Shifting Sentiments Toward Antitrust Enforcement: The Impact Upon Antitrust Enforcement in Licensing of Patented Technology Arrangements Containing Tying Agreements

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INTRODUCTION

Various commentators, including judges and government officials, have vociferously attacked the U.S. antitrust laws as hostile to America's economic interest in the global marketplace. One commentator, arguing for abolition of the antitrust laws, declared: "The time has come to recognize that the techniques of the 19th Century are not applicable in getting ready for the 21st. An economy whose growth is stopped and whose living standards are falling behind those of its competitors cannot afford a legal system that cripples its industrial future."¹

Malcolm Baldrige, President Reagan's Secretary of Commerce, voiced similar sentiments. Baldrige maintained that our antitrust laws are based "on economic theories with no relation to the present and future."² Baldrige argued that "[t]he world economy has changed, trade patterns have changed, but the antitrust laws have not. It is not just that some parts of these laws are irrelevant today; it is the fact that they place additional burdens on the ability of U.S. firms to compete."³

Nothing so drastic as the repeal of the antitrust laws has occurred. However, considerable leeway exists for changing attitudes to alter judicial interpretation and government enforcement of the relevant statutes. This comment scrutinizes one antitrust issue with potential international significance: tying arrangements in licensing of patented technology. This comment also analyzes the impact of changing attitudes on antitrust law enforcement in this area.

PART I

BACKGROUND

Description of Tying Arrangements

Black's Law Dictionary defines a tying arrangement as existing "when a person agrees to sell one product, the 'tying product,' only on the condition that the

³ Id.
vendee also purchase another product, the 'tied product.' For the purposes of this comment, a tying arrangement entails a license (of patented technology A) on the condition that the licensee also purchase other products (technology B) not covered by the patent. Robert H. Bork, a noted antitrust commentator and judge, has identified five potential motives for a licensor or selling firm to impose a tying condition upon a licensee or purchasing firm:

1. To avoid the effects of price regulation on the tying product or technology. By requiring the purchaser or licensee to also purchase the unregulated product or technology at a sufficient price, the licensor or selling firm is able to realize acceptable revenues on the total package of technology and products sold.

2. To initiate price discrimination among various users in order to maximize returns. For example, a lessor of computers may desire to charge heavy users more than light users who are more likely to switch to competing brands. If the lessor kept the base lease payment low and required the licensee, via a tying arrangement, to buy the computer cards from him at prices in excess of competitive market prices, the lessor could achieve his objective. The high volume users would consume more computer cards at the relatively high cost, thus resulting in proportionally higher revenues realized by the lessor on these high volume contracts than on the more price-sensitive low volume contracts.

3. To permit realization of higher revenues in instances where the licensor’s or seller’s costs rise in relation to the licensee’s or purchaser’s use of the tying product or technology. This mechanism would work similar to the example cited under price discrimination, but the effect would be to maintain consistent returns between high volume and low volume users.

4. To permit economies of scale in the production and distribution of both the ‘tying’ and ‘tied’ product. In many instances, tying would reduce the licensor’s or seller’s unit costs versus the alternative of producing and distributing the tying and tied products individually.

5. To recognize technological interdependence between the tying and
tied product, and to protect goodwill. The tying product or technology might depend upon the tied product’s conformity to certain specifications. By requiring the licensee or purchaser to acquire the tied product, the licensor or seller could ensure the proper utilization of the tying product or technology. Thus, the licensor or seller would also maximize his chances to optimize customer satisfaction.

The five motives encompass understandable concerns of an on-going business desiring to obtain a sufficient return on its technology and products. Without the flexibility to pursue this desired return in such circumstances, businesses may forego otherwise feasible market opportunities. Despite the obvious economic justifications for many tying arrangements, some courts have taken a critical, even hostile, attitude toward tying arrangements. This comment will discuss the basis for this hostility in Part II.

**Relevant Antitrust Statutory Provisions**

Section 1 of the Sherman Act reads: “Every contract, combination in the form of trust or otherwise or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is declared to be illegal.”

Section 3 of the Clayton Act reads: “It shall be unlawful for any person engaged in commerce...to lease or make a sale...on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, or other commodities of a competitor or competitors of the lessor or seller where the effect...of such condition...may be to substantially lessen competition or tend to create a monopoly in any line of commerce.”

**Extraterritorial Reach of U.S. Antitrust Laws**

In *United States v. Aluminum Co. of America,* the second circuit announced an “effects test” of subject matter jurisdiction under the antitrust laws. Under the Alcoa test, the United States has jurisdiction over wholly foreign conduct which has its intended effect within the United States. Courts have refined the effects test standard to a direct, substantial, and reasonably foreseeable effect on domestic commerce with the U.S. or on U.S. imports.

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10 Id. at 379-380.
11 The Court in Northern Pac. Ry. Co. v. United States, 356 U.S. 1, 6 (1958) stated, for example: “tying agreements serve hardly any purpose beyond the suppression of competition.”
14 United States v. Aluminum Co. of America, 148 F.2d 416 (2d Cir. 1945).
15 Id.
In 1982, Congress added a "direct, substantial, and reasonably foreseeable" standard to the Sherman Act and the Federal Trade Commission Act. This standard gauges foreign conduct's effect upon either domestic U.S. commerce or the trade of a person engaged in export commerce. The direct, substantial and reasonably foreseeable effect standard applies to U.S. import and export commerce in all but exceptional cases.

If a court establishes subject matter jurisdiction, personal jurisdiction will attach if the foreign defendant has "minimum contacts" with the U.S. forum. These "minimum contacts" must be of such a nature and quality that maintenance of the suit does not offend traditional notions of "fair play and substantial justice." The Court added a caveat to the "minimum contacts" rule in 1987 urging that "great care and reserve should be exercised when extending our notions of personal jurisdiction into the international field."

Interrelationship of Antitrust and Patent Law

Black's Law Dictionary defines a patent as, "[a] grant of some privilege, property or authority, made by the government or sovereign of a country to one or more individuals.... A grant made by the government to an inventor, conveying and securing to him the exclusive right to make, use and sell his invention for a number of years." Stated in another way, "A patent is a legal device to ensure that there can be a property right in certain ideas. Thus the temporary right of a patentee to exclude others is a means of preventing 'free riding' so that the employment of useful private resources may be recuperated."

Therefore, patent laws create monopolies in the patent holder. At first glance, this monopoly grant would appear at odds with both the Sherman Act's prohibition against restraints of trade and the Sherman Act's condemnation of monopolization. However, antitrust and patent law share a common objective: "...to maximize wealth by producing what consumers want at the lower cost."
Patent law seeks to achieve this objective by encouraging invention of new and better products. 29 In contrast, antitrust law seeks to prevent the accumulation of monopoly power that could result in the restriction of output as a means of increasing prices and profits. 30 Both areas of law promote the same end, but each approaches that end in a manner that may lead to conflict with the other area.

The Constitution granted Congress the right "to promote the progress of science and useful arts by securing for limited time to authors and inventors the exclusive right to their respective writings and discoveries." 31 Congress enacted the Patent Code which provides that patents can be issued for "any new and useful process, machine, manufacture or composition matter or any new and useful improvement thereof" for a term of seventeen years from date of issue. 32 In order to meet these statutory requirements, the inventor must show that he is the first to reduce an invention to practice that is both non-obvious and useful. 33 Under this standard, inventors cannot patent mathematical formulas 34 but can patent live, human-made micro-organisms. 35

PART II

JUDICIAL TREATMENT OF TYING ARRANGEMENTS IN LICENSES OF PATENTED TECHNOLOGY

"Rule Of Reason" / "Per Se" Dichotomy in Tying Case

In International Business Machine v. United States, 36 (IBM) the Supreme Court analyzed a tying arrangement under Section 3 of the Clayton Act. Utilizing the following methodology, the Court applied a "rule of reason" approach to determine whether a tying provision adversely altered competition:

1. Determine whether seller or lessor had market power in the tying product, because without such market power the tying arrangement could have no effect on the tied product;

2. Consider the quantitative effect of the tying arrangement on sales in the tied market;

3. Review defenses claiming that the tying condition imposed was

29 Id. at 2.
30 Id. at 1.
31 U.S. Const. art. 1, § 8.
necessary for the efficient distribution of the tying product; and

(4) If the seller or lessor had market power in the tying product and a significant quantitative effect was likely in the tied product market, rule the restraint invalid unless no other reasonable and less harmful alternatives for the efficient distribution of the tying product were available.37

Eleven years later the Court abandoned IBM's "rule of reason" approach for a more rigid legal standard in *International Salt Co. v. United States*.38 In *International Salt Co.*, the Court presumed anticompetitive effects from disclosure of a substantial dollar volume of business, and applied a "per se unreasonable" standard to such tying arrangements.39 The language of *International Salt Co.* reveals the Court's hostility toward tying arrangements. "We think the admitted facts left no genuine issue...it is unreasonable, per se, to foreclose competitors from any substantial market. The volume of business affected by these contracts cannot be said to be insignificant or insubstantial and the tendency of the arrangement to accomplishment of monopoly seems obvious."40

For a time, the Court appeared to apply a less rigid standard in Sherman Act cases.41 In *Northern Pacific Railway Co. v. United States*,42 the Court brought the Sherman Act application firmly into line with the rule of *International Salt Co.* *Northern Pacific Railway Co.* restated the *International Salt Co.* rule as a "per se" standard requiring a showing that: (1) "a party has sufficient economic power to restrain free competition in the market for the tied product,"43 and (2) "a not insubstantial amount of interstate commerce was and is affected" in the tied product.44

Lower courts have fashioned limited exceptions to this "per se" standard. In *United States v. Jerrold Electronics Corp.*,45 the court sanctioned tying to promote the interests of relatively vulnerable inventors in an infant industry. The first circuit authorized a separate exception for tying necessary to protect the integrity of the tying product.46

37 *Id.*
39 *Id.* at 396.
40 *Id.*
41 *See* Times-Picayune Publishing Co. v. United States, 345 U.S. 594 (1953). The Court stated that the plaintiff under the Sherman Act must show both a monopolist position in the tying product and that a substantial volume of commerce in the tied product was restrained. The court also stated that the rule of *International Salt Co.* would find a Clayton Act Section 5 violation if either of the above two ingredients were present.
43 *Id.* at 6.
44 *Id.* at 7.


Misuse Doctrine of Patent Law

The use of a patent to control unpatented goods constitutes "patent misuse," and disqualifies the patent holder from enforcing the patent even against direct infringers.\(^47\) At one time, the Court extended the doctrine of patent misuse to antitrust law by holding in Mercoid Corp. v. Mid-Continent Inv. Co. (Mercoid Corp.)\(^48\) that a contributory infringer\(^49\) could not be sued by a patentee who refused to license technology without tying sale of key unpatented components. In 1953, Congress codified sections 271(c)\(^50\) and 271(d)\(^51\) in the Patent Code "for the express purpose of reinstating the doctrine of contributory infringement as it had been developed by decisions prior to Mercoid Corp...."\(^52\)

In *Dawson Chemical Co. v. Rohm & Haas Co.*,\(^53\) (Dawson) the Court ruled that Sections 271(c) and 271(d)\(^54\) of the Patent Code had overruled the *Mercoid Corp.* cases. Therefore, the Court concluded that a patentee could maintain a contributory infringement despite the patentee's refusal to license his patented technology without a tying condition for unpatented goods.\(^55\) *Dawson* also stands for the propositions that the patent system creates property rights deserving of protection\(^56\) and that a patentee does not operate under an obligation to license his patented technology.\(^57\)

A close review of the *Dawson* decision reveals that the Court stopped short of declaring that tying arrangements cannot constitute patent misuse.\(^58\) One commen-

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\(^48\) See Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661 (1944); See also, Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680 (1944).

\(^49\) Contributory infringement entails "the intentional aiding of one person by another in the unlawful making or selling or using of a patented invention" *BLACK'S LAW DICTIONARY* 702 (5th Ed. 1979).

\(^50\) 35 U.S. § 271(c) "Whoever sells a component of a patented machine, manufacture, combination or composition or a material or apparatus for use in practicing a patented process, constituting a material part of the invention...shall be liable as a contributory infringer."

\(^51\) 35 U.S. § 271(d): No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse...by but reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement...(2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement...(3) sought to enforce his patent rights against infringement or contributory infringement.

\(^52\) Id.

\(^53\) Id.

\(^54\) Id.

\(^55\) Id.

\(^56\) Id.

\(^57\) Id.

\(^58\) Id. *Dawson* involved a chemical manufacturer, Rohm & Haas Co., which obtained a process patent to apply propanal, an unpatented chemical with no other commercial utility, as a herbicide. *Dawson Chemical Co.* another chemical manufacturer, sold propanal complete with application instructions. The instructions were developed according to Rohm & Haas' patented process. Rohm & Haas claimed that *Dawson* induced...
tator declared that "the Dawson case shows the difficulty of protecting a patent for a new use of an old material. Presumably, the patentee would have lost if propanal (the tied product) had been a staple product (as opposed to a single use product), one with other uses." 59 Dawson, and Sections 271(c) and 271(d) of the Patent Code, demonstrate a legislative and judicial preference for the property rights inherent in a patent in an area of arguable conflict with the antitrust laws.60

**The Jefferson Parish Hospital Case**

In Jefferson Parish Hospital, v. Hyde,61 the Court reached an unanimous decision upholding the right of a hospital to require its patients to use the hospital’s anesthesiologists. More importantly, the Court split 5-4 on the issue of whether to apply a "per se" or "rule of reason" standard to tying cases.62 The majority adhered to the traditional "per se" approach and declared: "Any effort to enlarge the scope of the patent monopoly by using the market power it confers to restrain competition in the market for a second product will undermine competition on the merits in that second market."63 In contrast, the minority attacked the "misconception that a patentee or copyright holder is presumed to have market power."64 Therefore, the minority argued that the Court should discard the "per se" standard for a less rigid "rule of reason" approach.64

Jefferson Parish Hospital revealed a significant rift in the Court’s basic orientation toward antitrust law. The minority’s position reflected an economic attitude toward antitrust law attributed, at least in part, to the Chicago School of legal thought.66 The Chicago School has gained credence as an alternative to the antitrust traditionalists, and could eventually lead to a dramatic change in America’s antitrust law enforcement. The majority of the antitrust policy makers in the Reagan Administration were Chicago School adherents.67

60 See supra, notes 49, 50, 53, and 55 and accompanying text.
62 Id. A hospital required operation patients to use the hospital’s anesthesiologists. The plaintiff, an excluded anesthesiologist, claimed that this bundling of services prevented him from obtaining privileges of his career practice. The defendant hospital claimed that this bundling of services reduced costs and improved quality of care. The majority stated that the per se rules still applied generally to tying arrangements but made factual determinations of lack of either market power or adverse effect on competition to take the case out of the per se rule. The minority employed the rule of reason approach to determine that surgery and anesthesia constitute a joint service as opposed to separate products.
63 Id. at 1560.
64 Id.
65 Id.
66 See infra, notes 67-82 and accompanying text.
PART III

CHICAGO SCHOOL ECONOMIC-BASED CRITICISMS OF ANTITRUST

Chicago School advocates argue that current antitrust treatment actually discourages innovation.68 Their principal argument is twofold: (1) it is a misconception to believe that intellectual property protection automatically gives market power to those protected; and (2) the blind application of this doctrine reduces the incentives created by the intellectual property laws by reducing the owner’s ability to exploit that right.69

Chicago School adherents would label market efficiency as the sole objective of antitrust law.70 According to the Chicago School, increasing market efficiency is analogous to expanding the economic pie. Accordingly, this expanded economic pie benefits everyone; it makes society richer, and the individuals within that society freer, as well as more affluent.71 The necessary pre-conditions for increasing market efficiency and expanding the economic pie involve protection of clear property rights and the freedom to trade.72

The Chicago School approach leads to the conclusion that antitrust law must also be efficient. Bork states that “The law’s mission is to preserve, improve and reinforce the powerful economic mechanisms that compel businesses to respond to consumers.”73 The Chicago School has even gone so far as to equate efficiency with justice.74 Antitrust traditionalists disagree with Chicago School advocates on this point in at least two ways:

(1) Traditionalists maintain that efficiency is not identical to consumer welfare in the imperfect real-world marketplace.75

(2) Traditionalists place value on the fact that antitrust laws set “fair rules of the game” and maintain competition, thus promoting the right of economic opportunity. This right of economic opportunity represents a separate objective in the traditional approach that its adherents would not deem as automatically advanced by the maximization of societal wealth.76

69 Id.
70 See R. Bork, supra note 5 at 90-160.
72 Id.
73 See R. Bork, supra note 5 at 91.
75 Fox & Sullivan, supra note 67 at 959.
76 Id.
Once framed in the maximization of efficiency context, Chicago School adherents proceed to a three-fold methodology for antitrust enforcement. First, the market punishes inefficiency more quickly and effectively than any set of laws.\textsuperscript{77} Second, the law should only redress inefficient activity and, more specifically, should only proscribe activity which serves to constrain output.\textsuperscript{78} Third, any economic activity which does not restrain output must be efficient. Legal regulation or suppression of such activity would only limit the ability of producers to meet consumers' needs.\textsuperscript{79}

In the opinion of one Chicago School critic, "[t]he Chicago beliefs are compatible with only the most minimal law. In the antitrust area, the most minimal law, given the existence of the statutes, is law that proscribes only clear cartel agreements and mergers that would create a monopoly in a market that included all perceptible potential competition."\textsuperscript{80} This comment previously identified, in the context of tying regulations, five potential motives for companies to seek imposition of such tying conditions in sales or licensing of patented goods or technology.\textsuperscript{81} Bork argued that in the context of such motives, most tying arrangements represented economically logical and efficient activity.\textsuperscript{82} Bork concluded that "[a] review of the cases and the economics of tying...leads inescapably to the conclusion that the law in this field is unjustified and is itself inflicting harm upon consumers."\textsuperscript{83}

Courts have not reached the point where they are willing to interject the Chicago School’s laissez-faire approach into antitrust law enforcement.\textsuperscript{84} However, the Executive Branch officials responsible for antitrust law enforcement may place a greater emphasis upon Chicago School concepts and methodologies.

\section*{PART IV}

\textbf{ANTITRUST ENFORCEMENT UNDER THE REAGAN ADMINISTRATION}

\textit{Reagan Administration's Attitude Toward Antitrust Law Enforcement}

The Antitrust Division of the Department of Justice and the Federal Trade Commission (FTC) share concurrent jurisdiction in enforcement of antitrust laws.\textsuperscript{85} Both agencies offer guidance to companies concerning proposed future conduct.\textsuperscript{86}

\textsuperscript{79} See R. Bork, supra note 5 at 157.
\textsuperscript{80} Fox & Sullivan, supra note 67 at 958.
\textsuperscript{81} See supra, notes 5-10 and accompanying text.
\textsuperscript{82} See R. Bork, supra note 5 at 372-381.
\textsuperscript{83} Id. at 381.
\textsuperscript{84} See supra notes 61-66 and accompanying text.
\textsuperscript{86} The Justice Department has a Business Review Procedure. See 28 C.F.R. Sec. 50.6 (1986). The FTC issues Advisory Opinions. See 16 C.F.R. Sec. 1 (1986).
Additionally, each agency "frequently issue[s] 'guides' and speeches describing enforcement policy." Although private parties initiate over 90% of the antitrust litigation in the United States, the enforcement policies of the Antitrust Division of the Department of Justice and the FTC have a significant impact upon business activities in the U.S. economy.

Mr. T. Paul McGrath, former head of the Antitrust Division under President Reagan, stated: "[t]he patent licensing and know-how licensing areas cry out for attention from us, because there are many older cases espousing rules of law in that area that make no economic sense whatsoever...." Mr. McGrath addressed the patent tying issue by making the following two-fold assertion:

(1) One should not presume a product monopoly from the mere existence of a patent; and

(2) One should not necessarily condemn licensing arrangements containing tying conditions because "sometimes the most efficient way for a patent owner to bring the technology to the marketplace is to market it in a manner that affects other necessary, but unpatented products."

Mr. McGrath urges a "rule of reason" standard in assessing patent licensing containing tying arrangements. According to McGrath, the Department of Justice maintained that "licenses should be deemed unlawful only when their overall effect is anticompetitive." This position was based on the premise that "[i]f the patent owner chooses to license the patent, he or she should not be prevented from earning the maximum reward by exercising this right to exclude in the most efficient manner possible."

Previously, the Department of Justice had developed a list of restrictive clauses in technology licenses that it deemed to be unreasonable and therefore illegal. The list, which became known as the nine "no-no's," included tying arrangements. In November of 1981, the Reagan Administration's Department of

87 Griffin, supra note 5 at 313.
88 Id.
90 Id. at 56, 129-130.
91 Id. at 56, 131.
92 Id.
93 Id. at 132.
95 Id. The nine "no-no's" were: (1) requirement that licensee purchase unpatented materials from the licensor; (2) requirement that the licensee assign to the licensor any patents issued to the licensee after
Justice retracted the nine "no-no's" on the grounds that "as statements of rational economic policy, [they] contained more error than accuracy."

Policy Pronouncements - Reagan Administration’s Department of Justice Guidelines

The 1985 Vertical Restraint Guidelines abandoned the earlier "per se" rules for restrictions on intellectual property licenses. The Department of Justice now seeks to condemn such restrictions in only three situations: (1) naked restraints of trade unrelated to the development of intellectual property, (2) coordination of a cartel among owners of competing intellectual property, and (3) suppression of the creation or development of competing intellectual properties. These guidelines imply authorization for many types of tying arrangements.

In June, 1988, the Department of Justice issued the Antitrust Guidelines for International Operations (International Guidelines). The International Guidelines replaced the 1977 Antitrust Guide to International Operations formulated by the Carter Administration. The Reagan Administration’s Department of Justice stated that it would focus its antitrust enforcement on "protecting U.S. consumers from anticompetitive conduct." The Department proceeded to disavow any intent "to reach anticompetitive conduct that has no effect, or only a remote effect on U.S. consumer welfare." Notably absent from this statement of objective is any reference to setting "fair rules of the game" or maintaining competition which antitrust traditionalists would promote as an equally important objective.

The International Guidelines prescribe a per se analysis only in instances of "naked" restraints of trade that are so inherently anticompetitive that extensive analysis of their precise competitive effects in unnecessary." In order to qualify as "naked" restraints of trade, the activity must meet a two-fold test: (1) Be "inherently likely to restrict output or raise price" and (2) Be "not plausibly re-

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98 Id.
100 Antitrust Division, Dep’t of Justice, Antitrust Guide for International Operations 5 TRADE REG. REP. (CCH) Sec. 50,477 (January 26, 1977).
101 5 TRADE REG. REP. (CCH) Sec. 20, 601-3 (1988).
102 Id.
103 See supra, note 76 and accompanying text.
104 5 TRADE REG. REP. (CCH) Sec. 20, 601 at 2-3.
105 Id. at 3.
lated to some form of economic integration...that in general may generate procom-
petitive efficiencies.” Under this form of analysis only blatant offenses punish-
able as criminal violations under the Sherman Act such as “price-fixing” and “bid-
rigging schemes” qualify as “naked” restraints of trade.

The International Guidelines provide that “unless the underlying transfer of
technology is a sham, the Department analyzes restrictions in intellectual property
licensing arrangements under a rule-of-reason.” Under the rule-of-reason analy-
sis, the Department of Justice employs a four-step methodology:

(1) “Determine whether the license restraints competition in a relevant
market for technology...and if it does, whether it would likely
create, enhance or facilitate the exercise of market power.”

(2) “Determine whether the license explicitly or implicitly restraints
competition in any other market in which the licensor and licensee
(or licensees) do or would compete in the absence of the li-
cense.”

(3) In cases of vertical restraints, “determine whether a license (or
licenses) would result in an anticompetitive exclusion...or whether,
even if the license does not restrain competition between the
licensor and licensee (or licensees), it would likely serve to
facilitate collusion.” This provision applies directly to tying ar-
rangements.

(4) “Determine whether any risk of anticompetitive effects revealed
under the first three steps is outweighed by the procompetitive ef-
ficiencies generated by the license restrictions.” The fourth
stage weighing of “anticompetitive effects” versus “procom-
petitive efficiencies” strongly suggests the influence of the Chicago
School and its emphasis upon market efficiency.

The “rule of reason” analysis outlined in the International Guidelines would
permit Department of Justice antitrust challenges to tying arrangements” only in
exceptional circumstances.” This policy contradicts those Supreme Court deci-

106 Id.
107 Id.
108 Id. at 64.
109 Id.
110 Id. at 64-65.
111 Id. at 65-66.
112 Id. at 81.
113 Id. at 66.
114 See supra notes 68-83 and accompanying text.
115 5 TRADE REG. REP. (CCH) Sec. 20, 601 at 81.

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sions which applied a "per se" standard (e.g. Jefferson Parish Hospital). The International Guidelines include an admission that "...these guidelines are not intended to be a restatement of the law as it has developed in the courts. Readers should separately evaluate the risk of private litigation..." These words evidence an intent to distance Department of Justice antitrust enforcement from the judicial interpretation of the antitrust statutes.

Prior to the publication of the International Guidelines, a spokesperson for the Antitrust Division of the Department of Justice indicated that the Department’s antitrust enforcement would be accomplished under a rule of reason standard:

Today, we recognize, however, that intellectual property licensing... regardless of its territorial scope, is typically procompetitive. I expect the revised International Guidelines to make clear in the Department’s view, the U.S. antitrust laws condemn only those technology licensing practices that restrict market, or constitute a sham designed to disguise an agreement to coordinate the pricing of products that are unrelated to the licensed technology. The Department analyzes licenses that are not shams under a rule of reason.

The Department of Justice could not have chosen a more definitive statement to reject the application of a "per se" standard to the types of licensing agreement restrictions that typify tying arrangements.

**CONCLUSION**

The Department of Justice is now advocating an antitrust law enforcement policy much more lenient than the Supreme Court’s "per se" standard. This ideological split between the Department of Justice and the Supreme Court reflects, at least in part, the influence of the Chicago School adherents in the Reagan Administration.

Whether the Chicago School adherents succeed in further loosening antitrust law enforcement depends upon a variety of factors. First, will the Chicago School ever achieve sufficient support in Congress to repeal or amend the antitrust laws to a significant extent? Second, will the Bush Administration and/or succeeding administrations continue to vigorously pursue Chicago School-predicated antitrust policies which are at odds with the statutory interpretations of the courts? Third, and most important, will future Supreme Court appointees join the minority position in Jefferson Parish, thereby substituting the "rule of reason" test for the "per

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116 Jefferson Parish, 104 S.Ct. 1551.
117 5 TRADE REG. REP. (CCH) Se. 20, 601 at 2-3.
se” approach to analyzing many types of potential restraints of trade. The next few years should provide at least some of the answers to these questions.

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