ties without discrimination or restrictions, at the standard royalty level. Three years later, in 1948, the Supreme Court ruled that even an agreement, which combines blocking patents that could not be otherwise fruitfully exploited without infringing on each other's intellectual property rights, could violate the Sherman Act, as in the specific case in *United States v. Line Materials*,[181] if a price-fixing clause is involved.[182]

II. The Patent Act of 1952 and the "Nine No-Nos": Defining the Spheres of Interference between Antitrust and Patent Law

The Congress reacted to this judicial trend by passing the Patent Act of 1952, which strengthened the patent system by limiting the interferences of antitrust law and the overreaching doctrine of patent misuse.[183] In 1957, as a result of the frequent overlaps of the patent and the antitrust system,[184] a lengthy study was issued on the initiative of the Congress on "The Patent System and the Modern Economy".[185]

Within this framework, an important step towards the regulation and a certain level of legal certainty of patent pools, although always through a suspicious approach, occurred in the 1960s, when the US Department of Justice closely evaluated all existent patent pools and produced a list of nine stereotyped patent licensing practices that would be considered per se antitrust violations. This list was soon known as the "Nine No-Nos" and comprised the following prohibited general practices in the context of patent licensing: "(1) requiring a licensee to buy unpatented materials from the licensor; (2) requiring a licensee to assign to the patentee any patent which may be issued to the licensee after the license agreement is executed; (3) attempting to restrict the purchaser of a patented product in the resale of that product; (4) restricting the licensee's freedom to deal in products or services not within the scope of the patent; (5) agreeing with the licensee that the licensor will not,

181 United States v. Line Material Co., 333 U.S. 287 (1948), available at: http://supreme.justia.com/us/333/287/case.html

182 For a thorough analysis on the antitrust considerations of price-fixing clauses, particularly when applied to patent pools, in the American jurisprudence of the time, see: Dreiss U., "Die Unzulässigkeit der Preisbindung bei Gleichzeitiger Lizenzierung und fremder Patente durch Patent Pools: United States v- Line Material Co." in "Die Kartellrechtliche Beurteilung vom Lizenzvertragssystemen im Amerikanischen und Deutschen Recht", Schriftenreihe zum Gewerblichen Rechtschutz, 1972, vol. 26, p. 65 *et seq.*

183 35 USC. Sect. 1 *et seq.*

184 For a critical analysis of the application of the so-called "Misuse Doctrine" as a justification for the wide interference of the general protection of antitrust law at the costs of the special system of patent rights, see: Strohm G., "Wettbewerbsbeschränkungen in Patentlizenzverträgen nach Amerikanischem und Deutschem Recht", Schriftenreihe zum Gewerblichen Rechtschutz, 1971, vol. 24, p. 213 *et seq.*

185 US Senate Commission, "Study of the Subcommission on Patents, Trademarks and Copyrights of the Senate Commission on the Judiciary", 84th Congress, 2nd Session, 1957.

without the licensee's consent, grant further licenses to any other person; (6) requiring the licensee to take a package license; (7) requiring the licensee to pay royalties, including total sales royalties, in an amount not reasonably related to the licensee's sales of products covered by the patent; (8) attempting to restrict a process patent licensee's sales of products made by the patented process; and (9) requiring a licensee to adhere to any specified or minimum price in its sale of licensed product".[186] This list of prohibited patent licensing practices was perceived as an overzealous antitrust enforcement of the Department of Justice and thus heavily criticized by some authors.[187] In fact, it was conteded that antitrust ascendancy during this period lacked both a sound economic foundation and a sufficient appreciation of the incentives for innovation that patents in general and patent licensing in particular can provide.[188] In practice, the Department of Justice's severe approach generally tended to make companies over-cautious about concluding patent pooling agreements.

Remaining within this restrictive jurisprudence tradition, which in principle looked at pooling agreements with disfavour, in 1973 the District Court of Columbia decided the case *United States v. Glaxo Group Ltd*.[189] The case dealt with a British drug manufacturer, who held an American patent on a fungicide, and another British drug manufacturer, who held another American patent on a micro size dosage form of fungicide. The two manufacturers signed a patent pool agreement, containing certain restrictions on the sale of the bulk form of this fungicide. Both firms imposed on each other certain restrictions in sublicensing agreements with American chemical companies. In the civil antitrust action brought before the District Court, the United States Government sought to enjoin enforcement of the bulk sale restrictions on the grounds that they had a negative effect on trade. The District Court held that said restrictions infringed on the Sherman Act, thus granting the government's request for injunctive relief, but not going further by ordering sales on reasonable, non-discriminatory terms and fixing reasonable royalties' terms.

Even if the courts didn't condemn a pool formation as such, dissolving the underlying agreement as a whole, like in the more glamorous cases of 1931, i.e. the so-called "cracking patent case", and of 1945, as mentioned above, respectively, certain particularly restrictive clauses, such as restraints on price or output, fell under the jurisprudential veto.[190] Even if patent pools do not need to be completely open to all

186 For the "Nine No-Nos" list, see: Federal Trade Commission, "To Promote Innovation: the Proper Balance of Competition and Patent Law", Report, October 2003, p. 18 *et seq.*, available at: http://www.ftc.gov/os/2003/10/innovationrpt.pdf

187 Bruce B., "Remarks before the Michigan State Bar Antitrust Law Section", September 1972, reprinted in Commercial Clearinghouse Trade Regional Rep. 50, p.146.

188 See i.a.: Hovenkamp H. et al. "IP and Antitrust: an Analysis of Antitrust Principles Applied to Intellectual Property Law"Aspen Publishers Online, 2002.

189 United States v. Glaxo Group Ltd., 410 U.S. 52 (1973), available at: http://supreme.justia.com/us/410/52/case.html

190 For an outline of the historical jurisprudential developments, see i.a.: Pearlstein D., "Cross-Licensing and Patent Pools", "Antitrust Law Developments", American Bar Association, 5 ed., 2002, p. 1080 *et seq.*

candidates wanting to join, in the case *Northwest Wholesale Stationers Inc. v. Pacific Stationery and Printing Co*[191] the Court ruled that exclusion from a pooling agreement between parties having gained a dominant position in the relevant market may, under some circumstances, harm competition. Specifically, exclusion from a patent pool is likely to have anti-competitive effects if, on the one hand, owners of the excluded technologies cannot compete with the pool on the relevant market based on the quality of their own products, and if, on the other hand, pool members benefit from a dominant position on the same market. Another possible anti-competitive effect of patent pools arrangements, which was mentioned in the case at issue, is related to the circumstance that patent pools may require that their members grant each other licenses for current and future technology for a reduced or no consideration. This so called "grant-back" clause might tend to hamper innovation due to the fact that in that case the members of the pool are under obligation to share their successful research and development efforts and consequently other passive members can get a "free ride" on their hard-won accomplishments.

On the whole these restrictive legal conditions, under which patent pools were scrutinized through the severe assessment both of the jurisprudence and of the federal agencies, reflected the historical contraposition perceived between antitrust law and patent policy,[192] already analysed in the introduction of this contribution. Quoting the Federal Trade Commission's Innovation Report,[193] "broadly speaking, throughout much of the twentieth century, courts and federal agencies considered patents to confer monopoly power and, correspondingly, viewed antitrust as always opposed to monopoly power. Some have argued that this perceived conflict led courts to believe that, in any given case, they had to find that either patents or antitrust took precedence. In general, when courts were favouring patents, they were usually disfavouring antitrust, and vice versa. A variety of factors appear to have shaped these shifts, including perceptions about the power of big business, the competitive significance of various patent licensing practices, the nature and role of patents, and the best ways to achieve economic and technological growth".

191 Northwest Wholesale Stationers v. Pac. Stationery, 472 U.S. 284 (1985), available at: http://supreme.justia.com/us/472/284/case.html

192 See, i.a., Crown Die & Tool Co. v. Nye Tool & Mach. Works, 261 US 24, 37, 1923, citing Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 US 405, 1908 (patents as monopolies); Pate R., "Antitrust and Intellectual Property, Before the American Intellectual Property Association", 2003 Mid-Winter Institute, Jan. 2003, available at: http://www.usdoj.gov/atr/public/speeches/200701.pdf

193 US Federal Trade Commission, "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy", Report, October 2003, Chapter I, Sect. 2, p. 14, available at: http://www.ftc.gov/os/2003/10/innovationrpt.pdf

B. US Guidelines for the Licensing of Intellectual Property: The Current View

I. The Institution of the Court of Appeals for the Federal Circuit in 1982 and the 1988 Department of Justice's Antitrust Guidelines: Advocating the "Rule of Reason"

A change of trend in the public perception of antitrust regulation and patent policy was already recognizable at the end of the 1970s.[194] The main factors converging to reverse the scenario of antitrust dominance over the patents' regime were related to the general concerns about the situation of industrial stagnation at the time, connected with a lack of significant technological innovation. The economic stasis led to an overall reconsideration of the antitrust doctrine and its traditionally severe approach to patents.

In 1978 President Carter appointed an Advisory Committee to perform a domestic review of industrial innovation. One year later, the Patent and Information Policy Subcommittee of the Advisory Committee issued its Report on Patent Policy.[195] The study aimed at providing an answer to the growing concerns of government officials and policymakers about the overall decline of research and development activities, on the foreground of a general economic weakening. One question to be answered was whether, and to what extent, patent policies contributed to these circumstances, with regard to the alarmingly low point of US economy, where investments in basic science and in applied research had almost disappeared. The Committee partly attributed this situation to a diminished patent incentive in the United States for which effective remedies were to be taken. Among other recommendations of the Report, one aimed at the creation of "a centralized national court with exclusive appellate jurisdiction over patent-related cases as a vehicle for ensuring more uniform interpretation of the patent law".[196] These concerns were taken seriously, and they finally led the Congress, in 1982, to institute the Court of Appeals for the Federal Circuit (hereinafter CAFC).[197]

194 For a review of the main jurisprudential decisions tracing the history of patent pools, as well as the underlying antitrust trend, from the beginning of the XX century, see: Gilbert R., "Antitrust for Patent Pools: A Century of Policy Evaluation", Stanford Technology Law Review, 2004, available at: http://stlr.stanford.edu/pdf/gilbert-patent-pools.pdf

195 Industrial Subcommittee for Patent and Information Policy of the Advisory Committee on Industrial Innovation, Report on Patent Policy, 1979, 155.

196 *Id*.

197 28 USC. Sect. 1295. The United States Court of Appeals for the Federal Circuit was created through the merging of two specialized courts: the US Court of Claims and the US Court of Customs and Patent Appeals. For an overview, see, i.a.: Schneider M., "Der United States Court of Appeals for the Federal Circuit: Entstehungsgeschichte, Zuständigkeit, Zusammensetzung und Umfang der Patentrechtsprechung", GRUR International, Gewerblicher Rechtsschutz und Urheberrecht - Internationaler Teil, Oct. 2000, p. 863 *et seq.*