

## Statement of Considerations

REQUEST BY CATERPILLAR INC. FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS IN SUBJECT INVENTIONS MADE IN THE COURSE OF OR UNDER DEPARTMENT OF ENERGY CONTRACT NO. DE-FC05-97OR22605; AND FOR CERTAIN LARGE BUSINESS SUBCONTRACTS THEREUNDER; DOE WAIVER DOCKET W(A)-97-014 [ORO-658]

Caterpillar, Inc. (Caterpillar) has made a timely request for an advance waiver to worldwide rights in Subject Inventions made in the course of or under Department of Energy (DOE) Contract No. DE-FC05-97OR22605 and under certain subcontracts entered thereunder with parties who do not qualify for treatment under Public Law 96-517. The primary program goal of this work is the development of technologies for high efficiency, very low emission diesel engines for light duty trucks (including pickups and sport utility vehicles). The work is sponsored by the Office of Transportation Technologies (Energy Efficiency and Renewable Energy).

The total estimated dollar amount of the above contract is \$55,852,339 with Caterpillar itself committing to provide a minimum of 53.4% cost-sharing or approximately \$29,852,340 of the contract over a 63 month period.

The contract solicitation required that Caterpillar cost share 50% of the total cost of the contract and to partner with a vehicle manufacturer. Ford Motor Company (Ford) is the vehicle manufacturer participating as a Caterpillar subcontractor and has agreed to cost share at least 50% of the subcontracted effort. While Caterpillar's waiver request indicates a desire to obtain rights in Ford's subject inventions, Ford is now seeking a separate Advance Patent Waiver for subject inventions made by Ford under the proposed subcontract due to Ford's significant cost sharing effort. For all other work performed under the subject contract, Caterpillar, as stated above, has committed to a substantial cost share and may solicit the participation of selected subcontractors in such cost sharing to further leverage the technology advancements. Where such subcontractors do not cost share, Caterpillar is willing to cost share in the subcontracted work (as part of its over 50% cost share) so long as Caterpillar receives direct benefit from the subcontracted work, including ownership rights in resulting subject inventions.

With respect to all subcontractors not subject to P.L. 96-517, it is the intention of Caterpillar to leave title in the hands of those subcontractors which cost share 50% or more and this waiver does not apply to those subcontracts. Accordingly, any subcontractors which cost share 50% or more will be required to request a separate waiver if they wish to retain title to their inventions. Caterpillar has also agreed that it will not retain, without charge, license rights in subject inventions of subcontractors who

cost share at least 50% of the subcontract effort. For subcontractors that cost share less than 50% of the proposed subcontracted effort, Caterpillar and the subcontractor will be free to negotiate, at arms length, appropriate terms for the ownership of subject inventions developed under those subcontracts. As indicated, rights in subject inventions made by subcontractors who provide no cost share would remain with Caterpillar in view of Caterpillar's substantial cost sharing of the overall contract.

It is recognized that subcontractors not subject to P.L. 96-517 have right to request a waiver in their own subcontracts regardless of whether they cost share and can also request a waiver of rights in identified inventions on a case-by-case basis. Accordingly, the waiver of subcontractor inventions to Caterpillar only applies where the subcontractor acknowledges its right to ask for greater rights in its subject inventions and agrees to Caterpillar obtaining rights in these inventions by providing a letter to DOE containing a statement or by signing a subcontract having terms indicating such acknowledgment and agreement. Further, Caterpillar acknowledges that it is to negotiate within the bounds of minimum rights and conditions required by the contract and this waiver with subcontractors. These minimum rights include a U.S. Government license, march-in rights, and U.S. Preference and Competitiveness provisions.

If the requested waiver is approved, the attached Patent Rights - Waiver clause will be included in the contract. Caterpillar has approved the Patent Rights -Waiver clause which includes march-in rights, granting of licenses to background patents necessary for practicing subject inventions, retention of a government license, and preference for U.S. industry. These provisions, together with the fact that the diesel engine market is served by several large, competitive manufacturers, provide adequate assurance that granting of the waiver will not adversely affect competition. To effect commercial availability and to meet U.S. competitiveness goals, Caterpillar will assure that each subcontract not subject to 35 U.S.C. 202(f) includes U.S. Competitiveness, and background patent and data provisions acceptable to DOE.

In addition, Caterpillar has agreed to the attached U.S. Competitiveness Clause which includes a provision (paragraph (t)(2)) that the U.S. Competitiveness clause (paragraph (t)(1)) not be applied to waived inventions that are incremental improvements to background patents in Caterpillar's privately funded proprietary technology for fuel injectors and monovalve technology.

Caterpillar is a world leader in the design, development, production, and marketing of medium and heavy duty diesel engines, and thus has the capability to commercialize engine technology developed under the contract. In addition, as stated in its petition, Caterpillar has made significant investments in the U.S. in research, development, and manufacturing of diesel engines, and will utilize research and development facilities in the performance of work under this contract.

In summary, this waiver provides Caterpillar with title in inventions made by Caterpillar and its subcontractors which either do not cost share or which cost share less than 50% and which agree to the waiver to Caterpillar, except U.S. small businesses, universities, and non-profit contractors subject to P.L. 96-517. In view of the significant level of cost sharing by Caterpillar and the objectives and considerations set forth in 10 CFR 784.4, all of which have been considered, it is recommended that the waiver described above be granted.



Emily G. Schneider  
Patent Attorney

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 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 a modification or extension of the cost-shared contract where, through such a modification or extension, the purpose, scope or cost of the contract has been substantially altered.

CONCURRENCE:



Thomas J. Gross  
Deputy Assistant Secretary for  
Transportation Technologies

Date: 6/1/98

APPROVAL:



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

Date: 6-4-98

**(s) Forfeiture of rights in unreported subject inventions.**

(1) The Contractor shall forfeit and assign to the Government, at the request of the Secretary of Energy or designee, all rights in any subject invention which the contractor fails to report to Patent Counsel within six months after the time the contractor: (i) Files or causes to be filed a United States or foreign patent application thereon; or (ii) Submits the final report required by paragraph (e)(2)(ii) of this clause, whichever is later.

(2) However, the Contractor shall not forfeit rights in a subject invention if, within the time specified in paragraph (m)(1) of this clause, the Contractor: (i) Prepares a written decision based upon a review of the record that the invention was neither conceived nor first actually reduced to practice in the course of or under the contract and delivers the decision to Patent Counsel, with a copy to the Contracting Officer; or (ii) Contending that the subject invention is not a subject invention, the Contractor nevertheless discloses the subject invention and all facts pertinent to this contention to the Patent Counsel, with a copy to the Contracting Officer, or (iii) Establishes that the failure to disclose did not result from the Contractor's fault or negligence.

(3) Pending written assignment of the patent application and patents on a subject invention determined by the Contracting Officer to be forfeited (such determination to be a Final Decision under the Disputes clause of this contract), the Contractor shall be deemed to hold the invention and the patent applications and patents pertaining thereto in trust for the Government. The forfeiture provision of this paragraph shall be in addition to and shall not supersede any other rights and remedies which the Government may have with respect to subject inventions.

**(t) U. S. Competitiveness.**

(1) 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 DOE that it is not commercially feasible to do so. In the event that the Contractor does not manufacture products embodying waived inventions substantially in the United States, the Contractor and the DOE shall agree on terms and conditions appropriate to assure the public receives some benefit of DOE's investment or recoupment of a portion of DOE's investment in the waived inventions not substantially manufactured in the United States.

(2) Notwithstanding any other provision of this waiver, the U.S. Competitiveness Clause shall not apply to waived inventions that are incremental improvements to background patents in the Contractor's privately funded proprietary technology for fuel injectors and monovalve technology.

(End of clause)