Communications Leading To The Execution of Licensing Agreements With Overseas Licensors

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I. Introduction

The steadily growing importance of international technology transfer places a premium on effective and efficient written or oral communications in licensing negotiations. These communications often culminate in the execution of license agreements. However, the study of the nature of these communications exchange prior to the actual signing of a technological licensing agreement has been given scant attention in business, academic or legal circles.

Although written agreements and all related peripheral documents for contractual purposes (including memoranda, letters of intent, undertakings, etc.) are "communications" depicting the irrevocable intentions of the parties to the license agreement, the purpose of this brief paper is to describe the process of reaching a license agreement and to focus on the role of, and necessary elements in, letters and telex messages in licensing agreement negotiations.

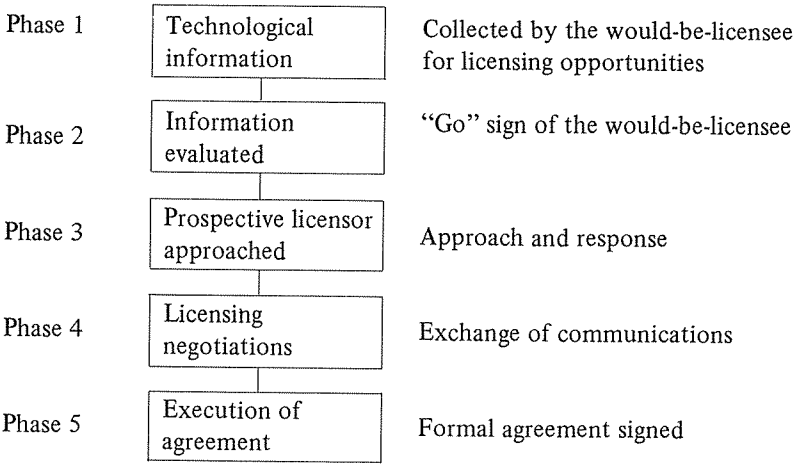
Part II describes the licensing process, the role of English in the related correspondence, and the necessity of firm licensing policy on the part of a company. Part III suggests how the would-be-licensee might approach the prospective licensor by letter. Part IV focuses on the negotiation process and provides specific examples of how problems therein can be dealt with. Part V is the conclusion.

Where it seems pertinent, examples from letters and telex communications are included. All the examples cited are from actual business correspondence with modifications made where necessary for reasons of confidentiality.

II. General

1. Licensing Process

The following chart illustrates the several phases of technological licensing through the execution of the license agreement from the license seeker's standpoint:



Substantial communication begins between the prospective licensor and licensee (Phase 3) based on the would-be-licensee's basic licensing polocy. The favorable response of the prospective licensor may lead to licensing negotiations and, prompted by the parties' desire for mutual advantages, move on to the final phase, the execution of the licensing agreement.

2. Language

Of the three major languages used for technological licensing; i.e., English, French and German, English is the most popular.[1] Subjected for years to Anglo-American-style licensing agreements, the Japanese licensee finds English-written agreements --- and likewise English-written licensing negotiation communications --- most suitable. Despite possible drawbacks such as (i) legal interpretation problems (businesses not under the Anglo-American legal structure might be misled by their reasoning predicated upon their own languages) and (ii) misunderstandings while in negotiation (non-native speakers of English might be mistaken in comprehending the other party's intentions correctly), English has been widely recognized as a neutral business/legal language in the licensing world.[2] Obviously, even German and French enterprises cannot insist upon the use of their mother tongues for licensing today.

3. Bottom-Line Licensing Policy

Unless based upon the fundamental licensing policy of the would-be-licensee, his letters and telex messages, however well organized, carry no meaning at all. Once so supported, these means of communication can work to join the parties for mutual business interests in line with their respective strategy and guidelines for action.[3] If inconsistent, by any degree, the would-be-licensee's representations, warranties, etc. are doomed to failure.

III. Approach By Letter

The would-be-licensee, after thorough study of the technology possessed by the prospective licensor, approaches the latter either in oral or written form. Unlike the would-be-licensor who usually prepares a licensing memorandum,[4] a sort of direct mail offer addressed to a substantial number of prospective licensees, the would-be-lincensee's approach is directed to the

very party who has the technology.

The initial approach, if well organized, is capable of inducing the other party's instantaneous response. Although correspondence alone is generally considered to take much time for successful licensing negotiations, half a year,[5] for instance, the writer's licensing counselling experience reveals that a simple technology transfer can be effected in three months by letters alone.

1. Self-Introduction by Would-Be-Licensee

The approach letter, above everything else, must inform the reader of who and what the writer is. The introductory paragraphs should generally refer to (i) the writer's business and the particulars of his product line, (ii) the size of business, with information on the capital, employees, factories, markets, etc., and (iii) enclosed company brochures and bank references.

2. Would-Be-Licensee's Intentions

The letter then must clarify the writer's intentions such as (i) what technological concept is sought (e.g., patents and know-how for the manufacture of small-cylinder rotary engines), (ii) what kind of license (e.g., for patent, know-how, trademarks or designs), (iii) what ancillary agreements are needed (e.g., for distributorship, agency and/or joint venture) and (iv) major terms and conditions (leaving minor terms for later negotiation).

The major terms include[6] (i) parties, (ii) definition of the licensed product, (iii) grant of license (manufacturing/marketing territories, exclusive or non-exclusive), (iv) sublicensing and subcontracting, (v) technical information desired, (vi) conveyance of technical information (documents, guidance and training), (vii) use of trademarks, (viii) improvements and developments of both parties (grant-back and cross-licensing), (ix) remuneration (initial payment, running royalties with or without minimum guarantee, etc.) and, of

course, (x) contract period.

Equally important for arousing the interest of the would-be-licensor is the prospect of the licensor's advantages (license fees, marketing collaboration, grant-back, etc.). The approach letter must also ask (i) with whom to contact further[7] (the decision-maker or someone else ?) and (ii) by what means (telex, telegram or airmail, or telephone if necessary).

3. Communication Attitude

The approach letter, like any good-quality sales letter, must radiate (i) the writer's sincere eagerness toward obtaining the license, (ii) the writer's good knowledge of technology transfer and (iii) a spirit of fair play for mutual advantage, thereby satisfying the commonly accepted AIDA (attention, interest, desire and action) theory.[9]

4. An Actual Case

A Japanese manufacturer, formulating its plan to export digital pulse meters to the United States and other countreis, wants to be granted a patent license for marketing the meter overseas from a Swedish patentee, and writes two letters.

(1) First approach which received no response

The General Manager of Sales of the patent holder's subsidiary company in Japan wanted to handle the patent license deal as the intermediary to add to his credit, whereby he requested the would-be-licensee to address the letter to him which he would take to the Stockholm office of the patentee shortly.

This approach (Example 1, see p.94) was a total failure because (i) it was not addressed to the patentee; (ii) the go-between (a Japanese) had no knowledge as to the person in charge in the patentee's company; (iii) no detailed

(Unsuccessful Approach)

September 10, 1978

Mr Takeru Andoh
General Manager, Sales
Jensen Japan Limited

Dear Sir, Non-Exclusive Marketing License for Digital Pulse Meter

Thank you very much for your thoughtful offer to bring our wishes in person to the attention of the appropriate Jensen staff on the occasion of your forthcoming visit to Jensen AB in Stockholm.

Before explaining our wishes for a proposal of possible mutual interest, perhaps it is better, for Jensen AB's information, for us to introduce ourselves.

We are a leading manufacturer of digital health scales with the paid-in capital of ¥20,000,000. Our relationship with Jensen Japan has been very close for years. For instance, (i) we have been machining their automatic scales, with materials furnished by them and (ii) we are scheduled to start manufacturing digital pulse meters in coming November for export, and for that purpose we have placed orders with Jensen Japan for 20,000 pieces of circuit boards as parts.

Our Wishes We are now interested in exporting digital pulse meters to the United States and other countries. We are aware that Jensen AB has patent rights in the United States pertaining to the digital pulse meter and that a law suit is still going on in connection with related patent infringement.

With this in mind, we would like to ask Jensen AB to grant us a certain license covering our export of digital pulse meter to the countries where they have patent rights on the meter.

To pursue our project, therefore, we would appreciate it if Jensen AB would let us know: (i) if they are interested in granting us the license and (ii) on what terms. We are basically thinking of the non-exclusive marketing license for the digital pulse meter, to be manufactured in Japan by us according to our own know-how and designs, in the countries where Jensen AB has the patent rights. The royalty will be paid on a 3% basis covering the net sales price. The effective period will be three years, to be extendable for each one-year period thereafter, if so desired.

If there is any question the Jensen AB people may have, please refer it to us. We look forward to seeing you back home in December.

Yours faithfully,

MARUYAMA SCALE CO., LTD.

AH/tt

A. Hosoya, President

information on the patents was requested; (iv) how the licensor would benefit was not clear. This approach, lost somewhere in the patentee's offices, produced no response from the patentee. After waiting in vain for three months, the Japanese manufacturer had to write the second approach letter as advised by its legal counsellors.

(2) Second approach which received instantaneous attention

The letter(Example 2, see pp.96-97), addressed directly to the patentee(attention of the director, Legal Department), mentions the go-between's name for courtesy's sake. The letter is fully loaded with (i) information on the would-be-licensee's effort made to protect the Swedish patentee's interest, (ii) detailed questions on the patent rights to specify the exact extent of the license, (iii) a minimum quantity guarantee to give the patentee a good picture of the license fee possibilities, and (iv) a forceful action-wanted closing.

The prospective licensor's response came almost immediately, indicating swift internal action. After the clearance with various councils on the patentee's side, the license deal was subjected to negotiation by telex, letter and telephone and was consummated three months after the second approach letter had been mailed.

5. Response of the Other Party

Response to the approach letter is varied: (i) the absolute "no" answer (such as ". . . As we have granted an exclusive license covering your proposed territory to Umeshima Chemical Industries Ltd. of Tokyo, we cannot grant you the license mentioned in your April 1 letter . . ."), (ii) the partial "no" answer which may be "yes" with better terms (such as ". . . Your proposed 2% running royalty for this know-how license is, frankly, too low. Your production scale considered, we could agree to the initial payment in the

(Successful Approach)

January 23, 1979

The Jensen Aktiebolag
Sandhamnsgatan 23
Stockholm, SWEDEN

Attention of the Director, Legal
Department

Gentlemen: Non-Exclusive License for Marketing Digital Pulse Meters in the U.S. and Other Countries

Mr Andoh, General Manager of Sales, Jensen Japan Limited, Osaka, with whom we enjoy a close business relationship, recommended that we approach you about a matter of possible mutual interest.

Before going into our wishes, we would like to throw a little light on our background.

Introducing Ourselves

We are a leading manufacturer of digital health scales in Japan, with the authorized capital of ¥80,000,000, some fifty skilled employees and yearly production of 100,000 units (the 1978 fiscal period's projection). Our relationship with Jensen Japan Limited has been very close since 1965 as you can see from the following facts:

(i) We have been machining their automatic scales, with materials furnished by them, since 1965.

(ii) New project for distribution overseas: We are scheduled to start manufacturing, as soon as possible, digital pulse meters for export. For this purpose, we have placed orders with Jensen Japan Limited for 20,000 pieces of circuit boards as the parts.

(iii) Our effort to protect Jensen's interest: In the course of formulating this new export project, it came to light that Maple Machine Corporation of Canada had applied for a Japanese patent on the digital pulse meter.

To protect your interests, we promptly filed an opposition in October, 1978 to the Japanese Patent Publication 51-46.... Our interview with the Patent Office examiner on November 13, 1978 will most likely to result in the non-issuance of the patent.

Our Wishes

In parallel with our domestic distribution activities, we are very much interested in exporting digital pulse meters to the United States and other Western countries. We are aware that you have a U.S. patent (U.S. Patent No. 3.113....) and that a law suit is still in progress in connection with the patent infringement regarding digital pulse meters.

With this in mind, we would like to ask you to grant us a license to cover our export of digital pulse meters to the countries where you have patent

rights on the meter. Could you please inform us on the following points:

(i) Would you be interested in granting us a relative license? (please refer to our proposal)

(ii) If your answer to Item (i) is affirmative, could you tell us:

(a) in which countries you have the corresponding patent rights?

(b) in which countries you have the licensees of the corresponding patent rights and what the nature of the licenses (exclusive or non-exclusive) is?

On this project, we are basically thinking of the following terms and would appreciate your careful study:

(1) License: Non-exclusive license for marketing digital pulse meters, to be manufactured by us according to our own know-how and designs, in the countries where you have the patent rights related to the digital pulse meter.

(2) Royalty: (a) Three percent of the ex-factory price of the licensed products for the following minimum quantity:

1979 period (March through December, 1979)

Small size 40,000 units Middle size 20,000 units

1980 period (January through December, 1980)

Small size 60,000 units Middle size 30,000 units

1981 period (January through December, 1981)

Small size 100,000 units Middle size 50,000 units

(b) Two percent for any quantity in excess of the minimum quantity

(3) Contract period: Three years, to be extended for each one-year period unless objected to.

Our brochure enclosed will give you the outline of our growing production of a wide variety of health meters. If you need any further information, please let us know by telex. We look forward to hearing from you soon.

Very truly yours,

MURAYAMA SCALE CO., LTD.

AH/tt A. Hosoya, President

cc: Mr T. Andoh, Jensen Japan Limited

amount of DM 200,000 upon execution of the licensing agreement . . .), (iii) the straight "yes" answer --- a rarity in the licensing world --- and (iv) the "please wait" answer (such as: ". . . Your request has been submitted to the responsible Tools Management. They have confirmed that this matter would be discussed at their next Steering Group Meeting. Hence, we will inform you soon about the decision which will have been made by the end of this month . . . "). The partial "no" answer must be immediately attended to with necessary changes in the proposal by the would-be-licensee.

The response needs to be taken care of by the would-be-licensee at the earliest possible opportunity, whereas in some cases the licensing strategy may demand a little wait. The would-be-licensee's further contact may be made by telex, telegram and/or letter to achieve the best negotiation results. Telex exchanges, in particular, speed up the negotiation phase nowadays.

IV. Negotiation

1. Bottom-Line Policy is Required

The would-be-licensee, prior to the licensing negotiation, must be armed with its bottom-line licensing policy based on market research, an evaluation of technology and contractual terms, all thoroughly made.[10] The basic policy thus reigns over the negotiation stage, with certain lattitude permitted to gear itself to the "mutual advantages" of both parties. Among the factors of major importance to be reflected in the basic policy are: (i) exclusive territory (export policy), (ii) license fees versus time and cost required for own development projects, (iii) market timing and sales volume expected, (iv) use of the licensor's trademarks, (v) advisability of ancillary agreements for distributorship, agency, joint venture, etc. Inter-departmental adjustment also comes into the picture as a "must," since the management, sales, engineering and legal staffs are by nature guided by different philosophies.

All communications for licensing negotiation, naturally, have to be strictly based upon the thus formulated basic policy.

2. Draft Agreement-Related Communication

To mark the beginning of, or to confirm mutual consent reached amid, the negotiation phase, a draft agreement is submitted by one of the parties. The writer's experience indicates that it is definitely advisable for the would-be-licensee to prepare and submit the first draft[11] when financially superior, stronger in market, having specific requirements which had best be made known before the other party comes up with his draft, or when more experienced in overseas licensing than the other party. The draft thus presented to the licensor-to-be can (i) offer buffer provisions for later possible concessions, (ii) expect only partial modifications unless entirely unacceptable to the other party, and (iii) impress the other party with well-organized provisions if drafted by able legal/licensing advisors.[12] Conversely, the Japanese licensee-to-be, if faced with the licensor-to-be's draft, is generally unable to get away from the confine of the draft's provisions.

When sending the draft overseas in the initial stage of negotiation, a Japanese firm wrote in the covering letter:

> (A tearfully amateurish example) "We are enclosing a rough draft of the license agreement for using your trademarks on an exclusive basis in Japan. *Please note that I drafted it without consulting anybody.* In drafting the agreement, I took into consideration my knowledge (as far as I know, it is correct enough) as follows: ..... If there is any provision you would like to modify, feel free to let us know."[13]

Naivete carried this far is past all hopes; subsequently, the draft was shot full of holes by the American would-be-licensor's lawyers.

Fortunately, not all business correspondences are as ineffective as the

previous example. After two months of intensive exchanges of opinions, another Japanese firm wrote:

(Example) "We are glad to enclose our draft agreement prepared by our counsel on the basis of the mutual understanding on the license so far expressed. We would appreciate it very much if you would discuss it with us in Munich on October 2 through 5 . . . "

After half a year of negotiation, a Japanese licensee-to-be telexed:

(Example) "TKS FOR YOUR JUNE 28 TLX RE MINIMUM GUARANTEE, TERRITORY (FRANCE & US) AND NET SELLING PRICE. NOW THAT WE KNOW CLEARLY WHERE WE BOTH STAND, WE ARE DRAFTING PATENT LICENSE AGREEMENT AND WILL AIRMAIL IT TO YOUR PARIS OFFICE BY JULY 10 . . . "

It must be noted in the passing that, in international licensing, the body of telex messages is mostly in plain English, not in condensed "telexes" commonly used by trading firms for daily transactions, for absolute clarity and concreteness. Moreover, a long message is broken down into clear-cut items for easy comprehension.

3. Communications During Negotiation

Technological transfer is both sensitive and complicated, and lack of clear understanding on both sides can easily upset everything.[14] Any doubt about the other party's capacity or intentions should be frankly discussed. Indeed, candor at all stages of negotiation frequently serves as a catalyst to understanding and trust.[15] Furthermore, all written communications must be carefully made to avoid later trouble, because they may eventually work for,

or against, the writer as undeniable evidence.

(1) Communication for the other party's easy comprehension and acceptance

Complex licensing communication must bear in mind the following:

(a) Untangling complex situations and arranging items in an orderly manner

(Example) ". . . We have studied your request of May 15 and now believe that this rather complex-looking territory issue can be broken down, for mutual understanding, into: (i) the exclusive manufacturing territory, (ii) non-exclusive manufacturing territory, (iii) exclusive marketing territory, (iv) non-exclusive marketing territory and (v) export restrictions (against the Fair Trade Commission's Anti-Monopoly Guidelines). On each item, our policy stands as follows:
(1) Exculusive manufacturing territory
(a) . . . . . "

(b) Clear identification of the subject

(Example: Subject line)
Your Letter of March 15, 1979 (RC/TM/0507/79)
1) Initial Payment in Three Installments
2) Running Royalty Percentage
3) Minimum Guarantee Quantity

(Example: Body of letter)
"1. Initial Payment Amount (please refer to your April 17, 1979 telex)
(1) Monthly installments of the initial payment

We have been thinking in terms of semi-annual payments in April and October in place of the monthly payment you suggest.

(2) Amount of payment

We agree to the amount, US$50,000, gross, the withholding tax to be paid and deducted from this amount . . . "

(c) Clear terminology and expression

(Example) ". . . For our mutual, thorough understanding of the "product" concept, we would like to refer to our products manufactured by us in accordance with your patent and know-how as PRODUCTS, and your products coming to us under our exclusive distributorship as IMPORTED PRODUCTS, as defined in the Definitions of the respective draft agreements. . . "

(Example) ". . . while your minutes of the Stuttgart conference does not make clear which countries are covered by "Europe," the countries have to be limited to West Germany, the Benelux countries, France and Italy. To these specific countries we will not export the licensed products for the life of the agreement. . . "

(d) Need for asking the other party for clarification promptly

(Example) "RE PATENT LICENSE YOUR 5/13/79 TELEX APPRECIATED PLEASE INFORM WHICH COUNTRIES BESIDES US ? WE ARE INTERESTED IN MARKETING LICENSED PRODUCTS IN CANADA, FRANCE AND FRG, BUT YOUR TELEX MENTIONS US PATENT NO. 3027198 ONLY. COULD YOU LET US KNOW WHAT PATENTS YOU HAVE WITH DETAILED PARTICULARS (COUNTRIES, PATENT NOS, DATE OF ISSUE, ETC.) ? REGARDS UMENO TOHO INDUSTRIES"

(Example) ". . . Your exclusive marketing territory proposed, we are afraid, may be regarded as an undue restriction by the E.C. Commision

under sections 85 and 86 of the Treaty of Rome. We would like to ask you, in this regard, to furnish us with the legal interpretation of the proposed exclusivity by the end of August. . . "

(e) Clear-cut reasoning for any assertion

(Example) "3) LICENSE FEES YOU PROPOSED (FOUR PERCENT RUNNING ROYALTY) IS A BIT HIGHER THAN WE EXPECTED BECAUSE: (A) THE LICENSE IS NON-EXCLUSIVE (B) OUR PROPOSAL INCLUDES MINIMUM YEARLY GUARANTEE (C) YOUR TECHNICAL ASSISTANCE IS NOT NEEDED: THIS IS SOLELY A PATENT LICENSE. . . "

(f) Effective visual assertion: Often-employed technique for accurate explanation and comparison of ideas in the draft agreement discussion. Difficult to refute.

(Example: Draft agreement provisions (drafted by the other party) with the Japanese firm's comments and counter-proposal)

Developed Products	Our Comment
shall be entitled to apply its own develop- hnology in utilizing the Products in the g of Developed Products. Licensor shall ht to use all modifications, improvements, or inventions made by Licensee during this Agreement in relation to Products acture thereof, without any payment to	Licensor's right is all-embracing; it needs to be more concretely qualified. Licensor's right to apply for patents may well be considered by the Fair Trade Commission as an undue restriction. Such unilateral stand can hardly meet the Commission's O.K.
If Licensor deems it necessary, it shall ht to obtain a patent or patents on such in all countries except Territory. shall do all acts and execute all assign- her documents necessary to enable Licensor and obtain such patent or patents.	We suggest that you study our draft (section 11, in particular) and discuss it with us in Osaka in August.

Reciprocal Information parties hereto will disclose to the other information or knowledge regarding to Products and to the manufacture cts which it develops during the term of ment.	Clearer wording on Licensor's obligation to furnish Licensee with its developments and improvements is necessary as agreed in Los Angeles. Please refer to our draft (section 14) based on mutuality.

(g) Assertive explanation to deal with an irrelevant request of the other party

(Example) ". . . WE UNDERSTAND YOUR INTENTIONS TO CLARIFY THE POINTS TO AVOID MISUNDERSTANDING. AS YOU WILL AGREE, AGREEMENTS MUST BE BASED ON ALL PREVIOUS MUTUAL CONSENT REACHED. OUR COUNSEL POINT OUT AS FOLLOWS:

1A) TRADEMARKS: WE HAVE AGREED TO SPECIFY QUOTE WOMEN'S WEAR, CLASS 17 UNQUOTE. THEREFORE, THE LICENSE DOES NOT COVER MEN'S WEAR.

1B) RUNNING ROYALTY OF 3%: NOT ACCEPTABLE. WE HAVE MUTUALLY AGREED TO 2% (PLS REFER TO OUR MARCH 1 TELEX AND YOURS OF MARCH 4).

2) MUTUALITY FOR TERMINATING THE AGREEMENT: THOROUGHLY PROVIDED FOR IN: LICENSE AGREEMENT SEC 11.1; DISTRIBUTORSHIP AGREEMENT SEC 13 . . . "

(h) Follow-up with detailed information by letter

(Example: Telex followed by a letter) ". . . TO SUPPLEMENT ABOVE INFO OUR LETTER FOLLOWS. WOULD APPRECIATE YOUR TELEX REPLY TO SAID LETTER ASAP. REGARDS, AMANO

(i) Request for the other party's early action

(Example: Deadline is specified) ". . . AS MENTIONED IN OUR MAY 15 LETTER, WE WISH TO EXECUTE LICENSE AGREEMENT ASAP, HOPEFULLY BY END-MARCH FOR SEPTEMBER START-UP OF NEW PRODUCTION LINE FOR LICENSED PRODUCTS. PLSE ADVISE BY TELEX ON ALL POINTS WE RAISED ABOUT SECTIONS 3 THROUGH 5 OF OUR DRAFT AGREEMENT BY FEB 15 REGARDS YOSHINO ORIENTAL MFG"

(Example: Other possibilities implied) ". . . WE BELIEVE YOUR STEERING COMMITTEE HAVE STUDIED OUR DEC 13 PROPOSAL. PLEASE INFORM BY RETURN TELEX YOUR DECISION BECAUSE (1) WE ARE BEING APPROACHED BY ANOTHER PROSPECTIVE LICENSOR AND (2) YOUR PATENT (NO. –omitted –) IS EXPIRING IN LESS THAN 24 MONTHS . . . "

(j) Preparatory to the execution of the agreement

(Example: Enclosing the final agreement for execution) "Further to our telex of July 3, we are glad to enclose the agreement we have prepared in duplicate. This agreement, incorporating all major points mutually agreed on so far, is signed by Mr Masatoshi Yamane, our President.

This agreement, we hope, will be acceptable to you in all respects. We would appreciate it if you would have your authorized officer sign the agreement and return one original copy to us. Alternatively, should there be any point on which you have a different idea, please let us know about it by telex as soon as possible.

We sincerely hope this will lead to our close business affiliation with mutual advantages for years to come. Thank you very much . . . "

(2) Certain features of communications for licensing negotiation

(a) Somewhat legalistic appearance

Unlike ordinary business communications, careful (in a legal sense) phraseology of negotiation letters and telex messages, often drafted, or made as advised, by the party's counsel, appears a bit legalistic, replete with accuracy and consistency. Viewed in this light, all communications need to be guided by the "legal mind" which, contrary to the stiff legal air it is widely believed to represent, is 80% common sense and 20% rigorous legal thinking combined to maintain consistency in reasonable assertion and pursuasion.

While all-out candor in discussing the license reigns supreme, the message also has to carry due courtesy and consideration beyond well-organized reasons.

(b) conceptual understanding first

When the two (or more) parties are earnestly in pursuit of their own respective gains, they are liable to start the licensing negotiation based on different concepts of contractual obligations. The negotiation communications, in such a case, are required to bring both parties to a complete understanding predicated on substantial advantages expected to be given to both parties on a mutual basis.[16]

(c) Clarification of doubtful intentions

All negotiation communications carry overt and covert messages of the true intentions of the parties to a contract; any shadow of doubt entertained by the Japanese firm about the ulterior motives of the other party should lead to a cool and firm request for clarification, in order to come to a successful licensing.

(d) Communications as written evidence

All communications, encompassing letters, telex messages, telegrams,

minutes of conferences, letters of intent, statements of fact, written undertakings, memoranda, etc.[17] are express evidence of the parties' consents and disagreements, to be later referred to in the event of licensing negotiation troubles or post-execution controversies or disputes. This requires the communicator to anticipate possible legal problems, besides being business-minded.

V. Conclusion

We have seen that letters and telex messages play an important role in licensing negotiations. Unless these licensing negotiations can lead to a successful arrangement for the well-ballanced advantages to both parties to the agreement, smooth post-execution performance of the parties for long duration of the agreement cannot be expected. All communication vehicles, therefore, must be employed to (i) clarify all intentions of the parties and (ii) work out a way to mutual gains on the basis of thoroughly planned licensing policies and the full understanding of each other's position.

Although direct personal contact is undoubtedly an essential part of licensing negotiations, it by no means outshadows the immesurable value of written licensing communications which act as negotiation vehicles and, at the same time, express evidence of the parties' intentions.

In view of the importance of letters and telex messages in licensing negotiation, it is imparative that we pay utmost attention to their form and content for the most efficient and fruitful technology transfer.

Footnotes and References

1. *Kokusai Keiyaku Handbook* (Handbook of International Contracts), ed. by Fuji Bank Ltd. (Fuji Bank Ltd., Tokyo, 1978), p. 9
2. *Ibid.*
3. Robert Goldscheider, *Licensing in Foreign and Domestic Operations* (C. Boardman Co., New York, 1928), p. 1(6)
4. Yoshio Mastunaga, *Gijutsudonyu Keiyaku no Tebiki* (Handbook of Contracts for Technology Import) (Nikkan Kogyo Shimbun, Tokyo, 1969), p. 19
5. Goldscheider, p. 2(4)
6. *Kokusai Keiyaku Handbook*, pp. 54-60; "Gijusturaisensu Keiyaku no Check Point" (Check Points of Technological Licensing Agreements), *Jurist*, Tokyo, September 1, 1962, pp. 76-77
7. Goldscheider, p. 1(4)
8. *Ibid.*, p. 1(5)
9. Takao Mukoh and John Deschazo, *Dynamic business Letter Writing*, 4th ed. (Taishukan, Tokyo, 1979), p. 177
10. Daijiro Nagata, *Kogyoshoyuken Jitsumu Sosho* (Handbook of Industrial Property Right Practice) (Yuhikaku, Tokyo, 1966), pp. 36-37
11. The writer's opinion is well endorsed by: Matsunaga, p. 12
12. *Kokusai Keiyaku Handbook*, pp. 10-11
13. Takao Mukoh, "Gaikokukigyo tono Keiyaku ni Kansuru Tsushin" (Communications Related to Contracts with Overseas Enterprises), *Business English* XXXV, Tokyo, July, 1979, p. 11
14. Goldscheider, p. 1(7)
15. *Ibid.*; *Kokusai Keiyaku Handbook*, p. 2
16. Goldscheider, p. 1(5)
17. Kazuo Iwasaki, *Eibun Keiyakusho* (English-Written Contracts) (Dobunkan, Tokyo, 1969), pp. 4-5 These documents, despite their less imposing appearance than the formal contract, can constitute legally binding contractual evidence.