OPINION OF MR ADVOCATE GENERAL VAN GERVEN
delivered on 13 December 1991 *

Mr President,
Members of the Court,

1. The Court is asked to rule in these cases on the question whether various provisions of the Italian and British legislation on compulsory licences are compatible with Articles 30 and 36 of the EEC Treaty.

In Case C-235/89 the Commission objects to a number of provisions, in particular Articles 52, 53 and 54, of Royal Decree No 1127 of 29 June 1939,[1] as amended by Decree No 849 of the President of the Republic of 26 February 1968,[2] in so far as they 'provide for the grant of compulsory licences where the holder of a patent for industrial invention does not exploit the patent by way of production on the national territory'. The Commission further objects to Article 14 of Decree No 974 of the President of the Republic of 12 August 1975[3] in so far as it declared the abovementioned provisions on compulsory licences in connection with patents for industrial inventions to be applicable also to patents for new plant varieties.

In Case C-30/90 the Commission is objecting to a number of provisions, in particular section 48(3), of the Patents Act 1977 in so far as they provide for 'the grant of compulsory licences where a patent is not worked in the United Kingdom to the fullest extent that is reasonably practicable or where demand for the patented product in the United Kingdom is being met to a substantial extent through importation'.

Since the subject-matter of both actions is essentially the same and there is a considerable degree of correspondence between the pleas and arguments of the parties and interveners, this Opinion will deal with the two cases together, even though the Court has not joined them.

Background

2. For the legal context, the course of the procedure and the pleas and arguments of the parties and interveners, I refer to the Reports for the Hearing. However, I would like to focus particular attention on the following.

The Commission is not objecting to compulsory licences in general. It accepts that the Member States may provide for the grant of a compulsory licence to a third party if the patented invention is not, or not sufficiently, being 'worked' or 'exploited' within the national territory, at least in so far as that means that national demand for

* Original language: Dutch.

1 — *Gazzetta Ufficiale della Repubblica Italiana* (GURI) No 189 of 14 August 1939.

2 — GURI No 193 of 31 July 1968.

3 — GURI No 109 of 26 April 1976.

the product protected by the patent is not, or not sufficiently, met by production *or* importation (from other Member States). The Commission's complaint is thus directed solely against the Italian or British legislation in so far as it does not recognize satisfying domestic demand by means of imports of products from other Member States as 'working' or 'exploitation' of the invention, or, in other words, in so far as those provisions signify that the patent proprietor can avoid a compulsory licence being granted to a third party only if the product protected by the patent is manufactured within the territory of the Member State that granted the patent.

3. The Commission's position in these cases accords with the provisions of the Community Patent Convention.[4] As regards the grant of compulsory licences under a *Community patent*, Article 46 of the Convention provides that:

'A compulsory licence may not be granted in respect of a Community patent on the ground of lack or insufficiency of exploitation if the product covered by the patent, which is manufactured in a Contracting State, is put on the market in the territory of any other Contracting State, for which such a licence has been requested, in sufficient quantity to satisfy needs in the territory of that other Contracting State. This provision shall not apply to compulsory licences granted in the public interest.'

Pursuant to Article 77 of the Community Patent Convention Article 46 also applies to the grant of compulsory licences for lack or insufficiency of exploitation of a *national* patent.

The Community Patent Convention has not yet come into force. Furthermore, Article 83 offers signatory States the possibility to declare that Articles 46 and 77 are not applicable within their territory to Community patents or to European patents granted for, or to national patents granted by, those States.[5] Any such reservation has effect until the end of the tenth year at the latest after the entry into force of the Agreement relating to Community Patents (to which the Community Patent Convention is annexed); that period can be extended by the Council by not more than five years. Any reservation will cease to apply when common rules on the granting of compulsory licences have become operative. When signing the Agreement the governments of the Member States approved a Resolution in which they decided to adopt measures, as soon as possible after the entry into force of the Agreement, in order to supplement the

4 — Convention for the European patent for the common market, annexed to the Agreement relating to Community patents, done at Luxembourg on 15 December 1989 (OJ 1989 L 401, p. 1). For the sake of brevity I shall refer in my Opinion only to the provisions of this Convention and not to the identical provisions, which are numbered differently, of the Convention for the European patent for the common market (Community Patent Convention) signed at Luxembourg on 15 December 1975 (OJ 1976 L 17, p. 1). When the abovementioned Agreement of 15 December 1989 comes into force, it will replace the latter Convention that in fact never came into force for lack of ratification by all the Member States.

5 — European patents granted for a Contracting State are patents granted on the basis of one single patent application for all or some Contracting States or for one of those States pursuant to the Convention on the Grant of European Patents signed in Munich on 5 October 1973 which came into force on 7 October 1977.

Agreement by such common rules on the granting of compulsory licences.[6]

The contested provisions fall under the prohibition of Article 30 of the EEC Treaty

4. I agree with the Commission that the contested provisions constitute measures having equivalent effect to quantitative restrictions on imports in so far as they provide for the grant of a compulsory licence when domestic demand is not, or is not sufficiently, satisfied by products manufactured in the national territory. Such provisions are discriminatory against products imported from other Member States because importers are treated less favourably than producers established within the territory. Support for that view is to be found in the case-law of the Court of Justice, in particular the judgment in the *Allen & Hanburys* case.[7]

The questions referred to the Court of Justice for a preliminary ruling in that case arose from a dispute between the proprietor of a British patent for a pharmaceutical product with the endorsement 'licences of right' and a company which intended, without obtaining a licence of right, to import into the United Kingdom the same product manufactured in Italy by an undertaking which had no financial or contractual links with the British patent proprietor.

Under the Patents Act 1977, in particular section 46, the effects of the endorsement 'licences of right' were that any person was entitled as of right to a licence under the patent, on such terms as might be settled by agreement or, in default of agreement, by the Comptroller General of Patents. One of the terms could be that the licensee could not import the patented product. An undertaking which imported the product into the United Kingdom could therefore not be certain of being granted a licence while a producer established in the United Kingdom was certain of obtaining a licence. Furthermore, in proceedings for infringement of the patent no injunction or interdict would be granted against someone who produced the product in the national territory without the consent of the patent proprietor if he undertook to take a licence on the terms referred to above, while such an injunction or interdict could be granted against an infringer who imported the product from another Member State. Finally, the amount of any damages which could be awarded against an undertaking which produced the product in the national territory without the consent of the patent proprietor could not exceed double the amount which would have been payable by it as licensee whereas no such limit applied in the case of an undertaking which infringed the exclusive right by means of imports.

5. It is plain from the Court's answer to the questions referred to it in *Allen & Hanburys* that it regarded those provisions as discriminatory against imported products and therefore held that they were in any event prohibited by Article 30 of the EEC Treaty, so much so that it barely considered it necessary to give reasons for that view. On the contrary in its answer to the first question it directly

6 — See OJ 1989 L 401, p. 58.

7 — Judgment in Case 434/85 *Allen & Hanburys* v *Generics* [1988] ECR 1245.

examined whether those discriminatory provisions could be justified on the basis of Article 36 of the EEC Treaty. It concluded (in paragraph 22):

'an injunction issued against an importer-infringer in the circumstances described by the national court would constitute arbitrary discrimination prohibited by Article 36 of the Treaty and could not be justified on grounds of the protection of industrial and commercial property'.

That the Court regarded the abovementioned provisions as discriminatory is also clear from the answer to the fourth question in which, in examining whether the national rules could be justified on the grounds of imperative requirements relating to consumer protection and fair trading, the Court stated (in paragraph 34):

'the national legislation relating to licences of right is not applicable without distinction to manufacturers established in the national territory and to importers'.

On the basis of that finding, the Court concluded, referring to the judgment in *Commission* v *Ireland*,[8] that the national rules which had been held to be discriminatory could not be justified on grounds of imperative requirements.

8 — Judgment in Case 113/80 *Commission* v *Ireland* [1981] ECR 1625.

6. There are obvious differences between the provisions at issue in these cases and the provisions considered by the Court in *Allen & Hanburys*. That case concerned licences of right which were available to anybody provided that certain conditions were met, including in some cases the obligation to manufacture in the national territory; these cases, on the other hand, are concerned with compulsory licences which, where domestic production of the protected product is insufficient, may be granted to undertakings prepared to manufacture the product in the Member State in question. In *Allen & Hanburys* the national provisions were detrimental to undertakings which wished to obtain a licence to import the patented product and to undertakings infringing the patent by importing products from abroad; the present cases concern national provisions that are detrimental to patent proprietors holding parallel patents in various Member States which export the product from the Member State in which they manufacture it to the Member State in question.

Those differences do not in my view alter the fact that these cases concern national provisions which make it impossible or more difficult for undertakings to import products from one Member State to another Member State or detrimentally affect the legal position in the Member State concerned of such undertakings in comparison with undertakings prepared to manufacture the product protected by the patent in the national territory.

7. In *Allen & Hanburys* the Court made it clear that national provisions which are less favourable for importers of products in order to promote national production are

incompatible with Articles 30 and 36 of the EEC Treaty. In this case too, as Italy[9] and the United Kingdom[10] concede, the provisions in question are directed to encouraging undertakings (in this case the patent proprietor himself) to manufacture, or allow the manufacture of, the product protected by the patent in the territory of the Member State adopting the rule rather than importing it from other Member States so that the Member State concerned derives from the grant of the patent the maximum benefit in terms of investment and employment.

Moreover, the characteristic of the provisions in question is that they detrimentally affect the legal position of a patent proprietor who supplies the market of the Member State concerned with imported products instead of with locally manufactured products. The rights of a patent proprietor who imports products are significantly affected since, if he has to grant a compulsory licence, he is only entitled to fair reward. As the Court stated in its judgment in *Volvo*[11] in connection with another industrial property right (a registered design), albeit not in connection with a compulsory licence, a holder of an exclusive right is deprived of the substance of such a right if he is obliged to grant a licence to third parties, even in return for a reasonable royalty. The substance of such a right consists in the proprietor preventing third parties from manufacturing, selling or importing products covered by the exclusive right without his consent (paragraph 8).

9 — See in particular page 8 of the note of the Ministry of Industry, Trade and Craft Trades annexed to the Italian Permanent Representative's answer to the Commission's letter of formal notice.

10 — See in particular point 7.2 of the defence.

11 — Judgment in Case 238/87 *Volvo* v *Veng* [1988] ECR 6211.

Such penalization of a patent proprietor wishing to supply the market concerned by imports from another Member State in comparison with a patent proprietor who wishes to do so by manufacturing the product within that market constitutes discrimination against imports that is at least as serious as the discrimination in the *Allen & Hanburys* case. Accordingly the national provisions in question are to be regarded as measures which both have equivalent effect to quantitative restrictions on imports prohibited by Article 30 of the EEC Treaty and, as will be seen, cannot be justified on grounds under Article 36 of the EEC Treaty and do not for any other reason fall outside the ambit of Article 30.

Rebuttal of the defence arguments

1. *The argument that the contested provisions are solely a matter for the Member States*

8. Italy and the United Kingdom, supported by Spain and Portugal, argue that the rules on the grant of compulsory licences are within the exclusive competence of the Member States. Consequently such provisions do not fall under the prohibition of Article 30 of the EEC Treaty.

Unlike Italy, the United Kingdom expounds this argument relying on Article 222 of the EEC Treaty and the Court's case-law. Its premiss is that the terms on which a compulsory licence can be granted form part of rules relating to property ownership within the meaning of Article 222 of the EEC Treaty. It relies in that respect on

paragraph 7 of the judgment in *Centrafarm*[12] in which the Court held that:

'whilst the Treaty does not affect the existence of rights recognized by the legislation of a Member State in matters of industrial and commercial property, yet the exercise of these rights may nevertheless, depending on the circumstances, be affected by the prohibitions in the Treaty'.

It also points out that the Court has repeatedly held 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]

The United Kingdom considers that the patent proprietor's exclusive right to manufacture the product protected by the patent in the national territory is inseparable from the obligation to produce that product in the national territory. Like the obligation to pay a fee for the patent granted, this obligation should also be regarded as a 'condition under which protection is granted' and thus part of a system of (industrial) property ownership within the meaning of Article 222 of the EEC Treaty.

9. That argument is based on the premiss that a rule which falls within the scope of Article 222 of the EEC Treaty automatically cannot be declared incompatible with the provisions on the free movement of goods. However, as will become apparent, that supposition is erroneous.

Article 222 of the EEC Treaty provides that the Treaty must 'in no way prejudice the rules in Member States governing the system of property ownership'. The Court has ruled on the scope of that provision in only a small number of judgments. Like the recent case of *Italy* v *Commission*,[14] those judgments were generally concerned with the requirement that public undertakings and private undertakings should be treated on an equal footing. However, one of those judgments, in *Fearon*,[15] seems to me particularly relevant to an assessment of the United Kingdom's argument.

The *Fearon* case was concerned with the question whether, having regard to the right of establishment pursuant to Article 52 of the EEC Treaty, a Member State is prevented from making exercise of public powers concerning the compulsory acquisition of agricultural land subject to a condition that shareholders in a legal person which owned the land had not resided on or near the land subject to the compulsory acquisition during a specified period. In that case the Commission had submitted that rules on compulsory acquisition form part of the system of property ownership and that Article 222 of the Treaty would on its own justify a negative answer since, pursuant to Article 222, such systems of property ownership are not prejudiced by (in that instance Article 52 of) the Treaty.

12 — Judgment in Case 15/74 *Centrafarm* v *Sterling Drug* [1974] ECR 1147.

13 — Paragraph 12 of the judgment in Case 35/87 *Thetford* v *Fiamma* [1988] ECR 3585. The United Kingdom refers to two other judgments: Case 144/81 *Keurkoop* v *Nancy Kean Gifts* [1982] ECR 2853 and Case 341/87 *EMI Electrola* v *Patricia Im-und Export* [1989] ECR 79.

14 — Judgment of 21 March 1991 in Case C-305/89 *Italy* v *Commission* [1991] ECR I-1603.

15 — Judgment in Case 182/83 *Fearon* v *Irish Land Commission* [1984] ECR 3677.

The Court did not accept that view and held in paragraph 7:

'although Article 222 of the Treaty does not call in question the Member States' right to establish a system of compulsory acquisition by public bodies, such a system remains subject to the fundamental rule of non-discrimination which underlies the chapter of the Treaty relating to the right of establishment'.

The words of the Court in the *Fearon* case regarding the right of establishment apply equally to the free movement of goods. In other words even though Article 222 of the EEC Treaty is without prejudice to a Member State's power to regulate property rights within its territory, that Member State must still ensure that the rules adopted pursuant to that power are not incompatible with the Treaty provisions on the free movement of goods and in particular are not incompatible with the principle of non-discrimination on which they are based (even though non-discriminatory restrictions on trade also fall under the prohibition in Article 30 of the EEC Treaty). Furthermore, in more general terms, it can be stated that a Member State may not, in the exercise of the powers it has retained, unilaterally adopt measures prohibited by the Treaty. [16]

Nor is it thus possible to accept the argument that a system to which Article 222 of the EEC Treaty applies is automatically compatible with the provisions on the free movement of goods. It will therefore be necessary to examine separately in each specific case whether a national measure forming part of a system of property ownership within the meaning of Article 222 of the EEC Treaty — in this instance the United Kingdom maintains that the obligation to manufacture a product protected by a patent in the national territory is such a measure — is compatible with the abovementioned provisions of the Treaty. It is apparent from the examination set out above (points 4 to 7) that that obligation is indeed incompatible with Article 30 of the EEC Treaty.

2. *The argument that the contested rules do not have the effect of restricting imports and are scarcely applied*

10. Italy and the United Kingdom, supported by Spain and Portugal, submit that the grant of a compulsory licence does not exclude the importation of the product protected by the patent. Italy adds that the only effect of the measure is that the patent proprietor loses his exclusive rights on the national market and must face competition there from the products manufactured by the compulsory licensee.

In the words used in the *Dassonville* judgment, [17] all trading rules enacted by Member States which are capable of hindering, directly or indirectly, actually or potentially, intra-Community trade are to be considered as measures having an effect equivalent to quantitative restrictions. That is plainly the case where a rule discriminates against imports of products from other

16 — See the judgment of 4 October 1991 in Case C-246/89 *Commission* v *United Kingdom* [1991] ECR I-4585, paragraph 12, in conjunction with the Member States' powers regarding registration of ships. See also the judgments in Case 57/86 *Greece* v *Commission* [1988] ECR 2855, paragraph 9, and in Case 127/87 *Commission* v *Greece* [1988] ECR 3333, paragraph 7, in conjunction with the Member States' powers in monetary matters.

17 — Judgment in Case 8/74 *Procureur du Roi* v *Dassonville* [1974] ECR 837.

Member States by comparison with domestic products.

It is self-evident that the grant of a compulsory licence to a national producer will in any event reduce imports of the patented product from other Member States, in particular the Member State in which they are manufactured by the patent holder. A national measure providing for such a compulsory licence will therefore by its very nature restrict trade between the Member States if a licence is granted thereunder to a national producer. But even if no compulsory licence has (yet) been granted, the mere existence of the possibility of a third party obtaining a compulsory licence may be enough to prompt the patent proprietor to opt for one of two courses: *either* to manufacture the product in question himself in the Member State which applies that rule, thus discarding a production site in another Member State which, on economic grounds, would have been preferable, *or* to grant a manufacturing licence to a third party — possibly a third party who had already requested but not yet obtained a compulsory licence — under contractual terms which the patent proprietor would not have accepted without the threat of a compulsory licence.

In the latter eventualities, the effect of the national rule in question is that the market of the Member State applying that rule is no longer supplied by imported products but by domestic products, leading to a curb on free inter-State trade. The Commission rightly points out in this connection that the Court of Justice in the *'Buy Irish'* judgment[18] held that a programme defined by the Irish Government was incompatible with Article 30 of the EEC Treaty since it was 'intended to check the flow of trade between Member States by encouraging the purchase of domestic products, by means of an advertising campaign on a national scale' (paragraph 29). The rules at issue in these cases are also intended to favour domestic production at the expense of imports from other Member States.

11. The foregoing considerations also serve to counter the argument put forward by the United Kingdom, supported by Spain, that compulsory licences are granted only very seldom. I would first point out generally that the fact that a national rule is only seldom applied in practice is not sufficient, in the Court's view, to negate the infringement of Community law.[19] But even if compulsory licences are not actually granted or are seldom granted, the fact remains, as pointed out above, that national rules envisaging the possibility of compulsory licences may obstruct trade in goods between the Member States in so far as they may prompt the patent proprietor himself to set up production facilities in the Member State applying those rules or else to grant a licence to a third party on terms which the patent holder would not have accepted in the absence of those rules.

3. *The argument that the contested rules are justified pursuant to Article 36 of the EEC Treaty*

12. The United Kingdom submits, in the event that the Court should consider that the British rule falls within the scope of

18 — Judgment in Case 249/81 *Commission* v *Ireland* [1982] ECR 4005.

19 — Judgment in Case 166/82 *Commission* v *Italy* [1984] ECR 459, paragraph 24.

Article 30 of the EEC Treaty, that the rule is justified on grounds of the protection of industrial and commercial property.

The Court has consistently held (most recently in the judgment in *CNL-SUCAL*, paragraph 12)[20] that:

'Article 36 only admits derogations from the fundamental principle of the free movement of goods within the common market to the extent to which such derogations are justified for the purpose of safeguarding rights which constitute the specific subject-matter of [industrial and commercial] property'.

The Court has also consistently held (most recently in paragraph 11 of *Allen & Hanburys*,[21] referring to *Merck*)[22] that the specific subject-matter of a patent:

'includes the exclusive right for the patent proprietor 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'.

Furthermore, the Court has held in the *Pharmon* judgment[23] (paragraph 25), as regards the grant of a compulsory licence, that:

'Such a measure deprives the patent proprietor of his right to determine freely the conditions under which he markets his products'.

As has already been observed (point 7), the Court has further stated in *Volvo*[24] (paragraph 8), albeit not in the context of the grant of compulsory licences and with regard to the protection of registered designs, that:

'an obligation imposed upon the proprietor of a protected design to grant to third parties, even in return for a reasonable royalty, a licence for the supply of products incorporating the design would lead to the proprietor thereof being deprived of the substance of his exclusive right . . . '.

In the light of those judgments I am unable to see how national rules which, under certain circumstances, *deprive* the patent proprietor of a major part of the protection afforded him by the patent could be justified on grounds of protection of industrial and commercial property. Moreover, even if it were possible to rely on one of the grounds for justification under Article 36 of the EEC Treaty, pursuant to the second sentence of that article the national rule in question may not constitute a means of arbitrary discrimination. The Court has held in *Allen & Hanburys* (paragraph 22) in connection with the conditions imposed on importers by the British legislation regarding licences of rights (point 5 *supra*) that such restrictions 'would constitute arbitrary discrimination prohibited by Article 36 of the Treaty'.

20 — Judgment in Case C-10/89 *CNL-SUCAL* v *HAG* [1990] ECR I-3711.

21 — Cited above, footnote 8.

22 — Judgment in Case 187/80 *Merck* v *Stephar and Exler* [1981] ECR 2063.

23 — Judgment in Case 19/84 *Pharmon* v *Hoechst* [1985] ECR 2281.

24 — Cited above, footnote 12.

This line of argument relied on by the United Kingdom must therefore also be rejected. [25]

4. *The argument that the Commission's position would not benefit the free movement of goods*

13. Italy, supported by Spain, points out that the Commission's contentions are not directed to ensuring the free movement of goods within the common market. According to Italy, they rather aim at protecting the rights of the patent proprietor. Spain adds that the contested rules promote competition between imported products and products manufactured on the national territory by the compulsory licensee. Such competition is in the interests of consumers whose protection is an imperative requirement justifying a restriction on the free movement of goods.

It should be pointed out in that connection that the Commission's action is solely directed to removing a difference between the legal position of a patent proprietor manufacturing the goods in the Member State concerned and a patent proprietor importing the goods from another Member State and thus discrimination between domestic and imported products. The removal of such discrimination is certainly in accordance with the aims underlying the free movement of goods between the Member States, namely the fusion of national markets into one common market.

The argument that the contested rules promote competition between domestic and imported products and therefore contribute to consumer protection cannot be accepted since the relevant rules in the Member States concerned also fail to protect consumers against the exclusive rights of a patent proprietor who manufactures the patented product within the national territory. That shows that the contested rules are aimed not at promoting competition and protecting consumers but, on the contrary, at boosting investment and employment in the national territory. Moreover, they introduce discrimination between patent proprietors who manufacture in the national territory and those who import patented products from another Member State. Also for that reason, it is not possible to invoke the mandatory requirement regarding the protection of the consumer recognized in the *Cassis de Dijon* case since, according to that case-law, that requirement only constitutes grounds of justification if the rules in question are applicable without distinction to domestic and imported products.

5. *The argument that the contested rules are in accordance with the Paris Convention*

14. According to Italy the contested provisions are consistent with the Paris Convention, [26] in particular with Article 5(A)(2) which provides:

25 — Since it is not in issue here, I can leave open the question whether the grant of a compulsory licence may be justified on one of the other grounds mentioned in the first sentence of Article 36 of the EEC Treaty, for example for reasons of national defence pursuant to the protection of public security under Article 36 (in conjunction with Article 223) of the EEC Treaty. In this connection I would point out that the second sentence of Article 46 of the Community Patent Convention provides that the rule in the first sentence of Article 46 does not apply to compulsory licences granted in the public interest.

26 — Paris Convention for the protection of industrial property of 20 March 1883, as revised at Brussels on 14 December 1900, at Washington on 2 June 1911, at The Hague on 6 November 1925, at London on 2 June 1934, at Lisbon on 31 October 1958 and at Stockholm on 14 July 1967 (*United Nations Treaty Series*, Volume 828, No 11851, p. 306).

'Each country of the Union shall have the right to take legislative measures providing for the grant of compulsory licences to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work.'

The signatory States thus retain the power to grant a compulsory licence when a patent is not being worked, in so far as this can be regarded as an abuse of the patent right. However, the Paris Convention does not define 'working' and it certainly entails no obligation to interpret it as meaning manufacturing the patented product in the same country. An abuse within the meaning of the Paris Convention consists in the population of a country being denied the products protected by the patent. No such abuse exists if the product is imported in sufficient quantities into the country in question. Having regard to Article 5 of the EEC Treaty and the first sentence of the second paragraph of Article 234 of the EEC Treaty, which is a specific embodiment of the former, it behoves the Member States which have also signed the Paris Convention to interpret the power they retain pursuant to Article 5(A)(2) of the Paris Convention in accordance with Article 30 of the EEC Treaty and regard 'working' as also including the importation of patented products from another Member State.

The Commission also rightly refers to the consistent case-law of the Court regarding the first paragraph of Article 234 of the EEC Treaty. In *Conegate*[27] (paragraph 25) the Court held that:

'Article 234 is intended to ensure that the application of the Treaty does not affect either the duty to observe the rights of non-member countries under an agreement previously concluded with a Member State, or the observance by that Member State of its obligations under that agreement. Agreements concluded prior to the entry into force of the Treaty may not therefore be relied upon in relations between Member States in order to justify restrictions on trade within the Community'.

Since the Paris Convention was concluded before the entry into force of the EEC Treaty and it has been ratified by all the Member States, its provisions cannot serve to justify restrictions on trade between Member States. For that reason too, the argument based on the Paris Convention must be rejected.

6. The argument that the Commission's position is at variance with the Community Patent Convention

15. Italy and the Untied Kingdom, supported by Portugal and Spain, rely on the Community Patent Convention in order to refute the Commission's objections. I discern two arguments in this plea.

27 — Judgment in Case 121/85 *Conegate* v *H M Customs & Excise* [1986] ECR 1007. See also the judgments of the Court of First Instance of 10 July 1991 in Cases T-69/89 *Radio Telefis Eireann* v *Commission* [1991] ECR II-485, paragraphs 102, 103 and 104, T-70/89 *BBC* v *Commission* [1991] ECR II-535, paragraphs 76, 77 and 78, and T-76/89 *Independent Television Publications* v *Commission* [1991] ECR II-575, paragraphs 75, 76 and 77.

One argument, primarily expounded by Spain, is based on Articles 77 and 83 of the Community Patent Convention. As stated above (point 3), Article 77 provides that Article 46 applies *mutatis mutandis* to the grant of compulsory licences for lack or insufficiency of exploitation of a national patent. Article 46 prohibits the grant of compulsory licences in respect of a Community patent if the product covered by the patent is imported into the Contracting State in which a compulsory licence is sought from another Contracting State in sufficient quantity. Article 77 would, according to Spain's reasoning, be superfluous if the grant of compulsory licences for lack or insufficiency of exploitation were already prohibited by Article 30 of the EEC Treaty. Moreover, Article 83 of the Community Patent Convention enables the signatory States to refrain from applying Article 77 for a certain period. That provision would be incompatible with the EEC Treaty if the Commission's view were well founded.

That argument must, in my view, be rejected. Article 2(1) of the Agreement relating to Community patents signed in Luxembourg on 15 December 1989 expressly provides:

'No provision of this Agreement may be invoked against the application of the Treaty establishing the European Economic Community'. [28]

Specific reference is made to this in the ninth recital in the preamble to that Agreement in the following terms:

'Considering that it is essential that the application of this Agreement must not operate against the application of the provisions of the Treaty establishing the European Economic Community and that the Court of Justice of the European Communities must be able to ensure the uniformity of the Community legal order'.

It follows that the Community Patent Convention must be interpreted in the light of the EEC Treaty rather than the other way round. The fact that the Commission's interpretation of Articles 30 and 36 of the EEC Treaty would signify that certain provisions of the Community Patent Convention are superfluous, or even invalid, is not in itself a decisive reason for rejecting that interpretation.

16. The second argument, primarily expounded by the United Kingdom, lays emphasis on the major differences between the national rules on compulsory licences, whose harmonization is envisaged by the Community Patent Convention. Without such prior harmonization, the object pursued by the Commission cannot be achieved and initiating a number of proceedings under Article 169 of the EEC Treaty will only create new disparities.

That line of defence cannot succeed either. Since the end of the transitional period, Article 30 of the EEC Treaty has had direct effect and measures having equivalent effect to quantitative restrictions on imports, precisely in the absence of harmonization, are altogether prohibited. Furthermore, I am unable to see how trade between Member States could be detrimentally affected by the removal of the obligation to manufacture within the territory of the Member State

28 — As regards the Community Patent Convention of 1975, also signed in Luxembourg, see the similar provision in Article 93 of that Convention.

granting the patent. Removal of that obligation does not add further disparity to the non-harmonized national provisions but, on the contrary, eliminates a disparity, particularly since, as is apparent from the Commission's written answer to a question from the Court, the Commission's policy is directed to rules in all the Member States under which no compulsory licences can be granted for lack of domestic manufacture.

Finally, the United Kingdom calls in question the expediency of bringing these infringement proceedings. In that connection it suffices to point out that, under the scheme established by Article 169 of the Treaty, the Commission enjoys a discretionary power in deciding whether to institute such proceedings and that it is not for the Court to decide whether that discretion was wisely exercised. [29]

Conclusion

Having regard to the foregoing, I propose that the Court:

In Case C-235/89:

1. Uphold the Commission's application;

2. Order the Italian Republic to bear the Commission's costs;

3. Leave the Kingdom of Spain, the United Kingdom and the Portuguese Republic to bear their own costs;

In Case C-30/90:

1. Uphold the Commission's application;

2. Order the United Kingdom to bear the Commission's costs;

3. Leave the Kingdom of Spain to bear its own costs.

29 — Judgment in Case C-200/88 *Commission* v *Greece* [1990] I-4299, paragraph 9.