

Questions concerning Technology Transfer Practices at DOE Labs.txt
From: Gary S. Selwyn [gary.selwyn@apjet.com]
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To: GC-62
Subject: Questions concerning Technology Transfer Practices at DOE Labs

In response to the request for written comments, as listed in the Federal Register, Vol 73, No. 229, APJET, Inc. offers the comments below. APJET is an early-stage, technology company that has licensed technology developed at Los Alamos National Laboratory. APJET has been a licensee for 7 years, has 10 employees in NM and NC, is the largest spin-off from LANL in its history, and the author of these responses is the founder of APJET and a former technical staff member from LANL.

Question #3: US Competitiveness

It is highly restrictive to require that the recipient of new technology from the DOE labs must substantially manufacture the licensed product within the USA. Most technology licensed from the DOE Labs requires substantial, additional R&D to make a viable, commercial product and the role of the licensee is the furthering of the development (which should be done within the US), not the actual machine work or assembly that may be required. In many cases, the machine work is not where the value-add is done, or the jobs are created, it is in the process or product development, or the marketing and sales. With regard to that, the alternative option listed (i.e., (3) significant design and development - other than that done by the DOE labs - should be sufficient to satisfy the US Competitiveness requirement. The other option listed - perhaps requiring that the manufacturing be done in the US for the first five years - would also be an acceptable option that allows tech transfer companies to gain a head-start in the US and then out-source the manufacturing to lower cost of labor countries.

Question #6: Other issues

In financing our company (which is the most challenging part of any technology spin-off or start-up), we have twice experienced significant problems with one section of the License we have with LANL regarding review of the license when there is a change in ownership of the company. LANL has told us in each case that there is the same requirement built into every DOE lab license: DOE has the right to review and deny transferring of the license if there is a change in ownership of the company from when the license was originally signed.

This is an extremely common occurrence for early stage companies, as the means of raising capital consists of the sale of equity in the company. Almost no early stage companies keep the same ownership over the first 10 years of operation... so every company that spins-off from a DOE lab WILL have change in ownership in the first few years of operation.

The problem is that Venture Capitalists see the VERY, VERY broad provision that DOE insists on adding to its licenses, and many of them back away, as their investment is not secured if the license does not transfer when there is a change in ownership of the company. This inhibits investment capital in all companies taking a DOE license, unless they are financially secure enough that there will not be a change in ownership of the company.

In our case, this provision became an issue in both of our Series A and Series B rounds. The investors wanted to change the provision, but LANL refused. Instead, they offered a "clarification" that the reason a license transfer would not be granted in a change of ownership is if ownership were changed to an embargoed country or unfriendly country. While this helped break the impasse in our case, the provision in the license causes needless confusion and serves no real reason to be as broad as it is - it sounds like DOE can approve or deny a license transfer (in chase of a change of ownership of the company) on a subjective basis.

If the actual intent of that provision is to prevent the transfer of technology to embargoed or unfriendly countries.... best practices dictates that the reason for denying a license transfer should be made clear to avoid scaring away potential

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investors... that are so hard to attract.

Gary Selwyn

"Life is like riding a bicycle. To keep your balance, you must keep moving."
- Albert Einstein (1930)

Gary S. Selwyn, Ph.D.
Chief Technical Officer
APJeT, Inc.
3900 Paseo del Sol
Santa Fe, NM 87507
phone: 505-471-6399 ext 201
fax: 505-471-6008
www.apjet.com