



The party having to pay a fee for a licence to use a patent must pay the fee even in the event that such patent is annulled or not infringed

Judgment of the European Court of Justice of 7 July 2016 in Case C-567/14

Background

In 1992, Behringwerke AG and Genentech entered into a licence agreement under which the former granted the latter a non-exclusive worldwide licence to use a specific trigger that increases the efficiency of the cellular process employed to produce proteins. The licensed technology was protected by two US patents and one European patent. As compensation for the right to use said technology, Genentech committed to pay certain fees to the licensor but licensor claimed that Genentech failed to pay a periodic fee, equal to a percentage of sales of the 'finished products' (understood as those that, in the absence of the agreement, would infringe the patents).

Genentech used the licensed technology to facilitate the transcription of a DNA sequence to produce a biological medicinal product, the active substance of which was rituximab, for its sale in both the EU and the US. In 2008, the licensor asked Genetech about the medicinal products that Genetech sold without paying the periodic fee and, subsequently, Genentech provided notification of its decision to terminate the license agreement with two months' notice.

Dispute

The licensor initiated arbitration proceedings before the International Chamber of Commerce, on the grounds that Genentech had breached the agreement. The arbitrator ruled that Genetech had the obligation to pay the periodic fee and that it had to pay to the licen-

sor more than 100 million Euro.

Genentech appealed against the ruling before the Cour d'Appel in Paris, arguing that it should not be forced to pay the periodic fee as the European patent that had been licensed to Genetech, had been annulled in 1999 by the European Patent Office and that, in 2011, a court in California ruled that Genentech had not infringed the patents. Based on this rationale, the Cour d'Appel in Paris took the decision to suspend the matter and seek a preliminary ruling from the European Court of Justice.

Position assumed by the European Court of Justice

The preliminary ruling, in essence, consisted of ascertaining whether the obligation imposed on the licensee, as part of the patent licence agreement, of paying a fee throughout the duration of the agreement up until its termination, despite not infringing the patent or the patent in question having been annulled, may be invalid on the grounds of restricting competition.

The Court of Justice concluded that local fact that the competent authorities had annulled the patents or deemed that they had not been infringed, does not affect the enforceability of the fee during the period of validity of the agreement and that, given that Genentech could freely terminate the agreement with a reasonable notice period, the agreement cannot be considered as restricting competition.