

STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS MADE IN THE COURSE OF OR UNDER MANAGEMENT AND OPERATING (M&O) CONTRACT NO. DE-AC07-99ID13727 BETWEEN THE DEPARTMENT OF ENERGY AND BECHTEL BWXT IDAHO, LLC (BBWI) - W(C)-99-005; CH-1011

The Department of Energy (DOE), unlike most other Government agencies, employs contractors, both nonprofit and for-profit organizations, to manage and operate certain of its major research, production and weapons facilities, including its National Laboratories. Bechtel BWXT Idaho, LLC (BBWI), a large, for-profit corporation, has been selected, under Prime Contract No. DE-AC07-99ID13727 (13727 Contract), to manage and operate the facilities of the Idaho National Engineering and Environmental Laboratory (INEEL) in and near Idaho Falls, Idaho.

These Government-owned, Contractor-operated facilities have for some fifty years benefitted DOE and its predecessor agencies in carrying out research, development, and demonstration programs. These facilities have had a remarkable record of scientific and technical success. This success being due, in part, to the unique contractual relationship that exists between DOE and its management and operating (M&O) contractors, and the dedication of both technical and administrative skills of private organizations, such as BBWI, 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 (Public Law 96-517, as amended by Public Law 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 18, Title 35 of the United States Code.

DOE considered the impact of the President's Memorandum on its patent policy with respect to large business for-profit 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 and

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.

Nonetheless, under these same laws, large business entities, including for-profit M&O contractors, have the right to file patent waiver petitions, so that they may retain title to inventions made in the performance of their contracts. This process, however, imposes a substantial front end administrative burden; both on the Department and on the contractor in preparing and processing such individual waiver petitions.

With the overall goal of incorporating the research results from the BBWI 13727 Contract into the mainstream 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 is 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 BBWI under the 13727 Contract as set forth herein.

The scope of this Class Waiver is directed to the class of identified inventions which comprises subject inventions made by employees of BBWI in the performance of the 13727 Contract. It is intended that BBWI be treated in substantially the same manner as M&O contractors which are small business or nonprofit organizations. More specifically, the scope of the Class Waiver shall include U.S. and foreign patent rights to identified inventions made in the performance of the 13727 Contract for the facilities managed by BBWI at the INEEL.

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, or relate to naval nuclear propulsion; (2) fall within or are covered by any exceptional circumstance determination issued by DOE; (3) relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended; (4) come within the ambit of international agreements or treaties in existence at the time of execution of the contract modification effecting this Class Waiver in the 13727 Contract, or future international agreements or treaties, provided BBWI is formally advised in writing of the existence of such agreements, prior to the reporting of the inventions to DOE by BBWI; (5) are subject inventions covered by existing or future Class Waivers granted to third parties by DOE, such as "Work for Others," "Metals Initiative," etc., or (6) fall within any further exceptions that may, in the national interest, be designated by the Secretary and are added by unilateral amendment by DOE to the 13727 Contract. This Class Waiver does not include inventions of subcontractors under the 13727 Contract.

Like most inventions made at DOE's National Laboratories, inventions made

under the 13727 Prime Contract will require additional development before they are available in the commercial marketplace. This is because many of the inventions made by BBWI are founded upon basic or advanced scientific research. Additionally, many of these inventions are conceptual in nature and may be at a laboratory or proof-of-principle stage. Scaling-up to a commercial size demonstration of the inventive concept is often a prerequisite to negotiating royalty-bearing licenses. Finally, many of the inventions arising out of DOE's energy research will require substantial capital and other costs in order to translate the invention into commercial reality. Such costs may include further engineering, design, start-up and marketing.

A Class Waiver of the Government's rights in identified inventions as set forth herein will create sufficient exclusive rights in these 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 programs widely available to the public in the shortest time practicable. The grant of this class waiver will provide BBWI with title to subject inventions which will permit early discussions and negotiations with industry with respect to intellectual property rights. It is expected that the waiver will help expedite licensing arrangements and other interactions with industry and assist BBWI in implementing a licensing program for its inventions made under the 13727 Contract.

Additionally, under the authority of the "National Competitiveness Technology Transfer Act of 1989" (P.L. 101-189), BBWI 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. By having a waiver of the Government's rights in subject inventions falling within the scope of this Class Waiver, BBWI will be able to combine, where appropriate, these waived inventions with those waived under a separately issued Class Waiver for CRADAs through licensing arrangements with cost-sharing participants to enhance commercialization of the waived inventions.

Lastly, BBWI 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 BBWI will best promote the commercial utilization of such inventions and make the benefits of the research effort conducted under the 13727 Contract widely available to the public in the shortest time practicable, consistent with the objectives and considerations of DOE's waiver regulations.

Implementation of this Class Waiver is by a simple procedure which requires the following:

- (1) BBWI reporting inventions within the times specified in the 13727 Contract and

- identifying the source of the program funding in the invention disclosure;
- (2) BBWI electing in writing whether or not to retain title to the invention at the time of disclosure or within one year of disclosure;
 - (3) BBWI representation, after reasonable internal inquiry, that the invention falls within the Class Waiver;
 - (4) Representation that to BBWI's best knowledge and belief that the invention is not subject to international agreements or treaties of the Government, subject to another class waiver, subject of any exceptional circumstances determination, or covered by any other exception to this class waiver; and
 - (5) Representation that BBWI will attempt to commercialize the invention through its licensees within five years from the time the waiver is effective.

After review of the invention disclosure and relevant facts, DOE Patent Counsel will certify whether the waiver is applicable to the invention. The waiver of DOE rights in an elected invention shall be effective sixty (60) days after receipt by Doe Patent Counsel of BBWI's election of that invention, unless DOE Patent Counsel notifies BBWI within the 60 day period (or a one time extension of thirty (30) days if Patent Counsel advises that the extension is needed for Patent Counsel to make its determination) that a determination has been made that the class waiver does not apply to the invention and the rationale for such determination.

This class waiver is implemented in conjunction with the implementation of technology transfer as a mission under the 13727 Contract. Therefore, this class waiver is effective as of the effective date of the prime contract and shall apply to any subject inventions reported to DOE which may have been subject inventions under predecessor contracts for operation of INEEL.

This waiver of the Government's rights in inventions as set forth herein is subject to the Government's retention of: (1) a non-exclusive, non-transferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States the waived invention, and (2) the standard Government march-in rights of 35 USC 203. In addition, inasmuch as BBWI has a right to elect to retain title under this class waiver without a showing of any plans and intentions for commercializing a specific invention at the time of its election, DOE, pursuant to the provisions of the 13727 Contract and as a condition of this class waiver, also has the right at the end of the five year period after an election to require BBWI to grant appropriate licenses, if BBWI has not made a satisfactory demonstration that it or its licensee(s) is actively pursuing commercialization of any elected invention.

The grant of this Class Waiver should not adversely affect competition or market concentration. Waived inventions will be subject to a royalty-free license to the Government, and DOE has the right to require periodic reports on utilization or the efforts at obtaining utilization of any waived inventions. Also, if BBWI 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 objectives and considerations set forth in DOE's statutory waiver policy, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is recommended that this Class Waiver be granted.



Daniel D. Park
Assistant Chief Counsel
Office of Intellectual Property Law

Date 12/9/99

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 a waiver of U. S. and foreign patent rights as set forth herein and, therefore, the waiver is granted subject to the terms of the 13727 Contract. This waiver shall not affect any waiver previously granted.

CONCURRENCE:



Gerald G. Boyd, Deputy Assistant
Secretary for Science & Technology,
Office of Environmental Management

Date 1/28/00

APPROVAL:



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

Date 2-29-00