

plaintiff. If the Nascafe case is viewed from the same standpoint, the interests of consumers might have been harmed in that the Swiss company put on world markets instant coffee of different tastes according to the taste of consumers which differs from country to country. This compares with the famous Hamburg District Court decision of March 10, 1971 which held that the importation of Cinzano vermouth imported by the defendant into Germany from Francesco Cinzano's subsidiary in Spain and a licensee in France did not infringe the plaintiff's (Francesco Cinzano's German subsidiary) trademark right in Germany in spite of the difference in quality from that of the vermouth imported by the plaintiff from Francesco Cinzano in Italy. The German court's stand, as I understand it, was that a trademark primarily functions to indicate the source of a product rather than to guarantee the quality of the product.

Your attention is invited to the interpretation that the purport of the aforesaid Osaka District Court's decision does not extend to the NESCAFE case or any other case where goods of different quality are involved because unlike the Hamburg District Court's decision, the Osaka District Court placed as equal weight on the source of products and the quality of products which a trademark functions to indicate.

In August, 1972, the Finance Ministry instructed the Customs Office to treat genuine goods as not infringing rights in a registered trademark. It was possible before that time and still is possible for a trademark owner or a registered exclusive licensee to petition the Customs Office for the exclusion of imported goods which infringe trademark rights.

By genuine goods the Finance Ministry means those goods which were lawfully trademarked and distributed by the foreign owner of the Japanese trademark right and imported by a person other than the petitioner for that exclusion order. For the genuine goods to be considered not to infringe a trademark right, according to the Finance Ministry, the following conditions must be satisfied:

1. The person who lawfully trademarked and distributed the goods must be either the same person as, or a person who has a special relationship with, the registered Japanese trademark owner so that both may be considered to be the same person.

2. The source indicated by and the quality guaranteed by the trademark attached to the genuine goods should not be regarded as different from the source indicated by and the quality guaranteed by the trademark attached to the goods handled by the petitioner for the exclusion order, to any extent that the use of the trademark by both parties can be considered to be independent of each other.

It is generally interpreted that the relationship between a parent company and its subsidiaries will satisfy the above-mentioned first condition. Whether or not the relation between the trademark owner and some licensee will satisfy the condition is uncertain. If the goods are manufactured by the trademark owner's foreign licensee, it is not known whether this meets the first condition either. There could be other cases where Customs Offices may have difficulty in determining whether the first condition is met.

After the Finance Ministry's step was announced, fear was expressed in various circles that this might cause the foreign licensor or Japanese licensee to include restrictive clauses in a trademark license agreement in an attempt to prevent any parallel import of genuine goods.

The Fair Trade Commission forestalled such a possibility by announcing on November 22, 1972 that any clause included in an exclusive distributorship agreement which unreasonably restricts the parallel import of genuine goods would be regarded as violating the Anti-Monopoly Law and that elimination of such a clause would be recommended.

The decision by the Osaka District Court and the subsequent government measures in favor of the parallel import of genuine goods are generally accepted as satisfactory. As far as the Trademark Law is concerned, how-

ever, it seems to be difficult to come to terms with the decision that the exclusive right of the licensee was not infringed by the parallel import of genuine goods. Some opine that the court should have established the principle that the parallel import infringes the exclusive right of the licensee and at the same time the court should have tried to find exceptions to permit such parallel import.

Also, doubt is expressed as to whether Customs Offices could judge which imported goods are genuine ones and which are not or which infringes trademark rights and which does not as instructed by the Finance Ministry as judgment of this nature should only be done by the courts.

In view of the criticisms, as well as the fact that entirely different stands were held by different courts on the same basic question, further discussions and court decisions will have to be made before the law is finally settled on this question in Japan. In any event, the nature of an exclusive trademark license should be carefully considered before a trademark license agreement is concluded.

References available in English:

1. Digest of Japanese Court Decisions in Trademarks and Unfair Competition Cases, by Teruo Doi, Prof. of Law, Waseda University, Tokyo, published by American Chamber of Commerce in Japan.
2. Parallel Import of Genuine Trade-Marked Goods and Govt Regulation Under Tariff and Anti-Monopoly Laws, by Teruo Doi, Prof. of Law, Waseda University, Tokyo, pages 3-5, Patent & Engineering, March, 1973.
3. On a new policy of the Japanese Government concerning parallel import of genuine goods, by Akira Kukimoto, Journal of The Japanese Group A.I.P.P.I., pages 39-41, Vol. 18, No. 9, 1973.

**About the Speaker: Keinosuke Ozawa, born in Tokyo in 1929. Graduated from Tokyo University of Foreign Studies in 1953. Joined Asamura Patent Office of Tokyo in 1959. Passed the national patent attorney examination in 1962. Studied U.S. patent and trademark law and practice in Washington, D.C. 1969-1970. Left Asamura Patent Office to establish his own international patent and trademark practice in August, 1972.*

TECHNOLOGY OF WORLDWIDE REALITY

by
F. M. Morgan*

When I was asked to speak to L.E.S. at this meeting, my first reaction was to suggest to the Program Chairman that L.E.S. had other men available with superior experience and ability. I am still of that opinion.

Any group of L.E.S. men know that ours is an unusual field in many ways.

Perhaps the most remarkable thing about patent licensing is the fact that there is far more to be done than we could do if we were twice as many in numbers, and three times more efficient and effective than we are.

A quality of L.E.S. people which must be respected is their willingness to help each other improve skills, methods and techniques.

My intention today is to accent a few ideas we have found helpful, with the hope that these might be of some benefit to this audience.

My licensing experience in the Pacific has been a part time activity since 1956 and full time since 1967. The full time activity has been as Director of Foreign Affairs for University Patents, Inc. in behalf of our clients.

A word about University Patents might be helpful and



F. M. Morgan

provide background for the remarks which will be made here. Established in 1965 by the University of Illinois Foundation, our original purpose was to locate, appraise and hopefully accomplish useful results with new technologies obtained by research and development done at the University of Illinois. We have been fortunate in securing viable techniques to fulfill this first purpose, and this work continues.

Early in its history University Patents, Inc. found itself offered opportunities to serve other universities, American corporations and other kinds of organizations and soon had a widely diversified group of clients — even including a few individuals. However, it would be accurate to say that University Patents has remained true to its name and is basically a university-oriented company. It would be fair to describe our company as having one foot in the academic world, and the other foot in the business world.

Because of the international nature of technology transfer, the demands of our business very shortly drew us into activities in Europe and in the Pacific. At first this was essentially the licensing of American technology to other countries, but soon we found ourselves bringing new creations from overseas to America. In effect we found ourselves then on a two-way street which, in economic terms, is superior to a one-way street.

A great deal of our work in the Pacific has been and is to and from Japan, but, of course, is not restricted to that country.

THE PACIFIC COUNTRIES — DEFINED

The Pacific countries are usually defined as those countries which touch on the rim of the Pacific Ocean and they amount to at least twenty-four countries ranging from Canada south to Chile and from the U.S.S.R. south to New Zealand.

These are the countries with which we are concerned today.

HOW TO MAKE MONEY LICENSING IN THE PACIFIC

This title should not cause us to disregard the plain fact that the essentials of successful licensing or technology transfer are the same all over the world. Each country has special, local conditions which must be met, but the fundamentals do not really change.

WHAT IS LICENSING?

The terminology which may be used is dictionary

terminology as follows:

“licensing is to grant a right or privilege *to do* — authority or liberty to do, or omit, an act — a permission as for manufacturing a patented article.”

WAYS OF LICENSING

There are three related ways to make money by licensing in the Pacific:

1. Licensing of patent rights, normally on a royalty basis.
2. Know-how licenses which frequently involves secret processes, sale of said know-how and a cooperation agreement between companies for at least a period of time.
3. Joint ventures which usually contain licensing as an important factor as part of the overall business deal.

It is rare to find any of these in a pure form — they are usually intermingled.

WHO DOES THE LICENSING?

Usually a successful licensing contract is the result of the work of a team of specialists drawn from both countries such as General Attorneys, Patent Attorneys, Technical Specialists, Market Analysts, money men, business managers and others who are all contributors. A licensing director is often faced with the problems of developing mutual understanding amongst these several kinds of people — before the foundation is laid for economic consideration, or negotiation can begin. It often seems to me that licensing is like an iceberg where 90% of the reality is not visible to the observer.

Large companies usually do their own licensing — however, many other companies and organizations employ specialists of which University Patents, Inc. is one.

IDEA 1

The greatest obstacle to licensing in the Pacific is holding fast to a personal or corporate arrogance which says ‘all good technology comes from my company, my country, my state, etc.’ We frequently in the U.S.A. refer to this as the NIH factor — meaning ‘not invented here’. This obstacle is one which most licensing people face every day of their working lives. It is founded on a wrongful and arrogant assumption which does not have any real or true support.

In this connection, let us take a brief look at the history of technology.

To an American of European ancestry it comes as a shock and a surprise to learn that almost all of the technology Europeans used to conquer the world was Chinese by origin. There is no doubt that from 300 AD to 1400 AD Chinese technology was far in advance of Europe.

No historian of art would question the architectural and artistic achievements of the T'ang and later dynasties.

No world historian could fail to note the progress of T'ang expansion, the extension of Chinese influence over Tibet, Korea, Manchuria and Sinkiang, reaching its furthest limits in 750 AD.

Mathematicians realize that the Chinese of the third century A.D. possessed the Pythagorean theorem, an approximate calculation of the ratio between a circle's diameter and circumference, the distinction between odd and even numbers and also between positive and negative, a method of extracting square and cube roots, and some grasp of linear, simultaneous, and quadratic equations.

Astronomers are aware that the Chinese had by that period computed the distance to, and orbit of, the sun. It is only in recent years, however, that Dr. Joseph Needham, in his master work of massive dimensions, entitled *Science and Civilization in China* (Cambridge University Press 1954-1962) has revealed the Chinese achievement in technology. On this subject he writes as follows:

“... here are a few of the things which may be said about the transmission of mechanical and other techniques. A few fundamental ones diffused in all directions from ancient Mesopotamia, e.g. the wheeled vehicle, the wind-

lass and the pulley. . . The only Persian invention of the first rank was the windmill. . . But China produced a profusion of developments which reached Europe and other regions at times varying between the 1st and 18th centuries"

- a. the square pallet chainpump
- b. the edge runner mill and the application of water power to it
- c. metallurgical blowing machines operated by water power
- d. the rotary fan and winnowing machine
- e. the piston bellows
- f. the horizontal warp-loom (possibly also Indian) and the drawloom
- g. silk reeling, twisting and doubling machinery
- h. the wheelbarrow
- i. the sailing carriage
- j. the wagon-mill
- k. the two efficient harnesses for draught animals — i.e. the breaststrap or postilion harness, and the collar harness
- l. the crossbow
- m. the kite
- n. the helicopter top and the Zoetrope
- o. the technique of deep drilling
- p. the mastery of cast iron
- q. the Cardan suspension
- r. the segmental arch bridge
- s. the iron-chain suspension bridge
- t. canal lock-gates
- u. numerous inventions in nautical construction, including watertight compartments, aerodynamically efficient sails, the fore-and-aft rig,
- v. the stern-post rudder
- w. gunpowder and some of its associated techniques
- x. the magnetic compass, used first for geomancy and then, also by the Chinese, for navigation
- y. paper, printing and movable-type printing
- z. porcelain.

I come to a stop, having exhausted the alphabet, but many more instances, even important ones, could be given. The feature common to all examples is that firm evidence for their use in China antedates and sometimes long antedates, the best evidence for their appearance in any other part of the world.

Not all these inventions date from the same period; not all of them may prove to be Chinese; but enough will survive any scrutiny to prove, beyond doubt, that the Chinese have behind them a colossal achievement, much of it dating from the period when Europe produced little or nothing."

In view of these facts we should recognize that inventions and discoveries can and do happen anywhere in the world and this is something we should bear always in mind.

The important idea we may learn from this historical record is that the world of technology is just that — a world-wide reality. No nation or group of states has, or ever will have, a monopoly on inventions and technology.

GOLD IS WHERE YOU FIND IT — INVENTIONS ALSO

Incidentally, anyone who would like a copy of the bibliography behind these remarks or references may have it for the asking.

IDEA 2

EVALUATION AND APPRAISAL OF INVENTIONS

Having located or found an invention, the evaluation of the invention is the first requirement.

We at University Patents try to evaluate any technology in terms of its real potential *usefulness in another country* and we try to err on the side of conservatism rather than enthusiasm.

Enthusiastic salesmanship has its rightful place, but we feel it should be used when the technology has a real pos-

sibility of proving useful in the country to which it is to be offered.

To document the evidence for any licensing offer, we believe that full use of the best available people in both countries is desirable. Each man knows his own country and his own field best. Where possible we like to use non-partisan people such as Government officials or technicians, members of the university staffs, foundations, associations and learned societies as part of the evaluation team.

IDEA 3

As a general aid to successful licensing we feel we should always try to learn more about our own country and other countries. It is not possible to learn too much.

Languages, of course, by themselves present their own problems of communications, understanding and semantics.

Some understanding of the history of each country and its political, economic and cultural aspects is vital.

An *in-depth* continuing study of each country is a necessity including manners, traditions and customs.

If we learn enough we can improve the efficiency of our work.

IDEA 4

DOING OUR HOMEWORK AT HOME

A primary consideration is that we do a thorough job of preparing an invention for use in our home country.

Professional and able arrangement of patent, technical, business and related data *before* taking it overseas — is an absolute must.

Careless or incomplete data simply wastes opportunities, time, materials, money and manpower. All of these in the licensing field where we have no manpower to waste.

**About the Speaker: Franklin M. Morgan, born in Brooklyn, N. Y., U.S.A.*

Held a wide variety of posts prior to World War II. War service in microfilm areas. Post war — until 1956 — active in photographic operations related to industrial photography applications, equipment, materials, chemistry, etc.

In 1956 joined Ideax Corporation of New York — a Carl M. Loeb, Jr. venture capital group — devoted to development and commercialization of new ideas, inventions and products. Was directly in charge of all Japan and Japan-related activities of the organization, as well as domestic marketing.

Idled one year in 1967 by illness, returned to work for University Patents, Inc. which is a corporation founded in April 1965 by The University of Illinois to handle patent licensing. Responsibility was and remains — Director of Foreign Affairs.

Professional Memberships: Society of American Military Engineers, American Ordnance Association, Society of American Archivists, Photographic Society of America, Royal Photographic Society.

Celanese will begin the year 1974 in its new World Headquarters with a "Centrex" direct dial telephone system.

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