applications are lower than the costs which the applicant would have to pay to the EUROPEAN PATENT OFFICE, the applicant is likely to favour applications with the national patent offices.

The EUROPEAN PATENT CONVENTION was successful. Since its coming into force in 1977 the number of contracting states has gone up from 7 to 17. All member states of the EUROPEAN UNION are contracting states of the EUROPEAN PATENT CONVENTION. The EUROPEAN PATENT OFFICE has negotiated association agreements with Slovenia and Lithuania. Accordingly, these states can be designated similar to contracting states in which protection for the invention is desired since the first of March 1994, respectively, first of April 1994. Association

---

<sup>4</sup> The Convention was ratified only by some Member States of the EUROPEAN UNION such as France, Germany, Greece; additionally, the protocol of 1989 was ratified by Denmark, the Netherlands and the United Kingdom.

agreements with Hungary and Poland are in force. It is envisaged that Finland will be a contracting state to the EUROPEAN PATENT CONVENTION in 1995.

However, as regards the future of the EUROPEAN PATENT CONVENTION, a serious problem arises from the cost of translations.<sup>5</sup> Though the EUROPEAN PATENT OFFICE has three official languages only, Article 65(1) of the EUROPEAN PATENT CONVENTION provides that any contracting state may prescribe that if the text, in which the EUROPEAN PATENT OFFICE intends to grant a European patent for a state in a language which is not that state's official language, the state may prescribe that the applicant for the patent shall supply to its central industrial property office a translation of this text. By now, almost all the contracting states have made it a requirement to submit a translation. It may be assumed that of the total of the European and Euro-Patent-Cooperation-Treaty applications 70 % are granted, 60 % of which for the Netherlands. Dutch is not an official language of the EUROPEAN PATENT OFFICE, but since the Netherlands require the translation into the Dutch language in accordance with Article 65 of the EUROPEAN PATENT CONVENTION, 25,000 translations have to be filed with the Dutch Patent Office, if one assumes that the number of European and Euro-Patent-Cooperation-Treaty applications amounts to some 60,000 per year. Since the cost of translation of a patent amounts to some \$ 2,500 in average, the annual costs for translations of European patents into the Dutch language amount to some \$ 62,500,000. Altogether, the costs of translations of European patents per year may amount to a sum equivalent to the total costs of the EUROPEAN PATENT OFFICE.<sup>6</sup>

## 2 THE EUROPEAN PATENT OFFICE.

The EUROPEAN PATENT OFFICE with its headquarters in Munich was established according to the EUROPEAN PATENT CONVENTION. Its functions are similar to those of national patent offices. The EUROPEAN PATENT OFFICE has a receiving section at its branch in The Hague where patent applications are filed. The search divisions are in The Hague. They are responsible for the search reports. The examining divisions conduct the examination of the patent applications. The opposition division is responsible for the examination of oppositions against European patents. The legal division has responsibility for decisions in respect of entries in the Register of European patents and matters concerning the registration

---

<sup>5</sup> J.B. van Benthem, "The European Patent System and European Integration", (1993) IIC pp. 435 to 445 at 440, 441.

<sup>6</sup> J.B. van Benthem, "The European Patent System and European Intergration", (1993) IIC pp. 435 to 445 at 441.

of professional representatives. The Boards of Appeal examine the appeals from the decisions of the receiving section, examining divisions, opposition divisions and the legal division. The EUROPEAN PATENT OFFICE has some 3,700 employees, nearly half of which are staff of the branch in The Hague.

The number of patent applications has increased to now some 60,000 European applications per year. The annual report of the EUROPEAN PATENT OFFICE for 1992 states that from 1991 to 1992 the number of applications has increased by some 5 % to 58,900. This figure includes 46,100 European filings (+ 1 %) and 12,800 Euro-Patent-Cooperation-Treaty applications (+ 12 %). The average increase in patent applications in the years between 1988 and 1992 amounted to 5 %. For 1993 these figures remained basically similar according to Director Kolle. The average application designated 7,8 states. The number of patents applied for in Europe increased from approximately 526,000 in 1991 to approximately 577,000 in 1992. The number of inventions for which patent protection was applied for in Europe increased from 89,300 in 1991 to 91,700 in 1992. Most applications, 27.4 %, originated from the US, 19.5 % from Germany and 19.4 % from Japan. In 1992 the number of appeals cases increased from 1090 in 1991 to 1240. Similarly, during the same period, the average length of the proceedings increased: from 20 to 21 months.

Patented inventions are classed according to the International Patent Classification (IPC). Concerning entertainment law it is of interest to observe that during the period between 1987 and 1991 there were the following average increases in the number of patent applications per year: in the class 'electric communication technique' (H 04) 16,84 %, in the class 'computing' (G 06) 17,92 % and in the class 'photography' (G 03) 10,05 %. This means that inventive activity within those classes was well above the general increase of inventive activity. During the same period the number of patent applications in all classes increased only by 5,57 %. Thus if the increase in patent applications is proof of an increase in the importance of the related industrial activity, it can be said that the increase in the development of the entertainment industry in Europe is well above of that of most other industries.

### III. PATENTABLE INVENTIONS IN THE ENTERTAINMENT FIELD AND THE JURISDICTION OF THE BOARDS OF APPEAL OF THE EUROPEAN PATENT OFFICE.

The harmonisation of patent laws in Europe has led to a significant similarity in the provisions concerning the patentability of inventions as well as in their interpretation.<sup>7</sup> The Swedish Supreme Administrative Court, 13 June 1990,<sup>8</sup> held that with respect to legal provisions, Sweden's ratification of the EUROPEAN PATENT CONVENTION justifies aligning Swedish case law with the case law of the Boards of Appeal and practice of the EUROPEAN PATENT OFFICE when applying provisions that are in keeping with the EUROPEAN PATENT CONVENTION. Accordingly, the jurisdiction of the Boards of Appeal of the EUROPEAN PATENT CONVENTION has a considerable impact upon the development of European patent law.

Article 52(1) of the EUROPEAN PATENT CONVENTION defines the prerequisites of patentable inventions: industrial applicability, novelty and inventive step. These requirements are, subsequent to the harmonisation of European patent laws, interpreted more or less identically in the contracting states. The requirement of novelty is defined in Article 54 of the EUROPEAN PATENT CONVENTION which states that an invention is new if it does not form part of the state of the art. The state of the art comprises everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application. Article 56 of the EUROPEAN PATENT CONVENTION defines the inventive step. An invention is deemed to involve an inventive step if it is not obvious to a person skilled in the art. According to Article 57 of the EUROPEAN PATENT CONVENTION an invention will be considered applicable in the industry if it can be made or used in any kind of industry. The Guidelines for Examination in the EUROPEAN PATENT OFFICE<sup>9</sup> explain the industrial application as including any physical activity of 'technical character', that is to say an activity which belongs to the useful or practical arts as distinct from the aesthetic arts. Article 52(2) of the CONVENTION illustrates the requirement of technical character of the invention by giving a list of examples which do not have this feature. To these examples belong mathematical methods, aesthetic creations, schemes, rules and methods for performing mental acts, playing games or doing business, programs for computers and also presentations of information.

---

<sup>7</sup> Friedrich-Karl Beier, "The Future of Intellectual Property in Europe", (1991) IIC 157 to 177 at 167.

<sup>8</sup> Swedish Supreme Administrative Court, 13 June 1990, "Voice signal", O.J. EPO (1993) 94.

<sup>9</sup> Guidelines for Examination in the EUROPEAN PATENT OFFICE, Part C, Chapter IV, 4.1, York 1992.

The Board of Appeal held in IBM/Card reader<sup>10</sup> that although Article 52 of the EUROPEAN PATENT CONVENTION does not use the word 'technical', nevertheless, the use of the word 'inventions' requires a claimed subject-matter or activity to have a technical character and thus to be, in principle, industrially applicable. Concerning 'mixed' inventions, the Board, referring to its previous jurisdiction, pointed out that the subject-matter as a whole is excluded from patentability, if the mix does not make use of technical means in order to solve a technical problem. The requirement of the technical character of the invention as presupposition of patentability will pose the most difficult hurdle for the patent agent who drafts the claims relating to an invention in the entertainment field. When assessing the technical character he has to ask what contribution does the invention make to the prior art. In FUJI/Coloured disk jacket<sup>11</sup> the Board held: In considering whether the subject-matter of a claim is excluded from patentability under Article 52(2) and (3) of the EUROPEAN PATENT CONVENTION, that is to say whether it is non-technical or not, that claim has to be considered in its entirety. Accordingly, an invention is not patentable, if it does not contribute to the prior art in a field which is excluded from patentability as set out in Article 52(2) of the CONVENTION. Subsequently, some principles and cases shall be briefly analysed.

## 1 AESTHETIC CREATIONS.

Concerning aesthetic creations the Guidelines for Examination in the EUROPEAN PATENT OFFICE<sup>12</sup> provide:

"An aesthetic creation relates by definition to an article (e.g. a painting or sculpture) having aspects which are other than technical and the appreciation of which is essentially subjective. If, however, the article happens also to have technical features, it might be patentable, a tyre tread being an example of this. The aesthetic effect itself is not patentable, neither in a product nor in a process claim".

Thus a work of copyright which has an aesthetic or artistic effect relating to its information contents, is not patentable. A picture, a photograph or a sequence of images is not patentable, even if they contribute to the prior art, insofar as this contribution concerns the aesthetic effect, for example the arrangement of colours. However, if an aesthetic effect is obtained through technical means, the means of

---

<sup>10</sup> IBM/Card reader, Board of Appeal, 19 March 1992, T 854/90, O.J. EPO (1993) 11.

<sup>11</sup> FUJI/Coloured disk jacket, Board of Appeal, 25 April 1989, T 119/88, O.J. EPO (1990) 335.

<sup>12</sup> Guidelines for Examination in the European Patent Office, Part C, Chapter IV, 2.3, York 1992.

obtaining the aesthetic effect may be patentable. Thus a book characterised by a technical feature or the binding of pasting on the back may be patentable, or a fabric incorporating a new cloth structure. The process of manufacturing an aesthetic creation may comprise a technical innovation and thus be patentable, for example, a new printing technique for a book resulting in a particular layout with aesthetic effect, together with the book as a product of that process. The Guidelines also mention that a substance or composition characterised by technical features serving to produce a special effect with regard to scent or flavour, e.g. to maintain a scent or flavour for a prolonged period or to accentuate it, may well be patentable.

In FUJI/Colour disk jacket<sup>13</sup> the applicant claimed a flexible disk jacket for accommodating therein a magnetic flexible disk shaped recording medium. This flexible disk jacket, formed by folding a plastic sheet into a bag-like shape, was characterised in that the plastic sheet contained a pigment having a colour other than black so that at least the outer surface of the plastic sheet was coloured in a colour having a Munsell value not smaller than 3. The light intensity of a colour can be expressed by the Munsell value, ranging from 0 to 10. Below value 3, there was, as concerned the visibility of fingerprints, no difference from the black colour. In this case the Examining Division of the EUROPEAN PATENT OFFICE considered it as obvious to modify a known flexible disk jacket containing carbon as an antistatic agent and being therefore black, in such a way that its disadvantages as mentioned in the description are overcome. The applicant argued that the aim of the invention was to avoid disturbing visible fingerprints on objects when touched by humans, and that the problem and the solution were of a technical nature. Prior art flexible disk jackets used to be black as a natural consequence of the fact that they were made of a material containing carbon black pigments for rendering it opaque, also the material was thereby electrically conductive, that is to say antistatic. Thus the advantage over the prior art consisted in the fact that the pigment contained in the plastic sheet material was in a range of colours other than black. The Examining Division held that the advantages of the claimed invention related to an aesthetic problem and were thus not technical in nature: the attractiveness of a chromatic colour other than black is a mere aesthetic effect. Confirming the decision the Board of Appeal of the EUROPEAN PATENT OFFICE held that, accordingly, since the claimed invention was confined to achieving this effect, it would have to be regarded as an aesthetic creation as such which is excluded from patentability by Article 52(2) and (3) of the EUROPEAN PATENT CONVENTION.

---

<sup>13</sup> FUJI/Colour disk jacket, Board of Appeal, 25 April 1989, T 119/88, O.J. EPO (1990) 335.

## 2 SCHEMES, RULES AND METHODS FOR PERFORMING MENTAL ACTS, PLAYING GAMES AND DOING BUSINESS.

On schemes, rules and methods for performing mental acts, playing games or doing business the Guidelines for Examination in the EUROPEAN PATENT OFFICE<sup>14</sup> provide:

"These are further examples of items of an abstract or intellectual character. In particular, a scheme for learning a language, a method of solving cross-word puzzles, a game (as an abstract entity defined by its rules) or a scheme for organising a commercial operation would not be patentable. However, novel apparatus for playing a game or carrying out a scheme might be patentable".

In IBM/Document abstracting and retrieving<sup>15</sup> the claims of the invention related to a system for automatically abstracting an input document and storing the resulting abstract, and further to a method of operating the system and for a system for automatically retrieving from an input query any document abstract which has been constructed to function with the operating method. Thus the claims seek protection for systems and methods in which conventional computer menus are controlled by a program so as to carry out abstraction, storage or retrieval of documents in accordance with the given set of rules. However, the Board of Appeal held that the subject-matter of the invention did not present the technical character required for patentability. The new concept disclosed in the application related to the rules according to which the abstraction, storage or retrieval of documents were performed in order to establish an information retrieval procedure. The Board of Appeal stated that such rules cannot be regarded as having a technical character but that they were of a purely intellectual nature, and thus the subject-matter of the invention was regarded as falling within the category of schemes, rules and methods for performing mental acts. The problem to be solved by the invention was that of establishing a set of rules for document abstraction and retrieval on the basis of textual properties of the documents to be handled, but this was not a technical problem in the view of the Board of Appeal. Furthermore, the claimed activity was held not to bring about any change in the thing operated upon (that is to say the document to be abstracted) but rather to derive therefrom a new information to be stored.

---

<sup>14</sup> Guidelines for Examination in the EUROPEAN PATENT OFFICE, Part C, Chapter IV, 2.3, York 1992.

<sup>15</sup> IBM/Document abstracting and retrieving, Board of Appeal, 05 Oct. 1988, T 22/85, O.J. EPO (1990) 12.

Similarly, in IBM/Text processing<sup>16</sup> the Board of Appeal held: A person who is detecting and replacing linguistic expressions which exceed a predetermined understandability level in a list of linguistic expressions using only his skill and judgement is performing mental acts within the meaning of Article 52(2)(c) of the EUROPEAN PATENT CONVENTION. Accordingly, schemes, rules and methods used in performing them are not inventions within the meaning of Article 51(1) of the CONVENTION. The Board concluded: "In the present case, all the operations performed are conventional from a technical point of view and amount to no more than the processing of abstract data, for a non-technical purpose, by means of computer programs running on conventional hardware. The Board has found nothing in the claims, description and drawings of the present application which could be regarded as making a contribution to the art in a field which is not excluded from patentability by Article 52(2)(c) of the EUROPEAN PATENT CONVENTION". It seems that claims carefully drafted should preferably make reference to technical elements in order to avoid any doubts that the invention could concern a method for the performance of a mental act.

### 3 PROGRAMMS FOR COMPUTERS.

The Guidelines for Examination in the EUROPEAN PATENT OFFICE<sup>17</sup> provide on patentability of programs for computers that a computer program claimed by itself or as a record on a carrier, is not patentable irrespective of its content. This situation is not normally changed when the computer program is loaded into a known computer. If however the subject-matter as claimed makes a technical contribution to the known art, patentability should not be denied merely on the ground that a computer program is involved in its implementation. This means, for example, that program-controlled machines and program-controlled manufacturing and control processes should normally be regarded as patentable subject-matter. It follows also that, where the claimed subject-matter is concerned only with the program-controlled internal working of a known computer, the subject-matter could be patentable if it provides a technical effect. For example, the Guidelines indicate the case of a known data-processing system having a small rapid access memory and a larger but slower secondary memory. Assuming that the two memories are organised under program control in such a way that a process which needs more address space than the capacity of the rapid access memory the invention is of a technical character and might therefore support patentability.

---

<sup>16</sup> IBM/Text processing, Board of Appeal, 14 Febr. 1989, T 38/86, O.J. EPO (1990) 384.

<sup>17</sup> Guidelines for Examination in the EUROPEAN PATENT OFFICE, Part C, Chapter IV, 2.3, York 1992

In IBM/Text editor<sup>18</sup> the Board of Appeal was concerned with the patentability of computer-related inventions: The applicant had claimed a method enabling the operator of a text processing program to process data set out in table form in the same way as free-flow text, such as deleting blocks of text or moving them from one position to another. The Board found that the claimed method constituted text editing. The Board held that the activity of editing a text was principally connected with its linguistic and layout features. The editing of texts as such - even if performed with the aid of a machine - therefore falls into the category of schemes, rules and methods for performing mental acts which under Article 52(2)(c) and (3) of the CONVENTION are not patentable. A claim to an activity which per se is not patentable can be allowed under certain circumstances if it also contains technical features (such as a computer controlled by appropriate software). But the Board took the view that the mere setting out of the sequence of steps necessary to perform an activity - excluded as such from patentability - does not impart any technical considerations, even if those steps are described as functions or functional means to be implemented with the aid of conventional computer hardware elements.

The case IBM/Text processing<sup>19</sup> concerned the patentability of a method for automatically detecting and replacing linguistic expressions which exceed a predetermined understandability level in a list of linguistic expressions. The applicant claimed an invention relating to a conventional text processing system characterised by a new method of operating the system which was a combination of steps carried out by the operator and steps performed entirely under the control of the system. The applicant asserted that the functional relationship of the system elements was new as a result of there being a new method of operating. (The method claimed made use of a computer program running on conventional hardware which it controlled to perform conventional operations governing a method for the performance of the mental act.) The Board described the advantages which the invention offered and found that it seems that a person who wishes to detect and replace linguistic expressions which exceed a predetermined understandability level in a list of linguistic expressions, doing everything himself with pencil and paper, would have to proceed in a similar way and follow the same sequence of steps as described in the claim but without using the technical facilities indicated there. Proceeding in this way the said person would only use his skills and judgment and would consequently perform purely mental acts within the meaning of Article 52(2)(c) of the EUROPEAN PATENT CONVENTION.

---

<sup>18</sup> IBM/Text editor, Board of Appeal, 23 Oct. 1990, T 95/86, O.J. EPO (1991) Supplement 15.

<sup>19</sup> IBM/Text processing, Board of Appeal, 14 Febr. 1989, T 38/86, O.J. EPO (1990) 384.

The Board observed that the term computer program was not mentioned in the claims, but that it was clear to the reader skilled in the art that the claim covered the case in which a computer program had to be used. The Board concluded that the text processing operation did not go beyond the processing of data relating to a list of linguistic expressions and codes representing their understandability level: "The overall effect of the method is that signals representing one linguistic expression in the list are replaced with signals representing another linguistic expression. These signals are not different from a technical point of view. They differ only in that they represent different linguistic expressions, which are purely abstract expressions without any technical significance. The overall effect of the method is thus not technical". The Board inferred that the fact that the claimed method involved a new method of operating could not itself confer patentability on the method since the specified hardware was conventional, the data processed was not of technical significance and the processing of this data involved only conventional techniques of entering, storing etc. of data from a menu.

However, the Board of Appeal considered that an invention which involves the use of a computer software can be patentable if it addresses a technical problem. In IBM/Computer-related invention<sup>20</sup> the Board of Appeal held: "Even if the basic idea underlying an invention may be considered to reside in a computer program a claim directed to its use in the solution of a technical problem cannot be regarded as seeking protection for the program as such within the meaning of Article 52(2)(c) and (3) of the EUROPEAN PATENT CONVENTION". The claims of the invention related to a method of decoding stored phrases and obtaining a read-out of events in a text processing system, this method using a message build program. The Board considered that, generally, giving visual indications automatically about conditions prevailing in an apparatus or system is basically a technical problem. An invention should not be excluded from protection by the mere fact that for its implementation modern technical means in the form of a computer program are used. On the other hand the Board observed "that it does not follow from this statement that conversely a computer program can under all circumstances be considered as constituting a technical means".

In IBM/Data processor network<sup>21</sup> the invention claimed the coordination and control of the internal communication between programs and data files held at different processors in a data processing system having a plurality of interconnected data

---

<sup>20</sup> IBM/Computer-related invention, Board of Appeal, 05 Sept. 1988, T 115/85, O.J. EPO (1990) 30

<sup>21</sup> IBM/Data processor network, Board of Appeal, 06 Oct. 1988, T 6/83, O.J. EPO (1990) 5.

processors in a telecommunication network. The invention aimed at removing the limitations arising from the fact that data entered at a terminal cannot readily be used to perform concurrent updates on several files, each managed by a different application program, because once a terminal is connected to an application program, the terminal can communicate with only that application program until released by the program and that concurrent connection between a terminal and two application programs is not supported. The Board of Appeal held that the invention solved a problem which was essentially technical. Accordingly, the invention had to be regarded as a patentable invention in the sense of Article 52(1) of the CONVENTION.

In KOCH & STERZEL/X-ray apparatus<sup>22</sup> the Board held that in deciding whether a claim relates to a computer program as such it is not necessary to give a relative weighting to its technical and non-technical features: "The EUROPEAN PATENT CONVENTION does not ask that a patentable invention be exclusively or largely of a technical nature; in other words, it does not prohibit the patenting of inventions consisting of a mix of technical and non-technical elements". The invention was patentable even though the X-ray apparatus and the computer were known, because the invention made a contribution to the technique.

The case VICOM/Computer-related invention<sup>23</sup> concerned an invention for computer aided digital image processing. The Board of Appeal pointed out that any processing operation on an electrical signal can be described in mathematical terms. But the Board observed that a difference between the mathematical method and a technical process can be seen in the fact that a mathematical method or an algorithm is carried out on numbers so that it cannot produce a direct technical result. In contrast, a mathematical method may be used in a technical process carried out on a physical entity which may be an image stored on an electrical signal. Here some technical means may implement the method and provide as a result a certain change in that entity. Thus even if the idea underlying an invention lies in an algorithm or a mathematical method, a claim directed towards a technical process may be patentable provided that it is susceptible of industrial application. Concluding, it should be noted that a computer-related invention in order to be patentable has to specify what physical entity is represented by the data forming the subject-matter of the technical process susceptible of industrial application.

---

<sup>22</sup> KOCH & STERZEL/X-ray apparatus, Board of Appeal, 21 May 1987, T 26/86, O.J. EPO (1988) 19.

<sup>23</sup> VICOM/Computer-related invention, Board of Appeal, 15 July 1986, T 208/84, O.J. EPO (1987) 14.

#### 4 PRESENTATIONS OF INFORMATION.

The principle is that the representation of information consisting in the mere content of the information is not patentable. It does not matter whether the invention concerns the information per se such as acoustic signals, the spoken word or visual displays or whether the information is contained on a carrier, such as books characterised by their subject, gramophone records characterised by the musical piece recorded or magnetic computer tapes characterised by the data or programs recorded.<sup>24</sup> Further excluded are apparatus which represent information if they are characterised solely by the information recorded. This may be different, however, if the presentation of information contains a new technical feature, for example a telegraph apparatus or communication system which is characterised by the use of a particular code to represent the characters, a gramophone record characterised by a particular groove form to allow stereo recordings or a diapositive with a sound track arranged at the side of it.<sup>25</sup>

The Board of Appeal in BBC/Colour television signal<sup>26</sup> had to decide whether a colour television signal which, as claimed, inherently comprised the technical features of the television system in which it was being used, was patentable. According to this decision, it has to be differed between two kinds of information when discussing its presentation. A claimed invention may be solely characterised by the information per se, for example moving pictures, modulated upon a standard tv signal. In this case, patentability is likely to be excluded, because the invention does not contribute to the prior art in a technical field. Thus the claims, in order to be patentable, must avoid being essentially abstract in character. Instead, the tv signal is likely to be patentable if it can be considered a physical reality which can directly be detected by technological means such as a tv signal defined in terms which inherently comprise the technical features of the tv system in which it occurs, in spite of its transient nature.

In FUJI/Coloured disk jacket<sup>27</sup> the Board of Appeal held that an invention is excluded from patentability as being a presentation of information, if the invention only concerns that feature as such. Thus an invention is excluded from patentability, even if its contribution to the prior art does by no means relate to the technique but only to the presentation of information. The Board held: Prima facie the feature of

---

<sup>24</sup> Guidelines for Examination in the EUROPEAN PATENT OFFICE, Part C, Chapter IV, 2.3, York 1992.

<sup>25</sup> Guidelines for Examination in the EUROPEAN PATENT OFFICE, Part C, Chapter IV, 2.3, York 1992.

<sup>26</sup> BBC/Colour television signal, Board of Appeal, 14 March 1989, T 163/85, O.J. EPO (1990) 379.

<sup>27</sup> FUJI/Coloured disk jacket, Board of Appeal, 25 April 1989, T 119/88, O.J. EPO (1990) 335.

having a specific colour as such does not constitute a technical feature of an object or device being entirely or partly covered by that colour. However, the Board did not exclude that this does not hold under all circumstances. This feature taken by itself seems not to reveal any technical aspect. The technical or non-technical character of this feature may be determined by the effect it brings about after it has been added to an object which had not previously comprised this feature.<sup>28</sup>

In the case concerned the Board found that the advantage to the prior art that variously coloured disk jackets can be easily classified by colour, represents a non-technical effect, because classifying disk jackets by colour means presenting information, for example about the data stored on the disk, by way of a colour code. Such presentation would, as such, be excluded from patentability by Article 52(2)(d) and (3) of the CONVENTION.

## 5 MULTIMEDIA INVENTIONS.

The protectability of multimedia inventions by patent law has attracted attention.<sup>29</sup> Multimedia is defined as a combination of text, still images, sounds and film/video through which a user can browse using a number of different approaches; browsing is achieved through the use of a computer, either a personal computer, a dedicated input such as a Philips CD-I product, or a games console.<sup>30</sup> Compton's NewMedia invention claims any multimedia product containing textual and graphic information which is related to each other such as a picture of a media star together with his c.v., and a menu-driven, computer-controlled search and retrieval system which allows the user to step through this interrelated information using either text or graphics as a stepping-off point.

The claims of the invention cover a wide range of activities, possibly the combination of different media such as images, sequences of images, text or music. The patentability of the invention may be analysed according to the principles developed with regard to Article 52(2) of the EUROPEAN PATENT CONVENTION: Accordingly, it has to be discerned whether the use of the computer software is a novel technical method for achieving a technical result or whether it concerns the application of a mathematical method, a scheme or a method for performing mental acts. If the

---

<sup>28</sup> Gerald Paterson, "The European Patent System", London 1992, p. 319.

<sup>29</sup> See Compton's Patent, US Patent no. 5,241,671, for a 'multimedia search system using a plurality of entry path means which indicate inter-relatedness of information', referred to by John Davies, "The Developing Law of Multimedia", Computer Law & Practice, vol. 10, no. 1 (1994) pp. 6 to 8 at 7.

<sup>30</sup> John Davies on "The Developing Law of Multimedia", Computer Law & Practice, vol. 10, no. 1 (1994), pp. 6 to 8 at 6.

invention contributes to the state of the art in a field of the technique, it would appear that it may be patentable according to the EUROPEAN PATENT CONVENTION. In this respect it should be noted that the Guidelines for Examination in the EUROPEAN PATENT OFFICE<sup>31</sup> expressly mention that the arrangement or the manner of representation may constitute a patentable technical feature. As an example of a patentable feature the Guidelines indicate a diapositive with a soundtrack arranged at the side of it. In fact, such an invention which combines two different media could well be considered as a parallel to the multimedia invention. Insofar as the multimedia invention is characterised by a novel technical feature having a distinct advantage with regard to the prior art, it will meet the presuppositions of patentability.

---

<sup>31</sup> Guidelines for Examination in the EUROPEAN PATENT OFFICE, Part C, Chapter IV, 2.3, York 1992.

## C PATENT LICENSING AND THE ANTITRUST LAW OF THE EUROPEAN UNION: REGULATION NO. 2349/84 ON THE APPLICATION OF ARTICLE 85(3) OF THE TREATY OF ROME TO CERTAIN CATEGORIES OF PATENT LICENCE AGREEMENTS.

The exploitation of inventions in the entertainment field in Europe has to observe not only the national European antitrust law but also the relevant law of the EUROPEAN UNION. Article 85(1) of the TREATY OF ROME prohibits those agreements which may affect trade between Member States and which have the object or effect of restricting competition within the EUROPEAN UNION. Once a contract contains a restraint of competition in the sense of subsection 1 it will be void according to subsection 2 of Article 85 of the TREATY.

In principle, the patentee is free to control the output of patented articles and to ask whatever price he can obtain for the protected products. This policy of the patentee is subject only to the national provisions on compulsory licensing if the patentee, through high pricing, does not satisfy the needs of the national market. If the patentee is allowed to charge whatever price he thinks fit for the sale of the patented article, he should be able to grant licences for the exploitation of the patented invention at whatever conditions the licensee is prepared to accept, bearing in mind the principle of free economic activity and the fact that the provisions in the patent acts on compulsory licensing would be a viable threat to any patentee who impedes an effective exploitation of the invention within the territory for which the patent is granted.

In order to maximise his profits the patentee may attempt to bind up a licence contract with terms and conditions. These terms may relate to obligations which are external to those of the patent monopoly. Thus the licensee may be required to pay royalties beyond the expiration of the patent term (post expiration royalty clause), he may undertake to purchase not patented raw material from the licensor (tie-in clause), he may have to observe the licensor's price charts for the sale of the patented article (price-fixing) and he may be bound to oblige purchasers of the patented article to resell them at certain prices only (resale price maintenance). Different from the exercise of the patent right through the sale of patented articles at monopoly prices, the grant of a patent licence is susceptible to affect the competition in the market of the patented articles insofar as the licence contract determines the competitive position of the manufacturers. The grant of the licence may thus conflict with the public interest in the maintenance of free competition and in the optimum allocation of the patented technology. In particular, the situation of competition in the

EUROPEAN UNION may be affected, because the patentee may attempt to profit from a different elasticity of demand with regard to the patented articles in the different member states of the UNION. Thus the patentee could attempt to obstruct the creation of a common market by forcing his licensees to accept obligations which would maintain the national structure of the market.

The elimination of the uncertainties about the effects which the different clauses may display in the market and whether they would violate Article 85(1) of the TREATY was the concern of the REGULATION no. 2349/84 on the Application of Article 85(3) of the TREATY OF ROME to Certain Categories of Patent Licence Agreements. According to Article 85(3) of the TREATY the COMMISSION of the EUROPEAN UNION may by regulation exempt certain categories of agreements which fall within the scope of subsection 1 of this Article. The PATENT REGULATION contains lists of permissible and prohibited clauses and provides a useful guide for the drafting of patent licence contracts. However, the Regulation will not be effective beyond 31 December 1994. In June 1994 the Commission shall publish the draft of a new Regulation which, according to Mr. Guttuso of General Directorate IV, is likely to adopt a more simplified approach. The subsequent analysis shall be limited to indicate the system of the PATENT REGULATION no. 2349/84 without discussing particular legal problems.

## I THE SCOPE OF THE REGULATION.

The PATENT REGULATION is applicable to patent licence contracts and contracts combining the licensing of patents and accessory know-how.<sup>32</sup> It is applicable to licence contracts for a patent application<sup>33</sup> and for inventions even if the patent application is made within a year after the conclusion of the contract.<sup>34</sup>

Specifically excluded from the scope of the application of the PATENT REGULATION are agreements between members of a patent pool which relate to the pooled patents,<sup>35</sup> patent licence agreements which relate to the activities of a joint venture between competitors,<sup>36</sup> and cross licensing agreements between competitors, unless the parties have not accepted territorial restrictions.<sup>37</sup>

---

<sup>32</sup> Article 1 of the Patent Regulation.

<sup>33</sup> Article 10(1) of the Patent Regulation.

<sup>34</sup> Article 10(2) of the Patent Regulation.

<sup>35</sup> Article 5(1) of the Patent Regulation.

<sup>36</sup> Article 5(1) of the Patent Regulation.

<sup>37</sup> Article 5(1) of the Patent Regulation.

## II THE CATALOGUE OF CLAUSES REFERRED TO IN THE PATENT REGULATION.

### 1 ARTICLE 1 OF THE PATENT REGULATION.

Article 1 of the PATENT REGULATION contains a list of 7 clauses which are specifically exempted from the prohibition contained in Article 85(1) of the TREATY. As a result, the following terms in a patent licence contract are permissible:

(a) the licensor's undertaking not to grant licences to third persons in the licensed territories of the EUROPEAN UNION;

(b) the licensor's undertaking not to use the patented invention himself;

(c) the licensee's undertaking not to exploit the patented invention in those areas of the EUROPEAN UNION which are reserved for the licensor or other licensees if parallel patents exist in those countries;

(d) the licensee's undertaking not to manufacture or use the licensed article or use the patented process or communicated know-how in territories within the EUROPEAN UNION which are licensed to other licensees if parallel patents exist in those countries;

(e) the licensee's undertaking not to pursue an active policy of marketing the licensed article in the territories within the EUROPEAN UNION which are licensed to other licensees if parallel patents exist in those countries; the prohibition on marketing is the maximum restriction on competitive selling activities in other licensees' territories which may be lawfully imposed upon a licensee.

(f) the licensee's undertaking not to put the licensed article on the market in the territories of the EUROPEAN UNION which are licensed to other licensees for a period not exceeding five years from the date when the article is first put on the market within the EUROPEAN UNION by the licensor or by one of his licensees, if parallel patents exist in those countries;

(g) the licensee's undertaking to use only the licensor's trade mark or the get-up determined by the licensor to distinguish the licensed article provided that the

licensee is not prevented from identifying himself as the manufacturer of the licensed product.

## 2. ARTICLE 2 OF THE PATENT REGULATION.

Article 2(1) of the PATENT REGULATION contains a list of 11 clauses which are not considered as constituting a restraint of competition in the sense of Article 85(1) of the TREATY OF ROME. Accordingly, permissible are the following terms:

(a) tie-in clauses relating to goods or services insofar as they are necessary for a technically satisfactory exploitation;<sup>38</sup>

(b) minimum royalty clauses;<sup>39</sup>

(c) minimum production clauses, if the licensee is obligated to produce a minimum quantity of the licensed article or to carry out a minimum number of operations exploiting the licensed invention;<sup>40</sup>

(d) field of use restrictions, that is to say an obligation on the licensee to restrict his exploitation of the licensed invention to one or more technical fields of application covered by the licensed patent;<sup>41</sup>

(e) restrictions on the use of the patented invention beyond the termination of the licence if the patent is still in force;<sup>42</sup>

(f) prohibitions to grant sub-licences or to assign the licence;<sup>43</sup>

(g) obligations to mark the patented articles with an indication of the patentee's name, the licensed patent or the patent licensing contract;<sup>44</sup>

(h) the licensee's undertakings not to divulge know-how, even after the agreement is terminated;<sup>45</sup>

---

<sup>38</sup> Article 2(1) clause 1 of the Patent Regulation.

<sup>39</sup> Article 2(1) clause 2 of the Patent Regulation.

<sup>40</sup> Article 2(1) clause 2 of the Patent Regulation.

<sup>41</sup> Article 2(1) clause 3 of the Patent Regulation.

<sup>42</sup> Article 2(1) clause 4 of the Patent Regulation.

<sup>43</sup> Article 2(1) clause 5 of the Patent Regulation.

<sup>44</sup> Article 2(1) clause 6 of the Patent Regulation.

<sup>45</sup> Article 2(1) clause 7 of the Patent Regulation.

(i) clauses relating to the assistance to be provided in the case of patent infringement, such as the licensee's obligation to inform the licensor of infringements of the patent, the licensor's or licensee's obligation to take legal action against patent infringement and the licensee's obligation to assist the licensor in any legal action;<sup>46</sup>

(j) quality specifications, such as the licensee's obligation to observe specifications on minimum quality in the manufacture of the patented article insofar as they are necessary for the technically satisfactory exploitation of the licensed patented invention;<sup>47</sup>

(k) the reciprocal obligation of both parties to communicate to each other any experience gained in the exploitation of the invention and to grant each other a licence in respect of inventions relating to improvements and new applications, provided that such communication or licence is non-exclusive;<sup>48</sup>

(l) the most favoured licensee clause. <sup>49</sup>

### 3 ARTICLE 3 OF THE PATENT REGULATION.

Article 3 of the PATENT REGULATION contains a list of 11 clauses the use of which may deprive the contract of the benefit of the exemption according to Articles 1 and 2 of the REGULATION. Accordingly, the exemption under the PATENT REGULATION may not be available if

(a) the contract contains a no-challenge clause;<sup>50</sup>

(b) the duration of the contract automatically extends beyond the expiry of the licensed patents to new improving inventions of the licensor and if it is thus prolonged beyond the expiry of the originally licensed patent, unless the contract can be terminated every year after the expiry of the originally licensed patent;<sup>51</sup> however, according to Recital 20 of the PATENT REGULATION the parties are free

---

<sup>46</sup> Article 2(1) clause 8 of the Patent Regulation.

<sup>47</sup> Article 2(1) clause 9 of the Patent Regulation.

<sup>48</sup> Article 2(1) clause 10 of the Patent Regulation.

<sup>49</sup> Article 2(1) clause 11 of the Patent Regulation.

<sup>50</sup> Article 3 clause 1 of the Patent Regulation.

<sup>51</sup> Article 3 clause 2 of the Patent Regulation.

to agree subsequently to extend the term of the original licence contract by concluding a new licence contract;<sup>52</sup>

(c) the contract contains a non-competition clause imposed upon one party relating to R&D, manufacture, use or sales of the licensed invention;<sup>53</sup>

(d) the royalty is charged with regard to not patented articles, or articles which are not entirely or partially patented or manufactured by means of the patented process, or for the use of know-how which has entered into the public domain otherwise than by the fault of the licensee or an undertaking connected with him, however, permissible are terms which, in order to facilitate payment, the royalty payments for the use of a licensed invention are spread over a period extending beyond the life of the licensed patents or the entry of the know-how into the public domain;<sup>54</sup> or if the royalty is payable for the communication of know-how which has not entered into the public domain, even if that period exceeds the life of the patent.<sup>55</sup> It should be noted that Recital 22 of the PATENT REGULATION suggests that Article 3 clause 4 of the PATENT REGULATION is applicable only if the licensee is asked 'to continue to pay royalties after all the licensed patents have ceased to be in force and the communicated know-how has entered into the public domain';

(e) the contract limits the production by the licensee in quantity, that is to say if the quantity of licensed articles one party may manufacture or sell or the number of operations exploiting the licensed invention he may carry out are subject to limitations;<sup>56</sup>

(f) one party to the contract is bound by price-fixing;<sup>57</sup>

(g) the contract contains a clause on customer restriction, in particular by being prohibited from supplying certain classes of users, employing certain forms of distribution or, with the aim of sharing customers, using certain types of packaging for the products, save as provided in Article 1(1) clause 7 and Article 2(1) clause 3 of the PATENT REGULATION;<sup>58</sup>

---

<sup>52</sup> Recital 20 of the Patent Regulation.

<sup>53</sup> Article 3 clause 3 of the Patent Regulation.

<sup>54</sup> Article 3 clause 4 of the Patent Regulation.

<sup>55</sup> Article 2 clause 2 of the Patent Regulation.

<sup>56</sup> Article 3 clause 5 of the Patent Regulation.

<sup>57</sup> Article 3 clause 6 of the Patent Regulation.

<sup>58</sup> Article 3 clause 7 of the Patent Regulation.

(h) the licensee undertakes not to market the patented products in not licensed territories of the EUROPEAN UNION if patents have expired in these areas;<sup>59</sup>

(i) the licensee or licensor are obliged to discriminate customers;<sup>60</sup>

(j) the grant of the licence is conditional upon the acceptance of other licences which the licensee does not want (package licensing), unless the use of such patented inventions is necessary for a technically satisfactory exploitation of the licensed invention.<sup>61</sup>

#### 4 ARTICLE 4 OF THE REGULATION.

Contracts Notified to the Commission:

Article 4 of the PATENT REGULATION states that patent licence contracts which contain clauses which are not expressly permitted or not expressly prohibited by the REGULATION may benefit from the exemption if the contract is notified to the COMMISSION and if the COMMISSION does not oppose such exemption within a period of six months.

#### III. CRITIQUE OF THE PATENT REGULATION.

It may be observed that the REGULATION issued by the COMMISSION lacks clarity, because the lists containing different types of clauses are not simply identifiable as containing permissible clauses (white list) or non-permissible clauses (black list).<sup>62</sup> This critique seems justified insofar as the REGULATION would require a small or medium-sized undertaking to hire the services of a specialist lawyer for the drafting of a patent licence contract. In the case of those clauses which are not mentioned in the REGULATION and which cannot be attributed to the white or black list, Article 4 of the REGULATION requires the notification of the contract to the COMMISSION. If the COMMISSION does not oppose the clauses within six months, these 'gray' clauses are deemed exempted from the prohibition contained in Article 85(1) of the TREATY. The disadvantage of this method lies in the fact that it does not provide

---

<sup>59</sup> Article 3 clause 10 of the Patent Regulation.

<sup>60</sup> Article 3 clause 11 of the Patent Regulation.

<sup>61</sup> Article 3 clause 9 of the Patent Regulation.

<sup>62</sup> Martinek and Habermeier, "Das Chaos der EU-Gruppenfreistellungsverordnungen", ZHR (1994) 107 to 148 at 124.

legal security, because the COMMISSION will not render public its reasoning for not opposing certain clauses so that under these circumstances the undertakings will not be informed about the view of the COMMISSION concerning grey clauses.

#### D. AN EXAMPLE OF EUROPEAN COOPERATION AND PATENT LAW: THE COLUMBUS ELEMENT OF THE INTERNATIONAL SPACE STATION "FREEDOM"

Since patent law is governed by the principle of territoriality, international cooperation in research must take into account different national patent laws when determining the rights in the resulting inventions. Final observations shall be dedicated to the legal difficulties posed by such projects. The example chosen relates to outer space. This is an environment not without interest to the entertainment industry, just to mention tv and communication satellites. Reference may be made to the patent law status of the EUROPEAN SPACE AGENCY'S Columbus element of the international Space Station Freedom. The EUROPEAN SPACE AGENCY (ESA) is an international intergovernmental organisation composed of European member states and it is its purpose to develop and coordinate European space research and technology for peaceful purposes.<sup>63</sup> Since the space station shall be assembled in outer space, the law of the state which registers the space station element would be applicable. The European element is registered by the EUROPEAN SPACE AGENCY but the AGENCY does not have a patent law jurisdiction. Thus the partner states to the project had to agree upon the patent law applicable on the space station elements and in particular on the European element. This jurisdiction had to regulate the following problems: first, the obtention of the patent right, second, the exercise of the patent right and, third, the enforcement of the patent right.

The solution for the obtention of patent rights had to answer the question in which 'territory' the invention was made for purposes of the first to invent principle and for purposes of the application of the laws concerning state secrets. The INTERGOVERNMENTAL AGREEMENT of 1988 (IGA) concluded between the states cooperating in the project<sup>64</sup> refers to intellectual property in Article 21. The Article states in subsection 2 that "for purposes of intellectual property law, an activity occurring in or on a Space Station flight element shall be deemed to have occurred only in the territory of the Partner State of that element's registry, except that for ESA-registered elements any European Partner State may deem the activity to have occurred within its territory"... Thus national patent law may be applicable on the elements, depending upon the provisions of each national legal system.

---

<sup>63</sup> Arnold Vahrenwald, "Intellectual Property on the Space Station 'Freedom'", (1993) EIPR 318 to 326 at 318.

<sup>64</sup> Agreement Among the Government of the USA, Governments of Member States of ESA, the Government of Japan, and the Government of Canada on Cooperation in the detailed Design, Development, Operation, and Utilisation of the Permanently Manned Civil Space Station, of 26 September 1988.

According to Article 21(3) of the INTERGOVERNMENTAL AGREEMENT the laws on secrecy of inventions.<sup>65</sup> which would otherwise be applicable shall not prevent the filing of a patent application.<sup>66</sup>

Regarding the exercise of the patent rights, Article 21(2) of the INTERGOVERNMENTAL AGREEMENT states that any European partner state may deem an activity on the European element to have occurred in the territory of that state. Accordingly, a use of an invention on the European element of the space station may infringe a patent granted by such a state. The particular problem on the European element derives from the possibility of the simultaneous application of the laws of different European partner states. In order to solve the resulting problems, Article 21(4) of the INTERGOVERNMENTAL AGREEMENT<sup>67</sup> provides that the infringer may oppose the payment of damages for the infringement of one patent to the claims of another patentee. Thus the enforcement of patent rights on the European element poses particular hazards. Assuming that one activity can be deemed to have occurred within several national territories, this activity may infringe several patents and render the infringer liable to pay damages accordingly. The answer offered by the INTERGOVERNMENTAL AGREEMENT to the conflicting interests of the patent owners serves the first-to-come: the quickest patentee claiming damages for patent infringement will win. Thus the patentee will not only have to prove an infringing activity in outer space, additionally he needs the luck to be the first plaintiff granted relief.

If the patent laws of several European Partner States are applicable simultaneously on the European element, the question will arise, what effect the grant of a licence

---

<sup>65</sup> In the U.S., 35 USC §§ 181 to 188 relate to secrecy of inventions: if the inventor who has made an invention within the territory of the US does not file for protection first in the US, he loses the chance to apply for a US patent; in France Article 77 of the French Penal Code threatens with imprisonment of 10 to 20 years the disclosure of inventions of interest to defence to a foreign power or enterprise; in Germany section 50 of the Patent Act of 1981 threatens with punishment the disclosure of inventions involving a state secret.

<sup>66</sup> Article 21(3) of the INTERGOVERNMENTAL AGREEMENT states: "In respect of an invention made in or on any Space Station flight element by a person who is not its national or resident, a Partner State shall not apply its laws concerning secrecy of invention so as to prevent the filing of a patent application... in any other Partner State that provides for the protection of the secrecy of patent applications containing information that is classified or otherwise protected for national security purposes".

<sup>67</sup> Article 21(4) of the INTERGOVERNMENTAL AGREEMENT states: "Where a person or entity owns intellectual property which is protected in more than one European Partner State, that person or entity may not recover in more than one such State for the same act of infringement of the same rights in such intellectual property which occurs in or on an ESA-registered element. Where the same act of infringement in or on an ESA-registered element gives rise to actions by different intellectual property owners by virtue of more than one European Partner State's deeming the activity to have occurred in its territory, a court may grant a temporary stay of proceedings in a later-filed action pending the outcome of an earlier-filed action. Where more than one action is brought, satisfaction of a judgement rendered for damages in any of the actions shall bar further recovery of damages in any pending or future action for infringement based upon the same act of infringement".

may have. According to Article 21(5) of the INTERGOVERNMENTAL AGREEMENT<sup>68</sup> a licence granted in one country will authorise the use of the patented invention on the European element of the space station. This provision does not lay down any qualification of such a licence so that a non-exclusive licence will suffice to meet the requirements posed by this provision, even if this licence is limited to a certain part of the state's territory or if it relates to a certain use of the patented invention only. The solution adopted does not seem to take into consideration that the obtention of a patent is an investment which will only be attractive if the patent permits the drawing of a monopoly profit. Exclusivity in the exploitation of space related inventions cannot be assured if any licensee within any European partner state the patent law of which is applicable on the European element of the space station is authorised to use the invention on the space station. This solution may be counter-productive for the attraction of investments necessary for the experimental and industrial use of the facilities on the European element of the space station.

These few observations outline the difficulties but also the importance which patent law may assume. For the Europeans the easiest thing to do would have been to stipulate the applicability of French patent law on the European element of the space station. But no state is easily prepared to give up its jurisdiction in such an area which can be of vital importance to its industries, just to mention *Hughes Aircraft v UNITED STATES*<sup>69</sup> where the unauthorised use of a patented invention was claimed in the case of more than 100 satellites, including European ones. For the entertainment industry which is increasingly international, patent law poses barriers which are, particularly in Europe, determined by the difficulty to overcome the thinking in national legal categories. Whereas inventions are ubiquitous by nature, the legal education is basically national. Thus European patent law which could in theory profit from the exchange of ideas between the different cultures has difficulties in achieving the optimum allocation of technologies. Whereas the process of harmonisation of the patent laws of the European states has attained a very high level, the attractiveness of the patent law in Europe could profit from the lowering of the costs of the system.

---

<sup>68</sup> Article 21(5) of the INTERGOVERNMENTAL AGREEMENT states: "With respect to an activity occurring in or on an ESA-registered element, no European Partner State shall refuse to recognise a licence for the exercise of any intellectual property right if that licence is enforceable under the laws of any European Partner State, and compliance with the provisions of such licence shall also bar recovery for infringement in any European Partner State".

<sup>69</sup> *Hughes Aircraft v UNITED STATES*, US Ct Fed Cls, No. 426-73, 8/16/93, BNA's PTCJ (1993) 428.