Reports of Cases

OPINION OF ADVOCATE GENERAL
WATHELET
delivered on 17 March 2016[1]

Case C-567/14

Genentech Inc.
v
Hoechst GmbH, formerly Hoechst AG,
Sanofi-Aventis Deutschland GmbH(Request for a preliminary ruling from the

cour d'appel de Paris (Court of Appeal, Paris) (France))

(Reference for a preliminary ruling — Action for annulment of an arbitral award — Competition — Article 101 TFEU — Agreements, decisions and concerted practices — Non-exclusive patent licence agreement — Revocation of patents — No infringement — Effect — Obligation to pay royalties)

I – **Introduction**

1. This request for a preliminary ruling concerns the interpretation of Article 101 TFEU. More specifically, the cour d'appel de Paris (Court of Appeal, Paris) asks whether this article precludes an obligation imposed on a licensee under a patent licence agreement to pay royalties for the entire duration of the agreement until its termination, notwithstanding the absence of infringement or the revocation of the licensed patent or patents.

2. The request was submitted in the context of an action for annulment of arbitral awards filed by Genentech Inc., a company incorporated under Delaware law (United States of America) ('Genentech') against Hoechst GmbH, formerly Hoechst AG ('Hoechst') and Sanofi-Aventis Deutschland GmbH ('Sanofi-Aventis'), companies incorporated under German law.

II – **Legal framework**

A – *EU law*

3. Article 101 TFEU provides:

'1. The following shall be prohibited as incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market, and in particular those which:

(a) directly or indirectly fix purchase or selling prices or any other trading conditions;

1 — Original language: French.

(b) limit or control production, markets, technical development, or investment;

(c) share markets or sources of supply;

(d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;

(e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.

3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:

— any agreement or category of agreements between undertakings,

— any decision or category of decisions by associations of undertakings,

— any concerted practice or category of concerted practices,

which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:

(a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;

(b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.'

B – *French law*

4. Article 1518 of the Code of Civil Procedure (code de procédure civile) provides:

'An international arbitral award delivered in France may be challenged only by way of an action for annulment.'

5. Article 1520 of the Code of Civil Procedure provides:

'An action for annulment is available only in the following cases:

1. Where the arbitral tribunal wrongly declared itself to have or not to have jurisdiction;

2. Where the arbitral tribunal was improperly constituted;

3. Where the arbitral tribunal issued a ruling without fulfilling the mandate entrusted to it;

4. Where the adversarial principle was not observed; or

5. Where the recognition or enforcement of the award is contrary to international public policy.'

III – The facts in the main proceedings and the question referred for a preliminary ruling

6. On 6 August 1992, Behringwerke AG ('Behringwerke'),[2] a company incorporated under German law, granted a worldwide non-exclusive licence to Genentech ('the licence agreement') for the use of a human cytomegalovirus (HMCV) enhancer, making it possible to improve the effectiveness of the cellular process used for the production of proteins ('the enhancer'). This technology was the subject of European Patent No EP 0173 177 53, issued on 22 April 1992 ('patent EP 177'), as well as two patents issued in the United States on 15 December 1998 and 17 April 2001 ('patent US 522' and 'patent US 140', respectively). On 12 January 1999, the European Patent Office (EPO) revoked patent EP 177.

7. The licence agreement was governed by German law.

8. Under Article 3.1 of the licence agreement, Genentech undertook to pay, as consideration for the right to use the enhancer:

— a one-off fee of DEM 20 000 (around EUR 10 225) for the costs of issuing the licence;

— a fixed annual research fee of DEM 20 000 (around EUR 10 225); and

— a 'running' royalty of 0.5% levied on the amount of sales of 'finished products'[3] ('the running royalty').

9. Genentech paid the one-off fee and the annual fee, but never paid the running royalty.

10. On 30 June 2008, Hoechst and Sanofi-Aventis made enquiries with Genentech about the finished products using the patented materials and processes, giving rise to the entitlement to payment of the running royalties.

11. By letter of 27 August 2008, Genentech notified Hoechst and Sanofi-Aventis of the termination of the licence agreement, which was to take effect two months later.[4]

12. On 24 October 2008, believing that Genentech had used the enhancer in the synthesis of recombinant proteins in order to manufacture Rituxan®[5] and other medicinal products without paying the running royalties on the sale of all those medicinal products and had thus infringed the licence agreement, Hoechst and Sanofi-Aventis lodged an application for arbitration against Genentech with the International Court of Arbitration of the International Chamber of Commerce ('ICC') pursuant to the arbitration clause in Article 11 of the licence agreement. The ICC registered that application under case number 15900/JHN/GFG.

2 — Behringwerke subsequently assigned its rights to Hoechst. Hoechst has been a wholly owned subsidiary of Sanofi-Aventis since July 2005.

3 — Defined in the licence agreement as 'commercially marketable goods incorporating a licensed product, sold in a form enabling them to be administered to patients for therapeutic purposes or to be used in a diagnostic procedure, and which are not intended or marketed for reformulation, processing, repackaging or relabeling before use'. Under the terms of the agreement, 'licensed products' are 'materials (including organisms) in respect of which the manufacture, use or sale would, in the absence of this agreement, infringe one or more unexpired claims included in the rights attached to the patents under licence'.

4 — Article 8(3) of the licence agreement provides that 'the licensee may terminate this agreement and the licences granted pursuant hereto by giving Behringwerke two (2) months' notice for that purpose, if the licensee decides to stop using the licence rights conferred hereunder'.

5 — The active ingredient of Rituxan® is rituximab. Since 1998, this medicinal product has been marketed in the United States under the trade name Rituxan® and in the European Union under the trade name MabThera®. It is apparent from the answers provided by Genentech as well as by Hoechst and Sanofi-Aventis to the written questions put by the Court that the arbitral awards at issue in this case concern worldwide sales of Rituxan®, including the sales of this medicinal product under the name 'MabThera®'.

13. On 27 October 2008, Hoechst and Sanofi-Aventis brought an action before the United States District Court for the Eastern District of Texas against Genentech and Biogen (formerly Biogen Idec) for infringement of patents US 522 and US 140. On the same day, Genentech and Biogen brought an action for revocation of those patents before the United States District Court for the Northern District of California.

14. These two actions were joined before the United States District Court for the Northern District of California.

15. On 11 March 2011, the United States District Court for the Northern District of California held, in essence, that there was no infringement of the patents in question and dismissed the action for revocation of the patents, finding that Genentech had not met the required threshold of proof. That decision was upheld on 22 March 2012 by the United States Court of Appeals for the Federal Circuit and became final.

16. By the third partial award of 5 September 2012 ('the third partial award'),[6] the sole arbitrator chosen by the parties held[7] that Genentech had manufactured Rituxan® using the enhancer 'rightly or wrongly patented for some time in [patent EP 177] and later in [patents US 522 and 140] …'[8] and, on that basis, found that Genentech was required to pay Hoechst and Sanofi-Aventis the running royalties on the sale of Rituxan® and products with the same properties.[9]

17. The sole arbitrator held that, originally, Genentech had wanted to use the enhancer without being regarded as an infringer,[10] hence the licence agreement. It followed, according to the sole arbitrator, that the commercial purpose of the licence agreement[11] was to avert all litigation on the validity of patents US 522 and US 140 during the period of validity of the licence agreement.[12] In the arbitrator's opinion, 'such a truce [could] not last forever since the [licence agreement was] subject to being terminated on relatively short notice by either party …'.[13]

18. He took the view that, once a patent has been registered, a licensee such as Genentech could be comforted by securing a licence for the use of the patent, unlike a third party who might be deterred from competing with a licensee. The sole arbitrator therefore considered that, under the licence agreement, the registration of the patents was a relevant consideration in order to establish the existence of a commercial purpose for concluding the agreement at issue, even if the question of the validity of the patents was not. He pointed out that a patent dispute could last for years, as evidenced by the parallel disputes in the United States, and incur considerable costs.[14] A company such as Genentech therefore had an interest in concluding such an agreement.

6 — Footnote not relevant to the English version of this Opinion.

7 — See paragraphs 322 to 330 of the third partial award.

8 — See paragraph 326 of the third partial award.

9 — See paragraph 114 of the third partial award.

10 — See paragraph 299 of the third partial award.

11 — The sole arbitrator considered that, under German law, which applies to the licence agreement, contracts should be interpreted not only on the basis of their wording, but also on the basis of their genesis, their systematic context and their commercial purpose (see, to that effect, paragraph 255 of the third partial award). He found that the commercial reason that led the parties to enter into the licence agreement was that, when the agreement was concluded, Behringwerke had a patented invention (namely patent EP 177) which Genentech wished to make commercial use of without running the risk of infringing the patent (see, to that effect, paragraph 258 of the third partial award). According to the sole arbitrator, the question of the validity of the patent was not relevant under German law, which recognises the contractual right to royalty payments in a licence agreement even if the patent at issue is ultimately revoked. He held that, pursuant to German law, a person could also grant a licence in respect of an invention that was not patented or not patentable (see, to that effect, paragraph 292 of the third partial award).

12 — See, to that effect, paragraph 307 of the third partial award.

13 — See paragraph 308 of the third partial award.

14 — See paragraph 313 of the third partial award.

19. Consequently, the sole arbitrator held that any payments made under the licence agreement could not be reclaimed and any payments due thereunder remained due where the patent had been revoked or was not infringed by the licensee's activity. [15] Since the commercial purpose of the licence agreement was to avert all patent litigation, he took the view that the ultimate outcome of the patent proceedings did not require the licensor to refund the royalties received if the patent was found to be invalid. Nor did it release the licensee from its obligation to pay those royalties if, as in Genentech's case, it had withheld them.

20. On the basis of the foregoing considerations, the sole arbitrator held that, under the licence agreement, Genentech was required to pay Hoechst and Sanofi-Aventis the running royalties on the sales of Rituxan® manufactured between 15 December 1998 (when patent US 522 was issued) and 28 October 2008 (when the licence agreement was terminated). [16]

21. He also ordered Genentech to pay Hoechst and Sanofi-Aventis EUR 391420.36 plus USD 293565.27 (around EUR 260 000) in respect of their representation costs for the period between 9 June 2011 and 5 September 2012.

22. Lastly, he reserved the decisions on the assessment of the quantum of the royalties owed, on the arbitration costs and on other representation costs for the final award.

23. On 25 February 2013, the sole arbitrator issued his final award in which he ordered Genentech to pay Hoechst EUR 108 322 850 plus simple interest in respect of damages, EUR 211 250 in respect of arbitration costs, and EUR 634649.88 plus USD 555907.23 (around EUR 490 778) in respect of representation costs. [17]

24. In paragraph 219 of the final award, the sole arbitrator finds that, late on in the proceedings, Genentech argued that 'Hoechst's efforts to interpret [the licence agreement] so as to enable it to recover running royalties without taking account of whether or not the supposedly licensed products [were] covered by the licensed patents infringed the *antitrust rules of the European Union*'.

25. In this connection, the sole arbitrator held that 'Genentech [had] not explain[ed] *how* [EU competition law would be] infringed … [were it to lose] this arbitration. German licence law permits licence agreements for the purpose of using non-patented know-how and may provide for royalties to that end. This cannot be altered by claiming — without providing any further arguments — that the licence infringes [EU competition law]'. [18]

26. Genentech brought an action before the cour d'appel de Paris (Court of Appeal, Paris) under Articles 1518 and 1520 of the Code of Civil Procedure seeking annulment of the third partial award, the final award and the addendum.

27. By order of 3 October 2013, la cour d'appel de Paris (Court of Appeal, Paris) dismissed Genentech's application for joinder of the actions for annulment of the third partial award, the final award and the addendum.

28. In the context of the proceedings for annulment of the third partial award, the cour d'appel de Paris (Court of Appeal, Paris) questions whether the licence agreement is compatible with Article 101 TFEU. It observes that the sole arbitrator considered that, during the period of validity of the licence agreement, the licensee was bound to pay the royalties stipulated in the contract even though the

15 — See paragraph 314 of the third partial award.

16 — See, to that effect, paragraph 161 and point 1 of the operative part of the third partial award.

17 — These amounts were not altered by the decision and the addendum to the final award issued on 25 February 2013, which concerned the calculation of interest owed by Genentech to Hoechst ('the addendum').

18 — See paragraph 222 of the final award.

revocation of the patent or patents had retroactive effect. It enquires whether such an agreement contravenes the provisions of Article 101 TFEU, in so far as it requires the licensee to pay royalties now without cause on account of the revocation of the patent or patents attached to the rights granted and places the licensee at a 'competitive disadvantage'.

29. In those circumstances, the cour d'appel de Paris (Court of Appeal, Paris) decided to stay the proceedings and refer the following question to the Court for a preliminary ruling:

'Must the provisions of Article 101 TFEU be interpreted as precluding effect being given, where patents are revoked, to a licence agreement which requires the licensee to pay royalties for the sole use of the rights attached to the licensed patent?'

30. By order of 18 November 2015, the Cour de cassation (Court of Cassation) (France) declared inadmissible the appeal lodged by Hoechst and Sanofi-Aventis against the judgment of the cour d'appel de Paris (Court of Appeal, Paris) of 23 September 2014 referring a question to the Court for a preliminary ruling.

IV – **Procedure before the Court**

31. This request for a preliminary ruling was lodged at the Court Registry on 9 December 2014. Genentech, Hoechst and Sanofi-Aventis, the French, Spanish and Netherlands Governments and the European Commission submitted written observations.

32. Under Article 61(1) of the Rules of Procedure of the Court, the parties were invited to answer the Court's questions in writing, which they did on 18 December 2015.

33. At the hearing held on 20 January 2016, Genentech, Hoechst and Sanofi-Aventis, the French, Spanish and Netherlands Governments and the Commission made oral submissions.

V – **Assessment**

A – *Admissibility*

1. The link between the question referred and the actual facts of the dispute in the main proceedings

34. Hoechst and Sanofi-Aventis as well as the French Government submit that the question referred for a preliminary ruling is based on an incorrect factual premiss. Although it concerns the compatibility of the licence agreement with Article 101 TFEU 'where *patents* are revoked',[19] only patent EP 177 was revoked on 12 January 1999; patents US 522 and US 140 were not.[20] The question referred for a preliminary ruling is therefore devoid of purpose and should be declared inadmissible.

35. In my opinion, the fact that the national court refers, in the question raised, to the revocation of 'patents' (in the plural) even though only one patent was revoked does not mean that the request for a preliminary ruling is based on an incorrect factual premiss.

36. It is clearly apparent from the request for a preliminary ruling that the referring court is well aware of the fact that patents US 522 and US 140 have not been not revoked.

19 — My emphasis.

20 — See point 6 of this Opinion.

37. In that regard, the national court states in page 2 of its request for a preliminary ruling that the technology covered by the licence agreement 'gave rise to the issue of several patents: European Patent [EP 177] of 22 April 1992, *subsequently revoked* on 12 January 1999 by the European Patent Office for lack of novelty, American Patent [US 520] of 15 December 1998 and American Patent [US 140] of 17 April 2001'.[21] The national court makes no reference to the revocation of patents US 522 and US 140.

38. Furthermore, in page 3 of the request for a preliminary ruling, the national court refers to the judgment of 11 March 2011 of the United States District Court for the Northern District of California which, it submits, 'held that Rituxan® did not constitute an infringement of the patents at issue'. It follows that the national court is aware of the content of that judgment which also dismissed the action for revocation lodged against patents US 522 and US 140.[22]

39. Lastly, even though the sole arbitrator referred in paragraphs 193 and 194 of the third partial award to the revocation of patents US 522 and US 140 by the United States District Court for the Northern District of California, this error does not appear anywhere in the final award. On the contrary, in paragraph 50 of the final award, the sole arbitrator very clearly states that Genentech's action for the revocation of patents US 522 and US 140 was dismissed.

40. Whilst it is true that the three actions for annulment brought before the cour d'appel de Paris (Court of Appeal, Paris) against the third partial award, the final award and the addendum are not joined,[23] the documents before the Court clearly show that the three actions are related. In its request for a preliminary ruling, the national court itself treats these three judgments as one and the same.[24] It is therefore clear that there is no incorrect factual premiss.

41. In any event, the existence or otherwise of the allegedly incorrect factual premiss has no bearing on my proposed answer to the question referred by the national court, which concerns both the revocation of a patent (in this case, patent EP 177) as well as the non-infringement of a patent (in this case, patents US 522 and US 140).

42. As the Commission pointed out in its replies to the written questions put by the Court, 'the sole arbitrator held in the third partial award that the purpose of the [licence] agreement was not to make provision for the reimbursement of royalties or to prevent such royalties being claimed where the patents subsequently proved to be invalid or not infringed. The purpose of the agreement, interpreted in the light of German law and the history of negotiations between the parties, was to protect the user of the patent(s) — namely Genentech — against litigation concerning the patent(s) which could be protracted and costly. Accordingly, the fact that the US patents might be regarded as invalid or not infringed does not alter the extent of Genentech's obligation to pay the royalties'.

2. The possibility for the Court to give a useful answer to the national court

43. Hoechst and Sanofi-Aventis as well as the French Government submit that the Court is unable to give a useful answer to the national court.

21 — My emphasis.

22 — See points 13 to 15 of this Opinion.

23 — See point 27 of this Opinion.

24 — See, in particular, Genentech's heads of claim before the national court (reproduced in the request for a preliminary ruling) which seek the annulment of the third partial award, the definitive award and the addendum.

44. The French Government argues that the request for a preliminary ruling does not set out the matters of fact and law required in the context of the application of Article 101 TFEU and, in particular, Commission Regulation (EC) No 772/2004 of 27 April 2004 on the application of Article [101](3) [TFEU] to categories of technology transfer agreements,[25] such as the actual circumstances of the functioning and structure of the market in issue, the nature of the licence agreement as a contract between competitors or a reciprocal agreement, and the aspects of German law applicable to that agreement.

45. In my opinion, these arguments must be rejected because I find that, in accordance with the judgment in *Ottung* (320/87, EU:C:1989:195), Article 101(1) and (2) TFEU do not require the annulment of the third partial award.[26] The exemption regulations[27] mentioned by the French Government apply Article 101(3) TFEU to categories of technology transfer agreements and corresponding concerted practices to which only two undertakings are party, *falling within Article 101(1) TFEU*. That is not the case here.

46. In any event, I do not think that the Court would have sufficient information to conduct such an analysis, if it does not agree with my finding.

47. The plea of inadmissibility relating to the application of those exemption regulations could only be upheld if the Court were to disagree with my finding.

3. The power of the national court to refer a question to the Court for a preliminary ruling

48. Hoechst and Sanofi-Aventis submit that it is impossible to answer the question referred for a preliminary ruling without infringing French law which prevents international arbitral awards being reviewed as to their substance except where there is a flagrant infringement of international public policy.[28]

49. Failing such a flagrant infringement (as in the case of a cartel), Hoechst and Sanofi-Aventis draw a distinction between situations where the question of the compatibility of an agreement between undertakings with Article 101 TFEU was not addressed in the international arbitral award, thereby endangering the effectiveness of competition law, and situations where this question was indeed raised in the award. In their opinion, in the second situation which arises in the present case, the answer to the question referred for a preliminary ruling would make it necessary for the national court to review the third partial award as to its substance, since the ground for annulment forming the subject matter of this question was raised and debated before the sole arbitrator.

50. I recall that, in the context of the cooperation between the Court and the national courts, as provided for in Article 267 TFEU, it is solely for the national court before which a dispute has been brought, and which must assume responsibility for the subsequent judicial decision, to determine in the light of the particular circumstances of the case pending before it both the need for a preliminary ruling in order to enable it to deliver judgment and the relevance of the questions which it submits to the Court.

25 — OJ 2004 L 123, p. 11.

26 — See points 84 to 97 of this Opinion.

27 — The legal basis for all three regulations at issue is Council Regulation No 19/65/EEC of 2 March 1965 on application of Article [101](3) [TFEU] to certain categories of agreements and concerted practices (OJ, English Special Edition, Series I, Volume 1965-1966, pp. 35-37).

28 — See judgments of the cour d'appel de Paris (Court of Appeal, Paris) of 18 November 2004 in *Thalès*, RG No 2002/19606, p. 9, and Civil Chamber One of the Cour de cassation (Court of Cassation) of 4 June 2008 in *Cytec*, No 06-15.320, Bull. civ. I, No 162, p. 4.

51. Where questions referred by national courts concern the interpretation of a provision of EU law, the Court is thus bound, in principle, to give a ruling unless it is obvious that the request for a preliminary ruling is in reality designed to induce the Court to give a ruling by means of a fictitious dispute, or to deliver advisory opinions on general or hypothetical questions, or that the interpretation of EU law requested bears no relation to the actual facts of the main action or its purpose, or that the Court does not have before it the factual or legal material necessary to give a useful answer to the questions submitted to it. [29]

52. In my opinion, there is no evidence to suggest that the question referred for a preliminary ruling is hypothetical or that the interpretation of EU law requested bears no relation to the actual facts or purpose of the main action pending before the national court, which concerns Article 101 TFEU. Furthermore, I consider that the Court has before it the factual and legal material necessary to give a useful answer to the question referred.

53. I also note, purely for information, that the Cour de cassation (Court of Cassation) declared inadmissible the appeal lodged by Hoechst and Sanofi-Aventis against the judgment of the cour d'appel de Paris (Court of Appeal, Paris) of 23 September 2014 referring the present question to the Court for a preliminary ruling.

54. Consequently, the question referred for a preliminary ruling is admissible and must be answered.

B – *Substance*

1. The scope of the review of international arbitral awards in the light of European public policy rules

55. In its written observations, the French Government recalls that, in paragraph 32 of the judgment in *Eco Swiss* (C-126/97, EU:C:1999:269), the Court held that the review by Member States' courts of international arbitral awards raising questions of EU law may be 'more or less extensive depending on the circumstances', according to the rules adopted by the Member States within the framework of their procedural autonomy. On that basis, the French Government submits that the rules of French law under which the French courts are unable to review international arbitral awards as to their substance and are confined, in the context of an action for annulment of an international arbitral award such as that at issue in the present case, to examining 'flagrant' infringements [30] of international public policy, are consistent with the principle of effectiveness laid down in EU law.

56. Hoechst and Sanofi-Aventis submit [31] that, even though, in its judgment in *Eco Swiss* (C-126/97, EU:C:1999:269), the Court held that a national court hearing an action for annulment of an international arbitral award was required, in accordance with its internal rules of procedure, to uphold an action for annulment based on an infringement of Article 101 TFEU, the French rules of procedure at issue prevent any review of international arbitral awards as to their substance and limit the scope of that review to cases of 'flagrant' infringements. [32]

29 — See order in *EBS Le Relais Nord-Pas-de-Calais* (C-240/12, EU:C:2013:173, paragraph 12 and the case-law cited).

30 — See judgment of Civil Chamber One of the Cour de cassation (Court of Cassation) of 4 June 2008 in *Cytec*, No 06-15.320, Bull. civ. I, No 162, p. 4.

31 — See points 48 and 49 of this Opinion.

32 — See judgment of the cour d'appel de Paris (Court of Appeal, Paris) of 18 November 2004 in *Thalès*, RG No 2002/19606, p. 9. This approach was confirmed in *Cytec* (judgment of Civil Chamber One of the Cour de cassation (Court of Cassation) of 4 June 2008 in *Cytec*, No 06-15.320, Bull. civ. I, No 162, p. 4). Both cases concerned an infringement of EU competition law.

57. According to Hoechst and Sanofi-Aventis, since the question of the possible incompatibility of the licence agreement with Article 101 TFEU was raised and debated before the sole arbitrator and was rejected by him, it is impossible to answer the question referred for a preliminary ruling without reviewing the third partial award as to its substance, in so far as a licence agreement such as that at issue in this case cannot constitute a restriction by object under Article 101 TFEU and cannot, therefore, constitute a flagrant infringement of Article 101 TFEU.

58. In my opinion, limitations on the scope [33] of the review of international arbitral awards such as those under French law mentioned by Hoechst and Sanofi-Aventis as well as by the French Government — namely the flagrant nature of the infringement of international public policy and the impossibility of reviewing an international arbitral award on the ground of such an infringement where the question of public policy was raised and debated before the arbitral tribunal — are contrary to the principle of effectiveness of EU law.

59. Referring to the system for reviewing the compatibility of international arbitral awards with EU law through the public policy reservation, as established by the Court in its judgment in *Eco Swiss* (C-126/97, EU:C:1999:269) — which concerned, as in this case, an action for annulment of an international arbitral award based on an infringement of public policy and was confirmed by the judgment in *Gazprom* (C-536/13, EU:C:2015:316), involving an application for the recognition and enforcement of an international arbitral award disputed on public policy grounds — the Court has held that arbitral tribunals 'constituted pursuant to an agreement' [34] are not courts of the Member States within the meaning of Article 267 TFEU. Consequently, they cannot refer questions for a preliminary ruling. It is therefore for the courts of the Member States, within the meaning of Article 267 TFEU, to examine, if necessary by referring a question for a preliminary ruling, [35] the compatibility of (international or domestic) arbitral awards with EU law where an action is brought before them for annulment [36] or enforcement, [37] or where any other form of action or review is sought under the relevant national legislation.

33 — Since the action for annulment concerns, in accordance with Article 1520 of the Code of Civil Procedure, international arbitral awards delivered in France, the subject matter of the review is the international arbitral award itself and not the underlying instrument containing the arbitration clause which gave rise to the arbitration, in this case the licence agreement. It is true that international arbitral awards are not agreements between undertakings within the meaning of Article 101 TFEU, but international legal decisions which are not attached to any State legal order and instead fall within the scope of the international arbitral order (see judgment of Civil Chamber One of the Cour de cassation (Court of Cassation) of 8 July 2015 in *Ryanair*, No 13-25.846, FR:CCASS:2015:C100797; also see, to that effect, judgments of Civil Chamber One of the Cour de cassation (Court of Cassation) of 23 March 1994 in *Hilmarton Ltd*, No 92-15137, Bull. civ. I, No 104, p. 79, and 29 June 2007 in *PT Putrabali Adyamulia*, No 05-18053, Bull. civ. I, No 250). However, the judgment in *Eco Swiss* (C-126/97, EU:C:1999:269) clearly shows that an international arbitral award must be annulled where it gives effect to an agreement between undertakings which infringes Article 101 TFEU, even if the award itself does not constitute an agreement between undertakings. Otherwise, the parties could put anticompetitive agreements beyond the reach of Article 101 TFEU by inserting arbitration clauses in those agreements.

34 — See judgment in *Eco Swiss* (C-126/97, EU:C:1999:269, paragraph 34). I use this term to avoid confusion with some arbitral tribunals which the Court has found fulfil the criteria laid down in the case-law in order to be able to refer a question for a preliminary ruling (see judgment in *Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta*, C-377/13, EU:C:2014:1754, and order in *Merck Canada*, C-555/13, EU:C:2014:92). Based on this case-law, the arbitral tribunals hearing cases within the framework of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (ICSID) could be regarded as being able to refer questions to the Court for a preliminary ruling. See, to that effect, Basedow, J., 'EU Law in International Arbitration: Referrals to the European Court of Justice', *Journal of International Arbitration*, Vol. 32, 2015, p. 367, p. 376 to 381. Since the number and size of investment arbitrations raising questions on the application of EU law are increasing, particularly in the field of State aid, the possibility for arbitral tribunals to refer questions for a preliminary ruling could help to ensure the correct and effective implementation of EU law.

35 — See judgment in *Eco Swiss* (C-126/97, EU:C:1999:269, paragraphs 32, 33 and 40). Also see, to that effect, judgment of the Högsta domstolen (Supreme Court, Sweden) of 17 June 2015 in case No T 5767-13, *Systembolaget* v *The Absolute Company*, paragraph 23.

36 — This is the situation of the national court in the present case as well as the Netherlands courts in the case which gave rise to the judgment in *Eco Swiss* (C-126/97, EU:C:1999:269).

37 — This was the situation of the Lithuanian courts in the case which gave rise to the judgment in *Gazprom* (C-536/13, EU:C:2015:316) where the question was whether the international arbitral award at issue was an 'anti-suit injunction' contrary to public policy within the meaning of Article V(2)(b) of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, signed in New York on 10 June 1958 (*United Nations Treaty Series*, Vol. 330, p. 3).

60. In other words, the system for reviewing the compatibility of international arbitral awards with substantive EU law through the public policy reservation, whether in the context of an action against recognition and enforcement or an action for annulment, shifts responsibility for the review downstream, namely to the courts of the Member States, rather than upstream, to arbitral tribunals. [38]

61. The task of arbitrators in international commercial arbitration is to interpret and apply the contract binding the parties correctly. In the performance of this task, arbitrators may naturally find it necessary to apply EU law, if it forms part of the law applicable to the contract (*lex contractus*) or the law applicable to the arbitration (*lex arbitri*). However, the responsibility for reviewing compliance with European public policy rules lies with the courts of the Member States and not with arbitrators, whether in the context of an action for annulment or proceedings for recognition and enforcement. [39]

62. This system is therefore the opposite of the system of mutual trust established, in particular, by Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, [40] which entrusts responsibility for ensuring compliance with EU law, applicable to the substance of the dispute, including European public policy rules, to the court hearing the substance of the dispute (the upstream court), and not the downstream court of recognition and enforcement. [41]

63. On that basis, I will examine the two limitations imposed by French law.

a) The flagrant or manifest nature of the infringement of public policy

64. If the review of an international arbitral award in the light of European public policy rules (which cover only a very narrow category of rules in the EU legal order) had to be limited to manifest or flagrant infringements of Article 101 TFEU, this review would be illusory since agreements or practices liable to restrict or distort competition are 'frequently covert', [42] which would, in many cases, make it impossible (or excessively difficult) for individuals to exercise the rights conferred on them by EU competition law.

38 — There are of course some exceptions, such as, in particular, the upstream involvement of the (State) court of the seat of the arbitration in its capacity as court supporting the arbitration. However, these exceptions are not directed at ensuring compliance with EU law. See, to that effect, judgment in *Rich* (C-190/89, EU:C:1991:319) which concerned the constitution of an arbitral tribunal.

39 — The situation may be different in the case of international investment arbitrations where some rules, such as the ICSID convention, do not make any provision allowing the courts of the Member States to review the compatibility of international arbitral awards with European public policy (see, in particular, Articles 53 and 54 of that convention). However, in so far as these legal rules, such as the ICSID convention, are binding on Member States vis-à-vis third countries, they fall within the ambit of Article 351 TFEU. A conflict between the international arbitral order and the EU legal order could be averted if arbitral tribunals were able to submit questions to the Court for a preliminary ruling (see footnote 34).

40 — OJ 2012 L 351, p. 1.

41 — See, to that effect, paragraph 33 of the judgment in *Renault* (C-38/98, EU:C:2000:225) where the Court held that 'the court of the State in which enforcement is sought cannot, without undermining the aim of the Convention, refuse recognition of a decision emanating from another Contracting State solely on the ground that it considers that national or [EU] law was misapplied in that decision. On the contrary, it must be considered whether, in such cases, the system of legal remedies in each Contracting State, together with the preliminary ruling procedure provided for in Article [267 TFEU], affords a sufficient guarantee to individuals'. The Court went on to hold in paragraph 34 of its judgment that '… an error of law such as that alleged in the main proceedings does not constitute a manifest breach of a rule of law regarded as essential in the legal order of the State in which enforcement is sought'.

42 — Judgment in *Courage and Crehan* (C-453/99, EU:C:2001:465, paragraph 27).

65. As Hoechst and Sanofi-Aventis conceded in paragraph 21 of their written observations, along with their legal expert in paragraph 5 of her opinion,[43] the effect of this extremely limited review would be that it would cover only 'the most obvious infringements [of Article 101 TFEU], such as price-fixing or market-sharing agreements'. Restrictions by effect would therefore completely evade review by the courts hearing actions for annulment, since a finding that such restrictions exist would require more than a token examination of the substance of the arbitral award, which the French courts are unable to do.

66. Even if there were a scale of infringements of Article 101 TFEU based on their obviousness and harmfulness including, in particular, restrictions by object and by effect,[44] there is nothing in Article 101 TFEU to support the conclusion that these restrictions would be permissible. Indeed, Article 101 TFEU expressly prohibits agreements between undertakings '*which have as their object or effect*'[45] the restriction of competition. Accordingly, either there is an infringement of Article 101 TFEU, in which case the agreement between undertakings at issue is automatically void, or there is no infringement at all.

67. Consequently, it makes no difference whether the infringement of the public policy rule was flagrant or not. No system can accept infringements of its most fundamental rules making up its public policy, irrespective of whether or not those infringements are flagrant or obvious.

b) The impossibility of reviewing an international arbitral award on the ground of infringement of public policy where the question was raised and debated before the arbitral tribunal, because this would entail a review of the award as to its substance

68. In paragraph 36 of its judgment in *Eco Swiss* (C-126/97, EU:C:1999:269), the Court held that Article 101 TFEU (formerly Article 81 EC) constituted 'a fundamental provision which is essential for the accomplishment of the tasks entrusted to the [EU] and, in particular, for the functioning of the internal market'.[46]

69. In addition, in paragraph 37 of the judgment in *Gazprom* (C-536/13, EU:C:2015:316), the Court held that the principle of mutual trust is not binding on arbitral tribunals.[47] This means that the courts of the Member States are not bound to comply with the answers to questions concerning EU law given by arbitral tribunals, which are not courts of the Member States within the meaning of Article 267 TFEU.

43 — Professor Laurence Idot acknowledges that her line of argument would result in the situation whereby, 'except in exceptional cases where an award gives effect to, for example, a cartel, the State court [could] no longer, when hearing an action contesting the award, debate the substantive question of competition law if it had been raised and debated before the arbitral tribunal'.

44 — See judgment in *CB* v *Commission* (C-67/13 P, EU:C:2014:2204, paragraphs 48 to 52).

45 — My emphasis.

46 — The Court based this finding on Article 3(g) of the EC Treaty (currently Article 3(1)(b) TFEU). As I explained in point 182 of my Opinion in *Gazprom* (C-536/13, EU:C:2014:2414), 'I do not agree that the [judgment] in *Eco Swiss* (C-126/97, EU:C:1999:269, paragraph 36) … should be interpreted in such a way that the mere fact that a particular sphere forms part of the exclusive or shared powers of the European Union in accordance with Articles 3 TFEU and 4 TFEU is sufficient to raise a provision of EU law to the rank of public-policy provisions. If that were the case, EU law in its entirety, from the Charter of Fundamental Rights to a directive on pressurised equipment, would be a matter of public policy …'. In point 177 of that Opinion, I explained, by citing paragraph 304 of the judgment in *Kadi and Al Barakaat International Foundation* v *Council and Commission* (C-402/05 P and C-415/05 P, EU:C:2008:461), that the notion of European public policy could only cover 'principles that form part of the very foundations of the [EU] legal order' to the point that their '*breach … cannot be tolerated* … because such a breach would be unacceptable from the viewpoint of a free and democratic State governed by the rule of law'. These are therefore 'mandatory rule[s] which [are] so *fundamental* to the [EU] legal order that [they] cannot be subject to any derogation whatsoever in the context of the case at issue' (see point 100 of my Opinion in *Bogendorff von Wolffersdorff*, C-438/14, EU:C:2016:11). Articles 101 TFEU and 102 TFEU are, in that sense, fundamental provisions which are essential for the functioning of the internal market, without which the European Union would not function and the breach of which, whether or not flagrant or obvious, would be unacceptable from the standpoint of the EU legal order.

47 — Also see, to that effect, point 154 of my Opinion in *Gazprom* (C-536/13, EU:C:2014:2414).

70. Consequently, if Article 101 TFEU is a provision of fundamental importance to the EU legal order, the fact that the parties may have raised and debated the question of the incompatibility of the arbitral award with this provision before the arbitral tribunal cannot be decisive. This is because the conduct of the parties during the arbitration proceedings could have the effect of undermining the effectiveness of that article, since the arbitral tribunal is unable in principle [48] to submit a question to the Court for a preliminary ruling and is not necessarily tasked with interpreting and applying EU law.

71. For these reasons, the review by a court of a Member State of whether international arbitral awards are contrary to European public policy rules cannot be conditioned by whether or not this question was raised or debated during the arbitration proceedings, nor can it be limited by the prohibition under national law preventing the substance of the award in issue from being reconsidered.

72. Put another way, one or more parties to agreements which might be regarded as anticompetitive cannot put these agreements beyond the reach of review under Articles 101 TFEU and 102 TFEU by resorting to arbitration.

2. Does Article 101(1) TFEU require the annulment of an international arbitral award such as that at issue in the main proceedings which gives effect to a patent licence agreement providing for the payment of royalties for the entire duration of the agreement, even in the event of the revocation with retroactive effect of a patent covering the technology concerned (in this case, patent EP 177) or where the use of the technology at issue does not entail any infringement (patents US 522 and US 140)?

a) Preliminary remarks

73. It is apparent from reading the third partial award and the sole arbitrator's interpretation of the licence agreement that Genentech's obligation to pay running royalties to Hoechst and Sanofi-Aventis, calculated on the basis of their production of medicinal products using the technology of the enhancer, was not conditional on that technology being or remaining patent protected. [49]

74. According to the third partial award, the mere use of the technology at issue during the term of the licence agreement was sufficient to trigger the obligation to pay running royalties. [50]

75. In this respect, it is not for the Court to review or call in question the findings of the sole arbitrator and his interpretation of the licence agreement under German law, according to which the licence agreement required royalties to be paid notwithstanding the revocation or non-infringement of one or more patents.

48 — See judgment in *Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta* (C-377/13, EU:C:2014:1754) and order in *Merck Canada* (C-555/13, EU:C:2014:92). In the present case, the sole arbitrator is not a 'court or tribunal of a Member State' within the meaning of this case-law because his jurisdiction is not binding and is instead the result of a contractual choice freely made by the parties to the licence agreement which gave rise to the arbitral awards at issue in the main proceedings.

49 — In their replies to the written questions put by the Court, Genentech, Hoechst and Sanofi-Aventis, the French Government and the Commission submit that the third partial award does not concern patent EP 177. The Commission argues that the two US patents (patents US 522 and US 140) are not much more relevant to the third partial award. It contends that, under the law applicable to the licence agreement, namely German law, the revocation or annulment of a patent under licence does not affect the obligation to pay royalties, adding that a licence may be granted under German law even for a technology which is not patented or not patentable. Hoechst and Sanofi-Aventis state that it is clearly apparent from the third partial award that the sole arbitrator ordered Genentech to pay the royalties owed to Sanofi based exclusively on the fact that Genentech used the enhancer forming the subject matter of the licence agreement to manufacture Rituxan® in the United States.

50 — It is not disputed that, according to the US courts, patents US 522 and US 140 are not infringed. The sole arbitrator also found in paragraphs 322 to 330 of the third partial award that the enhancer had been used to manufacture Rituxan® between 15 December 1998 and 27 October 2008. See point 16 of this Opinion.

76. Furthermore, the national court's question only concerns the interpretation of Article 101 TFEU, rendering Genentech's references to the judgment in *Huawei Technologies* (C-170/13, EU:C:2014:2391) and to some passages of my Opinion [51] in that case, which relate exclusively to Article 102 TFEU, pointless.

b) Arguments of the parties

77. For Genentech, the obligation imposed by the third partial award to pay the running royalties at issue where the patent is revoked or where there is no infringement of a licensed patent not only significantly affects trade between Member States, but also constitutes a restriction on competition by both object and effect.

78. As regards the effect on trade between Member States, Genentech maintains that, on 2 June 1998, the Commission granted EU-wide marketing authorisation for MabThera® under Council Regulation (EEC) No 2309/93 of 22 July 1993 laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Agency for the Evaluation of Medicinal Products. [52] According to Genentech, during the relevant period (1998 to 2008), it manufactured 'rituximab' with a view to it being marketed in different Member States, mainly the Federal Republic of Germany, the Kingdom of Spain, the French Republic, the Italian Republic and the United Kingdom of Great Britain and Northern Ireland. It notes that the royalties awarded by the sole arbitrator were calculated on the basis of net worldwide sales of finished products for the period between 1998 and 2008 and that, in view of the high volume of sales in the European Union during the relevant period, the restriction on competition resulting from the payment ordered by the sole arbitrator directly affects trade between Member States.

79. Genentech also explains that it is at a competitive disadvantage on the market, since it is required to pay for the use of a technology which its competitors can take advantage of freely and without charge.

80. Furthermore, Genentech submits that Hoechst and Sanofi-Aventis were rewarded and unjustly enriched by receiving [53] running royalties in respect of scientific and technological discoveries to which they contributed nothing. It claims that the international arbitration awards at issue in the main proceedings enabled Hoechst and Sanofi-Aventis to 'tax' their competitors and impose a financial burden on the pharmaceutical industry in general and on Genentech and its subsidiaries in particular, which pursue their business both in Europe and in the rest of the world, in contravention of EU competition law.

81. As regards competition in the strict sense, Genentech claims that Sanofi-Aventis is the second largest pharmaceutical group in Europe in terms of revenue for prescription medicines and is involved in research and development as well as the manufacture of medicinal products in several therapeutic areas. It also states that Sanofi-Aventis is one of the main competitors of Roche (which currently wholly owns Genentech) in the research-based field of the pharmaceutical industry.

82. By contrast, Hoechst and Sanofi-Aventis argue that the arbitral awards disputed by Genentech have only a very weak link to the European Union.

51 — C-170/13, EU:C:2014:2391.

52 — OJ 1993 L 214, p. 1.

53 — By order of 3 October 2013, the cour d'appel de Paris (Court of Appeal, Paris) granted leave to enforce the third partial award, the final award and the addendum. The orders and rulings have therefore been enforced.

83. They also submit that the royalties owed by Genentech do not derive from any European patent and that the international arbitral awards in dispute do not have even the slightest impact on Genentech's sales. Furthermore, they claim that the sole arbitrator ruled on the single question whether Genentech was contractually bound to pay the royalties provided for in the licence agreement and that the royalties awarded to Hoechst and Sanofi-Aventis in the final award were calculated on the basis of worldwide sales of Rituxan®, only 17% of which related to the European Union, corresponding to approximately EUR 18 million during the period at issue between 1998 and 2008.

c) Assessment

84. Concerning the assessment of the effect on trade between Member States, I concur with the Commission's observations in its replies to the written questions put by the Court that it is for the national court to determine whether, in the light of the characteristics of the market at issue, it is sufficiently likely that the obligation to pay royalties, in compliance with the final award and under the licence agreement, exerts a direct or indirect, actual or potential influence on the movement of trade between the Member States, and that this influence is not insignificant.[54]

85. As regards the restriction on competition, the question here is not whether Genentech was commercially disadvantaged by the sole arbitrator's interpretation of the licence agreement or whether, with the (indisputable) benefit of hindsight, it would not have entered into such an agreement.[55] The aim of Article 101 TFEU is not to regulate commercial relations between undertakings in a general way, but rather to prohibit some types of agreements between them which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market.

86. In addition, in its judgment in *Ottung* (320/87, EU:C:1989:195), the Court examined in the light of competition law a contractual obligation under which the licensee of a patented invention was required to pay a royalty for an indeterminate period, and thus even after the expiry of the patent.

87. In paragraphs 11 and 12 of the judgment, the Court held:

'The possibility cannot be ruled out that the reason for the inclusion in a licensing agreement of a clause imposing an obligation to pay royalty *may be unconnected with a patent*. Such a clause may instead reflect *a commercial assessment* of the value to be attributed to the possibilities of exploitation granted by the licensing agreement. …

54 — According to the Commission, there are factors which suggest that the obligation to pay the royalties at issue may have such an influence. 'First, the geographic scope of the licence agreement is worldwide and thus includes the whole of the European Union … Secondly, the licence agreement relates to a technology which, in the [sole] arbitrator's opinion, was used to manufacture rituximab, the active ingredient of the medicinal product MabThera® marketed in the European Union. Thirdly, MabThera® was the subject of marketing authorisation … under Article 3 of [Regulation (EEC) No 2309/93]. Fourthly, it appears that Genentech marketed MabThera® in at least Germany, France and Italy. Fifthly, it appears that Sanofi and [Genentech, now part of the Roche group,] are major competitors in the field of pharmaceutical research and, in particular, are potential competitors within the sphere of action of Rituxan® (and MabThera®). Sixthly, the obligation to pay royalties may add to Genentech's manufacturing costs and have the effect of reducing competition on existing product and technology markets, particularly within the sphere of action of MabThera®. Seventhly, it appears that Rituxan® and MabThera® generate turnover in excess of one billion euros, enabling them to be regarded as "blockbuster" medicinal products.'

55 — As Hoechst and Sanofi-Aventis observed in their replies to the written questions put by the Court, 'the mere fact that the payment of contractual royalties owed under the licence agreement may possibly constitute a financial burden for the licensee, in this case Genentech, is not sufficient to characterise a restriction on competition. Such a burden simply illustrates the commercial nature of the licence agreement, which was concluded with complete knowledge of the facts by fully informed commercial undertakings of equal strength, and which — as with all other commercial agreements — may turn out to be commercially less advantageous than initially envisaged by one of the parties'.

Where the obligation to pay royalty was entered into for an indeterminate period and thus purports to bind the licensee even after the expiry of the patent concerned, the question arises whether, having regard to the economic and legal context of the licensing agreement, the obligation to continue to pay royalty might constitute a restriction of competition of the kind referred to in Article [101](1).'[56]

88. According to the Court, the obligation at issue may infringe Article 101(1) TFEU where the licence agreement either does not grant the licensee the right to terminate the agreement by giving reasonable notice or seeks to restrict the licensee's freedom of action after termination.[57]

89. Although it is true that that judgment covered slightly different economic and legal circumstances from those at issue in the main proceedings,[58] I consider that the case-law can be applied to the present case by analogy.

90. The third partial award confirms the fact that Genentech's obligation to pay royalties flowed not from the use of a technology protected by valid patents, but from the licence agreement alone.[59] The sole arbitrator's interpretation of the licence agreement under German law clearly shows that the commercial purpose of the agreement was to enable Genentech to use the enhancer at issue while averting patent litigation. Since Genentech, unlike other users of the enhancer who did not conclude a licence agreement with Hoechst and Sanofi-Aventis, actually benefited from this 'temporary truce'[60] for the duration of the licence agreement, the payments for using the enhancer, owed by Genentech under the agreement, were not reimbursable notwithstanding the absence of infringement or the revocation of the patents at issue.

91. Furthermore, the obligation to pay royalties was stipulated to last only for the duration of the validity of the licence agreement and Genentech was freely able to terminate it by giving very short notice of two months.[61] As soon as the licence agreement was terminated, Genentech was therefore in exactly the same position as all other users of the enhancer at issue.[62]

92. I also note that Genentech's freedom of action was not restricted in any way during the period after termination and it was not subject to any clause preventing it from challenging the validity or the infringement of the patents at issue. Indeed, following the termination of the licence agreement, Genentech brought proceedings to revoke the patents before the United States District Court for the Northern District of California.

56 — My emphasis.

57 — See judgment in *Ottung* (320/87, EU:C:1989:195, paragraph 13). Genentech considers that the Commission, in its decision of 2 December 1975 relating to a proceeding under Article [101 TFEU] (IV/26.949 — *AOIP* v *Beyrard*) (OJ 1976 L 6, p. 8), 'stated that there is a restriction on competition where a clause of a licensed patent agreement "provides for the payment of royalties to the licensor whether or not the licensor's patents are exploited". According to the Commission …, a clause such as this in a licence agreement "is also incompatible with Article [101](1), in the same way as the obligation to pay royalties *after the expiration of a patent*"' (my emphasis). Genentech's observations concern a clause which requires a licensee to pay royalties where it manufactures the products referred to in the agreement without using the licensor's patents. In that decision, the Commission found that the clause had a restrictive effect on competition because it provided for the payment of royalties to the licensor whether or not the licensor's patents were exploited. It considered that the clause at issue, like other clauses laying down an obligation to pay royalties after the expiry of a patent, was incompatible with Article 101(1) TFEU. It should be noted that the Commission, like the Court in paragraph 13 of its judgment in *Ottung* (320/87, EU:C:1989:195), pointed out that 'the obligation to pay royalties after the expiration of the … patent … constitutes … an infringement of Article [101] *because the licensee does not have the right to terminate the agreement*' (my emphasis).

58 — The present case concerns the revocation or non-infringement of patents while the case giving rise to the judgment in *Ottung* (320/87, EU:C:1989:195) concerned the expiry of patents.

59 — According to Hoechst and Sanofi-Aventis, the national laws of several Member States provide that, where a patent is revoked, the licensee is entitled to stop paying royalties in the future, but cannot demand reimbursement of royalties already paid.

60 — See paragraph 315 of the third partial award.

61 — In the case giving rise to the judgment in *Ottung* (320/87, EU:C:1989:195), the notice period was six months expiring on 1 October of each year.

62 — By contrast, as the Commission submits in its observations, 'an obligation to continue to pay royalties, without it being possible to terminate the agreement by giving reasonable notice, would add to the licensee's manufacturing costs without economic justification and would have the effect of reducing competition on the existing product and technology markets and deterring the licensee from investing in the development and improvement of its technology'.

93. Genentech nevertheless submits that the judgment in *Windsurfing International* v *Commission* (193/83, EU:C:1986:75) demonstrates that Article 101(1) TFEU is infringed if the holder of a patent licence is required to pay royalties calculated on the basis of the net selling price of a product which is not covered by the patent.

94. In that judgment, the Court held that, in principle, this method of calculating royalties based on the net selling price of a complete sailboard was of such a nature as to restrict competition with regard to boards which were not covered by a patent.[63] The Court noted, in paragraph 65 of its judgment, that the demand for rigs and for boards was separate.

95. However, in that judgment the patent holder had, by means of the clause at issue and in contravention of Article 101(1)(e) TFEU, made the conclusion of the agreement conditional on the acceptance, by its partner, of supplementary obligations[64] which, by their nature or according to commercial usage, had no connection with the subject matter of the agreement. In the main proceedings, there is no evidence to suggest that the enforcement of the third partial award would have had the effect of imposing obligations on Genentech which, by their nature or according to commercial usage, would have had no connection with the subject matter of the licence agreement.

96. According to the sole arbitrator, the commercial purpose of the licence agreement was to avert patent litigation and, in consequence, the calculation of royalties was wholly independent of the existence or otherwise of a valid patent over the finished product.

97. Consequently, I consider that Article 101 TFEU does not preclude effect being given, in the event of revocation or non-infringement of patents protecting a technology, to a licence agreement which requires the licensee to pay royalties for the sole use of the rights attached to the licensed patents where, first, the commercial purpose of the agreement is to enable the licensee to use the technology at issue while averting patent litigation and, secondly, the licensee may terminate the licence agreement by giving reasonable notice, even in the event of revocation or non-infringement.

3. Applicability of the exemption regulations on technology transfer

98. Genentech, Hoechst, Sanofi-Aventis, the Netherlands Government and the Commission filed observations on the application of the provisions of Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements.[65]

99. By contrast, the French Government submits that, since the question referred for a preliminary ruling concerns the implementation of the licence agreement between 15 December 1998 and 27 October 2008, Commission Regulation (EC) No 240/96 of 31 January 1996 on the application of Article [101](3) [TFEU] to certain categories of technology transfer agreements[66] and Regulation No 772/2004 should be applied for the period at issue.

100. In my opinion, it is not appropriate to examine the applicability of these three ‘exemption’ regulations in the present case.

63 — See judgment in *Windsurfing International* v *Commission* (193/83, EU:C:1986:75, paragraph 67).

64 — The relevant clause of the licence agreement required the licensees to pay royalties for sailboard rigs manufactured under a patent only covering rigs based on the selling price of a complete sailboard, which was made up of rigs and boards, the latter not being covered by the patent.

65 — OJ 2014 L 93, p. 17.

66 — OJ 1996 L 31, p. 2.

101. Besides the fact that the Court does not have sufficient information in order to conduct such an analysis, there is no need to do so because I consider that, in accordance with the judgment in *Ottung* (320/87, EU:C:1989:195), Article 101(1) and (2) TFEU does not require the annulment of the third partial award. I note that these exemption regulations apply Article 101(3) TFEU[67] to categories of technology transfer agreements and corresponding concerted practices to which only two undertakings are party, *falling within Article 101(1) TFEU*.

102. I also consider, for the sake of completeness, that it is necessary to reject Genentech's observations that its obligation, in compliance with the third partial award, to pay royalties on the basis of all sales of MabThera® constitutes a hardcore restriction under Article 4(1)(a) and (d) of Regulation No 316/2014.

103. The documents before the Court do not show that the object or effect of the licence agreement and the third partial award is to restrict Genentech's ability to determine its prices when selling products to third parties[68] or to restrict its ability 'to exploit its own technology rights' or 'to carry out research and development'.[69]

VI – **Conclusion**

104. I therefore propose that the Court should give the following answer to the questions referred for a preliminary ruling by the cour d'appel de Paris (Court of Appeal, Paris):

Article 101 TFEU does not require, in the event of revocation or non-infringement of patents protecting a technology, the annulment of an international arbitral award giving effect to a licence agreement which obliges the licensee to pay royalties for the sole use of the rights attached to the licensed patents where the commercial purpose of the agreement is to enable the licensee to use the technology at issue while averting patent litigation, provided that the licensee is able to terminate the licence agreement by giving reasonable notice, is able to challenge the validity or infringement of the patents, and retains his freedom of action after termination.

67 — The three regulations at issue all have Regulation No 19/65 as their legal basis.

68 — See Article 4(1)(a) of Regulation No 316/2014. See, to that effect, Article 101(1)(a) TFEU.

69 — See Article 4(1)(d) of Regulation No 316/2014. See, to that effect, Article 101(1)(b) TFEU.