Calendar No. 85

103d CONGRESS S. 574

[Report No. 103–51]

A BILL

To amend the National Cooperative Research Act of 1984 with respect to joint ventures entered into for the purpose of producing a product, process, or service.

JUNE 7, 1993

Reported with an amendment

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103D CONGRESS 1ST SESSION

S. 574

[Report No. 103-51]

To amend the National Cooperative Research Act of 1984 with respect to joint ventures entered into for the purpose of producing a product, process, or service.

IN THE SENATE OF THE UNITED STATES

MARCH 11 (legislative day, MARCH 3), 1993

Mr. LEAHY (for himself, Mr. THURMOND, Mr. BIDEN, Mr. BROWN, Mr. DECONCINI, Mr. HEFLIN, Mr. KOHL, Mr. GRASSLEY, Mr. JEFFORDS, Mr. WOFFORD, Mr. BUMPERS, Mrs. FEINSTEIN, and Mr. COHEN) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

JUNE 7, 1993

Reported by Mr. BIDEN, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

- To amend the National Cooperative Research Act of 1984 with respect to joint ventures entered into for the purpose of producing a product, process, or service.
 - 1 Be it enacted by the Senate and House of Representa-
 - 2 tives of the United States of America in Congress assembled,

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the "National Cooperative
3 Production Amendments Act of 1993".

4 SEC. 2. FINDINGS AND PURPOSE.

5 (a) FINDINGS.—The Congress finds that—

6 (1) technological innovation and its profitable 7 commercialization are critical components of the 8 ability of the United States to raise the living stand-9 ards of Americans and to compete in world markets; 10 (2)cooperative arrangements among 11 nonaffiliated businesses in the private sector are 12 often essential for successful technological innova-13 tion: and

(3) the antitrust laws may have been mistakenly perceived as inhibiting cooperative innovation
arrangements that promote competition, and accordingly, clarification of the law would serve a useful
purpose in helping to promote such arrangements.

(b) PURPOSE. It is the purpose of this Act to promote innovation, facilitate trade, and strengthen the competitiveness of the United States in world markets by clarifying the applicability of the rule of reason standard and establishing a procedure under which businesses may notify the Department of Justice and Federal Trade Commission of their cooperative ventures and thereby qualify for a single-damage limitation on civil antitrust liability.

1 SEC. 3. AMENDMENTS.

2 (a) SHORT TITLE. Section 1 of the National Coop3 erative Research Act of 1984 (15 U.S.C. 4301 note) is
4 amended by striking "National Cooperative Research Act
5 of 1984" and inserting "National Cooperative Research
6 and Production Act of 1993".

7 (b) DEFINITION. Section 2(a)(6) of the National
8 Cooperative Research Act of 1984 (15 U.S.C. 4301(a)(6))
9 is amended—

10 (1) in the matter preceding subparagraph (A)
11 by striking "research and development";

12 (2) in subparagraph (D) by inserting "or pro13 duction" after "research";

14 (3) in subparagraph (E) by striking "and (D)"
15 and inserting "(D), (E), and (F)";

16 (4) by redesignating subparagraphs (D) and
 17 (E) as subparagraphs (F) and (G), respectively;

18 (5) by inserting after subparagraph (C) the fol19 lowing:

20 <u>"(D)</u> the production of a product, process,
21 or service,

22 <u>"(E)</u> the testing in connection with the
23 production of a product, process, or service by
24 such venture,"; and

25 (6) by striking "research" the last place it appears and inserting "such venture".

(c) EXCLUSIONS. Section 2(b) of the National Co operative Research Act of 1984 (15 U.S.C. 4301(b)) is
 amended—

4 (1) in the matter preceding paragraph (1) by
5 striking "research and development";

6 (2) in paragraph (1) by striking "that is not
7 reasonably required to conduct the research and de8 velopment that is" and inserting "if such informa9 tion is not reasonably required to carry out";

10 (3) by amending paragraph (2) to read as fol11 lows:

12 "(2) entering into any agreement or engaging 13 in any other conduct restricting, requiring, or other-14 wise involving the marketing, distribution, or provi-15 sion by any person who is a party to such venture 16 of any product, process, or service, other than—

17 "(A) the distribution among the parties to
18 such venture, in accordance with such venture,
19 of a product, process, or service produced by
20 such a venture,

21 "(B) the marketing of proprietary informa22 tion, such as patents and trade secrets, devel23 oped through such venture formed under a
24 written agreement entered into before the date

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1	of enactment of the National Cooperative Pro-
2	duction Amendments Act of 1993, or
3	''(C) the licensing, conveying, or transfer-
4	ring of intellectual property, such as patents
5	and trade secrets, developed through such ven-
6	ture formed under a written agreement entered
7	into on or after the date of enactment of the
8	National Cooperative Production Amendments
9	Act of 1993,'';
10	(4) in paragraph (3) —
11	(A) in subparagraph (A) by striking ''or
12	developments not developed through" and in-
13	serting ", developments, products, processes, or
14	services not developed through or produced by";
15	(B) in subparagraph (B) by striking "such
16	party" and inserting "any person who is a
17	party to such a venture''; and
18	(C) by striking the period at the end and
19	inserting a comma; and
20	(5) by adding at the end the following new
21	paragraphs:
22	''(4) entering into any agreement or engaging
23	in any other conduct allocating a market with a
24	competitor,

"(5) exchanging information among competitors
 relating to production (other than production by
 such venture) of a product, process, or service if
 such information is not reasonably required to carry
 out the purpose of the venture,

6 <u>''(6)</u> entering into any agreement or engaging 7 in any other conduct restricting, requiring, or other-8 wise involving the production (other than the pro-9 duction by such venture) of a product, process, or 10 service,

11 "(7) using existing facilities in connection with 12 the production of a product, process, or service by 13 the venture unless the use is for the production of 14 a new product or technology, and

15 <u>"(8) except as provided in paragraphs (2), (3),</u> 16 and (6), entering into any agreement or engaging in 17 any other conduct to restrict or require participation 18 by any person who is a party to the venture, in any 19 unilateral or joint activity that is not reasonably re-20 quired to carry out the purpose of the venture.".

21 (d) RULE OF REASON STANDARD. Section 3 of the
22 National Cooperative Research Act of 1984 (15 U.S.C.
23 4302) is amended—

24 (1) by striking "research and development" the
25 first place it appears;

(2) by striking "and development" the last 1 place it appears and inserting ", development, prod-2 3 uct, process, and service"; and 4 (3) by adding at the end the following: "For the purpose of determining a properly defined, rel-5 evant market, worldwide capacity shall be considered to 6 7 the extent that it is appropriate in the circumstances.". (e) TECHNICAL AMENDMENTS.—The National Coop-8 erative Research Act of 1984 (15 U.S.C. 4301 et seq.) 9 is amended— 10 11 (1) in section 4 (a)(1), (b)(1), (c)(1), and (e) by 12 striking "research and development" each place it 13 appears; and 14 (2) in section 5(a) in the matter preceding paragraph (1) by striking "research and develop-15 ment". 16 17 (f) DISCLOSURE.—Section 6 of the National Cooperative Research Act of 1984 (15 U.S.C. 4305) is amend-18 19 ed— 20 (1) in the heading by striking "RESEARCH AND **DEVELOPMENT**''; 21 22 (2) in subsection (a)— (A) by striking "and" at the end of para-23 24 graph (1);

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1	(B) by striking the period at the end of
2	paragraph (2) and inserting '', and''; and
3	(C) by inserting after paragraph (2) the
4	following new paragraph:
5	${}$ (3) if a purpose of the venture is the produc-
6	tion of a product, process, or service described in
7	section 2(a)(6)(D), the identity and nationality of
8	any person who is a party to the venture or who
9	controls any party to the venture, whether separately
10	or with 1 or more other persons acting as a group
11	for the purpose of controlling that person."; and
12	(3) in subsections (a), (d)(2), and (e) by strik-
13	ing "research and development" each place it ap-
14	pears.
15	(g) LIMITATION.—The National Cooperative Re-
16	search Act of 1984 (15 U.S.C. 4301 et seq.) is amended
17	by adding at the end the following new section:
18	"APPLICATION OF SECTION 4 PROTECTIONS TO
19	PRODUCTION OF PRODUCTS, PROCESSES, AND SERVICES
20	"SEC. 7. Notwithstanding sections 4 and 6, the pro-
21	tections of section 4 shall not apply with respect to a joint
22	venture's production of a product, process, or service de-
23	scribed in section $2(a)(6)(D)$ unless—
24	"(1) the principal facilities for such production
25	are located in the United States or its territories,
26	and

1 "(2) each person who controls any party to the 2 venture (including the party itself) is a United 3 States person, or a foreign person from a country 4 the law of whom accords antitrust treatment no less 5 favorable to United States persons than to that 6 country's domestic persons with respect to participa-7 tion in joint ventures for production.".

8 sec. 4. reports on joint ventures and united9states competitiveness.

10 (a) PURPOSE. The purpose of the reports required 11 by this section is to inform Congress and the American 12 people of the effect of the National Cooperative Research 13 and Production Act of 1993 on the competitiveness of the 14 United States in key technological areas of research, devel-15 opment, and production.

16 (b) ANNUAL REPORT BY THE ATTORNEY GEN-17 ERAL.—In the 30-day period beginning at each 1-year in-18 terval after the date of enactment of this Act, the Attorney 19 General shall submit to the Committee on the Judiciary 20 of the House of Representatives and the Committee on 21 the Judiciary of the Senate—

(1) a list of joint ventures for which notice was
filed under section 6(a) of the National Cooperative
Research and Production Act of 1993 during the 12month period for which the report is made, including

the purpose of each joint venture and the identity
 and nationality of each party to the joint venture as
 described in that section; and

4 (2) a list of cases and proceedings brought dur5 ing that period under the antitrust laws by the De6 partment of Justice and the Federal Trade Commis7 sion with respect to joint ventures for which notice
8 was filed under that section at any time.

9 (c) TRIENNIAL REPORT BY THE ATTORNEY GEN-ERAL. In the 30-day period beginning at each 3-year in-10 terval after the date of enactment of this Act, the Attorney 11 General, after consultation with such other agencies as the 12 Attorney General considers to be appropriate, shall submit 13 to the Committee on the Judiciary of the House of Rep-14 15 resentatives and the Committee on the Judiciary of the Senate— 16

17 (1)(A) a description of the technological areas 18 of research, development, and production most commonly pursued by joint ventures for which notice 19 20 was filed under section 6(a) of the National Cooperative Research and Production Act of 1993 during 21 22 the 3-year period for which the report is made; and (B) an analysis of the trends in the competitive-23 24 ness of United States industry in those areas; and (2) a supplement to the report submitted by the
 Attorney General under subsection (d) reflecting
 changes in antitrust treatment of joint ventures
 under the laws of other nations.

5 (d) Review of Antitrust Treatment Under FOREIGN LAWS. Not later than 1 year after the date of 6 7 enactment of this Act, the Attorney General, after consultation with such other agencies as the Attorney General 8 9 considers to be appropriate, shall submit to the Committee on the Judiciary of the House of Representatives and the 10 Committee on the Judiciary of the Senate a report on the 11 antitrust treatment of United States businesses that are 12 parties to joint ventures under the law of each foreign na-13 tion in which there is operating a business that filed notice 14 15 under section 6(a) of the National Cooperative Research and Production Act of 1993. 16

17 SECTION 1. SHORT TITLE.

18 This Act may be cited as the "National Cooperative19 Production Amendments Act of 1993".

20 SEC. 2. FINDINGS AND PURPOSE.

21 (a) FINDINGS.—The Congress finds that—

22 (1) technological innovation and its profitable

23 *commercialization are critical components of the abil-*

ity of the United States to raise the living standards

25 of Americans and to compete in world markets;

(2) cooperative arrangements among nonaffiliated businesses in the private sector are often essential for successful technological innovation; and
(3) the antitrust laws may have been mistakenly perceived as inhibiting cooperative innovation arrangements that promote competition, and accordingly, clarification of the law would serve a useful purpose in helping to promote such arrangements.
(b) PURPOSE.—It is the purpose of this Act to promote innovation, facilitate trade, and strengthen the competitivefield. Use h Grand and strengthen the competitive-

ness of the United States in world markets by clarifying
the applicability of the rule of reason standard and establishing a procedure under which businesses may notify the
Department of Justice and Federal Trade Commission of
their cooperative ventures and thereby qualify for a singledamage limitation on civil antitrust liability.

17 SEC. 3. AMENDMENTS.

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(a) SHORT TITLE.—Section 1 of the National Cooperative Research Act of 1984 (15 U.S.C. 4301 note) is amended
by striking "National Cooperative Research Act of 1984"
and inserting "National Cooperative Research and Production Act of 1993".

(b) DEFINITION.—Section 2(a)(6) of the National Cooperative Research Act of 1984 (15 U.S.C. 4301(a)(6)) is
amended—

1	(1) in the matter preceding subparagraph (A) by
2	striking ''research and development'';
3	(2) in subparagraph (D) by inserting ''or pro-
4	duction'' after ''research'';
5	(3) in subparagraph (E) by striking ''and (D)''
6	and inserting ''(D), (E), and (F)'';
7	(4) by redesignating subparagraphs (D) and (E)
8	as subparagraphs (F) and (G), respectively;
9	(5) by inserting after subparagraph (C) the fol-
10	lowing:
11	"(D) the production of a product, process,
12	or service,
13	"(E) the testing in connection with the pro-
14	duction of a product, process, or service by such
15	venture, ''; and
16	(6) by striking ''research'' the last place it ap-
17	pears and inserting 'such venture''.
18	(c) Exclusions.—Section 2(b) of the National Coop-
19	erative Research Act of 1984 (15 U.S.C. 4301(b)) is amend-
20	ed—
21	(1) in the matter preceding paragraph (1) by
22	striking ''research and development'';
23	(2) in paragraph (1) by striking ''that is not
24	reasonably required to conduct the research and devel-

1	opment that is" and inserting "if such information is
2	not reasonably required to carry out";
3	(3) by amending paragraph (2) to read as
4	follows:
5	<i>"(2) entering into any agreement or engaging in</i>
6	any other conduct restricting, requiring, or otherwise
7	involving the marketing, distribution, or provision by
8	any person who is a party to such venture of any
9	product, process, or service, other than—
10	"(A) the distribution among the parties to
11	such venture, in accordance with such venture, of
12	a product, process, or service produced by such
13	a venture,
14	"(B) the marketing of proprietary informa-
15	tion, such as patents and trade secrets, developed
16	through such venture formed under a written
17	agreement entered into before the date of enact-
18	ment of the National Cooperative Production
19	Amendments Act of 1993, or
20	"(C) the licensing, conveying, or transfer-
21	ring of intellectual property, such as patents and
22	trade secrets, developed through such venture
23	formed under a written agreement entered into

24 on or after the date of enactment of the National

1	Cooperative Production Amendments Act of
2	1993, '';
3	(4) in paragraph (3)—
4	(A) in subparagraph (A) by striking ''or de-
5	velopments not developed through" and inserting
6	", developments, products, processes, or services
7	not developed through or produced by";
8	(B) in subparagraph (B) by striking ''such
9	party" and inserting "any person who is a
10	party to such a venture"; and
11	(C) by striking the period at the end and
12	inserting a comma; and
13	(5) by adding at the end the following new para-
14	graphs:
15	"(4) entering into any agreement or engaging in
16	any other conduct allocating a market with a com-
17	petitor,
18	"(5) exchanging information among competitors
19	relating to production (other than production by such
20	venture) of a product, process, or service if such infor-
21	mation is not reasonably required to carry out the
22	purpose of the venture,
23	"(6) entering into any agreement or engaging in
24	any other conduct restricting, requiring, or otherwise

1	involving the production (other than the production
2	by such venture) of a product, process, or service,
3	"(7) using existing facilities in connection with
4	the production of a product, process, or service by the
5	venture unless the use is for the production of a new
6	product or technology, and
7	"(8) except as provided in paragraphs (2), (3),
8	and (6), entering into any agreement or engaging in
9	any other conduct to restrict or require participation
10	by any person who is a party to the venture, in any
11	unilateral or joint activity that is not reasonably re-
12	quired to carry out the purpose of the venture.".
13	(d) Rule of Reason Standard.—Section 3 of the
14	National Cooperative Research Act of 1984 (15 U.S.C.
15	4302) is amended—
16	(1) by striking ''research and development'' the
17	first place it appears;
18	(2) by striking ''and development'' the last place
19	it appears and inserting '', development, product,
20	process, and service''; and
21	(3) by adding at the end the following:
22	"For the purpose of determining a properly defined, rel-
23	evant market, worldwide capacity shall be considered to the
24	extent that it is appropriate in the circumstances.".

1	(e) Technical Amendments.—The National Cooper-
2	ative Research Act of 1984 (15 U.S.C. 4301 et seq.) is
3	amended—
4	(1) in section 4 (a)(1), (b)(1), (c)(1), and (e) by
5	striking ''research and development'' each place it ap-
6	pears; and
7	(2) in section 5(a) in the matter preceding para-
8	graph (1) by striking ''research and development''.
9	(f) DISCLOSURE.—Section 6 of the National Coopera-
10	tive Research Act of 1984 (15 U.S.C. 4305) is amended—
11	(1) in the heading by striking ''RESEARCH AND
12	DEVELOPMENT'';
13	(2) in subsection (a)—
14	(A) by striking ''and'' at the end of para-
15	graph (1);
16	(B) by striking the period at the end of
17	paragraph (2) and inserting '', and''; and
18	(C) by inserting after paragraph (2) the fol-
19	lowing new paragraph:
20	"(3) if a purpose of the venture is the production
21	of a product, process, or service described in section
22	2(a)(6)(D), the identity and nationality of any per-
23	son who is a party to the venture or who controls any
24	party to the venture, whether separately or with 1 or

1	more other persons acting as a group for the purpose
2	of controlling that person."; and
3	(3) in subsections (a), (d)(2), and (e) by striking
4	"research and development" each place it appears.
5	(g) LIMITATION.—The National Cooperative Research
6	Act of 1984 (15 U.S.C. 4301 et seq.) is amended by adding
7	at the end the following new section:
8	"APPLICATION OF SECTION 4 PROTECTIONS TO
9	PRODUCTION OF PRODUCTS, PROCESSES, AND SERVICES
10	"SEC. 7. Notwithstanding sections 4 and 6, the protec-
11	tions of section 4 shall not apply with respect to a joint
12	venture's production of a product, process, or service de-
13	scribed in section 2(a)(6)(D) unless—
14	"(1) the principal facilities for such production
15	are located in the United States or its territories, and
16	"(2) each person who controls any party to the
17	venture (including the party itself) is a United States
18	person, or a foreign person from a country the law
19	of whom accords antitrust treatment no less favorable
20	to United States persons than to that country's do-
21	mestic persons with respect to participation in joint
22	ventures for production.".
23	SEC. 4. REPORTS ON JOINT VENTURES AND UNITED
24	STATES COMPETITIVENESS.

25 (a) PURPOSE.—The purpose of the reports required by
26 this section is to inform Congress and the American people
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of the effect of the National Cooperative Research and Pro duction Act of 1993 on the competitiveness of the United
 States in key technological areas of research, development,
 and production.

5 (b) ANNUAL REPORT BY THE ATTORNEY GENERAL.—
6 In the 30-day period beginning at each 1-year interval after
7 the date of enactment of this Act for 9 years, the Attorney
8 General shall submit to the Committee on the Judiciary of
9 the House of Representatives and the Committee on the
10 Judiciary of the Senate—

11	(1) a list of joint ventures for production for
12	which notice was filed under section 6(a) of the Na-
13	tional Cooperative Research and Production Act of
14	1993 during the 12-month period for which the report
15	is made, including—
16	(A) the purpose of each joint venture;
17	(B) the identity of each party described in
18	section $6(a)(1)$ of that Act; and
19	(C) the identity and nationality of each
20	person described in section 6(a)(3) of that Act;
21	and
22	(2) a list of cases and proceedings brought dur-
23	ing that period under the antitrust laws by the De-
24	partment of Justice and the Federal Trade Commis-

sion with respect to joint ventures for which notice
 was filed under that section at any time.

3 TRIENNIAL REPORT BY THE ATTORNEY GEN-(C)4 ERAL.—In the 30-day period beginning at each 3-year interval after the date of enactment of this Act for 9 years, 5 the Attorney General, after consultation with such other 6 7 agencies as the Attorney General considers to be appropriate, shall submit to the Committee on the Judiciary of 8 the House of Representatives and the Committee on the 9 Judiciary of the Senate— 10

(1) (1) (A) a description of the technological areas of research, development, and production most commonly pursued by joint ventures for production for which notice was filed under section 6(a) of the National Cooperative Research and Production Act of 1993 during the 3-year period for which the report is made; and

(B) an analysis of the trends in the competitiveness of United States industry in those areas; and

20 (2) a supplement to the report submitted by the
21 Attorney General under subsection (d) reflecting
22 changes in antitrust treatment of joint ventures for
23 production under the laws of other nations.

24 (d) REVIEW OF ANTITRUST TREATMENT UNDER FOR25 EIGN LAWS.—Not later than 1 year after the date of enact-

ment of this Act, the Attorney General, after consultation 1 with such other agencies as the Attorney General considers 2 to be appropriate, shall submit to the Committee on the Ju-3 diciary of the House of Representatives and the Committee 4 on the Judiciary of the Senate a report on the antitrust 5 treatment of United States businesses that are parties to 6 joint ventures for production under the law of each foreign 7 nation in which there is operating a business that filed no-8 tice under section 6(a) of the National Cooperative Research 9 and Production Act of 1993. 10

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