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.*

In the following years, economists and lawyers designed a new economic framework around the antitrust system[198] and this updated approach included a closer, more positive interaction with patent policy.[199] In 1981, Antitrust Division Deputy Assistant Attorney General Abbott B. Lipsky Jr. harshly criticized the Nine No-Nos list drafted in the 1960s, as mentioned above, by the US Department of Justice for banning certain patent licensing practices as considered per se antitrust violations - addressing them as "containing more error than accuracy" and therefore calling the need to review the possible efficiency justifications, within their concrete business context, for each of the practices that the Nine No-Nos had previously automatically condemned.[200]

Following some critical comments on the prior failure of the courts and the Department of Justice to acknowledge the fundamental nature of intellectual property and the beneficial role that technology licensing plays in a healthy, competitive economy, in 1988 the same Department of Justice issued the Antitrust Enforcement Guidelines for International Operations, elaborated on these reviewed policy statements and containing a section on intellectual property licensing agreements that underlined consumer benefits from those transactions[201] and explicitly adopted a "rule of reason" approach to intellectual property licensing issues, abandoning the previous merely legally formalistic method, ultimately embodied in the "Nine No-Nos".

Thus, by the end of the 1980s, as outlined by the recent Federal Trade Commission's Innovation Report,[202] "congressional and court-driven changes had significantly strengthened patents. Antitrust incorporation of updated economic thinking led to a generally more favourable view of how to conduct competition with respect to the influence of patents. This incorporation of economics held the potential for both competition and patent policy to develop a greater integration and balance".

198 Shapiro C. *et al.*, "Antitrust Policy: A Century of Economic and Legal Thinking", The Journal of Economic Perspectives, Winter 2000, vol. 4, no. 1, p. 43 *et seq*.

199 Demsetz H., "Two Systems of Belief about Monopoly", in "Industrial Concentration: the New Learning", Boston: Little Brown, 1974, p. 164 *et seq*.

200 Lipsky A., "Current Antitrust Division Views on Patent Licensing Practices", Antitrust Law Journal, 1981, 50, p. 517-24

201 1988 International Guidelines, Sect. 3.6, 3.61.

202 Federal Trade Commission, "To Promote Innovation: the Proper Balance of Competition and Patent Law", Report, October 2003, Chapter I, Sect. 2, p. 23 *et seq*., available at: http://www.ftc.gov/os/2003/10/innovationrpt.pdf

II. The Department of Justice and Federal Trade Commission's 1995 IP Guidelines and their Funding Principles

Antitrust Policy has continued to implement new economic insights when it comes to addressing the intersection of antitrust and patents that gained precedence in the 1980s. In 1995, the Antitrust Division of the Department of Justice and the Federal Trade Commission jointly issued the Antitrust Guidelines for the Licensing of Intellectual Property (hereinafter IP Guidelines)[203]. Similarly to the 1988 Department of Justice's Antitrust Enforcement Guidelines for International Operations, the 1995 IP Guidelines identify and discuss potential efficiencies associated with many licensing practices and emphasize the need for licensing practices to be analysed under the "rule of reason".[204] They outline the approach of the federal antitrust agencies in this area, and apply the same antitrust principles to patent and copyright licenses as are used to analyse conduct relating to any other type of personal property. It should be noted that the guidelines are only indicators of the position of the federal enforcement agencies and consequently not binding but only persuasive on the courts. There are other sources of antitrust challenges in the United States, such as private parties and state attorneys general, who may not agree with the approach of the guidelines.[205] Nonetheless, they provide a good basis for analysis and counselling.[206]

The IP Guidelines embody three general principles:

1. The first[207] is that "for the purpose of antitrust analysis, the Agencies regard intellectual property as being essentially comparable to any other form of property". However, responding to some concerns expressed about this statement, the same guidelines undermine this characterization, adding that: "intellectual prop-

203 US Department of Justice and Federal Trade Commission, "Antitrust Guidelines for the Licensing of Intellectual Property", April 1995, available at: www.usdoj.gov/atr/public/guidelines/ipguide.htm

204 The 1995 IP Guidelines superceded the 1988 International Guidelines. The 1988 International Guidelines specified that "because they hold significant pro-competitive potential, unless the underlying transfer of technology is a sham, the Department analyzes restrictions in intellectual property licensing arrangements under a rule of reason", Sec. 3.62. The 1995 Guidelines provide for a slightly greater possibility of per se treatment, see IP Guidelines, Sec. 3.4, but still make clear that the Agencies use the rule of reason "in the vast majority of cases." IP Guidelines, Sec. 3.4; See more generally Sect. 4 "General principles concerning the Agencies' evaluation of the rule of reason".

205 In particular, while the guidelines are generally consistent with the case precedents, there are some areas in which the guidelines take a different view of licenses than the judicial precedents might justify.

206 Cohn *et al.*, "Antitrust Pitfalls in Licensing: a Practical Guide", Practicing Law Institute Patents, Copyrights, Trademarks, and Literary Property Course Handbook, June, 2004, p. 246 *et seq.*

207 US Department of Justice and Federal Trade Commission, "Antitrust Guidelines for the Licensing of Intellectual Property (IP Guidelines)", Sect. 2.0, "General Principles", April 1995, available at: www.usdoj.gov/atr/public/guidelines/ipguide.htm