

## Statement of Considerations

REQUEST BY FORD MOTOR COMPANY FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS IN SUBJECT INVENTIONS MADE IN THE COURSE OF OR UNDER A SUBCONTRACT UNDER DEPARTMENT OF ENERGY CONTRACT NO. DE-FC05-97OR22605 WITH CATERPILLAR INC.; DOE WAIVER DOCKET W(A)-97-038 [ORO-672]

Ford Motor Company (Ford) has made a timely request for an advance waiver to worldwide rights in Subject Inventions made in the course of or under a subcontract under Department of Energy (DOE) Contract No. DE-FC05-97OR22605. This prime contract is with Caterpillar Inc. and Ford is a subcontractor under this agreement. The main program goal is to support the cooperative 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 dollar amount of Ford's proposed research project is estimated to be \$6,053,000 with Ford proposing to share \$3,026,500 or 50% of the total estimated cost of the subcontract. The period of performance is effective with subcontract execution, and extends through December 31, 2002 (the prime contract has a period of performance from September 9, 1997 through December 31, 2002).

Ford is the largest manufacturer of light trucks in the United States. Ford has a significant body of patents and know-how supporting this activity, including know-how relating to the specifications for diesel engines used in certain of the light trucks Ford manufactures. Ford also has much experience in the building of research and development test vehicles used as the basis for production prototype vehicles. Therefore, Ford's experience and expertise will contribute substantially to the development of the inventions made under the contract.

As one of the world's largest producers of automotive products, Ford's established commercial position is well known. Considering its market position, Ford has the capability to commercialize engine technology developed under the contract.

Ford has made a significant financial investment which is directly related to the work performed under this contract. Over the last decade, Ford has invested more than \$40 million in the research and development of Diesel Engine technology.

If the requested waiver is approved the Patent Rights - Waiver clause will be included in the contract. Petitioner has approved the Patent Rights -Waiver clause including march-in rights, granting of licenses to background patents necessary for practicing subject inventions, retention by the government of a license, and preference for U.S. industry.

With respect to the U.S. Competiveness provision, Ford has agreed to a modified version which is attached hereto. Ford has provided evidence that it is not commercially feasible for Ford to manufacture products embodying waived inventions or produced through the use of waived inventions in the U.S. Ford's existing diesel manufacturing capabilities are in Europe, specifically in Essex County, Great Britain. The diesel engines manufactured in Great Britain are sold throughout Europe. For the North American market, Ford has procured almost all diesel engines from U.S. manufacturers, including Caterpillar. Furthermore, it should be noted that the purpose of this contract is for Caterpillar, not Ford, to develop the diesel engine. Ford's role under the subcontract will be to provide specifications and parameters for the engine, as well as assist in the integration of the engine into a test bed vehicle. It is expected that the major portion of the development effort and corresponding development of inventions in this program would be done by Caterpillar, with the likelihood of inventions by Ford significantly less. Because Caterpillar has agreed to a U.S. Competiveness provision in a separate waiver request submitted by Caterpillar, potential benefit to the U.S. economy is achieved.

Granting of the waiver should have little effect on competition since Ford would most likely become one of several competitors in the field who are presently engaged in diesel powertrain research and development.

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.

In view of the acceptable level of cost sharing by Ford and the objectives and considerations set forth in 10 CFR 784.4, all of which have been considered, it is recommended that the requested waiver for worldwide rights be granted.



Emily G. ~~S~~chneider  
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 U.S. and foreign patent rights, 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: 4/2/98

APPROVAL:



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

Date: 4-6-98

## Attachment 1

### U. S. Competitiveness

- (a) DOE acknowledges that the Contractor's existing manufacturing base for most diesel engines and components therefor is not within the United States and thus agrees that it is not commercially feasible for the Contractor to substantially manufacture diesel engines or components thereof within the United States.
- (b) In the event the Contractor 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 the Contractor 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 Contractor 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 Contractor or assignee by DOE, under fair and reasonable terms. Such reasonable royalty bearing terms shall include a royalty paid to the patent owner.
- (c) In the event that the Contractor, 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 Contractor, 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 Contractor agrees that DOE may sublicense Subject Inventions, or copyrighted works first produced under this Subcontract under reasonable royalty bearing terms, for use or sale in the United States, beginning five (5) years after the termination or expiration of this Subcontract. Such reasonable royalty bearing terms shall include a royalty paid to the patent owner.
- (e) Unless otherwise directed by the contracting officer, the Contractor agrees to use this clause in subcontracts having as a purpose the conduct of research, development and demonstration work.