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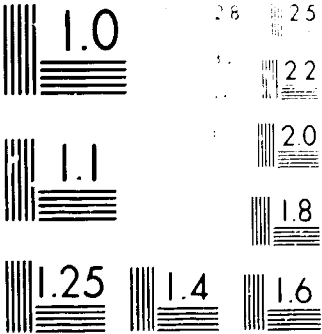
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TRANSFER OF TECHNOLOGY IN THE CEMENT AND CONCRETE PRODUCTS FIELD*

by

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LICENSING AUSTRALIAN TECHNOLOGY OVERSEAS

INDEX.

INTRODUCTION

Technology transfer agreements cover license rights over specific processes formulae or manufacturing technology (may be patented or unpatented); other knowledge and expertise necessary for the setting up of a plant: and provision of various technical assistance and supporting services.

By technology we mean inventions,designs,models,trademarks,copyrights, expertise,know-how and the like which could possibly be licensed or sold to overseas buyers on a commercial basis. It is not essential that the technology be covered by patent,copyright,design or trademark registration for it to be marketable abroad. However,it is generally advisable to have the appropriate form of cover if it can be obtained.

Under the arrangements, specific agreements could be in the form of :-

(i) Joint Venture Agreements.

(ii) Technical Assistance Agreements.

(iii) Know-How Agreements.

(iv) License Agreements.

(v) Patent and Trademark Agreements.

(vi) Sales Commission Agreements and

(vii) Turn - Key Contracts.

This paper concentrates on the transfer of technology by licensing agreements and although it refers frequently to the procedures etc., applicable to the licensing of manufacturing technology, the basic principles should apply to the transfer of other types of technology.

Also it is an attempt to illustrate what is required to formulate a transfer of technology agreement from the Australian point of view.

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LICENSING TECHNOLOGY OVERSEAS

1. Why Export Technology ?

As a general rule it is more profitable to export goods and services than to sell knowledge. However, there are numerous reasons why entrepreneurs license the use of their technology to overseas buyers or users. Some of the main reasons are :

- To obtain additional revenue from existing patents, trademarks, designs, expertise and know-how.
- To spread company costs of research and development
- To reach new markets not accessible to existing facilities because
  - the product is heavy or bulky in relation to value, making transport uneconomical
  - the Australian plant is already at full capacity
  - the design or standard of manufacture of the product required in an overseas market is so different from that sold locally that it cannot be economically modified in Australia
  - the product is perishable
  - political or economic policies (e.g. high tariff barriers) in an overseas country may militate against either exporting or direct investment
- A limited or non-existent market for the product in Australia
- The foreign licensee may be able to provide reciprocal benefits in know-how, research and technical services
- To discourage possible infringement, impairment or loss of existing trademarks and patents
- To develop markets for raw materials, components or complementary products made by the licensor
- To develop sources of raw materials or components for other operations
- Stimulated by successful licensing activity of other firms
- A desire to move closer to overseas markets but unwilling or unable to invest because:

- the overseas market is too small to warrant a substantial capital investment
- unable to afford the capital and / or management resources necessary to establish a direct investment.

Planning a general expansion of foreign operations

- possibly as a first step toward establishing a direct investment
- to gain equity participation in an overseas company (joint venture)
- royalties etc. can be used to expand overseas investment without drawing on domestic capital.

2. Basic Considerations

Licences are normally long term agreements and careful thought must be given to the possible implications of such a step on the licensors existing business activities as well as any other plans he may have for the future. It is obviously not possible to forecast with complete accuracy, but the possible effects should be allowed for as far as practicable.

There are a number of risks involved in entering into a licensing agreement, and the licensor should be very thorough in investigating the proposed licensing arrangement. Although the Australian licensor may not be risking capital, he will be helping to establish a potential competitor abroad who may ultimately become a threat to existing export markets and even to the Australian market.

The basic considerations should therefore include:

- Future plans of your company
- An examination of which elements of your technology are most suitable for sale or licence overseas
- Whether licensing is the most suitable way in which to market the technology
- Will the licensing agreement provide the licensor with a return over the life of the agreement commensurate with the expenditure and effort involved in reaching and subsequently administering an agreement

whether Australian or overseas patent, trademark, design or copyright protection is necessary

- it is essential to determine this prior to offering your technology to a potential licensee.

3. Assessing the Market Potential

As with any market study the licensor should:

- Make sure there is a demand for the product or service

- Es imate as accurately as possible the current and future level of that demand.

Th current demand for a manufactured product can be gauged from the licensor's own exports to the area, total imports of the product by the host country if adequate statistics are available, and from the level of host country production of similar products.

Local demand may be being stifled by the imposition of tariffs or import quotas and a significantly different level of demand may be created by arranging production within the host country.

The licensor should also consider the export possibilities of the area. In addition to increased earnings from the venture any proposal to export from the host country could assist greatly in obtaining the foreign government's approval.

Determining the longer term market prospects is obviously a much more difficult task and the advice of local specialists may be the best course. The Australian Trade Commissioners in the area can help in this regard, and the Australian International Business Association, 7th Floor, 50 Young Street, Sydney, have published a directory of international market research organisations.

If the results of the market appraisal favour licensing the analysis that has been mad of existing and future market potential for the goods or services will enable the licensor to negotiate a contract that reflects the income earning capacity of the particular technology. The amount and form of payment, the duration of the agreement and the renewal terms can be adjusted to protect the company's interests in either a static or an expanding market situation.

Careful assessment in this market analysis stage may spare the licensor any later regrets from having disposed of know-how, patent rights or the like too cheaply. It will also help considerably in planning and scheduling any initial and future requirements for capital, plant capacity, machinery, labour, materials and supporting services that may be required for the licensed operation.

4. Competition

When assessing the likely level of competition the licensor should consider such factors as:

- Whether there are local firms making products or providing services similar to or related to his own
- What is their number and relative size
- How do those products or services differ in quality, design and price from the potential licensed product or service
- What profit margins do local competitors enjoy
- Can your products or services be marketed in the necessary quantities at a competitive price
- Should a test survey be made of customer preferences or market acceptability of your own product or service
- Whether any of the local firms are partially or wholly owned by Australian competitors, or foreign companies with which you have competed in other market areas
- What share of the market would you need to capture
- What are the distribution and marketing strengths and weaknesses of the principal competitors
- If merchandising is an important factor in market penetration, will a licensing arrangement be as effective an approach as a company-owned and controlled sales or servicing organisation
- Could your existing merchandising techniques be used effectively in the overseas country.

5. Licensing Feasibility and Costs

If the market analysis findings are satisfactory, the licensor still has to determine whether licensing is :

(a) physically and economically feasible

Generally a licensor who does not wish to contribute capital prefers to negotiate an agreement with an existing firm who already has an appropriate servicing facility, or has the plant capacity and production machinery needed to manufacture the licensed product, or whose plant and equipment can be adapted at relatively small cost. If such facilities can be found in the hands of an eligible licensee, the licensor will be spared the delay and financial risk involved in putting his own funds into the project.

Full responsibility for providing or raising capital is very frequently placed on the licensee company. However, it is essential that the licensor makes sure that capital funds will be available at the times required, otherwise the full earning capacity of the licensed product or service is not likely to be realised.

Often the licensee's existing facilities, or even those provided by the Australian licensor will be less modern and efficient than those used by the licensor for domestic operations. These differences in relation to the projected output or servicing have to be taken into account in determining realistic terms of agreement.

(b) likely to prove profitable

- compare operations of possible licensees with own operation - output, maintenance, servicing
- compare raw material, power, transport etc. costs
- compare labour costs and labour availability
- compare productivity levels
- if the licensing proposal is likely to involve the import into the host country of certain equipment, raw materials or components, the licensor should check :
  - government import and foreign exchange controls on the items concerned
  - alternative sources of supply of the equipment or materials

- whether local sub-contractors can produce any necessary items at an acceptable cost
- are there acceptable substitutes available on the local market
- are there complementary know-how, design etc. rights which the licensee will have to obtain from other sources.

The licensor is often in the best position to clarify these points because of his knowledge of the process or service involved. This should be done before any agreement is finalised.

Depending on the nature of the licensing agreement the licensor should, where appropriate, satisfy himself on such matters as :

- Adequacy of the existing distribution network
- Presence of adequate supporting facilities and services such as electric power, water, transport, communications, insurance, finance, credit, advertising media and packaging
- Whether sufficient labour of the required type is available at acceptabl wage rates
- Restrictions on foreign skilled workers or management residing in the host country.

The licensor should be careful not to underestimate the time, funds and other assets that he is likely to have to devote to the project. In this light restrictions on visitors' visas etc. may be important.

In setting what he considers to be a reasonable rate of return, the licensor should check that the host country will allow payment at that level. Many countries now apply conditions, maximum levels of royalties, fees etc., and it is essential for the licensor to clarify whether his proposal meets these criteria before reaching a final agreement.

At this point the licensor should also check the taxation situation applying to the proposed arrangement. An "adequate" gross return in the form of royalties or fees may prove completely uneconomic when the after tax situation is assessed.

Having analysed the market and assessed local cost structures, the licensor should be able to calculate whether the product or service can be licensed on a profitable basis.

5. Climate for Imported Technology

As licensing agreements usually operate for at least five years the licensor should look at the whole complex of national attitudes and legislation bearing on the licensing proposal in order to assess the probability of the agreement running its course without serious disturbance.

The following areas and questions should be considered:

- Political and economic instability which could jeopardise the operations of the licensee
- Nationalistic aims which might prejudice the protection afforded trade marks, patents, designs etc.
- Economic and business regulations such as foreign exchange controls, taxation, price control, restrictive trade practices, mandatory standards and anti-monopoly laws, which could affect the profitability of the agreement
- Host country attitude to, and obligations under, international agreements or conventions which could have a direct bearing on the arrangement, e.g. trade agreements, double taxation agreements, commercial arbitration laws or conventions, Code of Conduct for the Transfer of Technology (UNCTAD), Codr of Conduct for Multinational Enterprises (OECD)
- Whether equity participation is acceptable in lieu of all or part of royalty payments or licence fees
- Limits placed on the percentage of foreign equity participation
- Tariff policy in relation to imported materials and components which the licensee will require during the life of the agreement
- Tariff policy in relation to the product to be produced by the licensee. What is the probability of increased import competition
- Host country legislation in respect of compensation in the event of the licensor or licensee breaking the agreement.

7. Sources of Information and Advice

Obviously considerable research is involved in setting up a licensing arrangement, and usefulsources of information include :

- Regional Offices of the Department of Trade and Resources, which are located in the capital city of each State, should be your initial contact. They will point you in the right direction to gain information and assistance, either from Government or private bodies, and they also have a wide range of information readily available on :
  - Overseas markets
    - economic conditions
    - laws and regulations governing foreign investment and technology transactions
    - opportunities for investment and licensing.
- The Export Market Development Grants Scheme provides export incentives for services provided overseas and the export of industrial property rights and know-how that are substantially of Australian origin. Full details are available from the State Offices of the Export Market Development Grants Board - addresses listed in Appendix 5.
- The Export Finance and Insurance Corporation (EFIC) provides facilities for exporters of goods, capital, services and technology. State Offices of the Corporation are listed in Appendix 5.
- Other Services
  - Internal company records of export shipments, prices, production costs, profit margins, etc.
  - Industry and foreign trade association statistics and reports
  - Company distributors and field-representatives in the area
  - Potential licensees and competitors in the area
  - Other Australian companies with similar experience in the area
  - Domestic and foreign banks and credit organisations
    - most banks and merchant banks provide information on many individual countries and if such information is not immediately available, would be willing to research their clients' enquiries
  - Private research organisations and consultants
  - Advertising media and agencies

- Australian and foreign government personnel and publications
- Foreign trade publications and other periodical sources in Australia and in the foreign country
- Primary data collected from consumers, retailers, suppliers, etc.

It should be stressed that whilst the above sources of information may be useful in preliminary evaluations of a potential licensing arrangement, the Department strongly advocates on the spot investigations by company representatives, including contact with foreign government officials before a final decision is made. The Australian Trade Commissioners can assist with appointments for your visit to the market.

8. Locating Potential Licensees

Several avenues are open to the licensor for locating suitable licensees and generally a combination of these will be used. Some of the avenues are:

- Australian Government facilities such as the Department of Trade and Resources (including the Trade Commissioner Service)
- Publicity through specialised journals published and circulated abroad
- Publicity through Chambers of Commerce, industry organisations and similar specialist groups in Australia and overseas
- Participation in specialised trade fairs and exhibitions abroad
- Participation in overseas technology fairs and seminars
- Australian firms and organisations such as banks, technology brokers, patent attorneys, accountants, appropriate State Government Departments (e.g. Decentralisation and Development, and Labour and Industry)
- Foreign trade representatives attached to Embassies and High Commissions in Australia
- The United Nations International Trade Centre in Geneva
- Registration with international financial organisations, such as the World Bank, which are continually seeking the services of experts and consultants for overseas projects

International private technology data banks (e.g. Data Control Corporation).

Having located a prospective licensee the task of determining whether the firm is suitable can prove a little difficult. It is suggested that the checking out process include:

- Contact with the Australian Trade Commissioner in the area

- Discussions with banks and leading businessmen who may have a close knowledge of the prospective licensee, and who may be able to provide commercial references

- A search through the records of the local registrar of companies

- Contact with some of the licensee's existing customers and suppliers

- Where appropriate, contact with research and academic institutions which may be able to comment on the technical qualifications and expertise of the prospective licensee.

It is quite likely that for some of the smaller or less developed countries a suitable licensee may not be available. If it is desired to pursue the sales opportunities in that particular area and direct export is out of the question, then the licensor may be obliged to consider establishing his own production or servicing facilities.

In the case of well developed economies the problem will usually be to select the most suitable licensee from among the many prospects. At least in these instances the licensor can keep fairly rigidly to his predetermined criteria.

9. Selecting a Licensee

The success of an overseas licensing venture depends more on the right choice of a licensee than any other single factor.

It is unlikely that a licensee will be found who possesses all the desired qualities and some compomise will probably be necessary. The principal features sought in a partner are:

- Technical competence in the particular field of activity

- Business reputation in the market areas to be covered

- Ability to work smoothly in the proposed venture.

Prior to any contact with the potential licensee, the licensor must consider whether the prospective partner should:

- Have its own distribution as well as production facilities
- Have servicing facilities (if required) available
- Be producing similar products or engaged in a similar field of activity, or alternatively, be producing a complementary but non-competitive product range
- Have a well-established reputation in the area or be newly established
- Be locally owned or part of a multi-national group
- Already represent the licensor in the area rather than be a new associate
- Permit the licensor to take an equity interest in the venture
- Use the Licensor's trade marks or have its own
- Be capable of operating independantly of the licensor, or alternatively be heavily reliant on the licensor.

The relative importance of these criteria will vary with each case, depending for example whether:

- Patent rights are being offered on a non-exclusive basis
- The complexity of the technology involved
- Know-how is being sold in conjunction with patent rights
- The licensor has an international brand image or reputation to uphold
- The sale is to be a short-term or long-term arrangement.

Only the licensor can judge the criteria in relation to these restraints and in relation to the overall objectives of the licensing agreement.

10. Negotiating the Agreement

Licensing agreements can be conducted in several ways :

- By correspondence
- Personal discussion and bargaining
- Through an intermediary or agency.

Although personal contact is strongly recommended for the negotiating stage it is realised that the expense and executive time involved in overseas visits may be a problem for some licensors. Much of the initial negotiating can be conducted by correspondence, and it is suggested that the questionnaire approach be adopted.

Quite apart from considerations of tact and diplomacy , some categories of information will only be reliable if obtained through or verified by independent sources. Just as the licensor must find out about the licensee, the prospective licensee is justified in asking for detailed information on the licensor and the latter should be prepared to co-operate in this regard.

The sort of information the licensor might seek, where appropriate, in respect of the prospective licensee includes :

Company structure and reputation

- legal status of organisation
  - sole trader, partnership, private or public company
  - does it have limited liability
  - who has controlling interest
- year established
- names and nationalities of directors or partners
  - who have effective day to day control
- details of any corporate relationships
  - parent, subsidiaries or associated companies
- what is the reputation of the firm, its owners, directors and key personnel

- where the licensee is effectively controlled by one person what happens on his death
- what is the likelihood of the licensee being taken over by another firm.

Financial structure

- recent audited accounts should be obtained where appropriate
- what access does the licensee have to sources of capital
- how adequate are the existing capital assets in regard to the service or production to be undertaken under the agreement
- what is the liquidity position of the firm
  . are there any outstanding significant debts or loans
  . what is the firm's reputation for meeting commitments
- what is the licensee's policy on ploughback of profits
- would licensor be expected to contribute funds.

. Production and services

- details of current production and services
- what plant and equipment is available to fulfil the licensing contract
- what additional plant and equipment will be required
- has the licensee adequate facilities such as office, factory and warehouse space
- who is to provide the additional equipment or facilities required
- are the necessary raw materials, components etc. available locally
  . at what price, quality, delivery, etc.
- what import problems would there be for any plant,equipment or materials
  . at what price, quality, delivery, tariff rates, import quotas, or other costs

- where are current plant and facilities located (particularly important for agricultural, mining, civil engineering, offshore exploration and similar projects)
  - any transport or services problems
  - what scope for expansion at the present site
- what is the cost of essential services e.g. water, power, telephone etc.
- estimated ex-works cost of product to be produced
  - what is basis of calculation
- what technical assistance will be required from Australia
  - would licensee contribute to the cost of providing this assistance
- how long before production or services under the agreement would commence after signing the agreement.

Marketing and Selling

In addition to the market analysis referred to earlier in this paper the licensor should ascertain :

- licensee's sales organisation
- licensee's reputation on deliveries and service
- whether licensee prepared to set up appropriate sales organisation
- methods and scale of current sales promotion carried out by licensee
- has licensee any well established brand names or trade marks
- licensee's marketing reputation alongside competitors
- licensee's ideas on marketing the licensed product or services
- the first three years sales targets.

Employment and Staff

- number of employees and allocation between administration, product and selling
- on what basis are the key staff retained e.g. commission, contract, permanent, temporary

- what procedures are in force to safeguard trade secrets
- what is licensee's record as an employer
- will the licensee meet the costs of any special training.

. <u>Research and development</u>

- licensee's annual expenditure on research and development
- is it carried out " in house "
- licensee's research reputation among recognised institutions
- qualifications of present research staff
- licensee's laboratory and testing facilities.

. <u>Licensing history and terms required</u>

- has the licensee any existing arrangements with other firms
  . do they conflict with the proposed arrangement
- have any licensing agreements been cancelled
  . if so, for what reasons
- what opinion do the other licensors (if any) have of the prospective licensee
- type of agreement preferred by the licensee e.g. simple contract, cross licence, know-how agreement, equity participation
- normal requirements of licensee in respect of
  . formalities and language
  . disputes and arbitration
  . termination and renewal
  . periodic reviews
  . period of agreement
  . level of royalties, fees, etc.
  . timing of payments, grace periods or other special terms
- what is licensee's basic objective in taking up the proposed agreement
  . will it be a significant part of the licensee's operations
  . is it simply a short term expedient to overcome a temporary production, marketing or servicing problem

. will it lead to a long term close working arrangement

- will there be any problems in auditing output, sales, etc. on which to base royalty payments, fees or the like.

Government controls

In addition to the points which should be covered in the preliminary market survey, the licensor should clarify whether

- the licensee is required to obtain any particular Government approval to the proposed arrangement
- withholding tax or other charges will be levied on the proceeds to be remitted to the licensor
- any controls on profit margins, prices, restrictive business practices, or the like will prevent the licensee meeting his obligations under the agreement
- Government formalities are likely to impose serious delays on commencement of the agreement
- exchange controls are likely to delay remittance of proceeds even though Government approval could be obtained for the agreement
- patents, trademarks, designs, etc. will be fully protected.

11. Preliminary Negotiations

If personal visits are involved in the pre-contract negotiations it is advisable to send only executives who are fully conversant with the licensor's operations, have a clear understanding of what is to be achieved from any agreement, and have at least the authority to make tentative arrangements for the appointment of local specialist advisers. The initial impression created by the licensor's representat will go a long way toward achieving a sound working arrangement with the licensee.

The negotiator must be prepared to adapt his tone and manner when he is dealing with people of different cultural and business background. The generation of mutual respect and confidence is very important to the success of a licensing agreement.

However, no mat r how open and friendly a relationship is established between the negotiating parties a certain amount of bargaining is inevitable. Apart from the need to compromise on real or potential conflicts of interest in the proposed agreement, there will be considerable trading before the final bargain is struck on royalty rates, service obligations and the dozens of other terms in a complicated licensing contract. It is, therefore, advisable that negotiators take the need to compromise into account when making their initial royal y demands and service commitments under a proposed agreement.

During preliminary negotiations the licensor must walk a delicate line between giving the prospective licensee sufficient information to interest him in the transaction, while avoiding giving the prospective licensee particulars which will enable him to get what he wants without having to conclude a contract.

In most cases the licensor will not wish to divulge any secret information during the preliminary negotiations. However, a certain amount of confidential information may, of necessity, have to be divulged. In this case the parties may conclude a preliminary written agreement in which the potential licensee undertakes not to communicate, divulge or use, unless and until a contract is concluded, information of a confidential nature that he may obtain during the preliminary negotiations. The preliminary agreement may specify a fixed sum to be paid by the licensee in case of a breach, although licensors should note that this payment may not be enforceable under some national laws. Alternately, before divulging confidential information the licensor may require a deposit which would serve as security for the agreement not to use confidential information. Some difficulties could be met in determining what size the deposit should be, and in deciding how the sum should be disposed of in the event that a contract is not concluded.

Model agreements and clauses can be found in a number of publications, and although it is recommended that these be examined closely by all licensors so that they have a fairly clear idea of the documentation involved, it is at this preliminary contact stage that the licensor should have the benefit of specialist legal advice. Disclosure of know-how, expertise, designs etc. at this point prior to ensuring that it is adequately protected in the licensee's country, may prevent proper protection being obtained at all.

If personal visits by a company executive are not possible, it may be feasible (in some markets) to employ a consultant to assist with the negotiations. However, the licensor should :

- check his standing
- check for possible conflicts of interest
- ascertain his knowledge in the area of the technology
- check his success record
- advise him on how far he can negotiate without reference
- brief him personally (if possible)
- decide and advise him on contract terms
- negotiate payment terms.

12. The Licensing Contract

The agreement is not only a memorandum of the understanding reached by the negotiating parties, but also a legal document binding each of the parties to the terms of that agreement for a specified period of time. It sets forth, fully and accurately, the terms of the agreement, and the reciprocal rights and commitments of the contracting parties. Few parties to a licensing agreement would be willing to forego the safeguards of such a contract.

The contract will generally be a fairly lengthy and complex document. Despite the wish by many businessmen for a simple,two page document which is easily understood and with the minimum chance of misinterpretation, such a document does not exist. The contract must be comprehensive because of the need to foresee as far as practicable any possible future disagreements, and write acceptable solutions into the contract. To say that such disagreements might not happen is suicidal - no matter how amiable the relations are between the parties it is much easier to agree to solutions to problems before the problem arises than after. The contract will also provide the legal basis for transactions which require government participation or sanction, such as the release of foreign exchange, or the granting of an import licence for components.

13. Drafting the Agreement

The final agreement will be a compromise between the desires and requirements of the licensor, the licensee and the governments of their respective countries. It is essential that a lawyer who is conversant with international licensing practice should be consulted to ensure that the agreement is suited to the particular requirements of the company concerned and in accordance with Australian, host country and international law.

The principal features of any agreement are :

Preamble

Before the description of the parties' obligations, many contracts contain a preamble establishing the names and addresses of the contracting parties, and defining their intentions, the purpose and scope of the know-how, and the nature of the contract. This information may provide a supplementary source of interpretation of the parties' obligations in the event of a dispute. Reference is sometimes made to the licensor's industrial property rights and obligations.

Definitions

The purpose of definitions is to forestall confusion or argument about the meaning of certain words or terms used in the contract. The terms most often defined are those which are technical in nature or which are capable of a number of different meanings. Even when the negotiators are able to communicate freely in a common language, it is cheap insurance against later disputes to include in the contract identifying and descriptive definitions of the products, rights and know-how being licensed, and any other terms which are open to interpretation.

When drawing up the contract, the licensor should bear in mind:

- territorial coverage should reflect the intentions of the licensor respecting the scope of various rights licensed
  - trade practices considerations may rule out some contractual restrictions that the licensor would like to impose and the licensee is ready to accept
- the product (s) or service to be licensed should be clearly establis[illegible]
- to avoid later conflicts name individual countries rather than broad territories such as Middle East, South East Asia, etc.

- the official names of countries should be used e.g. United Sates of Brazil

- patents, trademarks and other legal rights licensed under the contract should be fully identified by number, date of issue and other relevant detail

- in the case of large companies it may be desirable to delimit the participation of subsidiary companies or related units.

Some companies may prefer to shorten the contract by incorporating the definitions by reference to an attached schedule. The use of a schedule may be particularly valuable where it is expected that the parties may at a future time wish to alter the coverage of the agreement by mutual consent e.g. product coverage, list of patents etc.

Scope of the licence

This establishes the extent of the rights granted to the licensee. Points to be clarified include:

- restrictions or limitations set on the exploitation of the know-how by the licensee and in particular the territorial limits of its use

- whether manufacturing / distribution and/or sales rights are to be granted

- whether rights are sole, exclusive or non-exclusive. If non-exclusiv the other licensees should be named.

Governing Law

The parties may exercise their freedom, subject to the mandatory laws of the countries concerned, to choose the law which will be applied in the event of a dispute. Recognition should be given to the difficulties which may be presented by the operation of a foreign law as well as by the recognition and enforcement of judicial decisions and arbitral awards given abroad.

The precise wording of this clause is important and should state clearly the country in which the agreement is made and the country whose laws will be observed under the agreement.

Settlement of Disputes

Licensing agreements frequently provide for the settlement of any disputes between the parties by recourse to arbitration rather than the courts. The manner of selecting arbitrators, the procedures to be followed in the arbitration proceedings, the place of hearings etc. could all be specified in the agreement.

In some countries the appropriate law dictates the course to be followed in the settlement of commercial disputes.

Language

Where the contract is drafted in several languages, the parties should specify which of the texts is or are authentic. This is particularly important should the contract be the subject of litigation or arbitration.

In the event that the licensee will not consent to English being the sole official text, the parties may agree that if the disputed interpretation has to do with the obligations of the licensee, then the foreign text shall be the official one - but if it has to do with the obligations of the licensor, the English text should govern.

The agreement should also specify which party will be responsible for translating documents and instructions supplied in the know-how, and if necessary, amending the specifications where different systems of measurement are used in the two countries.

Duration of the Agreement

The life of the agreement should be carefully defined, with training and other programmes taken into account. The period chosen will normally be a matter of compromise between the desires of the licensor and licensee. Normally a licensor will prefer the life of the agreement to be as long as possible, since his royalty earnings increase with increased production over the years. A shorter term agreement may be preferred if the licensor intends to establish his own branch or subsidiary operation in the area after an interim period of licensing. However, if a shorter period is required by either the licensee or the host government, the licensor should seek a higher royalty rate or increased lump sum payment or both.

The licensor should also keep in mind that if he licenses production in a particular country, that country may bar him from establishing his own production facilities at a later date on the grounds that there is already sufficient local production.

The problem of setting a term for the agreement is further complicated if there are a number of patents involved which expire on different dates, or if it is expected that additional patents will be obtained during the life of the agreement. It may be best to grant only an option to acquire rights to future patents on terms to be negotiated.

An automatic extension or renewal clause may be useful both as a safeguard against an involuntary break in the contract relationships and as evidence that a continuing long term association is contemplated by both parties. Licensors should be careful to ensure that their proposals in respect of extension of agreements, provision of technological improvements etc. comply with any laws and regulations of the licensee's country.

<u>Start of the Agreement</u>

The agreement should specify not only the date from which the agreement will start, but also the period within which the licensee must commence production.

<u>Termination of the Agreement</u>

A licensee agreement normally terminates at the end of a stipulated period. It can also be terminated for a serious breach of the agreement by either party, or for specific causes, such as bankruptcy, which should be stated in the agreement. The licensor may give the licensee a period of time to remedy his shortcomings.

Termination of an agreement, for whatever reason, normally results in immediate cessation of the rights and privileges conferred by the contract. It does not, however, relieve the licensee of the obligation to pay royalties accrued up to the effective date of termination. Other matters to be considered include:

- monentum royalty payments (royalty obligations for an agreed period or volume of output after expiry of the contract)

- relinquishment and reassignment of patent and trademark rights
- disposal of inventory and work in progress
- right to purchase or repossess machinery, tools, dies, or other equipment or materials
- return of blue-prints, engineering specifications, and sales materials
- observance of secrecy clauses forbidding the disclosure of the licensor's know-how to others
- agreement to refrain from certain areas or types of competition for a specified period of time

Particular care should be taken to ensure that any " restrictive " clauses do not conflict with the laws of either country.

' Force Majeure'

Some licensing agreements contain a clause relating to 'force majeoure' protecting parties from claims for any default in their contractual obligations caused by occurrences over which they have no control. Such a clause is of particular significance where the agreement covers composite technology, where non-delivery or delayed supplies of basic engineering data or of machinery supplies of basic engineering data or of machinery supplies can be due to such causes.

The national laws on 'force majeure' differ from country to country. Particular care should be taken on this point when negotiating agreements with Eastern Bloc countries.

Territory.

It is perhaps best, in deference to trade practices regulations, to avoid any suggestion of restraint over the manufacturing and marketing activities of the licensee. If such limitations are desired however, it may be best to base them on patent and trademark rights, and not to base any sales restrictions on transmitted know-how. '

Provision may also be made for the licensees market rights to be terminated or amended in the event that he cannot meet the market demand.

Licensor's Obligations and Rights.

The major commitment by the licensor is the granting of licence rights with respect to company owned or controlled patents, trade marks, designs, copyrights and/or know-how. He may also undertake to provide information, technical assistance, training, components and/or services of various kinds.

Patents and Trademarks.

Both patents and trademarks are limited monopoly rights granted by a government within its own geographic area, and in accordance with its own laws and regulations. To obtain foreign patent or trademarks rights a company must file separate applications in each country in which it desires protection. (1) Under the International Convention for the Protection of Industrial Property to which Australia is a signatory, the person or concern filing an original patent claim in one member country has a priority right of application for the corresponding patent right in other member countries for a period of one year following the original filing. The trademark priority right is limited to six months.

After these periods, foreign patent or trademark rights can be obtained only if the Australian patent or trademark has not been issued, and no conflicting application has been filed in the foreign country.

Unlike patents, which have a specified limited life depending on the country concerned, trademark registrations can be renewed. In this respect a trademark can be of more lasting value in licensing than a patent, particularly in connection with consumer goods and other products that retain their identity at the stage at which they are merchandised.

A patent right can be permanently lost or damaged through failure to include adequate safeguards in a licensing contract. The license agreement should be carefully drafted to establish

(1) Should Australia decide to become a member of the Patent Co-operation Treaty multiple country coverage will be possible through the one application.

- identification of the patent(s) or patent application(s) included in the grant, as well as related patents specifically excluded

- the scope of the grant regarding manufacturing, use, and/or distribution rights, and regarding authorised products or applications

- the georgraphic areas within which the various rights are granted

- the exclusive or non-exclusive nature of the license grants with respect to the various rights and areas covered

- whether or not the grant includes improvements and/or related new patents, or gives the licensee any option or preferential claim to acquire licences under furture patents or patent applications

- the respective obligations of the licensee and the licensor regarding

  - filing for protection on improvements or new patents in the assigned area, or elsewhere
  - maintaining and bearing the costs of patent protection in the area
  - defending the licensee against any infringement charges arising out of the use of the licensed patent
  - reporting infringements of the licensed patent by others in the area, and initiating and prosecuting action against the alleged infringers

- acknowledgement by the licensee of the validity of the licensed patent, and/or agreement not to challenge its validity during the contract period

- agreement of the licensor not to press charges of prior infringement of the licensed patent (s) by the licensee

- agreement of the licensee to relinquish or reassign to the owner at the termination of the agreement any interest or claim acquired with respect to the patent rights.

Licensors should keep in mind that some of the above clauses may be contrary to the national laws of certain countries - especially the developing nations.

It is generally advisable for the licensor to register all patents and trademarks in his own name, and to retain responsibility for maintaining and defending them. The licensor should also retain the right to enter the market to the extent necessary to protect its patent in the event that the licensee is not "working" the patent sufficiently.

When licensing trademarks, a number of additional factors should be considered by the licensor. The trademark is a mark of identity, signifying to the purchaser a certain quality and consistancy of quality or performance . To preserve such identification and retain the right to bar the use of the trademark to others, the licensor should ensure that quality contraol is maintained and that the mark is used in accordance with the laws and regulations of the country concerned. Many licensors prefer that trademarks be licensed in a separate agreement so they can be withdrawn on very short notice in case of misuse, or any threatened loss of ownership or goodwill. Some licensing contracts provide for the use of dual trademarks in cases where the licensee is reluctant to give up the use of his own trademark. In such cases the licensor may prefer to register and control the dual trademark. Where it is decided that the product is to be sold under a trademark other than that of the licensor, the licensor should register the mark in Australia and other future markets, to avoid building up the value of a trademark owned by a potential future competitor.

Points to be covered in respect of trademark licences in addition to those mentioned in respect of patents include:

- the licensor's continued concern with quality control over the trademarked products, and the licensee's undertaking in this respect

- whether use of the licensed trademark is mandatory on all products made with the help of the licensor's know-how and, if not, whether royalties will be paid on products not bearing the licensed mark

- the licensee's obligations to observe local laws and regulations with respect to the labelling or marketing of trademarked items

- the denial or delimitation of the licensee's right to use the tradenames of the licensor (as distinct from its right to use its trademark(s)).

Know-how

Know-how can be broadly defined as the sum of the ideas, knowledge and experience of operations or processes required for achieving a certain aim. As it does not have statutory protection as do patents and trademarks, the licensor is dependent on good faith and contractual safeguards for the protection of tis ownership rights.

While know-how rights can be licensed alone, and are frequently the most valuable consideration included in a licensing agreement, it is common practice to link them with patent or trademark rights when this is at all feasible. However, care should be taken where the life of the patent is less than the life of the proposed licensing agreement. The know-how enhances the value of the other licensed right(s) while the inclusion of a patent or trademark licence gives the licensor a statutory basis for more control over the use of the licensed know-how.

When considering licensing know-how it is particularly important to clarify the taxation position in respect of royalties and lump sum payments. Countries have different interpretations of "country of origin" in respect of taxation of earnings from know-how.

Contract provisions to be considered in connection with know-how include:

- identification of the products or product lines or processes on which know-how will be provided

- licensor's know-how obligations with respect to new developments or products, and with respect to discontinued models or products

- respective obligations with respect to changes in product designs, raw materials, specifications etc.

- agreed restrictions with respect to the communication and use of the know-how and technical assistance by suppliers, employees and others

- assertain of licensor's ownership, and the confidential nature, of know-how furnished to the licensee, and the fact that it remains the property of the licensor after, as well as during, the contract period

- provision for the retrun and/or disposal of all blue prints, formulae, prototypes, equipment and other tangible material upon termination or cancellation of the contract

- disclaimer of warranty and/or contingent liability as regards the licensed products or the applications and use of the licensed know-how (certain national laws may prevent inclusionof this clause)

- provision for the feedback of new and improved technology or products to the licensor

- provision of an option for licensee to acquire additional rights in the future.

National regulations will govern the extent to which certain of these provisions may be covered in contracts.

Improvements

Either party may, during the period of the contract, develop improvements which either improve the product, eliminate or simplify operations or reduce the costs of production. The parties should agree on the effect of such modifications.

- Improvements made by licensor
  It should be specified under what terms and conditions the licensee should heve access to any improvements

- Improvements made by Licensee
  Although agreements frequently provide for the licensor to be entitiled to full details of any improvements made by the licensees, this can lead to complications in some cases, particularly if the licensor has licensing agreements with other firms and is committed to providing details of any improvements to them. The innovating licensee would not as a rule be favourably disposed to having his improvements passed to present or future competitors.

Seconding Employees

Sometimes the licensor will agree to second technical experts to assist with establishment of the operation or to instruct the licensee's staff. Part of this training may take place in the licensor's premises.

In either case the parties should include provisions defining the frequency and duration of these visits, the number of visitors, the nature of the information to be provided, the language of instruction, the places to which access will be given, the responsibility for meeting travelling and living expenses, liability in case of accident and so forth.

Guarantee of Results

Even if the licensee's technical capacity is beyond doubt, most licensors would hesitate to guarantee the results of the technolofy transfer because of the wide range of other inputs such as raw material, working conditions, quality of staff, etc., which affect the qaulity of the final product. The contract should contain provision for limiting the licensor's liabilities in this regard. However, in some instances, e.g. Eastern Europe, the licensee may seek inclusion of provisions to ensure that the licensor accepts a high proportion of the responsibility for effective operation of the technology.

Purchase, Installation and Ownership of Plant and Equipment.

In the event that the licensee's existing plant is not adequate, additional plant and equipment may be selected, purchased and installed by the licensor, or he may provide purchase specifications and lists of materials, or recommend specific suppliers.

The licensor sometimes retains ownership of specialised machine tolls or equipment as a mesure of added control over the use of the licensed rights and know-how.

In some cases the licensee undertakes to purchase any necessary parts from the licensor. The contract should detail the obligations on either party in this regard.

Exploitation of the Market

Most contracts stress the licensee's responsibility for aggressively exploiting the licensed rights and know-how within the assigned market area. The contract provisions for this purpose are of two main types

- a genal undertaking on the part of the licensees to use his "best efforts" to ~~exploit~~ the market. Such provisions do not, however, lend themselves to enforcement because the parties to the agreement could have different opinions on the amount of effort required.

- a specific undertaking to reach or maintain a stipulated minimum level of output or sales volume, or to meet some other objective standard of effort or performance stated in the contract.

Such targets (other than miniumu royality payments) are usually regarded as agreed targets rather than fixed requirements to be literally enforced.

Market and Sales Obligations

Australian licensors should check the implications of trade practices regulations before specifying market and distribution arrangements. However some agreements specify that the licensee

- must distirbute his products through certain marketing channels, approved dealer outlets, international sales organisations or franchised distributors

- must not manufacture or market products similar to those of the licensor during the period of the agreement or for a specified period thereafter

- should maintaina display room or service facilities, keep adequate inventories of the licensed products, keep a sales force of a certain size, spend a fixed amount on advertising; or allow the licensor to appoint or approve sales representatives.

Occasionally the licensee may be committed to selling part or all of his output to the licensor or his subsidiaries, sometimes at preferential prices. Alternately, the licensor may be obliged to buy all or part of the output.

Quality Standards

The licensor may insist on certain quality standards being met by the licensee, particularly if the licensee's output is to be in any way identified with that of the licensor e.g. by the use of trademarks. The licensor in such cases usually retains the right to inspect the licensee's premises etc. to ensure that quality standards are being met. Associated with quality standards may be a requirement that the licensse give a warranty to buyers of the product.

Reports to Licensor

Many licensors require that the licensee report regularly on matters of relevance to the agreement. This is particularly important where it is inconveneient for the licensor to inspect the licensee's activities personally.

Confidentiality
Most licensing agreements provide that the information and material supplied to the licensee is confidential and cannot be transmitted to any other party by the licensee or his employees. Confidentiality is particularly important when the know-how is secret but not patented. In some cases the licensor also undertakes to preserve secrecy.

If the parties wish to make an exception to this fundamental provision, they should specifically make reference to this exception in the contract e.g. in the case of a sub-licensing agreement.

Assignment of rights or obligations
The licensee will normally be required to refrain from assigning rights and obligations under the agreement without the consent of the licensor. This aspect should be covered in any agreement.

Payment
Remuneration for the provision of technolofy may take the form of any or all of:

reciprocal licence rights
lump sum payments
cash royalties
service fees
equity interest

- Reciprocal licence agreements
  Although these are relatively uncommon, they can be valuable where two firms of a similar level of technical competence wish to co-operate in technical exchange. One advantage of this method is that it can take place without some of the more formal provisions of a licensing agreement, and without the need to put a strict monetary value on the transactions

- Lump sum payment
  These can either be a once only payment in a simple sale of technology, or a precursor to regular royalty payments. Many contracts include a limp sum payment of the latter type to help offset the intial costs to the licensor of transferring the technology, and as evidence of the good faith and active interest of the licensee.

- Royalties

Royalites are paid at fixed intervals on a variety of bases e.g. fixed amount, increasing or decreasing amount, percentage of the value of products made or sold etc. When products are readily measurable in physical units, a flat rate in $x/unit has certain advantages, in that it can be policed on the basis of production or other operating data, and it is not affected by changes in prices, costs, tax, etc. However, it can lose much of its value in times of inflation or over a long period.

Alternately, it may be dcided to fix royalties as a proportion of the value of, for example, sales. This not only builds in protection for the licensee against the risks of inflation, but in many cases it may be easier to measure.

The contract should specify the date when the royalty falls due, yhe currency in which the royalty is to be paid, and the exchange rate which is to apply. Care should be taken in specifying the exchange rate as some countries have a dual exhcnage rate under which the exchange rate varies depending on the type of transaction involved. The licensing agreement should specify the arrangmenets to be made for the licensor to inspect the appropriate records to confirm the royalty due.

When negotiating the clauses relating to payment of royalties the licensor should also consider

- definition of a slae, bearing in mind the costs of discounts, taxes, transportation, bad debts, etc.

- definition of "turnover", which may vary between countries

- value of components or materials supplied by the licensor, and the question of tis inclusion in the royalty base

- different or graduated rates for different products.

- provision for upward or downward adjustment of the royalty rate due to possible changes in sales volume, patent coverage, competitive conditions, use of trademark etc.

- specification of a minium or maimum royalty, irrecpective of results obtained

- inclusion of a "mometum royalty provision" which extends the royalty payments for an agreed period or volume of output after the expiry of the contract. Some countries may prohibit a clause of this type.

Many licensors prefer to have a minimum royalty provision as a monetary incentive for the licensee to exploit the licence. Sometimes progressive annual miniums may be established with the successively higher minimums for the first three or four years, with the fourth year's minimum to continue until the end of the contact period.

The level of royalty return depends on may factors

. bargaining positions of the contracting parties
. exclusive or non-exclusive rights granted
. level of competition in the market
. conventional rates for aparticular product or industry
. degree of price or profit control by the local government
. risn attached to the disclosure of secret know-how
. whether process is complicated or simple
..whether process is unique
. period of the contract
. size of any lump sum payment
. whether the foreign government limits the level of royalty payments for imported technology.

The licensee's failure to pay royalties should confer on the creditor the right to terminate the contract and to require the return of document supplied by him. This right should be exerciseable even if the licensee seeks to justify his failure by alleging breach of contract or fraud on the part of the licensor. Some agreements also provide for a sum to be paid as damages, without prejuidce to any other remedy for breach of contract. See also "Termination of the Agreement".

- Service payments

  Although licensors fo not always expect to receive separate payments for technical services, some may wish to receive compensation for special services rendered which are not covered by regular royalty payments. Such payments may also serve as a deterrent to excessive service requests

- Equity participation

  Equity participation in the licensed operation is an accepted way of receiving compensation. Advantages of such participation include sharing more fully in management and profits and the continuation of dividends after the expiration of the licensing agreement. Licensors should note that some governments may not permit the capitalisation of machinery, licence rights etc.

Taxation

Royalties are usually subject to tax in the licensee's country, and may be subject to tax in the licensor's country. It will also be affected by any taxation agreements between the countries concerned. Before starting to negotiate royalty levels, the licensor should be aware of the taxes to which his receipts will be subject. Some contracts include a provision that the royalties will be "free of tax" which effectively moves the tax burden onto the licensee but this may not be permitted in some countries.

Licensee not the agent

The agreement should make clear whether the licensee is the agent of the licensor in respect of the licensing agreement. Normally the licensee does not fulfil this role.

Registration of license

Some countries require or prefer that the licence be registered, quite apart from registration of patents etc. This course can also provide added protection to both parties.

14. Approval of Foreign Government

Where licensing agreements involve the licensee in either lump sum or periodic payments in cash or kind the approval of the foreign government is invariably required. The Government agency responsible will advise of the procedures to be followed in seeking approval and further information on this point is available from the Regional Offices of the Department of Trade and Resources.

It is suggested that the appropriate Government officials be approached in the early draft contract stage to ensure that any agreement will comply with the relevant regulations. This step can be handled by the licensee, but it is recommended that, prior to signing the contract, the legal representative of the licensor obtains specific confirmation that the host Government authorities approve of the arrangements, and that foeign exchange will be available to meet the licensee's obligations.

Some countries no lunger approve of payment arrangements for licensing agreements between related companies. Obviously this point should be checked early in the negotiation stage.

15. Australian Government Approval

Reserve Bank approval is required for all transfer of technology agreements, including those involving only an exchange of technolofy without payment by either party.

16. Insurance of Licensing Agreement.

Payments for non-physical exports are eligible for insurance cover provided by the Export Finance Insurance Corporation. Insurance is provided on 6 risks, including refusal on the part of the buyer to fulfil the terms of the contract; exchange control restrictions; and restrictions on remittance of payments due to political risks such as war, insurrection, etc.

Full details of the insurance facilities are available from the Corporation's State offices, listed in Appendix 5.

17. Duration and cost of negotiations

Normally licensing agreements will take about twelve months to research and negotiate. It can be much longer for complex negotiations with certain countries.

Licensors should not underestimate the executive time and costs involved (travel expenses, patent registrations, expert advice, etc.). However, if full use is made of the services available from Australian government, foeign government or industry organisations, much of the time consuming work can be expedited at little cost. Even when the agreement has been reached it will take some time to implement the arrangement. The licensor should therefore think in terms of about two years from commencement of the marketing study to "start up" as being fairly typical for licensing agreements.

18. Success or Failure.

Some of the many factors contributing to the success of a licensing agreement are

- thorough preliminary research
- inherent value of patents, trade marks or know-how licensed
- choice of a reliable, competant and compatible licensee
- mutual confidence and respect for each other's interests and objectives
- some participation in ownership and/or managment
- close personal contact with licensee during the life of the arrangment (regular visits and telephone contact preferably)
- favourable reputation of the licensor and licensed product
- technical and research lead maintained by licensore
- merchandising support by licensor
- strong effort and attention devoted to the venture
- active support of top management
- flexibility of approach and administration
- correct timing and pacing of licensing activity
- a comprehensive and detailed contract.

Factors limiting success include:

. Poor init.al research resulting in
  - over-estimation of market potential
  - unsuitable design or quality of product or service
  - revenue not commensurate with costs

. Poor managment of the licensing agreement
  - poor costs control
  - inadequate staff and organisational backup
  - failure to observe the terms of the agreement
  - difficulties of communication
  - deficiencies in training of licensee's staff
  - lack of interest by licensee due to minor importance of the licensed product or service in the licensee's total operation
  - insufficient inventory holding by licensee
  - inadequate supply of components, materials etc. by licensor

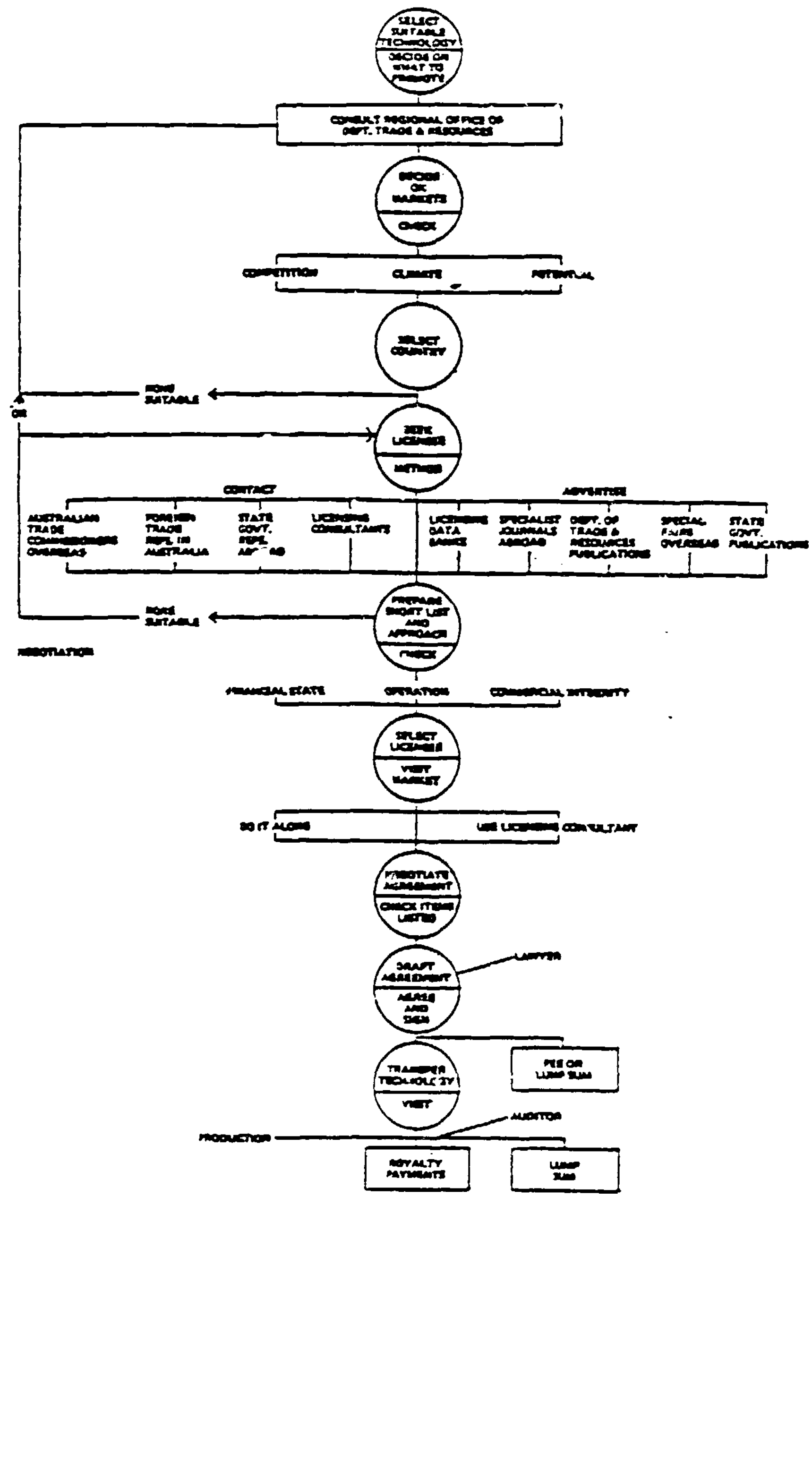
. Government policies
  - exchange difficulties
  - high taxes levied on royalty income
  - change in economic policies e.g. import quotas, tariffs, etc.

. competition from other companies.

19. Conclusion.

This paper is an attempt to show the principals in formulating a transfer of technology agreement from the Australian point of view may serve as some guidline to you in adapting the particular circumstances in the various countries represented here today.

SALE OF TECHNOLOGY - FLOW CHART



REFERENCE MATERIAL - TRANSFER OF TECHNOLOGY

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Basche James R. Jr.	International Transfer of Technology. A Worldwide survey of chief executives. The Conference Board N.Y. 1975 - A worldwide survey of the views of senior executives on the various issues raised by technolofy transfer between countries.
Baxter, J.W.	World Patent Law and Practice. Sweet & Maxwell London 1973. - A useful and comprehensive compendium of patant law as practised in various countries.
Bloxam G.A.	Licensing Rights in Technology. Gower Press London 1972 - Aimed at the manager and using his terminology, the book explains the legal concepts involved in the licensing of industrial property.
Brazell D. Edmunds BA (CANTAB) LLB.	Manufacturing under License. A Handbook. Kenneth Mason
Brazell D. Edmunds BA (CANTAB) LLB	Licensing Check Lists. Kenneth Mason Publication Ltd. England 1974 - Useful lists and questionnaires.

APPENDIX 2 (Cont).

AUTHOR	TITLE
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Cherian Joy	Investment Contracts & Arbitration A.W. Sijthoff-Lyden, Washington 1975 - Legal aspects of international investments and the settlement of investment disputes.
Eckstrom, Lawrence J.	Licensing in foreign and Domestic Operations Vols I & II. Third Edition New York 1977
Graduate Institute of International Studies.	Journal of World Trade Law. Periodical. - a bimonthly publication on world trade, investment and technology transfer law.
International Chamber of Commerce International Chamber of Commerce	Guidelines for International Investment (No. 272) 1972. Joint Ventures in Developing Countries (No.256) 1968 - International Chamber of Commerce periodical publishes in various languages articles on international commerce and related matters.
International Journal of Georgetown University Law Centre	Law & Policy in International Business. - A quarterly USA publication with numerous articles on international laws and coes that relate to business matters.
Mason Kenneth	Standard Clauses in a Licensing Agreement. England 1970.
Orgalime	Practical Guide for Preparing a know-how Contract. Bruxelles. April 1976. - A guide on drawing up 'know-how' contracts prepared by Organisme de liaison des Industries Metalliques Europeennes - an organisation that represents engineering and metal-working trade associations in fifteen European countries and provides liaison between these bodies in economic, legal, technical and related matters.

AUTHOR	TITLE
The National Industrial Conference Board	Appraising Foreign Licensing Performance Studies in Business Policy No. 128
" " "	Foreign Licensing Agreements Part I Studies in Business Policy No. 86
" " "	Foreign Licensing Agreements Part II Studies in Business Policy No.91
" " "	Patent Counsel in Industry Studies in Business Policy No. 112
" " "	Managing Foreign-Base Corporations Studies in Business Policy No. 110
	- The Conference Board is an independent, non-profit business research organisation engaging in continuous research in the fields of economic conditions, marketing, finance, personnel administration, international trade, public affairs, anti-trust and various other related areas.
UN Industrial Dev. Organisation	Guidelines for the Acquisition of Foreign Technology in Dev. Countries New York. 1973
UN Economic Commission For Europe	Guidelines for use in drawing up contracts relating to the international transfer of know-how in the engineering industry. 1970.
" " " "	Guide on drawing up international contracts on industrial co-operation 1976.
	- Various organisations within the United Nations publish numerous articles in various languages on international industrial co-operation and related matters. Publications may be obtained from bookstores and distributors throughout the world, or directly from United Nations Sales Section, New York or Geneva.

THE PATENTS, TRADE MARKS AND DESIGN OFFICE.

The Patent Office is best known for the main role that it performs, namely the encouragement of technological development by conferring on the owners of sufficiently noteworthy inventions, a temporary monopoly in the use of such inventions. This is done by the conferring of a Patent deed having the status of a legally recognised negotiable property. A condition for the grant of such a monopoly is that a complete specification setting out a full description of the invention must be submitted to the Patent Office.

The term of a patent is sixteen years, subject to the payment of annual renewal fees commencing before the expiry of the fourth year. The Australian Patent Office publishes, after a prescribed time, the complete specifications submitted to it. The Patent Office Library contains all the published Australian Patent Specifications together with a comprehensive selection of printed Patent documents received from overseas.

Information held at the Australian Patent Office can be readily extracted, and firms interested should contact the appropriate State Office - addresses shown in Appendix 5.

Patent specifications also have a topical application in that they can be used for technical forecasting.

A trade mark is a mark used in relation to goods to distinguish them as the product of a particular manufacturer. Registration of a trade mark gives the registered proprietor exclusive right to the use of the trade mark in respect of the nominated goods, subject to any conditions imposed by the Registrar of Trade Marks, and enables the proprietor to obtain relief in respect of infringement of his mark. (If a trade mark is unregistered, the proprietor still has common law rights acquired by use). Registration remains in forme for a period of seven years, after which it can be renewed for further periods of fourteen years.

Indiscriminate licensing of a trade mark is illegal and will destroy the rights in the mark. However, the law provides for the permitted use by one person of the trade mark of another if the trade mark is registered and the permitted user is registered as a registered user on an application made to the Registrar of Trade Marks. The Registrar requires in such cases that the owner of the trade mark will control the use of the mark by the registered user and will ensure that the standard of quality and characteristics of the goods put out by the user under the mark are maintained.

The protection afforded by a registered design to some degree resembles that afforded by a patent, but the tests for validity and infringement are different. The concept of industrial design upon which the Designs Act is based is that of embellishment. Shapes which are completely dictated by the function of the article are unregisterable. The application for design registration must state whether design registration is desired in respect of the ornamentation, pattern, shape or configuration of the article and must be accompanied by drawings, photographs etc.

The Designs Act aims at encouraging innovation in Australian industry by granting to the author of any new or original design, a monopoly for an initial period of five years, which may then be renewed for two further five-year periods, after which time the design may be freely used by anyone.

Registration of a design may be assigned or licensed. "Copyright in a design" is a monopoly which is infringed by anyone who produces in Australia a similar but not necessarily identical, design even if he had no knowledge of the registered design. It is also infringed by anyone who imports or sells such an article. Copyright conferred by the Copyright Act is only infringed by someone who deliberately copies the protected work - if he independently produces an identical work, he does not infringe. At the end of the life of a design registration, a person will not lose the protection against reproduction of his original drawing(s) in two dimensions, which is known as residual copyright.

It is fatal to the validity of the registration to sell articles, take orders or in any way publish the design before an application for registration is made. Once it is lodged, publication has no effect upon its validity. It is obligatory upon the owner of a registered design to mark each article which he sells according to the design to show that the design is registered.

Potential licensors should of course bear in mind that separate registration of patents, trademarks or designs is required in each country to which they are exported.