Glidden — Quality Products

CITY Cleveland DATE May 25, 1959 FOR Mr. R.D. Horner

SUBJECT GENERAL PURCHASING DEPARTMENT REPORT

ANSWERING LETTER OF

RDH

MAY 25 1959

While many businesses continue to run at near record rates, there has been enough capacity added over the last several years that, with one or two exceptions, we are able to get as much raw material as we need. An outstanding exception is the situation we are faced with on maleic anhydride. The demand for this material has been so great that in June our suppliers have put us on allocation and we have been having a difficult time getting as much material as our paint division needs. Among other uses this material goes into polyesters and our business at Nubian has been so good on this that in four months they have used up their original estimate for the entire year. We have made considerable progress the last several weeks in lining up additional material for them and we are optimistic that we can keep our plants running through June at which time we expect to see a temporary easing up situation because the polyester business is somewhat seasonal. We are concerned, though, about the long range outlook for maleic anhydride as there are only three basic producers of the material and there is not much hope of increased capacity unless we can get someone else interested in getting into this business. We are working in several directions on this. There is also the possibility of importing this item which we are exploring.

There is also a tight situation on phthalic anhydride but it is nowhere near as critical as the maleic anhydride. Here there seems to be plenty of capacity and it is a question of business being exceptionally good at a time when most people are trying to build up their inventories in anticipation of a steel strike. Even though our sales are particularly good at this time, we have been able to increase our inventories during the month of May and feel confident that we can increase them during June so that if we have a steel strike we will have adequate inventories.

We mentioned last month that our Paint Sales Department was getting consideration by both American and Continental for some new type of can coatings which offered the can companies savings. Mr. Forbes came back from our last technical conference with the American Can people with a $750,000 order starting in August of this year and ending June 1st, 1960 for a new beer can coating made from "C" oil. This is the culmination of several years of intensified work by a number of people in The Glidden Company ranging from our formulators up to and including Mr. Joyce. We do have a problem though in the availability of "C" oil and while we have been assured by Enjay of enough material to handle this initial order from American our paint people and Dr. Von Fisher are investigating the possibility of either manufacturing

The news from Continental is also good. The first production run of our new vinyl beer can coating made from Firestone material was very successful and if subsequent production tests are as good it looks as if we can finally get out from under Stoner Mudge's shadow and move in as the number one supplier on this type of coating.

DRYING OILS:

There is no change in the linseed price which remains at 12.5¢/lb. Soybean oil prices have been firm and have advanced to .09-7/8 lb. We are protected with .09 oil through the second quarter and will buy spot for our third quarter requirements or until such time as the market is considerably weaker than it has been in the last month. Wood oil prices are firm: Domestic oil is 22¢/lb. FOB South and imported oil is 23¢/lb. FOB Port.

NON-FERROUS METALS:

Demand for lead has been excellent during the month and as a result the price firmed up to 12¢/lb. Zinc is steady and unchanged at 11¢/lb. Copper has been firm and unchanged at 31-1/2¢ lb. There continues to be a large surplus of cadmium and the price is weak at $1.10 lb. The nominal price for selenium is unchanged at $7.00 lb. although we have bought some small lots of imported material for as cheap as $6.00 lb.

PACKAGES:

The paper industry is once again going full blast. During the past year competition has squeezed profits and there is considerable talk of a general price increase July 1st. Fine paper prices have already gone up and it may be we will see higher prices soon for shipping cases, multi-wall bags, folding cartons, etc.

R. L. LUZON

fw

Cleveland May 20, 1959

TO: Mr. Dwight P. Joyce
Mr. W. C. Lighter
Mr. A. D. Duncan

cc: Board of Directors
Dr. W. von Fischer

DISCLOSURES OF FORMULAS AND TECHNOLOGICAL KNOW-HOW RELATIVE TO RAW MATERIALS USED BY FOREIGN LICENSEES IN THE MANUFACTURE OF PAINT PRODUCTS.

The foreign license agreements negotiated by our Paint Division obligate us to make continuing disclosures to our licensees of formulas for and technology pertaining to the manufacture of paint. We are not obligated contractually, however, under any of these agreements to make disclosures of formulas for or technology relating to raw materials used by our licensees in their paint manufacturing operations (even if such materials are manufactured in this country by our own Paint Division) except to the limited extent necessary to enable the licensee to make Glidden quality paints containing such materials as ingredients. If certain raw materials are not available through purchase from Glidden, Dow, Reichhold, Rohm & Haas or other paint chemical suppliers, we may also be obliged to furnish know-how concerning the manufacture of such materials in order to enable a licensee to manufacture all of the paint products included in its license.

Our license agreements provide that we will disclose to the licensee all of the paint manufacturing formulas and processes we own, or may during the contract period, develop or acquire, which we are not precluded from disclosing by our contracts with others.

Because of the nature of this obligation the question has frequently arisen as to what constitutes a development of a process or formula so as to obligate us to disclose research technology to a licensee. Our Executive

Committee carefully considered this question on January 26, 1956, and decided that formulas and processes being developed in our laboratories should not be revealed to our licensees except when, in the opinion of our laboratory technicians and operating executives, such formulas and processes were sufficiently developed to be of immediate use to the licensee, and then only if the licensee was prepared to use them.

More recently, the question was raised as to whether under our agreement with W. R. Grace & Company's Chilean subsidiary we were obligated to disclose synthetic resin formulas and know-how to Grace's technologists who were constructing a synthetic resin plant in Chile to supply not only their paint resin requirements but also the resin market generally in that country.

At the April 22, 1959 Executive Committee meeting Dr. von Fischer pointed out that our research laboratories were currently developing synthetic resins substantially superior in quality to the company's existing resins. He believed that this resin technology might afford the company a valuable source of future profits which could easily be dissipated should we be required to turn over future resin technology to other parties who permit it to be disclosed to competitors. He questioned whether we could justify proposed future investment in synthetic resin research if we were obligated to disclose, or adopt a policy of voluntarily disclosing, the results of such research to foreign licensees.

It was also pointed out at this meeting that continuation of a policy of disclosing formulas and technology relating to resins, latices and other raw materials used in the manufacture of paint would result in the loss of not only valuable future synthetic resin developments but also technology that might be obtained by future acquisitions in the resin field.

Over the past several years there have been frequent requests on the part of Paint Division technical personnel for guidance as to the extent to which they should be expected to disclose resin formulas and research developments to our licensees. Mr. Sprague, Dr. von Fischer, Mr. Ellslager and other staff officers have from time to time expressed strong objection to a policy of voluntarily disclosing to our licensees information developed in the course of our resin research which we were not legally obligated to disclose to other companies, particularly where indications existed that information disclosed to a foreign licensee's employees in confidence readily found its way to competing paint resin suppliers in this country.

It is recognized that if certain disclosures of resin technology are not made to our licensees, our Company may be deprived of royalty income it might otherwise receive from the sale of resins by its paint licensees and that its business relationships with some licensees may tend to be strained by our unwillingness to disclose information which they have been led to believe by our past practices or verbal discussions we would continue to make available to them.

For this reason we recommend that a resin formula or technological development which our licensees may wish to obtain from us, related in any way to licensed paint products and not required to be disclosed under our agreements, be withheld only when in the opinion of our own Headquarter's Research Staff it represents a substantial improvement over our competitors' know-how and is deemed important to the future growth of our chemical business.

We further recommend that our Division research and technical personnel obtain from Dr. von Fischer and his staff any direction they may require to carry out the Company's obligations to disclose its paint formulas and technology to foreign licensees. Such direction by Dr. von Fischer will, we believe, provide suitable coordination with the work of Glidden International and other staff personnel in carrying out our foreign licensing program.

Such a policy we feel will further assure our Company that its legal obligations to foreign licensees will be discharged with a minimum of misunderstanding on the part of our licensees as to our intention not to disclose information that should, in the interests of our research efforts and future profits, be securely retained within our own organization.

W. G. Phillips

R. D. Horner
COMMITTEE APPOINTED TO DEVELOP STANDARD OPERATING PROCEDURE COVERING DISCLOSURES TO FOREIGN LICENSEES

/vmm

Cleveland 14, Ohio

May 25, 1959

Mr. Dwight P. Joyce
Mr. W. C. Lighter
Mr. G. B. Warner
Mr. R. D. Horner
Mr. W. G. Phillips

REPORT - CAPITAL APPROPRIATIONS SCREENING COMMITTEE

The Capital Appropriations Screening Committee has met and reviewed the following two items submitted for consideration at the May Directors' Meeting:

	Capital	Working Capital
B.A.R. 14-254 Additional Paint production and filling facilities	$282,000	$780,100
B.A.R. 30-1868 Central Research Laboratory	$2,000,000	

The Committee recommends approval of B.A.R. 14-254 for a total of $1,062,100 as presented in the B.A.R. This is considered a normal scheduled growth B.A.R.

In reviewing the Central Research Laboratory B.A.R. 30-1868, the Committee recommends that the Board, at this time, consider approval of a total of $282,500. This covers $92,500 necessary to exercise options on the site and $190,000 for site improvements and the architectural and engineering design for the initial unit. The committee believes that approval of the balance of the B.A.R. can be considered as soon as a more accurate price tag can be put on the project and after additional consideration has been given to organization and control of the program to be undertaken.

W. G. Phillips

WGP:jts

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