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Economic Warfare Section
War Division
Department of Justice
Washington, D. C.

Confidential Memorandum
February 28, 1944

Re: Confidential Information Furnished to the
Imperial Japanese Navy by the Submarine
Signal Co., Boston, Mass.

The Submarine Signal Co., of Boston, Massachusetts, is a Maine corporation which manufactures and develops submarine signal and sound detecting devices for civilian and military purposes. At the present time it is a key manufacturer of one of the most important underwater sound devices used by the armed forces in detecting enemy submarines, and its equipment is standard for the United States Navy. In 1936 it had as wholly-owned subsidiaries: Signal G.m.b.H., Kiel, Germany (a patent holding company); Submarine Signal Co., Ltd. of London, England; and Submarine Signal Corp. of Delaware. Atlas Werke Aktiengesellschaft, Bremen, Germany, manufactured and sold apparatus made under the German patents of Signal U.m.b.H., and was known as the "German Associate" of the Submarine Signal Co., of Boston.

The information in this memorandum is taken from the files of Mitsui & Co., Ltd., New York, representative of Mitsui Bussan Kaishiki Kaisha, Tokyo, Japan, the exclusive agent for the marketing of the Submarine Signal's products in Japan. The Tokio Keiki Seisakusho Co. was the Submarine Signal's manufacturing licensee in Japan.

There is information in these Mitsui & Co. files indicating that:

1. The Submarine Signal Co. transmitted to the Japanese Navy vital information concerning the anti-submarine development work of the United States Navy, while the Japanese Navy maintained secrecy as to its own development work.
2. The German Government forced the Submarine Signal Co. to share patent rights on newly-developed anti-submarine detectors and to enter a market allocation agreement with its German competitor, Electroacoustic G.m.b.H., dividing up the world into sales territories.

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3. The Japanese Navy, pursuant to the policy of collaboration between the Japanese and German Governments, purchased submarine detecting equipment from Electroacoustic in Germany, in disregard of Submarine Signal's patent rights in Japan and previous commitments to the company.

Mitsui & Co. Ltd., New York, advised the Submarine Signal Co. on January 4, 1932 that the Japanese Navy was interested in:

- "1 - Test result of your [Submarine Signal Co.] six-spot compensator type submarine sound detector
- 2 - Ditto for multi-spot compensator [type]
- 3 - Ditto for submarine [sound detecting] apparatus made by Atlas Werke [German associate of Submarine Signal Co].
- 4 - Type of sound detecting apparatus in operation by the United States Navy and its future promise."

Mitsui, New York, advised the Submarine Signal Co. on March 26, 1932 that the Japanese Navy:

". . . . are looking forward to receiving your further information as to the result of actual test on the [U.S. Navy] boat."

Tests were conducted on United States Navy ships of Submarine Signal Co. sound detector equipment in the early spring months of 1932 in special Pacific Fleet maneuvers. On June 16, 1932, T. R. Madden, President of the Submarine Signal Co., wrote Mitsui, New York:

"As a matter of interest to you, I take pleasure in advising you that we have just completed our final naval sea tests of the new type multispot listening equipment on which we have been working for some years and I have just received a wireless from my engineers, who are on board the naval ship making the final tests advising me that the results were very satisfactory and all of the naval officers are most enthusiastic.

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"I am sure that the Japanese Navy will be greatly interested in this equipment as we are in a position to offer them a device which will greatly increase the efficiency of their submarine and surface ships."

On June 18, 1932 Mitsui, New York, advised the Imperial Japanese Navy Inspector's Office, New York:

"According to the makers [Submarine Signal], the U. S. Navy placed a big order with them for the above new type Multispot detecting apparatus after having found excellent result obtained in preliminary tests carried out last April and May."

Mr. T. R. Madden, of the Submarine Signal Co. on June 22, 1932, offered to demonstrate to representatives of the Japanese Navy the anti-submarine detecting equipment ordered by the United States Navy:

". . . . if Captain Hiraoka or Commander Yajima [of the Imperial Japanese Navy] would care to come to Boston, I could arrange to show them the actual equipment under construction and give them personally any further information which they may require."

In a letter to the Mitsui home office in Tokio on June 29, 1932 (copies to Berlin and London Offices), Mitsui, New York, indicated that it was furnished with confidential information concerning the United States Navy plans by the Submarine Signal Co.:

"We are pleased to inform you that test result was found satisfactory thru actual demonstration carried out by the U. S. Navy by employing two sets of their latest type Multispot, one on submarine boat and the other on their Cruiser during their maneuvers in the Pacific Ocean which ended about two weeks ago.

"In this connection, Mr. Madden, President of the Submarine Signal Co., brought before us this information as being private and confidential . . .

"The amount of order which the makers received from the United States Navy since their satisfactory operation of the apparatus in laboratory test, is stated to amount to 24 sets.

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"Please take note that although we are under the impression that the Japanese Navy authorities have in mind to use submarine detecting apparatus for underwater communication in addition, the Multispot will be used in this country only for noise detecting, installing it on any kind of boat or war ship. Therefore, the U. S. Navy boats and war ships install noise detecting apparatus for detecting hostile ships and independently they use Fessenden oscillator for their underwater communication use."

The Submarine Signal Co. next sent multispot detector equipment, including magnetophones, to Japan for experimental purposes, according to a telegram on February 13, 1933. Instead of purchasing this equipment, the Japanese Navy demanded further information on April 27, 1933, concerning tests made by the United States Navy:

"In order to decide which type they [Japanese Navy] should use for their surface boat, they asked us [Mitsui] to obtain your [Submarine Signal Co.] further information on the submarine type multispot installation covering the following:

1. What was maximum speed of the submarine boat powered with diesel engine when noise detection was made?
2. What was the test of magnetophones installed on that submarine boat?
3. What was the location and arrangement of the microphones attached to the hull of the submarine boat?
4. What method was adopted for installation of the microphones?

We understand from your report last time that the installation arrangement and installation method were not ideal on account of much restriction made owing to old type of submarine boat. If you think some alteration will give more efficiency than the arrangement you adopted at that time, we will appreciate such suggested arrangement and installation as well."

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Fearful of not securing the business of the Japanese Navy, T. R. Madden wrote to Mitsui, New York, on July 5, 1933, emphasizing his personal interest in continuing his relations with the Japanese Navy and pledging the availability of the entire technical resources of the Submarine Signal Co.:

"I have always felt very honored and proud because of our close cooperation and association with the Japanese Navy in connection with all of our underwater work; it is a connection which I cherish and one which I shall make every effort to continue to hold.

"If the Japanese Navy wishes to manufacture all of its underwater requirements in Japan, I am prepared to sell to the Japanese Navy all of our patent rights and all of our manufacturing drawings and to give the naval authorities the benefit of all our experience in this work."

While information concerning United States Navy tests and plans was passed on to the Japanese Navy, the Japanese Navy maintained a policy of secrecy as to its own development work. On February 19, 1932, Mitsui, New York, wrote to Submarine Signal Co. that:

"The main reason for the refusal of the Japanese Navy [to accept Nippon Electric's offer to make direction finder for it] seems to lie in the employment of foreign people in their organization, which may result in disclosing their secrets of design of their apparatus . . ."

Again on October 5, 1935, Mitsui, Tokio, wrote to Mitsui, New York:

". . . the Japanese Navy would like to buy the apparatus in secret to U.S.A. . . ."

At the same time the Submarine Signal Co. was soliciting the business of the Japanese Navy in New York, German naval authorities forced Submarine Signal Co.'s German "representative," Atlas Werke A.G., to submit to a market allocation agreement with its German competitor, Electroacoustic G.m.b.H. T. R. Madden informed the Japanese Navy representative on March 27, 1934:

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"Captain Sakurai wanted to know why we did not get an injunction in the German courts against the Electroacoustic for manufacturing the apparatus in Germany and exporting it to Japan. I pointed out to Captain Sakurai that we had attempted to do this by bringing suit against the Electroacoustic Co. in the German courts for the infringement of our German patents and that several decisions had been handed down, all of which were favorable to the Submarine Signal Co. and that, as the case developed and it became apparent that the German courts would uphold our patents, the Electroacoustic Co. filed a petition to the German courts asking that a compulsory license be granted to them. We contested this and during the court proceedings our German representatives, Atlas Werke Aktiengesellschaft, were informed by the German naval authorities that, unless the Submarine Signal Co. and the Atlas Werke came to some agreement with the Electroacoustic Company whereby the business in submarine signaling in certain European countries was allocated between Atlas Werke and the Electroacoustic Company, the German Navy would order the German Courts to grant a compulsory license under our patents to the Electroacoustic Company. Under the circumstances, there was nothing which the Submarine Signal Company could do but agree and make an agreement with the Electroacoustic Company whereby the business in submarine signaling in all countries except the United States, England, Japan, France and Poland (which countries were reserved exclusively for the Submarine Signal Company) was to be divided between the Atlas Werke and the Electroacoustic Company."

After this agreement was made, the Submarine Signal Co. learned that the Japanese Navy was going to deal with Electroacoustic. Madden wrote to Mitsui, New York, on August 29, 1933, calling attention to commitments made by the Japanese Navy with respect to Submarine Signal's patents:

". . . . I have always carried the distinct impression that the Japanese Navy always had and always would respect our patents. At the time I first contacted the Japanese Navy through Admiral Yokura, he assured me that the Japanese Navy would always respect our patents. We have always been proud of our association and close cooperation with the Japanese Navy and I do not

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like to believe that they would openly infringe our patents which they most certainly are doing . . . "

Madden was aware of what impelled the Japanese Navy to take the position it assumed:

"I advised Capt. Sakurai that we had been informed from German sources that the Japanese Navy had stated that for political reasons no important orders for the Japanese Navy would be placed with the Submarine Signal Co.

"In my talk with Capt. Sakurai, I said that I recognized that the Japanese Navy might for political or other reasons wish to buy their submarine signal equipment from German sources or even to build it themselves or have it built for them in Japan, but that I felt that in view of the understanding which we had with Commander Yokura they should in such an eventuality purchase from us our Japanese patent rights."
[Memo of March 27, 1934]

The Japanese Navy, however, was committed to German (Electro-acoustic) equipment. Mitsui & Co. sought to have the Japanese Navy purchase Submarine Signal Co. equipment from the Mitsui manufacturing principal in Japan, Tokio Keiki Seisakusho, but the Japanese Navy complained of inferior performance of some of the Submarine Signal Co. apparatus. Mitsui, New York, further pointed out, on October 30, 1934 that:

". . . . the Electroacoustic Co. were granted Japanese patent Your company, at our suggestion, made a protest against it but unfortunately, it was construed by the Japanese Patent Bureau that the opposition could not be admitted and this application [of Electroacoustic] consequently matured in Japanese patent At present, therefore, both the Submarine Signal Co. and Electroacoustic Co. have patents as well on similar apparatus in Japan. Under such conditions, either the apparatus of your Company or the said German Company may be imported in Japan without infringing on the patent rights of each other, unless your company bring an invalidity suit against the said patents of the German makers and wins the case."

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The upshot of this situation was a claim of the Submarine Signal Co. against the Japanese Navy for \$500,000 for damages for infringements of its Japanese patents on December 10, 1935. Needless to say, the Japanese Navy refused to acknowledge any indebtedness to the Submarine Signal Co. The Japanese Navy took the position that:

" Japan has been made as a "free territory" in the agreement of the three manufacturers, and if it means that either Submarine Signal Co. or Atlas Werke or Electroac[o]ustic may export their devices to Japan it must be then construed that the Submarine Signal Co. has granted a license to Electroac[o]ustic . . . which naturally makes it impossible to sue the importers of the Electroac[o]ustic's devices."

In addition, according to Mitsui memorandum of 1937, the Japanese Navy based its position on the ground that:

"The Electroacoustic seem to have submitted a certificate signed by German notary public, as guessed, to the Japanese Navy, who understand by it that either Electroacoustic or Atlas are free to export their products to Japan by the agreement reached between both manufacturers and that the Submarine Signal Co. admit this fact."

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NOTE: The above memorandum arises from the Japanese Files Research Project, [Department of Justice, War Division, Economic Warfare Section and the Foreign Economic Administration, Economic Intelligence Division] under the direction of H. S. Johnson, War Division, Department of Justice. There is a substantial amount of correspondence in the Mitsui - Submarine Signal Co. file in Japanese, a translation of which might throw additional light upon the events herein related.