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STATEMENT OF CONSIDERATIONS

REQUEST BY CHRYSLER CORPORATION FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS UNDER AN NREL SUB-CONTRACT NO: ZAN-6-16334-01, W(A)-96-003, CH-0893 AND FOR LARGE BUSINESS LOWER TIER SUB-CONTRACTS THEREUNDER

Chrysler Corporation has petitioned for an Advance Waiver of Patent Rights under the above-identified National Renewable Energy Laboratory (NREL) subcontract and under lower tier subcontracts entered into thereunder with parties who do not qualify for treatment under Public Law 96-517. NREL is operated by Midwest Research Institute (MRI) under the prime contract number DE-AC02-83CH10093.

The subcontract is to develop/demonstrate hybrid vehicle technology and to build hybrid vehicles to demonstrate various operational parameters in a vehicle that will provide high energy efficiency and low emissions. Chrysler has proposed to evaluate two hybrid vehicle configurations with different operating strategies and subsystems.

The subcontract was awarded in response to an unsolicited proposal by Chrysler, and its terms and conditions are substantially the same as those which were awarded earlier to Ford and General Motors. The estimated cost of the subcontract is about \$84,800,000, and the period of performance is about forty-three months. Chrysler has agreed to cost share fifty percent (50%) of the total cost of the subcontract. Chrysler will be leading a team to develop the hybrid vehicle technologies and propulsion system. Although not yet determined, Chrysler will negotiate with its lower tier subcontractors for additional cost sharing on the subcontractor's part. However, the requirements of the subcontract with NREL places the (50%) burden of cost sharing on Chrysler which must then negotiate and solicit participation of cost sharing from its team of lower tier subcontractors.

As set out in the attached waiver petition, Chrysler has requested domestic and foreign rights in the subject inventions of its employees and of its lower tier subcontractors not subject to Public Law 96-517. It is believed that this approach will minimize fragmentation of invention rights among the parties as the program progresses, expedite Chrysler's subcontract negotiations and give Chrysler a mechanism to obtain meaningful cost sharing or other rights which will facilitate timely commercialization of the technology. It should be noted that this also contemplates the parties allocating title or other rights to inventions among themselves as they deem appropriate during the course of their negotiations consistent with the terms of this waiver. In such cases, title may be waived directly to Chrysler's subcontractor upon mutual agreement of Chrysler and the subcontractor involved. However, this waiver will only apply to such lower tier subcontractors who acknowledge their right to ask for a separate waiver and agree to the terms of this waiver and their subcontract.

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With respect to the lower tier subcontractors, it is the intention of Chrysler to utilize the grant of this waiver to organize the program so its benefits may be realized in an optimum manner. In particular, Chrysler will be negotiating cost sharing participation, background rights, and U.S. Competitiveness provisions reflecting the Government's interest in assuring commercial availability of the technology. Chrysler is to negotiate within the bounds of the minimum rights and conditions required by the subcontract and this waiver with lower tier subcontractors. These minimum rights include U.S. Government license, March-In rights, and U.S. Preference and Competitiveness provisions. There is no intention that this waiver should impact the rights of those parties subject to Public Law 96-517. Lower tier subcontracts with such parties will include the appropriate Bayh-Dole patent clauses.

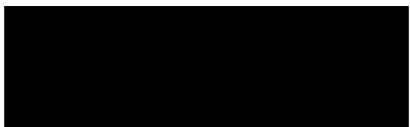
Chrysler is a well known major manufacturer of automobiles in the United States and has a strong history of demonstrating its automotive development and manufacturing capabilities in bringing vehicles to the marketplace. A key to Chrysler's approach is the Platform Team concept, which promotes forming partnerships with suppliers and using extensive teamwork to achieve effective development efforts in all phases of a program. Pursuant to such, Chrysler will assemble a team that has the capabilities to develop a hybrid vehicle propulsion system and is most likely to commercialize the results of this DOE program.

To promote U.S. Competitiveness, Chrysler has agreed to provisions requiring the manufacture in the United States of major components of hybrid propulsion systems which are based on subject inventions or data produced under the subcontract. The U.S. Competitiveness provisions are substantially similar to those provided to Ford and General Motors, with the exception that modifications were made to accommodate Chrysler's use of existing manufacturing facilities in North America. The U.S. Competitiveness provisions are attached hereto. Also pursuant to statute, this subcontract provides for five year protection from public dissemination for data first produced in the performance of the subcontract as an added incentive to promote the commercialization of this technology. As outlined in its petition Chrysler has already made substantial investments to develop hybrid vehicle technology.

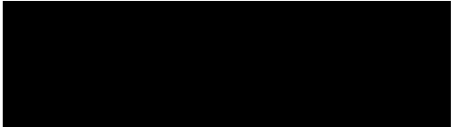
Chrysler has agreed that this waiver shall be subject to the march-in and preference for U.S. industry provisions, as set out in 35 U.S.C. 203 and 204. Additionally, Chrysler has agreed to the attached U.S. Competitiveness provisions and to background patent and data provisions which assure commercialization of the technologies to the extent intellectual property rights are owned or controlled by Chrysler. Thus, the above provisions, along with the fact that there will be competing hybrid vehicle projects by Ford and General Motors, provide adequate assurance that granting the waiver will not adversely affect competition. To assure commercial availability and to meet U.S. competitiveness goals, Chrysler will insure that each lower tier subcontract not subject to 35 USC 202 (f) includes U.S. Competitiveness, background patent and data provisions acceptable to DOE.

Considering the foregoing, it is believed that granting the waiver will provide Chrysler with the necessary incentive to invest its resources in the commercialization of

the results of the agreement in fashion which will make the subcontracts's benefits available to the public in the shortest practicable time. This waiver provides Chrysler with title in inventions made by Chrysler and all its lower tier subcontractors who agree to the waiver to Chrysler, except small businesses, universities and non-profit contractors subject to Public Law 96-517. Therefore, in view of the objectives and considerations set forth in 41 CFR 9-9.109-6, all which have been considered, it is recommended that the waiver described above be granted.




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Assistant Chief Counsel
Intellectual Property Law
Department



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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 patent rights of the scope described above, and therefore the waiver is granted. This waiver shall not apply to any modification or extension of this subcontract, where through such modification or extension the purpose, scope, or cost of the subcontract has been substantially altered.

CONCURRENCE:

Pandit G. Patil
Acting Director, Office of
Propulsion Systems Transportation
Technology, EE-30

Date: 2/26/96

APPROVAL:

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

Date: 2-26-96

(ix) U.S. Competitiveness

- (a) The Subcontractor agrees that major components of hybrid propulsion systems for use or sale in the United States under any United States Patent resulting from a subject invention shall be manufactured substantially in the United States.
- (b) The Subcontractor also agrees that major components of hybrid propulsion systems developed under this subcontract using contract data which is Protected Hybrid Vehicle Information shall be manufactured substantially in the United States during the period expiring five (5) years after completion of this subcontract.
- (c) Notwithstanding the foregoing provisions, the requirements for manufacturing major components of hybrid propulsion systems substantially in the United States shall be deemed to be satisfied only (i) if it is only commercially feasible for Subcontractor to begin volume production at Subcontractor's existing production facilities elsewhere in North America, or (ii) upon a showing by the Subcontractor or its assignee, in writing, that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible and some form of significant economic and technical benefits will flow to the United States. Such a showing by the Subcontractor must be approved in writing by DOE. With respect to subparagraph (i) above, it is understood and agreed, given the nature and organization of Subcontractor's manufacturing facilities in the United States, Mexico and Canada, including Subcontractor's existing engine production plants in Toluca and Saltillo, Mexico ("Mexican Plants"), that during the five-year period covered by subparagraphs (a) and (b) above, and with respect to major components of hybrid propulsion systems covered by and within the scope of subparagraphs (a) and/or (b) above, initial manufacture by Subcontractor of such major components may begin at Subcontractor's Mexican Plants; Subcontractor agrees, however, that prior to construction of any new production plant outside of the United States, or any expansion of the Mexican Plants, for the manufacture of major components covered by and within the scope of subparagraphs (a) and/or (b) during the five-year period covered by subparagraphs (a) and/or (b). Subcontractor will make reasonable and good faith efforts to manufacture such components at production facilities located, or to be located, in the United States.
- (d) This clause does not constitute a commitment that the Subcontractor will actually manufacture hybrid propulsion systems.