FIELD OF USE RESTRICTIONS IN INTERNATIONAL LICENSING

COMMENTS DIRECTED TO AGREEMENTS HAVING NO IMPACT ON U.S. INTERSTATE OR FOREIGN COMMERCE

I. FIELD OF USE RESTRICTIONS IN DEVELOPED COUNTRIES

A. EEC

1. EEC COMMISSION COMMUNICATION ISSUED DEC. 24, 1962

" A.2 THE LIMITATION

(A) OF THE MANUFACTURE OF THE PATENTED PRODUCT,

(B) OF THE APPLICATION OF THE PATENTED PROCESS

TO SPECIFIED FIELDS OF TECHNICAL APPLICATION" ARE OK UNDER 85(1) OF THE EEC TREATY

2. FOURTH REPORT ON COMPETITION POLICY - ISSUED BY EEC COMMISSION APRIL 1975

FIELD-OF-USE RESTRICTIONS --

28. WHEN PATENTED INVENTIONS ARE CAPABLE OF USE IN DIFFERENT APPLICATIONS, A LICENSOR MAY, IN THE COMMISSION'S VIEW, NORMALLY LIMIT A LICENSE TO A DISTINCT FIELD OF USE. IN THESE CIRCUMSTANCES, HE MAY GIVE SEVERAL LICENSES FOR RESPECTIVELY DIFFERENT APPLICATIONS. IT IS, HOWEVER, POSSIBLE THAT ARTICLE 85(1) COULD BEAR ON SUCH CASES IN WHICH A SEGREGATION OF DIFFERENT FIELDS OF USE IS SHOWN TO BE THE RESULT OR MEANS OF IMPLEMENTING AN AGREEMENT TO ELIMINATE COMPETITION BETWEEN LICENSEES OR BETWEEN THE PARTIES.

3. MARCH 31, 1976 -- SPEECH TO ASSN. OF BAR OF CITY OF NEW YORK DR. WILLY SCHLIEDER: DIRECTOR-GENERAL FOR COMPETITION-EEC WORKING ON A GROUP EXEMPTION OF A LARGE PART OF EXCLUSIVE LICENSES. "BUT IT SEEMS LIKELY THAT" RESTRICTIONS ON THE SALE OF THE LICENSED PRODUCT (...BULK RESTRICTIONS) WILL NOT BE PERMITTED.
4. A FORMER HIGH EUROPEAN ANTI-TRUST OFFICIAL RECENTLY SAID HE WAS NOT AWARE OF ANY INSTANCE IN AN EEC COUNTRY OF A LICENSE AGREEMENT NOT BEING APPROVED, OR BEING SUCCESSFULLY ATTACKED BECAUSE OF A FIELD-OF-USE CLAUSE.

B. GERMANY
1. FIELD OF USE LIMITATION NOT PROHIBITED (LADAS*, PAGE 777)
2. GERMAN COMMENTS ON PROPOSAL OF GROUP OF 77 FOR CODE OF CONDUCT
XXXVI PROHIBITION OF FIELD OF USE OF SUBJECT MATTER OF A PATENT "IS UNACCEPTABLE." THIS IS NOT A RESTRICTION, BUT A PARTIAL LICENSE.

C. ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) -- ADOPTED BY COUNCIL 1/22/74 RESTRICTIVE BUSINESS PRACTICES RELATING TO THE USE OF PATENTS AND LICENSES
1. FIELD OF USE LICENSES NOT SPECIFICALLY MENTIONED.
BUT SEE I(1)(A) AS MENTIONED IN II C 4. BELOW
2. CMEA--COUNCIL OF MUTUAL ECONOMIC SYSTEMS-EASTERN EUROPEAN COUNTRIES
NO PROHIBITION OF FIELD OF USE

*PATENTS, TRADEMARKS, AND RELATED RIGHTS, National and International Protection, by Stephen P. Ladas, Volume 1, Harvard University Press, Cambridge, Massachusetts, 1975

II. FIELD OF USE RESTRICTIONS IN DEVELOPING COUNTRIES

A. ANDEAN GROUP--BOLIVIA, CHILE, COLOMBIA, ECUADOR, PERU & VENEZUELA

1. DECISION #24-DEC. 1970 DOES NOT REFER SPECIFICALLY TO FIELD OF USE LICENSE AGREEMENTS.

B. MEXICO

1. NO SPECIFIC PROHIBITION

A. HOWEVER, BROAD STATEMENTS IN 1972 LAW ON REGISTRATION ARE INTERPRETED AS PROHIBITING FIELD-OF-USE AGREEMENTS WHEN THE "ECONOMIC EFFECT" OF THE CLAUSE IS TO DIVIDE MARKETS BETWEEN COMPETITORS.

SEE AGUILAR ARTICLE

C. UNITED NATIONS

1. BIRPI MODEL LAW FOR DEVELOPING COUNTRIES ON INVENTIONS 1965 PG. 56, SECTION 33: INVALID CLAUSES IN LICENSE AGREEMENTS

2. PUGWASH CODE, 1974

III. 4. THE FOLLOWING CLAUSES ... ARE LIKELY TO HAVE SIGNIFICANTLY ADVERSE EFFECTS AS RESTRICTIVE BUSINESS PRACTICES, WHETHER IN DEVELOPED OR DEVELOPING COUNTRIES, AND SHALL NOT BE UTILIZED:

VII. "CLAUSES RESTRICTING THE RECIPIENTS...FIELD OF ACTIVITY."

BUT SEE U.S. GOVERNMENT COMMENTS ON PUGWASH CODE DRAFT--ITEM III.4 VII -- WHEN A TECHNOLOGY CAN BE USED IN VERY DIFFERENT INDUSTRIAL SECTORS, IT IS ENTIRELY REASONABLE THAT SUPPLIERS AND RECIPIENTS WOULD PREFER THAT SEPARATE LICENSES BE GRANTED IN THE DIFFERENT FIELDS OF ACTIVITY. THIS PERMITS THE LICENSEE TO OBTAIN THE DESIRED TECHNOLOGY AT A REDUCED

COST SINCE THE LICENSES WILL BE LIMITED TO THE FIELDS OF HIS INTEREST. IF LICENSES CANNOT BE LIMITED TO FIELDS OF USE, LICENSORS WILL BE FORCED TO LICENSE ALL POSSIBLE USES OF THE TECHNOLOGY WITH CORRESPONDINGLY HIGHER ROYALTY RATES.

3. UNCTAD REPORT ON "RESTRICTIVE BUSINESS PRACTICES IN RELATION TO THE TRADE AND DEVELOPMENT OF DEVELOPING COUNTRIES" 1974 (TD/B/C.2/119/Rev. 1)
   P. 3
   1. RESTRICTIVE BUSINESS PRACTICES IN PATENT LICENSING ARRANGEMENTS
      10. FIELD OF USE
4. UNCTAD REPORT ON "AN INTERNATIONAL CODE OF CONDUCT ON TRANSFER OF TECHNOLOGY" 1975 (TD/B/C.6/AC.1/2/Supp. 1/REV. 1)
   P. 20
   A. RESTRICTIONS ON FIELD OF USE
5. REPORT ON ROLE OF PATENT SYSTEM ON TRANSFER OF TECHNOLOGY--UNCTAD
   1. TABLE 3 PRINCIPAL ISSUES IN REGULATORY PRACTICES OF SELECTED COUNTRIES CONCERNING IMPORTS AND USE OF TECHNOLOGY
      "III -- ABUSIVE PRACTICES EITHER DEEMED TO BE ILLEGAL OR OTHERWISE CONTROLLED
      23. LIMITATIONS ON FIELD OF USE--UNITED STATES OF AMERICA.

6. PROPOSED CODE OF CONDUCT ON TRANSFER OF TECHNOLOGY UNCTAD TD/B/C.6/14 JAN. 8, 1976

1. ANNEX II -- REVISED DRAFT OUTLINE FOR INTERNATIONAL CODE OF CONDUCT ON TRANSFER OF TECHNOLOGY SUBMITTED BY BRAZIL ON BEHALF OF GROUP OF 77

IV -- THE FOLLOWING CLAUSES OR PRACTICES, INTER ALIA, WHETHER PART OF WRITTEN ARRANGEMENTS OR NOT, SHALL BE CONSIDERED AS RESTRICTIVE BUSINESS PRACTICES:

(I) -- RESTRICTIONS ON THE RECIPIENT'S VOLUME, SCOPE AND/OR RANGE OF PRODUCTION AND/OR FIELD OF ACTIVITY;

(XXXVI) -- RESTRICTING THE FIELD OF USE OF THE SUBJECT MATTER OF A PATENT AND OF ANY UNPATENTED KNOW-HOW LICENSE, RELATING TO THE WORKING OF THE PATENT;

2. ANNEX I -- REVISED DRAFT OUTLINE FOR THE PREPARATION OF AN INTERNATIONAL CODE OF CONDUCT ON TRANSFER OF TECHNOLOGY SUBMITTED BY JAPAN ON BEHALF OF GROUP B EXPERTS

V -- 5.1 -- ..., PARTIES TO A TECHNOLOGY TRANSFER TRANSACTION SHOULD REFRAIN FROM THE FOLLOWING RESTRICTIVE BUSINESS PRACTICES RELATING TO THE USE OF PATENTS AND/OR KNOW-HOW LICENSES ...

(II) PROVISIONS IN TECHNOLOGY TRANSFER AGREEMENTS AMONG OR AS TO COMPETING ENTERPRISES WHICH UNREASONABLY RESTRAIN OR RESTRICT COMPETITION, ...