801.2 ; 801.1 (a)(2)

[redacted]

October 2, 1995

VIA MESSENGER

Richard B. Smith, Esq.
Premerger Notification Office
Bureau of Competition
Federal Trade Commission
Room 323
Sixth Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: HSR Treatment of Agreement to File as Agent for Patent Term Extension

Dear Dick:

Thank you for taking the time this morning to speak with me. I am writing to confirm our discussion regarding the proper treatment under the HSR Act and Rules of the following conduct involving our client.

We discussed the following set of facts:

1. Company "A" holds a process patent for the manufacture of a particular [redacted] used as the [redacted] in a number of very different [redacted] Company A uses this [redacted] as the [redacted] in a [redacted] which it produces and sells [redacted] Company A holds the [redacted] to produce and market thi[redacted] containing the [redacted] Company A also sells the same [redacted] to Company B to be used in preparing Company B's own [redacted] Those sales are made by Company A to Company B pursuant to a long-term supply agreement.

2. Company "B" (our client) uses the [redacted] produced by Company A to produce a [redacted]. In order to produce this [redacted] Company B licenses two patents: the process patent held by Company A and a

use patent held by Company C. Company B's license from Company A is an implied license to utilize the [redacted] sold to it by Company A in the formulation and sale of its [redacted] Company B's license from Company C is a license to use the [redacted] purchased from Company A in the production of a [redacted] Because th[redacted] produced by Company B is for use [redacted] r which produce products intended for [redacted] Company B must also have [redacted] for the sale and marketing of its drug. Company B has [redacted] to produce and sell a [redacted] utilizing the [redacted] produced by Company A.

3. Finally, Company "C" holds a use patent for the [redacted] containing the [redacted] produced by Company A. Company C does not itself produce any [redacted] it licenses Company B to produce this [redacted] and licenses another company to produce the [redacted]

Pursuant to the terms of the [redacted] or their agents can, under specific circumstances, apply to the U.S. Patent and Trademark Office ("PTO") for a three-year extension of the term of one of the patents which form the basis of thei[redacted] Company B, therefore, has the right to apply for extension of any one of the patents that underlie it[redacted] and in particular either Company A's process patent or Company C's use patent. By the terms of the 1984 Patent Act, however, Company A alone is not otherwise eligible to apply for or to receive a term extension.

In return for certain consideration from Company A (the exact terms of which are undetermined at this point), Company B as agent for Company A will file with the PTO an application to extend the term of Company A's process patent. If the PTO determines that Company A is eligible for the patent term extension, the PTO would grant that term extension to Company A without further involvement by Company B. Furthermore, the terms of the implied license between Company A and Company B (i.e., the license that flows from the purchase and sale of the [redacted] would not change as a result of this transaction. Company B would have no greater or lesser right to use th[redacted] produced by Company A in the production of its own [redacted] The patent term extension for the benefit of Company A would be received, to the extent that the PTO determines it is appropriate, from the PTO, not from Company B.

Under these circumstances, we determined that the transaction between Company A and Company B, whereby Company B would file the patent term extension application with the PTO as agent for Company A and forego its right to extend any other patent related to its [redacted] would not constitute a transfer of voting securities or assets within the meaning of the HSR Act and Rules. We noted that, to the extent that Company A would receive a benefit as a result of this transaction, that benefit would be received from the PTO in the form of a patent extension. Company B's acting as agent on behalf of Company A would not be a reportable event. You indicated that the Premerger Office has taken the position that the acquisition of such an intellectual property benefit by a private party from a government agency is not a HSR-reportable event. If Company A determined, after receiving the patent term extension, to transfer some portion or all of its rights under the term-extended patent to another party, you indicated that this transaction should be separately evaluated for HSR reportability.

I hope that this letter accurately summarizes the substance of our discussion this morning. If I have erred in this summary, or in the conclusion that Company B is free to file with the PTO as agent for Company A and to be compensated for that filing without making a HSR filing, please let me know immediately. We are relying on this advice in order to advise our client.

Thank you again for your time this morning.

Sincerely,

[redacted]

10/4/95 - Left phone mail message for writer that I agree with his conclusion. (Noted, however, that I was not addressing the issue of potential HSR reportability for the two licenses currently held by Company B from Company A & C, respectively, as noted in two stop sentences of page 2.)

RBSmith