

STATEMENT OF CONSIDERATIONS

**REQUEST BY TEXACO ENERGY SERVICES, INC. FOR AN ADVANCE
WAIVER OF DOMESTIC AND FOREIGN INVENTION RIGHTS UNDER
DOE COOPERATIVE AGREEMENT NO. DE-FC26-99FT40658;
W(A)-99-018, CH-1016**

The Petitioner, Texaco Energy Systems, Inc., was awarded this cooperative agreement for the performance of work entitled Early Entrance Coproduction Plant (EECP) concept and engineering design. The purpose of the cooperative agreement is to provide an opportunity to accelerate the development of motor vehicle fuel that will have lower emissions and can utilize the United States' energy reserves, such as coal and increase the energy efficiency for the energy produced. Specifically, the work conducted under the cooperative agreement will demonstrate the integration of four existing commercial modules (gasification, air separation, combined cycle process, and Fischer-Tropsch (F-T) technology into a unified whole unit with product upgrading utilizing the existing technologies of Texaco Development Company. Texaco will also be utilizing the existing technologies of GE Power Systems, Rentech, and Brown and Root Services, a division of Kellogg Brown & Root, Inc., all of which are subcontractors of Texaco during this project. Title to inventions of the subcontractors is governed by the application of the flow down clause of this cooperative agreement to the respective subcontracts; this waiver is for inventions of Texaco only.

The total estimated cost of the cooperative agreement is about \$5,760,944, with the DOE share being \$3,744,614. Cost sharing of the project for Texaco is \$2,016,330 or thirty-five (35%). It is anticipated that the length of this subcontract will be from October 1, 1999 until September 5, 2004.

In its response to questions 4 and 5 of the attached waiver petition, Texaco has described its technical competence in the technology field of this cooperative agreement. Its global presence in the F-T technology is well established, and it is currently developing F-T technology outside of this cooperative agreement. Texaco is a participant in the only commercial installation of the F-T technology in the United States, and Texaco Development Company's gasification process is a well-established technology with 68 current licensed facilities in operation or under design. In its response to questions 6 and 7 of the attached

waiver petition, Texaco states its contribution to the work under this cooperative agreement will exceed \$5,600,000, and that it will spend about \$14,000,000 outside of the cooperative agreement on the development and demonstration of the Fischer-Tropsch technology. This evidences

Texaco's technical competence in the Fischer-Tropsch field and its financial commitment to its further development.

From its response to question 9, Texaco indicates that grant of the waiver should not affect the competitive positions since it will license the technology to third parties for the production of F-T diesel fuel and other F-T fuel products. Texaco further asserts that the F-T technology is being licensed to third parties, suggesting that market needs are being met without affecting competitive positions.

The subject cooperative agreement will be modified to add the Patent Rights--Waiver clause in conformance with 10 CFR 784.12. This waiver clause will also include a paragraph entitled U.S. Competitiveness, in which Texaco agrees to substantial U. S. manufacture of subject inventions (attached hereto). Additionally, Texaco agrees not to transfer subject inventions to any other entity unless that other entity agrees to these same requirements. The petitioner has further agreed to modification of the data clause of the subject cooperative agreement (48 C.F.R. 952.227-14) by adding paragraph (k), Alternative VI, concerning contractor licensing of data.

Considering the foregoing, it is believed that granting the waiver will provide the Petitioner with the necessary incentive to invest resources in the commercialization of the results of the agreement in a fashion which will make the agreement's benefits available to the public in the shortest practicable time. In addition, it would appear that grant of the above requested waiver would not result in an adverse effect on competition nor result in excessive market concentration. Therefore, in view of the objectives and considerations set forth in 10 CFR 784, all of which have been considered, it is recommended that the requested waiver, as set forth above, be granted.

[REDACTED]
Mark P. Dvorscak
Assistant Chief Counsel
Office of Intellectual Property Law

Date March 22, 2001

Based on the foregoing Statement of Considerations and the representations in the attached waiver petition, it is determined that the United States and the general public will best be served by a waiver of rights, and therefore the waiver is granted. This waiver shall not apply to any modification or extension of this agreement, where through such modification or extension, the purpose, scope, or cost of the agreement is substantially altered.

CONCURRENCE:

[REDACTED] *JS*
Clarence L. Miller, Director
Office of Product-Line Director for
Coal Fuels and Industrial Systems
Office of Fossil Energy
FE-24 D-128/GTN

Date:

March 26, 2001

APPROVAL:

[REDACTED]
Paul A. Gottlieb
Assistant General Counsel
for Technology Transfer and
Intellectual Property

Date:

3-30-01

(t) U. S. COMPETITIVENESS The Contractor agrees that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States unless the Contractor can show to the satisfaction of the DOE that it is not commercially feasible to do so. In the event the DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The Contractor agrees that it will not license, assign or otherwise transfer any waived invention to any entity unless that entity agrees to these same requirements. Should the Contractor or other such entity receiving rights in the invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by the DOE.