Monsanto

G. F. Barton - B1ND

DATE March 30, 1977

EVC license file

J. A. Alley
J. K. Clark
R. C. Isham
E. T. Mollica
C. Paton
~~D. Wood~~

TO D. Danna
W. H. Duffey

COMPANY CONFIDENTIAL

The wording of the attached news release concerning EUC's licensing of dielectric fluid technology has been reviewed and approved for release by F. J. Fitzgerald and L. A. Miller. We understand that the release will be distributed by EUC upon successful completion of a licensing agreement with Monsanto.

G. F. Barton

GFB:smt

Att.

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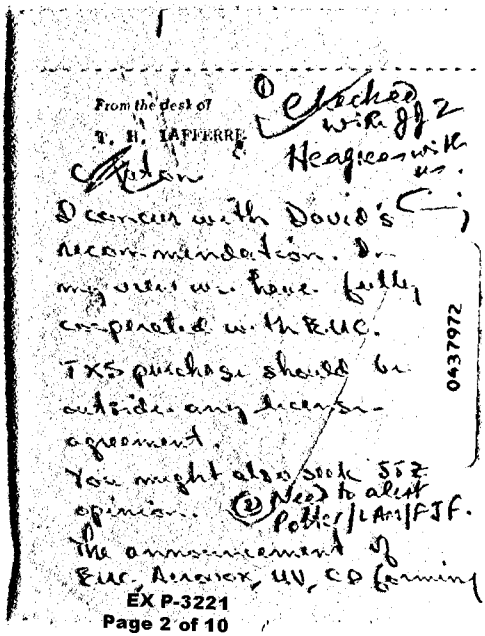

From the desk of

T. H. LAFFERRE

① Checked with JJZ

He agrees with us.

Anton

I concur with David's recommendation. In my view we have fully cooperated with EUC.

TXS purchase should be outside any license agreement.

You might also seek JJZ opinion. ② Need to alert Potter/LAM/FJF.

The announcement of EUC, Aerovox, UV, CD forming

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From the desk of

T. H. LAFFERTY

just crossed my desk.
Is this agreement for
EUC exclusively, or for
the joint research
venture?
If it is for the joint
venture, we probably
haven't changed enough,
but it is probably too
late.

TML
4/17/76

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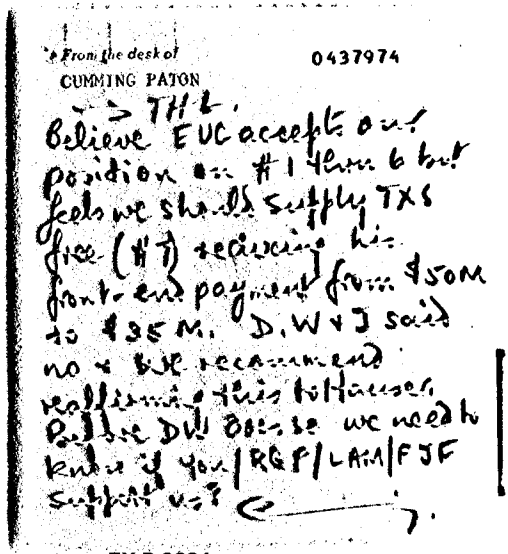

From the desk of
CUMMING PATON

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→ THL.
Believe EUC accepts our position on #1 thru 6 but feels we should supply TXS free (#7) reducing his front-end payment from $50M to $35M. D.W + I said no + we recommend reaffirming this to Hauser. Before DW does so we need to know if you/RGP/LAM/FJF support us?

Licensing Opinion

The attached proposal as written reflects the inputs from the product group management and is a departure from my proposal of July 7, 1976. The areas of comment are:

(A) Ref. II-1 - - - E.U.C. can make and sell the patented dielectric fluids but the purchaser cannot use them in capacitors without a license from Monsanto.

(B) Ref. V - Compensation - - - Two lump sum payments at $50,000 (rather than $35,000) and a minimum annual payment of $20,000.

Discussion

In each licensing arrangement the over-all terms and compensation reflect a total package which if splintered can adversely affect the successful outcome of any negotiations.

My memorandum of June 29, 1976, which analyzed Monsanto's position in licensing the manufacture and use of the capacitor dielectric fluids technologies, led to my proposal of July 7, 1976.

The original proposal was carefully structured to -

1) *enable MIC to retain all rights for purposes of re-entry into the business area, or license others, or sell MIC's complete assets in this area to another (including the possible E.U.C. license).*
2) *MIC to have rights to any E.U.C. improvements or application uses.*
3) *MIC to have non-exclusive rights to any patents E.U.C. obtains resulting from the use of MC technology, and*
4) *absolve MC from any liabilities and responsibilities for E.U.C. use of the technologies.*
5) *extend E.U.C. the rights to make and sell the patent fluids, along with the rights to use in capacitors, to other parties, gaining wider market acceptance and increasing MIC's royalty income.*

As to compensation to Monsanto, in light of the above limitations, the strategy was to ask for a reasonable amount ($50,000 seems excessive when considering our position on retained rights) and at the end of two years if E.U.C. has a winner and wants to continue then another token fee is paid, plus a 5% of net sales value will be paid for the life of the

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patents. A royalty rate of 5% is higher than the usual royalty rates even on commercially proven technology, at this stage these capacitor fluids are not so proven. The lower than $50,000 fixed front end payments were intentional to attract their attention away from the 5% running royalty.

If we include the usual guaranteed minimum payment herein proposed, we will probably have to include some sort of terminal statement in event they stop manufacturing and use another source fluid; thus by not mentioning a minimum we can gain good will.

The July 7, 1976 proposal was designed to attract E.U.C. and for MC to stand firm on the over-all terms of the proposals.

It is my opinion, in light of all the constraints we are placing on E.U.C. by this revised proposal, that E.U.C. will demand less restraints and offer less money, especially on full examination of the 5% running royalty rate.

Dominic Danna
Manager, Technology Licensing
7/13/76

MONSANTO COMPANY

Subject: *Tentative licensing proposal to Electrical Utilities Company for use of the Monsanto patents and know-how for the manufacture of dielectric fluids for use in capacitors.*

Monsanto Industrial Chemicals Co.

Dominic Danna
Manager Technology Licensing

7/7/76

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Reference Monsanto Patents

U.S. 3,796,934	*by R. H. Munch*	*March 12, 1974*
U.S. 3,811,077	*"*	*May 14, 1974*
U.S. 3,948,787	*"*	*April 6, 1976*
U.S. 3,948,788	*"*	*April 6, 1976*

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LICENSING PROPOSAL

Monsanto (U.S.A.) agrees in principle to license Electrical Utilities Company (U.S.A.), Monsanto technologies, including patents and know-how for the use in manufacturing the various possible dielectric fluids covered by the subject patents issued to Monsanto. It is understood that the final terms of any agreement must be approved by Corporate Monsanto.

I. TECHNOLOGY PACKAGE

A. Monsanto shall furnish a manual sufficiently detailed to permit E.U.C. to formulate the Monsanto product MCS-1588. The manual shall include needed equipment description as well as operating procedures.

B. Monsanto shall furnish E.U.C. with a manual describing the equipment and operating procedures, sufficiently detailed to enable E.U.C. or an approved toll manufacturer to produce the Monsanto intermediate known as toluol xylyl sulfone (TXS); a necessary ingredient in the formulation of MCS-1588.

C. For E.U.C.'s use Monsanto shall make available all existing environmental and medical test reports as they concern MCS-1588 and other dielectric fluids of similar composition.

D. Monsanto shall make available engineering consultation and process engineers for the initial start-up of E.U.C. plant.

Do we have any experience in engineering? This probably will require R&D personnel.

Should state a time period with no performance guarantees. What happened EUC expansion capacities

II. RIGHTS

1. Monsanto will grant E.U.C. a non-exclusive, nontransferable right to use their U.S. patents and know-how to make, use and sell the patented products, this will include rights and know-how for the manufacture of the products MCS-1588 and TXS.

2. Monsanto shall have the royalty free, non-exclusive right to use any unpatentable improvements or modifications of the licensed technology or any applications of the products in the dielectric fluid field, that E.U.C. may develop during the term of the agreement.

3. Any patentable inventions that E.U.C. may develop in the field of use (dielectric fluids) resulting from the rights licensed by MIC, will be E.U.C. property, but Monsanto shall have the right to a non-exclusive license under such patents from E.U.C. at mutually agreeable terms.

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III. LIABILITIES

Since Monsanto has manufactured TXS and MCS-1588 in pilot plant quantities for developmental purposes only, it has not applied for E.P.A. acceptance; such application requires extensive testing. To this end, MC will not accept any responsibilities nor liabilities in connection with manufacture and use of any of the patented products, including TXS and MCS-1588.

IV. ASSIGNMENT

Monsanto reserves the right to assign this entire agreement to any possible purchaser of Monsanto's U.S. business as related to capacitor dielectric fluids, including all substantial rights to Monsanto's U.S. patents, tangible and intangible assets in this product area. Provided, however, that Monsanto's polychlorinated biphenyl products shall not be considered part of said business.

V. COMPENSATION

1) On signature of the Technical Agreement E.U.C. will pay Monsanto $35,000.

2) After two years from the date of signature if E.U.C. chooses to continue the arrangement, E.U.C. will pay Monsanto

a) an additional payment of $35,000, plus

b) a running royalty for the remaining life of the patents of 5% of net sales value of the patented products, or if the patented products are used, not sold, E.U.C. will pay 5% of 140% of E.U.C.'s actual manufacturing costs.

This isn't much considering what it cost us to develop!

3) Technical consultation and on-site technical assistance expenses by MC shall be reimbursed by E.U.C. (actual salary, overheads and living expenses).

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