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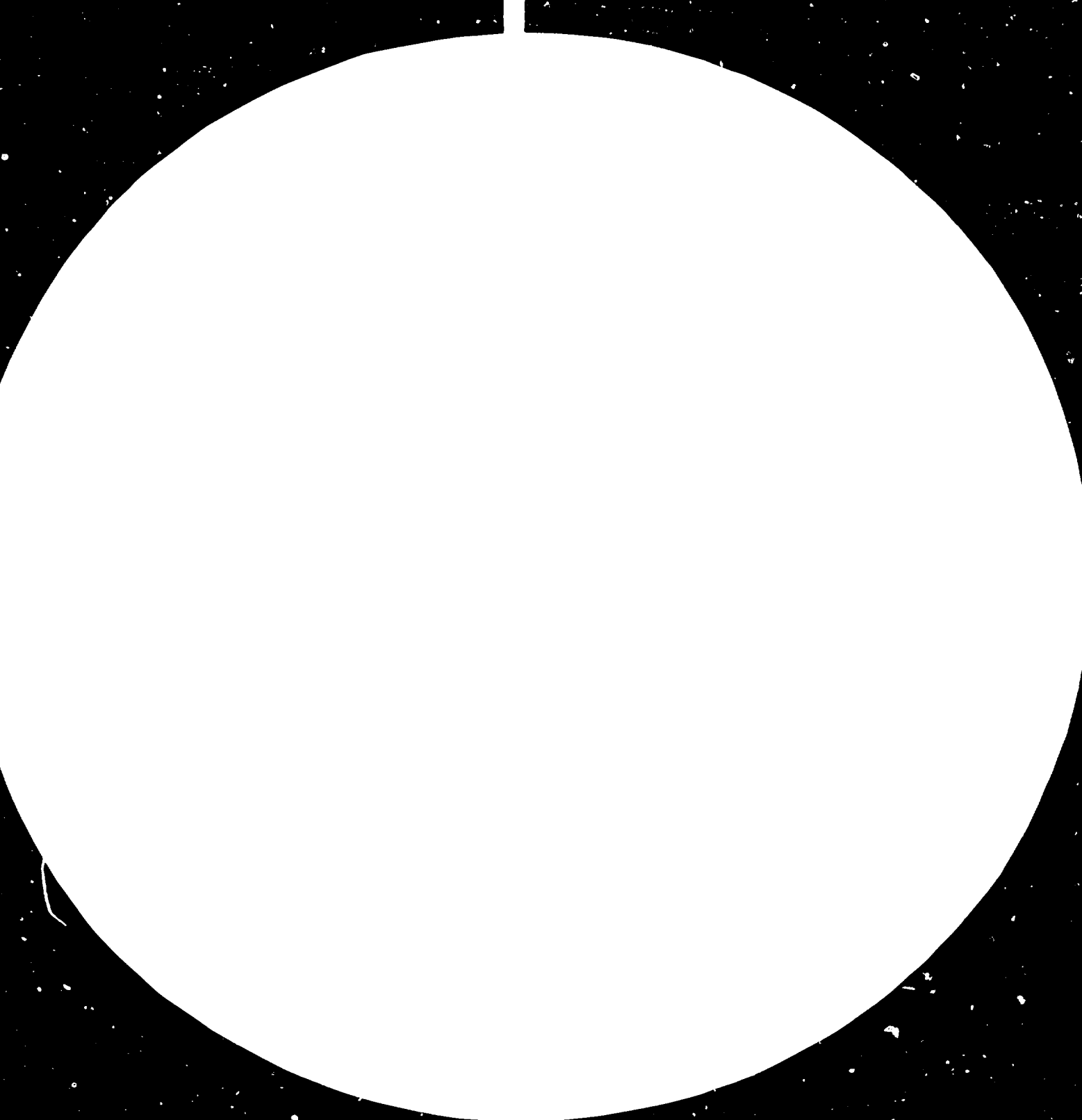
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3.2



4.0



Resolution Test Chart (NBS 1963-A) (ANSI Z39.48-1983)

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KNOW-HOW AGREEMENT

ON

TILES\*

000.7.

A CASE STUDY

by

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AGREEMENT ON KNOW-HOW,  
TECHNICAL ASSISTANCE AND COMMERCIAL CO-OPERATION  
FOR MANUFACTURING TILES

This Agreement is made at the date of \_\_\_\_\_ December 1976  
between COMPANY B having its registered office in Country B  
at \_\_\_\_\_, hereinafter called LICENSEE  
and COMPANY A having its registered office in Country A hereinafter  
called LICENSOR.

GENERAL REMARKS

The LICENSEE intends to install and has partly installed a  
ceramic factory with a capacity of:

- (a) 2,232,000 m<sup>2</sup> glazed and unglazed mosaic tiles  
1 x 1, 2 x 2 and maximal size up to 4 x 4 inches
- (b) 1,188,000 m<sup>2</sup>/year decorated glazed wall tiles  
108 x 108, 150 x 150, 100 x 200 mm.

This Agreement is made to dispose know-how, technical assistance  
and sales services for LICENSEE in order to secure a proper production  
according to LICENSOR's standards and the export of the Licensed Products.

However, the layout of the factory, selection of machinery and  
erection will be executed under the sole responsibility of LICENSEE.

KNOW-HOW SERVICES

1. LICENSOR carries out in its laboratories and pilot plants the  
necessary physical and chemical analysis of the raw materials,  
put at their disposal by LICENSEE.

Depending on the raw materials, these investigations comprise:

- a. chemical analysis
- b. sedimentation analysis
- c. differential thermal analysis
- d. co-efficient of expansion
- e. wet expansion

- f. firing tests with determination of colour
- g. shrinkage after firing
- h. water absorption
- i. shrinkage after drying
- j. modulus of rupture
- k. bending strength

On the basis of these tests the suitable raw materials are selected under consideration of economic aspects.

2. The raw materials for the laboratory tests — the quantity has to be fixed by LICENSOR — have to be put at LICENSOR's disposal free of charge, at the latest two (2) months after signing of the contract.

All the know-how services mentioned above will be rendered to LICENSEE under this Agreement.

#### DOCUMENTATION

1. The know-how mentioned in above clause is stated in a documentation which is transmitted to LICENSEE.

This documentation comprises instructions for:

- (a) Laboratory work
  - (b) Supervision of the production of glazed and unglazed mosaic tiles and decorated glazed wall tiles.
2. LICENSOR submits a description of the production process for glazed and unglazed mosaic tiles and decorated glazed wall tiles comprising all necessary technological data, especially:
    - (a) Time for dissolving and grinding of raw materials
    - (b) Characteristics of ceramic sli and possibilities of influencing its characteristics
    - (c) Instructions for the spray dryer operation
    - (d) Particle size distribution and moisture content of the press granulate
    - (e) Instructions for the regulation of the presses
    - (f) Screen printing process
    - (g) Instructions for the kiln and dryer operation

- (h) Composition of each ceramic tile body
- (i) Shrinkage of each tile composition
- (j) Firing temperature and cycle of each tile composition
- (k) Porosity of the fired tiles
- (l) Expansion co-efficient of each tile composition

TECHNICAL ASSISTANCE AND ENGINEERING SERVICES

1. Training of the Personnel:

- (a) LICENSOR takes over the training of LICENSEE's personnel in its factories, if requested. The trainees will be trained theoretically as well as practically.
- (b) On demand LICENSOR will participate in the selection of the candidates. The duration of the training will be two (2) and four (4) months. The number of candidates will be determined on mutual consent of LICENSOR and LICENSEE.
- (c) The costs for the journey, accomodation and living expenses of the trainees will be paid by LICENSEE.
- (d) Furthermore, the experts of Country A will make all possible efforts to train some more personnel of LICENSEE with the aid of the documentation mentioned above during the putting into operation of the factory.

2. Technical Assistance When the Factory Is Put Into Operation:

- (a) During the final assembly and the putting into operation of the factory, LICENSOR puts at the disposal of LICENSEE one highly qualified ceramic engineer and, if necessary, an additional engineer for a period of six (6) months. The period can be extended, if necessary, up to twenty-four (24) months.
- (b) The LICENSOR personnel takes over the examination of the delivered raw materials, controls the individual production departments with regard to the handling of the materials and trains the personnel.

- (c) The costs for journey, accomodation, living expenses and daily salary of LICENSOR personnel have to be paid by LICENSEE within thirty (30) days after receiving the invoice according to the conditions stipulated in the "Terms and Conditions of Technical Assistance".

#### QUALITY STANDARD

The objective of know-how and Technical Assistance services of LICENSOR is to achieve quality of production according to LICENSOR standard. Thereby it is envisaged to reach approximately 70 per cent first quality (A-grade) and 30 per cent 2nd and 3rd quality (B- and C-grade). This quality should be reached continuously in a period of one year after putting into operation of each production line.

#### SALES AND EXPORTS

LICENSEE can freely sell the Licensed Products in the territory of Country B. As far as exports of the Licensed Products are concerned, the total export of LICENSEE should be through LICENSOR's sale and distribution networks for a period of ten (10) years starting the effective date of this Agreement.

#### TRADE MARK

LICENSEE is granted the right to use the LICENSOR's brand name for all Licensed Products sold by LICENSEE. However, LICENSOR's brand name can only be used for products equal to LICENSOR's quality standard, which has to be determined by LICENSOR.

#### ROYALTY PAYMENT

1. The price for Know-how and Technical Assistance as described in the previous articles amounts to a total sum of US dollars Five Hundred Fifty Thousand (US\$550,000).
2. All present and future taxes and fees of any kind, as well as any official duties on this Agreement levied in Country A are for LICENSOR's account and those arising in Country B are for LICENSEE's account.



TERMS OF PAYMENT

The total amount stated in the preceding clause of this Agreement has to be paid in U.S. dollar as follows:

1. US\$300,000 immediately after approval of this Agreement by the Country B authorities
2. US\$150,000 three months after approval of this Agreement by the Country B authorities
3. US\$100,000 immediately after erection of total mosaic plant

The payment according to this article should be guaranteed unconditionally by 1st-class international operating bank and bank guarantee has to be delivered immediately after approval of this Agreement by the authorities of Country B.

OPTION

LICENSEE grants LICENSOR for a period of seven (7) years after signing this Agreement the option to acquire 50 per cent of their shares. In case the regulations of Country B do not allow such a percentage, the highest possible percentage should be offered for acquisition by LICENSOR, however not more than 50 per cent. The price for the acquisition of the shares will be determined by an international accountant to be mutually agreed on. In case such an agreement is not reached, the accountant will be nominated by the International Chamber of Commerce in Country B.

GENERAL LIMITATION

LICENSOR does not make any warranty or representation nor assume any responsibility of obligation regarding the following:

1. The furnishing of the Technical Information and other technical information and drawings by LICENSOR under this Agreement shall not imply any warranty against infringement of patents relating to the LICENSEE Products and/or Technical Information owned by a third party or parties in any country of the world including Country B.

2. LICENSOR shall use its best efforts to verify the accuracy of the information furnished by it hereunder, but LICENSOR shall not be liable for damages arising out of or resulting from anything made available hereunder or the use thereof, nor be liable to LICENSEE for consequential damages under any circumstances.
3. LICENSOR shall not be responsible for and shall be held harmless for the quality or performance of LICENSEE Products manufactured by LICENSEE utilizing the said Technical Information.

ARBITRATION

Any disputes arising between the partners in connection with this Agreement shall be settled in accordance with arbitration by the International Chamber of Commerce in Paris.

COMMENCEMENT OF CONTRACT

This Agreement will come into force when signed by both partners. However, the Agreement is subject to the approval of the Government of Country B and the supervisory board of LICENSOR and LICENSEE. The approvals of the supervisory boards will be imparted with letter mailed not later than end of \_\_\_\_\_ 1977.

FORCE MAJEURE

Neither of the parties hereto shall be liable for failure of performing their obligation hereunder due to an act of God, disaster, war, artificial cause or any other causes similar to the foregoing which are beyond the reasonable control of the party.

Company B

Company A

\_\_\_\_\_  
Representative

\_\_\_\_\_  
Representative



