

Verne, B. Michael

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From: [REDACTED]  
Sent: Friday, October 28, 2005 12:43 PM  
To: Verne, B. Michael  
Subject: RE: License Agreement

Mike,

Would the analysis change with respect to non-exclusivity if the license agreement includes a provision that grantor's right to manufacture the licensed products is encumbered by an obligation for grantor to pay a fee to the licensee in the event that Grantor manufactures the licensed products? Note that Grantor's right to manufacture the licensed products still remains. *NO*

Also, I have one additional clarification. If the license is worldwide and covers trademarks registered in countries outside the US, then we understand that it is reasonable to use the seller's prior fiscal year sales information as a basis to allocate the purchase price between US and non-US located assets under Rule 802.50(a). For example, if 45% of total sales (from the prior fiscal year) of the products to be licensed were from sales in or into the US, then the appropriate calculation is to multiply such percentage by the purchase price. If the resulting figure is less than \$53.1m, and since the non-US located assets under that calculation are deemed not to generate sales into the US, then no HSR filing would be required. Is this still the PNO's position? *This is ok.*

*B. Michael  
10/28/05*

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-----Original Message-----

From: Verne, B. Michael [mailto:MVERNE@ftc.gov]  
Sent: Thursday, October 27, 2005 8:14 AM  
To: [REDACTED]  
Subject: RE: License Agreement

Yes - it is still our position that an exclusive license, even for limited duration and limited field of use, is the transfer of an asset.

Even if the grantor has no intent to manufacture the licensed products, if it is able to do so under the license agreement, the license is non-exclusive for HSR purposes.

-----Original Message-----

From: [REDACTED]  
Sent: Wednesday, October 26, 2005 5:35 PM  
To: Verne, B. Michael  
Subject: License Agreement

10/28/05  
801.2

Hi Mike,

I hope you are doing well.

I am writing to you with two questions about an IP license agreement. First, I want to confirm that it is still the position of the Premerger Notification Office that the grant of an exclusive license to certain intellectual property, even though limited in duration, and even though limited in field of use (i.e., the licensee of the intellectual property has the right to manufacture only two specific categories of products), is considered the transfer of an asset. See also attached. *AGREE*

Second, I want to confirm whether the license agreement more fully described below would actually be considered exclusive. The license agreement states that the license is non-exclusive and that the grantor may not license to any other party. However, the license agreement does not expressly state that it is exclusive against the grantor. The grantor does not intend to actually manufacture the products in the categories covered by the license but nonetheless would be permitted to do so under the license agreement as drafted. Would the Premerger Notification Office consider this a non-exclusive license? *YES*

[Redacted]

[Redacted]

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