

## Statement of Considerations

REQUEST BY UNITED STATES AUTOMOTIVE MATERIALS PARTNERSHIP (USAMP) FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS IN SUBJECT INVENTIONS MADE IN THE PERFORMANCE OF DEPARTMENT OF ENERGY COOPERATIVE AGREEMENT NUMBER DE-FC05-96OR22363 AND FOR SUBJECT INVENTIONS MADE UNDER ITS SUBCONTRACTS WITH LARGE, FOR-PROFIT BUSINESSES; DOE WAIVER DOCKET W(A)-95-001 [ORO-593]

USAMP has made a timely request for an advance waiver to worldwide rights in Subject Inventions made in the performance of cooperative agreement DE-FC05-95OR22363 and Subject Inventions made under its subcontracts with large, for-profit businesses.

### Background

The award of this cooperative agreement has been made in response to an unsolicited proposal from USAMP entitled "Automotive Lightweight Materials Program" whose objectives are closely aligned with those of DOE's Lightweight Materials Program (LMP). A goal of DOE's LMP is to assist the U.S. automotive industry through cost-sharing in the development of materials and materials manufacturing technologies to ultimately reduce weight of vehicles, thereby allowing reduction in fuel usage. The agreement is for one year. The dollar amount of the agreement is \$3,320,000 and is cost shared 50% by USAMP. The work is sponsored by the Office of Transportation Technologies under the Office of Energy Efficiency and Renewable Energy.

The USAMP is a partnership, formed in June 1993, and is a member consortium of the United States Council for Automotive Research (USCAR). USCAR (and USAMP) was formed and is wholly owned by Chrysler Corporation, Ford Motor Company and General Motors Corporation, whose primary business is for auto manufacture. Normally, the "Big Three" are competitors; however, they have been involved in collective research and development (R&D) since 1988 in order to strengthen the technology base of the domestic auto industry through cooperative precompetitive research, ultimately to improve the U.S. and worldwide market share for each.

USAMP has a working relationship with the primary and most highly qualified suppliers and vendors in this field with respect to the development of materials and production of parts. USAMP's approach under this cooperative agreement is that it and the suppliers/vendors will participate with DOE in a tiered approach for the development of lightweight materials and processes. Through joint projects involving USAMP and its suppliers/vendors, the parties will be able to share the risk of developing advanced

lightweight materials and will allow suppliers/vendors, who make cost share contribution, full access to technology and process development for their use. Supplier and vendor participation are critical to developing the manufacturing base necessary to support production of the new materials.

In its unsolicited proposal, USAMP agreed to cost share 50% across the entire cooperative program. USAMP also identified key suppliers and vendors who will team with them and have requested that a grant of title to inventions made by large, for-profit businesses under subcontracts to the cooperative agreement be made to USAMP. The grant of title to inventions of this class of subcontractors is considered important to achieve its cost sharing commitment. As to any other subcontractors, i.e., those with small businesses or non-profit organizations, the standard Bayh-Dole patent rights clause that implements P.L. 96-517 would be used.

### Considerations

The Department of Energy is actively pursuing an automotive lightweight materials program which will lead to better fuel economy and improvements in environmental concerns. The extent to which the participation of USAMP will expedite the attainment of the purposes of DOE's lightweight materials program and make use of the results developed under this cooperative agreement is evidenced by USAMP's overall mission, its role in strategic initiatives, and generally, the collective achievements and commercial standing of its partners. These can be summarized as follows:

- 1) USAMP's mission is to conduct vehicle-oriented research and development in materials and materials processing to improve the competitiveness of the U.S. auto industry. USAMP goals are to develop several families of automotive materials that will impact strategic needs of the domestic industry. These needs include improved fuel economy through vehicle weight reduction, improved reliability, reduced emissions, improved safety and crashworthiness, lower cost processing, rapid prototyping, environmentally benign manufacturing, and recycling. USAMP's primary means of achieving these are: (a) to conduct joint research between the three auto manufacturers and lower tier suppliers/vendors, and (b) to work with the Federal Government to explore opportunities for cooperative programs with the Department of Energy's National Laboratories, other Federal agencies and universities.
- 2) In October 1993, the Federal Government, Chrysler, Ford and General Motors announced the Partnership for a New Generation of Vehicles (PNGV) initiative with the purpose of

enhancing the U.S. domestic automobile industry's productivity and competitiveness. The aims of the PNGV program are to improve automobiles over the next decade and develop technologies for a new generation of vehicles that could achieve fuel economies up to three times those of today's comparable vehicles. To meet this goal, the industry-government team adopted a strategy requiring a 50% weight reduction in body and chassis. This strategy will require massive replacement of steel, which is today's production material, with alternatives, including aluminum and graphite-fiber reinforced polymer composites. PNGV's responsibility for planning and performing materials-related research and design has been assigned to the USAMP. Successful development of lightweight materials will help to achieve PNGV's goal 3: a vehicle with three times the fuel economy of today's vehicles, and contribute to goal 2: improvements in the efficiency and emissions of vehicles.

In addition to the above considerations, granting of the requested waiver would satisfy several other objectives of 41 CFR 9-9.109-6. The extent to which (1) the field of technology supported by this cooperative agreement has been to a great degree developed at USAMP's expense, and (2) USAMP's commercial position may expedite utilization of the R&D under this cooperative agreement is evident in the collective automobile development history, world-wide market standing of its partners, and each partner's intent to manufacture. Each of the USAMP's partners has a recognized position in the broad field of vehicle manufacturing and in the narrower field of advanced materials for vehicles which directly benefits the work to be performed under this cooperative agreement.

USAMP states that the partners have, in addition to cost sharing 50% of the estimated \$3.32 million of the cooperative agreement, made significant internally-funded financial investments amounting to many millions of dollars over the past twenty or more years on materials development, materials processing and prototype vehicle development and demonstration. With respect to vehicles constructed from alternative (non-traditional) materials, each partner has had on-going programs for design and development of prototype vehicles and the demonstration of components fabricated from alternative lightweight materials. As a consequence, each of the partners can draw upon the skills and know-how developed in these privately-funded programs to accomplish program objectives of the cooperative agreement efficiently and effectively.

The Department, prior to award of the cooperative agreement, made a Determination for Eligibility under Section 2306 of the Energy Policy Act (EPA) of 1992 that the award to USAMP, including the intended award of subcontracts thereunder, was in the economic interest of the United States. The technology to be pursued in

the cooperative agreement fell within the authorized activities under Titles XX through XXII of EAct, viz., Section 2107. USAMP, as part of the Section 2306 Determination, agreed (1) to the goal of promoting the competitiveness of U.S. industry, and (2) that with respect to any technology arising from the cooperative agreement to promote the manufacture within the U.S. of products resulting from that technology.

The cooperative agreement has been awarded with the provision that no funds could be expended until the advance patent waiver has been granted. Upon the grant of the advance patent waiver, an amendment to the cooperative agreement will be made that effectuates the waiver terms and conditions agreed to by USAMP that includes the standard Government license, march-in rights, and preference for U.S. industry (copy attached).

Other special conditions were included in the cooperative agreement. As noted before, the Department, in support of the advanced automotive programs and the PNGV initiative, signed a Protocol with Chrysler, Ford and General Motors. This Protocol included Master CRADA terms and conditions and Guidelines which delineate, among other items, that various contractual and financial assistance mechanisms, including cooperative agreements, would be available for partnering with DOE and its laboratories in furtherance of PNGV. The cognizant Program Office has determined that this cooperative program, to be undertaken under the cooperative agreement, is in furtherance of PNGV. One of the terms and conditions of the Master CRADA was a special U.S. Competitiveness Clause. It is to be noted that the Section 2306 Determination made prior to the award of the cooperative agreement with USAMP recognized that any advance patent waiver granted to USAMP for the cooperative agreement and identified large, for-profit subcontractors would include, as terms and conditions of the waiver grant, the special U.S. Competitiveness provision of the Master CRADA. In view of the intent to utilize common terms and conditions in the various mechanisms with USCAR and its partnerships (e.g., USAMP), the special U.S. Competitiveness Clause of the Master CRADA has been incorporated in the cooperative agreement and will be flowed down to the large, for-profit subcontracts, including two that are foreign-owned.

Also included in the terms of the cooperative agreement is a special five year withholding of data provision pursuant to Title XXX, Sec. 3001(d) of the EAct.

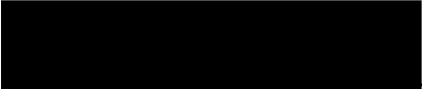
USAMP states in its waiver petition that it intends, if the patent waiver includes title to Subject Inventions of its large, for-profit subcontractors, to negotiate the ownership rights to Subject Inventions of these subcontractors and to grant to these subcontractors title to their Subject Inventions if the subcontractor provides a significant percentage of cost-share of

the subcontract value. In order to effectuate the waive to USAMP of title to Subject Inventions of large, for-profit subcontracts entered into under the cooperative agreement, a patent rights article, including standard Government license, march-in, preference for United States industry, U.S. Competitiveness and background patents provisions of the cooperative agreement suitably modified to reflect subcontract tier will be included, upon DOE approval, in each of the large for-profit business subcontracts.

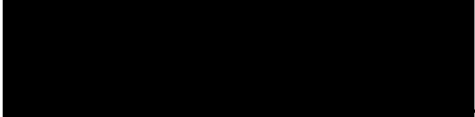
Grant of the requested waiver should serve as encouragement to other DOE contractors that significant cost sharing will be recognized as an acceptable consideration for granting greater rights in Subject Inventions.

Granting of the waiver should have little effect on competition since the work is recognized as "precompetitive" R&D between the three primary U.S. auto manufacturers who are each others' competitors.

In view of the acceptable level of cost sharing by USAMP and its subcontractors, the commitment to commercialize and the objectives and considerations set forth in DOE 41 CFR 9-9.109, all of which have been considered, it is recommended that the requested waiver for worldwide rights as set forth herein be granted.



Mary H. Rawlins  
Program Manager



Robert M. Poterat  
Chief, Office of Intellectual  
Property Counsel and  
Technology Transfer

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 the U.S. and foreign patent rights as set forth herein, and therefore, the waiver is granted. This waiver shall not apply to a modification or extension of the cost-shared cooperative agreement where, through such a modification or extension, the purpose, scope or cost of the cooperative agreement has been substantially altered.

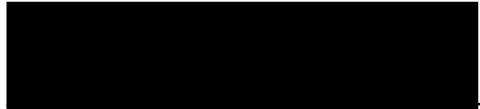
CONCURRENCE:



Thomas J. Gross  
Deputy Assistant Secretary  
Transportation Technologies

Date: 2/7/95

APPROVAL:



Paul Gottlieb  
Acting Assistant General  
Counsel for Technology  
Transfer and Intellectual  
Property

Date: 2/10/95

reasonably satisfied by USAMP, assignee, or licensees; or

- (4) Such action is necessary because the agreement required by paragraph (C)(3)(g) of this Article has not been obtained or waived or because a licensee of the exclusive right to use or sell any Subject Invention in the United States is in breach of such agreement.

(i) U. S. Competitiveness and Preference for United States Industry

- (1) USAMP's member companies are domestic companies which have their research and development, design, administration and production facilities for motor vehicles located predominately in the United States and Canada.
- (2) The Parties agree that a principal purpose of this Agreement is to develop technologies that will improve the competitiveness of the USAMP's member companies, both with regard to product design and manufacturing capabilities, so as to provide substantial benefit to the U. S. economy to preserve and/or create high quality jobs in the domestic automotive industry.
- (3) USAMP agrees that its share of joint research projects under this Agreement will be conducted predominately in U. S. based facilities during the term of the Agreement and if USAMP continues the work, for a period of two years after completion of the Agreement.
- (4) USAMP agrees to direct the research projects in such a manner that will, when viewed across the entire multi-year program, promote early and first utilization and/or commercialization of the products, processes, or services utilizing Intellectual Property arising from the program in U. S. - based facilities of USAMP's member companies and their suppliers.

(4) Terminations

- (a) Any waiver or retention of rights by USAMP under paragraphs (B)(2), (C)(1), or (C)(2) of this Article may be terminated at the discretion of the Secretary or his designee, in whole or in part, if the request for waiver or retention of rights by USAMP is found to contain false material statements or nondisclosure of material facts, and such were specifically relied upon in reaching the waiver determination or the agreement to the retention of rights by USAMP.
- (b) Any waiver of the rights retained in accordance with paragraph (C)(2), as