

STATEMENT OF CONSIDERATIONS

REQUEST BY FORD MOTOR COMPANY FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS UNDER AN NREL SUB-CONTRACT NO: ZCB-3-13032-02, W(A)-93-032, CH-0790 AND FOR LARGE BUSINESS LOWER TIER SUB-CONTRACTS THEREUNDER

Ford, a large business has petitioned for an Advance Waiver of Patent Rights under the above-identified National Renewable Energy Laboratory (NREL) subcontract and under lower tier subcontracts entered into thereunder with parties who do not qualify for treatment under Public Law 96-517. NREL is operated by Midwest Research Institute (MRI) under the prime contract number DE-AC02-83CH10093.

As set out in the attached waiver petition and addendum letter, Ford has requested domestic and foreign title for the subject inventions of its employees and of its lower tier subcontractors. The subcontract is to develop/demonstrate hybrid vehicle technology and to build hybrid vehicles to demonstrate various operational parameters in a vehicle that will provide high energy efficiency and low emissions. The proposed estimated cost is about \$122,000,000 dollars over a fifty-four month period.

Ford was selected in response to a competitive solicitation issued by NREL. There was one other selection in this program. The solicitation required that Ford cost share 50 percent (50%) of the total cost of the subcontract and this requirement has been met. Ford will lead a team to develop a Hybrid Vehicle Propulsion System. Other members of the team will contribute to the cost sharing. At this time Ford itself has committed to actually provide a minimum of 21% cost sharing or about \$25.5 million of the total project. Ford must negotiate with lower tier subcontractors for additional cost sharing on the subcontractor's part. However, the requirements of the subcontract with NREL places the (50%) burden of cost sharing on Ford which must then negotiate and solicit participation of cost sharing from its team of lower tier subcontractors.

With respect to the lower tier subcontractors, it is the intention of Ford to utilize the grant of this waiver to organize the program so its benefits may be realized in an optimum manner. In particular, Ford needs to negotiate cost sharing participation, background rights, and U.S. Competitiveness provisions reflecting the Government's interest in assuring commercial availability of the technology. It is expected that as a result of the negotiations between Ford and individual lower tier subcontractors, the actual disposition of rights in subject inventions will result in lower tier subcontractors obtaining title in their own inventions. Ford will seek no license rights from any subcontractors who cost shares 50%, as stated in the attached letter of September 1, 1993.

In the September 1, letter Ford's intention is to leave title to all lower tier subcontractor inventions in the hands of the lower tier subcontractors. It is recognized that lower tier subcontractors not subject to P.L. 96-517 have a right to request a waiver in their own subcontracts. This waiver only applies to such lower tier subcontractors who provide a letter to DOE acknowledging their right to ask for a waiver and agreeing to the terms of their sub subcontract.

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There is no intention that this waiver should impact the rights of those parties subject to Public Law 96-517. Their lower tier subcontracts will include the appropriate Bayh-Dole patent clause.

Ford is to negotiate within the bounds of minimum rights and conditions required by the subcontract and this waiver with lower tier subcontractors. These minimum rights include U.S. Government license, March-In rights, and U.S. Preference and Competitiveness provisions.

Ford is a well known major manufacturer of automobiles in the United States. It is one of the most likely parties to commercialize the results of this DOE program and is considered essential to the program. As required by the RFP, it has assembled a team that has the capabilities to develop the Hybrid Vehicle Propulsion System.

To promote U.S. Competitiveness, Ford has agreed to provisions requiring the manufacture in the United States of major components of a Hybrid Vehicle which are based on subject inventions or data produced under the subcontract. The U.S. Competitiveness provisions are attached. Pursuant to statute this subcontract provides for five year protection from public dissemination for data first produced in the performance of the subcontract as an added incentive to promote the commercialization of this technology. As outlined in its petition Ford has already made substantial investments to develop Hybrid Vehicles.

Ford has agreed to DOE standard provisions with respect to waivers with the substitution of March-In rights, and U.S. Preference provided in 35 U.S.C. 203 and 204. Additionally, Ford has agreed to the attached U.S. Competitiveness provisions and to background patent and data provisions which assure commercialization of the technologies to the extent intellectual property rights are owned or controlled by Ford. Thus, the above provisions, along with the fact that there will be another competing hybrid vehicle project, provide adequate assurance that granting the waiver will not adversely affect competition. To assure commercial availability and to meet U.S. competitiveness goals, Ford will assure that each lower tier subcontract not subject to 35 USC 202 (f) includes U.S. Competitiveness, background patent and data provisions acceptable to DOE.

Considering the foregoing, it is believed that granting the waiver will provide Ford with the necessary incentive to invest its resources in the commercialization of the results of the agreement in fashion which will make the subcontracts' benefits available to the public in the shortest practicable time. This waiver provides Ford with title in inventions made by Ford and all its lower tier subcontractors who agree to the

waiver to Ford, except small businesses, universities and non-profit contractors subject to Public Law 96-517. Therefore, in view of the objectives and considerations set forth in 41 CFR 9-9.109-6, all which have been considered, it is recommended that the waiver described above be granted.

[Redacted signature]

Paul A. Gottlieb
Deputy Chief Counsel
Intellectual Property Law Division

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

CONCURRENCE:

[Redacted signature]

John J. Brogan
Director, Office of
Propulsion Systems Transportation
Technology

Date: 4/16/93

APPROVAL:

[Redacted signature]

Richard E. Constant
Assistant General Counsel
for Intellectual Property, HQ

Date: 11/17/93

A. The Parties recognize that an object of this Agreement is to improve the economic competitiveness of U.S. based companies by maintaining or increasing U.S. employment. Notwithstanding any other provision of this Agreement, the Parties agree that they nor any assignee will grant to any person the exclusive right to use or sell any Subject Invention in the United States unless such person agrees that products embodying the Subject Invention or produced through the use of the Subject Invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by DOE upon a showing by a Party or its assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

B. In the event a Party or any assignee is or becomes a company or an entity which is majority owned or controlled, directly or indirectly, by a non U.S. company or entity, or a Party or any assignee transfers title in any Subject Invention or patent or patent application based thereon to any such foreign owned or controlled entity, then such Party or assignee shall, at DOE's request, grant sublicenses under such invention, patent and/or patent application to U.S. owned or controlled companies identified to such Party or assignee by DOE, under fair and reasonable terms.

C. In the event that a Party, any assignee or licensee elects to grant licenses to non-affiliated third parties under any Subject Invention or patent or patent application based thereon, such Party, assignee or licensee as the case may be, will give preference to U.S. manufacturers (especially small and disadvantaged businesses) who have demonstrated the capability of providing high quality products and services.

D. The Parties agree, for 5 years after the termination or expiration of this Agreement, that Subject Inventions, copyrighted works or Protected Hybrid Vehicle Information first produced under this Agreement, which is used in U.S. Hybrid Vehicles, will be manufactured substantially within the United States or Canada.

E. The Parties agree that DOE may sublicense U.S. owned and based firms, under Subject Inventions, copyrighted works and Protected Hybrid Vehicle Information first produced under this Agreement, royalty free, for use in the United States, beginning 5 years after the termination or expiration of this Agreement.