

## STATEMENT OF CONSIDERATIONS

REQUEST BY PHILLIPS PETROLEUM, INC. FOR AN ADVANCED WAIVER OF  
DOMESTIC AND FOREIGN INVENTION RIGHTS UNDER DOE SOLICITAION  
NO. DE-PS26-00NT40718 W(A)-01-001, CH-1054

The Petitioner, Phillips Petroleum (Phillips), was awarded this cooperative agreement for the performance of work entitled, "Improved Process for Desulfurizing Diesel Fuel to Produce Ultra Low Sulfur Diesel". The purpose of the cooperative agreement is to investigate and develop an improved process for desulfurizing diesel fuel to produce ultra low sulfur diesel to meet the 15 part per million (ppm) cap on sulfur in on-road diesel fuels proposed by the U.S. Environmental Protection Agency (EPA) on May 18, 2000.


Phillips has been selected to receive an award under the subject solicitation; the cooperative agreement has not yet been executed. It is estimated that the total cost of the cooperative agreement will be \$56,200,000, with the DOE share being \$10,000,000. Cost sharing of the project for Phillips will be \$46,200,000, or about 82%.

In its response to questions 5 and 6 of the attached waiver petition, Phillips has shown its technical competence in developing and commercializing fuels technology. Phillips has provided the names and qualifications of this team in attachment 1 to the waiver petition. This attachment also describes technological achievements in developing new refining technologies over the last fifty years, including a technology, referred to as S Zorb Removal Technology, that was named as an R&D 100 winning technology. In addition, in response to question 7, Phillips has detailed its substantial financial and technological investments in refining technologies for over eighty years. It has over 15,000 patents, of which 1,280 are active U.S. patents. Phillips has an active licensing position that generates substantial revenue. Phillips response fully demonstrates its technical competence in the field of fuel technology and the development of new, and cleaner fuels.

In its response to questions 8, 9, and 10 of the attached waiver petition, Phillips states that ownership of its inventions made under this cooperative agreement will promote innovation and commercialization of the ultra low sulfur diesel (ULSD) fuel to be developed. Phillips states that it has already received inquiries from potential licensees concerning the commercialization of the ULSD technology. There are numerous firms pursuing solutions to the regulatory impact of low sulfur fuels, such as ABB Lummus, Exxon, Halor Topsoe, Idemitsu Kosan, IFP, Kvaerner, Mobil-Akzo Nobel-Kellogg, Neste Engineering, Shell, Texaco, and UOP. Phillips established market position, along with these numerous competitors pursuing similar goals, will have a positive effect on both competition and technology, and not place Phillips in a monopolistic position.

The subject cooperative agreement will be modified to add the Patent Rights--Waiver clause in conformance with 10 CFR 784.12. This waiver clause will also include a paragraph entitled U.S. Competitiveness, in which Phillips agrees to substantial U. S. manufacture of subject inventions (attached hereto). Additionally, Phillips agrees not to transfer subject inventions to any other entity unless that other entity agrees to these same requirements.


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.

  
Mark P. Dvorscak  
Assistant Chief Counsel  
Office of Intellectual Property Law

Date : Feb 23, 2001


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 and consent to assignment of the scope described above, 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:

  
Clarence L. Miller, Director  
Office of Product-Line Director for  
Office of Fossil Energy  
Coal Fuels and Industrial Systems

Date: 4/29/01

APPROVAL:

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

Date: MAY 2 2001

(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.