BERNARD I. (WOODY) FRIEDLANDER

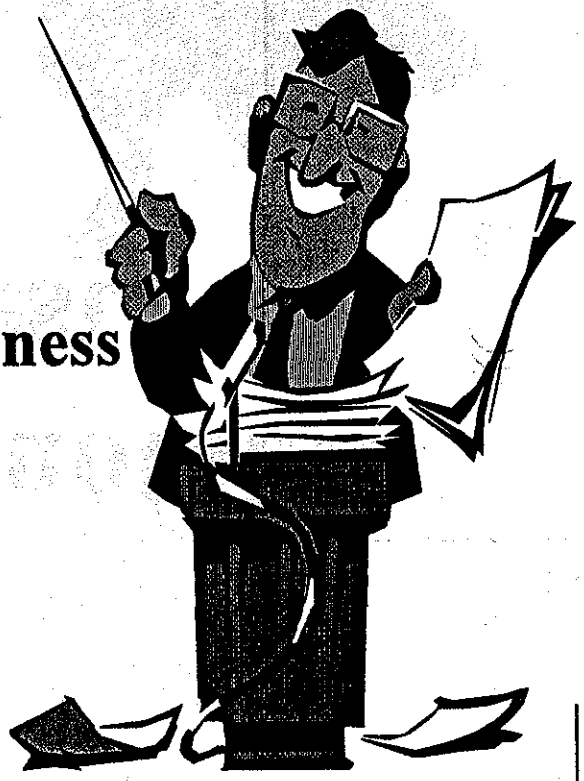
Since 1985, Woody has been the principal consultant in Venture Insights Group. He undertakes licensing, technology management, and evaluation projects and provides litigation support. He is a frequent lecturer on licensing subjects.

Woody was President of a software development company, Managing Director of a private marketing and sales promotion company and for twenty years he was involved in licensing and the transfer of intellectual property as Director of Marketing, Director of Technology Transfer Marketing, Associate Director Patents and Licensing and Business Manager—intrapreneurial new businesses for Union Carbide Corporation.

A Registered Professional Engineer with a Ph.D. in Chemical Engineering from the University of Toronto, Woody was president of the Licensing Executives Society (U.S.A. and Canada) in 1992 and he is co-editor of *The Law and Business of Licensing*.

Ethics

- No thanks, we have them all
- They're in the corporate charter
- We only use them outside of business



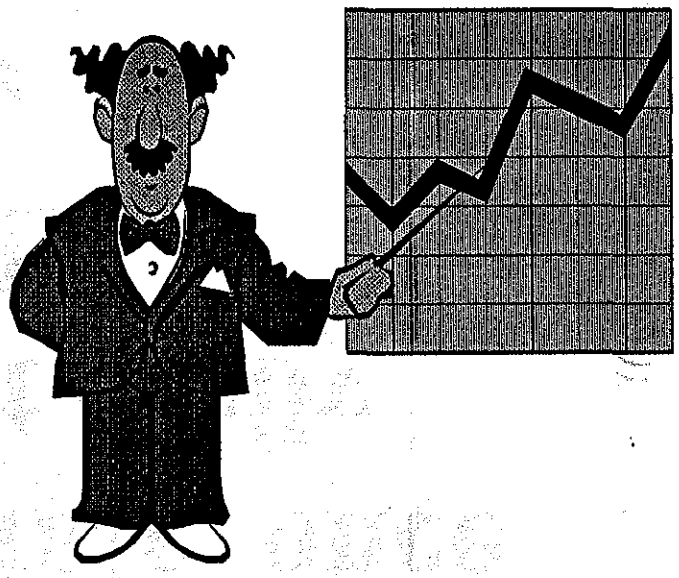
"It's better to be quotable than to be honest."

Tom Stoppard



Corporate Dilemma

How to decouple the profit issues from the ethical issues



"A bad moral state, once formed, is not easily amended."

Aristotle

Philosophy

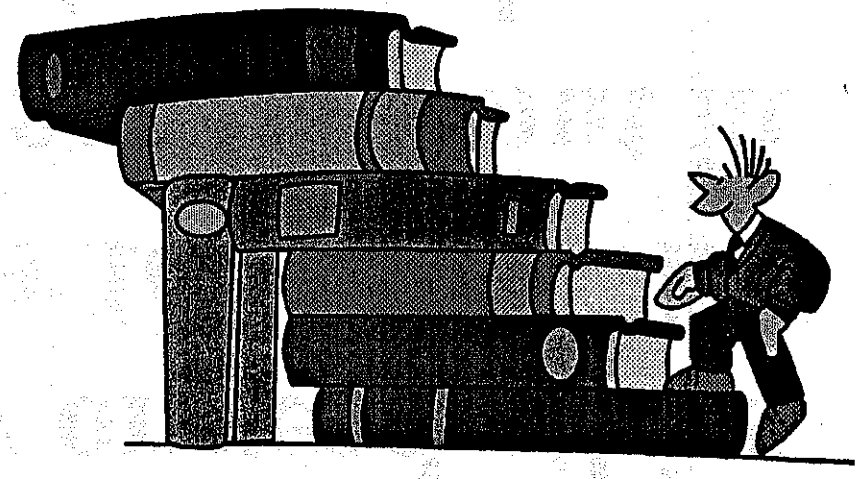
The pursuit of wisdom

Ethical

- **Conforming to accepted professional standards of conduct**

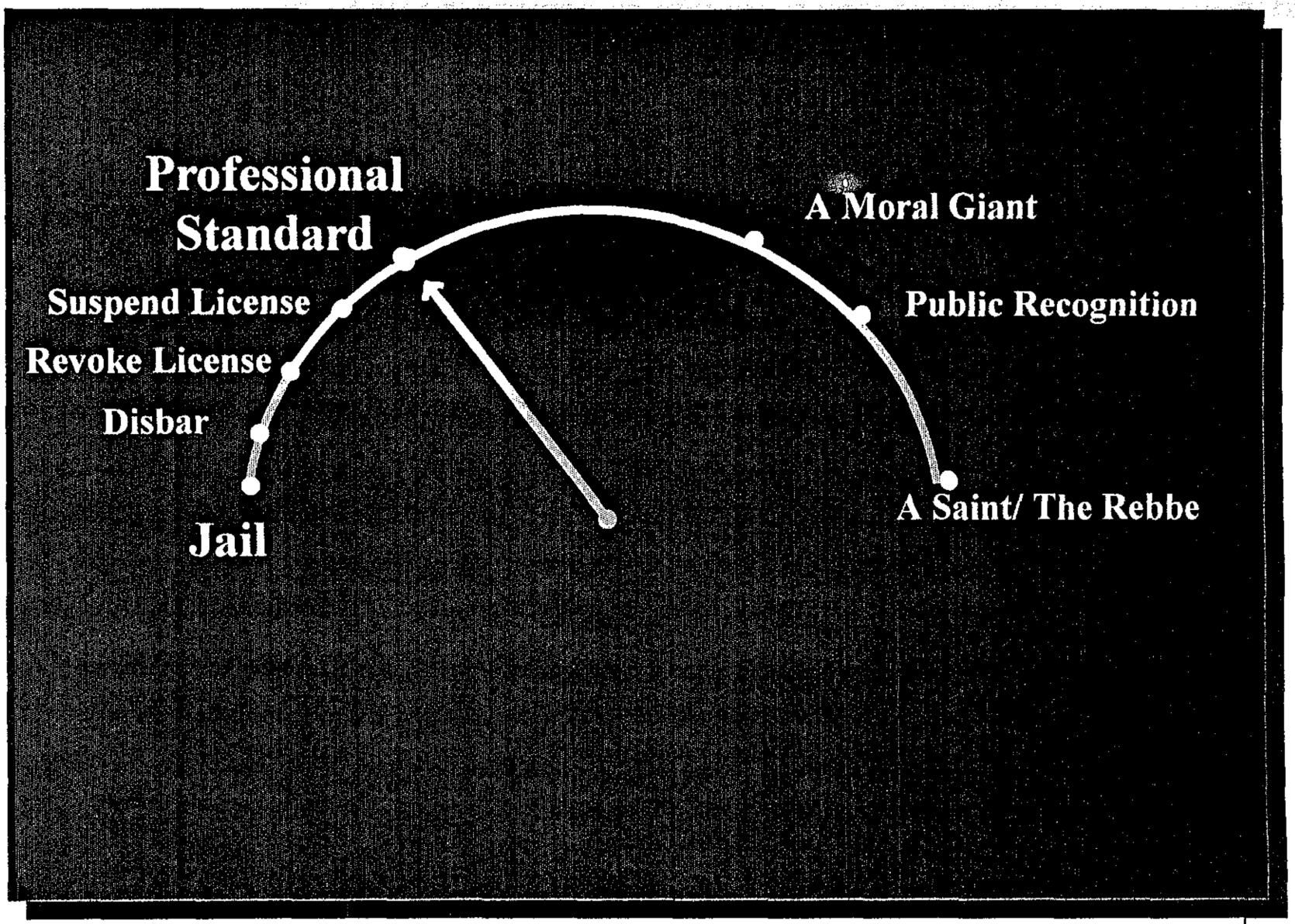
Profession

A calling requiring specialized knowledge and long and intensive academic training



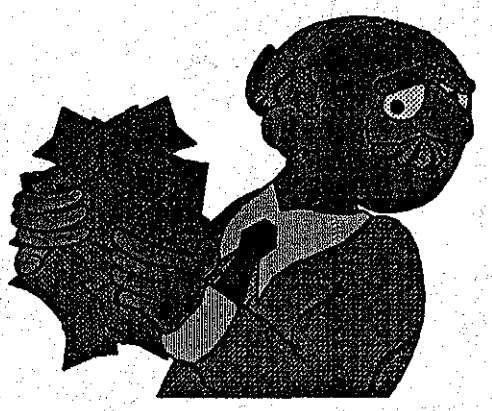
"We study or read ethics not in order to know what good men are like, but in order to act as good men do."

Aristotle

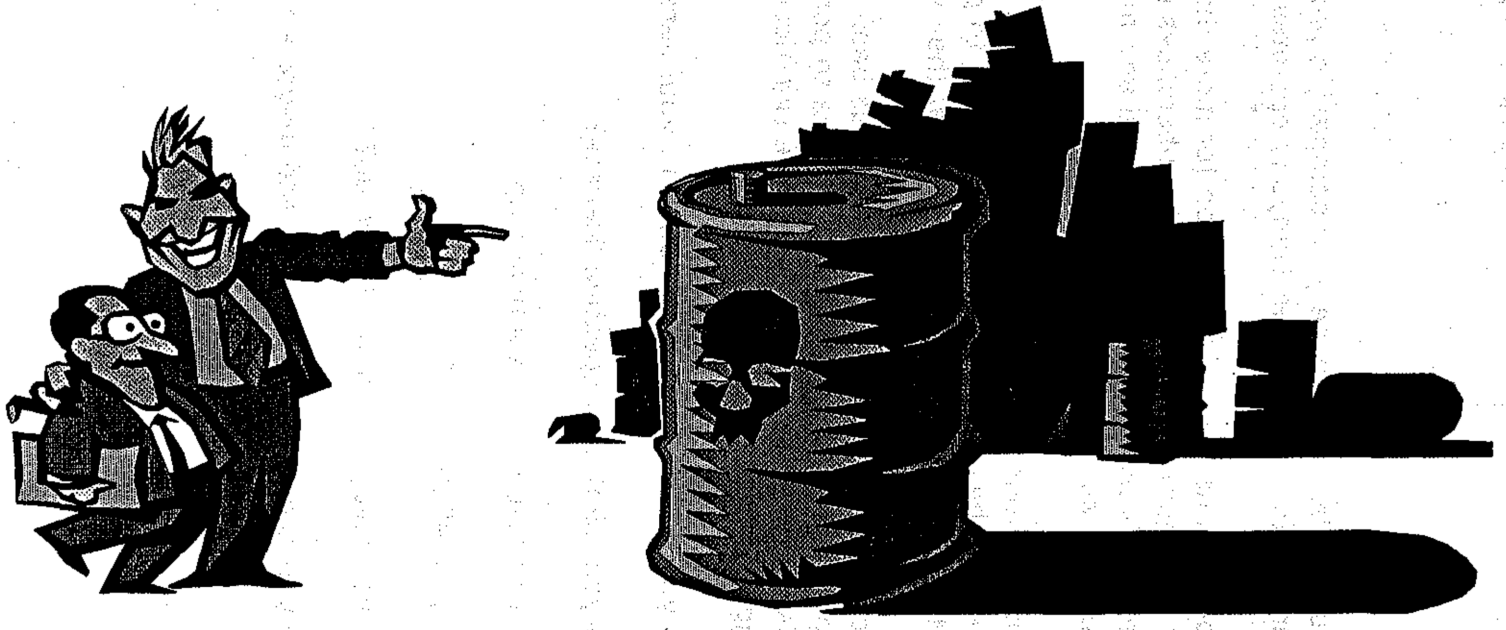

Professional Standard
Suspend License
Revoke License
Disbar
Jail
A Moral Giant
Public Recognition
A Saint/ The Rebbe

Ethics Test

- **Is it honest?**
- **Is it fair?**
- **Can I justify it publicly?**



There is no right way to do the wrong thing



NO ASK, NO TELL

You are about to license your company's process and product patents to manufacture GOOP. Your company operates Process A.

Process A has been in operation for more than 9 years. It meets the requirements for maximum emissions of toxic substances put in place 10 years ago. The company's plants are well maintained and toxic emissions are always below the maximum acceptable standard.

Some of your technical people say that your research shows that the cumulative effect of these emissions might be a risk to public health. If the FDA were to learn of the research findings it is likely that they would modify the regulations.

A change to a new Process B that has been internally developed would be expensive. Your company would have to permanently shut down one of the existing plants and you would have significant layoffs in a town where you are the biggest employer.

Do you disclose this information to your senior management?

Do you tell the prospective licensee?

Do you give the FDA a heads up?

Do you tell the FDA?

Do you give the Union a heads up?

Do you give the town council and mayor a heads up?

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TO THINE OWN SELF BE TRUE
ONLY IF IT DOESN'T COST

Jerry Jenius is an orthopedic technician. His wife, Joy is a paralegal in the patent department at Goliath Corporation. The family income provides for a summer camp and several vacations each year.

Jerry has always been a creative guy and his wife Joy always complained about her hair dryer. She couldn't see behind her head and she needed three hands.

Jerry has invented a Rube Goldberg device that does everything Joy wants it to do. Jerry knows that each year there are 11 million hair dryers sold in the United States and almost 3 million curling irons. He believes that the appliance manufacturers could sell these JJ BOBS by the millions or even give them away as premiums. His neighbors think it is a great idea. He has a great idea for a trademark and he has sketched a series of cartoons that he thinks would be great for magazine and television ads and for the instruction manual. He is certain that by investing their savings and with a little hard work his invention will be better than winning the lottery.

Jerry has heard and seen ads on the radio and TV for a company that helps inventors commercialize their inventions. He has received the inventors kit and before he can do anything Joy tells him that she's talked Tony Terrific the head of her patent section and he said that Jerry should see a patent attorney and/or a consultant. He gave her several names.

Jerry Jenius and Joy call your office. They use Tony Terrific's name and explain what they think they want to see you about.

Some questions that appear obvious:

1. Do you take the telephone call?

2. How do you deal with inventors regarding preliminary discussions?

3. Before you have a chance to get back to the Jenius on the phone we learn that Joy's aunt, the heir to the Hoolahoop fortune has died and left Joy $2 million.

4. Is there a duty to inform the inventor about the role and reputation of consultants, brokers, lawyers?

5. Is there a duty to opine on the value of the invention?

6. What duty or responsibility do you have beyond the task for which you are engaged?

7. An invention broker that advertises on late night television all over the country contacts you and asks you to do patent searching and patent applications for them. They guarantee at least 750 searches and 100 applications per year.

8. The invention broker asks you to be a senior consultant to their company and sit on their board for a six figure annual retainer. Your participation as an officer or director of several professional societies is important to the broker.

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LOOSE LIPS SINK SHIPS
AND
ARE DEAL BREAKERS

The HiLite Corporation has three patents on a solar powered night light. This amazing little device is made by coating a thin sheet of galvanized steel with a remarkable coating that absorbs light energy during daylight hours and when the lights are on and then glows brilliantly in the dark for twelve hours. It appears to have a reasonable life and the test marketing has been very successful. HiLite has been negotiating with BulbsOut Inc. a three year old, successful, growing business. Sam Stiletto, vice-president of HiLite had solicited Sally Sharpe and her partner Nels Nerdly who was engineer of the year in 1997 in attempt to license them

HiLite was one of the major suppliers to the industrial market but they felt that they would be out of their area of expertise in the consumer product/retail markets. HiLite had been making a limited quantity of specialized night lighting devices using the patented technology. At trade shows and technical conferences the technology was well received and others were and are active in research and development.

In the year since Stiletto made the first call on BulbsOut, Nels Nerdly had visited the research and development laboratories of HiLite and their pilot plant and commercial manufacturing facilities and believed that they had a good handle on the technology. Sally Sharpe had undertaken market research both by her Marketing and Sales Director and an outside study by Arthur B. Coopers, the consulting firm.

The details of the license had been worked out and there was agreement between the parties on almost all the terms. The license called for a substantial up front, non refundable and non creditable payment of $2 million (payable over 4 years) and a running royalty of 25 cents per unit with guaranteed minimums for each of the first 4 years.

Stiletto and his boss, captain of industry, philanthropist and all round community leader Strato Sphere were going to have a last negotiating session with the two senior executives from BulbsOut and their venture fund investor Sly Plunger one week from next Wednesday. They expect to initial the working agreement at that time.

Consider the following and determine what you would advise HiLite to do if you were a consultant/adviser, inside counsel or director of licensing. What would you do if you were HiLite management?

1. The major competitor of HiLite is Grub Corp. Grub had contacted HiLite over a year ago about the possibility of a patent license but HiLite was very non committal and Grub was not prepared to pay any substantial sum so their motives might have been suspect anyway. Grub had said the patents could not be worth much since there were many patents on similar coatings and similar products were being used in Polish submarines. Grub has recently requested reexamination of the HiLite patents.

2. Grub had produced semi-commercial quantities of the industrial light product about a year ago. When HiLite became aware of Grub's sales they requested that Grub submit to arbitration. Both companies belonged to an association of corporations that had agreed to settle their disputes using arbitration. The matter of patent validity and infringement was to be decided in the arbitration.

3. The arbitration of the dispute between HiLite and Grub resulted in the panel finding that the patents were invalid. The matter could be taken to a United States District Court for confirmation but until it is done the matter is private. Grub is having some financial difficulties and has not marketed the product since the panel made its decision.

4. HiLite has sued Grub for patent infringement. The case is pending and unlikely to be heard for several years. Grub may have a good case for invalidating the patents.

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WE DIDN'T DO ANYTHING WRONG
WE WERE PRACTICAL

The Mongol Corporation has a long history of being in the forefront in the development of petrochemical products and processes and is known throughout the world. It operates manufacturing plants in North America, Japan, Taiwan, Belgium, U.K., Brazil and Italy. It has sales offices in almost every industrialized country and in a number of the developing countries.

Mongol produced a variety of products that were used in the manufacture of industrial and consumer glues. Over the years a number of patents had issued to Mongol related to adhesives and this was well known. Mongol had developed a new process to manufacture bishydroxyzip (Zip) and had several patents. They had built a pilot plant and scaled up the process. Not without some difficulties though, but it was felt that these would be overcome. Although the process was promising, management decided to kill the project and continue to use an old process to make Zip. The laboratory data and all the forecasts and projections were carefully stored and the pilot plant was dismantled.

Pisa Engineering and Construction Company, a medium sized company in its field, was building a number of plants in Eastern Europe and were particularly busy in Upper Slobovia. The Slobovians five year plan called for a plant to make Zip. The Zip unit was to be built in the large chemical works at Mygosh about 250 kilometers from the capital of Upper Slobovia. The chemical works was part of an enormous complex that manufactured armaments as well.

Pisa asked Mongol if they would license their worldwide patent rights and more important their knowhow. Pisa would take Mongol's laboratory data and then would design and build a commercial plant in Upper Slobovia. Mongol would, perhaps, be asked to supply some technical support after start up but this was not a condition of the deal.

Mongol exported significant quantities of various products to Upper Slobovia from its plants in Europe and had an area sales office in Lower Slobovia with a large staff managed by an American who was president of Mongol Eastern AG.

All the discussions were between Pisa and Mongol and the license would pass through Pisa to the Slobovians. Eventually the agreement was signed and Pisa paid Mongo several million dollars up front with the payment being spread over the eighteen months it would take to design the plant.

Mongol had very little contact with Pisa during the design phase and eventually construction began. As is usually the case, construction took more than 5 years. And so some 7 years after the license had been granted and almost 9 years after Mongol suspended its research and development Mongol learned that the Zip plant

was nearing completion and was soon to be commissioned.

Joe Worrywart, the licensing director of Mongol, made a courtesy call to the managing director of Pisa and was asked if Mongol might have two engineers available to assist in the commissioning procedure. Meanwhile a delegation of Slobovians including the vice premier and the plant manager were visiting the United States and were to luncheon at Mongols headquarters. Mongol Eastern was trying to cement its relationship.

One month later Pisa's new managing director and the new project manager urgently request the paid assistance of Mongol. All the experienced personnel were long since retired but Al Swift and Doug Deepe from the engineering and manufacturing departments respectively could remember how to spell Zip. They went to the plant site and soon reported the problem areas. These included construction and mechanical problems, concerns about safety and personnel, and questions about the process itself. Over the next 6 months the engineers and Joe Worrywort made several visits to the plant site but before final commissioning took place because of delays at the site and a strike in the U.K., Joe became director of the total quality program at Mongol and the two engineers took early retirement.

Some questions to consider.

1. How much should Mongol disclose to Pisa about its technology?

2. Should Mongol have any direct contact with the Slobovians?

3. What responsibility or obligation does Mongol have to Pisa or the sublicensee?

4. What is the duty of the Mongol engineers on site when safety and health problems exist? What responsibility does Joe Worrywart, P.Eng. have? What if he were Joe Worrywart, Esquire?

5. Is there an obligation on anyone to disclose safety, health or environmental problems to the plant operator, local authorities, the surrounding countries.

6. When the vice premier of Upper Slobovia became the managing director of the Pisa-Slobovian Import Export Company Limited with his office in London ably assisted by the ex plant manager as deputy managing director what should Joe Worrywart do?

7. There are questions of technical right and wrong, commercial right and wrong and ethical right and wrong. Where does one leave off and the other begin? Does it matter?

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