

European Court of Justice, 12 May 1989, Ottung**COMPETITION LAW**

A contractual obligation under which the grantee of a licence for a patented invention is required to pay royalty for an indeterminate period, and thus after the expiry of the patent, does not in itself constitute a restriction of competition within the meaning of Article 85(1) of the EEC Treaty, if the agreement was entered into after the patent application was submitted and before the grant of the patent

- An obligation to continue to pay royalty after the expiry of a patent can result only from a licensing agreement which 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.

If that were the case, the agreement might, having regard to its economic and legal context, restrict competition within the meaning of Article 85(1). Where, however, the licensee may freely terminate the agreement by giving reasonable notice, an obligation to pay royalty throughout the validity of the agreement cannot come within the scope of the prohibition contained in Article 85(1).

14 For the purpose of the national court's assessment of the legality of the clause at issue, it is irrelevant that the licensor is bound by a clause preventing him from terminating the agreement.

A clause in a licensing agreement prohibiting the manufacture and marketing of products after termination of the agreement only comes within the prohibition laid down in Article 85(1) if it is liable to appreciably affect trade between Member States

- A clause in a licensing agreement prohibiting the manufacture and marketing of the products in question after termination of the agreement weakens the licensee's competitive position since it places the licensee at a disadvantage in relation to its competitors, who may freely manufacture the products concerned after the patent has expired

To that extent the clause in question may, depending on the legal and economic context in which the agreement was concluded, restrict competition within the meaning of Article 85(1).

19 However, it is for the national court to verify, having regard to the relevant information at its disposal, in particular the position occupied by the undertakings concerned in the market for the products at issue, whether the licensing agreement is liable to appreciably affect trade between the Member States.

20 It must therefore be stated in reply to the fourth question that a clause contained in a licensing

agreement prohibiting the manufacture and marketing of the products after the termination of the agreement comes within the prohibition laid down in Article 85(1) only if it emerges from the economic and legal context in which the agreement was concluded that it is liable to appreciably affect trade between Member States.

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European Court of Justice, 12 May 1989

(T. Koopmans, T.F. O'Higgins, G.F. Mancini, C.N. Kakouris, F.A. Schockweiler)

JUDGMENT OF THE COURT (Sixth Chamber)

12 May 1989

In Case 320187

REFERENCE to the Court under Article 177 of the EEC Treaty by the SØ- og Handelsret (Maritime and Commercial Court), Copenhagen, for a preliminary ruling in the proceedings pending before that court between

Kai Ottung
and

- (1) Klee & Weilbach AIS
- (2) Thomas Schmidt AIS

on the interpretation of Article 85 of the EEC Treaty,
THE COURT (Sixth Chamber)

composed of: T. Koopmans, President of Chamber, T. F. O'Higgins, G. F.

Mancini, C. N. Kakouris and F. A. Schockweiler, Judges,

Advocate General: G. Tesaurò

Registrar: H. A. Ruhl, Principal Administrator

after considering the observations submitted on behalf of

Klee & Weilbach AIS and Thomas Schmidt AIS, the defendants, by S. Lassen, of

the Copenhagen Bar,

the United Kingdom, by H. R. L. Purse, Treasury Solicitor, acting as Agent,

the Commission of the European Communities, by its Legal Adviser A. McClellan

and by I. Langermann, a member of its Legal Department, acting as Agents,

having regard to the Report for the Hearing and further to the hearing on

9 November 1988,

after hearing the Opinion of the Advocate General delivered at the sitting on 25 January 1989

gives the following

Judgment

1. By order of 23 September 1987, which was received at the Court Registry on 14 October 1987, the SØ- og Handelsret referred to the Court for a preliminary ruling under Article 177 of the EEC Treaty a number of questions on the interpretation of Article 85(1) of the EEC Treaty, with a view to determining the compatibility with that provision of certain clauses contained in a licensing agreement.

2 The questions were raised in proceedings concerning certain clauses in a licensing agreement under which Kai Ottung, a civil engineer, the plaintiff in the main

proceedings, granted to A/S Anton Petersen & Henius Eftf (hereinafter referred to as 'the licensee') the exclusive right- which was subsequently assigned to the defendants in the main proceedings - to exploit two control devices which he had designed for use on brewery tanks. When the agreement was entered into, the licensee's business was concerned mainly with the sale of brewery equipment.

3 Under clauses 1 and 2 of that agreement the licensee undertook, for an indeterminate period, to pay royalty for each device sold. Under clause 5 of the agreement, as amended by an addendum, the agreement may be terminated only by the licensee's giving six months' notice expiring on 1 October of any year. When such termination takes effect, the licensee is permitted to manufacture only a number of devices corresponding to the orders received as at the date of expiry of the agreement, less the number of devices, if any, in stock.

4 The agreement was entered into after a patent application had been filed in respect of one of the control devices, fitted with a non-return valve for the admission of air, but before the patent was granted in Denmark. During the years following the grant of the patent, the licensee paid the agreed royalty when selling the devices developed by Mr Ottung, most of which incorporated the non-return valve for the admission of air. The Danish patent expired on 12 April 1977 and the last patent in respect of the same devices granted in a Member State expired on 15 March 1980. As from the end of 1980, the defendants in the main proceedings ceased paying the royalty, on the ground, inter alia, that all the patents had expired; however, they did not terminate the licensing agreement pursuant to clause 5, maintaining that the discontinuance of royalty payments was tantamount to termination.

5 In the course of the proceedings before the national court, Mr Ottung claimed that the defendants should be ordered, as from 1 January 1981, to pay him the royalty provided for in the agreement or, in the alternative, royalty of a lower amount to be fixed by the court. In support of those claims, he argued in particular that the licensing agreement had been entered into for an indeterminate period and could not cease to apply until the defendants had terminated it in accordance with clause 5.

6 Considering that the dispute raised certain questions concerning the interpretation of Article 85(1) of the EEC Treaty, the Søg og Handelsret submitted the following questions for a preliminary ruling:

'(1) Does a contractual obligation under which a licensee of a patented invention is to pay royalty for an indeterminate period, and thus even after the expiry of the patent, constitute a restriction of competition of the kind referred to in Article 85(1) of the Treaty of Rome where the agreement was entered into after the patent application was submitted and immediately before the grant of the patent? In that connection, is it of any significance that the grantor cannot terminate the agreement whereas the licensee can bring it to an end by giving a certain notice of termination and,

according to the terms of the agreement, is thereafter not entitled to exploit the patent?'

(2) To be answered if Question 1 is answered in the affirmative:

Does a contractual obligation under which a licensee of a non-patented product is to pay royalty for an indeterminate period, and thus even after the patent for products also covered by the licensing agreement has expired, specifically in respect of that product constitute a restriction of competition of the kind referred to in Article 85(1) of the EEC Treaty where it is established that the non-patented product complements the product for marketing purposes and that the agreement was entered into after the patent application was submitted and immediately before the grant of the patent?

In that connection is it of any significance that the licensee only entered into the agreement to pay royalty in respect of the non-patented product because otherwise he would not obtain a licence for the patented invention?

(3) To be answered if Question 1 is answered in the affirmative:

Does a contractual obligation under which, for the use of a design protected by the law of copyright or under the Marketing Law, a licensee is to pay royalty for an indeterminate period, and thus even after the expiry of the patent on the product in question, constitute a restriction of competition of the kind referred to in Article 85 (1) of the Treaty of Rome where it is established that the agreement was entered into after the patent application was submitted and immediately before the grant of the patent? In that connection is it of any significance that the licensee only entered into the agreement to pay royalty for exploitation of the copyright or for protection against passing off under the Marketing Law because he would obtain a licence for the patented invention?

(4) To be answered if Question 1 is answered in the negative:

Does a provision in a licensing agreement according to which a licensee is not entitled to sell the product in question after the termination of the agreement constitute a restriction of competition of the kind referred to in Article 85(1) where the licensing agreement relates to a patented product and the patent has expired and where the agreement was entered into after the patent application was submitted and immediately before the grant of the patent?'

7 Reference is made to the Report for the Hearing for a fuller account of the facts of the case and the observations submitted to the Court, which are mentioned or discussed hereinafter only in so far as is necessary for the reasoning of the Court.

The first question

8 With respect to the first limb of the first question, it should first be observed that Article 85(1) prohibits as incompatible with the common market agreements between undertakings which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition

within the common market.

9 It must be assumed that the national court considers that trade between Member States is likely to be affected in the circumstances with which the main proceedings are concerned.

10 Restrictions which are imposed by the proprietor of a patent upon the reproduction, use or exploitation of a patented invention otherwise than under a licence granted for that purpose and which derive from the application of national legislation intended to protect industrial property rights cannot in themselves be regarded as preventing, restricting or distorting competition within the common market within the meaning of Article 85(1).

11 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. That is even more true where, as in the main proceedings, the obligation to pay royalty in respect of two devices, one being patented after the agreement was entered into and the other being complementary to the first, was embodied in a licensing agreement entered into before the patent was granted.

12 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 85(1).

13 An obligation to continue to pay royalty after the expiry of a patent can result only from a licensing agreement which 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. If that were the case, the agreement might, having regard to its economic and legal context, restrict competition within the meaning of Article 85(1). Where, however, the licensee may freely terminate the agreement by giving reasonable notice, an obligation to pay royalty throughout the validity of the agreement cannot come within the scope of the prohibition contained in Article 85(1).

14 For the purpose of the national court's assessment of the legality of the clause at issue, it is irrelevant that the licensor is bound by a clause preventing him from terminating the agreement.

15 It must therefore be stated in reply to the first limb of the first question submitted by the national court that a contractual obligation under which the grantee of a licence for a patented invention is required to pay royalty for an indeterminate period, and thus after the expiry of the patent, does not in itself constitute a restriction of competition within the meaning of Article 85(1) of the Treaty where the agreement was entered

into after the patent application was submitted and immediately before the grant of the patent.

16 In view of the answer given above, there is no need for a separate answer to be given to the second limb of the first question or to the second and third questions.

The fourth question

17 In its fourth question, the national court asks whether a clause in a licensing agreement which prevents the licensee from manufacturing and marketing the products in question after definitive termination of the agreement constitutes a restriction of competition within the meaning of Article 85(1).

18 A clause in a licensing agreement prohibiting the manufacture and marketing of the products in question after termination of the agreement weakens the licensee's competitive position since it places the licensee at a disadvantage in relation to its competitors, who may freely manufacture the products concerned after the patent has expired. To that extent the clause in question may, depending on the legal and economic context in which the agreement was concluded, restrict competition within the meaning of Article 85(1).

19 However, it is for the national court to verify, having regard to the relevant information at its disposal, in particular the position occupied by the undertakings concerned in the market for the products at issue, whether the licensing agreement is liable to appreciably affect trade between the Member States.

20 It must therefore be stated in reply to the fourth question that a clause contained in a licensing agreement prohibiting the manufacture and marketing of the products after the termination of the agreement comes within the prohibition laid down in Article 85(1) only if it emerges from the economic and legal context in which the agreement was concluded that it is liable to appreciably affect trade between Member States.

Costs

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

On those grounds,

THE COURT (Sixth Chamber),

in reply to the questions submitted to it by the Søg Handelsret, by order of 23 September 1987, hereby rules:

(1) A contractual obligation under which the grantee of a licence for a patented invention is required to pay royalty for an indeterminate period, and thus after the expiry of the patent, does not in itself constitute a restriction of competition within the meaning of Article 85(1) of the Treaty where the agreement was entered into after the patent application was submitted and immediately before the grant of the patent.

(2) A clause contained in a licensing agreement prohibiting the manufacture and marketing of the products after the termination of the agreement comes within the prohibition laid down in Article 85(1) only

if it emerges from the economic and legal context in which the agreement was concluded that it is liable to appreciably affect trade between Member States.

Koopmans, O'Higgins, Mancini, Kakouris, Schockweiler

Delivered in open court in Luxembourg on 12 May 1989.

J.-G. Giraud T. Koopmans
Registrar President of the Sixth Chamber

**OPINION OF MR ADVOCATE GENERAL
TESAURO**

delivered on 25 January 1989 *

Mr President,

Members of the Court,

1. The questions submitted for a preliminary ruling in Case 320/87 come from the SØ- og Handelsret (Maritime and Commercial Court), Copenhagen, and are contained in an order which, as the Commission rightly pointed out in its observations, should be slightly amended in order to improve the logical sequence of the issues and the answers to be suggested.

2. The essential purpose of the questions is to determine whether the clauses of a licensing contract for the commercial exploitation of a patented product may be relied upon by one of the parties even after the patent itself has expired, where those clauses lay down certain obligations for an indeterminate period or, at least, for a period exceeding the validity of the patent.

3. In that regard, the national court seeks a ruling on two distinct problems: whether, once the patent has entered the public domain, it is possible to continue to require the payment of a royalty on the basis of a licensing agreement remaining in force and whether, in those circumstances, a contractual clause may be relied upon to prevent a licensee who has terminated the agreement from manufacturing and selling the product which is no longer covered by a patent.

4. Of those two problems, which are set out in the first and fourth questions respectively, it is appropriate first to consider the second, which appears more important as regards the important repercussions which the prohibition of manufacturing and marketing a- product may have on freedom of competition.

5. As may be inferred from the order for reference, the prohibition in question is not incompatible with the Danish legislation, according to which, in the exercise of their contractual freedom, parties may undertake to provide certain things or behave in a particular way even after the expiry of a patent. Although the SØ og Handelsret expressly makes that finding only with regard to the payment of the royalty, stating that there are no 'mandatory rules of Danish law [whereby] the payment of royalty [is to] cease upon the expiry of the patent', the very fact that it raised the question concerning the prohibition of manufacture and marketing leads me to think that the Danish court reached similar conclusions regarding that prohibition as well.

6. At first sight, a clause which prohibits the licensee from manufacturing and marketing a product, in the event of his withdrawing from the licensing agreement after the patent has entered the public domain, does not seem to be justified by the requirement of protecting the intellectual property right of the inventor in order to enable the latter to receive a fair reward for the commercial exploitation of his patent by others. During the validity of a patent a fair reward for the inventor can be guaranteed, as the Court has emphasized in previous decisions (see the judgment of 14 July 1981 in Case 187/80 Merck & Co. Inc. v Stephar and Exler [1981] ECR 2063), only by ensuring that no one can manufacture or market the product without the consent of the proprietor of the patent. Conversely, after the expiry the patent there is no longer any justification for such a prohibition and an inventor who forearms himself against that inevitable development by including a prohibitory clause in the licence contract is in fact exploiting the protection available for an intellectual property right to secure a further reward which is no longer due to him, and is therefore creating an unjustified restriction of competition.

7. Admittedly, the right to prohibit manufacture and marketing is essential in order to guarantee the inventor a fair reward for his endeavours, since in the absence of such a prohibition no one would feel constrained to pay a royalty for the right to exploit the patented product commercially. Nevertheless, it cannot be said that such considerations apply after the patent has expired. If third parties are entitled freely to manufacture and market the product, there is no longer any reason for maintaining a prohibition against the licensee alone - in those circumstances the latter would be placed at a disadvantage in competition with other manufacturers for no reason other than the fact that, at an earlier stage, he had entered into a licensing agreement.

8. Even though, as we shall see shortly, the possibility cannot be ruled out that an obligation to pay a royalty may persist in certain circumstances even after the patent has expired, it is nevertheless certain that such an obligation can only arise in such a case in implementation of a pre-existing contractual requirement and therefore has nothing to do with determination of the fair reward due in respect of the patent, whereas a prohibition of manufacture and marketing may be solely and specifically designed to secure for the inventor the possibility of granting a licence for the exploitation of his patent in return for a fair reward. Breach of the obligation to pay undertaken by the licensee can be penalized, both during the validity of the patent and after the patent has expired, only by means of the normal remedies available for that purpose. Therefore, any attempt to forearm oneself against the risk of default after the patent has expired by means of a prohibition of manufacture and marketing must in my opinion be regarded as an unjustified restriction of competition and an infringement of Article 85(1).

9. However, it is not out of place to bear in mind that the solution which I have just proposed applies only if

it has first been established that in the case under review all the preconditions for the application of Article 85(1) have been fulfilled. The defendants in the main proceedings assume that the national court has already ascertained that that is the case before submitting the questions for a preliminary ruling.

However, whilst recognizing that there is in this case an agreement between undertakings, the Commission is not sure that the clauses in issue are liable to affect trade between Member States or to distort competition within the common market. It wonders whether the agreement, entered into between two undertakings in one Member State, one of which without doubt has a rather small turnover, may in fact be one of those agreements of minor importance which, according to the Commission notice of 3 September 1986 (Official Journal C 231, 12.9.1986, p. 2), are not caught by the prohibition contained in Article 85(1). It would be necessary to establish, in that connection, whether the agreement relates to products which, together with similar products of the contracting companies, account within the common market or a substantial part thereof for more than 5% of the total of such products in the area affected by the agreement and whether the aggregate annual turnover of those companies exceeds ECU 200 million. The figures provided at the hearing by counsel for the defendants in the main proceedings, to the effect that 90% of the products manufactured by his clients are exported, do not in themselves carry any evidential weight unless at the same time it is clearly established what percentage of the total quantity of similar products is accounted for by those products in a substantial part of the common market. However, I do not intend to add to these brief observations for fear of undertaking an investigation of the facts, which is a matter exclusively for the national court.

10. I shall therefore return to my review of the questions submitted to the Court and address the first question (in the order adopted by the national court), concerning the compatibility with Article 85(1) of the contractual clause requiring payment of a royalty even after the expiry of the patent for the licensed product.

11. It seems to me that it can be said without any particular difficulty that under such a clause the obligation to pay the royalty is, as a rule, connected with the period of validity of the patent. On the other hand, although the royalty must be paid to ensure that the inventor receives his reward, the detailed arrangements for making the payment may nevertheless differ considerably. As regards the period over which the payments are to be made, it may easily be imagined that, for various reasons, the total sum payable to the inventor might be divided into a large number of periodic instalments, some of which might therefore fall due after the expiry of the patent, or that rather than receiving a high percentage of the sale price of the product an inventor might prefer a lower percentage over a longer period of years. It is also possible that an extension of the payment period might be intended to reward the inventor for exploitation of the product in

the period between the filing of the patent application and the grant of the patent.

12. Notwithstanding the fact that they restrict competition, such stipulations do not therefore necessarily represent a misuse of the patent right and may therefore be removed from the scope of Article 85(1), as was expressly noted by the Commission in Regulation No 2349/84 of 23 July 1984 on the application of Article 85(3) of the Treaty to certain categories of patent licensing agreements.[1] According to the second part of Article 3(4), the first part of that paragraph, pursuant to which the charging of royalties on products which are not patented is not to be exempt from the application of Article 85(1) is 'without prejudice to arrangements whereby, in order to facilitate payment by the licensee, the royalty payments for the use of a licensed invention are spread over a period extending beyond the life of the licensed patents or the entry of the know-how into the public domain'.

13. In the cases just mentioned the payment of the royalty during the period beyond the validity of the patent thus does not represent consideration for the manufacture or marketing of the product after the expiry of the patent but, rather, represents a part of the remuneration granted to the inventor for the exploitation of the patent during its period of validity, and does not therefore constitute infringement of Article 85(1).

14. It is not, however, so simple to establish that such a situation actually exists, and it is wholly natural that the extension of payments beyond the expiry date of the patent may give rise to suspicion of an agreement contrary to the Community competition rules. It will therefore be for the national court, after carefully considering all the information before it, to determine whether the payment of the royalty beyond the expiry of the patent constitutes, in the case before it, a special arrangement for discharging the obligation to pay the reward due to the inventor or a supplementary payment to which the inventor is not entitled after the entry of the patent into the public domain. It is clear, however, that when the extension of the obligation to pay the royalty is for an indeterminate period, as in this case, it will be difficult to rebut the strong presumption that the clause is unlawfully restrictive and that the exemption does not therefore apply. In that connection it is significant that Article 3(4) of Regulation No 2349/84 refers expressly to the extension of payments beyond the expiry of the patent as a case for which the exemption is not available, except where the payments are spread 'over a period', that is to say over a fixed period.

15. In the second question, to be answered if the answer to the first is in the affirmative, the national court asks essentially whether Article 85(1) is infringed by a contractual clause under which a licensee of an unpatented product is required to make a payment specifically in respect of such a product for an indeterminate period even after the patent for the other products included in the licence has expired, where the

unpatented product is complementary, from the commercial point of view, to the patented product.

16. The way in which that question IS framed is somewhat peculiar: it would be expected that the problem would arise in the event of the first question being answered in the negative, in other words if it were concluded that the obligation to pay the royalty even after the expiry of the patent was not incompatible with Article 85(1). By contrast, in the event of an affirmative answer, the incompatibility of the payment of a royalty for a patented product would a fortiori entail the incompatibility of a similar payment for an unpatented product except where, for the sake of argument, the licensing agreement for an unpatented product was entered into wholly separately from the licence in respect of the patented products. It seems to me, however, that the case envisaged by the national court is precisely that of a close connection between patented and unpatented products covered by a single licence, for which reason we need not inquire further. And in view of the fact that the solution suggested for the first question is only partially in the affirmative, it seems to me to be permissible to regard the second question as being designed to determine whether, in the event that payment of the royalty after the expiry of the patent should not appear to be contrary to Community law, such a conclusion might also extend to the payment of a royalty for the unpatented products covered by the licence agreement.

17. Important guidance for the answer to be given is provided by Article 3(4) of Commission Regulation No 2349/84, cited earlier, from which it appears that the block exemption does not apply to an agreement under which 'the licensee is charged royalties on products which are not entirely or partially patented or manufactured by means of a patented process, or for the use of know-how which has entered into the public domain, otherwise than by the fault of the licensee or an undertaking connected with him....'.

18. This clearly relates to the practice known in English as 'tying in', one form of which consists precisely in arbitrarily making the permission to exploit commercially a patented product conditional upon a commitment by the other party to enter into a licence agreement and to pay a royalty also for an unpatented product whose use is unnecessary for the exploitation of the patented product. This constitutes an abusive exploitation of the inventor's intellectual property right and consequently an infringement of Article 85(1).

19. It does not seem to me that the judgment of 25 February 1986 in Case 193/83 *Windsurfing*[2] to which the Commission refers in its observations, provides grounds for any different conclusion, although it does enable certain cases to be identified in which the 'tie-in' is only apparent.

20. In paragraph 66 of that judgment the following statement appears with respect to calculation of the royalty by reference to the price of a complete sailboard: 'Nevertheless it must also be pointed out that the royalty levied on the sale of rigs on the basis of that calculation proves not to have been higher than that

laid down for the sale of separate rigs in the new agreements, since the licensees acknowledged that it would be equitable to accept a higher rate of royalty once the licensor's remuneration was to be calculated on the price of the rig alone. It follows that that method of calculation did not have as its object or effect a restriction of competition in the sale of separate rigs'.

21. It is clearly apparent from that passage that there are two distinct logical steps: first, determination of the reward due to the inventor for the patented product; secondly and necessarily at a later stage, at least from the conceptual point of view, determination of the method of payment of that reward. Notwithstanding the difficulties experienced in identifying them clearly, those two steps must be kept quite separate from each other, since their characteristics are, in my opinion, of fundamental importance in determining whether or not in a specific case there is an infringement of Article 85(1).

22. If the quantum of the inventor's reward is determined by reference not only to a percentage of the price of the patented product but also to a percentage of the price of an unpatented product which complements it and in respect of which neither any other intellectual property rights nor any know-how capable of protection exist, it is somewhat difficult to deny the existence of a 'tie-in'. If, for example, the inventor's reward had been determined in that way in the present case, no grounds for taking a different view would be provided by the nature of the unpatented product which, as is apparent from the documents before the Court, is not in any way necessary to enable the patented product to be used.

23. The situation is different where the parties initially fix an amount which they consider to be a fair reward for the inventor in respect of the patented product and thereafter determine the method of payment, agreeing for example that part of the sum may derive from a percentage of the sale price of an unpatented product. That seems to me to be the position in the circumstances considered in the *Windsurfing* judgment: if my interpretation is correct, the contracting parties first decided that a particular payment would be fair, calculating it for reasons of convenience as a relatively low percentage of the sale price of a complete sailboard; subsequently they recognized that, as it was preferable to abandon that system because it was then opposed by the Commission, a fair payment, to be calculated thereafter on the basis of the sale price of the sail rig alone, could only be obtained by increasing the percentage accruing to the proprietor of the patent.

24. The answer to the second question must therefore be coupled with the one suggested for the questions already considered, to the effect that the making of a payment in respect of an unpatented product constitutes an infringement of Article 85(1), except where there is reason to believe that that payment is merely a factor in the calculation of the amount already decided upon for the patented product.

25. The third question, raised by the national court in the event of the first question being answered in the

affirmative, seeks to ascertain the compatibility with Article 85(1) of a contractual clause which imposes the obligation to pay for the use of a model (design) which is protected by copyright or by provisions of domestic law which prohibit slavish imitation, even after the patent for the product in question has expired.

26. It will be for the national court to determine whether the licensing agreement was concluded also to facilitate commercial exploitation of the ornamental design of the patented apparatus or of the know-how relating to its manufacture and use, which the defendants vigorously deny.

27. If it is accepted that in this case the inventor enjoys other intellectual property rights or rights connected with the existence of know-how, there is no difficulty in applying here the reasoning which I have expounded. If a link is found to exist between the patent and the other rights, for example in the sense that those other rights, considered in isolation, appear insignificant or in the sense that the know-how in question is of no use except in connection with the patent, inasmuch as it is necessary for exploitation of the patented product, it must be concluded that the proprietor of the patent has abused his intellectual property right in order to secure benefits to which he is not entitled.

28. The position is different, however, where the other rights or know-how can be dissociated from the patent. In such a case, those rights, rather than the patent, constitute the point of reference for evaluation of the payment obligation.

29. The solutions I have proposed still apply, in my opinion, if the licensing agreement was entered into in the interval between the filing of the application and the grant of the patent. The inventor's position is the same in both situations, subject only to the fact that in the first case the patent may possibly not be granted to him. However, that does not prevent the inventor from taking advantage of the prospect that a patent will be granted and from concluding, subject to reservations, of course, licensing agreements on the same terms as those which he could conclude once the patent was obtained.

30. In conclusion, I propose therefore that the following answers should be given to the questions submitted to the Court by the Søg og Handelsret, Copenhagen:

(1) A clause in a licensing agreement whereby the licensee is not entitled to manufacture or sell the product in question after the termination of the agreement constitutes, where the licence relates to a patented product and the patent has expired, a restriction of competition prohibited by Article 85(1) of the Treaty.

(2) A clause in a licensing agreement whereby a licensee of a patented invention is required to make payments for an indeterminate period in respect thereof even after the expiry of the patent constitutes a restriction of competition as referred to in Article 85(1), except where the extension of the payments after the expiry of the patent is merely a method of payment of the inventor's fair reward.

(3) A contractual clause whereby a licensee of an unpatented product is obliged to make payments for an indeterminate period specifically in respect of that product - even after the patent for the products included in the same licence has expired - where the unpatented product is, from the commercial point of view, complementary to the patented product, constitutes a restriction of competition as referred to in Article 85(1), except where the making of payments also in respect of the unpatented products is merely a factor in the calculation of a fair reward for the inventor, the amount of which has been determined without account being taken of the unpatented products.

(4) A contractual clause whereby the licensee of a design which is protected by copyright or by national commercial legislation is required to make payments for an indeterminate period, even after the patent for the product in question has expired, constitutes an infringement of Article 85(1) of the Treaty except where the other intellectual property rights or rights associated with the know-how with which the clause is concerned exist independently and retain their independent substance even if dissociated from the patent.

(5) For the purposes of answering the foregoing questions, the fact that the clause is contained in a licensing agreement entered into between the filing of the patent application and the grant of the patent is irrelevant.,