Production and R&D Joint Ventures in a Pandemic: Reducing Antitrust Risk

By Matthew Kent and Troy Stram

Coordinated response efforts—even in response to a pandemic like COVID-19—raise questions about what businesses are able to do without running afoul of the antitrust laws. The U.S. Department of Justice Antitrust Division (DOJ) and Federal Trade Commission (FTC) issued a joint statement recognizing that “[a]ddressing the spread of [COVID-19] will require unprecedented cooperation … among private businesses to protect American’s health and safety.” In addition to highlighting some specific types of “collaborative activities designed to improve the health and safety response to the pandemic [that] would be consistent with the antitrust laws,” the DOJ and FTC also vowed to “work to expeditiously process filings under the National Cooperative Research and Production Act [NCRPA].” While seldom used, an NCRPA filing can provide firms looking to form a joint venture a way to reduce antitrust risk.

The NCRPA was designed to provide flexible treatment under the antitrust laws to promote innovation and trade. The NCRPA originally applied to certain research and development (R&D) and production joint ventures. It was amended by the Standards Development Organization Act of 2004 and now applies to standard development organizations (SDOs) as well. R&D and production joint ventures and SDOs engaged in a broad array of activities may file notifications under the NCRPA. Types of covered activities include:

- **R&D joint ventures.** The collection, exchange, and analysis of research or production information; testing in connection with the production of a product, process, or service; and theoretical analysis, experimentation, or systematic study of phenomena or observable facts, among others.
- **Production joint ventures.** The production of a product, process, or service; related testing; or the collection, exchange, and analysis of research or production information.\(^1\)

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\(^1\) A joint venture for production is not eligible to file a notification unless: (1) “the principal facilities for such production are located in the United States or its territories”; and (2) each person who controls the joint venture “is a United States person or a foreign person from a country whose law accords antitrust treatment no less favorable to United States persons than to such country’s domestic persons with respect to participation in joint ventures for production.”
• **Standard development organizations.** Planning, developing, establishing, or coordinating voluntary consensus standards through processes and procedures outlined by the Office of Management and Budget Circular A-119.

**NCRPA Basics**

The NCRPA provides three benefits to those who qualify:

• Application of “rule of reason” analysis to covered joint ventures and SDOs, rather than the more stringent per se rule, which makes certain conduct automatically illegal and risks criminal penalties. The rule of reason analysis requires the antitrust authorities and courts to balance the potential procompetitive benefits of an agreement against any potential anticompetitive harm.

• Limits damages for certain entities to actual monetary damages if the venture is challenged, as opposed to treble damages that are traditionally available in federal and state antitrust actions.

• Allows a joint venture or SDO that prevails over frivolous or bad-faith antitrust cases filed against them to recover attorneys’ fees.

Application of the rule of reason and the attorneys’ fee provisions are automatic. But to avoid the threat of treble damages in any antitrust action, an entity must file a notification with the DOJ and FTC within 90 days of entering the joint venture. Notifications must include the identity and activities of the joint venture or SDO, as well as a description of the nature and objectives of any venture or SDO, and, for production ventures, the location of the venture’s principal production facilities. If there are changes to the venture or SDO, supplemental notifications must be filed with the DOJ and FTC within 90 days to continue to receive the detrebling protections of the Act.

There are no filing fees associated with NCRPA notifications, and properly filed and complete applications are published in the *Federal Register*. The DOJ maintains a [webpage](https://www.justice.gov) with information on the process for filing notifications under the NCRPA and exemplars of the notices published in the *Federal Register*.

**Application to COVID-19 Collaborations**

Shortly after the law was passed, the NCRPA was lauded by the health care industry as providing “health care joint ventures ‘industrial strength’ antitrust relief.” But the NCRPA has not been used frequently—there were just 203 filings pursuant to the Act between 2007 and 2016. In today’s environment, however, with companies needing to move at breakneck speed to respond to various demands of our current crisis, knowing that a newly formed joint venture can enjoy certain, automatic protections may be a welcome relief. To be sure, while the NCRPA offers some protections for certain competitor collaborations, its benefits do not provide a means for covered joint ventures or SDOs to escape antitrust liability altogether.

The NCRPA, through certain antitrust review processes and potential immunities, can provide protection to companies seeking to work together and form joint ventures to respond to the coronavirus pandemic. The ability to bring together scientists and engineers from competing firms to collaborate, share data, and combine resources through R&D joint ventures may help companies respond more efficiently to growing
needs for innovative solutions. Combining resources and sharing best practices through a production joint venture may help to solve some of the burgeoning shortages of life-saving equipment and medical supplies that are needed to help respond to the crisis at hand.

The news is full of examples of competitors working together to help respond to the COVID-19 pandemic, in some instances through partnerships developed or supported by the federal government, as is the case for Project Airbridge, a venture between large medical product suppliers/wholesalers and two major shipping companies. Around the time last week when its participants were coordinating with the White House coronavirus task force, the medical supply distributors requested an antitrust review under the new expedited procedures the DOJ and FTC announced on March 24 for analyzing coronavirus-related collaborations. On April 4, 2020, the DOJ issued its first business review letter under those procedures, stating it did not intend to challenge Project Airbridge's activities under the federal antitrust laws. But for companies wishing to partner together without government facilitation or even the expedited business review procedures, competitor collaborations may still find some level of antitrust protection through the NCRPA. Regardless of whether you intend to take advantage of the NCRPA or file an NCRPA notification, it is critical that you consult with antitrust counsel before collaborating with your competitors to evaluate various antitrust risks and potential protections from them.

Alston & Bird has formed a multidisciplinary task force to advise clients on the business and legal implications of the coronavirus (COVID-19). You can view all our work on the coronavirus across industries and subscribe to our future webinars and advisories.
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If you have any questions or would like additional information, please contact your Alston & Bird attorney or any of the following:

Select Members of Alston & Bird’s Antitrust Group

Simon Albert  
440.20.3823.2226  
simon.albert@alston.com

Kristine McAlister Brown  
404.881.7584  
kristy.brown@alston.com

Kara F. Kennedy  
404.881.4944  
kara.kennedy@alston.com

Andrew E. Paris  
213.576.1119  
drew.paris@alston.com

James Ashe-Taylor  
440.20.3823.2232  
james.ashe@alston.com

R. Joseph Burby IV  
404.881.7670  
joey.burby@alston.com

Michael P. Kenny  
404.881.7179  
mike.kenny@alston.com

Stuart Plunkett  
415.243.1057  
stuart.plunkett@alston.com

Kelley Connolly Barnaby  
202.239.3687  
kelly.barnaby@alston.com

Mark T. Calloway  
704.444.1089  
mark.calloway@alston.com

Matthew D. Kent  
404.881.7948  
matt.kent@alston.com

Lydia Rachianioti  
+44.0.20.3823.2227  
lydia.rachianioti@alston.com

Debra D. Bernstein  
404.881.4476  
debra.berstein@alston.com

Elizabeth Helmer  
404.881.4724  
elizabeth.helmer@alston.com

Meredith Jones Kingsley  
404.881.4793  
meredith.kingsley@alston.com

Matthew D. Richardson  
404.881.4478  
matt.richardson@alston.com

Adam J. Biegel  
202.239.3692  
adam.biegel@alston.com

Michael R. Hoerlein  
704.444.1041  
michael.hoerlein@alston.com

Jason A. Levine  
202.239.3039  
jason.levine@alston.com

John M. Snyder  
202.239.3960  
john.snyder@alston.com

Teresa T. Bonder  
415.243.1010  
teresa.bonder@alston.com

Donald Houser  
404.881.7494  
donald.houser@alston.com

Mark A. McCarty  
404.881.7861  
mark.mccarty@alston.com

Allison S. Thompson  
404.881.4536  
allison.thompson@alston.com

Brian D. Boone  
704.444.1106  
brian.boone@alston.com

William H. Jordan  
404.881.7850  
william.jordan@alston.com

B. Parker Miller  
404.881.4970  
parker.miller@alston.com

Andrew J. Tuck  
404.881.7134  
andy.tuck@alston.com

Alexander G. Brown  
404.881.7943  
alex.brown@alston.com

Michael Kaeding  
919.862.2208  
mike.kaeding@alston.com

Jonathan D. Parente  
404.881.7184  
jonathan.parente@alston.com

Valarie C. Williams  
415.243.1058  
valarie.williams@alston.com

Elizabeth Broadway Brown  
404.881.4688  
liz.brown@alston.com

Edward T. Kang  
202.239.3728  
Edward.Kang@Alston.com

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