STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS TO SANDIA CORPORATION MADE IN THE COURSE OF OR UNDER MANAGEMENT AND OPERATING CONTRACT DE-AC04-94AL85000 OF THE DEPARTMENT OF ENERGY (DOE) WITH LOCKHEED MARTIN CORPORATION AND SANDIA CORPORATION W(C)97-001

Lockheed Martin Corporation (LMC), through Sandia Corporation (Sandia), manages and operates the Sandia National Laboratories (SNL) for the DOE under Prime Contract No. DE-AC04-94AL85000. Both LMC and Sandia are organized as large, for profit corporations.

SNL comprises Government-owned, Contractor-operated facilities located in New Mexico, California, Hawaii, and Nevada. SNL has a remarkable record of scientific and technical success since inception in 1949. This success is due, in part, to the unique contractual relationship that exists between DOE and its management and operating (M&O) contractors by way of the dedication of both technical and administrative skills of private organizations, such as LMC and Sandia, to a significant Federal mission in a close, long-term, cooperative relationship.

Currently, the Department's nonprofit M&O contractors have the right to retain title to inventions made in the performance of their prime contract with DOE pursuant to Title 35 U.S.C. 202 (P.L. 96-517), as amended by P.L. 98-620, other than those inventions excluded by Section 202(a)(ii-iv).

In 1983, President Reagan's Memorandum on Government Patent Policy was promulgated directing that:

> To the extent permitted by law, agency policy with respect to the disposition of any invention made in the performance of a federally-funded research and development contract, grant, or cooperative agreement award shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 38, Title 35 of the United States Code.

DOE considered the impact of the President's Memorandum on its patent policy with respect to large for-profit business contractors, including its M&O contractors, and determined that Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182), as amended, and Section 9 of the Federal Non-Nuclear Energy Research Development Act of 1974 (42 U.S.C. 5908), precluded DOE from automatically granting title to its large for-profit contractors pursuant to the President's Memorandum.

Sandia, like other of the Department's for-profit M&O contractors, prior to 1993, had the right to file identified waiver petitions on inventions made in the performance of the Prime Contract. This process imposed a substantial front end administrative burden, both on the Department and on Sandia, in preparing and processing such individual waiver petitions.

With the overall goal of incorporating the research results from Sandia's Prime Contract into the main stream of American commerce in the most expeditious manner consistent with the President's Memorandum, as referenced in Executive Order 12591 dated April 10, 1987, and in accordance with

the authority of Section 152 and Section 9, above, it was believed to be in the best interest of the United States and the general public to grant a Class Waiver to certain identified inventions made by Sandia under the Prime Contract to Sandia Corporation as set forth herein.

Consequently, the DOE granted to Sandia the waiver W(C)93-012 which gives it the right to elect, in writing and within two years of disclosure of certain inventions to the DOE, to retain title to said inventions, as acknowledged in the Patent Rights Clause of the Prime Contract [Clause 57(b)(2)].

The scope of this Class Waiver is directed to subject inventions made by employees of Sandia in the performance of work under the Sandia Prime Contract which were electable under the election conditions of Class Waiver W(C) 93-012, but for which a request for waiver of Government rights is submitted after expiration of the two-year contractual period for making such election.

The scope of this waiver also includes those electable subject inventions for which Sandia has indicated in writing that it does not desire to take title and for which an inventor employee of Sandia, with the permission of Sandia, seeks title as follows: Non-Defense Programs funded inventions in which an inventor employee has requested a waiver of Government rights during or after expiration of the two-year contractual period for election, and Defense Programs funded inventions in which an inventor employee has requested waiver of Government rights during or after the two-year contractual period for election.

Excluded from the scope of this Class Waiver are inventions which:

(1) Fall within DOE's weapons programs, which inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security;

(2) Relate to the Naval Nuclear Propulsion Program;

(3) Relate to the Uranium Enrichment (including Isotope Separation) Program;

(4) Are classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended;

(5) Are included in international agreements or treaties;

(6) Are covered by existing or future Class Waivers granted to third parties by DOE, such as "Work for Others"; or

(7) Fall within any further exceptions which may, in the national interest, be unilaterally designated by the Secretary.

For inventions relating to Federal storage and disposal of civilian high-level nuclear waste and spent nuclear fuels, Sandia Corporation's right to elect title is subject to the preservation in DOE of the right to require nonexclusive, nontransferable royalty-free licensing to any organization, such as a utility, that is contributing to the costs of activities relating to such storage and disposal.

This Class Waiver does not include inventions of subcontractors under the Prime Contract.

Because this waiver includes inventions for which the two-year contractual period for election has expired, the invention may not be available for waiver due to licensing and related activities carried out by the Assistant for Licensing of the Office of Assistant General Counsel for Technology Transfer and Intellectual Property at DOE Headquarters in Washington, D.C. In order to assess any prior commitments or ongoing negotiations for licenses and related activities in DOE-owned patents, Patent Counsel will confer with the Assistant for Licensing to determine the availability of any invention for application of this waiver.

During the contractual period for election, because many of these inventions are founded upon basic or advanced research, the commercial potential or commercial interest in an invention sometimes may appear to be limited, or be only of significant value far into the future, or may not be readily ascertainable. When resources are limited, such inventions may not be elected. The resources are understandably devoted to inventions in which the perceived commercial potential is greatest or the return on investment is more immediate. However, initial evaluation may be found to be incorrect, or related, or subsequent developments may improve the commercial prospects for the invention, or the invention may become useful as a part of a larger technology portfolio. Therefore, recognition of greater commercial potential for the invention may occur after expiration of the period for requesting election under the M&O contract.

Unless DOE has made a prior commitment of the invention, or is pursuing licensing, commercialization or development of the invention or related technology in a manner that is incompatible with waiver of the Government's rights in such identified inventions as set forth herein, a waiver of the Government's rights in identified inventions as set forth herein should provide the necessary exclusive rights in those inventions to bring forth private risk capital to expeditiously promote and move the technology into the commercial marketplace and thereby make the benefits of DOE's program widely available to the public in the shortest practicable time.

Additionally, under the authority of the "National Competitiveness Technology Transfer Act of 1989" (P.L. 101-189) Sandia is authorized to enter into Cooperative Research and Development Agreements (CRADAs) with universities, the private sector and other Federal laboratories for the purpose of promoting technology transfer between the Federal laboratories and the private sector in the United States. By having a waiver of the Government's rights in subject inventions falling within the scope of this Class Waiver, Sandia will be able to combine, where appropriate, these waived inventions with those waived under the separately issued Class Waiver for CRADAs through license agreements with cost-sharing participants under the CRADAs, thereby enhancing the movement of the waived inventions to the commercial marketplace.

Furthermore, the grant of a Class Waiver of identified inventions as set forth herein will enable DOE to take better advantage of the technology transfer capabilities of Sandia, as evidenced by the substantial local investment of resources. Permitting Sandia to retain title to a broad range of important inventions, except those imbued with the national interest, should further enhance the technology transfer initiatives of the Department through Sandia's Prime Contract.

Sandia has agreed to attempt to commercialize the waived inventions within five years from the time the waiver is effective. This commitment to early commercialization by Sandia will best promote the commercial utilization of such inventions and make the benefits of the research effort conducted under the Prime Contract widely available to the public in the shortest practicable time, consistent with the objectives and considerations of DOE's waiver regulations.

Implementation of this Class Waiver is to be by a simple procedure which requires:

(1) Sandia reporting of the invention pursuant to the Prime Contract and identifying the DOE program B&R funding code;

(2) Sandia electing in writing whether or not to retain title to the invention;

(3) Representation after reasonable internal inquiry that the invention falls within this Class Waiver;

(4) Representation to its best knowledge and belief and after reasonable internal inquiry that the invention does not fall within international agreements or treaties of the Government;

(5) Representation that Sandia will comply with the Technology Transfer Clause of its Prime Contract;

(6) Representation that Sandia will attempt to commercialize the invention through its licensees within five years from the time the waiver is effective; and

(7) Checking with DOE headquarters for existing license activity.

As a condition of this waiver, each inventor employee or group of inventor employees seeking waiver of inventions not elected by Sandia must submit a summary plan of commercialization and agree to be subject to the requirements/provisions of 35 U.S.C. SS 202-204, to abide by the U.S. competitiveness provision of the effective Laboratory Prime Contract, to use best efforts to license the subject invention within two years, and to commercialize the subject invention within three years from the date that the waiver is granted, subject to two-year extensions that may be granted. Further, each inventor employee or group of inventor employees will be required to reimburse DOE for its costs, if any, associated with the filing and prosecuting of a patent application on the invention. In cases of joint invention where all inventors are not seeking waiver, the inventor employee(s) seeking waiver must notify the other inventors, including non-employee inventors, if any, of the request for waiver and that any objections must be provided to Albuquerque Patent Counsel within two weeks of such notice. The waiver of the invention to co-inventor employee(s) will not affect any non-employee inventor's rights in the invention.

After review of the invention disclosure and relevant facts, the Albuquerque Operations Office Patent Counsel will certify whether the waiver is applicable to the invention.

Except as hereinafter provided with respect to inventions funded by or through DOE's Defense Programs, herein "DP funded inventions", the election for inventions shall become effective sixty (60) days after receipt by Patent Counsel, unless the Patent Counsel shall return the election with reasons for failure to accept the election, as set forth in this Class Waiver or Patent Counsel, makes a request for a one-time extension of thirty (30) days.

As noted above, the scope of this Class Waiver does not include two types of DOE Defense Programs funded inventions: (1) inventions which fall within DOE's Weapons Programs, which inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security; or (2) inventions which relate to

subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended. These inventions are, accordingly, not available for election under this Class Waiver and if LMC or Sandia desire greater rights in these inventions, then identified waiver petitions must be pursued. It is recognized that significant research under the Prime Contract is funded by DOE's Weapons Programs which results in valuable patentable technology. It is further noted that the ownership of such patentable technology by Sandia, in all instances, would not compromise national security or DOE's program or patent position by application of appropriate safeguards. The fact that certain inventions arising under DOE's Weapons Programs may fall within the scope of this Class Waiver requires that particular attention be given to each invention to ensure that the transfer of technology would not directly or indirectly compromise national security or other aspects of this sensitive program, as specifically prescribed in 48 C.F.R. 927.370.

With regard to any DP funded invention which Sandia reports with an election to retain title, or for which an inventor employee requests waiver, Sandia or the inventor employee shall, to its best knowledge or belief, provide to Patent Counsel a supporting statement with reasons, addressing:

(1) Whether National Security will be compromised by development, commercialization, or licensing activities involving the invention;

(2) Whether sensitive technical information (classified or unclassified) under the Naval Nuclear Propulsion Program or the Nuclear Weapons Program or other defense activities of the DOE, for which dissemination is controlled under federal statutes and regulations, will be released to unauthorized persons;

(3) Whether failure to assert such a claim (i.e., failure by DOE to retain title to a subject invention) will adversely affect the operation of the Naval Nuclear Propulsion Program or the Nuclear Weapons Program or other defense activities of the DOE; and

(4) Whether there is any Export Controlled material present and, if so, how such material will be protected.

Additionally, Sandia or the inventor employee shall provide a statement of any safeguards it proposes to protect national security while commercializing the subject matter of the invention.

The election for Defense Programs funded inventions covered by the Class Waiver shall be subject to the independent concurrence of a designated Defense Programs Military Applications Field Program Official, in addition to the approval of the Patent Counsel. The Patent Counsel shall base the approval determination on the written election and any notification provided in Part One, paragraph J, of the Technology Transfer Clause of the Prime M&O Contract. The concurrence of the designated Defense Programs Military Applications Field Program Official shall be based on a review of the election including the items set forth above, and the approval of such election by Patent Counsel shall not be effective until such concurrence has been provided to Patent Counsel. DOE shall use best efforts to provide approval and concurrence within 90 days of the date that the complete election is received, and if the election is disapproved, to respond with reasons for disapproval within 90 days of the date that the complete election is received.

In the interim, pending the grant of the Class Waiver, Sandia and inventor employees have submitted a number of identified waiver petitions on subject inventions. These inventions are of importance to the

commercialization efforts of Sandia under its Technology Transfer Programs. An expedited processing of untimely submitted waiver petitions, such as would be effectuated by inclusion in this Class Patent Waiver grant, is highly desirable and would greatly reduce the paperwork associated with processing each such waiver on a case-by-case basis. Accordingly, the scope of this Class Waiver shall include inventions made by Sandia employees on which a waiver request is pending as of the effective date of this Class Waiver.

This waiver of the Government's rights in inventions as set forth herein is subject to the Government's retention of: (1) a nonexclusive, nontransferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States the waived invention throughout the world; and (2) march-in rights in accordance with the attachment hereto entitled "March-In Rights".

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. DOE has the right to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If Sandia or the employee inventor receiving title is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in rights and require licensing of the invention.

Accordingly, in view of the statutory objectives to be attained and the factors to be considered under DOE's statutory waiver policy, the objectives of P.L. 101-189, and Executive Order 12591, all of which have been considered, it is submitted that this Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

[redacted]

James H. Chafin
Assistant Chief Counsel for
Intellectual Property
Albuquerque Operations Office

Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will best be served by waiver of United States and foreign patent rights as set forth herein to Sandia Corporation and; therefore, the waiver is granted subject to the terms of the Prime Contract, DE-AC04-94DP85000 and the Technology Transfer Clause of the Prime Contract to implement this Class Waiver. This waiver shall not affect any waiver previously granted.

CONCURRENCE:

[redacted]

Robin Staffin
Deputy Assistant Secretary for
Defense Programs
Date: 6/24/97

APPROVAL:

[redacted]

Paul Gottlieb
Assistant General Counsel for Technology
Transfer and Intellectual Property
Date: 6-27-97

ATTACHMENT
W(C)97-001

March-In Rights

(1) Lockheed-Martin Corporation (LMC) agrees with respect to any Subject Invention in which it has acquired title, the DOE has the right, in accordance with procedures in 35 U.S.C. 203, 48 C.F.R. 27.304-1(g), 37 C.F.R. 401.6 and any supplemental regulations of the DOE, to require LMC, an assignee or exclusive licensee of a Subject Invention to grant a nonexclusive, partially exclusive or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances; and if the LMC, assignee, or exclusive licensee refuses such a request, the DOE has the right to grant such a license itself if the DOE determines that:

(a) Such action is necessary because LMC or assignee has not taken or is not expected to take, within a reasonable time, effective steps to achieve practical application of the Subject Invention in such field of use;

(b) Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by LMC, assignee, or their licensees;

(c) Such action is necessary to meet requirements for public use specified by federal regulations and such requirements are not reasonably satisfied by LMC, assignee, or licensees; or

(d) Such action is necessary because the agreement required by 35 U.S.C. 204 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.

(2) LMC agrees with respect to any Subject Invention in which it has acquired title, the DOE has the right at the end of the 5 year period in which LMC has agreed to attempt to commercialize the invention set forth in the Statement of Considerations hereof to require LMC to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant(s) upon terms that are reasonable under the circumstances, provided such grant does not cause a termination of licensee's right to use the invention; and, if LMC refuses such request, to grant such a license itself, if the DOE determines that LMC has not made a satisfactory demonstration that it or its licensee(s) is actively pursuing such commercialization.

Before requiring licensing under paragraph (2) above, DOE shall furnish LMC a written notice of its intention to require LMC to grant the stated license, and LMC shall be allowed 30 days (or such longer period as may be authorized by the Contracting Officer), for good cause shown in writing by LMC after such notice, to show cause why the license should not be required to be granted.