

Statement of Considerations

REQUEST BY EATON CORPORATION FOR AN ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS IN SUBJECT INVENTIONS MADE IN THE COURSE OF OR UNDER GOLDEN TECHNOLOGIES COMPANY INC. SUB-SUBCONTRACT NO. GTC94MTC001; LOCKHEED MARTIN ENERGY SYSTEMS SUBCONTRACT NO. 86X-SP233C; DOE CONTRACT NO. DE-AC05-84OR21400; DOE WAIVER DOCKET W(A)-94-011 [ORO-578]

The Eaton Corporation (Eaton) has made a timely request for an advance waiver to worldwide rights in Subject Inventions made in the course of or under Sub-subcontract No. GTC94MTC001, with Golden Technologies Company, Inc. (GTC) Lockheed Martin Energy Systems (LMES) Subcontract No. 86X-SP233C (Advanced Ceramic Manufacturing Technologies). The petition was originally submitted as RFP SM400-86. Subsequently, the above-referenced sub-subcontract was executed and submitted by GTC in support of Eaton's advance waiver request. The purpose, scope and cost of the executed sub-subcontract has not been substantially altered from the earlier submitted RFP. The scope of the work calls for the development of an optimized production ceramic grinding process to rough grind, finish grind and polish heat engine components. The work is sponsored by the Office of Transportation Technologies.

The dollar amount of Sub-subcontract No. GTC94MTC001 is \$1,076,000 with Eaton cost sharing \$538,000, 50% of the sub-subcontract.

Eaton has been involved in the grinding of structural ceramics for the past decade during which time multiple ceramic material patents have been issued. Eaton holds four patents pertaining to a low cost silicon nitride material which are of particular importance to the above-referenced LMES subcontract. In addition, Eaton has applied for a U.S. patent for a new method and apparatus for grinding ceramic valves. Although Eaton is not currently a large volume producer of structural ceramic components and has not established a commercial position in the marketplace covering the scope of the work proposed, it has licensed its patented materials technology to GTC. GTC is a widely recognized producer of ceramic components and is the lead contractor on the LMES subcontract. An Eaton/GTC contract has been signed for the joint development of these materials.

Eaton has a large commercial position in production grinding of metal components and is the largest domestic producer of engine valves. This expertise will be used in the optimized ceramic production grinding finishing process. In addition, within the last two years, Eaton has invested approximately \$200,000 in laboratory machining and grinding facilities for the development of advanced manufacturing processes. A staff of five qualified personnel have been put in place to support corporate-wide advanced manufacturing process development in high speed grinding and machining. Over the past four to five years, internal Eaton corporate development funds have totaled nearly \$300,000 for structural ceramic grinding programs. Considering Eaton's experience and expertise, as well as its joint agreement with GTC, Eaton has the capability to commercialize the ceramic grinding process developed under the sub-subcontract.

The sub-subcontract has been executed and is proceeding with the standard DOE long form patent clause. If the requested waiver is approved, a patent rights clause embodying the standard DOE waiver terms and conditions, approved by Eaton, including march-in rights, retention by the government of a license, preference for U.S. industry, and U.S. Competitiveness clauses will be added by a no-cost modification to the sub-subcontract. The advance patent waiver will also contain a paragraph that limits Eaton's ability to alienate waived rights. Specifically, Eaton shall not transfer rights in any invention without prior approval of DOE. Also, should there be a change in ownership of Eaton, rights in inventions will be suspended until approval by DOE of the entity obtaining controlling interest having the waiver.

Eaton agrees that any products embodying any waived invention or produced through the use of any waived invention during the term of a United States patent covering the waived invention will be manufactured substantially in the United States unless Eaton can show to the satisfaction of the Contracting Officer that it is not commercially feasible to do so.

Granting of the waiver should have little effect on competition since there are several technology options in the area of ceramic finishing, this being one of many previously or yet-to-be developed in the marketplace. In addition, it is unlikely that any one of these technology options will dominate the market since a commercially viable system must be developed to include all production ceramic finishing process elements.

Grant of the requested waiver should serve as encouragement to other DOE contractors that significant cost sharing will be recognized as an acceptable consideration for granting greater rights in subject inventions.

The waiver is limited to inventions made under the terms of the sub-subcontract as signed September 14, 1994. Should the parties enter into an agreement that changes the scope of this sub-subcontract, such as another phase, this waiver would not extend to the new agreement.

In view of the acceptable level of cost sharing by Eaton and the objectives and considerations set forth in 41 CFR 9-9.109, all of which have been considered, it is recommended that the requested waiver for worldwide rights be granted.



Emily G. Schneider
Patent Attorney

Based on the foregoing Statement of Considerations and the representations in the attached Waiver Petition, 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, and therefore, the waiver is granted. This waiver shall not apply to a modification or extension of the cost-shared sub-subcontract where, through such a modification or extension, the purpose, scope or cost of the sub-subcontract has been substantially altered.

CONCURRENCE:

APPROVAL:



Thomas J. Gross
Deputy Assistant Secretary for
Transportation Technologies

Date: 10/18/95



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

Date: 10-20-95

WAIVER ACTION ABSTRACT

<u>REQUESTOR</u>	<u>CONTRACT SCOPE OF WORK</u>	<u>RATIONALE FOR DECISION</u>	<u>DISPOSITION</u>
Eaton Corporation	To develop an optimized production ceramic grinding process.	Eaton is cost sharing 50%, potential for product commercialization and the technology, ceramic engine parts could have a significant positive impact on the economy.	Grant Waiver