

## STATEMENT OF CONSIDERATIONS

**CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS TO KAISER-HILL ROCKY FLATS MADE IN THE COURSE OF OR UNDER CONTRACT DE-AC34-95RF00825 WITH THE DEPARTMENT OF ENERGY (DOE) FOR THE MANAGEMENT AND OPERATION OF THE ROCKY FLATS PLANT AND INCLUDING A CLASS ADVANCE WAIVER OF TITLE TO INVENTIONS MADE IN THE PERFORMANCE OF COOPERATIVE AGREEMENTS ENTERED INTO BY THE DOE. W(C)95-010.**

Kaiser-Hill Company (K-H) manages and operates the Rocky Flats Plant for the DOE under Prime Contract No. DE-AC34-95RF00825. K-H is organized as a limited liability company.

The Rocky Flats Plant is currently a Government-owned, Contractor-operated production plant facility located in Golden, Colorado, and is a part of the DOE nuclear weapons complex. The recent modification of Section 91 of the Atomic Energy Act, coupled with the National Competitiveness Technology Transfer Act of 1989 (NCTTA) (P.L. 101-189), clarifies that technology transfer is a mission of Defense Programs consistent with the national security mission. All parts of the Defense Program (DP) complex including laboratories, test sites, and production facilities participate in the DOE technology transfer mission, consistent with statutory authority, their capabilities and program mission responsibilities.

The DOE nuclear weapons production plants possess an abundance of technology that would be useful to the private sector to enhance U.S. Competitiveness. This technology, although developed as a part of DOE's national security mission for the most part, has non-weapons applications which can be transferred to the private sector without any compromise of national security.

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 38, Title 35 of the United States Code.

DOE considered the impact of the President's Memorandum on its patent policy with respect to large for-profit business 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 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.

K-H, like other of the Department's for-profit M&O contractors, currently has the right to file identified waiver petitions on inventions made in the performance of the Prime Contract. This process, as with the DOE laboratories, can impose a substantial front-end administrative burden, both on the Department and on K-H, in preparing and processing such individual waiver petitions. With the overall goal of incorporating the research, development and demonstration results from K-H's Prime 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 under the Prime Contract to K-H and a Class Advance Waiver of inventions made by a Participant under a Cooperative Agreement, to participant.

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; relate to naval nuclear propulsion; relate to uranium enrichment (including isotope separation) program; relate to storage and disposal of civilian high level nuclear waste or spent nuclear fuels; (2) relate to subject matter which is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended; (3) come within the ambit of international agreements or treaties, (4) are subject inventions covered by existing or future Class Waivers granted to third parties by DOE, such as "Work for Others;" or (5) fall within any further exceptions that may, in the national interest, be unilaterally designated by the Secretary. If K-H or Participant desires greater rights in these inventions, then identified waiver petitions must be pursued. This Class Waiver does not include inventions of subcontractors under the Prime Contract.

#### Identified Invention Waiver to K-H

In one particular, the scope of the Class Waiver is directed to and includes U.S. and foreign patent rights to identified subject inventions made in the performance of the Prime Contract for the Rocky Flats Plant managed by K-H. Most of the inventions made under the Prime Contract would require additional development before they can be made available in the commercial marketplace. This is because many of the inventions made by K-H are founded upon basic or advanced research on a very specific application to the Department's mission. Additionally, many of these inventions are conceptual in nature and are on a laboratory or production plant proof-of-principle scale. Scale-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 weapons research and production will require substantial capital in order to translate the inventions into commercial reality; such costs, for example, 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 those inventions to bring forth private venture capital to expeditiously promote and move the technology into the commercial marketplace and thereby make the benefits of DOE's program widely available to the public in the shortest practicable time.

Additionally, under the authority of the M&O Contractor's Prime Contract, K-H is authorized to carry out technical liaison with universities, the private sector and other Federal facilities in connection with Cooperative Agreements of the Department and CRADAs for the purpose of promoting technology transfer between the Federal laboratories and the private sector in the United States. By having a waiver of the Government's rights in subject inventions falling within the scope of this Class Waiver, K-H will be able, where appropriate, to enhance the movement of the waived inventions to the commercial marketplace.

Furthermore, the grant of a Class Waiver of identified inventions as set forth herein will enable DOE to take advantage of the technology transfer capabilities of K-H. Permitting K-H to retain title to a broad range of important inventions, except those imbued with the national interest, should further enhance the technology transfer initiatives of the Department through K-H's Prime Contract.

K-H 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 K-H will best promote the commercial utilization of such inventions and make the benefits of the research effort conducted under the Prime Contract widely available to the public in the shortest practicable time, consistent with the objectives and considerations of DOE's waiver regulations.

Implementation of this Class Waiver is to be by a simple procedure which requires:

- (1) K-H reporting of the invention pursuant to the Prime Contract and identifying the cognizant DOE program official in the invention disclosure;
- (2) K-H electing in writing to retain title to the invention at the time of disclosure or within one year of disclosure;
- (3) Representation after reasonable internal inquiry that the invention falls within this Class Waiver;
- (4) Representation to its best knowledge and belief and after reasonable internal inquiry that the invention does not fall within international agreements or treaties of the Government; and
- (5) Representation that K-H 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, the Assistant Chief Counsel for Intellectual Property, Albuquerque Operations Office (herein Patent Counsel) will certify whether the waiver is applicable to the invention.

Except as hereinafter provided with respect to DOE's Defense Programs funded inventions, the election for inventions shall become effective sixty (60) days after receipt by Patent Counsel, unless the Patent Counsel shall return the election with reasons for failure to accept the election, as set forth in this Class Waiver or Patent Counsel makes a request for a one-time extension of thirty (30) days.

It is recognized that significant research and development under the Prime 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 K-H, 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, as specifically prescribed in 48 C.F.R. 927.370.

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

- (1) Whether National Security will be compromised by development, commercialization or licensing activities involving the invention;

- (2) 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;
- (3) 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
- (4) Whether there is any Export Controlled information or material present and, if so, how such information or material will be protected.

Additionally, K-H shall provide a statement of any safeguards it proposes to protect national security while commercializing the subject matter of the invention.

The election for Defense Program's funded inventions covered by the class waiver shall be subject to the independent concurrence of a designated Defense Programs Military Applications Field Program Official, in addition to the approval of the Patent Counsel. The Patent Counsel shall base the approval determination on the written election and any notifications provided in paragraph (J), of the Technology Transfer Clause of the subject M&O Prime Contract as of the date of approval of this Waiver. The concurrence of the designated Defense Programs Military Applications Field Program Official shall be based on a review of the national security impact of the election including the items set forth above, and the approval of such election by Patent Counsel shall not be effective until such concurrence has been provided to Patent Counsel. DOE shall use best efforts to provide approval and concurrence within 9 days of the date that a complete election is received.

The scope of this Class Waiver shall include inventions made by K-H's employees on which a timely filed waiver request is pending as of the effective date of this Class Waiver. Further, this Class Waiver shall not apply to any invention which DOE has advertised as being available for licensing.

This waiver of the Government's rights in K-H inventions as set forth herein is subject to the Government's retention of: (1) a nonexclusive, nontransferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States the waived inventions throughout the world, and (2) march-in rights in accordance with the attachment hereto entitled "March-In Rights."

#### Class Advance Waiver to Participants' Inventions

In another particular the scope of this Class Waiver is directed to an advance waiver to the Participant of inventions made by employees of, or persons acting on behalf of Participants under a class of Cooperative Agreements entered into by Participants with DOE, with no funds out to Participant, pursuant to the Technology Transfer mission of the Department. Under these Cooperative Agreements, K-H will be directed to perform the work on behalf of the DOE. Since the Cooperative Agreements contemplated herein have no funds-out component to the Participant, they do not fall within the definition of "funding agreements" of Public Law 96-517, and therefore the patent policy set forth therein as applicable to small businesses and non-profit organizations does not apply. Hence, inventions made by any small business, non-profit organization or for-profit large business Participants to the Cooperative Agreements are intended to be covered by this Class Waiver.

With respect to the Class Advance Waiver to the class of Cooperative Agreements above, it is expected that DOE will negotiate agreements that provide for a substantial cost sharing of the joint

research effort by the Participants, thereby achieving a leveraging of the Government-funded portion of the joint work. In so doing, this Class Advance Waiver is seen to be an extension of existing DOE patent waiver policy which recognizes that substantial cost sharing by Participants is an indication of commitment by the Participants to advance the technology and effect commercial utilization. Additionally, the work being performed under Cooperative Agreements will typically be driven by Participants' needs and will most likely be of near term commercial value; hence, it is believed that the granting of the Class Advance Waiver of inventions made by Participants under Cooperative Agreements will also make the benefits of the Cooperative Agreement research widely available to the public in the shortest practicable time and promote the commercial utilization of the waived inventions.

Further, it is believed that technology transfer will be enhanced by both K-H and the Cooperative Agreement Participant, as appropriate, being able to offer, for commercialization purposes, waived inventions with other related inventions and intellectual property.

Implementation of the Class Advance Waiver is to be by execution of the Cooperative Agreement by the DOE. Participants' cost of filing and maintaining any patent application(s) or patent(s) on their inventions will be at private expense.


It is expected that in negotiating the commercialization rights to the waived inventions (including background inventions owned by the parties, if any), K-H and the Participant will be guided by their respective equities, the small business status of the Participant, if applicable, and the overall objective of attempting to secure the most expeditious commercialization route for moving the technology from the research state to the marketplace.

This Class Advance Waiver of the Government's rights in inventions to Participant, as set forth herein is subject to the Government's retention of (1) a non-exclusive, non-transferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States the waived invention throughout the world, and (2) march-in rights comparable to those set out in 35 U.S.C. 203.

#### Summary

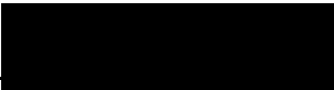
The grant of this Class Waiver should not result in adverse effects on competition or market concentration. Waived inventions will be subject to a royalty-free license to the Government and DOE has the right to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If K-H or Participant is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in rights and require licensing of the invention.

Accordingly, in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, and the objectives of Executive Order 12591, all of which have been considered, it is recommended that this Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.


  
James H. Chafin  
Assistant Chief Counsel for  
Intellectual Property and Technology Transfer  
Albuquerque Operations Office

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 waiver of United States and foreign patent rights as set forth herein and, therefore, the waiver is granted. This waiver shall not affect any waiver previously granted.

CONCURRENCE:

  
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Victor H. Reiss  
Assistant Secretary for  
Defense Programs  
Date: 4/9/97

APPROVAL:

  
\_\_\_\_\_  
Paul A. Gottlieb  
Assistant General Counsel for  
Intellectual Property and Technology Transfer  
Date: 4-14-97

March-In Rights

- (1) Kaiser-Hill Company (K-H) agrees with respect to any Subject Invention in which it has acquired title, the DOE has the right, in accordance with procedures in 35 U.S.C. 203, 48 C.F.R. 27.304-1(g), 37 C.F.R. 401.6 and any supplemental regulations of the DOE, to require K-H, an assignee or exclusive licensee of a Subject Invention to grant a nonexclusive, partially exclusive or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances; and if K-H, assignee or exclusive licensee refuses such a request, the DOE has the right to grant such a license itself if the DOE determines that:
  - (a) Such action is necessary because K-H or assignee has not taken or is not expected to take, within a reasonable time, effective steps to achieve practical application of the Subject Invention in such field of use;
  - (b) Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by K-H, assignee or their licensees;
  - (c) Such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by K-H, assignee or licensees; or
  - (d) Such action is necessary because the agreement required by 35 U.S.C. 204 has not been obtained or waived or because a licensee of the exclusive right to use or sell any Subject Invention in the United States is in breach of such agreement.
- (2) K-H agrees with respect to any Subject Invention in which it has acquired title, the DOE has the right at the end of the 5 year period in which K-H has agreed to attempt to commercialize the invention set forth in the Statement of Considerations hereof to require K-H to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant(s) upon terms that are reasonable under the circumstances, provided such grant does not cause a termination of licensee's right to use the invention; and, if K-H refuses such request, to grant such a license itself, if the DOE determines that K-H has not made a satisfactory demonstration that it or its licensee(s) is actively pursuing such commercialization.

Before requiring licensing under paragraph (2) above, DOE shall furnish K-H a written notice of its intentions to require K-H to grant the stated license, and K-H shall be allowed 30 days (or such longer period as may be authorized by the Contracting Officer) for good cause shown in writing by K-H after such notice to show cause why the license should not be required to be granted.