

## STATEMENT OF CONSIDERATIONS

### REQUEST BY WESTINGHOUSE ELECTRIC COMPANY FOR AN ADVANCE WAIVER OF THE GOVERNMENT'S DOMESTIC AND FOREIGN PATENT RIGHTS UNDER PACIFIC NORTHWEST NATIONAL LABORATORY SUBCONTRACT BOA 332850-A-R5; DOE WAIVER NO. W(A)-04-030

Pacific Northwest National Laboratory (PNNL) issued a subcontract for the Ukraine Nuclear Fuel Qualification Project (UNFQP) to Westinghouse Electric Company (Westinghouse). The Petitioner, Westinghouse, has requested an Advance Waiver of the Government's domestic and foreign rights to inventions in the above cited subcontract. In addition, Westinghouse has requested modification to standard DOE exceptions in the Limited Rights Data provision of the Rights In Data clause (DEAR 52.227-14).

#### Westinghouse's Technology for UNFQP

Westinghouse proposed to offer to the Ukraine commercial VVER-1000 fuel that Westinghouse previously developed at private expense and sold to CEZ Group, which is a large Czech Republic Electric Utility, for the Temelin reactors. It is typical in commercial fuel orders that there is an engineering component to adapt the fuel of a given design to the envelope that it is intended to operate in. In this case, the Westinghouse VVER-1000 fuel design for Temelin was adapted for use in the South Ukraine 3 nuclear power plant. The contract also provided for training and technology transfer under license (License) directly with the Ukrainians.

Westinghouse VVER fuel is an important commercial product. When Westinghouse entered this contract, it anticipated retaining the exclusive patent and data rights to protect the commercial value of the product. Westinghouse has a long history of working through in-country licensees in commercializing technology in local markets, so licensing the Ukrainians directly was not foreign to its culture. The Basic Ordering Agreement (BOA) of the DOE contract, which was negotiated between PNNL and Westinghouse, had neither a patent rights nor a data rights provision, because Westinghouse wanted to avoid compromising the commercial value of the product: VVER fuel. It was agreed by Westinghouse and PNNL to make a determination based on each new task whether a patent rights and/or data rights clause should be included in a modification to the subcontract. In view of a recently reported invention, DOE questions whether PNNL received the appropriate DOE approvals to not include a patent rights clause. Nevertheless, DOE has concluded that Westinghouse acted in good faith in negotiating the subcontract. The Government acknowledges that technology transfer is already occurring and any improvements would have no use except as part of the VVER fuel package. Several of the tasks had data rights clauses where appropriate, but the data to be delivered to PNNL (and the Government) was significantly limited. There is a distinction between the data delivered to PNNL/Government and the technology that was transferred directly to the Ukrainians under the License.

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Westinghouse is requesting the worldwide rights in all inventions in the UNFQP Subcontract. It was not the intent or objective of this program to provide hardware or technology to DOE. Nor was it the objective or the intent of the program to sponsor research, development or demonstration tasks. However, Westinghouse encourages its engineers to always strive for improvement in their normal tasks. In this project, a Westinghouse invention (DOE Docket No. S-103,054, Westinghouse Docket reference ARF 2002-012) was reported. In the Memorandum of Understanding executed by DOE and Westinghouse, it was agreed that Westinghouse would not be required to audit its records to determine if other inventions should have been reported to DOE. In order to allow Westinghouse to elect future inventions, if any, this Advance Waiver was requested.

Usually, DOE expects the Contractor to cost-share the contract by at least 20% before granting an advance waiver. However, this Westinghouse Contract work is to further the USA/Ukraine International Agreement concerning "Ukraine Nuclear Fuel Qualification Project." In addition, there are very few U.S. companies that could even qualify to do the work required under this subcontract. In fact, Westinghouse was the only offer to the solicitation. In view of the objectives of the DOE Program, DOE agrees to waive its possible domestic and foreign patent ownership rights in any future inventions.

Westinghouse acknowledges that the USA/Ukraine International Agreement requires DOE to notify the Ukraine of any invention made or conceived under the Westinghouse/PNNL subcontract and entitles the Ukrainian inventor to awards, bonuses, benefits or any other awards in accordance with Westinghouse's patent policies.

Finally, the United States Government will retain the minimum statutory rights to any invention. Therefore, the Government license will be a nonexclusive, nontransferable, irrevocable, paid-up license to practice or to have practiced for or on the behalf of the Government throughout the world. Westinghouse will include a Government Rights statement in each patent along with executing a Confirmatory License.

**The Allocation of Data Rights**

Westinghouse requested that data generated under the contract, but that directly relates to their proprietary data, would also be protected. Therefore, DOE has agreed to the use of the broader definition of Limited Rights Data in the FAR (52.227-14), which includes "minor modifications" of Westinghouse proprietary data.

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In addition, Westinghouse requests to modify the standard DOE exceptions listed in the Limited Rights Notice. In Alternate II, paragraph (g)(2) is added to the Rights-In-Data clause to include the provision for the subcontractor to submit Limited Rights Data to the prime contractor and/or Government. In the paragraph (a) of the Limited Rights Notice of Alternate II, the last portion permits the Government to disclose these data outside the Government for the following purposes based on DOE approved exceptions:

- (1) to use (except for manufacture) by other contractors;
- (2) to evaluate by non-government evaluators;
- (3) to use (except for manufacture) by other contractors participating in the Government's program of which the specific contract is a part, for information and use in connection with the work performed under each contract;
- (4) for emergency repair or overhaul work; and
- (5) to release to foreign government, or instrumentality thereof, as the interests of the United States Government may require, for information or evaluation, or for emergency repair or overhaul work by such government.

However, Westinghouse objected to using these exceptions because they are too broad for this project. The purpose of this project is to facilitate the manufacture of commercial nuclear fuel for the Ukraine reactors. Most tasks do not have any deliverables to the Government that would invoke this provision. For the few tasks that might have Limited Rights Data delivered to PNNL or the Government, DOE Program has agreed to the following two exceptions to replace the standard five exceptions noted above:

- (1) to review supporting data, at all reasonable times, for five years at a Westinghouse Electric Company LLC facility to assess the data in this document; and
- (2) to use this data under any future contracts with the Westinghouse Electric Company LLC.


DOE Program does not believe that it will ever need access to this data. Therefore, DOE Program approves the use of only these two provisions to adequately satisfy the future requirements of DOE Program. The full Alternate II provision is shown in Appendix A.

Finally, DOE Program agrees that the Additional Data Requirements provision (FAR 52.227-16) will not be included in any tasks under this subcontract. At this point, DOE Program only requires an occasional progress report for this project. Most of the work being performed is the processing of commercial nuclear fuel for the Ukraine reactor. Therefore, it is not expected that any data would be needed by DOE Program.

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Westinghouse has substantial proprietary data necessary to complete the tasks under this subcontract. DOE has agreed that the patent rights and data rights clauses will only be included in each BOA modification depending on the specific task being added to the subcontract. Westinghouse was selected as a US company to perform the work to further the objectives of the US/Ukraine International Agreement. It is DOE Program's belief that there is no other U.S. company that has the technical expertise or the background intellectual property to accomplish the tasks needed to provide nuclear fuel for the Ukraine reactors. Although Westinghouse is not cost sharing this project, DOE will grant Westinghouse the provisions set forth in this Advance Waiver so that the Westinghouse can protect its commercial technology while furthering the Government's interest in this project.

For the foregoing reasons, and in view of the objectives and considerations set forth in 10 CFR 784, all of which have been considered, it is recommended that the requested waiver be granted.

  
Gary Drew  
Counsel for Intellectual Property  
DOE, Chicago Operations OfficeDate: Aug 6, 2004

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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 waiver of the United States' domestic and foreign patent rights (limited to approval by local DOE Patent Counsel) and the modification to the Limited Rights Notice of the Rights-In-Data clause, and therefore, the waiver is granted. This waiver shall not apply to a modification or extension of the Westinghouse subcontract where, through such modification or extension, the purpose or scope of the subcontract has been substantially altered. This waiver shall not affect any waiver previously granted.

## CONCURRENCE:

  
James M. Cannon IV  
UNFQP Project Manager  
Office of International Nuclear Safety  
And Cooperation (NA-23)

Date: 9-15-04

## APPROVED:

  
Paul Gottlieb  
Assistant General Counsel  
for Technology Transfer and Intellectual Property

Date: 9-17-04

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## APPENDIX A RIGHTS IN DATA CLAUSE

*Alternate II (modified).* insert the following subparagraph (g)(2) in the clause:

(g)(2) Notwithstanding subparagraph (g)(1) of this clause, the contract may identify and specify the delivery of limited rights data, or the Contracting Officer may require by written request the delivery of limited rights data that has been withheld or would otherwise be withholdable. If delivery of such data is so required, the Contractor may affix the following "Limited Rights Notice" to the data and the Government will thereafter treat the data, subject to the provisions of paragraphs (e) and (f) of this clause, in accordance with such Notice:

### Limited Rights Notice (Jun 1987-modified)

(a) These data are submitted with limited rights under Government Contract No. \_\_\_\_\_, and Subcontract No. \_\_\_\_\_. These data may be reproduced and used by the Government with the express limitation that they will not, without written permission of Westinghouse Electric Company LLC, be used for purposes of manufacture nor disclosed outside the Government; except the Government may use these data within the Government for the following purposes:

- (1) to review supporting data, at all reasonable times, for five years at a Westinghouse Electric Company LLC facility to assess the data in this document;
- (2) to use this data under any future contracts with the Westinghouse Electric Company LLC;

(b) This Notice shall be marked on any reproduction of these data, in whole or in part.

(End of notice)