Statement of Considerations

REQUEST BY CUMMINS ENGINE COMPANY, INC. FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS IN SUBJECT INVENTIONS MADE IN THE COURSE OF OR UNDER DEPARTMENT OF ENERGY CONTRACT NO. DE-FC05-97OR22538; DOE WAIVER DOCKET W(A)-97-011 [ORO-656]

Cummins Engine Company, Inc. (Cummins) has made a timely request for an advance waiver to worldwide rights in Subject Inventions made in the course of or under Department of Energy (DOE) Contract No. DE-FC05-97OR22538. The scope of the work calls for the development of advanced ceramic and ceramic-metal composite materials for fuel injector plunger applications in diesel engines. The work is sponsored by the Office of Transportation Technologies.

The dollar amount of the contract is $2,194,853 with Cummins cost sharing $1,089,042, or 50% of the contract.

Cummins is a world leader in the design, development, and production of diesel engines and is currently the largest independent commercial producer of diesel engines that are greater than 200 horsepower. It has a history of investing its own resources to develop, test, manufacture and introduce diesel engines. Examples of such products include diesel engines with displacements of 1 liter/cylinder and larger. It certifies more diesel engines a year than all other domestic manufacturers. It funds about 4.5% of its net sales on research and development, approximately $200 million a year. Therefore, Cummin's experience and expertise will contribute substantially to development the inventions made under the contract.

Cummins sells diesel engines to all truck markets. Its net sales in 1995 topped five billion and it employed over 24,000 people. It has also implemented ceramic materials for fuel systems, catalyst systems for emission control, advanced turbocharger materials, and advanced high power density engines. Cummins has specific business units to implement the technology. Considering its market position, it has the capability to commercialize diesel engine materials developed under the contract.

Cummins has a history of research and development leading to commercialization of advanced materials for diesel engine parts and as a result has maintained its position in an increasingly competitive market. It is committing resources previously used in these activities, such as personnel, equipment, and expertise, to develop the materials under this contract.

The contract has been executed and is proceeding with the Patent Rights- acquisition by the Government clause. If the requested waiver is approved, this clause will be replaced with the Patent Rights - Waiver clause as a no cost modification. Petitioner has approved the Patent Rights -Waiver clause including march-in rights, the granting of licenses to background patents

necessary for practicing subject inventions, retention by the government of a license, preference for U.S. industry, and U.S. Competitiveness clauses. The advance patent waiver will also contain a paragraph that limits Cummins's ability to alienate waived rights. Specifically, Cummins shall not transfer rights in any invention without prior approval of DOE. Also, should there be a change in ownership of Cummins, rights in inventions will be suspended until approval by DOE of the entity obtaining controlling interest having the waiver.

Cummins agrees that any product, process or service used or sold by Cummins or its affiliates embodying subject inventions must be manufactured, practiced or provided substantially in the United States, and further, any license or other transfer in rights of a subject invention to third parties must be approved by DOE prior to any such transfer.

Granting of the waiver should have little effect on competition since there are several technology options, this being one of many previously or yet-to-be developed in the marketplace, therefore there should not be undue market concentration of Cummins products.

Grant of the requested waiver should serve as encouragement to other DOE contractors that significant cost sharing will be recognized as an acceptable consideration for granting greater rights in Subject Inventions.

In view of the acceptable level of cost sharing by Cummins and the objectives and considerations set forth in 10 CFR 784.4, all of which have been considered, it is recommended that the requested waiver for worldwide rights be granted.

Katherine Lovingood
Senior Patent Attorney

Based on the foregoing Statement of Considerations and the representations in the attached Waiver Petition, 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, and therefore, the waiver is granted. This waiver shall not apply to a modification or extension of the cost-shared contract where, through such a modification or extension, the purpose, scope or cost of the contract has been substantially altered.

CONCURRENCE:

Thomas J. Gross
Deputy Assistant Secretary for
Transportation Technologies

Date: 7/24/97

APPROVAL:

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

Date: 8/14/97

publication shall be secured from Patent Counsel prior to any such release or publication. In appropriate circumstances, and after consultation with the Contractor, Patent Counsel may waive the right of prepublication review.

(s) Forfeiture of rights in unreported subject inventions.

(1) The Contractor shall forfeit and assign to the Government, at the request of the Secretary of Energy or designee, all rights in any subject invention which the Contractor fails to report to Patent Counsel within six months after the time the Contractor:

(i) Files or causes to be filed a United States or foreign patent application thereon; or

(ii) Submits the final report required by paragraph (e)(2)(ii) of this clause, whichever is later.

(2) However, the Contractor shall not forfeit rights in a subject invention if, within the time specified in paragraph (m)(1) of this clause, the Contractor:

(i) Prepares a written decision based upon a review of the record that the invention was neither conceived nor first actually reduced to practice in the course of or under the contract and delivers the decision to Patent Counsel, with a copy to the Contracting Officer; or

(ii) Contending that the subject invention is not a subject invention, the Contractor nevertheless discloses the subject invention and all facts pertinent to this contention to the Patent Counsel, with a copy to the Contracting Officer, or

(iii) Establishes that the failure to disclose did not result from the Contractor's fault or negligence.

(3) Pending written assignment of the patent application and patents on a subject invention determined by the Contracting Officer to be forfeited (such determination to be a Final Decision under the Disputes clause of this contract), the Contractor shall be deemed to hold the invention and the patent applications and patents pertaining thereto in trust for the Government. The forfeiture provision of this paragraph shall be in addition to and shall not supersede any other rights and remedies which the Government may have with respect to subject inventions.

(t) U.S. Competitiveness. The Contractor agrees that any product, process or service using any intellectual property arising from the performance of this contract, including that resulting from a subject invention, shall be manufactured, practiced or provided substantially in the United States.