

STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S DOMESTIC AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS TO MISSION SUPPORT & TEST SERVICES, LLC (MSTS) MADE AND TO BE MADE UNDER CONTRACT NO. DE-NA-0003624 WITH THE DEPARTMENT OF ENERGY'S NATIONAL NUCLEAR SECURITY ADMINISTRATION (NNSA) FOR THE MANAGEMENT AND OPERATION OF THE NEVADA NATIONAL SECURITY SITE
W(C) 2017-004

Effective December 1, 2017, Mission Support and Test Services, LLC (MSTS), will manage and operate the Nevada National Security Site (NNSS) for the DOE/NNSA under Prime Contract No. DE-NA-0003624. MSTS was formed in November 2015 by Honeywell International, Inc., Jacobs Engineering Group, Inc., and Stoller Newport News Nuclear, Inc., to accomplish the Government's requirements for the Management and Operation of the NNSS and associated projects as defined under the Prime Contract.

The NNSS is a Government-owned, contractor-operated facility located in Las Vegas, Nevada, and is part of the DOE/NNSA nuclear weapons complex. The NNSS has a record of continued scientific and technical success; this success is due, in part, to the unique contractual relationship that exists between DOE/NNSA and its management and operating (M&O) contractors by way of the dedication of both technical and administrative skills of private organizations to a significant Federal mission in a close, long-term, cooperative relationship.

The National Competitiveness Technology Transfer Act of 1989 (Pub. L. 101-189 §3133(d)), required DOE to include in appropriate contracts for the operation of a Government-owned laboratory operated under contract by a non-Federal entity, provisions that establish technology transfer as a mission of the laboratory. DOE's implementation of this requirement is found at DEAR 970.2770, which dates from 1995 and includes provisions that provide M&O contractors title to most new inventions made at the laboratory with federal funding.

Currently, DOE'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) and to the extent necessary to enable the Government to comply with Treaties and International Agreements.

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.

Executive Order 12591 (Apr. 10, 1987) also provided that the head of each Executive department and agency promote the commercialization, in accordance with the Memorandum on Government Patent Policy, of patentable results of federally funded research by granting to all contracts, regardless of size, title to patents made in whole or in part with Federal funds, in exchange for royalty-free use by or on behalf of the government.

DOE has considered the impact of these statutes and directives 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 and Development Act of 1974 (42 U.S.C. § 5908), precluded DOE from automatically granting title to its large for profit contractors title to inventions made in the performance of their Prime Contracts.

In order to facilitate the commercialization of inventions resulting from the research and development performed under DOE's M&O contracts (including NNSA's contracts) in the most expeditious manner consistent with the statutes, policies and Executive Order cited above, the Department decided that it is in the best interest of the United States and its citizens to grant individual Class Waivers to each M&O contractor authorized to conduct technology transfer activities regarding certain inventions made under its Prime Contracts and in a Class Advance Waiver of inventions made by a Participant under a CRADA to Participants. Class waivers of this nature exist for all appropriate M&O contractors.

If such class waivers were not granted, the Department's for-profit M&O contractors would have to file identified waiver petitions on inventions made in the performance of a Prime Contract in order to obtain title to such inventions in furtherance of their technology transfer mission. This process imposes a substantial front end administrative burden, both on the Department and on MSTs, in preparing and processing such individual waiver petitions.

The scope of this Class Waiver is directed to the class of identified inventions which comprises subject inventions made by employees of MSTs in the performance of the Prime Contract. It is thus intended to treat MSTs substantially the same as M&O contractors which are small business or non-profit 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 Prime Contract for the facilities managed by MSTs. 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 a "Strategic Partnership Project" or "User Facilities"; and
- (7) Fall within any further exceptions which may, in the national interest, be unilaterally designated by the Secretary.

This Class Waiver does not include inventions of subcontractors under the Prime Contract. It does apply to inventions of MSTS employees made under an agreement, such as a strategic partnership agreement where a third party sponsor having the right to elect title to an MSTS employee's invention, elects not to retain title to the invention. It also applies to inventions as to which NNSA determines that a class waiver that would normally grant a strategic partnership sponsor or user the right to elect title to the invention does not apply and no other exception to the M&O contractor obtaining title applies.

Most of the inventions made under the Prime Contract require additional development before they can be made available in the commercial marketplace. This is because many of the inventions made by MSTS are founded upon basic or advanced research. Additionally, many of these inventions are conceptual in nature and are on a laboratory or proof-of-principle scale. Scale-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 weapons research will require substantial capital in order to translate the invention into commercial reality; such costs, for example, 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 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) MSTS 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, MSTS 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 NNSA to take advantage of the technology transfer capabilities of MSTS. Permitting MSTS 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 MSTS's Prime Contract.

MSTS 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 MSTS 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) MSTS reporting of the invention pursuant to the Prime Contract and identifying the NNSA program funding code;
- (2) MSTS electing in writing whether or not to retain title to the invention at the time of disclosure or within two years of disclosure;
- (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 MSTS will attempt to commercialize the invention through its licensees within five years from the time the waiver is effective; and
- (6) Agreement to comply, or require compliance, with applicable Export Control regulations.

After review of the invention disclosure and relevant facts, the NNSA Patent Counsel (herein Patent Counsel) will certify whether the waiver is applicable to the invention.

Except as hereinafter provided with respect to inventions funded by or through NNSA's Office of 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/NNSA 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 MSTS desires 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 the Department's Weapons Programs which results in valuable patentable technology. It is further noted that the ownership of such patentable technology by MSTS, in all instances, would not compromise national security or the Department's program or patent position by application of appropriate safeguards. The fact that certain inventions arising under the Department'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 MSTS reports with an election to retain title, MSTS shall, to its best knowledge or belief, provide to Patent Counsel a supporting statement with reasons, addressing the following:

- (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 Programs 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.

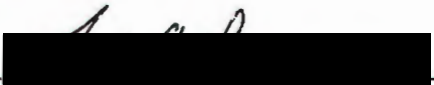
Additionally, MSTS shall provide a statement of any safeguards it proposes to protect national security while commercializing the subject matter of the invention.

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. NNSA shall use best efforts to provide approval and concurrence within 90 days of the date of complete election is received.

This waiver of the Government's rights in inventions as set forth herein is subject to the: (1) Government's retention of 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, (2) march-in rights in accordance with the attachment hereto entitled "March-In Rights", (3) a preference for United States industries as set forth in 35 U.S.C § 204, and (4) the provision of the M&O Contract, including the Patent Rights, Rights in Data and Technology Transfer Mission clauses.

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. DOE/NNSA 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 MSTs is not making reasonable efforts to utilize a waived invention, DOE/NNSA can exercise its march-in-rights and require licensing of the invention.


Accordingly, in the view of the statutory objectives to be obtained 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 serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.


Fred A. Lewis
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NNSA Albuquerque Complex

Date: 9/28/2017


Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will be best served by waiver of United States and foreign patent rights as set forth herein to MSTs and, therefore, the waiver is granted subject to the terms of the Prime Contract, DE-NA-0003624 and the Technology Transfer Clause of the Prime Contract to implement this Class Waiver. This waiver shall not affect any waiver previously granted.

CONCURRENCE:


William (Ike) White
Chief of Staff and Associate Principal Deputy Administrator, NA-1

Date: 10/13/17

APPROVAL:


Brian Lally
Assistant General Counsel for Technology Transfer
and Intellectual Property, GC-62

Date: 10/17/17