

Statement of Considerations

REQUEST BY CATERPILLAR INC. FOR AN ADVANCE WAIVER
OF DOMESTIC AND FOREIGN RIGHTS IN SUBJECT
INVENTIONS MADE IN THE COURSE OF OR UNDER UT-
BATTELLE, LLC SUBCONTRACT NO. 4000015331 UNDER
DEPARTMENT OF ENERGY CONTRACT NO. DE-AC05-
00OR22725; DOE WAIVER DOCKET W(A)-02-040 [ORO-773]

Caterpillar, Inc. (Caterpillar) has made a timely request for an advance waiver to worldwide rights in Subject Inventions made in the course of or under UT-Battelle Subcontract No. 4000015331 under Department of Energy (DOE) Contract No. DE-AC05-00OR22725 and under certain subcontracts entered thereunder with parties which are not DOE National Laboratories or which do not qualify for treatment under Public Law 96-517. The scope of the work calls for the development of advanced processes and designs for thick thermal barrier coatings for components used primarily for low emission, high efficiency diesel engines. The work is sponsored by the Office of FreedomCar and Vehicle Technologies.

The dollar amount of the subcontract is \$460,736 with Caterpillar cost sharing \$230,368 or 50% of the subcontract.

Caterpillar had considerable experience in developing advanced materials and material related processes for earth moving machine applications as well as advanced materials and processes for diesel and natural gas engines. In addition, Caterpillar has made significant internally funded investments in research, development, and manufacturing of components for machines and engines. Of particular importance is Caterpillar's demonstrated technical competence in thermal spray applications, wear resistant materials, thin film coatings, ceramics, metal matrix composites, high temperature steels, powdered metallurgy, as well as advanced manufacturing techniques including heat treatment, casting, combustion technology, engine component technologies and engine electronic controls technology. Caterpillar's experience and expertise will thus contribute substantially to development of the inventions made under the subcontract.

Caterpillar is the world's largest manufacturer of earth-moving, materials handling and construction equipment and a world leader in design, development, production and marketing of medium and heavy duty diesel engines, spark ignited gas engines, and industrial gas turbine engines. It produces approximately 113,000 diesel engines a year with power ranges from 42 to 7,300 horsepower. Considering its market position, it has the capability to commercialize engine technology developed under the subcontract.

It is recognized that subcontractors which are not DOE National Laboratories or which are not subject to P.L. 96-517 have the right to request a waiver in their own subcontracts regardless of whether they cost share and can also request a waiver of rights in identified inventions on a case-by-case basis. Accordingly, the waiver of subcontractor inventions to Caterpillar only applies where the subcontractor acknowledges its right to ask for greater rights in its subject inventions and agrees to Caterpillar obtaining rights in these inventions by providing a letter to DOE containing a statement or by signing a subcontract having terms indicating such acknowledgment and agreement. Further, Caterpillar acknowledges that it is to negotiate within the bounds of minimum rights and conditions required by the subcontract and this waiver with

subcontractors. These minimum rights include a U.S. Government license, march-in rights, and U.S. Preference and Competitiveness provisions.

If the requested waiver is approved the Patent Rights - Waiver clause will be included in the subcontract. Petitioner has accepted the Patent Rights -Waiver clause including march-in rights, granting of licenses to background patents necessary for practicing subject inventions, retention by the government of a license, and preference for U.S. industry.

In addition, Caterpillar agrees that any product, process or service using any intellectual property arising from the performance of this subcontract, including that resulting from a Subject Invention shall be manufactured, practiced or provided substantially in the United States, unless Caterpillar can demonstrate that it is not commercially feasible or reasonable to do so. In the event that Caterpillar does not manufacture products embodying waived inventions substantially in the United States, Caterpillar and the DOE shall agree on terms and conditions appropriate to assure the public receives some benefit of DOE's investment or recoupment of a portion of DOE's investment in the waived inventions not substantially manufactured in the United States.

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, thus there should not be undue market concentration of Caterpillar 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 Caterpillar 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.



Emily G. Schneider
Assistant Chief Counsel for
Intellectual Property

Date 12/2/03

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 subcontract where, through such a modification or extension, the purpose, scope or cost of the subcontract has been substantially altered.

CONCURRENCE:

Edward J. Wall
Program Manager
Freedom Car & Vehicle
Technology, EE-2G

Date: 2/26/04**APPROVAL:**

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

Date: 3-16-04

(r) Publication.

It is recognized that during the course of work under this contract, the contractor or its employees may from time to time desire to release or publish information regarding scientific or technical developments conceived or first actually reduced to practice in the course of or under this contract. In order that public disclosure of such information will not adversely affect the patent interests of DOE or the contractor, approval for release of 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 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.

(End of clause)