

Sulzer's licensing policy

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primaevial outburst, he hadn't yet left for home. Was it weakness, or a secret desire of playing the return game all the same? We are not told the details of his about turn, but the fact is that he proved incapable of saying "no".

So he skippered the "France" in her third attempt to beat "Gretel II". He lost by almost six minutes. He had to make do with the reserve team—men whose skills he didn't respect and with whom he had no entente at all. The atmosphere was so tense and the hostility of his crew so blatant that he decided not to give any orders! Noverraz may have deliberately opted out and sacrificed the race to his bad mood. He said in an interview that his French crew "thought they knew so well what they had to do" that he refrained from giving them any orders.

Baron Bich took the helm at the final race. Noverraz had warned him beforehand that he would lose by at

least 15 minutes. The Baron didn't lose, he abandoned the race, after having turned in circles in the fog. He was towed into port by a coastguard forty minutes after "Gretel II" had leisurely arrived.

Noverraz has described the Baron's America Cup attempt and its extravagance as the greatest "farce" in the history of yachting. Back in Europe, Baron Bich said that he would not contend for the 1973 America Cup. He watered the defeat of his team by claiming that three of the victories of his opponents were "doubtful" and attacked the race organisers once again for having allowed it to go on in foggy conditions.

Noverraz, who is 68, is now resting at "Le Creux de Genthod" and trying to forget about yachting for a while. There is little chance of him paying a friendly visit to Baron Bich.

SULZER'S LICENSING POLICY

Readers may have learnt from the economic supplement in the last but one issue that Switzerland sold licences worth over £4m. to Great Britain last year. Although the figure for ship engines was not disclosed, they must account for a large slice of all Swiss licensing agreements with Great Britain. Sulzer Brothers of Winterthur are known to be the designers of about one ship engine in five in the world. Not bad at all for a factory that is as far from the sea as any other spot in Western Europe.

What does licencing mean and what are its advantages? This was the subject of a technical feature presented in a recent issue of the *Basler Nachrichten*.

The principal reason why a firm like Sulzer should prefer to sell licences abroad rather than build subsidiaries abroad or produce all engines at home are that the erection of foreign subsidiaries carry considerable financial risks and local difficulties, and also that it is often difficult to export costly goods with the present national trade barriers.

It is therefore more advantageous for Sulzer to spend considerable capital in developing giant marine diesels and retrieve the expenditure by selling licences to foreign firms.

In obtaining a manufacturing licence, a firm may either receive the right of using a definite patent or be given some definite know-how (that is, licensor's secrets which are not necessarily patentable) or obtain both a patent and the know-how necessary for its exploitation. There are further distinctions in the implementation of a licencing agreement. For example, the licensee may have the right of

using the inventions and developments achieved by the licensor during the period covered by the licencing agreement. This right may be limited to one definite product or process. Sulzer usually yields both patents and know-how but reserves the right to withhold disclosure of information on its own technical progress.

Building subsidiaries abroad not only incurs the financial and political risks mentioned above, but there are always difficulties in finding adequate local labour. Sulzer is thus better off by licencing its machines, especially when licencing agreements receive the official blessing of the countries concerned.

The great advantage of being a licensor is to remain well ahead of development in the field. Sulzer is a recognised leader in marine diesels and makes sure that this lead is held in drafting licences. The licensees on their part have considerable interest in refraining from developing competing products themselves, as the funds they would have to invest would be infinitely larger than the cost of a licence and they would moreover have to burst in on an already tight market once they had something on offer. Licences are a lucrative proposition to Sulzer, but this is a normal reward for the years of intense development and astronomical expenditure put up by the firm.

In many instances the licencing agreement involves the setting-up of manufacturing workshops to make the machines which are the object of a licence. The blueprints of the machines are not always enough. In the special case of steam boilers for power stations—an important Sulzer speciality—designs have to be estab-

lished on the site by an engineering team guided by Sulzer experts as the specifications for this kind of hardware depend entirely on local climatic and hydrological conditions.

A licensee will usually try to prolong the licencing agreement as far as possible. The term is usually of 15 years and both parties are held to exchange new information they acquire in building or developing the machines covered by the licence. Sulzer will thus disclose their own technical developments if, on their part, the licensees will impart the experience they have gained in manufacturing or testing licenced marine diesels and other machines. Licensor and licensee meet at regular intervals to exchange information. This sharing of notes constantly improves the quality of Sulzer marine diesels.

As a rule, Sulzer licences its products only to trusted companies, those which will not try to use the licencing agreement at the expense of Sulzer's own efforts. The company has never drawn an exclusive licencing contract and may allow several companies in different countries, or even in one country to make its licenced machines. Sulzer may even compete with its own licensees in the same country—a healthy situation. But Sulzer is also careful not to licence itself out of the market and arranges to keep a steady share of about 9 per cent for its Winterthur workshops.

Licensors wishing to make use of Sulzer-developed machines must pay an initial sum as a contribution to Sulzer research and development costs. Royalties have then to be paid according to sales turnover or the total output of the machines produced. Each agreement may vary, but each one of them is clinched to secure the interests of both parties, and spread the name of Sulzer diesels across the world.

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