

STATEMENT OF CONSIDERATIONS

Request by Meritor Heavy Vehicle Systems, LLC. for an Advance Waiver of Domestic and Foreign Invention Rights under DOE Contract No. DE-EE0003303, Subcontract QZ001, with Navistar W(A) 2011-069, CH-1641

The Petitioner, Meritor Heavy Vehicle Systems, LLC (Meritor) was awarded the subject subcontract under a cooperative agreement with DOE for the performance of work entitled, "Development & Demonstration of a Fuel-Efficient Class 8 Tractor & Trailer". The objective of the work is to develop, build, and demonstrate a new class 8 tractor and trailer combination that improves vehicle freight efficiency by 50%. The new product will be designed to save fuel, reduce emissions, and lower fleets' fuel costs compared to Navistar's industry-leading ProStar tractor. Meritor's role is to deliver a minimum of 5% and up to 10% fuel savings through the hybrid system and associated Powertrain changes. It is further expected that the unique operating features of the Dual Mode Hybrid offer opportunities for revising engine design or controls that can support the effort to achieve 50% Brake Thermal Efficiency. Further details of the project are described in response to question 2 of the waiver petition.

The work under this agreement is expected to take place from October 1, 2010 through September 30, 2015. The total amount of the contract is \$89.1 million, with DOE contributing \$37.3 million or 41.8% cost-share. Navistar and its subcontractors are providing the remaining \$51.8 million or 58.2% cost share. The subcontract between Meritor and Navistar is valued at \$12,737,362, with Meritor providing 62.3 % cost share or \$7,945,701.

In its response to questions 5 and 6 of the attached waiver petition, Meritor has described its technical competence in the field of commercial hybrid systems and axles, suspension, and trailer systems. Meritor states it is a global leader in the design, manufacture and sale of drivetrain and chassis components for the commercial vehicle market. It currently owns over 600 active patents and 150 pending patent applications world wide. Patents covering relative fields include commercial vehicle axle systems (including lubrication level control schemes and systems), trailer products, ride control systems, and hybrid systems. An exemplary list of patents and pending patent application publications demonstrating Meritor's previously developed technology is provided in Appendix A to the petition. Meritor's response demonstrates its technical competency in the field of the commercial vehicle market.

In its response to question 10 of the attached waiver petition, Meritor states that there a wide variety of similar technologies, and obtaining patent on the specific developments under this program would not have a significant anticompetitive effect. Therefore grant of the waiver will have a positive effect on competition and market concentration.

The subject contract will be modified to add the Patent Rights--Waiver clause in conformance with 10 CFR 784.12, wherein Meritor has agreed to the provisions of 35 U.S.C §§ 202, 203, and 204. This waiver clause will also include a paragraph entitled U.S. Competitiveness, in which Meritor agrees to substantial U.S. manufacture of subject inventions (attached hereto). Additionally, Meritor agrees not to transfer subject inventions to any other entity unless that other entity agrees to these same requirements.

This advance waiver of the Government's rights in inventions is subject to the usual advanced patent waiver and background data licensing provisions. The terms of the advanced patent waiver include the usual Government license, march-in rights, and preference for U.S.

industry provisions set out in 35 U.S.C. 202-204. The advance patent waiver also includes the attached U.S. Competitiveness clause (paragraph t) which requires products embodying any waived invention or produced through the use of any waived invention be manufactured substantially in the United States unless the participant can show to the satisfaction of DOE that it is not commercially feasible to do so. The Petitioner further agrees to make the above condition binding on any assignee or licensee or any entity otherwise acquiring rights to any waived invention, including subsequent assignees or licensees. Should the Contractor or other such entity receiving rights in any waived invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by DOE.

Considering the foregoing, it is believed that granting the waiver will provide the Petitioner with the necessary incentive to invest resources in the commercialization of the results of the agreement in a fashion which will make the agreement's benefits available to the public in the shortest practicable time. In addition, it would appear that grant of the above requested waiver would not result in an adverse effect on competition nor result in excessive market concentration. Therefore, in view of the objectives and considerations set forth in 10 CFR 784, all of which have been considered, it is recommended that the requested waiver, as set forth above, be granted.

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Mark P. Dvorscak
Deputy Chief Counsel
Office of Intellectual Property Law
Date: December 13, 2011

Based on the foregoing Statement of Considerations and the representations in the attached waiver petition, it is determined that the United States and the general public will best be served by a waiver of rights of the scope described, and therefore the waiver is granted. This waiver shall not apply to any modification or extension of this agreement, where through such modification or extension, the purpose, scope, or cost of the agreement is substantially altered.

CONCURRENCE:

APPROVAL:

[Redacted signature area]

Patrick Davis
Office of Vehicle Technologies Program
Office of Energy Efficiency and
Renewable Energy

John T. Lucas, GC-62
Assistant General Counsel
for Technology Transfer and
Intellectual Property

(t) U. S. COMPETITIVENESS 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 the DOE that it is not commercially feasible to do so. In the event the DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The Contractor agrees that it will not license, assign or otherwise transfer any waived invention to any entity unless that entity agrees to these same requirements. Should the Contractor or other such entity receiving rights in the invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by the DOE.