the Mexican licensee was being restricted to a 2-1/2% royalty by the government officials and felt that this would jeopardize the license agreement. The government acknowledged, that because the licensee was also to buy processing equipment from the licensor, if the licensee could not purchase similar equipment in Mexico, they would permit a higher royalty payment in order not to jeopardize the entire license agreement and lose a new industry.

These examples stress the flexibility with which you must negotiate before the government authorities. They recognize that they must have foreign capital investment and foreign technology, but at the same time they are adamant in their position that any such acquisitions must benefit Mexican economy. You must stay flexible and avoid getting into the position of "take it or leave it". If you reach that position and they do not "take it", you have no other recourse and have lost any position you might have obtained.

In conclusion, Latin America is going through a second revolution. The first revolution was when they threw off the yoke of European imperialism and the second revolution is taking place at the present time wherein the Latin American countries are throwing off the yoke of foreign economic dominance. Therefore, we must remember that foreign investment policy in Latin America must be modified to take into consideration their new attitudes and thus preserve the United States' share of that market against the inroads of international traders of other countries who historically are far more flexible, plus having the advantage of government subsidies to stimulate foreign trade.

**About the Speaker: Richard W. Keefe received his education at Illinois Institute of Technology - B.S. Mechanical Engineering and John Marshall Law School - J.D. He is a partner in Ladas, Parry, Von Gehr, Goldsmith & Deuchamps. He has had over twenty years in the field of international patents and trademarks, licensing.*

Alan C. Rose

TERRITORIAL LIMITATIONS IN LICENSE AGREEMENTS

by
*Alan C. Rose**

In considering any subject matter involving the interface between patent and proprietary rights on the one hand, and the antitrust laws on the other, it is important first to consider the statute and decisional law, and second to consider the present position of the U.S. Government antitrust authorities and the present trends in this area of the law.

As listed at the end of this article, Title 35 USC 261 explicitly gives the patent owner the right to grant exclusive rights under his patent "to the whole or any specified part of the United States". This statute fortunately gives the owner of patent rights a more favorable position with regard to territorial limitations in license agreements than the patent owner is likely to find with regard to other possible limitations which he may wish to include in license agreements.

To determine the views of the Justice Department, it is useful to consider two other items which are listed in the "Citation of References" at the end of this article. The first is an article by Richard Stern which is cited as the first literature reference. The second item to be considered is the Complaint which was filed by the U.S. Government against Westinghouse and Mitsubishi in 1970, the Complaint also being cited in the attached "Citation of References". In his article, Mr. Stern, of the U.S. Justice Department, does not encourage any form of territorial limitations in license agreements.

Summarizing the case law up to the present time, there does not appear to be any case holding that simple unilateral patent licensing arrangements, in which national proprietary rights are granted within specified national boundaries, and withheld in certain other countries, contravene U.S. antitrust laws, and are therefore illegal. The cases in which territorial limitations have been found to be improper have usually involved cartel-type arrangements between major world factors in an industry, with worldwide division of territories or markets. As expected, the Complaint against Westinghouse and Mitsubishi alleges this type of fact situation, and these allegations have of course been denied. In addition, in the arrangements which have been found to be illegal, the territorial limitations have often been "in gross" rather than in terms of granting rights under particular national patent rights, trademark registrations or copyright registrations; and the arrangements have frequently included cross licensing and grant backs within the allocated territories.

The situation with regard to copyrights and trademarks is less clear-cut than the patent situation, in view of the specific statutory authority set forth in 35 USC 261 relative to patents. However, if trademark and copyright grants are unilateral, follow national boundary lines and are expressed in terms of rights being granted under specific numbered national trademarks and copyrights, it is believed that copyrights and trademarks will probably be subject to the same treatment as patents, and that national territorial limitations in unilateral agreements will probably be sustained.

With regard to trade secret licenses, the situation is less clear-cut with regard to their validity. However, in cases where there is truly secret or confidential information which is being disclosed, it appears that territorial limitations will probably be permitted for a limited number of years generally corresponding to the probable life of the trade secret.

Concerning grant-backs, in any of these agreements, exclusive grant-backs or grant-back of title is usually considered inadvisable, as tending to perpetuate the dominant position of the licensor; however, nonexclusive grant-backs are generally considered to be acceptable.

CONCLUSIONS AND RECOMMENDATIONS

1. Avoid territorial limitations "in gross"; and agreements between major world factors in a field, involving division of world markets.

2. Instead, to be preferred are unilateral agreements relating to numbered patents, trademarks or copyrights, invoking specific national property rights.

3. On "know-how" and "trade secret" licenses, a unilateral license including truly secret information will probably at present support territorial limitations, for a period of time at

least equal to the probable period of secrecy of the trade secrets, but possibly not for an unlimited period of time.

4. *Caveat:* In the EEC, the sales territory should generally include the entire EEC; other foreign countries have policies against License Agreement terms which restrict exports.

BACKGROUND CITATIONS

STATUTE: 35 USC 261 — "The . . . patentee . . . may . . . grant and convey an exclusive right under his . . . patents to the whole or any specified part of the United States."

LITERATURE: "The Antitrust Status of Territorial Limitations in International Licensing", pp. 580 to 596, *IDEA*, Vol. 14, No. 4, Winter 1970-71, by Richard H. Stern.

"Another View of the Antitrust Status of Territorial Limitations in International Licensing", pp. 27 to 45, *IDEA*, Vol. 15, No. 1, Spring 1971, by Howard I. Forman.

"Federal Antitrust Laws, Cases and Comments", pp. 954 to 986 and 1001 to 1008 (Chapter 15), Second Edition 1959, by S. Chesterfield Oppenheim.

CASE LAW: Brownell v. Ketcham Wire & Mfg. Co., 211 F.2d 121, 9th Cir. 1954.

PATENT CASES UPHOLDING TERRITORIAL LIMITATIONS: Dorsey Revolving Harvester Rake Co., et al. v. Bradley Manufacturing Co., Fed. Case No. 4,015, 7 Fed. Cases 947, 1874.

General Talking Picture Corp. v. Western Electric Co., 304 US 175, 183; 82 L.ed. 1273, 1938; affd. 305 U.S. 124, 1938.

American Optical Co. v. New Jersey Optical Co., 58 F. Supp. 601, 606, D. Mass. 1944.

Deering, Millikin : Co. v. Temp-Resisto Corp., 160 F. Supp. 463, 480-81, S.D.N.Y., 1958, affd. as to misuse aspects but reversed for invalidity of the patents, 274 F.2d 626, 2nd Cir., 1959.

Osmose Wood Preserving Co. of Canada, Limited, v. Osmose Wood Preserving Co. of America, Inc., 74 F. Supp. 435, W.D.N.Y., 1947.

U.S. v. Birdsboro Steel Foundry & Machine Co., 139 F. Supp. 244, 261, W.D.Pa. 1956.

CARTEL CASES: Timken Roller Bearing Co. v. U.S., 351 U.S. 593.

U.S. v. National Lead Co., 63 F. Supp. 513; 332 U.S. 319.

U.S. v. General Electric Co. (the Carboloy case), 80 F. Supp. 989.

PENDING LITIGATION: United States of America v. Westinghouse Electric Corporation, Mitsubishi Electric Corporation and Mitsubishi Heavy Industries, Ltd., Civil No. C70-852, District Court, Northern District, California, 1970.

Walter R. Thiel

LICENSING IN EUROPE 20/20 FORESIGHT

by
*Walter R. Thiel**

LITTON ORGANIZATION

My comments concerning licensing in Europe will generally be made as an over-view developed from my association with the corporate headquarters of an international corporation, Litton Industries. Litton has organized its legal staff so that each of our Divisions has been assigned, as a client, to a particular lawyer, who then handles all patent and licensing matters arising from that Division. Thus, many of our Division Patent and Licensing Counsel are in day-to-day contact with various licensing programs for their clients in Europe. Corporate office is primarily concerned in such licensing activities only as an overseer and in the management approval cycle.

Since Litton Industries has subsidiaries active in many technologies, at the present time there are current negotiations with European licensees in the fields of paper products; business machines; material handling equipment; machine tools; medical products; and military systems, to name but a few.

TECHNOLOGY LICENSING

There appears to be a considerable continuing interest on the part of European companies in U.S. technology, and I stress "technology." My experience has indicated that a patent, or even a family of patents, is of little interest in a straight licensing transaction in Europe. European companies, as true with most licensees, are more interested in technical assistance and technical information. Since, when a company has decided to take a license under specific technology, such decision has been reached as an alternative to in-house development of the technology.

For a moment I would like to speak about what I see in European licensing in the military systems area. Activity has already commenced in many NATO countries, notably Belgium and Holland, concerning the procurement of a next-generation fighter aircraft. As yet, the European countries have not formed a consortium, as was formed relative to the procurement of the F-104, so that the proposals being developed by our Guidance and Control Systems Division concerning the inertial navigation system for this new generation of aircraft are being made to specific countries. One thing that appears significant in this forthcoming procurement is the requirements by the country for significant in-country

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