4A_210/2008[1]

Judgement of October 29, 2008

First Civil Law Court

Federal Judge CORBOZ, Presiding,
Federal Judge ROTTENBERG LIATOWITSCH (Mrs),
Federal Judge KOLLY,
Clerk of the Court: CARRUZZO.

X._____ SA,
Appellant,
Represented by Mr Pierre-Yves TSCHANZ and Mr Boris VITTOZ

v.

Y._____ Ltd.,
Respondent,
Represented by Mrs Anne-Véronique SCHLAEPFER and Mr Philippe BÄRTSCH

Facts:

A.
A.a Within the framework of his researches as a professor of pharmaceutical science, A._____ discovered a substance which may have therapeutic value against certain forms of cancer.

In a know-how licence contract of June 7, 1989 ("the Licence Agreement"), Professor A._____ assigned to the Swiss company X._____ SA the exclusive right to develop

[1] Translator's note: Quote as X._____ SA, *v.* Y._____ Ltd., 4A_210/2008. The original of the decision is in French. The text is available on the website of the Federal Tribunal www.bger.ch.

that substance with a view to perfecting and fabricating a marketable drug. The aforesaid company undertook to pay to the assignor royalties corresponding to a percentage of the net sales of drugs containing that substance. The parties chose Swiss law to govern their contractual relationship.

By virtue of an arbitration clause inserted in the Licence Agreement, all disputes resulting from or connected with it would be submitted to one or several arbitrators under the aegis of the International Chamber of Commerce (ICC). The venue of the arbitration was set in Geneva.

The Licence Agreement was amended twice. In a First Amendment, concluded in 1991, the parties extended its validity to the entire world. In a Second Amendment, signed in August 1992, they modified the computation of royalties and the duration of their payment.

Eventually, A._____ assigned all his rights and obligations arising from the Licence Agreement to Y._____ Ltd.

A.b A dispute rose between the parties as to the payment of the royalties and Y._____ Ltd. ("the Claimant" or "the Respondent") filed a request for arbitration with the ICC on January 31, 2005, seeking a decision ordering X._____ SA ("the Appellant") to pay the royalties in dispute.

The Respondent submitted that the request should be rejected and filed a counterclaim seeking the reimbursement of the royalties paid pursuant to the Licence Agreement. In summary, it alleged that Professor A._____ failed to transfer his know-how at the time, in violation of his contractual obligations and as to the royalties related to the sales of drugs in the United States and in Japan, it claimed that according to its interpretation of the Licence Agreement and of the Second Amendment, the obligation to pay expired when the Claimant's patents expired in these two countries.

With the agreement of the parties, the three members Arbitral Tribunal constituted under the aegis of the ICC decided to address first the principle and the duration of the Respondent's

obligation to pay the disputed royalties. It postponed to a second phase of the arbitration the determination of the amount to be paid by the debtor, if any.

On November 19, 2007, the Arbitral Tribunal issued a Partial Award pursuant to which it recognised the Claimant's right to the payment of royalties during 10 years in each country, including Japan and the United States, from the first sale in each country of the first speciality based on the aforesaid substance. It deferred to a subsequent award the determination of the amount of the royalties (*quantum*) and rejected the counterclaim.

B.

B.a In a letter of January 15, 2008 sent to the Respondent, the Appellant, noticing that in its Partial Award the Arbitral Tribunal interpreted the Second Amendment in a way which did not correspond to the intent that it had when signing it, invalidated the Agreement due to an essential error within the meaning of Art. 24 CO[2]. Then it filed a request for arbitration dated January 16, 2008 with the ICC in order to obtain a finding of the validity of the invalidation.

For its part, on January 18, 2008, the Respondent invited the Arbitral Tribunal to initiate the second phase of the arbitration.

On January 21, 2008, the Appellant informed the Arbitral Tribunal of the invalidation and of the existence of a new arbitration.

By letter of January 28, 2008, the President of the Arbitral Tribunal gave the Respondent until February 29, 2008 to file a brief on quantum, which it did, claiming about EUR 33'000'000.- with interest. On February 8, 2008, the Appellant wrote to the Arbitral Tribunal to ask for a stay of the proceedings until the second Arbitral Tribunal would issue an award as to the invalidation. The Respondent opposed the stay in a letter of February 13, 2008. The parties presented their arguments on that issue in their briefs of February 29 and March 10, 2008.

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[2] Translator's note: CO is the French abbreviation for the Swiss Code of Obligations.

In its answer of March 28, 2008 to the request for arbitration filed by the Appellant, the Respondent submitted that a new request for arbitration was not admissible.

B.b On March 31, 2008, the Arbitral Tribunal issued a decision, entitled Procedural Order N°4, by which it rejected the request for a stay of the proceedings. Moreover, it ordered the Appellant to produce within 15 days the documents requested by the Respondent and to file a brief relating to the issue of invalidation and to that of quantum within 30 days.

B.c On April 15, 2008, the Appellant challenged the three members of the Arbitral Tribunal. By decision of May 30, 2008, the ICC Court of International Arbitration rejected the challenge. In the meantime, the Appellant had filed its brief on quantum on April 30, 2008.

C.

On April 29, 2008, the Appellant filed a Civil Law Appeal inviting the Federal Tribunal to annul the decision issued by the Arbitral Tribunal on March 31, 2008, to find that the Arbitral Tribunal has no jurisdiction to decide the issue of the validity of the invalidation due to an essential error of the Second Amendment to the Licence Agreement, to find that, in its present composition, the Arbitral Tribunal is irregularly composed to entertain that issue, even as a preliminary matter; finally, to revoke the three members of the Arbitral Tribunal. Subsidiarily, the Appellant seeks the annulment of the decision under review with a return to the Arbitral Tribunal for a new decision on its jurisdiction and on the regularity of its composition. In any event, the Appellant submits that the names of the parties should be deleted in the decision published on the Internet and, as the case may be, in the official reporter of the judgments of the Federal Tribunal.

The Respondent submitted principally that the matter is not capable of appeal and subsidiarily that the appeal should be rejected.

In a letter of June 26, 2008, the Appellant brought to the attention of the Federal Tribunal what it considered a translation error made by the Respondent in its answer to the appeal and it sought leave to take a position on the "unexpected reading of Art. 186 (1bis) PILA[3]" that

[3] Translator's note: PILA is the most frequently used English abbreviation for the Federal Statute of December 18, 1987, on Private International Law, RS 291.

its opponent would have done in that brief. An additional exchange of briefs was ordered. On September 10, 2008, the Appellant submitted its comments on the answer to the appeal. As to the Respondent, it commented the Appellant's observation in a brief of October 17, 2008.

Reasons:

1.

According to Art. 54 (1) LTF[4] the Federal Tribunal issues its decision in an official language, as a rule the language of the decision under appeal. When that decision is in another language (here English), the Federal Tribunal uses the official language chosen by the parties. In front of the Arbitral Tribunal they chose English whilst in the briefs sent to the Federal Tribunal they used French. According to its practice, the Federal Tribunal will accordingly issue its decision in that language.

2.

2.1 In the field of international arbitration a Civil Law Appeal is possible against the decisions of arbitral tribunals under the conditions set forth at Art. 190 to 192 PILA (Art. 77 (1) LTF).

In this case, the seat of the arbitration was in Geneva. At least one of the parties did not have its domicile in Switzerland at the decisive moment. The provisions of chapter 12 PILA are accordingly applicable (Art. 176 (1) PILA). Considering only its title (Procedural Order N° 4), the decision under appeal may be a simple procedural order, which could be modified or cancelled during the proceedings; as such, it could not be appealed to the Federal Tribunal (ATF 122 III 492 at 1b/bb). However, in order to decide if the matter is capable of appeal, the decisive factor is not the name of the decision under review but its contents. From that point of view, there is no doubt that the Arbitral Tribunal did not limit itself to organising the rest of the proceedings. It decided the issue of the stay, which, in principle, gives rise to an interlocutory decision (ATF 123 III 414 at 1 p. 417). Moreover, as appears from the reasons it stated, if the Arbitral Tribunal refused to stay the arbitral proceedings, it was because it considered that it had jurisdiction to decide the validity of the invalidation of the Second

[4] Translator's note: LTF is the French abbreviation for the Federal Statute of June 17, 2005 organising the Federal Tribunal, RS 173.110.

Amendment. By doing so, it issued, at least implicitly, an interlocutory decision relating to its jurisdiction *ratione materiae*, which is subject to an appeal (decision 4A_370/2007 of February 21, 2008 at 2.3.1). The same reasoning may be followed with regard to the developments in the decision under appeal in which the Arbitral Tribunal rejected the argument relating to the regularity of its composition in order to decide the issue of the invalidation. Therefore, the nature of the decision under appeal does not cause the matter to be incapable of appeal (see Art. 190 (3) LDIP).

The Appellant is directly concerned by the decision under appeal, which could render without object the arbitration it introduced in parallel to obtain a finding of its right to invalidate the Second Amendment and which results in that issue being examined by an arbitral tribunal which, in the Appellant's opinion, no longer offers sufficient guarantees of independence and impartiality to decide that issue. The Appellant thus has a personal, present and legally protected interest to ensure that the award was not issued in violation of the guarantees given by Art. 190 (2) (a) and (b) PILA, which gives it standing to appeal (Art. 76 (1) LTF).

Filed timely (Art. 100 (1) LTF), in the legally prescribed format (Art. 42 (1) LTF) the appeal is admissible in principle. However, whether the grievances raised are admissible in an appeal will have to be examined.

2.2 The appeal may only seek the annulment of the decision (see Art. 77 (2) LTF, ruling out the applicability of Art. 107 (2) LTF). However, when the dispute relates to the jurisdiction of an arbitral tribunal, it has exceptionally been admitted that the Federal Tribunal may itself issue a finding of jurisdiction or lack thereof (ATF 127 III 279 at 1b; ATF 117 II 94 at 4). Therefore the Appellant's submission that the Federal Tribunal should find that the Arbitral Tribunal has no jurisdiction on the validity of the invalidation of the Second Amendment to the Licence Agreement is admissible.

Moreover, the Appellant asks the Federal Tribunal to revoke the three members of the Arbitral Tribunal. The question of the admissibility of such a request has not been solved to this day (see judgment 4P.196/2003 of January 7, 2004 at 2.2). It may remain undecided in this case, since, for the reasons stated hereunder (see at 4), the Appellant is wrong to claim that the Arbitral Tribunal was irregularly composed.

2.3 The Federal Tribunal issues its decision on the basis of the facts established by the arbitral tribunal (Art. 105 (1) LTF). It may not rectify or supplement *ex officio* the arbitrators' findings, even if the facts were established in a manifestly erroneous way or in violation of the law (see Art. 77 (2) LTF ruling out the applicability of Art. 105 (2) LTF). However, as was already the case under the aegis of the Federal Statute organising Federal courts (see ATF 129 III 727 at 5.2.2; 128 III 50 at 2a and the cases quoted), the Federal Tribunal retains the faculty to review the facts on which the award under appeal is based if one of the grievances mentioned at Art. 190 (2) PILA is raised against the findings of fact or when some facts or new evidence are exceptionally taken into account in the framework of the Civil Law Appeal (decision 4A_450/2007 of January 7, 2008 at 2.2).

The Appellant invites the Federal Tribunal to supplement the findings of the arbitrators on two points and to correct them on a third. The soundness of its request will be examined in conformity with the aforesaid principles for each of the two grievances it raises as the addition and the review requested relate to facts which are pertinent only with regard to one or the other of the two grievances.

3.
In a first grievance, based on Art. 190 (2) (b) PILA, the Appellant criticises the Arbitral Tribunal for wrongly finding that it had jurisdiction to decide on the validity of the termination of the Second Amendment to the Licence Agreement.

3.1 Seized for lack of jurisdiction, the Federal Tribunal freely reviews the issues of law, including preliminary issues, which determine jurisdiction or lack of jurisdiction of the arbitral tribunal (ATF 133 II 139 at 5 p. 141 and cases quoted).

The appeal based on Art. 190 (2) (b) PILA is possible when the arbitral tribunal decided claims on which it had no jurisdiction, whether because there was no arbitration agreement or because the latter was limited to certain issues, which did not include the issues involved (*extra potestatem*) (ATF 116 II 639 at 3 in fine p. 642). An arbitral tribunal indeed has jurisdiction only if, among other conditions, the dispute falls within the anticipations of the arbitration agreement and the tribunal does not go beyond the limits which the request for

arbitration sets and, as the case may be, the Terms of reference (decision 4P.114/2001 of December 19, 2001 at 2a and references).

3.2 Irrespective of what the Appellant says, the jurisdiction of the Arbitral Tribunal to decide the issue of the termination of the Second Amendment is beyond dispute.

The arbitration clause inserted in the Licence Agreement relates to any dispute arising under or in connection with this Agreement[5]. Such wording has nothing restrictive and includes, among others, the disputes relating to the existence, the validity and the termination of contractual relationships arising from the contract in which the arbitration clause so drafted is contained (see decision 4A_452/2007 of February 29, 2008 at 2.5.1 and authors quoted). As to the Terms of reference of August 30, 2005, they did not limit the scope *ratione materiae* of the aforesaid clause, but confirmed its scope by including all the points that may appear pertinent to decide the dispute on the basis of the arguments already presented by the parties and those which they may raise in their subsequent pleadings.

On the basis of the aforesaid clause, the Respondent seized the Arbitral Tribunal of a request submitting that the Appellant be ordered to pay the royalties that it considered due on the basis of the Licence Agreement and its two Amendments. The Appellant opposed the request in its entirety and counterclaimed for the reimbursement of the royalties it had already paid by claiming that the know-how necessary to using the substance discovered by Professor A._____ had not been transmitted at the time. In order to dispute part of the monetary claims made by the Respondent it also argued that according to its interpretation of the Licence Agreement and the Second Amendment, the obligation to pay the royalties as to the sales of drugs in the United States and Japan had expired when the patents the Respondent owned in these two countries expired. In its partial award of November 19, 2007, the Arbitral Tribunal rejected the Appellant's interpretation in favour of that proposed by the Respondent. Drawing from that circumstance, the Appellant then terminated the Second Amendment for essential error and filed a request for arbitration with a view to having the termination declared valid. If necessary, such a chronological reminder of the procedural steps taken clearly demonstrates the close nexus between one of the issues in front of the Arbitral Tribunal – *i.e.* the interpretation of the Second Amendment – and that

[5] Translator's note: In English in the original text.

which is the object of the arbitral proceedings initiated by the Appellant, namely the conformity with the law of the termination of the same Amendment. Indeed, in its request for a stay of the arbitral proceedings, the Appellant states that the issue raised in its request for arbitration is a preliminary to assessing the amount of the Respondent's claim, because the termination of the Second Amendment will be used by the Appellant as a defence in its brief on the quantum of the royalties in dispute. It is also striking to notice that in its request for arbitration, the Appellant made no other submission than that seeking a finding of the validity of the termination of the Second Amendment. Had it done so, it could only have submitted that part of the Respondent's monetary claims should be rejected, claims which the Arbitral Tribunal found well founded as a matter of principle in its partial award. Such a submission would have duplicated the submission that the Appellant had made in the arbitral proceedings initiated by the Respondent. This demonstrates once again that the two issues mentioned above are inseparable due to their obvious connexity.

The foregoing shows that the issue as to the validity of the termination of the Second Amendment is one of the elements of the dispute between the parties, so that it is covered by the arbitration clause contained in the Licence Agreement and by the Terms of reference. Consequently, the Arbitral Tribunal was right to find that it had jurisdiction in this respect.

3.3 The grounds advanced in this appeal to support the opposite conclusion are not decisive at all.

3.3.1

3.3.1.1 According to the Appellant, the Arbitral Tribunal would have found that it had jurisdiction to decide the issue in dispute because the parties did not submit that issue to the exclusive jurisdiction of another arbitral tribunal or a State court. However, this would not be the case. Thus, it would result from the Respondent's answer to the request for arbitration filed by the Appellant that the former would have renounced the defence of lack of jurisdiction of the Arbitral Tribunal called upon to decide that issue. Such an essential circumstance, which should be part of the determining statement of facts, would rule out the jurisdiction of the Arbitral Tribunal seized of the main dispute in favour of the Arbitral Tribunal in front of which the specific issue of the termination of the Second Agreement was brought first.

3.3.1.2 The new fact alleged by the Appellant, namely the contents of the Respondent's answer to the second request for arbitration, may be considered to the extent that it is supposed to support that Party's thesis and could not have been invoked previously.

This being said, the argument according to which the Respondent would have implicitly accepted the exclusive jurisdiction of the arbitral tribunal seized of the request seeking a finding of the validity of the termination of the Second Amendment is in itself disputable. It is doubtlessly true that case law drew from Art. 186 (2) PILA the principle according to which he who submits a defence on the merits without reservations (German terminology uses the expression vorbehaltlose Einlassung[6]) in an arbitral proceeding dealing with an arbitration clause thereby concludingly recognises the jurisdiction of the arbitral tribunal and definitely loses the right to raise the lack of jurisdiction of the aforesaid tribunal (ATF 128 III 50 at 2c/aa p. 57 s. and references). Whether that case law would apply in this case or not is, however, doubtful. Indeed, it appears from the examples quoted by the Respondent at § 89 of its answer to this appeal, even considering the corrections that the Appellant would make to the translation of one of the excerpts of the briefs quoted there, that the Respondent always maintained the position in its various writings that the Arbitral Tribunal seized of the main claim had jurisdiction to decide the issue in dispute. It is accordingly difficult to hold that that party implicitly acknowledged the exclusive jurisdiction of the second arbitral tribunal to decide the same issue. At most it might have consented to the arbitral jurisdiction called upon by the Appellant to find that its request for a finding was not admissible because such a finding was within the jurisdiction of the other Arbitral Tribunal. One is therefore far from a situation in which the party would have filed a defence on the merits without the reservation required by the aforesaid case law. Accordingly, the finding by the Arbitral Tribunal at § 28 of the decision under appeal, according to which it is not established that the Parties would have agreed to submit the issue of the termination to the exclusive jurisdiction of another arbitral tribunal needs not to be corrected, contrary to what the Appellant requests (see appeal § 84 to 86).

Be this as it may, it is appropriate to recall that by virtue of Art. 186 (1bis) PILA, the arbitral tribunal decides on its jurisdiction without consideration for an action having the same object

[6] Translator's note: In German in the original text. It means entertaining an issue without reservations.

already pending between the same parties in front of another arbitral tribunal, except when some serious grounds require the proceedings to be stayed. Accordingly, the arbitral tribunal seized of the action on the merits could issue a decision on its jurisdiction to decide whether or not the Second Amendment had been validly terminated, without regard to the fact that the Appellant itself had initiated another arbitral proceeding against the Respondent with a view to obtaining a finding on the same object, unless some serious grounds would have justified staying the arbitral proceedings. Yet such grounds did not exist in this case. Indeed the jurisdiction of that arbitral tribunal to decide the issue in dispute as a preliminary one within the framework of the second phase of the arbitration which was about to start with a view to setting the amount of the royalties to be paid by the Appellant is beyond dispute as was demonstrated above (see at 3.2).

3.3.1.3 The Appellant claims that the Arbitral Tribunal would have decided *ultra petita* by "seizing itself" of the issue of the validity of the termination of the Second Amendment and by arrogating to itself the jurisdiction to decide that issue on the merits.

This grievance, which is the object of a specific claim, will be reviewed together with it (see at 5).

3.3.1.4 The Appellant also invokes Art. 19 of the ICC Rules of arbitration which as a matter of principle prevents the Parties from formulating some new requests outside the scope of the Terms of reference in front of the Arbitral Tribunal. From that it deducts that the Respondent was not entitled to raise its new "submission" in the pending arbitral proceedings, that submission not being covered by the Terms of reference, so that it was entitled to initiate itself an arbitral proceeding with a view to obtaining a decision with respect to that submission.

Such reasoning is based on erroneous premises. To refer to a submission is in itself disputable, since what is involved is a simple request for a legal finding, the only purpose of which is, if not to postpone the outcome of the pending case for payment, in which the Appellant lost on the principle, at least to support a submission that it should be partially freed in that case. Above all, one does not see why such a submission, should it be qualified as such, would exceed the limits of the Terms of reference as was already stated above.

3.3.1.5 Relying on Art. 181 PILA as to the exclusion due to *lis pendens,* the Appellant claims that the arbitral tribunal it seized has exclusive jurisdiction to decide on the merits the issue of the termination of the Second Agreement.

That grievance is groundless, because the jurisdiction of two arbitral tribunals seized of an action having the same object is governed by Art. 186 (1bis) PILA and not by Art. 181 PILA.

3.3.1.6 Finally, the Appellant claims that the Arbitral Tribunal would have issued "an arbitral award passed off as a procedural order", thus violating the rule dividing jurisdiction between arbitral tribunals and the ICC Court of arbitration instituted by Art. 27 of the ICC rules. This last argument is not better founded than the previous ones. The Appellant loses sight of the fact that the mere violation of a provision pertinent to the arbitral proceedings does not constitute ground justifying the annulment of an international arbitral award (ATF 129 III 445 at 4.2.2 p. 464; 126 III 249 at 3b; 117 II 346 at 1b/aa). Moreover, the provision quoted, which institutes the system of a review of the award by the ICC Court of arbitration, does not affect the jurisdiction *in personam* or *in rem* of the Arbitral Tribunal issuing the award. It is therefore excluded that a party may invoke it within the framework of an appeal based on Art. 190 (2) (b) PILA.

4.
In a second grievance, based on Art. 190 (2) (a) PILA, the Appellant claims that the Arbitral Tribunal which issued the decision under appeal was irregularly composed.

4.1 The Appellant also filed a challenge with the ICC Court of arbitration, which the ICC rejected in an unreasoned decision of May 30, 2008. There is no need to further review the admissibility of the corresponding allegation made by the Respondent in its answer to the appeal, claiming that circumstance was subsequent to the decision under appeal being issued and, accordingly, new. Indeed, to the extent that it was issued by a private organism, such a decision would in any event not bind the Federal Tribunal, which accordingly may freely review whether or not the circumstances invoked to support the challenge properly justify the grievance that the Arbitral Tribunal was irregularly composed (ATF 128 III 330 at 2.2 p. 332).

4.2 Similar to a state court, an arbitral tribunal must present sufficient guarantees of independence and impartiality (ATF 125 I 389 at 4a; 119 II 271 at 3b and cases quoted). Disrespecting that rule leads to an irregular composition encompassed by the aforesaid provision (ATF 118 II 359 at 3b). In order to say whether an arbitral tribunal presents such guarantees or not, the constitutional principles developed with regard to state courts must be referred to (ATF 125 I 389 at 4a; 118 II 359 at 3c p. 361). However, the specificity of arbitration must be taken into consideration and particularly of international arbitration when examining the circumstances of the case at hand (ATF 129 III 445 at 3.3.3 p. 454).

According to Art. 30 (1) Cst[7], any person whose case must be adjudicated in a judiciary proceeding is entitled to see the case brought in front of a tribunal established by law, having jurisdiction, independent and impartial. Such a guarantee makes it possible to challenge a judge whose situation or behaviour casts doubt as to his impartiality (ATF 126 I 68 at 3a p. 73); the purpose is particularly to avoid that some circumstances unrelated to the case may influence the judgment in favour of a party or against it. The provision does not require removal of the judge only when his being biased is effectively established, because an internal disposition on his part may hardly be proved; it is sufficient that the circumstances should create the appearance of a bias and may cause doubt that his activity could be biased. Only those circumstances objectively established must be taken into consideration; some purely individual impressions of one of the parties in the case are not decisive (ATF 128 V 82 at 2a p. 84 and cases quoted). Subjective impartiality – presumed until proof to the contrary – ensures that everyone's case will be judged without personal considerations (ATF 129 III 445 at 3.3.3 p. 454; 128 V 82 at 2a p. 84 and cases quoted). Objective impartiality aims particularly to avoid the same magistrate participating in the same case in various capacities (ATF 131 I 113 at 3.4 p. 117) and it seeks to guarantee the judge's independence towards each litigant (decision 4P.187/2006 of November 1st, 2006 at 3.2.2).

4.3 On the basis of these principles it must be examined whether or not the circumstances advanced by the Appellant give the appearance that the Arbitral Tribunal which issued the decision under appeal was irregularly composed.

[7] Translator's note: Cst is the French abbreviation for the Swiss Constitution.

4.3.1 At § 99 of the partial award of November 19, 2007, the Arbitral Tribunal points out that the Appellant presented some legal arguments which did not purport to deny the validity of the Licence Agreement concluded in 1989. Then, according to the French translation made by the Appellant, it adds that such a challenge on the basis of essential error or fraud based on Art. 23 ff of the Swiss code of obligations would have been covered by the statute of limitations a long time ago. In the February 29, 2008 brief concerning the request for a stay, the Appellant argued on the basis of that *obiter dictum*, that the Arbitral Tribunal would no longer have the necessary independence to decide the validity of the termination of the Second Amendment. According to the French translation it gives of the pertinent section, this was answered as follows (decision under appeal § 30): "*The statute of limitations referred to by the Arbitral Tribunal at § 99 of the partial award, concerned the termination of the Licence Agreement of 1989 on the basis of essential error or fraud. Nothing was said or implied as to the statute of limitations, which has not yet been invoked, with regard to the 1992 Second Amendment due to an error; according to X._____, the discovery of the error came from the partial award. If the Claimant eventually argues that the alleged termination of the Second Amendment by the Respondent is covered by the statute of limitations, the arbitrators would consider that argument in full independence and impartiality".*

The Appellant claims in its appeal that the Arbitral Tribunal's profession of faith (sic) is not reassuring. It states its fear that the arbitrators would use the same reasoning to draw an identical conclusion with regard to the termination of the Second Agreement since it was signed three years only after the Licence Agreement (§ 129 to 132).

The fears voiced by the Appellant appear to be the expression of a purely subjective feeling relying on no concrete element and they come close to questioning the intentions of the arbitrators. Thus, as the Respondent convincingly demonstrates at § 106 to 114 of the answer, the remark by the arbitrators at § 99 of the partial award as to a possible attempt by the Appellant to terminate the Licence Agreement applies only to that contract and does not in any way prejudge the termination of the Second Amendment. Moreover, it must be kept in mind that the remark was made within the framework of an explanation of the legal theory proposed by the Appellant to challenge the Respondent's submissions as to the payment of royalties. Hence, by using the expression "time-barred", the Arbitral Tribunal probably did not mean the technical meaning of the concept, the Appellant having merely raised a defence to support its submission in rejection, but rather the one year term at Art. 31 CO, in which

the party victim of an error must state to the other its determination not to keep the contract affected by the error. As is known, that time limit runs from the time the error is discovered (Art. 31 (2) CO). From that point of view, it is clear that the Appellant could hardly have claimed that it discovered in 2005 only that Professor A._____ did not have the know-how that he was supposed to have transmitted in 1989 when the Licence Agreement was concluded. However, the situation is radically different with regard to the termination of the Second Amendment, as the *ad hoc* statement in this respect was made by the Appellant on January 15, 2008, namely less then two months after the partial award relating to the interpretation of the aforesaid Amendment, and according to the Appellant becoming aware of that award would be tantamount to discovering the error. Thus, the arbitrators' remark as to a hypothetical termination of the Licence Agreement does not in any way prejudge how they will decide the issue of the effective termination of the Second Amendment.

4.3.2 At § 3 of the decision under appeal, the Arbitral Tribunal points out that to the extent that the Appellant's liability was determined as a matter of principle, only the amount of the royalties to be paid by the debtor remains to be determined. Irrespective of what the Appellant says (appeal at 135) such a statement in no way implies an alleged refusal by the arbitrators to decide the validity of the termination of the Second Amendment in the second phase of the proceedings. The best proof for that is the third heading of the holding of the decision under appeal, in which the Arbitral Tribunal invites the Appellant to state its position in the upcoming brief not only on the quantum of the claims under dispute, but also on the issue of the termination of the Second Amendment and to specify its submissions on quantum on the basis of two scenarios, namely depending on the answer – positive or negative – which will be given to that question in the future award.

4.3.3 The Appellant claims to have observed a certain annoyance of the Arbitral Tribunal towards the Appellant. Proof of that would be the short time limit it was given to file its brief on quantum and the arbitrators' remark according to which it would be enough for the Appellant to withdraw its request for arbitration to prevent the risk that contradictory awards may be issued.

The elements advanced by the Appellant do not show in what way the arbitrators would have shown annoyance towards the Appellant. For one thing, as the Respondent rightly

emphasises, the Appellant did not question the time limits it was given and complied with them, both parties having had the same time limit to file their respective briefs on quantum. For another, the remark by the Arbitral Tribunal as to how to prevent the risk of contradictory decisions is simple common sense and is in no way offensive towards the party alleging such a risk.

4.3.4 The Appellant seeks to deduct that the co-arbitrators would not have participated in the decision from the fact that the decision under appeal was signed by the Chairman of the Arbitral Tribunal alone.

The argument was reduced to naught by the co-arbitrators themselves as they stated in their letters of June 4 and 6, 2008 that both had approved the decision.

Be this as it may, it appears from § 4 of its observations of September 10, 2008 that the Appellant withdrew the grievance it had formulated in this respect in its appeal.

4.3.5 Finally, the Appellant relies on a letter of March 10, 2008 in which one of the three arbitrators indicates to the ICC that he will not sit in the arbitral tribunal to be constituted as a consequence of the Appellant's request for arbitration. Such a letter should be taken into account as a new fact. Upon reading that letter it appears that the main reason for which the arbitrator refused to be part of the second arbitral tribunal is because the Respondent, which appointed him as arbitrator in the proceedings it had initiated, took the view that the new proceedings were a disguised attempt at appealing the partial award. From such a statement it could not be deducted that the Arbitral Tribunal would be neither independent nor impartial to decide the validity of the termination of the Second Amendment. Merely because an arbitrator refuses to sit in an arbitral tribunal to which a party would like to submit an issue, which the other arbitral tribunal is in a position to decide, does not mean that that arbitrator and hence the entire arbitral tribunal to which he belongs would have demonstrated that they will refuse to review the issue in dispute in full independence and impartiality.

4.4 On the basis of the foregoing, it must be found that the decision under appeal was not issued by an arbitral tribunal that had been irregularly composed.

5.

5.1 In a final group of grievances, the Appellant claims that Art. 190 (2) (c) and (d) PILA was violated. To substantiate these two grievances, it argues that the Arbitral Tribunal decided its jurisdiction and the regularity of its composition without being seized of any *ad hoc* submissions, thus deciding *ultra petita* and that the decision under appeal was issued without advising the Parties that the Arbitral Tribunal intended to decide these two issues, thus violating their right to be heard.

5.2 According to Art. 190 (3) PILA an interlocutory decision may be appealed only for the reasons spelled out at Art. 190 (2) (a) and (b) PILA (ATF 130 III 76 at 4). Hence, the grievances made by the Appellant on the basis of Art. 190 (c) and (d) PILA are not capable of appeal.

6.

Finally, the Appellant's motion that the name of the Parties be made anonymous in the decision to be published on the Internet and, as the case may be, in the official collection of the decisions of the Federal Tribunal calls for no specific decision. Indeed, according to the rule at Art. 27 (2) LTF, from which there is no reason to derogate in this case, the decisions of the Federal Tribunal are published in anonymous format as a matter of principle.

7.

The Appellant shall be ordered to pay the costs (Art. 66 (1) LTF) and to compensate the Respondent (Art. 68 (2) LTF) as a consequence of the federal proceedings.

For these reasons, the Federal Tribunal pronounces:

1. The appeal is rejected to the extent that the matter is capable of appeal.

2. The judicial costs, set at CHF 50'000.-, shall be borne by the Appellant.

3. The Appellant shall pay to the Respondent an amount of CHF 60'000.- as a share of its costs.

4. This decision shall be notified to the representatives of the Parties and to the Chairman of the ICC Tribunal.

Lausanne, October 29, 2008

In the name of the First Civil Law Court of the Swiss Federal Tribunal

The Presiding judge: The Clerk:

CORBOZ CARRUZZO