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Statement of Determinations and Facts  
Proposed Contract With Battelle Memorial Institute

The funding agreement that is the subject of this determination under section 202(a)(11) of P.L. 96-517 is a proposed five-year contract with the Battelle Memorial Institute acting through its Project Management Division for a research, development, and program management activity in support of the Department of Energy's (DOE) National Waste Terminal Storage Program (NWTS). The contract will run through September 30, 1987, with an estimated cost of \$386,000,000.

Battelle is assisting DOE in its responsibility to provide geological repositories and associated facilities for long-term storage and disposal of radioactive waste from DOE facilities and of high-level radioactive waste from commercial facilities. Battelle's mission is to identify potential geological waste repository sites and associated facilities for long term disposal of nuclear waste and to insure that the necessary research is performed to develop the technology for the permanent isolation of radioactive waste in geologic formations. Within the NWTS program Battelle will focus its primary attention on potential salt media sites. DOE test facilities to be constructed such as the Exploratory Shaft Facility, and possibly a Test and Evaluation Facility, as provided in the proposed contract, may be operated by Battelle. The subject contract provides for the continuation of work already begun by Battelle pursuant to DOE Contract No. DE-AC06-76RLO-1830 which is a contract for the operation of the Pacific Northwest Laboratories in Richland, Washington, a Government owned, contractor operated facility.

Federal regulations require that highly radioactive waste from both commercial and defense sources be permanently disposed of in a federally licensed, federally owned facility. DOE is assigned the responsibility for developing the necessary programs for the treatment, management, storage and disposal of nuclear waste. DOE must establish temporary and permanent facilities for such storage, management, and ultimate disposal to isolate the wastes from the biosphere for as long as they represent a significant hazard. This will be a long-term mission as long as wastes continue to be generated. It is expected that Congress will mandate the construction of facilities by DOE. Current DOE planning schedules the first large scale repository to be constructed by 1998 at a cost of about \$6 billion. Pursuant to this program DOE has been investigating various media in which to build storage facilities. In addition to salt media, other media being investigated include basalt, tuffaceous rock, sub-seabeds and crystalline rock. The first storage site will be selected from among tuffaceous rock, basalt, or salt. The investigations of tuffaceous rock are being undertaken at DOE's Nevada Test Site facility pursuant to the operating contract there and studies of basalt are being undertaken by Rockwell International, pursuant to its contract for the operation of a DOE facility at Richland, Washington. In both of these cases DOE retains title in inventions made by the contractor.

Work in the field of nuclear waste disposal and storage has been and will be almost entirely funded by the Government. The Government's nearly total support and control of the technology is pertinent from the standpoint that private incentives, at least at this time, are not promoting commercialization of this technology to any significant extent, and the Government plans to continue to fund to the point of practical utilization. In the report of the

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Senate Committee on the Judiciary on S. 414, the predecessor bill of P.L. 96-517 in the Senate, it is stated in the analysis of section 202(a) with respect to "exceptional circumstances," that if the funding agreement calls for developmental work on a product or process that the agency plans to fully fund and promote to the market place, then use of the exception might be justified. This situation obtains in the area of waste storage. Additionally, the regulatory licensing requirements of nuclear waste storage facilities, because of the strong public interest in such sites, may be expected to influence commercialization and utilization more than private ownership of patent rights. When this technology has been fully developed by the Government, and if it is found desirable to commercialize the technology, then, subject to regulation, private commercialization efforts can be undertaken by all of industry. Because of Government ownership, the rights to the technology developed by the Government and possibly required by regulation, will be available to all of industry on an equal basis. On the other hand, if Battelle were allowed to retain exclusive rights, such widespread availability might not be readily effected.

It is believed that the policy and objectives of P.L. 96-517 of promoting commercialization of technology arising from federally supported research will be best advanced by keeping all of the rights in the technology together. The Government's retention of the patent rights to the technology will ensure its widespread availability from a single source on appropriate terms and would facilitate transfer of the technology by the Government in the event it is decided to turn nuclear waste storage over to private industry or sell the technology abroad.

In addition, Battelle's role in designing the NWST and participating in the selection among the candidate repositories should not be open to influence by its retention of exclusive rights in a particular area. The nature of the subject contract in involving the development of a federally owned, federally licensed facility is considered exceptional and clearly different from most funding agreements in which the Government supports research and development.

For the reasons stated above, a patent rights clause obtaining title for the Government in subject inventions will be used in the contract with Battelle. The clause, however, provides Battelle with a revocable, nonexclusive, royalty-free license in each subject invention and, in addition, gives Battelle right to request waivers of identified inventions under DOE's waiver policy set forth in DOE PR part 9-9.109-6.

# memorandum

SEP 30 1991

DATE:

REPLY TO  
ATTN OF:

GC-42

SUBJECT:

Statement of Determination of Exceptional Circumstances of the Department of Energy pursuant to section 202(a)(ii) of Title 35 of the U. S. Code

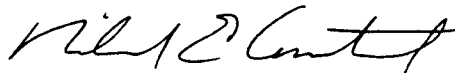
TO:

James A. Stout  
DOE Field Office  
Albuquerque

Enclosed is a Statement of Determination of Exceptional Circumstances of the Department of Energy pursuant to section 202(a)(ii) of Title 35 of the U. S. Code. The determination covers the proposed Battelle Memorial Institute (Battelle) subcontract with Mason Hanger - Silas Mason Co., Inc., the management and operating contractor for the Pantex Plant. As set forth in the Statement, the justification for the exceptional circumstances determination is based on national security concerns and the Department's integrated technology transfer program for its laboratories and facilities.

In order to promptly notify Battelle of the exceptional circumstances determination and its rights to appeal the determination as required by 37 C.F.R. 401.3(e), please provide Battelle a copy of the Statement at the subcontract signing.

If you have any questions concerning the foregoing or the enclosed Statement, please contact me.



Richard E. Constant  
Assistant General Counsel  
for Intellectual Property

Attachment

STATEMENT OF DETERMINATION OF EXCEPTIONAL CIRCUMSTANCES  
FOR THE BATTELLE MEMORIAL INSTITUTE SUBCONTRACT  
(CONTRACT NO. A0113400)  
WITH MASON HANGER-SILAS MASON CO., INC.  
CONTRACT NO. DE-AC04-91AL65030  
FOR THE MANAGEMENT AND OPERATION OF THE  
DEPARTMENT OF ENERGY PANTEX PLANT NEAR AMARILLO, TEXAS

For the reasons, facts and justifications set forth herein, the Department of Energy (DOE) has determined that the circumstances surrounding the subject subcontract with Battelle Memorial Institute (Battelle) justify the use of the "exceptional circumstances" exception of 35 U.S.C. 202(a)(ii), that disposition of patent rights different from those applicable under P.L. 96-517 and P.L. 98-620 codified under Chapter 38 of the Patent Laws (35 U.S.C. 200 et seq.) for funding agreements with small businesses or nonprofit organizations is necessary. Allocation of patent rights to the Government under this program will better promote the policies and objectives of Chapter 38, Title 35 of the U.S. Code.

The Pantex Plant is a Government-Owned Contractor-Operated (GOCO) nuclear weapons production plant in which product related work comprises the manufacture of high explosives and components for nuclear weapons and includes the assembly, component testing and disposal of nuclear weapons. The work is extremely sensitive from a national security standpoint. The subject Battelle subcontract is for the Environmental, Safety and Health (ES&H) and waste management functions and the planning for technology infusion in support of Mason & Hanger-Silas Mason Co., Inc. (Mason & Hanger), the Management and Operating (M&O) contractor for the Pantex Plant. The subcontract work scope includes those ES&H and waste management tasks and other related tasks which are required of Mason & Hanger through the M&O contract. In addition, Battelle shall be responsible for the operation of the Advanced Technology Office to infuse technology and provide technical options to improve the Pantex Plant operations. Inclusive of these responsibilities is the coordination of the modernization plan proposals to insure responsiveness, a smooth transition to new systems, and continued planning for long range product and process improvements.

In order to carry out its responsibilities under the proposed subcontract, Battelle will have a significant on-site presence at the Pantex Plant for the five year duration of the contract and will be privy to virtually every aspect of the very sensitive product related work carried on by Mason & Hanger. In fact, the nature of Battelle's efforts, and inventions likely to arise from its efforts, will relate directly to the nuclear weapons activity of Mason & Hanger under its M&O contract.

The DOE has already determined that "exceptional circumstances" exist for inventions that are related to classified or sensitive technology. That determination stated that the policies of Chapter 38 of the Patent Laws relate to using the Patent system to promote utilization and commercialization, whereas inventions arising out of classified or sensitive technology which might directly or indirectly compromise national security, are inherently inventions in which it is in the public interest to discourage commercial utilization.

That determination goes on to state that House Report 98-983 dated August 15, 1984 on H.R. 5003, a predecessor bill to the modification of 35 U.S.C. 200 et. seq. (P.L. 98-620), cited certain DOE programs as areas where the invoking of "exceptional circumstances" would be justified on the grounds that "... for public policy reasons such as nuclear proliferation, the business is considered to be too sensitive to be operated with private sector ownership." Although the DOE recognizes that some of the inventions arising out of the proposed subcontract with Battelle may not be classified as such, or may have a dual use which is unclassified, such inventions will be so closely related to the very sensitive nuclear weapons work at Pantex that the DOE should have the ability to review and decide on a case-by-case basis whether commercialization of the invention is appropriate and consistent with national security policy. Under the standard contract patent provisions applicable to Battelle, inventions may not come to DOE's attention until after some event has occurred which may have already compromised national security. However, the DOE can accomplish this review by the subcontractor, Battelle, applying for a waiver of title to inventions pursuant to the DOE waiver regulations on a case-by-case basis similar to that required of Mason & Hanger under its prime contract. It is understood that there is a significant overlap of the subject matter covered by this determination and that covered by the statutory exemption provided in 35 U.S.C. 202(a)(iv) for operators of the DOE GOCO facilities primarily dedicated to the DOE weapons related programs which certainly include the nuclear weapons plant at Pantex.

Public interest in discouraging proliferation of the underlying technologies is a common thread in precluding automatic contractor retention of rights in these areas. Whereas, the DOE totally supports the unique contractual arrangement between Mason & Hanger and Battelle for the operation of the Pantex Plant, discretion must be left with the DOE to waive title to the entity acting on DOE's behalf to conduct technology transfer for the Pantex technology, when and if appropriate, for commercialization and consistent with national security policy.

Further, the DOE has instituted an integrated technology transfer program for its GOCO laboratories and facilities. Pursuant to the mandate of the National Competitiveness Technology Transfer Act of 1989 (NCTTA) (P.L. 101-189) the DOE has made technology transfer a mission of its laboratories. The policies and

objectives of the DOE's technology transfer program, although centered around those of the NCTTA, are completely consistent with the policies and objectives set out in 35 U.S.C. 200. In the near future, the DOE intends to offer a comprehensive technology transfer contract clause for inclusion in all of its GOCO nuclear facility M&O contracts in an effort to establish a coordinated technology transfer program and impose upon its M&O Contractors the responsibility and authority to cooperatively conduct a program of technology transfer to insure the full use of research and development efforts and capabilities of the facilities consistent with the protection of national security and with an underlying purpose of enhancing U.S. industrial competitiveness.

Like the Pantex Plant, the DOE's other production facilities are charged with having an active ES&H and waste management program along with a program designed to coordinate the modernization of the facility and continued planning for long range product and process improvements. It is anticipated that the various production plants will work together in order to achieve these goals and it is imperative that the technology transfer activities at the facilities will be closely coordinated in order to more effectively achieve the policies and objectives of the NCTTA and 35 U.S.C. 200.

However, it is anticipated that the majority of the inventions that arise at the Pantex Plant will occur under the proposed Battelle subcontract in connection with Battelle's activities related to ES&H, waste management and modernization of the plant. To permit title to inventions to reside with the subcontractor, Battelle, would serve to fractionate technology at the Pantex Plant which could weaken or frustrate the technology transfer thrust of the DOE through Mason & Hanger, which is charged with carrying out technology transfer at the Pantex Plant.

Therefore, apart from the national security issues discussed above, the DOE has determined that the policies and objectives of 35 U.S.C. 200 can best be carried out by a coordinated effort of all of its laboratories and nuclear weapons plants in a manner so that the intellectual property rights, including patent rights, be controlled by the contractor that is responsible for technology transfer at the facility.

Accordingly, it is hereby determined that "exceptional circumstances" exist such that the proposed subcontract with Battelle, as discussed herein, contain patent provisions providing for Government retention of rights to inventions occurring under that subcontract.

In order to effectuate the rights of Battelle to an administrative appeal of an "exceptional circumstances" determination, as provided in 35 U.S.C. 203(2), Battelle will be provided with a copy of this determination at the time Mason & Hanger enters into its subcontract with Battelle.