acquisition is of rights or other assets (other than United States or Canadian marketing rights to patents, trade secrets and other intellectual property) to be used solely for products sold outside the United States and Canada.

#### IV

It is further ordered that within sixty (60) days after the date this order becomes final, one year (1) from the date this order becomes final, and annually for the next nine (9) years on the anniversary of the date this order becomes final, and at such other times as the Commission may require, respondent shall file a verified written report with the Commission setting forth in detail the manner and form in which it has complied and is complying with this order.

### V

It is further ordered that respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation that may affect compliance obligations arising out of the order.

### VI

It is further ordered that, for the purpose of determining or securing compliance with this order, subject to any legally recognized privilege and upon written request with reasonable notice, respondent shall permit any duly authorized representatives of the Commission:

A. Access, during office hours and in the presence of counsel, to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of respondent relating to any matters contained in this order; and

B. Upon five (5) days' notice to respondent and without restraint or interference from it, to interview officers, directors, or employees of respondent, who may have counsel present regarding such matters.

# Exhibit A—SuperStrip Material

## SuperStrip I

SuperStrip I is covered by Patent numbers 5,029,291 (docket number 85.151) and 5,304,987 (docket number 85.168) and one invention disclosure (as described in docket number 85.184). These patents and disclosure describe a new type of oxidized magnetic material with an asymmetrical hysteresis curve and the ability to become magnetically deactivated. SuperStrip I material is produced by a process, as described in Knogo's patent, that involves the cutting of amorphous magnetic material into short, tag-length segments and annealing these segments for several hours in the presence of a magnetic field.

# SuperStrip II

SuperStrip II is a modified version of Knogo's standard magnetic tag. Short deactivation segments are electroplated onto the soft part of the magnetic strip in a continuous process instead of being mechanically cut and adhered to the strip. A U.S. patent application (docket number 85.180) filed by Knogo is pending with respect to this process.

## SuperStrip III

SuperStrip III, which is the subject of a pending U.S. patent application (docket #85.191) filed by Knogo is a recent development involving the meltspin casting of a specially formulated amorphous magnetic material in such a way as to produce a unique hysteresis curve in a manner similar to that of SuperStrip I, but without the use of any additional processing steps beyond casting the material.

# **Analysis of Proposed Consent Order To Aid Public Comment**

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an agreement containing a proposed Consent Order from Sensormatic Electronics Corporation ("Sensormatic"), which prohibits Sensormatic from acquiring certain patents from Knogo Corporation ("Knogo") for the practice and use of SuperStrip technology ("SuperStrip") in the United States and Canada.

The proposed Consent Order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and the comments received and will decide whether it should withdraw from the agreement or make final the agreement's proposed Order.

On August 14, 1994, Sensormatic and Knogo entered into an agreement whereby Sensormatic agreed to acquire through a merger all of Knogo's assets outside of North America, along with patents related to SuperStrip; the agreement also obligated Sensormatic and Knogo North America, Inc. ("Knogo/NA"), a successor corporation to Knogo's business and assets in the United States and Canada, to grant

royalty-free cross-licenses to one another for any improvements to patents or trade secrets related to SuperStrip ("SuperStrip Improvements"). The proposed complaint alleges that the proposed acquisition, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, in the market for the research and development of disposable labels developed or used for source labelling and the research and development of processes to manufacture disposable labels in the United States and Canada.

Knogo has been developing SuperStrip for possible use as a disposable source label with electronic article surveillance systems, which are installed in retail stores as theft prevention devices. Disposable source labels would be imbedded in goods or packaging at the manufacturing or distribution level, and they would obviate the need for retailers to install labels themselves. Sensormatic has been developing one of its proprietary technologies for potential use as a source label.

The proposed Consent Order would remedy the alleged violation by prohibiting Sensormatic from acquiring the SuperStrip patents and intellectual property in the United States and Canada. The proposed order allows Sensormatic to acquire a non-exclusive license to use the technology for products manufactured or sold in the United States and Canada, and it allows Sensormatic to acquire exclusive rights to such technology outside the United States and Canada. Finally, the proposed Consent Order would require Sensormatic to comply with the terms and conditions of a supply agreement between Sensormatic and Knogo/NA

The proposed Order will also prohibit Sensormatic, for a period of ten (10) years, from acquiring, without Federal Trade Commission approval, other legal or equitable rights to use the SuperStrip technology or SuperStrip Improvements, any stock in any concern engaged in the research, development, or manufacture of disposable labels designed or used for source labelling, or any patents or other intellectual property used in the research, development, or manufacture of disposable labels designed or used for source labelling. The prior approval provisions contain several provisos, which exempt certain acquisitions from the prior approval requirements.

Under the provisions of the Consent Order, Sensormatic is also required to provide to the Commission a report of its compliance with the Order within