

STATEMENT OF CONSIDERATIONS

REQUEST BY ZOND CORPORATION FOR AN ADVANCE WAIVER OF
DOMESTIC AND FOREIGN PATENT RIGHTS UNDER NREL
SUBCONTRACT NO. NREL-ZAT-8-16477-01 UNDER DOE CONTRACT
NO. DE-AC36-83CH10093; W(A)-98-004; CH-0963

The Petitioner, Zond Corporation, has requested a waiver of domestic and foreign patent rights for all subject inventions arising from its participation under the above referenced subcontract entitled "Advanced Wind Turbine Program: Near Term Research and Testing."

The objective of the subcontract is to develop improved wind turbine components and subsystems for use in the "Next Generation Turbine." Under the subcontract, Petitioner will evaluate candidate improvements, and then design, fabricate, procure and test the improved components and subsystems. Specifically, Petitioner will create preliminary, detailed, and final designs of the selected components and subsystems. The designs will then be used to fabricate some of the components and subsystems for testing on a baseline wind turbine.

The total anticipated cost of this four year subcontract is \$8.3 million, with the Petitioner's share being \$2.5 million, for approximately thirty percent (30%) cost sharing. The waiver is contingent upon the Petitioner maintaining this cost sharing percentage over the course of this subcontract.

As noted in its waiver petition, Petitioner has an established non-governmental commercial position in the above technology, with about 90% of the U.S. market and 5% of the world market. Since its inception in 1980, Petitioner has grown steadily from 7 employees in 1980 to 380 employees in 1998. Petitioner has demonstrated its technical competence in the design and manufacture of wind turbine generation system by the various product lines and services that it currently provides in the field. Additionally, in its waiver petition, Petitioner states that during the past 10 years, it has invested more than \$9 million in developing its wind turbine technology. Considering Petitioner's technical expertise, established market position, and significant investment in this technology including sizable cost sharing in this subcontract, it is reasonable to

conclude that Petitioner will continue to develop and ultimately commercialize the products that may arise from this subcontract.

Petitioner has agreed that this waiver shall be subject to the march-in and preference for U.S. industry provisions, as well as the U.S. Government license, comparable to those set out in 35 U.S.C. 202-204. Further, Petitioner has agreed to the U.S. competitiveness provisions as attached to this Statement. In brief, Petitioner has agreed that products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States unless Petitioner can show to the satisfaction of the DOE that it is not commercially feasible to do so. However, in view of Petitioner's manufacturing facilities located in Germany and given the circumstances and nature of the technology that is to be developed under the subcontract, Petitioner may manufacture products embodying any waived invention or produced through the use of any waived invention in its German facilities for sales limited to Germany and other European Union countries. Additionally, Petitioner has agreed to background patent and contractor data licensing provisions as attached herein.

Referring to item 10 of the waiver petition, granting this waiver is not anticipated to have any adverse impact on competition. There are currently numerous designs, as well as competitors, in the field of wind turbine technology. In fact, most of the competitors in this technology are non United States companies. As stated in its waiver petition, the Petitioner currently hold only a small portion of the worldwide market for wind turbines. The success of this subcontract can be expected to stimulate further investment and competition in this technology.

Considering the foregoing, it is believed that granting this waiver will provide Petitioner with the necessary incentive to invest its resources in the commercialization of the results of the subcontract in a fashion which will make the above technology available to the public in the shortest practicable time. Therefore, upon evaluation of the waiver petition and in view of the objectives and considerations set forth in 10 CFR Part 784, all of which have been considered, it is recommended that the requested waiver be granted.

[Redacted]

Thomas G. Anderson
Assistant Chief Counsel
Office of Intellectual
Property Law

Date: _____

[Redacted]

Daniel D. Park
Patent Attorney
Office of Intellectual
Property Law

Date: 5/11/98

Based upon the foregoing Statement of Considerations and representations in the attached waiver petition, it is determined that the interests 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 the subcontract, where through such modification or extension, the purpose, scope or cost of the subcontract has been substantially altered.

CONCURRENCE:

[Redacted]

Peter R. Goldman
Acting Deputy Director
Office of Photovoltaic and
Wind Technologies
EE-11

Date: 6-25-98

APPROVAL:

[Redacted]

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

Date: 6-25-98

(t) U. S. Competitiveness.

(1) 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. Nonetheless, given the circumstances and nature of the technology that is to be developed under the Contract and in view of Contractor's Tacke manufacturing facilities located in Germany, Contractor may manufacture products embodying any waived invention or produced through the use of any waived invention in the Contractor's German facilities for sales limited to Germany and any other European Union countries.

(2) In view of the above, any processes, services, and improvements thereof which are covered by waived inventions developed under this Contract shall be incorporated into the Contractor's manufacturing facilities in the United States either prior to or simultaneously with implementation outside the United States. Such processes, services, and improvements, when implemented outside the United States, shall not result in reduction of the use of the same processes, services, or improvements in the United States.

(3) In the event the DOE agrees to foreign manufacture, outside of areas recognized in paragraph (1) above, 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.