

## STATEMENT OF CONSIDERATIONS

### **CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS MADE IN THE COURSE OF OR UNDER MANAGEMENT AND OPERATING (M&O) CONTRACT NO. DE-AC05-00OR22800 BETWEEN THE DEPARTMENT OF ENERGY AND BWXT Y-12; W(C)-00-003 [ORO-755]**

The Department of Energy (DOE), unlike most other Government agencies, employs contractors, both nonprofit and for-profit organizations, to manage and operate certain of its major research, production and weapons facilities, including its National Laboratories. BWXT Y-12, LLC (BWXT Y-12), a large, for-profit corporation, has been selected, under Prime Contract No. DE-AC05-00OR22800 (22800 Contract), to manage and operate the facilities of the Y-12 National Security Complex in Oak Ridge, Tennessee.

These Government-owned, Contractor-operated facilities have for some fifty years benefitted DOE and its predecessor agencies in carrying out research, development, and demonstration programs. These facilities have had a remarkable record of scientific and technical success, this success being due, in part, to the unique contractual relationship that exists between DOE and its management and operating (M&O) contractors, and the dedication of both technical and administrative skills of private organizations, such as BWXT Y-12, to a significant Federal mission in a close, long-term, cooperative relationship.

Currently, the Department's nonprofit M&O contractors have the right to retain title to inventions made in the performance of their prime contract with DOE pursuant to Title 35 U.S.C. 202 (Public Law 96-517, as amended by Public Law 98-620), other than those inventions excluded by Section 202(a)(ii-iv).

In 1983, President Reagan's Memorandum on Government Patent Policy was promulgated, directing that:

to the extent permitted by law, agency policy with respect to the disposition of any invention made in the performance of a federally funded research and development contract, grant or cooperative agreement award shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 18, Title 35 of the United States Code.

DOE considered the impact of the President's Memorandum on its patent policy with respect to large business for-profit contractors, including its M&O contractors, and determined that Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182, as amended) and Section 9 of the Federal Non-Nuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908), precluded DOE from automatically granting title to its large for-profit contractors pursuant to the President's Memorandum.

Nonetheless, under these same laws, large business entities, including for-profit M&O contractors, have the right to file patent waiver petitions, so that they may retain title to inventions made in the performance of their contracts. This process, however, imposes a substantial front end administrative burden, both on the Department and on the contractor in preparing and processing such individual waiver petitions.

With the overall goal of incorporating the research results from the 22800 Contract into the mainstream of American commerce in the most expeditious manner consistent with the President's Memorandum, as referenced in Executive Order 12591 dated April 10, 1987, and in accordance with the authority of Section 152 and Section 9, above, it is believed to be in the best interest of the United States and the general public to grant a Class Waiver to certain identified inventions made by BWXT Y-12 under the 22800 Contract as set forth herein.

The scope of this Class Waiver is directed to the class of identified inventions which comprises subject inventions made by employees of BWXT Y-12 in the performance of the 22800 Contract. It is intended that BWXT Y-12 be treated in substantially the same manner as M&O contractors which are small business or nonprofit organizations. More specifically, the scope of the Class Waiver shall include U.S. and foreign patent rights to identified inventions made in the performance of the 22800 Contract for the facilities managed by BWXT Y-12 at the Y-12 National Security Complex. The scope of this waiver also includes subject inventions made under Work for Others (WFO) agreements with third party sponsors where the sponsor either declines the Class Waiver provided for by W(A)-82-017 ("Use of DOE Facilities and Facility Contractors by or for Third Party Sponsors") or where it has been determined that the class waiver does not apply. Finally, the scope of this class waiver also includes subject inventions made by BWXT Y-12 employee-inventors who submit a request for rights in such inventions and provide written approval of such request by BWXT Y-12 pursuant to the 22800 Contract.

Excluded from the scope of this Class Waiver are 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, or relate to naval nuclear propulsion; (2) fall within or are covered by any exceptional circumstance determination issued by DOE; (3) relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended; (4) come within the ambit of international agreements or treaties in existence at the time of execution of the contract modification effecting this Class Waiver in the 22800 Contract, or future international agreements or treaties, provided BWXT Y-12 is formally advised in writing of the existence of such agreements, prior to the reporting of the inventions to DOE by BWXT Y-12; (5) are subject inventions covered by existing or future Class Waivers granted to third parties by DOE, such as "Work for Others," "Metals Initiative," etc., or (6) fall within any further exceptions that may, in the national interest, be designated by the Secretary and are added by unilateral amendment by DOE to the

22800 Contract. This Class Waiver does not include inventions of subcontractors under the 22800 Contract.

Like most inventions made at DOE's National Laboratories, inventions made under the 22800 Prime Contract will require additional development before they are available in the commercial marketplace. This is because many of the inventions made by BWXT Y-12 are founded upon basic or advanced scientific research. Additionally, many of these inventions are conceptual in nature and may be at a laboratory or proof-of-principle stage. Scaling-up to a commercial size demonstration of the inventive concept is often a prerequisite to negotiating royalty-bearing licenses. Finally, many of the inventions arising out of DOE's energy research will require substantial capital and other costs in order to translate the invention into commercial reality. Such costs may include further engineering, design, start-up and marketing.

A Class Waiver of the Government's rights in identified inventions as set forth herein will create sufficient exclusive rights in these inventions to bring forth private risk capital to expeditiously promote and move the technology into the commercial marketplace and thereby make the benefits of DOE's programs widely available to the public in the shortest time practicable. The grant of this class waiver will provide BWXT Y-12 with title to subject inventions which will permit early discussions and negotiations with industry with respect to intellectual property rights. It is expected that the waiver will help expedite licensing arrangements and other interactions with industry and assist BWXT Y-12 in implementing a licensing program for its inventions made under the 22800 Contract.

Additionally, under the authority of the "National Competitiveness Technology Transfer Act of 1989" (P.L. 101-189), BWXT Y-12 is authorized to enter into Cooperative Research and Development Agreements (CRADAs) with universities, the private sector and other Federal laboratories for the purpose of promoting technology transfer between the Federal laboratories and the private sector. By having a waiver of the Government's rights in subject inventions falling within the scope of this Class Waiver, BWXT Y-12 will be able to combine, where appropriate, these waived inventions with those waived under a separately issued Class Waiver for CRADAs through licensing arrangements with cost-sharing participants to enhance commercialization of the waived inventions.

Lastly, BWXT Y-12 has agreed to attempt to commercialize the waived inventions within five years from the time the waiver is effective. This commitment to early commercialization by BWXT Y-12 will best promote the commercial utilization of such inventions and make the benefits of the research effort conducted under the 22800 Contract widely available to the public in the shortest time practicable, consistent with the objectives and considerations of DOE's waiver regulations.

Implementation of this Class Waiver is by a simple procedure which requires the following:

- (1) BWXT Y-12 reporting inventions within the times specified in the 22800 Contract and identifying the source of the program funding in the invention disclosure;
- (2) BWXT Y-12 electing in writing whether or not to retain title to the invention at the time of disclosure or within one year of disclosure;
- (3) BWXT Y-12 representation, after reasonable internal inquiry, that the invention falls within the Class Waiver;
- (4) Representation that to BWXT Y-12's best knowledge and belief the invention is not subject to international agreements or treaties of the Government, subject to another class waiver, subject of any exceptional circumstances determination, or covered by any other exception to this class waiver; and
- (5) Representation that BWXT Y-12 will attempt to commercialize the invention through its licensees within five years from the time the waiver is effective.

After review of the invention disclosure and relevant facts, DOE Patent Counsel will certify whether the waiver is applicable to the invention. The waiver of DOE rights in an elected invention shall be effective sixty (60) days after receipt by DOE Patent Counsel of BWXT Y-12's election of that invention, unless DOE Patent Counsel notifies BWXT Y-12 within the 60 day period (or a one time extension of thirty (30) days if Patent Counsel advises that the extension is needed for Patent Counsel to make its determination) that a determination has been made that the class waiver does not apply to the invention and the rationale for such determination.

As noted above, the scope of this Class Waiver does not include two types of DOE Defense Programs funded inventions: (1) inventions which 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 or (2) inventions which relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended. These inventions are, accordingly, not available for election under this Class Waiver and if BWXT Y-12 desires greater rights in these inventions, then identified waiver petitions must be pursued.

It is recognized that significant research under the 22800 Contract is funded by DOE's Weapons Programs which results in valuable patentable technology. It is further noted that the ownership of such patentable technology by BWXT Y-12, in all instances, would not compromise national security or DOE's program or patent position by application of appropriate safeguards.

The fact that certain inventions arising under DOE's Weapons Programs may fall within the scope of this Class Waiver requires that particular attention be given to each invention to ensure that the transfer of technology would not directly or indirectly compromise national security or other aspects of this sensitive program.

With regard to any invention which BWXT Y-12 reports with an election to retain title, BWXT Y-12 shall, to its best knowledge or belief, provide to Patent Counsel a supporting statement with reasons, addressing:

- (i) Whether National Security will be compromised by development, commercialization or licensing activities involving the invention;
- (ii) Whether sensitive technical information (classified or unclassified) under the Naval Nuclear Propulsion Program or the Nuclear Weapons Programs or other defense activities of the DOE, for which dissemination is controlled under Federal Statutes and regulations, will be released to unauthorized persons;
- (iii) Whether failure to assert such a claim (i.e. failure by DOE to retain title to a subject invention) will adversely affect the operation of the Naval Nuclear Propulsion Program or the Nuclear Weapons Program or other defense activities of the DOE; and
- (iv) Whether there is any Export Controlled material present and, if so, how such material will be protected.

The election of Defense Programs' inventions falling outside the above Weapons exception shall not be effective until approved by the Patent Counsel, who shall use his best efforts to reach a determination within 90 days. The Patent Counsel shall base the determination on the review of the written election containing the items set forth above and paragraph J of Article I.104 Technology Transfer Mission (Jan 1996) and BWXT Y-12 representation whether there is any Export Controlled material present and if so, how such materials will be protected. Additionally, BWXT Y-12 shall provide a statement of any safeguards it proposes to use to protect national security in commercializing the subject matter of the invention.


This waiver of the Government's rights in inventions as set forth herein is subject to the Government's retention of: (1) a non-exclusive, non-transferable, irrevocable, world-wide, paid-up license to practice or to have practiced for or on behalf of the United States the waived invention, and (2) the standard Government march-in rights of 35 USC 203. In addition, inasmuch as BWXT Y-12 has a right to elect to retain title under this class waiver without a showing of any plans and intentions for commercializing a specific invention at the time of its election, DOE, pursuant to the provisions of the 22800 Contract and as a condition of this class waiver, also has the right at the end of the five year period after an

election to require BWXT Y-12 to grant appropriate licenses, if BWXT Y-12 has not made a satisfactory demonstration that it or its licensee(s) is actively pursuing commercialization of any elected invention.

The grant of this Class Waiver should not adversely affect competition or market concentration. Waived inventions will be subject to a royalty-free license to the Government, and DOE has the right to require periodic reports on utilization or the efforts at obtaining utilization of any waived inventions. Also, if BWXT Y-12 is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in rights and require licensing of the invention.

This class waiver is implemented in conjunction with the implementation of technology transfer as a mission under the 22800 Contract. Therefore, this class waiver is effective as of the effective date of the prime contract and shall apply to any subject inventions reported to DOE which may have been subject inventions under predecessor contracts for operation of the Y-12 National Security Complex

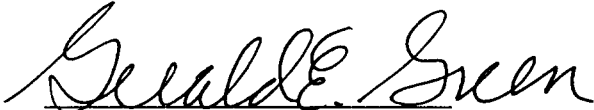
Accordingly, in view of the objectives and considerations set forth in DOE's statutory waiver policy, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is recommended that this Class Waiver be granted.

  
\_\_\_\_\_  
Emily G. Schneider  
Assistant Chief Counsel  
for Intellectual Property

Date 2/7/01

Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will best be served by a waiver of U. S. and foreign patent rights as set forth herein and, therefore, the waiver is granted subject to the terms of the 22800 Contract. This waiver shall not affect any waiver previously granted.

CONCURRENCE:



Mr. Gerald E. Green, Director  
Office of Institutional & Joint Programs  
Defense Programs (DP-162)  
National Nuclear Security Administration

Date: 10/1/01

APPROVAL:



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

Date: 10-1-01