JUDGMENT OF THE COURT
30 June 1988 *

In Case 35/87

REFERENCE to the Court under Article 177 of the EEC Treaty by the Court of Appeal, London, for a preliminary ruling in the proceedings pending before that court between

Thetford Corporation and Another

and

Fiamma SpA and Others,

on the interpretation of Article 36 of the EEC Treaty,

THE COURT,

composed of: Lord Mackenzie Stuart, President, G. Bosco, O. Due and J. C. Moitinho de Almeida (Presidents of Chambers), T. Koopmans, U. Everling, K. Bahlmann, Y. Galmot, C. Kakouris, T. F. O'Higgins and F. Schockweiler, Judges,

Advocate General: J. Mischo
Registrar: B. Pastor, Administrator

after considering the observations submitted on behalf of

Thetford Corporation and Another, the plaintiffs in the main proceedings, by Clifford Chance, Solicitors, London, in the written procedure and by Mr Burkill, Barrister, in the oral proceedings,

* Language of the Case: English.

Fiamma SpA and Others, the defendants in the main proceedings, by Messrs Evershed & Tomkinson, Solicitors, Birmingham, in the written procedure and by Mr Hicks, Barrister, in the oral proceedings.

the United Kingdom of Great Britain and Northern Ireland, by S. J. Hay, acting as Agent, and N. Pumfrey, Barrister,

the Commission of the European Communities by E. L. White, a member of its Legal Department,

having regard to the Report for the Hearing and further to the hearing on 1 March 1988,

after hearing the Opinion of the Advocate General delivered at the sitting on 28 April 1988,

gives the following

Judgment

1 By an order which was lodged at the Court Registry on 5 February 1987 the Court of Appeal, London, referred to the Court for a preliminary ruling under Article 177 of the EEC Treaty two questions concerning the interpretation of Article 36 of the EEC Treaty with a view to the assessment of the compatibility with the rules on the free movement of goods of certain provisions of national patent law and especially the principle of 'relative novelty'.

2 Those questions were raised in proceedings brought by Thetford Corporation and Thetford (Aqua) Products Limited (hereinafter referred to as 'Thetford'), the owners of several United Kingdom patents relating to portable toilets, and Fiamma SpA, a manufacturer of such toilets in Italy, and Fiamma UK, which imports them into the United Kingdom (hereinafter together referred to as 'Fiamma').

3 It appears from the order of the national court that Thetford sued Fiamma for infringement of two United Kingdom patents, granted pursuant to the Patents Act 1949, namely Patent No 1 226 235 (hereinafter referred to as Patent 235) and Patent No 1 530 155. The articles alleged to constitute an infringement of those patents are portable toilets manufactured in Italy and sold in the United Kingdom. Fiamma has no licence from Thetford in the United Kingdom, in Italy or anywhere else.

4 Before the Patents Court Fiamma denied the patent infringement and argued, on the one hand, that Thetford's patent was invalid on grounds of lack of novelty and inventive step and, on the other, that even if the patent were valid, Articles 30 and 36 of the EEC Treaty limited the relief which the courts of the United Kingdom ought to grant to the proprietor of the patent.

5 After the Patents Court had granted Thetford's application, Fiamma appealed to the Court of Appeal, which decided that, bearing in mind that there was no direct authority of the Court of Justice on the points raised by the defendants, the allegations disclosed an arguable case. It therefore decided to refer the following questions to the Court of Justice for a preliminary ruling:

'(1) Whether a subsisting patent which has been granted in the United Kingdom under the provisions of the Patents Act 1949 in respect of an invention which but for the provisions of section 50 of that Act would have been anticipated (lacked novelty) by a specification as is described in paragraphs (a) or (b) of section 50 (1) of the Act constitutes industrial or commercial propoerty entitled to protection under Article 36 of the Treaty of Rome?

(2) If such a patent is entitled to such protection as aforesaid whether as contended by the defendants Fiamma in this case the only relief justified under Article 36 of the Treaty would be an order for the payment of a reasonable royalty (or other monetary award) but not an injunction?'

6 Reference is made to the Report for the Hearing for a fuller description of the facts, the applicable national legislation and the observations submitted to the Court, which are mentioned or discussed hereinafter only in so far as is necessary for the reasoning of the Court.

The first question

7 The Court of Appeal's first question seeks to establish whether the derogation from Articles 30 to 34 of the EEC Treaty which is set out in the first sentence of Article 36 necessarily applies to any patent granted pursuant to the legislation of a Member State or whether, on the contrary, it does not apply to patents granted by virtue of the principle of relative novelty.

8 The principle of relative novelty, as adopted at the material time by the legislation of the United Kingdom, is the result of section 50 (1) of the Patents Act 1949, which provided as follows:

'An invention claimed in a complete specification shall not be deemed to have been anticipated by reason only that the invention was published in the United Kingdom:

(a) in a specification filed in pursuance of an application for a patent made in the United Kingdom and dated more than 50 years before the date of filing of the first-mentioned specification;

(b) in a specification describing the invention for the purposes of an application for protection in any country outside the United Kingdom made more than 50 years before that date; or

(c) . . .'

Consequently, it was not possible under the 1949 Act to base an action to have a patent declared invalid on a specification issued in the United Kingdom or any other country more than 50 years previously.

9 It should be observed *in limine* that, as the parties acknowledged at the hearing, the question put by the Court of Appeal hinges on the question of relative novelty, in so far as it was not possible under the Patents Act 1949 to have a patent declared invalid solely on the ground that its specification was published prior to a period of time fixed by statute.

10 In that connection, it must be pointed out that the effect of the provisions of the Treaty on the free movement of goods, in particular Article 30, is to prohibit as between Member States restrictions on imports and all measures having equivalent effect. According to Article 36, however, those provisions do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property. However, such prohibitions or restrictions must not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

11 Fiamma argues that the derogation provided for in Article 36 can apply only if a patent right granted pursuant to national legislation fufils certain fundamental conditions. In particular, a patent granted in the absence of novelty or an inventive step cannot be regarded as being covered by the expression 'protection of industrial and commercial property'.

12 In that regard, it must be observed, as the Court held in its judgment of 14 September 1982 (in Case 144/81 *Keurkoop* v *Nancy Kean Gifts* [1982] ECR 2853) on the protection of designs, that 'in the present state of Community law and in the absence of Community standardization or of a harmonization of laws the determination of the conditions and procedure under which protection . . . is granted is a matter for national rules'.

13 However, Fiamma contends that the Court's case-law on designs may not be transposed to the field of patents in view of the higher degree of harmonization of national legislation which has already been achieved in that field and the existence of international conventions based on the principle of absolute novelty.

14 That argument cannot be upheld. Firstly, no harmonization of the patents legislation of the Member States has yet been effected by virtue of measures of Community law. Secondly, none of the international conventions in force on patents is capable of supporting Fiamma's argument. The entry into force of the Munich Convention of 1973 on the Grant of European Patents, which is based on the principle of absolute novelty, did not affect the existence of national legislation

on the granting of patents. Article 2 (2) of that Convention expressly provides that 'The European patent shall, in each of the contracting States for which it is granted, have the effect of and be subject to the same conditions as a national patent granted by that State'. As for the Strasbourg Convention of 1963 on the unification of certain points of substantive law on patents for invention, it must be pointed out that, since that Convention entered into force after the patent in question had been granted, it cannot serve as a determining factor for the purposes of the interpretation of Community law. The only instrument the provisions of which might afford support for Fiamma's point of view with regard to the recognition in the Community legal order of the principle of absolute novelty is the Luxembourg Convention of 1975 on the European patent for the common market (European Patent Convention) which has close links with the aforementioned Munich Convention but which has not yet entered into force.

15 It follows that, as the Court held in the judgment of 29 February 1968 (in Case 24/67 *Parke Davis* v *Centrafarm* [1968] ECR 55), since the existence of patent rights is at present a matter solely of national law, a Member State's patent legislation, such as the legislation at issue, is covered in principle by the derogations from Article 30 which are provided for in Article 36.

16 It must next be considered whether the application of the principle at issue may not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States within the meaning of the second sentence of Article 36.

17 As regards the first possibility, namely whether a means of arbitrary discrimination is involved, it is sufficient, in order to refute that argument, to point out that before the Court the Agent of the United Kingdom stated, without being contradicted by the other parties, that the application of section 50 (1) of the Patents Act 1949 does not give rise to any discrimination. On the one hand, that rule prevents consideration from being given to a specification disclosing an invention whether it was filed in the United Kingdom or in another State; secondly there is no discrimination based on the nationality of applicants for patents; foreign nationals applying for patents in the United Kingdom have the same rights as United Kingdom nationals.

18 It must further be considered whether the application of the principle in question may not give rise to a disguised restriction on trade between Member States.

19 In that regard, the justification for the rule of relative novelty, as given in the documents before the Court, discloses that the objective pursued by the United Kingdom legislature in introducing the 50-year rule in 1902 was to foster creative activity on the part of inventors in the interest of industry. To that end, the 50-year rule aimed to make it possible to give a reward, in the form of the grant of a patent, even in cases in which an 'old' invention was 'rediscovered'. In such cases the United Kingdom legislation was designed to prevent the existence of a former patent specification which had never been utilized or published from constituting a ground for revoking a patent which had been validly issued.

20 Consequently, a rule such as the 50-year rule cannot be regarded as constituting a disguised restriction on trade between Member States.

21 In view of the foregoing considerations, the answer to the national court's first question must be that, in the present state of Community law, Article 36 must be interpreted as not precluding the application of a Member State's legislation on patents which provides that a patent granted for an invention may not be declared invalid by reason only of the fact that the invention in question appears in a patent specification filed more than 50 years previously.

The second question

22 In its second question the Court of Appeal asks essentially whether the national court is free to choose from among the various forms of relief available under national law in cases of infringement or whether the only relief justified under Article 36 of the Treaty is an order for the payment of a reasonable royalty (or other monetary award) but not an injunction prohibiting the importation of the infringing article from another Member State.

23 Fiamma maintains in that connection that the 'rule of proportionality' as defined in the case-law of the Court and in particular by the judgment of 20 May 1976 (in Case 104/75 *de Peijper* [1976] ECR 613) should also be applied in the field of industrial and commercial property. In particular, in view of the particular features

of the case at issue, in which the protection conferred by Article 36 relates to a patent obtained by virtue of the rule of relative novelty, the specific subject-matter of the patent is already adequately protected by conferring on the proprietor of the patent the right to obtain reward for the marketing of the patented article without going so far as to give him the right to obtain an injunction.

24 However, it must be observed in that connection that according to the case-law of the Court (most recently its judgment of 9 July 1985 in Case 19/84 *Pharmon* v *Hoechst* [1985] ECR 2281) the right of the proprietor of a patent to prevent the importation and marketing of products manufactured under a compulsory licence is part of the substance of patent law. There is all the more reason for that conclusion to apply in a case such as this where no licence has been granted by the proprietor of the patent in the country of manufacture.

25 Consequently, the answer to the second question must be that where national law normally provides for the issue of an injunction to prevent any infringement, that measure is justified under Article 36.

Costs

26 The costs incurred by the United Kingdom and the Commission of the European Communities, which have submitted observations to the Court, are not recoverable. Since these proceedings are, in so far as the parties to the main proceedings are concerned, in the nature of a step in the proceedings pending before the national court, the decision as to costs is a matter for that court.

On those grounds,

THE COURT,

in reply to the questions submitted to it by the Court of Appeal, London, hereby rules:

(1) In the present state of Community law, Article 36 does not preclude the application of a Member State's legislation on patents which provides that a patent granted for an invention may not be declared invalid by reason only of the fact that the invention in question appears in a patent specification filed more than 50 years previously.

(2) Where national law normally provides for the issue of an injunction to prevent any infringement, that measure is justified under Article 36.

Mackenzie Stuart Bosco Due Moitinho de Almeida Koopmans

Everling Bahlmann Galmot Kakouris O'Higgins Schockweiler

Delivered in open court in Luxembourg on 30 June 1988.

J.-G. Giraud
Registrar

A. J. Mackenzie Stuart
President