

## STATEMENT OF CONSIDERATIONS

REQUEST BY EATON CORPORATION FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN INVENTION RIGHTS UNDER DOE COOPERATIVE AGREEMENT NO. DE-FC26-04NT42263; W(A)-04-074, CH-1252

The Petitioner, Eaton Corporation (Eaton) was awarded this cooperative agreement for the performance of work entitled, "Efficiency Improvement through Reduction of Friction and Wear on Power Train Systems." In this program, Eaton will conduct research and development to reduce friction and parasitic energy loss by 30-50% in truck transmissions and axles used in class 3-8 trucks. Caterpillar is a partner with Eaton who will be conducting bench-scale and drivetrain component testing. The waiver will apply to inventions made by Eaton employees and its subcontractors' employees, regardless of tier, except inventions made by subcontractors eligible to retain title to inventions pursuant to P.L. 96-517, as amended, and National Laboratories.

The total estimated cost of the cooperative agreement is \$4,594,463. Eaton is cost sharing \$2,500,000 or 54%; DOE is providing the remaining \$2,094,463 (46%) toward this contract. The period of performance is from October 1, 2004 through September 30, 2009.

In view of the cost sharing and other equities between Eaton and its subcontractors, it is anticipated that the parties will develop an appropriate allocation of patent rights among the participants to facilitate the expeditious development of the technology forming the subject matter of the agreement. Accordingly, DOE will waive title to all subject inventions made by Eaton's employees and its subcontractors' employees, regardless of tier, except inventions made by subcontractors eligible to retain title pursuant to P.L. 96-517, as amended, or National Laboratories, to UTC or its subcontractors, as mutually agreed by the parties. Except as otherwise approved in writing by DOE Patent Counsel, a party's acceptance of a subcontract under this agreement, at any tier, shall constitute Eaton's certification that it has provided that party with a copy of this Statement of Considerations and that party's notice to DOE that it accepts the terms and conditions of this advance waiver. Additionally, subcontractors who receive title under this waiver shall notify DOE Patent Counsel in writing of such disposition of patent rights.

In its response to question 5 of the attached waiver petition, Eaton has described its technical competence in the field of global truck components, and specifically friction reduction. Eaton has over a 50% market share in North America for many key products such as heavy-duty transmissions, diesel engine valvetrain components, heavy duty clutches and some hydraulic components. It has over 50 years experience in truck transmission design and manufacturing, over 30 years in truck transmission materials, truck transmission performance and durability testing, truck transmission tribology, and 25 years in tribology, thin film coatings, gear design, and surface finish. Eaton has provided a listing of publications authored by several researchers in this area as Exhibit A to its petition. Eaton has also provided a listing of relevant patents, patent applications, and invention disclosures, related to friction reduction. Eaton's response demonstrates its technical competency in the field of friction reduction.

In its response to question 10 of the attached waiver petition, Eaton states the intended result of this project is to reduce friction and parasitic energy loss by 30-50% in critical components of class 3-8 truck powertrain and drivetrain systems. Its primary competitor is Caterpillar, and both companies are market leaders. Eaton states that the results of this project will benefit both companies as well as impact all facets of the marketplace. The research will also benefit Eaton's Automotive and fluid Power Groups, and not materially change or better the position of Eaton as a

leader in this field but also benefit many other industries as well. Thus, grant of the waiver should have a positive effect on competition and market concentration.

The subject cooperative agreement will be modified to add the Patent Rights--Waiver clause in conformance with 10 CFR 784.12, wherein Eaton has agreed to the provisions of 35 U.S.C §§ 202, 203, and 204. This waiver clause will also include a paragraph entitled U.S. Competitiveness, in which Eaton agrees to substantial U. S. manufacture of subject inventions (attached hereto). Additionally, Eaton agrees not to transfer subject inventions to any other entity unless that other entity agrees to these same requirements.

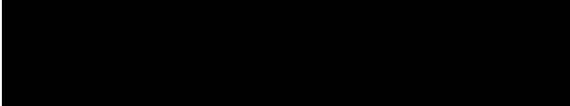
Considering the foregoing, it is believed that granting the waiver will provide the Petitioner with the necessary incentive to invest resources in the commercialization of the results of the agreement in a fashion which will make the agreement's benefits available to the public in the shortest practicable 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  
Intellectual Property Law Division

Date: Feb 16, 2005

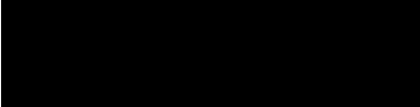
Based on the foregoing Statement of Considerations and the representations in the attached waiver petition, it is determined that the United States and the general public will best be served by a waiver of rights of the scope described above, and therefore the waiver is granted. This waiver shall not 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:

  
Sidney Diamond  
Office of the Deputy Secretary for  
Technology Development  
Energy Efficiency and Renewable  
Energy, EE-2G

Date: 2/25/05

APPROVAL:

  
Paul A. Gottlieb  
Assistant General Counsel  
for Technology Transfer and  
Intellectual Property, GC-62

Date: 3-1-05

(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.

## ***WAIVER ACTION - ABSTRACT***

**W(A)-04-074 (CH-1252)**

### REQUESTOR

Eaton Corporation  
Under DOE  
Cooperative Agreement  
No. DE-FC26-04NT42263

### CONTRACT SCOPE OF WORK

Efficiency Improvement through Reduction  
of Friction and Wear on Power Train Systems

### RATIONALE FOR DECISION

54% cost sharing

### DISPOSITION