

23rd June, 1972

WORLD PATENTS INDEX

Outline and Past History of Present Position

1. Original Derwent Bid against Leasco

- a) In September 1969 we made a bid to produce the World Patents Index, but it was decided to give the project to Leasco in view of the fact that these people had already been negotiating for several years.
- b) Leasco had counted on Derwent support but when this was not forthcoming, they had to withdraw from the contract because they did not know how to do the work.
- c) Since we had only made our bid to keep Leasco out, there was no need to make a fresh bid and the matter was allowed to rest there.

2. Fresh Derwent Proposal prompted by Brenner

- a) In March 1971, at the suggestion of Ed Brenner, ex-U.S. Commissioner of Patents and now acting as Consultant to Derwent, we made a proposal to BIRPI (the World Intellectual Property Institute in Geneva) to carry out a world patent documentation service.
- b) This proposal was considered by an international committee in June 1971 and it was agreed by them to put off any decisions until results of an investigation, to see whether or not the work could be given to a non-private organisation, were received.
- c) At the June meeting, the International Patent Institution (IPI) in the Hague (which acts for the French, Dutch, British and BENELUX countries) stated that they would like time to put up counter-proposals of their own.
- d) At a meeting in Geneva in October 1971, the Austrian government said that they would also like to bid to do this work, and were prepared to finance and set up a special Institute in Vienna.
- e) It was quite obvious that there had been a split between the French and Dutch on the one hand supporting the international Institute, and the Germans and Russians on the other hand supporting Vienna. The United States and Japan did not seem to mind who did the work as long as it was done.
- f) At the Geneva Meeting, I could see quite clearly that an inter-governmental organisation would, other things being equal, have preference over Derwent. Because I.I.B. was established and therefore would constitute more of a threat, I publicly stated that I would support the Vienna Institute, especially as it had been pre-arranged with them that we would commercially exploit their products.
- g) A Dr. Tabarelli of the Ministry of Finance agreed to come and meet with Thomsons and in particular Mr. Brunton in early December 1971, but cancelled the meeting at the last moment. We heard nothing from him, but subsequently I found out that there was a divergence of opinion within the Austrian Ministry as to whether or not they should in fact go on with the project, and that is the reason that Dr. Tabarelli was re-called.

1. Negotiations with the Proposed Vienna Institute

- a) The Geneva meeting of October 1971 laid down that the Vienna Institute should try to come to some commercial arrangement with Derwent by April 1972, when both parties would report at a further conference in Geneva.
- b) Despite repeated contacts, we were only able to meet with Dr. Lorenz, the Vienna Institute spokesman, on one occasion. This was for one hour in Geneva when we were hurriedly presented with a proposition whereby Derwent would have to pay £150,000 to the Vienna Institute for the right to have sole selling rights for a three year period, and unspecified royalties, to be worked out, would have to be paid.
- c) This offer was turned down by me and a counter-proposal was made but this was rejected. Accordingly Derwent was not invited to the April meeting in Geneva and the Vienna Institute reported that Derwent was not interested in doing business with them.
- d) On our behalf, a representative from the British Patent Office gave the real position, and the Vienna Institute was instructed to start re-negotiating with Derwent.
- e) We have only just recently been able to make contact with the Vienna Institute, but it appears that Dr. Lorenz is now out of the picture and a new man called Dr. Auracher will head the Institute if ever it gets off the ground.
- f) I met with Dr. Auracher in Vienna on June 20th, but he pretended that he had never heard of Derwent and that in any case, since he had only just been brought onto the scene, he could not expect to give us any opinion until at least October 1972.
- g) I pointed out that unless something was settled earlier there would be a permanent rift and all I could get out of him was a promise to contact me again at the end of June, for the purpose of fixing an appointment possibly towards the end of July.

The Activities of Mr.

- a) Round about September 1971, when the idea of a Vienna centre was first put forward, I decided to visit the Austrian Patent Office, together with Ed Brenner, to see what was behind the move and whether we could arrange something with the Austrians.
- b) They told us that the reason they were deciding to enter a bid for a computer service of patent families was because they were in the microfilm business, and it was quite clear that they felt that Derwent's activities in the microfilm business were undermining their own.
- c) I tried without success to persuade the Austrians to pool their microfilm activities with ours and in view of the £60,000 worth of stock which we had built up, I had to protect our position.
- d) It transpired that the microfilm activities of the Austrian Patent Office were carried out by a private firm actually housed within the Austrian Patent Office and run by Mr. who used to be an employee of the Austrian Patent Office.
- e) Mr. also had the contract for printing all the Austrian patent specifications.

f) This peculiar situation was made even more remarkable by reports that we had heard that Mr. , as a result of these activities, was a very wealthy man.

g) We heard through Eastman Kodak that had separately put in a bid to provide patent copy services to the Vienna Institute, and all attempts we had to contact Mr. were without result.

h) About two months ago, we heard that Dr. Lorenz had been removed as prospective director of the Vienna Institute, that there were many doubts whether the Vienna Institute would ever get off the ground and that a new man, Dr. Auracher, had been asked to investigate and take over.

i) We then tried to contact again and this time he was most amiable and suggested that we went to see him and that he met me at the airport. This suggested that Mr. was not too confident that his activities would stand the scrutiny of Dr. Auracher the new man.

j) I had a meeting with Mr. in Vienna on June 21st. He frankly admitted that prospects did not look so good now that Dr. Auracher had taken over, and suggested that we might wish to make a joint bid to work with the Vienna Institute. On the other hand, he was in a difficult position because the Vienna Institute was controlled by the Austrian Patent Office within whose building he was actually housed and with whom he had such a lucrative contract.

k) Mr. had a most impressive office, owned a Mercedes 600 car and was obviously very well off. We did agree for the moment anyway to try and keep in contact and possibly work together against our common enemy, Dr. Auracher. This of course was only a verbal agreement to gain his confidence. I would class Mr. in the same category as Robert Maxwell, but for the moment at least it could be useful to go along with him or pretend to do so, since he has great influence.

Dealings with Other Patent Offices.

a) By March 1972 I was quite convinced that the chances of reaching an agreement with the Vienna Institute and with BIRPI were very slender, but I had got to hear that the Vienna Institute would not get its promised funds until 1973 and therefore could not start up until at least January 1974.

b) I therefore decided that attack would be the best weapon, and sent out letters to the larger Patent Offices on the 30th March announcing that we would be setting up our own computerised world-wide documentation centre to be fully operative by January 1st 1973.

c) In my letter of the 30th March, I asked the various Patent Offices whether they would be prepared to exchange any material which they had in machine-readable form, either for money or for goods, so as to help me set up the necessary computer base.

d) As a result of this letter, I have visited the Patent Offices in Russia, Belgium, France and Germany but in each case, whilst admitting that they have available the sort of data I require, they have stated that allegiance to the proposed Vienna Institute precludes them from passing the information over to us at this stage. If on the other hand, they say, we could come to an arrangement with the Vienna Institute, then they could make the material available.

e) In the case of some Patent Offices, such as United Kingdom, they do not have the data available anyway.

f) The United States Patent Office is in an entirely independent position and whereas they have half of the material available, they have urgent need of the rest of it and would consider any sort of exchange arrangement which we can come up with. For this purpose, Mr. Brooks is visiting Washington on 26th and 27th June, but unfortunately the United States Patent Office would only have at the most 50% of the total amount of material needed.

g) It is quite obvious that the Patent Offices (other than United States) fear the possibility of Derwent forestalling them by producing a service in advance, and we can only read their reactions as an attempt to make us wait until the Vienna Institute is itself ready to carry out the work.

h) In the case of the French and Dutch, we feel that they are hopeful that Vienna will not succeed so that I. I. B. who had made the original bid against Vienna could then take over.

i) In the circumstances, I think that Derwent have no option but to proceed with the production of a data base stretching back over the past five years to be completed by the end of the year, and to go into full current operation as of January 1973. Although this means duplicating punching effort contained in the various Patent Offices, the price we would have to pay for waiting and even possibly not getting the information, would be too great.

6. Cost of Producing Five Year Data Base

a) If we receive no help at all from any of the Patent Offices, we anticipate that the cost of punching two million patents will come to £30,000 and the computer and printing costs would add another £20,000. Against this, we think that the total expenditure of £50,000 would be recoverable from the sale of indexes alone, and we would then be the only people in the world to have a unique tape.

b) We are hopeful that a third at least of this work will be made unnecessary through our relationship with the United States Patent Office, and they themselves might even bear the remainder of the cost of producing the tape for their own use.

c) Although therefore there seems little financial risk in the project, we must not overlook the political significance of fighting the Patent Offices, and it is hard to predict in advance their reaction.

d) The United States Patent Office, and this is the most powerful, would be our ally in any case. The French and Netherlands Patent Offices, apart from the initial set-back to their hopes, would probably be pleased that at least Vienna did not succeed.

e) The Austrians might even be relieved at not having to take the financial risk and might be prepared to negotiate some face-saving agreement with Derwent which we in turn might be only too pleased to enter into so as to regain the confidence of the Patent Offices.

f) We think that the remaining Patent Offices would really follow the lead of the I. I. B. (French/Dutch) and the Vienna Institute.

g) On the other hand of course, the various Patent Offices may be so insistent on having official control that they would decide to have a head on fight with Derwent, and there is just the possibility that as a result they might punch information in advance of the date when this is normally available to the public and therefore we would be at an economic disadvantage. I do not think the risk is great, but naturally it is not one we would like to take.

7. Cost of Production in 1973 as a Current Service

a) In so far as printed lists are concerned, we have no doubt that the service will pay for itself, and will even help to cut our costs in the production of Central Patents Index.

b) On the other hand, the greatest value to Patent Offices and large firms will be the ability to have on-line access via terminals to the computer file.

c) For this purpose it will be necessary to have a fully up-dated file not only in London, but also in New York or Washington, Tokyo and possibly somewhere on the Continent of Europe. Most of our subscribers already have terminals, but even then, maintenance and sales organisation is necessary.

d) I have today had a visit from the General Manager of I. T. T., who assures me that his company is very interested in the possibility of forming a joint venture with Derwent for on-line access feature which would also take in all our retrospective computer files. One of their technical experts will be coming to see me on 29th and 30th June to go into details and likely costs, after which proposals for a joint venture can be worked out.

8. Action/Advice Required of Thomsons

a) The alleged biggest fear of Patent Offices is that Derwent, as a private organisation, might go bankrupt and therefore the service would come to an end. We feel that this is not a genuine argument but a visit to Thomson or assurance from them could prove useful.

b) It is my impression that the Patent Offices were ready to accept the Derwent proposal last October but that diplomatic channels at ministerial level from the Austrians, over-ruled any decisions by the Patent Commissioners who are on a lower level. I have failed to make any impression on people, such as Dr. Auracher, who in turn have to answer to higher authorities, but it could be that Thomsons can exert suitable influence.

c) If it is decided therefore as a matter of policy that we should seek to work with the Patent Offices, I cannot stress too greatly the importance of securing a meeting at a high level between Thomsons, myself and a high-ranking official at the Board of Trade to try and make suitable contacts with opposite members of the Chamber of Commerce in Vienna and even with Professor Bodenhouse, who is the Director General of BIRPI.

d) If, on the other hand, it is decided that we should run the risk of getting the venture started commercially ourselves, then I think that I should agree with Thomsons the extent to which we are prepared to take financial risk, and the extent to which these risks form part of my present agreement.

e) My own opinion is that we should run both lines of contact concurrently, i. e. we should go ahead with our plans to produce, whilst carrying out diplomatic negotiations, always on the footing that we are carrying out our plans so as to fulfil a long felt need on the understanding that we are always willing to consider and discuss with the Patent Offices through BIRPI transference of official control of the operation through a committee headed by BIRPI and in which Derwent is represented.