

## **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 FACILITIES UNDER COGNIZANT CONTROL OF THE NEVADA OPERATIONS OFFICE PURSUANT TO THE DEPARTMENT OF ENERGY'S BECHTEL NEVADA CORPORATION MANAGEMENT AND OPERATING CONTRACT NO. DE-AC08-96NV11718. W(C)97-002; SAN 673

The previous prime contractor, EG&G ENERGY MEASUREMENTS, INC. (EG&G), managed and operated a portion of the Nevada Test Site and other facilities under cognizant control of the Nevada Operations Office for the Department of Energy (DOE) under Prime Contract No. DE-AC08-93NV11265. The remaining portion of the Nevada Test Site was managed and operated by two additional prime contractors, REECO and Raytheon, each of which had its own prime contract. EG&G was granted a Class Waiver (W(C)-95-006) that waived the Government's domestic and foreign patent rights in inventions made in the performance of Cooperative Research and Development Agreements (CRADAs). EG&G's Prime Contract was appropriately amended to reflect the changes made by the class waiver. The W(C)-95-006 Class Waiver did not apply to the other prime contractors.

On January 1, 1996, BECHTEL NEVADA CORPORATION (Prime Contractor or Bechtel) replaced EG&G to manage and operate the Nevada Test Site and other facilities under cognizant control of the Nevada Operations Office for the Department of Energy (DOE) under Prime Contract No. DE-AC08-96NV11718 (Bechtel Prime Contract). Bechtel is organized as a large, for-profit corporation. Under the Bechtel Prime Contract, the duties and obligations of REECO and Raytheon are now subcontracts, which are performed by Lockheed-Martin Nevada Technologies, Inc. (Lockheed) and Johnson Controls Nevada, Inc. (Johnson). The subcontracts for Lockheed and Johnson both contain provisions for electing title to inventions by their employees. Therefore, this waiver will apply to Bechtel, the Prime Contractor, and also to Lockheed and Johnson, the subcontractors (hereinafter, the Prime Contractor and the subcontractors may be collectively referred to as the Contractors).

The Nevada Test Site is a Government-owned, Contractor-operated facility located near Las Vegas, Nevada and is a part of the DOE nuclear weapons complex. The modification of Section 91 of the Atomic Energy Act, coupled with the National Competitiveness Technology Transfer Act of 1989 (NCTTA) (P.L. 101-189), clarified that technology transfer is a mission of Defense Programs consistent with the national security mission. All parts of the Defense Program (DP) complex including laboratories, test sites, and production facilities participate in the DOE technology transfer mission, consistent with statutory authority, their capabilities and program mission responsibilities. The nuclear weapons production plants possess an abundance of technology that would be useful to the private sector to enhance U.S. Competitiveness. This technology, although developed as part of DOE's national security mission for the most part, has non-weapons applications which can be transferred to the private sector without any compromise of national security.

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Under Section 3160 of the National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160), DOE has been authorized to permit nuclear weapons production plants to negotiate and participate in CRADAs with one or more non-Federal parties (hereinafter "Participant"). This Class Waiver also incorporates the requirements of Public Law 104-113 (1996), which amended the Stevenson-Wydler Technology Innovation Act of 1980 (P.L. 96-480) and the Federal Technology Transfer Act of 1986 (P.L. 99-502).

A pending Class Waiver (W(C)97-003) has been submitted to permit Bechtel to take title to subject inventions made by its employees under its Prime Contract. Similarly, that pending Class Waiver will permit both Lockheed and Johnson to take title to subject inventions made by their employees under their respective subcontracts.

Participant May Obtain Title to the Participant's CRADA Inventions

The scope of this Class Waiver is directed to an advance waiver to the Participant of title to CRADA inventions made by the Participant's employees or persons acting on behalf of the Participant. 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. Therefore, CRADA inventions made by a Participant, which may be a small business, a non-profit organization or a for-profit large business, are intended to be covered by this Class Waiver.

With respect to this Class Waiver, it is expected that the Contractors will negotiate CRADAs that provide for a substantial cost sharing of the joint research effort by the Participant, thereby achieving a leveraging of the Government-funded portion of the joint work. In so doing, this Class Waiver is seen to be an extension of existing DOE patent waiver policy which recognizes that substantial cost sharing by the Participant is an indication of commitment by the Participant to advance the technology and effect commercial utilization. Additionally, the work being performed under CRADAs will typically be driven by the Participant's needs and will most likely be of near term commercial value; hence, it is believed that the granting of the Class Waiver of inventions made by the Participant 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 the Contractors and the Participant, as appropriate, being able to offer, for commercialization purposes, waived inventions with other related inventions and intellectual property.

Implementation of the Class Waiver is to be by execution of a CRADA approved by both the Nevada Field Office (for compliance with the terms and conditions relating to general law) and the Oakland Field Office (for compliance with the terms and conditions relating to intellectual property law).

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Participant's 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), the Contractors 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, after good faith negotiation of the commercialization rights and disposition of rights of waived inventions, it is recognized that the parties may conclude, in order to achieve the above objectives, that either the Contractors or the Participant should hold title to all of the inventions made under the CRADA. DOE can not disapprove of the submitted CRADA on the basis of the disposition of rights of waived inventions as set forth in the CRADA and permitted by this Class Waiver.

The EG&G Class Waiver allowed the Participant to obtain title to Participant's CRADA inventions except for inventions that were covered by several exceptions, for example, DOE's weapons program inventions, Uranium Enrichment Program inventions, etc. In 1996, Public Law 104-113 amended the Stevenson-Wydler Technology Innovation Act of 1980 (P.L. 96-480) and the Federal Technology Transfer Act of 1986 (P.L. 99-502) such that these exceptions have been eliminated. Therefore, the Participant may obtain title to any of the Participant's CRADA inventions subject to the Government's retained rights as set forth below.

The Participant's Rights in CRADA Inventions Obtained by the Contractor

The pending Class Waiver (W(C)97-003) will permit the Contractors to take title to subject inventions (including Contractor CRADA inventions) made by their respective employees under the Prime Contract (Bechtel) or the subcontracts (Lockheed or Johnson). Under Public Law 104-113, the Contractors shall ensure that the Participant has the option to choose an exclusive license for a pre-negotiated field of use for any CRADA invention made in whole or in part by Contractor employees. The Participant's exclusive license in a specified field of use is subject to the Government's retention of a nontransferable, irrevocable, paid-up license in that field of use to practice the inventions or have the invention practiced throughout the world by or on behalf of the Government. Also, the Government retains certain march-in rights as prescribed by Public Law 104-113.

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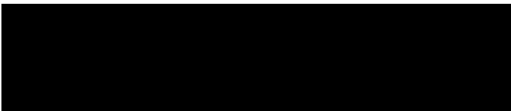
The Government's Retained Rights

In consideration for the Government's contribution under the CRADA, the Government retains a nonexclusive, nontransferable, irrevocable, paid-up license from the Participant in CRADA inventions obtained by the Participant to practice the inventions or have the invention practiced throughout the world by or on behalf of the Government. In addition, the Government retains march-in rights comparable to those set out in 35 U.S.C. 203. Under Public Law 104-113, the Government retains similar rights, i.e., the Government use license and march-in rights, in the Participant's exclusive license of the Contractor's CRADA inventions.

Conclusion

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 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 Section 3160 of the National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160), 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.

  
Gary Drew  
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Date: 6/30/98

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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 a 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:**

[REDACTED]

Date: 8/31/98

Victor H. Reis  
Assistant Secretary  
for Defense Programs

**APPROVED:**

[REDACTED]

Date: 9-2-98

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