

# Trade Regulation Reporter - Trade Cases (1932 - 1992), United States v. United Technologies Corp., U.S. District Court, N.D. New York, 1980-81 Trade Cases ¶63,792, (Feb. 10, 1981)

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United States v. United Technologies Corp.

1980-81 Trade Cases ¶63,792. U.S. District Court, N.D. New York, No. 78 CV 580, Entered February 10, 1981.

(Competitive impact statement and other matters filed with settlement: 45 *Federal Register* 63391, 46 *Federal Register* 8787). Case No. 2672, Antitrust Division, Department of Justice.

## Clayton Act

**Acquisitions and Mergers: Patent Licensing: Reciprocal Dealing: Air Conditioning Industry: Consent Decree.**— In relation to a settlement of a government complaint regarding the acquisition of a competing firm, an air conditioning company was required by a consent decree to grant patent licenses and related know-how for any patent or unpatented trade secret the company owned or would acquire in the next seven years. A ten-year ban on acquisitions in the air conditioning industry and on reciprocal dealing was imposed by the decree.

**For plaintiff:** Sanford M. Litvack, Asst. Atty. Gen., Mark P. Leddy, Ralph T. Giordano, Philip F. Cody, Edward Friedman, Jacqueline W. Distelman, Charles V. Reilly, and Jorge Guttlein, Attys., Dept. of Justice. **For defendant:** Bertram M. Kanter, of Wachtell, Lipton, Rosen & Katz.

## Final Judgment

MUNSON, D. J.: Plaintiff, United States of America, having filed its Complaint on November 13, 1978, and plaintiff and defendant by their respective attorneys having consented to the entry of this Final Judgment, without trial or adjudication of any issue of fact or law and without this Final Judgment constituting evidence or admission by any party with respect to any issue of fact or law:

Now, Therefore, before the taking of any testimony and without trial or adjudication of any issue of fact or law, and upon the consent of the parties, it is hereby

Ordered, Adjudged and Decreed as follows:

I

### [ Jurisdiction]

This Court has jurisdiction of the subject matter herein and of the parties consenting hereto. The Complaint states claims upon which relief may be granted against defendant under [Section 7 of the Clayton Act](#), as amended (15 U. S. C. §18).

II

### [ Definitions]

As used in this Final Judgment:

(A) "Defendant" shall mean United Technologies Corporation and each of its domestic subsidiaries, and any successors or assigns thereof, but shall not include Carrier for the purposes of Sections IV and V of this Final Judgment.

(B) "Foreign subsidiary or affiliate of defendant" shall not include any foreign subsidiary or affiliate of Carrier.

(C) "Carrier" shall mean Carrier Corporation and each of its domestic subsidiaries, and any successors or assigns thereof.

(D) "HVAC Equipment" shall mean heating, ventilating and air-conditioning systems utilized for temperature control and humidification, air cleaning and/or air circulation within a building or any space located in a building.

(E) "HVAC Components" shall mean controls or other components or parts for HVAC Equipment, and, when used in reference to a licensee or applicant for a license, shall mean controls or other components or parts for HVAC Equipment which Equipment is manufactured by such licensee or applicant for a license.

(F) "HVAC Trade Secret" shall mean any written information that discloses any unpatented invention, process, formula, method or computer software which is treated as secret by defendant, or any foreign subsidiary or affiliate of defendant, is unobvious to a person reasonably skilled in the art, and is novel in that it has no commercial equivalent that is used by or is commercially available to, any of Carrier's competitors for use in the manufacture of HVAC Equipment in the United States.

(G) "Person" shall mean any individual, partnership, firm, corporation, association, or any other business or legal entity.

### III

#### [ *Applicability* ]

The provisions of this Final Judgment shall apply to defendant and its officers, directors, agents, employees, successors and assigns, and to all other persons in active concert or participation with any of them who shall have received actual notice of this Final Judgment by personal service or otherwise. This Final Judgment shall not apply to acts or transactions outside of the United States which do not substantially affect the interstate or foreign commerce of the United States.

### IV

#### [ *Mandatory Patent Licensing* ]

(A) Defendant is ordered and directed to grant to any person who makes a written application therefor within a period of ten (10) years from the date of entry of this Final Judgment, a nonexclusive license to make, use and vend HVAC Equipment or HVAC Components in the United States under any United States letters patent which defendant, or any foreign subsidiary or affiliate of defendant, owns or may acquire within a period of seven years from the date of entry of this Final Judgment, such license to be for the full unexpired term of each licensed patent; provided that such patent has been licensed to or used by Carriers to make HVAC Equipment or HVAC Components in the United States; provided further, that there shall be no obligation on defendant pursuant to this Section to grant a license under any patent solely because of the sale by defendant, or any foreign subsidiary or affiliate of defendant, to Carrier of a component or part for HVAC Equipment which defendant, or any foreign subsidiary or affiliate of defendant, makes available for purchase by other domestic manufacturers of HVAC Equipment on a nondiscriminatory basis as between Carrier and other domestic manufacturers of HVAC Equipment.

(B) Nothing herein shall prevent any applicant or licensee from attacking at any time the validity or scope of any patent nor shall this Final Judgment be construed as imputing any validity to any patent.

(C) Defendant is further ordered and directed to grant to any person who has been granted a patent license pursuant to Paragraph (A) of this Section, and who makes written application therefor within a period of ten (10) years from the date of entry of this Final Judgment, a non-exclusive license to use for the purpose of making, using and vending HVAC Equipment or HVAC Components in the United States, any written technical information which defendant, or any foreign subsidiary or affiliate of defendant, owns or may acquire within a period of seven (7) years from the date of entry of this Final Judgment and which it necessary to enable a person reasonably skilled in the art to practice any invention claimed in the licensed patents to make HVAC Equipment

or HVAC Components, such license to be terminable by the licensee if the technical information lawfully becomes within the public domain; provided that such written technical information has been used by Carrier to make HVAC Equipment or HVAC Components in the United States. Defendant shall have no obligation under this Section to furnish technical information to any person unless and until such person shall have finally accepted a license under the patent to which the technical information pertains, and shall have agreed to pay reasonable royalties, fees or other consideration for the right to receive and use said technical information. In furnishing any such technical information, defendant shall have the right to require the person receiving the information to execute an appropriate agreement forbidding its unauthorized use or its disclosure to third parties, and shall have the right to apply restrictive legends to such information indicating its proprietary nature and to require the return of all copies of such information upon the termination of the right to use it. Nothing in this Section shall be deemed to require defendant to license technical information to any person unless such person intends to use technical information in practicing the patent to which the technical information relates, or to prevent defendant from requiring a licensee to agree not to use such technical information other than in practicing the inventions claimed in the licensed patent to which the technical information pertains, in making HVAC Equipment or HVAC Components in the United States. Defendant shall have no right to restrict the licensee's right to terminate the license if the technical information lawfully becomes within the public domain.

(D) Defendant is further ordered and directed to grant to any person who makes a written application therefor within a period of ten (10) years from the date of entry of this Final Judgment, a non-exclusive license to use for the purpose of making, using and vending HVAC Equipment or HVAC Components in the United States any HVAC Trade Secret which defendant, or any foreign subsidiary or affiliate of defendant, owns or may acquire within seven years from the date of entry of this Final Judgment, such license to be terminable by the licensee if the HVAC Trade Secret lawfully becomes within the public domain; provided that such HVAC Trade Secret has been used by Carrier to make HVAC Equipment or HVAC Components in the United States; provided further, that there shall be no obligation on defendant pursuant to this section to grant a license solely because of the sale by defendant, or any foreign subsidiary or affiliate of defendant, to Carrier of an HVAC Component which defendant, or any foreign subsidiary or affiliate of defendant, makes available for purchase by other domestic manufacturers of HVAC Equipment on a nondiscriminatory basis as between Carrier and other domestic manufacturers of HVAC Equipment.

(E) Defendant shall have no obligation under this Section to furnish any HVAC Trade Secret to any person unless and until such person shall have accepted a license therefor, and shall have agreed to pay reasonable royalties, fees or other consideration for the right to receive and use said HVAC Trade Secret. In furnishing any such HVAC Trade Secret, defendant shall have the right to require the person receiving the secret to execute an appropriate agreement forbidding its unauthorized use or its disclosure to third parties. Defendant shall also have the right to apply restrictive legends to such secret indicating its proprietary and secret nature and to require the return of all copies of such HVAC Trade Secret upon the termination of the right to use it. Nothing in this Section shall be deemed to require defendant to license any HVAC Trade Secret to any person unless such person intends to use such HVAC Trade Secret in making HVAC Equipment or HVAC Components in the United States or to prevent defendant from requiring a licensee to agree not to use such HVAC Trade Secret other than in making, using and vending HVAC Equipment or HVAC Components in the United States. Defendant shall have no right to restrict the licensee's right to terminate the license if the HVAC Trade Secret lawfully becomes within the public domain.

(F) Defendant is enjoined and restrained from including any restrictions whatsoever in any license granted or other agreement made pursuant to the provisions of this Section except as hereinafter provided:

- (i) Reasonable royalties, fees or other consideration may be charged;
- (ii) Reasonable provisions may be made for periodic reports of royalties, fees or other consideration charged, and for periodic inspection of the books and records of the licensee by an independent auditor or other person acceptable to both parties who shall report to defendant only the amount of the royalty, fee or other consideration due and payable;

(iii) Reasonable provisions may be made as provided in Paragraphs (C), (D) and (E) of this Section, and to assure that any license granted pursuant to this Section shall not be used for purposes other than the manufacture of HVAC Equipment or HVAC Components in the United States; and

(iv) Reasonable provisions may be made for cancellation of the license or other agreement upon breach by the licensee of any of the provisions included in the license.

(G) Within fifteen (15) days of the entry of this Final Judgment, defendant shall file with this Court on the public record and submit in writing to those persons set forth by plaintiff on Appendix A hereto as well as to any persons known by defendant to be engaged in the manufacture of HVAC Equipment in the United States, a listing of all patents and HVAC Trade Secrets defendant identifies as having been licensed to or used by Carrier as described and set forth in Paragraphs (A) and (D) of this Section. (Defendant shall also submit in writing this listing to any persons who may be added to Appendix A by plaintiff, from time to time, on the basis that such persons are engaged in the manufacture of HVAC Equipment in the United States, within fifteen (15) days of such addition.) Such listing shall be accompanied by a statement indicating in respect of each such patent whether technical information is available for licensing as provided in Paragraph (C) of this Section. Such listing shall also be accompanied by a statement that, pursuant to this Final Judgment, defendant must file regular reports with this Court identifying the patents (hereinafter referred to in this Paragraph (G) as "HVAC Patents") and HVAC Trade Secrets which thereafter become available for licensing pursuant to Paragraphs (A) and (D) of this Section, and that copies of these reports will be sent (contemporaneously with their filing with this Court) to any person described in this Paragraph (G) who at any time makes a written request to defendant for them. Upon receipt of such a written request, defendant shall send such person a copy of each report which it is required to file pursuant to this Section. Such reports shall be sent at the same time that they are filed with the Court. Thereafter upon, or as promptly as reasonably practicable after, a determination by defendant to license to Carrier or permit Carrier to use any HVAC Patent or HVAC Trade Secret, but in no event later than forty-five (45) days after the use by Carrier of any HVAC Patent or HVAC Trade Secret, or later than fifteen (15) days after the grant by defendant of a written license to Carrier of any HVAC Patent or HVAC Trade Secret, or of the written determination by defendant to permit Carrier to use any HVAC Patent or any HVAC Trade Secret, defendant shall file with this Court on the public record and submit in writing to all those persons described in this Paragraph (G) who have requested such information in writing, a listing of such HVAC Patents or HVAC Trade Secrets, together with a statement as to the availability of technical information related to each such HVAC Patent as provided in Paragraph (C) of this Section.

(H) Any license or other agreement made pursuant to this Section shall, at the election of the licensee or person seeking information, provide that the latter may cancel the license or agreement at any time after one (1) year from the initial date thereof by giving thirty (30) days notice in writing to defendant. The inclusion of such a provision shall be a factor to be considered in determining the reasonableness of the royalties, fees or other consideration sought by defendant.

(I) Beginning ninety (90) days after the entry of this Final Judgment and continuing annually thereafter, for ten (10) years, defendant shall submit to the Assistant Attorney General in charge of the Antitrust Division written reports setting forth the patents and related technical information and HVAC Trade Secrets which are available for license pursuant to Paragraphs (A), (C) and (D) of this Section, the fact and manner of compliance with Paragraph (G) of this Section, a listing of applications received hereunder, and any licenses, contracts or other agreements concluded between defendant and any other person for licensing pursuant to this Final Judgment.

## V

### [ Reasonable Royalties ]

Defendant is ordered and directed, within twenty (20) days after receipt of any written application for a license pursuant to Section IV(A), (C) or (D) hereof, to advise the applicant of the royalties, fees or other consideration it deems reasonable therefor. If defendant and the applicant are unable to agree upon what constitutes reasonable royalties, fees or other consideration, or upon the other terms and conditions of a license, defendant may apply

to the Court for a determination thereof and, in any event, shall make an application forthwith upon request of the applicant. Defendant shall give written notice of such application to the applicant and to the Assistant Attorney General in charge of the Antitrust Division. In any such proceeding, the burden of proof shall be upon defendant to establish the reasonableness of the royalties, fees or other consideration and of the other terms and conditions requested by it. Pending the completion of any such court proceeding, defendant need not provide technical information pursuant to Section IV(C), or HVAC Trade Secrets pursuant to Section IV(D); however, the applicant shall have the right to make, use and vend HVAC Equipment or HVAC Components in the United States under the patent or patents to which its application pertains, without the payment of any royalty or other fee, but subject to the following provisions: defendant may, with written notice to the Assistant Attorney General in charge of the Antitrust Division, apply to the Court to fix interim royalties or fees pending final determination of what constitutes reasonable royalties or fees. If the Court fixes such interim royalties or fees, a license or other agreement shall then issue providing for the periodic payment of royalties or fees at such interim rate from the date of the making of such application to the Court; and whether or not such interim rate is fixed, any final order may provide for such adjustments, including retroactive royalties or fees, as the Court may order after final determination of reasonable royalties or fees, and such royalties or fees shall apply to the applicant. Upon motion of either party, the Court may award costs and reasonable attorneys fees upon a finding that a party has not acted reasonably in attempting to reach agreement on royalties, fees, or other terms and conditions prior to the bringing of the matter to the Court.

## VI

### [ Notice ]

Within fifteen (15) days of the entry of this Final Judgment defendant shall send a copy of this Final Judgment to those persons set forth on Appendix A [not reproduced.--CCH] hereto as well as any other persons known by defendant to be engaged in the manufacture of HVAC Equipment in the United States.

## VII

### [ Reciprocal Dealing ]

(A) For a period of ten (10) years from the date of the entry of this Final Judgment, defendant is enjoined and restrained from engaging directly or indirectly in any of the following practices:

- (i) Purchasing electric motors from any domestic supplier on the basis of such supplier's status as an actual or potential customer for magnet wire;
- (ii) Purchasing products, goods or services from or entering into or adhering to any contract, agreement or understanding with any actual or potential domestic supplier on the condition or understanding that purchases by defendant from such supplier will be based or conditioned in any way upon defendant's sales to such supplier;
- (iii) Advising any actual or potential domestic supplier that, in purchasing products, goods or services, preference will be given to suppliers that purchase products, goods or services from defendant;
- (iv) Comparing or exchanging statistical data with any domestic supplier to ascertain, facilitate or further any relationship between purchases by defendant from such supplier and sales by defendant to such supplier;
- (v) Issuing to defendant's personnel who have primary purchasing responsibilities lists of domestic customers and sales by defendant to such customers;
- (vi) Issuing to defendant's personnel who have primary sales responsibilities lists of domestic suppliers and purchases by defendant from such suppliers; and
- (vii) Establishing or maintaining any trade relations office or position, or assigning to, or permitting any of defendant's employees to have any trade relations duties or activities. ("Trade relations" means either (1) the use of purchases to aid, influence or promote sales to domestic suppliers, or (2) the consideration of sales to domestic suppliers as a factor in purchasing decisions.)

(B) Defendant shall file with plaintiff, within ninety (90) days of each of the first ten (10) anniversary dates of this Final Judgment, a written report setting forth by vendor the dollar and unit amount by classes of electric motors purchased by Carrier during the preceding twelve (12) month period, and the sales of magnet wire by defendant to each customer in dollars and pounds during the preceding twelve (12) month period.

## VIII

### [ Notice]

Within fifteen (15) days of the entry of this Final Judgment defendant shall send a copy of this Final Judgment to each of its known actual or potential domestic customers of magnet wire who manufacture electric motors and to each of Carrier's known actual or potential domestic suppliers of electric motors.

## IX

### [ Compliance]

(A) Defendant shall advise each of its executives who have primary responsibility for purchasing products, goods or services on behalf of defendant from any domestic supplier or who have primary responsibility for selling products, goods or services to domestic customers of its and their obligations under Section VII of this Final Judgment. For a period of ten (10) years from the date of entry of this Final Judgment, defendant shall maintain a program to insure compliance with this Final Judgment, which program shall include the following with respect to each of the persons described immediately above:

(i) The distribution to them and to their successors of this Final Judgment;

(ii) The annual distribution to them and to their successors of a written directive setting forth defendant's policy regarding reciprocal dealing with actual and potential suppliers and customers and compliance with this Final Judgment, with such directive to include--

(a) An admonition that noncompliance with such policy and this Final Judgment will result in appropriate disciplinary action determined by defendant which may include dismissal; and

(b) Advice that defendant's legal counsel are available at all reasonable times to confer with such persons regarding any compliance questions or problems.

(B) Beginning ninety (90) days after the entry of this Final Judgment, and continuing annually thereafter for ten (10) years, defendant shall file with plaintiff and under seal with the Court an annual statement setting forth steps it has taken during the preceding year to discharge its obligation under this Section. This statement shall be accompanied by copies of all written directives issued by defendant during the prior year with respect to compliance with this Final Judgment.

## X

### [ Acquisitions]

For a period of ten (10) years from the date of entry of this Final Judgment, defendant shall not acquire, without the prior consent of plaintiff or, if plaintiff does not give its consent, without the approval of the Court, any of the assets (except goods or merchandise acquired in the ordinary course of business), stock or share capital of, or merge with, any person which manufactures and sells HVAC Equipment in the United States or did so in its last fiscal year immediately preceding such acquisition.

## XI

### [ Inspections]

For the purpose of determining or securing compliance with this Final Judgment, and subject to any legally recognized privilege, from time to time:

(A) Duly authorized representatives of the Department of Justice shall, upon written request of the Attorney General or of the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to defendant made to its principal office, be permitted:

(i) Access during the office hours of defendant to inspect and copy such books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of defendant, who may have counsel present, as relate to any matters contained in this Final Judgment; and

(ii) Subject to the reasonable convenience of defendant and without restraint or interference from it, to interview officers, employees and agents of defendant, who may have counsel present, regarding any such matters.

(B) Upon the written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, made to defendant's principal office, defendant shall submit such written reports, under oath if requested, with respect to any of the matters contained in this Final Judgment, as may be requested.

No information obtained by the means provided in this Section shall be divulged by any representative of the Department of Justice to any person other than a duly authorized representative of the Executive Branch of the United States, except in the course of legal proceedings to which the United States is a party, or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

If at the time information or documents are furnished by defendant to plaintiff, defendant represents and identifies in writing the material in any such information or documents to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and defendant marks each pertinent page of such material, "Subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then ten (10) days notice shall be given by plaintiff to defendant prior to divulging such material in any legal proceeding (other than a grand jury proceeding) to which defendant is not a party.

## XII

### [ *Retention of Jurisdiction* ]

Jurisdiction is retained by this Court for the purpose of enabling either party to this Final Judgment to apply to this Court at any time for such further orders or directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, for the modification of any of the provisions hereof, for the enforcement of compliance herewith and for the punishment of any violations thereof.

## XIII

### [ *10-Year Term* ]

Except for any residual obligations defendant may have pursuant to Sections IV, V and VII(B) hereof, this Final Judgment shall terminate and cease to be effective ten (10) years from the date of its entry.

## XIV

### [ *Public Interest* ]

Entry of this Final Judgment is in the public interest.