STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENTS' U.S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS MADE IN THE COURSE OF OR UNDER MANAGEMENT AND OPERATING CONTRACT NO. DE-AC06-87RL10930 BETWEEN THE DEPARTMENT OF ENERGY AND WESTINGHOUSE HANFORD COMPANY

The Department of Energy (DOE), unlike most other Government agencies, employs contractors, both for-profit and nonprofit organizations, to manage and operate certain of its major research, production and weapons facilities, and its National Laboratories. Westinghouse Hanford Company (WHC), a large business, for-profit corporation, under Prime Contract DE-AC06-87RL10930 with DOE, manages and operates certain of the Government-owned facilities at the Hanford Site near Richland, Washington.

These Government-owned, Contractor-operated facilities have for some fifty years benefitted DOE and its predecessor agencies in carrying out agency research, development, and demonstration programs. Such facilities have, in great measure, had a remarkable record of scientific and technical success. This success is due, in part, to the unique contractual relationship between DOE and its management and operating (M&O) contractors: viz., the dedication of both technical and administrative skills of a private organization such as WHC, 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 contracts with DOE pursuant to Title 35 U.S.C. 202 (Public Law 96-917, as amended by Public Law 98-620), other than 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 business for-profit contractors pursuant to the President's Memorandum.

WHC, like other of the Department's large business, for-profit contractors, currently has the right to file identified waiver petitions on inventions made in the performance of the 10930 Contract. This process imposes a substantial front end administrative burden--both on the Department and on WHC--in preparing and processing such individual waiver petitions.

With the overall goal of incorporating the research results from the WHC 10930 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 WHC under the 10930 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 WHC in performance of the 10930 Contract. It is thus intended to treat WHC substantially the same as other M&O contractors who have a technology transfer clause their prime contract. 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 10930 Contract for the facilities managed by WHC at the Hanford Site. 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; relate to naval nuclear propulsion; relate to uranium enrichment (including isotope separation); relate to storage and disposal of civilian high level nuclear waste or spent nuclear fuels; fall within and are covered by any other exceptional circumstance determination issued by DOE; (2) relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended; (3) 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 10930 Contract, or future international agreements or treaties, provided WHC is formally advised in writing of the existence of such prior to the reporting of the inventions to DOE by WHC; (4) 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 (5) fall within any further exceptions that may, in the national interest, be designated by the Secretary and are added by unilateral amendment to the 10930 Contract. This Class Waiver does not include inventions of subcontractors under the 10930 Contract.

Most of the inventions made under the 10930 Prime Contract require additional development before they are available in the commercial marketplace. This is because many of the inventions made by WHC are founded on 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 research will require substantial capital and other costs in order to translate the invention into commercial reality; such costs, for example, include further engineering, design, start-up and marketing.

Modification 77 to the 10930 Contract authorized WHC to establish a licensing program whereby waived inventions and copyrighted software could be moved in an expeditious manner into the commercial marketplace by means of

appropriate licensing agreements. A Class Waiver of the Government's rights in identified inventions as set forth herein will create sufficient exclusive rights in these inventions in WHC to permit WHC to license the inventions and 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 practicable time. The grant of this Class Waiver will provide WHC with the certainty of title to subject inventions which will permit early discussions and negotiations with industry with respect to intellectual property rights thereby expediting licensing arrangements and other interactions with industry. The grant of the waiver will thus greatly assist WHC in implementing this licensing program.

Additionally, under the authority of the "National Competitiveness Technology Transfer Act of 1989" (Public Law 101-189) WHC 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, WHC will be able to combine, where appropriate, these waived inventions with those 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 DOE to take advantage of the technology transfer capabilities of WHC. Permitting WHC 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.

Lastly, WHC 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 WHC will best promote the commercial utilization of such inventions and make benefits of the research effort conducted under the 10930 Contract widely available to the public in the shortest practicable time, consistent with the objectives and considerations of DOE's waiver regulations.

Implementation of the Class Waiver is to be by a simple procedure which requires:

(1) WHC reporting of the invention within the times specified in the 10930 Contract and identifying the source of the program funding in the invention disclosure;

(2) WHC electing in writing whether or not to retain title to the invention at the time of disclosure or within one year of disclosure;

(3) Representation after reasonable internal inquiry that the invention falls within the Class Waiver;

(4) Representation to its 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 it 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 WHC's election of that invention, unless DOE Patent Counsel notifies WHC 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. DOE Patent Counsel will use its best efforts to timely certify whether the waiver is applicable to the invention.

In the interim, pending the grant of this Class Waiver WHC has submitted a number of identified waiver petitions on subject inventions. These inventions are of importance to the commercialization efforts by WHC under its Technology Transfer Program. An expedited processing of these timely submitted waiver petitions, such as would be effectuated by inclusion in this Class Waiver grant, is highly desirable and would greatly reduce the paper work associated with processing each such waiver on a case-by-case basis. Accordingly, the scope of this Class Waiver shall include inventions made by WHC employees on which a timely filed waiver request is pending as of the effective date of this Class Waiver. Further, this Class Waiver shall not apply to any invention which DOE has advertised as being available for licensing.

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 U.S.C 203. In addition, inasmuch as WHC 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 10930 Contract implementing, and as a condition of, this class waiver, also has the right at the end of a five year period after the election to require WHC to grant appropriate licenses if WHC has not made a satisfactory demonstration that it or its licensee(s) is actively pursuing commercialization of the invention.

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. DOE 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 WHC is not making reasonable efforts

to utilize a waived invention, DOE can exercise its march-in right and require licensing of the invention.

Accordingly, in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is believed that the Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

[redacted]

Robert Southworth
Patent Counsel, RL

Date Jan 6, 1993

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 United States and foreign patent rights as set forth herein and, therefore, the waiver is granted subject to the terms of the 10930 Contract as amended, and so long as the technology transfer clause of Modification 77 is a part of the 10930 Contract. This waiver shall not affect any waiver previously granted.

CONCURRENCE:

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