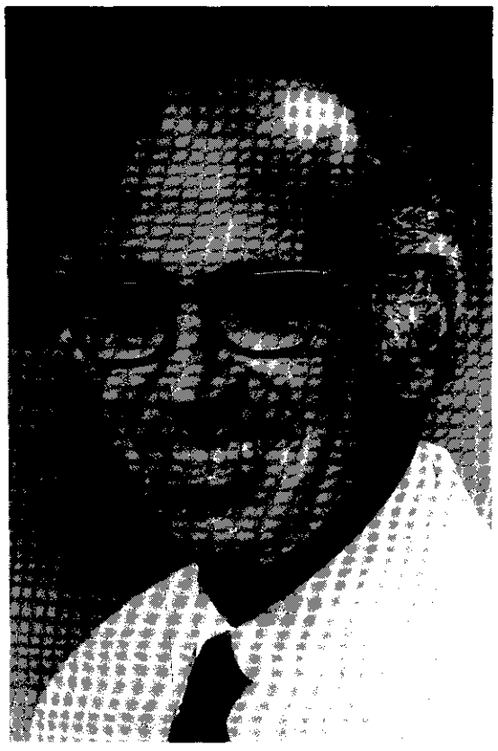
2. Fixing minimum production quotas	Safe	Safe	Safe
3. Control of quality, presentation, compliance with reasonably necessary technical specifications	Safe	Safe	Safe
4. Control on purchase of raw materials, obligation to buy from licensor or licensor-designated sources			
(a) If indispensable to assure compliance with unique quality/technical standards and based on objective criteria	Safe	Safe	Doubtful
(b) If not indispensable or objectively determined, but of a tie-in sale nature	Bad	Bad	Bad
5. Obligation of Licensee to mark or identify licensed products as instructed by licensor, provided licensee can include also its own markings.	Safe	Safe	Safe

**About the Speaker: Harry C. Donkers is Vice President and General Counsel of Avery Products Corporation. He was born in Lima, Peru, in 1931 and received his primary education in the Netherlands and secondary education in Belgium. He graduated with a B.S. degree from the University of Oregon in 1954 and received J.D. degree from Stanford University School of Law in 1960 after having served with the U.S. Air Force, Intelligence Service, in Germany from 1955 to 1958. After graduation from law school in 1960 he joined Litton Industries, Inc. as staff attorney. In 1964 he joined Avery Products Corporation as General Counsel and established the Avery Corporate Law Department. Directs the activities of the company's U.S. and foreign attorneys and patent agents in about 20 countries. He travels frequently abroad to cover a variety of assignments for this broadly based "multinational" organization, including foreign licensing, government negotiations, organization of foreign manufacturing and sales subsidiaries, joint ventures, and distributorships. Mr. Donkers speaks fluently French, Spanish, Dutch and German, and has a working knowledge of Swedish, Portuguese, Italian and Luxembourgish. He is a past chairman of the International Law Section of the Los Angeles County Bar Association.*



Dr. Jonas Salk

The luncheon speaker was Dr. Jonas Salk, Director of The Salk Institute of San Diego, California, who spoke on his recent book, "The Survival of the Wisest."

Themistocles Michos

TIMELY USES FOR LICENSING IN YUGOSLAVIA AND KOREA

by
*Themistocles G. Michos**

My remarks are presented from the viewpoint of a generalist attorney speaking from within a multi-industry corporation with worldwide activities, many of them in the semi-industrialized nations of the world. I have recently observed somewhat out of the ordinary uses for licensing arrangements between United States licensors and licensees in countries such as Korea and Yugoslavia, the nations which are the nominal topics of this address, and my tentative conclusions are taken from these observations. While the uses of licensing agreements briefly described below are hardly novel,

I contend that these uses should be carefully considered by holders of transferable technology in developed nations at this time under prevailing conditions in the world economy.

Licensing agreements have uses far beyond their normal utilization, namely the transfer of technology to a specified territory for a money royalty over a period of time. Three additional uses may be indicated here:

1. In periods of unstable monetary values and uncertain supplies of raw materials, technology may be transferred in a barter arrangement for processed or semi-processed strategic raw materials under long-term supply contracts. Such arrangements, within the limits of anti-competitive restraints, may be coupled with arrangements for the licensor to market such materials outisde the licensee's territory. The principal aim of such arrangements would be to secure for the licensor, or his assignee, thus suggesting multi-party bartering possibilities, an assured supply of strategic materials for a specified future period either at fixed prices or under most-favored-customer terms and conditions, including price and allocation of supply. In these situations the transfer of technology may include plant construction and processing know-how. The suggested aim would be to aid the licensee to process the raw material in question in its own territory through primary stages of preparation for market, while reserving critical later stages of processing of the imported materials to the licensor in reserved territories.

2. In situations in which royalties payable under a normal licensing arrangement would be, inter alia, (1) subject to currency translation fluctuations, (2) heavily taxed in the licensee's country or (3) subject to exchange control restrictions, consideration can be given to using blocked or potentially blocked royalties, perhaps at pre-determined exchange rates, to fund purchases of an equity position in the licensee.

3. In advanced technology fields, if the proposed licensee has some degree of technical sophistication that might be further developed but neither sufficient capital nor a sufficient market to risk its own funds in development of one of many potential, specialized products, a licensing arrangement may be considered as a flexible substitute for a formal corporate joint venture between the parties. In this case, rather than the parties' forming a joint venture corporation and then jointly funding the development of a new product, the party with more advanced technology simply licenses its know-how and certain territorial marketing rights to a licensee in exchange for a substantial advance know-how fee which will be used with the licensor's own funds to develop a new product neither party yet has. The licensor thus uses its own and the licensee's money to develop the product unhindered by the legal and accounting formalities of corporate joint ventures and, if desirable, with less publicity than might attend use of a corporate form. For example, the parties would be spared minute books, bank accounts and separate audits, as well as cumbersome buy-sell provisions, tax returns and prospects of contested dissolutions or deadlocks if the venture fails.

The licensee under this plan is, in effect, granted an option to market the product to be developed in a designated territory. If the licensor fails to develop the product, the economic effect on both parties should not differ from the parties' failure to develop a new product in a formal joint venture context. The licensee would monitor developments through pre-arranged technical reports and could otherwise assure itself by contract of the same information on progress of development efforts as it could obtain if it had elected directors to the board of a joint venture corporation.

This licensing technique may be useful in a situation in which a licensor would not use its relatively advanced expertise to develop a new product without the licensee's funding, the low visibility and high flexibility of the informal arrangement and an assured market potential in the licensee's territory. The technique would be useful for a licensee of lesser expertise when it could be assured of sufficient territorial marketing rights to warrant the spending of a finite amount of money for development costs, but an amount which would be significantly less than if it undertook development itself without a pre-determined market position.

**About the Speaker: Themistocles George Michos was born and raised in Marion, Indiana. He attended Marion, Indiana Public Schools and graduated Harvard College with a Bachelor of Arts Degree and from Yale University where he received an LLB. He also attended the University of Athens, Greece for one year where he was sponsored by a fellowship from Rotary International. Michos served in the United States Army and practiced law in San Francisco and Los Angeles with the firm of Graham and James. He joined Teledyne, Inc. as attorney in 1966, became Secretary in 1968, and Chief Counsel in 1973. Mr. Michos is married with three children in the Santa Monica Public Schools. He is a Trustee of the Pasadena Museum of Modern Art, on the Board of Directors of the Los Angeles Chamber Music Society, and Vice President of the Santa Monica National Little League. His hobbies include photography, hiking, tennis, skin diving and body surfing.*

Richard W. Keefe

INVESTMENT IN LATIN AMERICA, ESPECIALLY MEXICO

by
*Richard W. Keefe**

The Latin American market represents one of the largest areas of the world possessing undeveloped resources and a relatively untapped consumer market of approximately 235 million people. Since the late 1800's, when the United States became an international trading nation, U.S. business has invested in the Latin American market. Yet, perhaps the Latin American market is one of the least understood markets in the world.

Since 1969, when many of the major Latin American countries introduced legislation restricting foreign investment and transfer of technology, the Latin American market has become even less understandable. Such legislation created a paradox wherein, while the Latin American countries require foreign investment and technology to develop their industrial capability and improve their economic position, the legislation which they have introduced appears to curtail the very means they need to achieve their ultimate goals.