

STATEMENT OF CONSIDERATIONS

REQUEST BY HONEYWELL, INC. FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN INVENTION RIGHTS UNDER DOE COOPERATIVE AGREEMENT NO. DE-FC26-00OR22809; W(A)-05-005; CH-1270

The Petitioner, Honeywell Turbo Technologies of Honeywell, Inc. (HTT) was awarded this cooperative agreement for the performance of work entitled, "Electric Boosting System (e-Turbo™) for SUV/LT Diesel Engine Application." In this program, the overall goal was to save transportation fuel requirements and reduce dependence on imported oil, specifically by developing diesel engine technology for use in the U.S., especially for application to SUV, light truck and medium duty vehicles. HTT developed electrically assisted turbocharging to eliminate turbo-lag or hesitation, a significant requirement in the US marketplace. An electrically assisted turbocharger (EAT) was developed to demonstrate improved vehicular response, reduced fuel consumption and lower emission levels compared to a conventionally turbocharged diesel engine. Further details of the scope of work are provided in HTT's response to question 2 of the waiver petition.

The total estimated cost of the cooperative agreement is \$7,212,807, with HTT cost sharing \$3,350,807, or 46%; DOE is providing the remaining \$3,862,000 (54%). The period of performance is from September 2000 through December 2004¹. With respect to cost-sharing, Honeywell has revised its response to question 3 through an e-mail to Mark Dvorscak, attached as Exhibit "A". This revision reflects DOE's cost sharing amounts. Honeywell has also expended amounts in excess of the 46% cost-share, as explained in response to questions 7, 8, and 19.

In its response to questions 5 and 6 of the attached waiver petition, Honeywell has described its technical competence in the field of turbocharger technology. Honeywell's technical leadership in the turbocharger industry dates back to 1953, with the development and application of low cost, high performance turbochargers. Honeywell invests substantial time and money into research and development of turbocharger technologies, and has achieved a history of "industry firsts" in the turbocharger industry. Substantial resources have also been expended toward obtaining patent protection for these technologies. A listing of technical publications and patents is attached to Honeywell's response to the waiver as Exhibit 1. Further, Honeywell has supplied several brochures as Exhibit 2 to substantiate its technical competence and commercial position in the EAT market. In addition, Honeywell has also disclosed to DOE seventeen (17) inventions that it has made under this cooperative agreement. A listing of these inventions is attached as Exhibit "B." Honeywell's response demonstrates its technical competency in the field of turbocharger technology.

In its response to question 10 of the attached waiver petition, Honeywell states that grant of the waiver should not place Honeywell in a dominant position in the electrically assisted turbocharger market. Honeywell states that the results of granting the waiver will likely accelerate overall development of both EAT and competing technologies by existing competitors as they develop alternative solutions and approaches. Honeywell's major competitors include BorgWarner, Mitsubishi Heavy Industries, Holset, and Ishikawajima-Harima Heavy Industries. These competitors, plus Honeywell, tend to view patent rights as a means to differentiate

¹ Honeywell only recently became aware of its ability to request an advance patent waiver under this agreement, as explained in its response to question 16.

products rather than as a means to limit market entry. Thus, grant of the waiver should have a positive effect on competition and market concentration.

The subject cooperative agreement will be modified to add the Patent Rights--Waiver clause in conformance with 10 CFR 784.12, wherein Honeywell has agreed to the provisions of 35 U.S.C §§ 202, 203, and 204. This waiver clause will also include a paragraph entitled U.S. Competitiveness, in which Honeywell agrees to substantial U.S. manufacture of subject inventions (attached hereto). Additionally, Honeywell agrees not to transfer subject inventions to any other entity unless that other entity agrees to these same requirements.

Considering the foregoing, it is believed that granting the waiver will provide the Petitioner with the necessary incentive to invest resources in the commercialization of the results of the agreement in a fashion which will make the subcontract's benefits available to the public in the shortest practicable time. In addition, it would appear that grant of the above requested waiver would not result in an adverse effect on competition nor result in excessive market concentration. Therefore, 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, as set forth above, be granted.



Mark P. Dvorscak
Assistant Chief Counsel
Intellectual Property Law Division

Date: 2-25-05

Based on the foregoing Statement of Considerations and the representations in the attached waiver petition, it is determined that the United States and the general public will best be served by a waiver of rights of the scope described above, and therefore the waiver is granted. This waiver shall not apply to any modification or extension of this subcontract, where through such modification or extension, the purpose, scope, or cost of the subcontract has been substantially altered.

CONCURRENCE:



John Fairbanks
Office of the Freedom Car
Energy Efficiency and
Renewable Energy, EE-2G

Date: 04/16/05

APPROVAL:



Paul A. Gottlieb/
Assistant General Counsel
for Technology Transfer and
Intellectual Property, GC-62

Date: 5-9-05

(t) U. S. COMPETITIVENESS The Contractor agrees that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States unless the Contractor can show to the satisfaction of the DOE that it is not commercially feasible to do so. In the event the DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The Contractor agrees that it will not license, assign or otherwise transfer any waived invention to any entity unless that entity agrees to these same requirements. Should the Contractor or other such entity receiving rights in the invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by the DOE.

WAIVER ACTION - ABSTRACT

W(A)-05-005 (CH-1270)

REQUESTOR

Honeywell, Inc.
Under DOE
Cooperative Agreement
No. DE-FC26-00OR22809

CONTRACT SCOPE OF WORK

Electric Boosting System (e-Turbo™)
for SUV/LT Diesel Engine Application

RATIONALE FOR DECISION

46% cost sharing

DISPOSITION