Antitrust Considerations in International Corporate Activity: Technical Assistance Agreements and Foreign Acquisitions

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STUDENT COMMENTS

ANTITRUST CONSIDERATIONS IN INTERNATIONAL CORPORATE ACTIVITY: TECHNICAL ASSISTANCE AGREEMENTS AND FOREIGN ACQUISITIONS

The Justice Department and the Federal Trade Commission recently filed actions to block certain mergers and licensing agreements between domestic and foreign firms, on the grounds that such agreements violated the Sherman and Clayton Acts. The first, and the more important suit in terms of its potential effect on existing international activities, is against Westinghouse Electric Corporation of the United States, and Mitsubishi Electric Corporation and Mitsubishi Heavy Industries, Ltd., of Japan. In this action, the Justice Department is challenging agreements between the companies whereby they exchange technology, including patents and know-how, and, in return, agree not to market certain products in each other's country. The agreements between the two companies involve some twenty-two products and associated equipment including elevators, refrigerators, air-conditioners, television sets, semi-conductors and power turbines.

The government alleges that the effect of these agreements has been to: (1) prevent and eliminate the competition of the Japanese

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3 Other antitrust actions recently initiated include the Federal Trade Commission's challenge of Litton Industries, which last year acquired Triumph-Adler, a German manufacturer of typewriters, and the Justice Department's suit against Colgate, Armour, American Home Products and the British concern of Fisons Ltd. The Litton suit rests on the theory that the acquisition of one typewriter manufacturer by another will reduce competition in that line. But Litton argues that its acquisition of Triumph-Adler will give it the strength it needs to compete effectively against International Business Machines Corp. (IBM). The latter suit charges that the agreement whereby Fisons Ltd. licenses Colgate to sell a certain product only for human use and the other two companies to sell it only for animal use is restraining competition. See Wall Street Journal, July 30, 1970, at 1, col. 6.
4 U.S. Const. art. I, § 8 provides that Congress shall have power "... to regulate Commerce with foreign Nations, and among the several States. ..." It was under this authorization that Congress, in 1890, enacted the Sherman Antitrust Act, 15 U.S.C. §§ 1-7 (1964) which provides: "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. ..." 15 U.S.C. § 1 (1964). Under the same authority, Congress, in 1914, enacted the Clayton Act, 15 U.S.C. §§ 12-27 (1964) which provides, in part, that no corporation engaged in commerce shall acquire, directly or indirectly, another corporation also engaged in commerce "where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition or tend to create a monopoly." 15 U.S.C. § 18 (1964).
5 See complaint, supra note 2.
6 Id. at 7.
7 Id. at 6.
firms, and to lessen competition in the sale of products to purchasers located in the United States; (2) eliminate Westinghouse as a competitor in, and to lessen competition in, the export of products from the United States to Japan; and (3) deprive the public of the benefits of free and open competition.8

As an example of these effects, the government cites the period from January, 1966 to March, 1967 wherein Mitsubishi Electric received a number of specific bid inquiries for the sale of electrical equipment to the United States, including projects for the Sacramento Municipal Utility District, the California Department of Water Resources, the Turlock & Modesto Irrigation District (California), and the Bureau of Reclamation, United States Department of the Interior. It is alleged that in each instance Westinghouse, after inquiry from Mitsubishi Electric, refused to allow Mitsubishi Electric to bid on the projects.9 On the basis of these effects, the government alleges that the agreements constitute an unreasonable restraint of trade and commerce between the United States and Japan, and are, therefore, in violation of Section 1 of the Sherman Act.10

In the second suit, the government is seeking to block Gillette Company's acquisition of Braun Aktiengesellschaft11 (Braun), allegedly the third largest European producer and seller of electric razors.12 In this suit, the government claims that the effect of the acquisition may be substantially to lessen competition, or to tend to create a monopoly in violation of Section 7 of the Clayton Act.13 The crux of the complaint is that Braun will be eliminated as a potential substantial independent entity in the domestic shaving industry.14 The suit against Gillette is significant because it marks the first time that the Justice Department has challenged in court a U.S. company's acquisition of a foreign concern.15

This comment will examine the general question of the applicability of the Sherman and Clayton Acts to United States technical assistance agreements with, and direct acquisitions of, foreign corporations. Specifically, the article will discuss the jurisdictional problems that may arise, the validity of the typical defense that the challenged territorial restrictions are ancillary to the primary purpose of the agreement, the characteristics of potential competition, and the possible judicial

8 Id. at 9, 10.
9 Id. at 9.
11 See complaint, supra note 1.
12 Id. at 4.
14 See complaint, supra note 1, at 6, 7.
15 In United States v. Jos. Schlitz Brewing Co., 253 F. Supp. 129 (N.D. Calif. 1966), the government challenged the legality of Schlitz's acquisition of a Canadian corporation. However, since the Canadian corporation was the owner of a domestic competitor of Schlitz, the court treated the case as if it were simply the acquisition of a domestic competitor.
remedies available. Finally, it will be demonstrated that where territorial restrictions are a major incident in an agreement between two firms, the test of legality is not whether the restrictions are ancillary to the main objectives of the agreement, but rather, whether the parties are engaged in substantial mutual competition.\textsuperscript{16}

\section*{I. Jurisdictional Considerations}

Any investigation of the applicability of the antitrust laws to agreements between domestic and foreign parties must examine the contention that some of the activities involved may have taken place outside the territorial boundaries of the United States, and thus are beyond the jurisdiction of the federal courts. It is necessary then, as a prelude to an examination of the agreements themselves, to explore the jurisdictional problems that might arise.

Generally, obtaining personal jurisdiction over corporations involved in substantial international activity presents no problem. By definition, all domestic corporations can be found somewhere in the United States. With respect to the jurisdiction of the courts over the foreign party to the transaction, Section 12 of the Clayton Act provides that "[a]ny suit, action, or proceeding under the antitrust laws against a corporation may be brought not only in the judicial district whereof it is an inhabitant, but also in any district wherein it may be found or transacts business. . . ."\textsuperscript{17}

The extent to which the courts are willing to go in interpreting "may be found or transacts business" is indicated in \textit{United States v. Scophony Corp. of America}.\textsuperscript{18} In this case, Scophony Ltd., a British corporation with its principal place of business in London, and no permanent office in the United States, had entered into a series of allegedly illegal contractual arrangements with various American corporations. Notice was served in New York on a director of the corporation who held a comprehensive power of attorney to protect Scophony's interests in the United States. The Supreme Court held that the mere administration and surveillance of corporate agreements was "transacting business" within the meaning of Section 12 of the Clayton Act.\textsuperscript{19}

Since most major agreements between domestic and foreign firms require at least some surveillance and protection of interests in the United States by a representative of the foreign party, it appears that personal jurisdiction over the foreign corporation will rarely present a problem. Where there is no such representative, it is highly unlikely

\textsuperscript{16} For an excellent discussion of the antitrust aspects of international business see Donovan, \textit{Antitrust Considerations in the Organization and Operation of American Business Abroad}, 9 B.C. Ind. & Com. L. Rev. 239 (1968).
\textsuperscript{18} 333 U.S. 795 (1948).
\textsuperscript{19} Id. at 814-18.
that the agreement is of sufficient importance to justify an antitrust 
action.

With respect to subject matter jurisdiction, there has been a 
plethora of scholarly discussion. It can be seen that certain problems 
amay arise when attempting to apply the antitrust laws to activity 
taking place outside of the United States. The problem is particularly, 
acute in the situation where the challenged activity is legal in the 
country of its making. In America Banana Co. v. United Fruit Co., Mr. Justice Holmes remarked: "But the general and almost universal 
rule is that the character of an act as lawful or unlawful must be 
determined wholly by the law of the country where the act is done." In this case, the American Banana Company, a competitor of United 
Fruit, charged that United had "instigated" the government of Costa 
Rica to seize the plaintiff's banana plantation and transportation 
facilities, and, by outbidding, had driven all other purchasers out of 
the market—all of this allegedly in furtherance of developing a 
monopoly. In dismissing the complaint, the Court no doubt was im-
pressed by the fact that it was the government of Costa Rica that 
actually seized the plantation. In commenting on this aspect of the 
case, the Court said, "it is a contradiction in terms to say that within 
its jurisdiction it is unlawful to persuade a sovereign power to bring 
about a result that it declares by its conduct to be desirable and 
proper." As for the acts of the defendant itself in outbidding com-
petitors, the Court again looked at the legality of the act in Costa 
Rica, saying that "it is enough to say that we have no ground for 
supposing that it was unlawful in the countries where the purchases 
were made."

The American Banana case, of course, told only one side of the 
story. It addressed its inquiry only to the activities and their effects 
in the foreign country. By dismissing the complaint rather than reach-
ing a decision on the merits, the Court was implying that where there 
is no allegation that U.S. foreign or interstate commerce is affected, 
the Court has no jurisdiction to decide the case.

Two years later the Supreme Court decided United States v. 
American Tobacco Co. the first in a series of cases to consider

Foreign Commerce and the Antitrust Laws (1958); Donovan, Antitrust Considerations 
in the Organization and Operation of American Business Abroad, supra note 16; Bloch, 
Extraterritorial Jurisdiction of U.S. Courts in Sherman Act Cases, 54 A.B.A.J. 781 
(1968); Note, Extraterritorial Application of Federal Antitrust Laws: Delimiting the 
22 Id. at 356.
23 Id. at 354.
24 Id. at 358.
25 Id. at 359.
26 221 U.S. 106 (1911).
27 Thomsen v. Cayser, 243 U.S. 66 (1917); United States v. Sisal Sales Corp., 274 
U.S. 268 (1927). For an excellent summary see Bloch, supra note 20.
the effects of a foreign agreement on U.S. commerce. In American Tobacco there were numerous firms involved in varied and complex agreements which the Court found to be in violation of the Sherman Act. The lower court, however, had dismissed the complaint as to Imperial, a British corporation, which as a part of a contract with American Tobacco had agreed to limit its business to the United Kingdom. The reasons given by the lower court for dismissing the complaint were that the contract was made in Britain and was valid under the laws of that country. The Supreme Court, however, held that "the assailed combination . . . including the foreign corporations in so far as by the contracts made by them they became cooperators in the combination—comes within the prohibitions of the . . . Anti-trust Act." (Emphasis added.)

The expansion of jurisdiction in antitrust cases culminated in United States v. Aluminum Co. of America,29 where Judge Learned Hand stated: "On the other hand, it is settled law . . . that any state may impose liabilities, even upon persons not within its allegiance, for conduct outside its borders that has consequences within its borders which the state reprehends. . . ." 80 This case involved agreements whereby a foreign corporation organized by foreign companies fixed quotas on aluminum production for its shareholders and fixed a price each year at which it would buy any part of a shareholder's quota which it had not sold. The agreement further provided that no shareholder was to buy, borrow, fabricate, or sell aluminum produced by anyone not a shareholder, except with the consent of the board of governors. The court held that the agreements would have been unlawful if made within the United States, and hence were unlawful even though made abroad if they were intended to and did affect imports. The Report of the Attorney General's National Committee to Study the Antitrust Laws (1955) relied heavily on the language of the Aluminum case and set forth the following guidelines:

[T]he Sherman Act applies only to those arrangements between Americans alone, or in concert with foreign firms, which have such substantial anticompetitive effects on this country's trade or commerce . . . as to constitute unreasonable restraints . . . .

[C]onspiracies between foreign competitors alone should come within the Sherman Act only where they are intended to, and actually do, result in substantial anticompetitive effects on our foreign commerce. (Emphasis added.)81

28 221 U.S. at 184.
29 148 F.2d 416 (2d Cir. 1945).
80 Id. at 443.
The language in the cases discussed above seems to have merged two issues—the question of jurisdiction of the court over matters outside the territorial boundaries of the United States, and the issue of the reach of the Sherman Act’s provisions. To the extent that the Sherman Act prohibits *every* contract or combination in restraint of trade, apparently without regard to the country wherein the contract or combination takes place, the act itself merges the issues. Nevertheless, implicit in these cases is the principle that the court has jurisdiction to review any acts involving foreign parties, occurring within or outside the country, which have substantial effects in the United States. Whether or not the court invokes this power will, of course, depend upon the existence of a law governing the particular activity in question.

If the principle is a general one, and not dependent upon the particular law being applied, then the test of "substantial effects in the United States" should also apply to the Clayton Act. In fact, the statute itself sets forth this test by focusing its application on the "effect" of an acquisition on competition in *any section of the country*. Whether the potential effects of eliminating a potential competitor, such as Braun in the *Gillette* case, are sufficient to justify jurisdiction in the case of a foreign acquisition will be discussed below.

II. TERRITORIAL RESTRICTIONS ACCOMPANYING THE EXCHANGE OF KNOW-HOW: THE ANCILLARY DOCTRINE

There appears to be no doubt today that an agreement between competing firms to restrict the marketing of products in their respective territories, standing alone, is a clear violation of the Sherman Act. However, the more significant question is whether the same result can be reached and justified by resort to an arrangement commonly known as a technical assistance agreement. While a standard legal definition for such an agreement is lacking, for the purposes of this comment, it will be defined as a grant or exchange of know-how between competing firms. Know-how has been defined as:

[i]ventions, processes, formulae, or designs which are either unpatented or unpatentable; it may be evidenced by some form of physical matter, such as blue-prints, specifications, or drawings; . . . and it may involve accumulated technical experience and skills which can best, or perhaps only, be communicated through the medium of personal services.

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**Footnotes:**

The simplest example of the use of the technical assistance agreement to restrain competition is the situation where the recipient of the know-how is prohibited, as a condition of receiving such assistance, from marketing the resulting products in the market territory of the grantor. In most instances, there is a mutual exchange of such know-how and a corresponding mutual market restriction.

In defending the legality of such an agreement, the parties usually assert that know-how is a property right, and that historically the courts have held that territorial restrictions could be exacted in a grant of property rights. Although scholars have debated the legal status of know-how for many years, from an antitrust standpoint the resolution of this question is of little importance. The Sherman Act states: "Every contract . . . in restraint of trade . . . is . . . illegal." (Emphasis added.) This language has been construed as applying only to "unreasonable" restraints of competition. Thus, the question is not whether know-how is a property right, but rather, whether the contract or arrangement unreasonably restrains competition.

Some early cases expressed the view that the grant or sale of property or secret processes would justify an agreement not to compete. The doctrine has come to be known as the ancillary doctrine. In the latter part of the 1940's and early 1950's, several cases were decided, which, according to one writer, constituted an attack on the ancillary doctrine. Another commentator has concluded that although the cases evidence some hostility toward the ancillary doctrine, they

36 The territorial restriction has its origins in the classical ancillary restraints rule under which a man could buy a business and with it obtain a covenant from the seller not to compete in the same area for a given period of time. Mitchell v. Reynolds, 24 Eng. Rep. 347 (Ch. 1711) upheld an agreement by a baker not to compete for five years with the person to whom he sold his bakery business. Eventually, this was expanded to permit transfer of a trade-name with the sale of the business. See Fowle v. Park, 131 U.S. 88 (1889). It also became the basis for licensing the manufacture of a product under a particular process and restricting its sale under a licensed name to a specified territory. See Apollinaris Co. v. Scherer, 27 Fed. 18 (S.D.N.Y. 1886). The basic transaction was the transfer, in whole or in part, of a business or a capital asset—in short, property. See McLaren, Territorial and Customer Restrictions, Consignments, Suggested Resale Prices and Refusals to Deal, 37 ABA Antitrust L.J. 137, 138 (1967); see also Brewster, supra note 20, at 161.


40 See supra note 36.


do not prohibit reasonable territorial limitations in know-how licensing. Both writers agree, however, that the ultimate factual issue in determining the validity of the agreement is whether the know-how is sufficiently valuable to balance the loss of competition resulting from the territorial restrictions. The test was stated as follows: "The sole touchstone of legality, thus, is an analysis of the technical data granted and used. If this technology is substantial, valuable and secret, the restraint should be upheld as ancillary to it; if not, the restraint falls for lack of ancillarity."

It is submitted that the cases relied upon by both commentators lead to the conclusion that the value of know-how is relevant only when the firms involved in the exchange are not in competition. This, of course, is tantamount to saying that the ancillary doctrine is not relevant in cases involving alleged violations of the antitrust laws. The genesis of the confusion that arises from these cases is the courts' penchant for discussing at length the role and characteristics of know-how. It is easy to interpret this apparent concern as an indication that the courts consider the nature of the know-how a determinative factor in the case. A closer examination of the opinions, however, reveals that in each case the courts ultimately look to the existence or non-existence of competition between the parties as the controlling factor.

United States v. National Lead Co. involved a combination and conspiracy in restraint of interstate and foreign commerce with respect to titanium pigments. A National Lead subsidiary entered into an agreement with a Norwegian patent holding company, which, in addition to cross-licensing titanium patents, also provided for a division of territories, an exchange of technology and know-how, a restriction of imports on a territorial basis, and a provision that each party would be the sole agent in the other's territory for all products in the licensed field. The court concluded that this combination clearly affected the interstate and foreign commerce of the United States. The defendants contended that their conduct was reasonable and produced evidence that during the period of the agreement the art of titanium production had advanced, production had increased and prices had sharply declined. The court expressed doubt as to the causal relationships involved and stated that "in the long run, competition is a more effective prod to production and a more trustworthy regulator of prices than even an enlightened combination."

In response to the defendant's claim that the territorial allocation
was justified as ancillary to the grant of a license under a patent, the court acknowledged the existence of the ancillary doctrine for patents, but stated that this agreement went far beyond the doctrine since it applied to patents not yet issued and to inventions not yet conceived.\textsuperscript{50} In summary, the court said:

Whether the form of association they created be called a cartel, an international cartel, a patent pool, or a technical and commercial cooperation, is of little significance. It is a combination and conspiracy in restraint of trade; and the restraint is unreasonable. . . . No citation of authority is any longer necessary to support the proposition that a combination of competitors, which by agreement divides the world into exclusive trade areas and suppresses all competition among the members of the combination, offends the Sherman Act.\textsuperscript{51}

Shortly after rendering its decision in \textit{National Lead}, the same district court decided \textit{United States v. General Electric Co.}\textsuperscript{52} The latter case involved an international arrangement in tungsten carbide between General Electric (GE) and a German industrial corporation, Fried, Krupp Aktiengesellschaft. Krupp, as owner of the principal patents for the production and processing of tungsten carbide, exported this material to the United States, and licensed its production to a number of American firms. GE, which held some U.S. patents on processes for manufacturing a similar hard metal composition, entered into an agreement with Krupp whereby Krupp licensed to GE all of its present and future U.S. patent rights in the hard metal field. GE was obligated to fix the price at which tungsten carbide was to be sold, to grant a reasonable number of licenses to U.S. firms, and to pay Krupp royalties on all such metal sold. Krupp, in return, agreed to refrain from manufacture in the United States and GE agreed not to export out of the United States or Canada.

The defendants argued that the agreement was nothing more than a cross-licensing of basic patents with an ancillary territorial restriction. The court, assuming that such restrictions might be permissible in some cases,\textsuperscript{53} concluded that the contract "was not really a cross-license at all, but more a naked division of markets among two former competitors,"\textsuperscript{54} and thus in blatant violation of the Sherman Act.

\textit{United States v. General Electric Co.}\textsuperscript{55} likewise involved, inter alia, the question of territorial limitations in foreign licensing of pat-
ents and technical information. The government charged that GE was restraining trade through a series of license agreements which

... provide almost uniformly for (a) an exchange of patent rights relating to the manufacture of lamps; (b) an exchange of information relating to the manufacture of lamps; (c) an allocation of territory by which (1) the manufacture, sale, and sale for use in the United States of lamps ... are exclusively reserved to International General Electric, (2) the home market of the other party is exclusively reserved to it, and (3) certain other territory is made non-exclusive and in which both parties may manufacture and sell.66

In addition, a further agreement, called the "Phoebus" agreement, provided that various subsidiaries of GE and other foreign manufacturers agreed to exchange technical information in return for promises to limit their participation in foreign lamp markets to a fixed percentage of each other's sales.67 This agreement was reinforced by license contracts of technical information to foreign licensees which restricted the licenses to defined territories.68

The court summarized GE's defense as follows:

General Electric argued that territorial restraints in its licenses were reasonable and therefore valid as ancillary to an exchange of manufacturing information. In support of its argument it contended that the exchange of technical and manufacturing information and "know-how" was a primary purpose of the license agreements and was clearly evidenced by its substance and importance. It referred to the mass of accumulated industrial information which it had compiled and argued that the "protection of one's labor is afforded even though the subject matter may not be strictly a 'trade secret'. It may stand 'like a trade secret' ". It claimed that the parties to the license agreements sought technical and manufacturing information and "know-how" and sought access to each other's research laboratories and that the material involved was of the utmost importance. It insisted that the "ancillary restraints were not to eliminate or even reduce potential or actual competition, but were simply to protect the parties against competition which would only have been of their own creating." In concluding it insisted that the proofs established that patented inventions and a vast body of "everchanging manufacturing information and 'know-how' has been ex-

66 Id. at 827.
67 Id. at 835.
68 Id. at 837.
changed between International General Electric and its for-
eign licensees.\footnote{Id. at 845.}

The court did not agree with GE's contentions concerning the relative
importance of the "know-how" to the territorial restriction. Rather, it
found that the primary purpose of the foreign licenses was to restrict
competition in the United States\footnote{Id. at 847.} thus resulting in a violation of the
Sherman Act.

the defendant, Timken, a manufacturer of roller bearings, entered into
contracts with several foreign subsidiaries first under patents and, when
these patents expired, under know-how grants. The contracts divided
the world into sales territories and set prices on the licensed products.
The defendant asserted that "any restraints imposed by the contracts
were ancillary to its agreements to furnish know-how . . . [and] that
the law permits the restriction not to compete in each other's territory
as a recompense for its contribution to the foreign companies of advice
and instruction. . . ."\footnote{Id. at 312.} In striking down the agreements, the court said
of know-how:

One who possesses greater knowledge or superior skill in the
manufacture of a product is entitled to be fairly and ade-
quately compensated if he furnishes his knowledge or skill to
others. He is not entitled, however, to exact as a price for such
contribution, complete freedom from competition. The quid
pro quo for furnishing of know-how cannot be an absolute
license to avoid the provisions of the Sherman Act. The harm
carried thereby would be too great a tribute to knowledge and
skill when viewed in the light of public policy.\footnote{Id. at 313.}

Finally, \textit{United States v. Imperial Chemical Industries Ltd.}\footnote{100 F. Supp. 504 (S.D.N.Y. 1951).} also
concerned a vast network of cross-licensing of patents and know-how.
The defendants argued that they had entered into these arrangements
with the purpose of securing for themselves "the benefits of an ex-
change of technology."\footnote{Id. at 527.} The court stated that the real issue was
"whether the agreements were entered into with a view to dividing
territories, or to securing the benefit of technology; or, if both motives
were present, whether the unlawful motive was a material considera-
tion.\footnote{Id. at 527, 528.} The defendants justified the agreements on the grounds that
exclusive license territories were necessary so that they would not be faced with competition utilizing their own inventions.67

The court noted that although this aspect of the agreement might be supportable, the portion of the agreement prohibiting the licensor from competing in the territory of the licensee indicated that the parties sought to protect themselves not against adverse use of technology, but against competition.68 Further contributing to the court's decision was its finding that many of the inventions licensed did not have any appreciable royalty value, but that they nevertheless were made the basis of a territorial allocation. "The inference necessarily follows that the territorial division was the real purpose of the arrangement."69 The court went so far as to place territorial divisions on a par with price fixing, saying: "There is no intimation in any decision that elimination of competition is to be given a more favorable judicial consideration when achieved by the route of territorial division rather than by way of price fixing. . . ."70

One common theme appears in all the cases involving territorial restrictions; the court acknowledges or assumes without inquiry the existence of the ancillary doctrine. Despite this fact, however, the court invariably deems the doctrine inapplicable. The commentators referred to above noted the reasons why the courts failed to uphold the doctrine and concluded that in the absence of these reasons the doctrine would have prevailed. For example, language to the effect that the know-how was not valuable or secret is interpreted as meaning that if it had been such, the territorial restrictions would have been upheld.

However, another explanation may be that the courts no longer recognize the ancillary doctrine, but rather feel compelled to explain it away because the doctrine seems firmly entrenched in earlier decisions. This theory is bolstered by analyzing the origins of the doctrine. No doubt, the common law doctrine that a covenant not to compete in the sale of a business strongly influenced the formation of the ancillary doctrine in the licensing field.71 As one writer has put it: "The analytical keystone is: 'To what extent may the transfer of unpatented information be analogized to the sale of a business or the assignment or license of a patent?"72

The two cases which appear to have adopted the common law doctrine can be explained on grounds which throw into doubt their authority. In United States v. Addyston Pipe and Steel Co.,73 a number of companies manufacturing iron pipe in different states formed a

67 Id. at 528.
68 Id.
69 Id.
70 Id. at 593.
71 See supra note 36.
73 85 F. 271. (6th Cir. 1898).
combination whereby the territory in which they operated was divided into "reserved" cities and "pay" territory. The reserved cities were allotted to particular members of the combination free of competition from the others, though provision was made for pretended bids by the latter at prices previously arranged. In the pay territory, all offers to purchase pipe were submitted to a committee which determined the price and then awarded the contract to that member of the combination which agreed to pay the largest bonus. The court held that this was an unlawful combination both at common law and under the Sherman Act. It was only in dictum that it approved of territorial restrictions, remarking:

[W]hen one in business sold property with which the buyer might set up a rival business, it was certainly reasonable that the seller should be able to restrain the buyer from doing him an injury which, but for the sale, the buyer would be unable to inflict. This was not reducing competition, but was only securing the seller against an increase of competition of his own creating.74

In Thoms v. Sutherland,75 two concerns, one domestic and the other foreign, divided between themselves trade territory in North America and Europe for the exclusive sale of certain products, and by the same contract provided for the sale of the business of one concern to the other in certain countries. The court upheld the territorial restriction on the grounds that it was "ancillary . . . and necessary for the protection of property rights which pass from one to another. . . ."76

It is submitted that since the primary transaction was the sale of a business, the court's approval of territorial restraints cannot be extended to transactions involving only the transfer of technology. The status of the parties in the suit also gives rise to doubts as to how far the holding should be extended. It is quite possible that the court felt that the restraints on competition were far out-weighed by the undesirability of one party's effort to break a basic agreement by asserting the illegality of a restraint designed, in part at least, for its own benefit.77

Two post-1950 cases upheld territorial restrictions, and are cited by some as authority that the ancillary doctrine lives on.78 In Foundry Services, Inc. v. Beneflux Corp.,79 a New York corporation was given an exclusive license by an English corporation to manufacture products in accordance with secret processes and sell them only in the

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74 Id. at 280, 281.
75 52 F.2d 592 (3rd Cir. 1931).
76 Id. at 593.
77 Brewster, supra note 72, at 162.
78 Barton, supra note 43.
79 110 F. Supp. 857 (S.D.N.Y. 1953), rev'd on other grounds, 206 F.2d 214 (2d Cir. 1953).
United States and Canada. For its part, Beneflux, the English corporation, agreed not to sell the same products in the United States for the life of the agreement. On the ground that Foundry, the domestic corporation, had violated the agreement by selling a sample worth five dollars to a Mexican firm, Beneflux organized a subsidiary in the United States. Foundry Services promptly sued to enjoin Beneflux from operating in the United States. Beneflux argued that the decisions in National Lead, the General Electric cases, Timken, and Imperial had brushed aside "argument based upon old decisions involving secret processes, patents and trade marks and repeatedly condemned ... all divisions of markets between competitors."

The court did not dispute defendant's interpretation of those cases, but distinguished them on the ground that in each it was found that the defendants were true competitors. With respect to the case before it, the court found that "we have no comparable situation here." The court said that it was inaccurate to say that the English corporation was a "competitor" of the plaintiff, "which it merely engaged and authorized to exploit its secret process in North America." The court went on to describe the contract between the parties in agency terms:

Actually the plaintiff was no more than the English corporation's agent or representative here. And common sense and justice, as well as the "normal" and "usual" business custom of rational men, dictate that a principal refrain from undertaking to perform at the same time and in the same place the precise functions it has engaged a representative to perform. ...

It would appear that the importance of the decision in Foundry Services lies not in its acknowledgment of the ancillary doctrine, but in its limitation of the doctrine to the case of a covenant by an owner-licensor of a secret process not to compete with its licensee, who, prior to the grant, was not a competitor. With respect to the former cases where the parties were competitors, the court said, "it was necessarily held that those conspiracies were unlawful; and that they were none the less so merely because of the circumstance that they were effected through license agreements."

A similar result was reached in United States v. E. I. DuPont de Nemours & Co. In that case, La Cellophane, a French company, and DuPont, an American company, entered into an agreement whereby DuPont was given the exclusive right to manufacture cellophane in

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80 Id. at 861.
81 Id.
82 Id.
83 Id.
84 Id.
North and Central America by processes acquired from La Cellophane. The latter agreed not to market or sell cellophane in DuPont's territory except through DuPont. The district court upheld the validity of this agreement saying: "Plaintiff's argument [that] a territorially limited license under a secret process is per se illegal is not accepted."

The reasoning behind the decision is very illuminating. The court noted that when La Cellophane developed a successful process for the commercial manufacture of cellophane, no one else was making cellophane. When DuPont learned of cellophane, it was not then engaged in any business which would cause it to fear the competition of cellophane. La Cellophane, in turn, had no reason to fear DuPont's competition, for DuPont had neither the necessary knowledge nor the technical experience to compete in cellophane. In short, they were not competitors. The court characterized the agreement as the organization of a new enterprise, with La Cellophane contributing technical assistance and DuPont providing trained management and capital. "DuPont and the French thus each had a legitimate stake in the venture ... and neither party was motivated by anti-competitive considerations."

Taking into consideration all of the cases dealing with the ancillary doctrine, a plausible inference is that the real question is not how valuable is the know-how, or whether there is an ancillary doctrine; rather, the question is simply, is competition being unreasonably restrained. Where the parties to the agreement or combination were not in competition, territorial restrictions were upheld, not because of the ancillary doctrine, but because there was no restraint of competition. Where the parties to the agreement or combination were in competition, the territorial restrictions were struck down, not because the know-how was not valuable, but because competition was being restrained.

86 Id. at 219.
87 Id. at 218.
88 Id. at 219.
89 See supra notes 79, 85.
90 For a recent development in this area see the treatment of territorial restrictions as they appear in the context of manufacturing licences. In United States v. Sealy, Inc., 388 U.S. 359 (1967), Sealy licensed certain firms to manufacture Sealy products and restricted those firms to selling in specified territories. The licensees were free to make and sell non-Sealy products without restriction. The government argued that Sealy's licensing arrangement was a facade for a conspiracy among competitors to divide up the market, as in Timken. The lower court upheld the territorial restriction but found Sealy guilty of a price-fixing charge. The government appealed on the territorial question and the Supreme Court reversed. However, the reason for the reversal was that the Court found that the territorial restraints were part of the price-fixing conspiracy. In 37 ABA Antitrust L.J. 137, 142 (1967), Richard McLaren, Assistant Attorney General in charge of the Antitrust Division, suggests that the main significance of Sealy is that the Court refused to throw out the ancillary restraints doctrine in a capital assets case. He concludes that, absent price fixing, selling restrictions in manufacturing-type licenses are still "arguably defensible."
The underlying problem in all these cases is that the court recognizes that know-how is valuable, and that if one party confers it upon another, the granting party should be adequately compensated. In each case where the price exacted has been a territorial restriction in markets, the court has gone to great lengths to explain why the exchange of know-how does not warrant a territorial restriction and the ensuing loss of competition. It is submitted that the better approach would be to acknowledge that in many cases the exchange of know-how is sufficiently valuable to warrant a territorial restriction, but that the Sherman Act prohibits this particular form of compensation.

The problem is put into perspective by asking, who should pay for a grant or exchange of know-how. The obvious answer is the recipient. However, if an exclusive license to market in a certain territory is part of the exchange, then it is the public who is ultimately paying for the transaction, by way of higher prices resulting from a lessening in competition. Judge Forman, in *United States v. General Electric Co.*, 82 touched upon this point when he said:

> Reflecting these expressions upon the circumstances of this case without conceding that the exchange of "know-how" could be the basis for territorial restrictions, the parties to the contracts herein are found to have received their quid pro quo in the mutual exchange of valuable information each to the other. The interest of the public in the world wide divisions of territory set up and the far flung effects upon competition and trade encompassed in them is very great. *No matter how reasonable the restraints have been considered as between the contracting parties they were entirely unreasonable in so far as the interest of the public is concerned.* (Emphasis added.)

Thus, in setting up contracts or combinations involving the transfer or exchange of know-how, the parties should ensure that the public does not ultimately pay for any advantages that might be received by the companies.

There are several alternative methods of compensation not involving the public. Where the holder of valuable know-how feels that its market position is strong enough to withstand increased competition, it can either sell its know-how on a cash basis or transfer it with an agreement to receive royalties on all resulting products. This latter alternative is especially advantageous to the company which for lack of capital cannot or does not desire to finance any expansion in its market territories. In such a case, the grantee would have to decide whether it would be more economical to develop the know-how on its own, or buy it from the holder. In the case where the grantee is not

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92 Id. at 847.
in a position to buy the know-how with cash or royalties, it can offer the grantor certain know-how that it alone had developed. Such arrangements can produce considerable savings for both grantor and grantee without expense to the public through loss of competition.

III. THE IMPACT OF THE CLAYTON ACT ON FOREIGN ACQUISITIONS

Section 1 of the Clayton Act defines "commerce" as including trade or commerce among the several states and with foreign nations. Section 7 of the Clayton Act provides that no corporation engaged in commerce shall acquire another corporation also engaged in commerce, "where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or tend to create a monopoly." Section 7 was adopted in 1914 to apply specifically to mergers that the Sherman Act could not reach because a "restraint of trade" or "monopoly" had not actually occurred. In its original form it applied only to acquisitions of stock or share capital and was concerned only with the elimination of competition between the acquiring and the acquired firm.

In 1950, the Clayton Act was amended to (1) extend the scope of the law to acquisitions of assets as well as stock, (2) extend the coverage to include competition in any line of commerce in any section of the country, and (3) eliminate the test concerning restraint of commerce in any section or community. The legislative history of Section 7 reveals nothing as to the intent of Congress regarding the application of the Clayton Act to foreign acquisitions. However, a reasonable and common sense interpretation of the statute yields no reason why it should not be so applied, providing of course that jurisdictional requirements are met.

Section 7 applies only to "acquisitions by one corporation engaged in commerce [of] another corporation engaged also in commerce." The significant word here is "commerce." Section 1 defines commerce as including "trade or commerce . . . with foreign nations." Thus, an acquisition of a foreign firm would fall within the Act if the foreign company were engaged in the foreign commerce of the United States, and if its acquisition might lessen competition "in any line of commerce in any section of the country."

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90 15 U.S.C. § 18 (1964). See also S. Rep. No. 1775, 81st Cong., 2d Sess., reprinted in 2 U.S. Code, Cong. & Adm. News 4293 (1950), which states: The committee wish to make it clear that the [amendment] is not intended to revert to the Sherman Act test. The intent here, as in other parts of the Clayton Act, is to cope with monopolistic tendencies in their incipiency and well before they have attained such effects as would justify a Sherman Act proceeding. Id. at 4296.
96 For an excellent discussion of the Clayton Act and its application to foreign
There appear to be no decisions to date which have squarely applied Section 7 to a foreign corporation doing business in its own right in the commerce of the United States. In 1968, however, the Federal Trade Commission proceeded under Section 7 against Dresser Industries and its subsidiary, Magnet Cove Barium Corporation, which had acquired Canadian Industrial Minerals, Ltd. This Canadian company had substantial barite resources, and two years prior to the acquisition, Magnet purchased about 80% of the output of the Canadian firm. Dresser contended that the Canadian company was not engaged in "commerce" as defined by the Clayton Act. The FTC hearing examiner dismissed the complaint, holding that the acquisition did not tend to lessen competition. The Commissioner did not adopt the opinion of the examiner, but dismissed the complaint with a warning as to future acquisitions in the industry. The significance of the case lies in the fact that neither the hearing examiner nor the Commissioner dismissed the complaint because the Canadian company was not engaged in commerce under Section 7, or because Section 7 did not apply to foreign acquisitions.

The second instance where the government attempted to apply Section 7 to the acquisition of a foreign company was United States v. Jos. Schlitz Brewing Co. Schlitz, a major brewer, had acquired Labatt, a Canadian brewer, which in turn controlled General Brewing, a domestic competitor of Schlitz. The district court found that although Labatt was not then a substantial competitor in the United States, it had the "desire, the intention and the resourcefulness to enter the United States markets and to make General Brewing a stronger competitor in those markets." Thus, it can be seen that the real focus of Schlitz's interest in acquiring Labatt was the acquisition of control of a domestic competitor. This being the true significance of the case, the question of whether the acquisition of a purely foreign concern having no substantial connection with a domestic firm would violate the Clayton Act, was not settled.

Two distinct questions are raised in the latter case. The first is whether the elimination of a potential competitor results in a lessening of competition. The second is whether the fact that the potential competitor is a foreign corporation raises any jurisdictional problems not settled under the Sherman Act cases. The first of these questions is a


103 Id. at 147.

104 Id. at 138, 145.
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general question and can be answered without regard to whether foreign companies are involved or not.

In *FTC v. Procter & Gamble Co.*, the Supreme Court held that Procter's acquisition of the assets of Clorox Chemical violated Section 7 of the Clayton Act. In its evaluation of the anticompetitive effects of this merger, the Court held that (1) the substitution of the powerful acquiring firm for the smaller, but already dominant, acquired firm might substantially impair the competitive structure of the industry by raising entry barriers and by dissuading the smaller firms from aggressively competing, and (2) that the acquisition eliminated the potential competition of the acquiring firm. The court condemned the loss of Procter's potential competition because the market was highly concentrated, because Procter had been found to be the "most likely prospective entrant," and because "the number of potential entrants was not so large that the elimination of one of them would be insignificant."

Similar language is found in *United States v. Penn-Olin Chemical Co.*, where the government attacked the acquisition of a newly incorporated joint venture by the joint venturers. In finding a violation of the Clayton Act, the Court said, "The existence of an aggressive, well-equipped and well-financed corporation engaged in the same or related lines of commerce waiting anxiously to enter an oligopolistic market would be a substantial incentive to competition which cannot be underestimated."

There appear, therefore, to be at least two factors that a court must consider in determining whether the acquisition of a potential competitor will lessen competition: (1) the subjective eagerness of the potential competitor to enter the market, and (2) the objective characteristics of the market itself. In *United States v. Wilson Sporting Goods Co.*, the government sought and received a preliminary injunction against the merger of a sporting goods manufacturer and a gymnastic equipment manufacturer. The court made a thorough analysis of the market conditions and noted the relevancy of the Procter & Gamble and Penn-Olin tests. It felt that the merger would in effect lessen competition because of the "adverse psychological effects" it would have on the acquired company's smaller rivals and upon potential new entrants into the market.

Thus, there is no direct or easy answer to the question of whether the acquisition of a "potential competitor" necessarily violates the Clayton Act. The answer to this question is dependent upon the facts of each case. As the government itself recognized in its brief in Procter & Gamble:

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107 Id. at 581.
109 Id. at 174.
111 Id. at 555.
To find that a merger has one or even both of these effects [i.e., raising entry barriers and eliminating a potential competitor] is not necessarily conclusive on the question of its illegality. Eliminating one of many equally able and willing potential entrants would not substantially impair the efficacy of potential competition; nor would raising barriers to entry imperceptibly. And some competitive advantages that raise entry barriers seem a dubious predicate of antitrust illegality, since they reflect the kind of efficiencies—in production, distribution, and the like—that a pro-competitive policy is intended to promote. In addition, impairment of potential competition is likely to be harmless wherever the market is sufficiently unconcentrated that existing competition can be relied upon as a market regulator.

These qualifications require that the Commission and the courts proceed with care in judging a merger which affects only potential competition.\(^\text{111}\)

Assuming that the acquisition of a particular potential competitor does result in a violation of the Clayton Act, the question still remains whether the same result obtains if the acquired firm is a foreign corporation. If the presence of substantial effects in the United States is sufficient to give jurisdiction to U.S. courts in Sherman Act cases, the same test should apply in Clayton Act cases. The question to be asked then is whether the acquisition of a foreign potential competitor, supposedly legal in the country of the competitor, causes sufficient substantial effects in the United States to justify the acquiring of jurisdiction by the courts. Further reduced, the inquiry becomes, can effects which are merely "potential" ever be "substantial" in terms of jurisdictional requirements.

Perhaps the inquiry need not proceed so far when at least one of the corporations is a U.S. citizen. Up to this point the analysis of jurisdictional considerations has focused on the "place of effects" rule. This test is set forth in Section 18 of the Restatement (Second) of the Law of Foreign Relations:

activity to which the rule applies; (ii) the effect within the territory is substantial; (iii) it occurs as a direct and foreseeable result of the conduct outside the territory; and (iv) the rule is not inconsistent with the principles of justice generally recognized by states that have reasonably developed legal systems.

However, where the conduct, although in a foreign state, is caused by a citizen of the state in which the effects occur, Section 30 of the Restatement takes precedence:

§ 30. Jurisdiction to Prescribe with Respect to Nationals
1) A state has jurisdiction to prescribe a rule of law (a) attaching legal consequences to conduct of a national of the state wherever the conduct occurs. . . . (Emphasis added.)

Thus, the court has two grounds upon which to base jurisdiction. It can decide that "potential" effects are "substantial" effects, or it can rely on the state's inherent power to review the acts of its citizens wherever the conduct takes place.

IV. THE PROBLEM OF APPROPRIATE RELIEF

After determining that a certain agreement or acquisition violates the antitrust laws, there arises the important question of sanctions and remedies. Of the various types of relief available, the government most frequently requests some form of equitable relief. This selection of equitable relief in turn raises the problem of fashioning an appropriate equitable remedy. In the case of an executed technical assistance agreement involving the transfers of know-how, a decree that the accompanying territorial restrictions are invalid and that the parties are free to market in their competitor's territories does not solve the problem of what to do about the technical information that has already been transferred. The court cannot enforce an order that the grantee "forget" what it has learned. Yet, to allow the grantee to use the information in competition with the grantor, who paid for the research and development of that knowledge, would unjustly penalize the grantor. The Westinghouse complaint is an excellent example of a case where there is potential harm in merely striking down the

112 According to Brewster, supra note 72, at 226, there are four categories of formal statutory sanctions: private recovery of treble damages; criminal; forfeiture of property; and equitable relief.
113 Id. at 228.
114 According to Hollabaugh and Rigler, Scope of Relief in Government Patent and Know-how Antitrust Cases, 12 Antitrust Bulletin 327 (1967) the various forms of relief include compulsory licensing with or without royalties, dedication of patents to the public, a limited injunction against enforcement of the territorial restriction on licensing arrangements, and dissolution or divestiture.
territorial restrictions without some further requirements on the
drty of restrictions are removed, Mitsubishi would be
position to manufacture Westinghouse-designed products in Japan
with low-wage labor, and sell those products in the United States in
competition with products manufactured in the United States by
American labor. The Supreme Court recognized this danger in Hart
ford-Empire Co. v. United States,\textsuperscript{110} and vacated a decree requiring
the grant of a royalty-free license on the ground that the effect of such
a license would be to confiscate considerable portions of the defendant's
property.

An obvious solution is to require the recipient of the know-how
to pay a reasonable royalty. This remedy would, in effect, reform the
contract into one of the alternative proposals discussed above. Thus,
in United States v. National Lead Co.,\textsuperscript{117} the Court upheld the district
court's decree that defendants grant a non-exclusive license under cer-
tain patents at a \emph{reasonable royalty}.\textsuperscript{118} The Court based its decision on
the theory that since the case was a civil rather than a criminal pro-
ceeding, the purpose of the decree was not punishment, but effective
and \emph{fair} enforcement.\textsuperscript{119}

The \textit{National Lead} case formed the basis of the decision in United
States v. Imperial Chemical Industries, Ltd.\textsuperscript{120} In that opinion, the
district court said:

\begin{quote}
We hold that in the circumstances before us, compulsory
royalty free licensing may not be decreed in the absence of
explicit interpretation of existing statutes by higher courts
affirmatively permitting such action.\textsuperscript{121}
\end{quote}

The court distinguished the one case that the government offered as
precedent for the granting of royalty-free licenses,\textsuperscript{122} and referred to
\textit{National Lead} as having settled the rule requiring reasonable royalties.

Nevertheless, there is language in the \textit{National Lead} case which
seems to leave open the question of the legality of royalty-free li-
censes. The court stated:

\begin{quote}
While it has been contended that, because of the decision
of this Court in Hartford-Empire Co. v. United States, the
District Court was not free in the present case to require the
issuance of royalty-free licenses, we feel that, without reaching
the question whether royalty-free licensing or a perpetual
injunction against the enforcement of a patent is permissible
\end{quote}

\textsuperscript{110} 323 U.S. 386 (1945).
\textsuperscript{117} 332 U.S. 319 (1947).
\textsuperscript{118} Id. at 328-35.
\textsuperscript{119} Id. at 338, 348.
\textsuperscript{120} 105 F. Supp. 215 (S.D.N.Y. 1952).
\textsuperscript{121} Id. at 225.
\textsuperscript{122} Id. at 224, 225.
as a matter of law in any case, the present decree represents an exercise of sound judicial discretion. (Emphasis added.)

*United States v. General Electric Co.* interpreted this language as casting a shadow on the ruling in *Hartford-Empire* and inviting the application of such a measure when and where the circumstances warranted it. The court then proceeded to decree royalty-free licenses on the ground that the profit margins of defendant's competitors were already so slim that any royalties would inhibit their competing with defendant. It attempted to reconcile this decision with the *Imperial Chemical* case by pointing out that the latter was based on a violation of Section 1 of the Sherman Act, while the present case was based on violations of both Section 1 and 2 of the Act.

The most recent case to consider the question of royalty-free licenses, *United States v. Singer Manufacturing Co.*, did little to clarify the confusion arising out of *National Lead*. On remand, after a finding by the Supreme Court that certain licensing agreements concerning sewing machines violated the Sherman Act, the district court was faced with the choice of royalty-free or reasonable royalty licenses. The lower court acknowledged the persuasiveness of the government's argument for royalty-free licenses but denied such relief stating that "the Supreme Court has to date refused to approve either royalty-free licensing or non-enforcement of patents." However, the court concluded its opinion with a statement indicating that royalty-free licensing would be appropriate if it were necessary.

The test... which must guide the Court in framing an antitrust decree is what measure must be applied in order to dispel the evil effect of the defendant's wrongful conduct—which means what will restore competition.

Carried to its logical conclusion, this language indicates that if the granting of royalty-free licenses is the only way to restore competition, then such a remedy would be legal. This result can be reconciled with *National Lead* by arguing that in such a case, royalty-free licensing would be, in fact, remedial and not penal.

The 1955 Report of the Attorney General's Committee was also divided on this particular issue, with the majority following the *Hartford-Empire* prohibition of royalty-free licensing. A well-reasoned minority report, however, set out three reasons why royalty-free li-

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123 332 U.S. at 338.
125 Id. at 843.
126 Id. at 844.
129 231 F. Supp. at 243.
130 Id. at 244.
censes were proper. First, it concluded that neither \textit{Hartford-Empire} nor \textit{National Lead} pronounced a blanket statutory or constitutional ban on that remedy. Rather, it was the feeling of the committee that these cases hold merely that a court will decree no more in any one case than is absolutely needed. Second, the minority argued that royalty-free licensing is in principle no more “confiscatory” than compulsory licensing at reasonable rates. Finally, it argued that royalty-free licensing may be the only way, in some cases, to achieve the desired level of competition, and that, therefore, the courts should have the power to decree such relief.\textsuperscript{182} The logic of the above arguments is difficult to assail, and no doubt the minority report will play an important role when the Supreme Court finally decides the question.

V. CONCLUSION

Although the government’s recent challenges to certain international agreements and acquisitions has caused some excitement in the business world, there is no reason to believe that the international aspects of such activity will result in any new legal approaches to the problems raised. The tests for personal and subject matter jurisdiction over a foreign corporation are relatively well-settled, although one cannot be completely confident of this matter until the Court rules on the acquisition of a purely foreign corporation. On the other hand, there is still considerable debate over the weight to be given the ancillary doctrine in market division cases. Although the courts have continued to strike down agreements providing for territorial restrictions, the defense that the agreement is ancillary to some other objective continues to be raised. This comment has attempted to show that there is good reason to believe that, given the proper case, the Court will ultimately expose the true nature of the doctrine and provide that “decent burial” eventually given to all legal fictions. The recent domestic cases holding that the elimination of potential competitors is illegal portend a similar result for corresponding cases in the international field. Finally, the legality of compulsory royalty-free licenses, although still clouded by the language of early Supreme Court cases, appears to be a distinct possibility in future cases.

These conclusions present problems for both the government and private interests. On one hand, since many firms are involved in overseas acquisitions and licensing agreements, the repercussions of a government victory in the \textit{Westinghouse} and \textit{Gillette} cases would be widespread. Present patterns of international trade would be substantially reshaped as companies divested themselves of foreign acquisitions and cancelled licensing agreements.

On the other hand, a government victory would have certain undesirable consequences in the economic sphere of our international relations. If the government obtains the relief it seeks in these cases,

\textsuperscript{182} Id.
there will be a substantial increase in competition from abroad, with a probable resulting decrease in domestic profits and jobs. Furthermore, it is possible that our country's balance of payments will be adversely affected.

The Justice Department, however, sees the cases in a different light. In the opinion of Richard McLaren, Assistant Attorney General in charge of the Antitrust Division, the objective of the suits is "to hold the line against further economic concentration in this country." He denies that foreign ventures have been singled out for enforcement, but adds: "We're trying to keep the door open as widely as possible to both actual and potential foreign competitors." He says that this would benefit American consumers by providing new products and lower prices.133

Generally, the Court quite properly has avoided any explicit consideration of national economic policy or the political factors involved in antitrust actions.134 The function of the judicial process is not to make political or economic decisions, but rather to interpret the scope and purposes of the Sherman and Clayton Acts. The Court's basic views remain the same as in those cases discussed above, and are plainly set forth by the Supreme Court in Northern Pacific Ry. Co. v. United States.

The Sherman Act was designed to be a comprehensive charter of economic liberty aimed at preserving free and unfettered competition as the rule of trade. It rests on the premise that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress, while at the same time providing an environment conducive to the preservation of our democratic political and social institutions. But even were that premise open to question, the policy unequivocally laid down by the Act is competition. And to this end it prohibits "Every contract, combination ..., or conspiracy, in restraint of trade or commerce among the several States."135

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134 It has been suggested that the antitrust laws be amended to direct the enforcement of agencies to entertain application for advance antitrust rulings on proposed activities in international trade. The agencies would, after giving appropriate consideration to foreign trade, foreign policy and national security, give a prompt ruling which would be the last word on the matter. The status of other foreign-policy considerations would be secured through the cooperative efforts of the State Department and other interested agencies. The Commerce Department would supply the necessary factual judgment from the standpoint of trade necessity. Scott and Yablonski, Transnational Mergers and Joint Ventures Affecting American Exports, XIV Antitrust Bull. 1, 30-31 (1969).
135 356 U.S. 1, 4-5 (1958).