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NEGOTIATING JOINT VENTURES AND  
TECHNOLOGY TRANSFERS WITH  
EUROPE AFTER 1992

Certain Intellectual Property  
Issues In Technology Transfers  
With Europe After 1992

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**CERTAIN INTELLECTUAL PROPERTY  
ISSUES IN TECHNOLOGY TRANSFERS  
WITH EUROPE AFTER 1992**

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**I. EC INTERNAL MARKET IN THE 1980'S - A BRIEF  
SUMMARY**

**A. Implementation Of Programs**

1. EC Council of Ministers very slow on key issues
2. Full implementation of less than 10 of about 300 EC programs
3. Competition regulations on target

**B. Major Events And Their Possible Effects**

1. Disintegration
  - a. Great Britain?
  - b. Spain, Greece, Portugal, Denmark and Ireland
2. New alliances, etc.
  - a. Shengen Agreement (Benelux, France, Germany)
  - b. German reunification

c. Eastern Europe

II. INTELLECTUAL PROPERTY IN THE EC BEFORE AND AFTER 1992

A. Intellectual Property Experiences In EC During 1980's

1. EC Community Trade Mark
  - a. Delays in implementation of approximation directive and of Community Trade Mark Office proposal
  - b. National interests
    - (1) Importance of office location
    - (2) National bureaucracies
    - (3) Important market issues
  - c. Unaddressed issues
2. Proposed EC Software Protection Directive
  - a. Extensive EC and foreign debate
  - b. Software interface issue
  - c. Reverse engineering prohibition
  - d. Less international uniformity and great prior debate elsewhere (e.g., CONTU, Brazil)
3. EC Patent Office (Luxembourg Convention on Community Patent)

- a. Ireland's and Denmark's constitutional dilemmas
- b. Less than all EC members by 1993
- c. Compulsory licensing issue
- 4. Patent and know-how competition regulations
- 5. New approaches prior to 1992?

**B. Certain Non-EC Agreements, Negotiations, Conventions and Treaties With EC Effects**

- 1. GATT
  - a. U.S. initiatives
    - (1) Effect of "Special 301"
  - b. Pharmaceutical, plant, human body exclusions
  - c. Strength in multilateral alliances, such as EC
- 2. Madrid Convention
- 3. Berne Convention
- 4. Paris Convention
- 5. Lesser-developed countries ("LDC") issues
  - a. Computer

- b. Trademark
  - c. Patent
6. United Nations Convention on Contracts  
for the International Sale of  
Goods
- a. Computer software and contract  
issues

C. Possible EC 1993 Intellectual Property Regulation

1. Dangers of prognostication
  - a. Acceleration of process
  - b. Integrity of EC in question
  - c. Article 90 (EC Directives from Commission) under attack
2. Trademark office still not established -partial participation likely
  - a. Continuing importance of international conventions
3. Patent office established by 1994, with major national differences (1992 decision by acceding EC countries)
  - a. Ease of registration
  - b. Coverage of most subject matters
4. Most computer issues solved
  - a. Greater focus on patents at national, EC level
  - b. Software interface questions
5. Copyright issues still open
  - a. Green Paper issues (see p. 7)
  - b. General satisfaction with Berne

## Convention

6. Foreign country reciprocity requirements
  - a. Patents?
  - b. Semiconductors?
  - c. Other
7. Other EC directives, regulations and decisions affecting 1993 technology transfers with Europe:
  - a. European Court of Justice decisions, antidumping, rules of origin, know-how and patent licensing regulations, other EC Commission competition policies (merger regulations, Articles 85 and 86, block exemptions, etc.)
  - b. Extraterritorial reach decisions
  - c. Licensing decisions and issues
    - (1) Exclusion based on EC country registrations generally extend to other EC countries
    - (2) Once legally in one EC by permission of rights owner, generally may not use intellectual property rights to exclude from other EC countries

**III. CERTAIN CURRENT AND PROPOSED TRADEMARK AND SERVICE MARK REGULATION RELATING TO EC**

**A. Trademark Directive Of 21 December 1988**

1. To approximate laws of member states
2. Substantive, not procedural
3. Shapes included
  - a. But excludes any shape "which gives substantial value to the goods"
4. Morality and public policy exceptions
5. Excludes trademarks prohibited by other national laws
6. Registration denials can be based upon prior laws, if registration applied for before change in laws due to EC directives, even if new law would permit registration
7. Can use one's own name "in the course of trade"
8. Prior rights exception to registered rights "within the limits of the territory in which it is recognized"
9. Service marks included

**B. Community Trade Mark Office Proposal**

1. Community trademark for all members

2. Community-wide, uniform effects
3. Rights only through registration
4. No requirement for residency, but some limitations

**C. Madrid Convention**

1. Ease of multicountry registration
2. Many EC countries signatory

**D. EC Country Substantive Regulation**

1. Should remain significant

**IV. CERTAIN CURRENT AND PROPOSED COPYRIGHT REGULATION RELATING TO EC**

**A. Green Paper On "Copyright Issues Requiring Immediate Action" (1988)**

1. Copyright areas covered include:
  - a. Proposed directive on computer programs
  - b. Databases, including full text retrieval questions, to be examined
  - c. A/V home copying to be examined

**B. Certain Uncovered Issues**

1. Moral rights
2. Work-for-hire

3. Transfers of literary and artistic works
- a. E.g., resale, etc., fees to author and heirs

**C. EC Country Regulation**

1. Should remain very significant

**V. CERTAIN CURRENT AND PROPOSED PATENT REGULATION RELATING TO EC**

**A. European Patent office**

1. National in nature
2. Filing ease, similar to Madrid Convention
3. Many EC members and other non-EC countries

**B. Luxembourg Convention (1975)**

1. EC-wide application and effect
2. Open substantive questions
3. "LDC's" of EC (Greece, Portugal, Spain, Ireland, plus Denmark) arguing for compulsory license requirements

**C. Proposed Directives**

1. Biotechnical inventions
2. Others

**D. EC Country Regulation**

1. May remain very significant for "LDC" EC countries
2. Should remain significant if stronger through broader coverage, etc.

**VI. PROPOSED EC REGULATION AND OTHER ISSUES IN CERTAIN OTHER AREAS**

**A. Semiconductors**

1. Council directive re "Topographies of Semiconductor Products" (1986)

**B. Telecommunications**

1. Plan of Action For Information Services Market (Council Decision 1988)
2. Opening of telecommunications market (PTT) to competitive bids

**C. Proprietary Medicinal Products**

1. Laws and regulation protecting proprietary rights from disclosure by reason of EC country review (1986)

**D. Know-How And Trade Secrets**

1. Less substantive law in EC countries than  
in U.S.
2. No current harmonization plans

**VII. TECHNOLOGY VENTURES AND TRANSFERS - PRELIMINARY ISSUES**

**A. Timing Questions**

1. Closer to December 1992, more of a question
2. Business, not legal, issues control decision on timing
3. EC countries with compulsory licensing may change by 1993

**B. Location questions**

1. Countries currently agreeing to terms of Luxembourg Convention and trademark directive unlikely to change
2. Strength in Benelux, France, Germany and United Kingdom
  - a. Special 301 listing of Greece, Italy, Portugal and Spain as "watch list" countries
3. VAT questions remain; VAT tax differentials even after "full" implementation
  - a. Encourages integration
    4. U.S. base for management, venture?
    5. EC research programs
6. EC proposal for U.S.-EC joint research funding on:

- a. Microelectronics
- b. Information
- c. Environment
  - d. Energy
  - e. Space
  - f. Nuclear fusion
  - g. Eastern Europe initiatives
- C. **Registration of License and Intellectual Property Right(s)**
  - 1. EC registration?
  - 2. Country specific registration?
- D. **Product Liability Questions**
  - 1. U.S. venture may be liable for use of its own U.S. trademark on product
- E. **Tax Questions**
  - 1. Off-shore companies
  - 2. Royalty stream/lump sum payment issues
- F. **Warranty Questions**
  - 1. Service locations
    - a. EC-wide servicing requirements?

**G. Bankruptcy Law Issues**

1. Licensee may lose license under most, if not all, EC country laws, unlike recent U.S. bankruptcy law change

**H. Enforcement Rights**

1. Need for immediate relief depends on local court rules
  - a. Not covered by EC law?
2. Arbitration often not enough and very expensive

**I. Certain U.S. Law Issues**

1. COCOM
2. Exon-Florio?
3. Other defense related laws
4. U.S. antitrust laws
5. Other trade-related laws

**XI. TECHNOLOGY TRANSFERS - THE AGREEMENT**

**A. Choice of Transfer Mechanism**

1. Assignments
  - a. Registration requirements
  - b. Competition exemption or clearance?

- c. Goodwill, business transfer requirements for trademarks in some EC countries
- 2. Pure license agreements
  - a. Registration requirements
  - b. Competition exemption or clearance?
- 3. Joint ventures
  - a. Competition exemption or clearance?
    - b. Company law issues
    - c. Liability issues
    - d. Reputation of partner(s)

**B. Types Of Agreement(s)**

1. Negotiation agreements(s)

a. Confidentiality agreement

b. Letter of intent

(1) Avoidance of oral agreement issue, especially  
as to goods

2. Development

3. Technical assistance

4. Sales and distributorship

5. Contingent

6. Option

7. Separate license agreement for  
registration purpose(s)

8. Franchises

**C. Certain Technology Transfer Contractual Provisions**

1. License provisions

a. Field of use, territorial, pricing,  
duration, and production  
restrictions

(1) Exhaustion doctrines remain  
country oriented

- (2) Competition issues
- b. Right to sublicense
  - (1) Dangers for trademarks (e.g., Great Britain)
    - c. Technology exchange
  - d. Cross-licensing, patent pooling, package licensing
- (1) Competition issues
- e. Exclusivity
  - 2. Confidentiality provisions
    - a. Registration disclosures?
  - 3. Royalty provisions
    - a. Net profit
    - b. Sales
  - c. Minimum royalties
- (1) Competition issues
- (2) Fairness principles
  - d. Periodic lump sums
  - e. Lump sum
  - f. Countertrade and barter
- g. Currency issues

4. Force majeure
5. Severability clause re EC and member country review
  - a. Null and void findings in EC, member countries
6. Termination clauses
  - a. Identification of termination events
  - b. Country-specific termination limitations and payments
    7. Dispute resolution clauses
    8. Choice of law clauses
      - a. Effectiveness?

**X. TECHNOLOGY TRANSFERS - THE DISPUTES**

**A. The Dispute Resolution Clause**

1. Arbitration
  - a. Stronger choice of law enforcement
  - b. More expensive today
  - c. Still principal choice
  - d. Care in selecting arbitration location, arbitrators and arbitral body
2. U.S. court

- a. Enforcement issues
  - b. Timing issue
- 3. Foreign court
- a. Reserve rights, even if arbitration  
chosen, for emergency court  
action
- 4. Conciliation/mediation
- 5. Joint reconciliation, negotiation  
clause

**B.U.S. And EC Commission and Council Assistance**

- 1.Competition bodies
- 2.Other governmental bodies