

Cleveland

May 20, 1959

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

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

cc: Board of Directors
Dr. W. von Fischer

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

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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.

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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. Klalager 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.

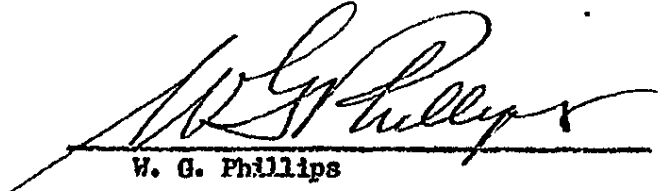
For this reason we recommend that a resin formula or technological development which our licensees may wish to obtain from us, related in any way to licensed paint products and not required to be disclosed under our agreements, be withheld only when in the opinion of our own Headquarter's Research Staff 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

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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

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Cleveland 14, Ohio

May 25, 1959

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

REPORT - CAPITAL APPROPRIATIONS
SCREENING COMMITTEE

COPIES FOR

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

	<u>Capital</u>	<u>Working Capital</u>
<u>B.A.R. 14-254</u> Additional Paint production and filling facilities	\$282,000	\$780,100
<u>B.A.R. 30-1868</u> 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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