

FROM/DE W. J. Harris

TO/A R. M. Gibb

May 1, 1980

Your draft letter of April 16, 1980 to Dr. L.C.F. Blackman was discussed here by Mr. Paré with Matt Glezos and myself.

Generally the letter and agreement are considered perfectly alright, but I was asked to convey the following points to you for consideration.

- The word 'contribute' or 'contribution' is used in a few places in the agreement. Assuming this document could be used to defend our position with a government tax auditor, it was felt that this word carries a connotation of being a straight-forward payment rather than compensation for specific services, etc. It was suggested you may want to consider the wording 'remit for etc. etc.' indicating more specifically what we are paying for.
- In that we are financially participating, per agreement, with Central Group Research, Clause 5 was questioned. The agreement provides BAT with 'full worldwide proprietary rights to all products information and developments'. If something particularly useful to ITL came out of this area this would indicate that we could be in a position of having to pay royalties or a licencing fee on a development we had financially supported, which is tantamount to double payment. It was suggested that this clause be amended to indicate that participating affiliates would have prior right within their own countries on such developments.
- Of lesser importance, but for your consideration, was the comment that the termination clause of one year seemed inordinately long. The point was made that if the cost was disallowed by tax officials, we obviously would have to absorb the total payment. At that point if we decided to terminate the agreement it would seem we would have to pay without the benefit of tax deductibility for another full year. The suggestion of a six-month termination clause was put forward for your consideration.

In concluding our discussion, Mr. Paré asked if you would be so kind as to refer the reply from Millbank to your letter to his attention.


WJH:ok

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