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Restrictions on Use of Intellectual Property Rights

Harold S. Meyer*

Intellectual property rights are generally considered to include patents, copyrights, and ownership of unpublished technical data or "know-how," and sometimes trademarks. In spite of the basic differences in character between trademark rights and the others, all these rights are often dealt with as a group, particularly in Europe, where they are known collectively as industrial property rights.

Restrictions of various kinds have come into existence in the United States, limiting utilization or exploitation of these rights. Such restrictions are found primarily in the anti-trust laws. To understand these restrictions, it is essential to bear in mind the character of the rights themselves.

Patents and copyrights are creatures of statutes, authorized by Article I, Section 8 of the Constitution. Patent rights, under the present statute, give the owner of a novel invention, who has obtained letters patent by compliance with the requirements of the law, the privilege for seventeen years of excluding others from practice of the invention, or of permitting it to be practiced on such terms as may be agreed on by a license. Copyrights, under the present statute, give the owner of a literary or artistic or musical composition who has placed the prescribed notice on all copies published and obtained a registration certificate, the privilege for twenty-eight years, renewable for another twenty-eight years, or preventing others from copying the work, or of permitting it to be copied and used under a license.

Know-how and trademarks can be protected under general principles of law, apart from statutes, although we have a federal trademark registration law which gives important procedural benefits. Know-how remains the absolute property of its possessor as long as he does not disclose it to anyone else. Once disclosed, it becomes the possession of the recipient also, unless there is an agreement between the originator and recipient as to ownership, terms of use and the like. Trade names and trademarks are the property of those who adopt and use them in conducting a business, and constitute the specifically identifiable part of the good-will of the business.

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Anti-trust Laws

The name “anti-trust laws” is a curious misnomer, not found in the earliest statutes themselves. This name arose from the historical fact that objectionable monopolies were being created by the device of placing in trust the voting stock of ostensibly competing business corporations, so that the trustees (who were not the beneficial owners) could use the control of the corporations to restrain freedom of business action and to obtain unfair advantages over others. Obviously, the anti-trust laws have nothing to do with trusts of the ordinary kind, and are in fact anti-monopoly laws.

The first of these laws was the Sherman Act of 1890, prohibiting in broad, general terms all contracts, combinations and conspiracies in restraint of trade or commerce, as well as attempts to monopolize any part of trade or commerce. The other laws, enacted in 1914, are the Clayton Act and the Federal Trade Commission Act. The Clayton Act prohibits a number of specific practices such as price discrimination, agreements requiring a customer not to purchase from a competitor of the seller, and mergers of competing businesses, when such practices tend to destroy competition; in each case with various qualifications intended to permit fair and non-monopolistic action. The Federal Trade Commission Act prohibits unfair methods of competition and deceptive advertising, and established the Federal Trade Commission, which has the task of enforcing these restrictions and also some other functions.

Amendments have been made from time to time, in some of which exceptions to the general prohibitions have been established. Thus, the “fair trade” law of 1937 permitted a supplier of branded goods, which are in free competition with other like goods, to prescribe minimum resale prices if such arrangements are lawful in the state in which the resale occurs. In another special statute, originating over sixty years ago, owners of trademarks were given the right to prevent importation by others of goods bearing the same trademarks.

The general purpose of all these laws is to foster competition, and to ensure as far as possible freedom of opportunity for all to engage in any desired kind of business. Nevertheless, the system is a patchwork in which attempts have been made to cover up weaknesses, or to relax unduly stringent controls, in language

4 Except indirectly, in the phrase “combination in the form of trust or otherwise.”
6 Id. §§ 12 to 27.
7 Id. §§ 41 to 58.
9 15 U. S. C. § 1124, the language of which has not been changed since 1905, was based on an earlier tariff act provision, and was supplemented in 1922 by 19 U. S. C. § 1526.
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which is often confusing and sometimes apparently contradictory in purpose or effect.

The apparent contradictions are especially troublesome with respect to ownership of such intangibles as intellectual property rights, partly because of the inconsistency between the legal concept of ownership as denoting absolute control over the property owned and the prohibition of some forms of control in the anti-trust laws. Even worse, patents and other intellectual property rights are sometimes characterized as legal monopolies, which some people find difficult to reconcile with our anti-monopoly laws.

Actually, Congress and the courts have established a balance for intangible property (as for any other kind of property) between freedom of use and restrictions on those uses regarded as injurious to our society. Those restrictions of greatest interest are outlined here.

Suppression of Competing Patents

Suppression of patents is often alleged. Typical examples have been the rumored purchase by a safety razor manufacturer of a permanent razor blade patent, or purchase by an oil company of an automobile carburetor patent which would double fuel mileage, and suppression of the invention by the purchaser to protect his established business in repeat sales of supplies. In such aggravated forms, suppression has never been proven.

Non-use of patented inventions is commonplace. Non-use may occur when a company develops and patents several different ways to accomplish a result, and exploits only that one which appears to be most advantageous, or when a particular invention cannot compete because of excessive cost or inefficiency or other failure to meet the needs of users. In other cases, inventors encounter the frustrating experience of being unable either to finance production and marketing or to persuade others to undertake such a financial risk (partly because our tax laws make it impossible to retain rewards for success commensurate with the magnitude of risks). But non-use alone is not objectionable and has not been characterized by the epithet "suppression." 11

Suppression of patents has been found to violate the Sherman Act, when the patents represent alternative or competing ways to accomplish a result, and are acquired for the specific purpose of eliminating actual or potential competition. 12 This is true whether the patents are purchased directly or whether they are acquired by purchase of the business in which they are used.

The courts have been particularly outspoken in condemning acquisition of competing businesses which are then discontinued. Acquisition of non-competing patents or businesses is not objectionable, especially when the acquired business is continued.13

Conflicting patents are those owned by different entities but which cover the same industrial operation or product. Conflict between patents can occur when one person makes and patents an invention and another invents an improvement within the scope of the first patent. It can also occur when different people own patents on complementary inventions, such as a process and an especially advantageous machine for carrying out the process. The consequence is that each patent owner can prevent the owner of the other patent from practicing the conflicting inventions, so that the public will be deprived of any benefit of the inventions during the life of the patents unless the conflict is resolved. In such situations no objection is made to acquisition of patents for elimination of the conflict, as the result is to make available to the public something which otherwise might be unavailable.14

Competition in supply of merchandise is not enough to assure maintenance of the maximum degree of freedom of business which is desirable in the public interest. There should also be competition in making of improvements. This is not brought out very clearly in the published cases, but it is definitely the policy of the Department of Justice in order to eliminate any arrangements which might restrict the freedom or the incentive of competitors to conduct competitive research, and thus to suppress the creation of inventions.15

Pooling of Patents

Pooling of patents means bringing under common control patents which were previously under different ownership, including arrangements between two patent owners as well as those involving patents of many owners.

Acquisition of conflicting patents in order to resolve a conflict has already been stated to be unobjectionable. Similarly, the resolution of a conflict by a cross-license, in which each owner grants to the other a non-exclusive license, is unobjectionable since it removes restrictions rather than imposes them.16 Such an arrangement permits the participants to compete with each other, and does not exclude competition by others who may be able to acquire the necessary patent rights.

Exclusive cross-licensing, on the other hand, is an agreement giving the participants, by joint action, freedom from com-

15 See U. S. v. General Electric, 82 F. Supp. 753 (D. N. J. 1949) where a licensee's volume of business was restricted.
petition for the life of the patents, and is therefore clearly an agreement in restraint of trade, prohibited by the Sherman Act.\textsuperscript{17}

These same rules apply to patent pools with more than two participants. Arrangements bringing together all patent rights needed for a particular industrial operation are approved if others than the parties to the arrangements are not excluded.\textsuperscript{18}

Thus, pooling of patents is unobjectionable if the patents are individually licensed, or if a license under the group of patents in the pool is freely available on reasonable terms. Any restrictions on operations of the participants will cause the arrangement to be condemned as an illegal restraint of trade.\textsuperscript{19} This includes specifically restrictions as to prices which may be charged by the participants, all price-fixing in cross-licenses having been declared to be improper.\textsuperscript{20}

The grant of a license on condition that the licensee will grant a license back to the patent owner, to use the licensee's improvements, is a special form of pooling. Patent owners are reluctant to license competitors unless they can acquire the right to use existing and future improvements made by the licensees. Otherwise, the licensees would be likely to acquire a competitive advantage by being able to operate under the original patent and also being able to prevent the owner of the original patent from supplying the improved form of the invention.\textsuperscript{21}

Availability of a back-license under the licensees' improvements gives the patent owner an incentive to grant licenses to competitors, and has been specifically approved.\textsuperscript{22} But the use of back-licenses is not free from problems, since multiple back-licenses from several licensees would give the patent owner a preferred position (besides receipt of royalties) in being the only one able to use all improvements.\textsuperscript{23} On the other hand, an open pool, in which all existing and future improvements are available to all licensees, while it eliminates the problem just mentioned, could be criticized as lessening the incentive to carry out competitive research, and is actually distasteful to some important companies for that reason. A possible solution to this dilemma, which has been used sometimes, is to give the original patent owner a back-license from each licensee in any event, and also to give each licensee at the time of signature of the license the choice whether

\begin{itemize}
\item \textsuperscript{18} Standard Oil v. U. S., 283 U. S. 163 (1931); Baker-Cammack v. Davis, 181 F. 2d 550 (4th Cir. 1950).
\item \textsuperscript{22} U. S. v. General Electric, 115 F. Supp. 835 (D. N. J. 1953), and various consent decrees.
\end{itemize}
he wishes to acquire a license to use future improvements of other licensees in return for an obligation to grant a similar license to the other licensees. Of course, these problems do not exist at all if the patent owner and the licensees are not competitive.24

Restrictive Licenses

It is clear now that a patent gives its owner only the right to exclude others from practice of the patented invention.25 He may agree not to exercise his right to exclude against a particular person or company, and such an agreement is a license. If that were all that was done, except to compensate the patent owner, as by a suitable royalty payment, there would be few problems. Licenses granted by a patent owner who is not practicing the invention are often as simple as that. Licenses to competitors are more troublesome.

Patent owners have found by experience that it is not always to their best advantage to try to maintain complete exclusiveness. Sometimes this would be impossible because the patentee could not finance the needed scale of operations. Sometimes exclusiveness would encourage others to design around the patent. Sometimes customers insist on multiple sources for patented products. In any event, royalty income can be attractive.

But the patent owner cannot be expected to favor licensing of a powerful competitor at the risk of having the licensee undersell or in some other way destroy the patentee's business. Consequently, various restrictions have been put in license agreements in order to protect the patentee's business, and many of these restrictions have been approved. Thus, a license agreement may require maintenance of a reasonable quality standard; or may limit the licensee's volume of business in practicing the patented invention;26 or may restrict the nature of the licensee's product, so as to avoid direct competition with the patentee.27 A license agreement may establish a minimum sales price for the licensed product,28 or may limit the territory in which the licensee is permitted to practice the patented invention.29 If the licensee is operating in a foreign country, the license may be limited to patents in a specified country or countries.30

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Both Congress and the courts have been asked repeatedly to outlaw these various restrictions in license agreements, and both have consistently declined to do so, although there have been strong minority opinions in the Supreme Court in favor of prohibiting these restrictions. The courts, however, have drastically restricted the usefulness of some of these restrictions. Disapproval of price-fixing in cross-licenses has already been mentioned. Territorial restrictions in cross-licenses have also been disapproved. While the price charges by a licensee may be established, the resale price charged by the licensee's customer may not be fixed. The latter is actually only an extension of the rule that the patentee may not fix resale prices charged by his customers (except to the extent permitted by the "fair trade" laws, which are discussed below).

Use of identical restrictions in a plurality of licenses has never been explicitly disapproved by the courts, but the Department of Justice has taken the position that acceptance of a restricted license (one specifying a minimum price, for instance) with knowledge of previous grant of such a license to another, would be regarded as a prohibited conspiracy. This position of the Department of Justice seems quite out of keeping with the rationale of United States v. General Electric, in which licenses containing restrictions for the protection of the patentee's business were explicitly approved. Nevertheless, the position of the Department of Justice at least constitutes a hazard that anti-trust suits might be brought against concerns that attempt to use such arrangements.

The most important limitation on restrictive licenses is that they are permissible only for the protection of the patentee's own business in practicing the patented invention against harmful competition by his licensee. Thus a non-manufacturing patentee may not fix the prices charged by his licensees, and a process or machine patent may not be used to fix prices for the product. Moreover, the patentee may not agree to restrict his own activities in any way, since that would definitely be a restraint of trade not justified in any way by ownership of the patent.

The patentee may, of course, make such unilateral decisions

32 See note 20 supra.
36 See note 28 supra.
38 Barber Colman Co. v. National Tool, 136 F. 2d 339 (6th Cir. 1943); contra, Straight Side Basket Co. v. Webster, 82 F. 2d 245 (2d Cir. 1936).
as are required in the conduct of his business, including whether or not he should practice the patented invention at all, the extent to which it should be practiced and the character of products made, the price which should be charged, whether a license should be granted to another, and if so, on what terms. So long as these decisions are the patentee’s alone, there can be no conflict with the anti-trust laws. Also, to the extent already explained, restrictions can be placed on licensees, but restrictions can never safely be placed on the patent owners. The patentee, if he retains any control over the patent, must retain complete freedom to make all these decisions by himself. If he surrenders control over any of these things to a licensee, he has made an agreement in restraint of trade.

The only exception to the foregoing statement is that a patent may be sold outright (or exclusively licensed, which is practically the same, as the exclusive licensee is regarded as the equitable owner). The original patentee is replaced by the new owner, who must thereafter be the one who alone can make the decisions as to how to deal with the patent.

A corollary of this principle that the patentee must make the essential decision unilaterally is that any restrictions on the grant of further licenses are illegal,40 including any veto power by a licensee.41 An exclusive license implicitly includes the right to grant further licenses, but to be safe, this should be spelled out in order to negative any possible conclusion that further licenses could not be granted.

Royalties are a subject of negotiation, and payment agreements, on any reasonable basis, are not ordinarily disturbed. It is not even essential that payments be based on actual use of the patented invention. Thus, when patents were so numerous as to make it difficult to determine whether all products were actually covered, payment of royalties based on the total of a defined class was approved.42 But a requirement for payment of royalties on clearly unpatented products was disapproved.43

A license agreement may not properly prevent the licensee from dealing in unpatented goods or those of the patentee’s competitors.44

Misuse (Control of Unpatented Supplies)

One of the most perplexing questions in either patent law or anti-trust law is that of the extent of permissible control over unpatented supplies or components used in practice of patented

44 United Shoe Machinery v. U. S., 258 U. S. 451 (1922); McCullough v. Kammerer, 166 F. 2d 759 (9th Cir. 1948).
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inventions. Often inventions are made by concerns in the business of making and selling a particular kind of supplies for the purpose of expanding their markets, and the patents may cover combinations which the patent owner may not be able to assemble but which include the unpatented supplies as components. In these situations, the patent owner naturally expects to be able to use the patent to obtain at least some competitive advantage in the sale of the supplies.

The courts have dealt with this problem for many years and have made decisions stating more and more definitely that a patentee is not entitled to be free from competition in the supply of unpatented components. These decisions carefully refrained from referring to the anti-trust laws, and were based on the concept that it was inequitable for a patentee to use his combination patent to control sales of the unpatented supplies, and that the courts would not aid in enforcement of a patent as long as this misuse continued. Finally, the Supreme Court in Mercoid v. Minneapolis-Honeywell completely changed the asserted basis for the decisions and declared this practice to be a violation of the anti-trust laws.

In that case, the supplies in question were specially designed thermostats, not patented as such, but only as components of a combination including a furnace and other components, and not useful for any purpose except as components of the patented combination. A competitor duplicated the specially-designed thermostats and sold them for use in the patented combination, and were sued as a contributory infringer. The decision, not only denying a remedy for the infringement, but awarding damages under the anti-trust laws against the patentee, led to a change in the statute.

The present patent law specifically declares that supply of a non-staple component which is not capable of substantial non-infringing use is contributory infringement, and also states that it is not misuse of a patent to enforce it against a contributory infringer. The precise effect of this is not altogether clear, but it would seem to limit the effect of the misuse doctrine to situations in which the supplies are staple commodities capable of various uses.

So it would be unwise for an owner of a combination patent involving staple components to attempt to monopolize supply of the staple components to persons using the combination. The only completely safe way to benefit from ownership of such a

47 35 U. S. C. § 271(c) and (d).
patent is to engage in the business of making the entire combination, or to license those who do make the combination on some suitable royalty basis.

**Package Licensing**

Industrial concerns often accumulate groups of patents related to one another in such a way that a particular product or its production may be covered in its various parts or aspects by several or many of the patents. In such situations, licensees naturally desire a license under all patents covering the licensed product in any way.

A patent owner also may wish to obtain income from licensing a group of patents, but a prospective licensee may decide that he needs a license under only one or a few of them, and that it would be disadvantageous to have a license, with accompanying commitments as to validity, payment of royalties, etc., under patents which he may regard as invalid or at least not pertinent.

A refusal to grant any other than a "package license" under an entire group of patents was condemned. But offering of a "package license" is not objectionable where there is no refusal to grant licenses under individual patents.

**Copyrights**

In copyright licenses, as in patent licenses, anti-trust problems can arise, but the complexities are less because a large proportion of all copyright contracts are relatively simple agreements between authors on the one hand, and publishers of books and magazines or producers of dramatic programs on the other hand. Copyright agreements usually follow fairly well understood forms and practices. The most outstanding problems are those analogous to the "package license" under patents.

The right to exhibit motion pictures is acquired by a copyright license which specifies the extent of permitted exhibition and the compensation to be paid. The owners of motion pictures, in order to profit from less popular as well as from the most desirable productions, engaged in "block booking," which required exhibitors to take unwanted motion pictures in order to get those actually desired by them and their customers. Such compulsory block booking was held to be illegal.

A similar problem arose in connection with performance of musical compositions over the radio or in places of entertainment. The American Society of Composers, Authors and Publishers (ASCAP), controlling almost all copyrighted music, instituted a licensing system charging a flat fee based on the type of business and its capacity, for the privilege of performing any

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desired copyrighted music. This system was approved, as long as the right to a license for individual selections was available on a reasonable basis.52

Proprietary Data (Know-How)

Rights to proprietary data—know-how or trade secrets—can impinge on anti-trust restrictions when conveyed from one company to another. When such a conveyance is ancillary to a patent license, the same problems arise as with licenses generally, except that more care is required because proprietary data do not have the status of justification by statute that can be asserted for patents.

Conveyance of proprietary data to competitors, in this country, occurs to some extent, but there is a greater incentive to make agreements for conveyance of proprietary data to manufacturers in other countries, and some of them have been the subjects of anti-trust litigation.

In the famous case of Timken Roller Bearing Co. v. United States,53 the American manufacturer owned less than half of the stock of a British manufacturer. The American and British concerns each owned half the stock of a French manufacturer. The foreign companies were supplied with manufacturing data of the American company, and they agreed not to sell any products except under the American company's brand, and to sell at prescribed prices except within their allotted territories. Dominance of the tapered bearing field was clearly shown, even though patent control had expired, and although some competition existed with other types of bearings such as ball bearings. The agreements were held to be prohibited restraints of foreign trade (that is, trade between the United States and foreign countries) because of the price fixing and allocation of markets.

The opinions in the Timken case, both for the majority and minority in the Supreme Court, used language not entirely appropriate to the facts. The majority indicated that the fixing of prices and allocation of sales territories could not be justified by the fact that the foreign concerns were subsidiaries of or controlled by the American manufacturer. The minority believed that control of activities of subsidiaries should be permitted. The fact was that the British and French concerns were not subsidiaries because the American company did not own a controlling quantity of stock.54

It is beyond question that a manufacturer may establish branch factories and sales branches and may instruct them on what to make, what prices to charge, what territories to serve, and the like, without fear of violating the anti-trust laws. One

cannot conspire with oneself. The fact that some of the branch operations, either in this country or in a foreign country, may take the form of wholly-owned subsidiaries should make no difference, as it is the fact of ownership and control that is important rather than the form of organization. Consequently, there should be no hesitancy about making suitable arrangements for allocating business among completely-owned branch or subsidiary operations.

Different considerations apply when there is significant minority ownership, as it is possible for agreements with partly-owned subsidiaries, if of a kind which might restrain trade, to be regarded as made for the benefit of the minority owners, and to be prohibited.

If there is no subsidiary relation, because of absence of stock control, as in the Timken case, agreements should be governed by the same rules as those made with complete strangers.

In agreements for conveyance of proprietary data to a competitor in this country it is preferable for the agreement not to be exclusive. But in agreements with foreign concerns it is common to stipulate that the same data will not be supplied to others in the same country, since such a stipulation can hardly be regarded as a restraint of trade of the United States. It is also proper to require the recipient to keep the data confidential and not to use the data except in his own country. Care must be taken, though, in not placing undue restrictions on sales of products, as it is just such restrictions that were condemned in the Timken case.

An exchange of proprietary data is more likely to be troublesome than a one-way conveyance, as is demonstrated by United States v. Imperial Chem. Ind. There, the two principals, in the United States and Great Britain, agreed to exchange patent licenses and data for future inventions, and also jointly owned manufacturing concerns in certain other countries. The undertaking to exchange rights and the joint ownership of operating companies were both held to be illegal.

**Trademarks**

Until recently, trademarks were regarded as inseparable from the goodwill of the user, and therefore as not capable of being licensed, except in the situations involving certification of quality or origin, or membership in an organization. It is generally recognized now that legitimate business purposes are served by licensing use of trademarks, as long as there is no deception of purchasers and proper control is maintained by the trademark owner. In fact, licensing is provided for in the federal trademark statute.\(^{56}\)

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Certification marks are those which certify the maintenance of a prescribed standard, such as the famous "Sanforized" mark on cotton garments. A curious limitation of the trademark statute is that registrations of certification marks may be cancelled if the owner of the registration deals in the goods bearing the certification mark, or if the owner refuses to certify the goods of anyone who maintains the prescribed standards. No sound basis for these restrictions is apparent, and their result is simply that those who wish to do business in one of these ways do so without benefit of a United States trademark registration, relying on common law rights for their protection.

The trademark statute expressly provides that a trademark registration, which can become conclusive evidence of the owner's exclusive right to use the trademark, will not have that effect if "the mark has been or is being used to violate the anti-trust laws of the United States." This has been stated to amount to a possible defense in an infringement suit, but it clearly does not go that far. It is merely a rule of evidence.

In general, trademark licenses are no different from other agreements in their relation to anti-trust laws. Thus an agreement requiring use of a trademark and at the same time prohibiting use of the trademark in certain territories was held to be a prohibited division of markets.

A special situation concerning imported goods has been mentioned as a possible limitation of the anti-trust laws. The statutes prohibit importation of goods bearing a copy of a trademark, especially when the trademark is registered and the registration certificate is filed with the customs authorities. These statutes have been interpreted as permitting exclusion of genuine foreign merchandise imported by anyone other than the concern owning the trademark rights in the United States. Recently, attempts have been made to restrict or terminate this provision, either by judicial interpretation or legislation. In particular, an administration-sponsored bill is so extreme as practically to end all trademark protection if the same trademark is ever used by legally distinct concerns in different countries. Those engaged in importation or in manufacture in more than one country should keep informed as to the progress of such legislative proposals.

Another area in which legislative changes may occur is that of "fair trade" price fixing. The laws permitting a supplier of

57 Id. § 1064.
58 Id. § 1115b.
60 See note 9 supra.
62 H. R. 7234 (86th Congress).
63 See note 8 supra.
branded merchandise to stipulate a minimum resale price have been held to be invalid in many states. There are consequently active attempts to formulate more effective laws, both in Congress and in state legislatures, to permit price fixing. The desirability and probable enforceability of such legislation are both quite controversial.

Summary

The subject of this paper is vast and complex, and this discussion is no more than an introductory outline. No attempt has been made here to distinguish actions which have been held to be violations per se from those which are violations only when a monopoly results, yet this is a very important distinction.

Those confronted with specific questions should make a detailed investigation of the law. A good preliminary guide, representing the best thinking of many experts in the Department of Justice and in private practice, is contained in the 1955 "Report of the Attorney General's National Committee to Study the Antitrust Laws," which is still reasonably up-to-date and can be purchased from the Superintendent of Documents, Washington 25, D. C. for $1.25.

In particular, it must be remembered that actions which are innocuous when they occur alone may represent a prohibited restraint of trade when combined.64

In spite of the complexity of the subject there are some rather simple rules which will avoid most of the pitfalls described in the numerous cases in this field.

1. Don't make licenses unavailable

There must always be some one person or concern who has the unrestricted right to grant licenses, even though he may choose not to exercise that right.

2. Don't give up control to licensees

The owner of a patent or other intellectual property right (this includes an exclusive licensee since he is effectively the owner) must make his own decisions as to who is to be licensed, as to terms of licenses, etc. No restrictions should be placed on the freedom of the owner to make these decisions.

3. Don't attempt to protect a licensee's business

Price fixing of patented products and certain other restrictions in licenses have been approved as protection for the business of the patent owner. These restrictions should not be used to protect a licensee's business, especially not when the patent owner has no business of his own to protect.

4. Don’t combine a license and a negative covenant

A license, although basically a waiver of a legal right to exclude, may be considered as a positive grant of rights. The grant may be as broad or narrow as the owner chooses to make it. But once the scope of the grant has been defined, it is hazardous to place in a license document any separate covenant restricting operations of the licensee.

5. Don’t exchange future rights

When existing rights are licensed, it is proper to provide for an ancillary exchange of similar rights for improvements for a limited future time. An agreement which is primarily an exchange of future rights is hazardous.