

## STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN  
PATENT RIGHTS IN INVENTIONS MADE IN THE PERFORMANCE  
OF COOPERATIVE RESEARCH AND DEVELOPMENT  
AGREEMENTS ENTERED INTO BY THE ROCKY FLATS PLANT,  
PURSUANT TO THE DEPARTMENT OF ENERGY/KAISER-HILL  
MANAGEMENT AND OPERATING CONTRACT NO.  
DE-AC34-95RF00825 - W(C)95-011.

Kaiser-Hill Company (K-H) manages and operates Rocky Flats Plant for the Department of Energy (DOE) under Prime Contract No. DE-AC34-95RF00825. K-H is organized as a limited liability company.

The Department of Energy (DOE) considers its Government-Owned, Contractor-Operated (GOCOs) facilities, such as Rocky Flats, national resources capable of providing significant contribution to the development of new products and processes, creation of jobs, enhancement of the skill level of the U.S. labor force, and in improved U.S. competitiveness.

Congress, recognizing this unique aspect of GOCO facilities, enacted the National Competitiveness Technology Transfer Act of 1989, hereinafter "Act", (Public Law 101-189). The purpose of this Act was to promote technology transfer between GOCOs and the private sector in the U.S. and to enhance collaboration between universities, the private sector, and the GOCOs in order to foster the development of technologies in areas of significant economic potential.

The Act amended the Stevenson-Wydler Technology Innovation Act of 1980 (Public Law 96-480), as amended, in a number of major aspects. First, the Act extended to GOCOs, upon agency approval, the authority earlier specified in Section 12 of Stevenson-Wydler for Government-Operated Federal Laboratories (GOGOs) to enter into Cooperative Research and Development Agreements (CRADAs) with one or more non-Federal parties (hereinafter "Participant"). Second, the Act required that the GOCOs' operating contracts be modified or that there be a binding agreement to establish technology transfer including CRADAs as a mission for the laboratories and to describe the respective obligations and responsibilities of the agency and the laboratories with respect thereto.

The Act defined a CRADA as:

Any agreement between one or more Federal laboratories and one or more non-Federal parties under which the Government, through its laboratories, provides personnel, services, facilities, equipment or other resources with or without reimbursement (but not funds to non-Federal parties) and the non-Federal parties provide funds, personnel, services, facilities, equipment, or other resources toward the conduct of specified research or development efforts which are consistent with the missions of the laboratory.

Excluded from this type of agreement are procurement contracts, grants, or cooperative agreements as these terms are used in Sections 6303, 6304, and 6305 of Title 31.

The term "Laboratory" as set forth in the Act includes for purposes of this Class Waiver, any of the facilities that K-H manages and operates under the prime Contract No. DE-AC34-95RF00825 (hereinafter "M&O Contract").

#### Identified Invention Waiver to K-H

In one particular, the scope of this Class Waiver is directed to the class of identified inventions which comprises subject inventions made by employees of K-H as set out in the M&O Contract (hereinafter "contractor CRADA inventions") in the performance of work under a CRADA that it enters into under the K-H M&O Contract pursuant to the Act.

This waiver is consistent with the objectives and considerations of DOE's waiver regulations. It is believed that the waiver of the Government's rights to K-H in contractor CRADA inventions made in the performance of work under a CRADA will best promote the commercial utilization of such inventions and make the benefits of the cooperative research effort widely available to the public in the shortest practicable time.

Further, the waiver of the Government's rights in such inventions will enable DOE to take advantage of the technology transfer capability of K-H. K-H has assumed an established technology transfer organization at Rocky Flats Plant developed under the authority of the Stevenson-Wydler Technology Innovation Act of 1980 and that organization is fully staffed and functioning.

The waiver to K-H of its CRADA inventions is believed to be further justified in that the performance of the CRADA by K-H and licensing associated therewith will enhance the movement of such waived inventions to the commercial marketplace, especially where K-H inventions will normally be combined with Participants' technology that has commercial value for purposes of commercialization. It is expected that such license arrangements will contain commercialization incentives that will advance the waived inventions to early

commercialization.

Implementation of this Class Waiver to the identified inventions of K-H is to be by a simple procedure which requires:

1. K-H reporting of the invention as required in the K-H M&O Contract; and
2. K-H electing in writing whether or not to retain title to the invention at the time of disclosure or within two years of disclosure, subject to the right of DOE Patent Counsel to proceed with obtaining patent protection where it appears such patent protection might be lost due to a statutory bar.

After review of the invention and relevant facts, Patent Counsel will promptly determine whether the waiver is applicable to the invention.

#### Class Advance Waiver to Participants' Inventions

In another particular the scope of this Class Waiver is directed to an advance waiver to the Participant of inventions made by employees of, or persons acting on behalf of Participants under the class of CRADAs entered into by Participants with K-H under the M&O Contract pursuant to the Act. Since CRADAs do not fall within the definition of "funding agreements" of Public Law 96-517, the patent policy set forth therein as applicable to small businesses and non-profit organizations does not apply. Hence, inventions made by any small business, non-profit organization or for-profit large business Participants to the CRADA are intended to be covered by this Class Waiver.

With respect to the advance Class Waiver to the class of CRADAs under the Act, it is expected that K-H will negotiate agreements that provide for a substantial cost sharing of the joint research effort by the Participants, thereby achieving a leveraging of the Government-funded portion of the joint work. In so doing, this advance Class Waiver is seen to be an extension of existing DOE patent waiver policy which recognizes that substantial cost sharing by Participants is an indication of commitment by the Participants to advance the technology and effect commercial utilization. Additionally, the work being performed under CRADAs will typically be driven by Participants' needs and will most likely be of near term commercial value hence, it is believed that the granting of the advance Class Waiver of inventions made by Participants under CRADAs will also make the benefits of the CRADA research widely available to the public in the shortest practicable time and promote the commercial utilization of the waived inventions.

Further, it is believed that technology transfer will be enhanced by both K-H and the CRADA Participant, as appropriate, being able to offer, for commercialization purposes, a waived invention with other related inventions and intellectual property.

Implementation of the advance Class Waiver is to be by execution of the AL approved

CRADA. Participants' cost of filing and maintaining any patent application(s) or patent(s) on their inventions will be at private expense.

It is expected that in negotiating the commercialization rights to the waived inventions (including background inventions owned by the parties, if any), K-H and the Participant will be guided by the respective equities of the parties, the small business status of the Participant, if applicable, and the overall objective of attempting to secure the most expeditious commercialization route for moving the technology from the research stage to the marketplace. Hence, it is recognized that the parties may conclude, in order to achieve the above objectives, that either K-H or the Participant should hold title to all of the inventions made under the CRADA. Where this occurs from good faith negotiation of the commercialization rights, and disposition of rights set forth in the CRADA of waived inventions other than each party owning its own inventions provided for in the advance Class waiver will not be a basis for disapproval by DOE of the submitted CRADA.

The scope of the Class Waiver to the identified inventions of K-H and Participants under CRADAs entered into under the Act does not include inventions which:

- (1) Fall within DOE's weapons programs, which inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security;
- (2) Relate to the Naval Nuclear Propulsion Program;
- (3) Relate to the Uranium Enrichment (including Isotope Separation) Program;
- (4) Are classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended;
- (5) Are included in international agreements or treaties;
- (6) Are covered by existing or future Class Waivers granted to third parties by DOE, such as "Work for Others;" or
- (7) Fall within any further exceptions which may, in the national interest, be unilaterally designated by the Secretary.

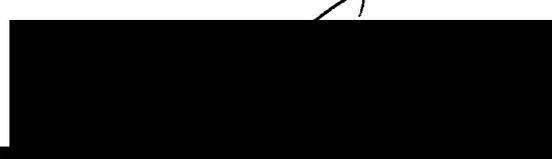
For inventions relating to Federal storage and disposal of civilian high-level nuclear waste and spent nuclear fuels, K-H's right to elect title is subject to the preservation in DOE of the right to require nonexclusive, nontransferable royalty-free licensing to any organization, such as a utility, that is contributing to the costs of activities relating to such storage and disposal.

This waiver of the Government's rights in inventions in the first case to K-H and in the

second case to Participant, as set forth herein is subject to the Government's retention of (1) a non-exclusive, non-transferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States the waived invention throughout the world, and (2) march-in rights comparable to those set out in 35 U.S.C. 203.

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. DOE has the right to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If K-H or Participant is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in rights and require licensing of the invention.

Accordingly, in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is submitted that the Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

  
James H. Chafin  
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Intellectual Property and Technology Transfer  
Albuquerque Operations Office

Based on the foregoing Statement of Considerations, it is determined that the interests of the United States and the general public will best be served by waiver of the United States and foreign patent rights as set forth herein and, therefore, the waiver is granted. This waiver shall not affect any waiver previously granted.

CONCURRENCE:

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Victor H. Reis  
Assistant Secretary for Defense  
Programs

Date \_\_\_\_\_

APPROVED:

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

Date \_\_\_\_\_