

provides that long term capital gain treatment is afforded to return on transfer of all substantial rights by a "holder." "Holder" is specifically defined as a person whose efforts created the property, the inventor to whom we have referred, or to any other individual who acquired his interest "prior to the actual reduction of practice of the invention covered by the patent." Thus, it provides that an individual (not a company) who is willing to put up his money and take a flyer with an inventor, is entitled to special tax treatment if he transfers his rights by sale or by exclusive license. The problem is, of course, the investor who comes in *after* reduction of practice but who also puts in his time, effort and money is discriminated against, that is, he is not entitled to long term capital gain treatment.

Well, there are many ramifications to this fine statute which are still not well thought out. There are also ways in which it could be improved by amendment to further enhance the promotion of invention.

Now, Mr. Chairman, I hope you will not mind if I close with the "Taxpayers Slogan." The taxpayer's slogan is *Tax Vobiscum*, which roughly translated from fractured Latin means "tax be to you — not to me."

"Arbitration to Settle License Disputes"; Moderator, Robert Alden Choate.



Robert Alden Choate was born in Grand Rapids, Michigan in 1912; attended high school in Greenville, Michigan; Engineering Degree at University of Michigan in 1934; Law Degree at University of Michigan in 1936. He practiced with the firm now known as Barnes, Kisselle, Raisch & Choate of Detroit, Michigan since 1936 with the exception of a period with the office of the Judge Advocate in World War II; field of specialty is Patent, Trademark and Copyright Law. His family consists of four children.

Extra curricular activities include President of The Michigan Patent Law Association in 1963-64; past Board of Managers, Michigan Patent Law Associa-

tion; Acting president of the Board of Management of the Downtown Y.M.C.A. 1964-1967, Chairman; world Service Committee, Downtown YMCA; guest lecturer Engineering Society of Detroit, Patent Law Seminar; and author of several published articles on patent law and related matters; Congregational Church, soloist and choir member; Detroit Council of Churches Finance Committee; Family Life Committee, Michigan Conference of United Church of Christ; active member in the Detroit Bar Association, State Bar of Michigan, and the American Patent Law Association. While in Engineering School was a member of Tau Beta Pi. Lecturer in Patent Law at the University of Michigan Law School since 1960. Author of case-book on Patent Law, West Publishing Co., 1973.

Arbitration to Settle License Disputes

An old Russian proverb reads: "Put your foot in the court room; put your hand in your pocket." It is general knowledge that litigation in the courts is slow, expensive, and fraught with many other difficulties, not the least of which are unfavorable publicity, damage to credit ratings, disruption and diversion of staff activities, and possible tie-up of bank accounts. While still a circuit judge, Chief Justice Warren Burger said:

"One thing an appellate judge learns very quickly is that a large part of all the litigation in the courts is an exercise in futility and frustration. The anomaly is that there are better ways of resolving private disputes, and we must in the public interest move toward taking a larger volume of private conflicts out of the courts and into the channels of arbitration."

All this being true, it behooves licensing lawyers and executives to examine alternative methods of settling disputes. Arbitration thus comes into focus. It is not new in the history of civilization, and mythology provides the story of the Trojan Paris, serving as an arbitrator to determine the most beautiful among the goddesses Hera, Athena and Aphrodite. Since he survived the assignment, we can assume it was successful and it will be remembered that there were efforts to corrupt the arbitrator. Apart from use by the New York Chamber of Commerce as early as 1786 in the United States, arbitration did not become an effective tool until 1920 when a New York statute gave legal standing to the agreements to arbitrate made before a dispute arose.

The organization of The American Arbitration Association in 1922 proved the beginning of a service which has expanded into every state and provided a panel of 20,000 persons who have volunteered to serve without remuneration in the settling of disputes. The advantages attributable to arbitration are speed, economy, expert consideration by selected arbitrators, privacy, and a minimum of legal limitations. The arbitration proceedings, well outlined by accepted procedures, is an orderly process wherein disputes may be adjudicated quickly. The word "adjudicated" is used advisedly since the proceedings is to be distinguished from mediation, conciliation, compromise or settlement. The arbitrator makes an award and this award

is enforceable by a court with suitable jurisdiction.

The American Arbitration Association, with offices in the major cities of the United States, will furnish up-to-date rules, standard license provisions, and forms to facilitate the drafting of contracts bearing the arbitration clause and the submission of disputes which may arise thereafter. There are a number of international organizations which perform the same service on a broader scale, the International Chamber of Commerce being an effective example.

This is not the proper medium for an extensive discussion of the details of the arbitration process. One point may be made in closing. When parties agree to be bound by arbitration in advance and when they submit a dispute to be arbitrated, the attitude is quite different than the bitterness and acrimony that usually accompanies the initiation of a law suit. When the approach is: "Let's get this thing over in a hurry, so we can get back to business." the likelihood of lasting ill will is greatly minimized. As stated effectively in a release of The American Arbitration Association:

"(D)isputes and conflict are often beneficial, for they may highlight areas of needed reform. But discord need not lead to disorder. . . Arbitration is one of the vehicles leading to peaceful change. . ."

and, — we might add, — to the settlement of commercial disputes with dispatch and a minimal disruption of peace of mind and regular business activities.

"Government Restrictions on Licensing — Present and Future"; Moderator, Thomas J. Plante.



Bendix - Director North American Licensing, since 1971; formerly Chief Patent Counsel from 1959 to 1971; A.P.L.A.; Member Board of Managers from 1966-1969; Chairman, International and Foreign Law Committee from 1969-1971; President of Michigan Patent Law Association from 1970 to 1971. Talks on corporate patent departments and technology transfer for APLA, NAM and others.

(At the time of publication, Mr. Plante's remarks had not been received. If they should be received later, I shall be glad to send you a photo copy. — The Editor.)

"Experiences with Litigations in Foreign Countries"; Moderator, Robert W. Choate.



Senior Vice-President of Illinois Tool Works; 34 years with ITW which has four basic legs to their business; fasteners, packaging, electronic components and machine tools. He started as a plater, became chief metallurgist in 1939. In 1942 he went into service as Operations Officer in the B-29 Program. He was on the staff of Curtis LeMay on Guam. He is a graduate of Augustan College, Class of 1939; graduated from Chicago Kent College of Law in 1947. Master of Patent Law in 1950. Harvard Business School (AMP 1957).

EXPERIENCES IN FOREIGN LITIGATION

The Workshop involving this subject reviewed a series of patents which have been the basis of suits in the United States and compared the experiences in those matters with litigation on the foreign counterparts thereof in Great Britain, Holland, France, Italy, Germany, Australia and Canada. Certain basic elements which must support such foreign activity were pointed out, such as the selection of general counsel, patent counsel, requirements for obtaining evidence of sales, and various techniques available in the different jurisdictions (not available in the United States litigating situation) which can be utilized.

Comparison of taking a subject and litigating it as compared with arbitration techniques were discussed with Robert Choate of the firm of Barnes, Kissell, Raisch and Choate leading that aspect of the Workshop discussion. It was recognized that in order to arbitrate it is normally necessary for the arbitrators