

801 generally (distribution license)

August 15, 1995

Mr. Richard Smith  
Federal Trade Commission  
Bureau of Competition  
Premerger Notification Office  
Sixth Street, Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

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FEDERAL TRADE  
COMMISSION  
PREMERGER  
NOTIFICATION  
OFFICE

Dear Mr. Smith:

This letter is to confirm the substance of my recent conversation with Mr. Thomas Hancock of your office. On Friday, August 11, I spoke with Mr. Hancock. Specifically, I requested guidance in determining whether or not certain license agreements (the "Agreements") to be entered into by our client ("Licensor") would constitute "assets" for purposes of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Act"). I explained that Licensor would enter into the Agreements with various parties, and that the terms of the Agreements granted each such party geographically exclusive sales and marketing rights as to all parties except the Licensor. Mr. Hancock confirmed that the Licensor would retain its rights to market and sell the licensed product in the otherwise exclusive geographic areas. He then explained that the Federal Trade Commission deems a license agreement to be "exclusive," and therefore potentially subject to the Act, only if the licensor surrenders all of its rights regarding a licensed product pursuant to the terms of the license agreement. Unless the Licensor surrenders all of its rights with respect to the licensed product, the execution of the Agreements has a positive effect on competition by permitting two companies to sell the product rather than just the Licensor. Therefore, because the Licensor will retain its right to sell and market the product licensed under the Agreements, they are not assets which are potentially governed by the Act.

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When I asked Mr. Hancock if I could confirm this conversation pursuant to a letter, he replied affirmatively but stated he was leaving the next day on a two week vacation. He then stated that he would discuss the conversation with you and notify you of this letter. If Mr. Hancock's statements concerning the Federal Trade Commission's views on exclusive license agreements discussed herein is not correct, please inform me of such fact as soon as possible.

Thank you for your assistance with this matter.

Very truly yours,

[ARD:aeb] 8/25/95 - Writer advises that license is the grant of a marketing and sales right. Advised that PHN Office does not view such licenses (whether exclusive or non-exclusive) as the transfer of an asset. Also, licensor retains right to distribute such products nationally, which will permit it to distribute products in the licensee's distribution area. (Advised that this position was that of the PHN Office and not the FTC.) Based on these facts, no reportable license is being granted.

Richard Smith