STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS MADE IN THE COURSE OF OR UNDER THE MANAGEMENT AND OPERATING CONTRACT NO. DE-AC08-96NV11718 BETWEEN THE DEPARTMENT OF ENERGY (DOE) AND BECHTEL NEVADA CORPORATION. W(C)97-003; SAN 674

Background

The previous prime contractor, EG&G ENERGY MEASUREMENTS, INC. (EG&G), managed and operated a portion of the Nevada Test Site and other facilities under cognizant control of the Nevada Operations Office for the Department of Energy (DOE) under Prime Contract No. DE-AC08-93NV11265. The remaining portion of the Nevada Test Site was managed and operated by two additional prime contractors, REECO and Raytheon, each of which had its own prime contract. EG&G was granted a class waiver (W(C)-95-007) that waived the Government's domestic and foreign patent rights in inventions made in the performance of the EG&G's Prime Contract, which was appropriately amended to reflect the changes made by the class waiver. That class waiver did not apply to the other prime contractors.

On January 1, 1996, BECHTEL NEVADA CORPORATION (Prime Contractor or Bechtel) replaced EG&G to manage and operate the Nevada Test Site and other facilities under cognizant control of the Nevada Operations Office for the Department of Energy (DOE) under Prime Contract No. DE-AC08-96NV11718 (Bechtel Prime Contract). Bechtel is organized as a large, for-profit corporation. Under the Bechtel Prime Contract, the duties and obligations of REECO and Raytheon are now covered by subcontracts, which are performed by Lockheed-Martin Nevada Technologies, Inc. (Lockheed) and Johnson Controls Nevada, Inc. (Johnson). The subcontracts for Lockheed and Johnson both contain provisions for electing title to inventions by their employees. Therefore, this waiver will apply to Bechtel, the Prime Contractor, and also to Lockheed and Johnson, the subcontractors (hereinafter, the Prime Contractor and the two subcontractors may be collectively referred to as the Contractors).

The Nevada Test Site is a Government-owned, Contractor-operated facility located near Las Vegas, Nevada 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), clarified that technology transfer is a mission of Defense Programs (DP) consistent with the national security mission. All parts of the 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 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 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.

Historically, nuclear weapons production plants did not have the authority to enter directly into Cooperative Research and Development Agreements (CRADAs). Under Section 3160 of the National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160), the DOE has been authorized to permit nuclear production plants to negotiate and participate in CRADAs with one or more non-Federal parties (hereinafter "Participant"). Thus, the Contractors may negotiate and participate in CRADAs. A pending Class Waiver, W(C)97-002, has been submitted that waives the Government's rights in inventions made by the CRADA Participant, which may be a small business, a non-profit organization or a for-profit large business. Furthermore, title to the CRADA invention can be held by either the Contractor or the Participant.

Scope of Class Waiver

The scope of this Class Waiver is directed to subject inventions made by employees of Bechtel in the performance of work under the Bechtel Prime Contract and subject inventions made by employees of the Lockheed or Johnson in the performance of work under their respective subcontracts.

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); relate to storage and disposal of civilian high level nuclear waste or spent nuclear fuel; (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 "CRADAs"; or (5) are within any further exceptions that may, in the national interest, be unilaterally designated by the Secretary of Energy. In addition, this waiver shall not apply to inventions of any other subcontractors under the Bechtel Prime Contract or second tier subcontractors under the Lockheed or Johnson subcontracts, nor shall it apply to any invention existing at the time of approval of this waiver which DOE has already advertised as being available for licensing from DOE.

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This waiver of the Government's right in inventions 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 inventions throughout the world, and (2) march-in rights comparable to those set out in 35 U.S.C. 203, as well as the additional march-in rights set forth in the attachment to this Statement of Considerations. In addition, the Contractors will agree to comply with the preference for United States industry comparable to the provisions set forth in 35 U.S.C. 204.

Analysis

Most inventions produced at Nevada Operations Test Sites require additional development before they can be made available in the commercial marketplace. This is because many of the inventions produced are founded upon basic or advanced research. Additionally, many of these inventions are conceptual in nature and are on a laboratory or proof-of-principle scale. Scale-up to a commercial size demonstration of the inventive concept is often a prerequisite to negotiating a royalty-bearing license. Finally, many of the inventions arising out of DOE's weapons research 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 should provide the necessary exclusive rights in those inventions to bring forth private risk 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 National Defense Authorization Act, the Contractors are authorized to enter into CRADAs with universities, the private sector and other Federal laboratories 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, the Contractors will be able to combine, where appropriate, these waived inventions with those waived under the separately issued Class Waiver for CRADAs through license agreements with cost-sharing Participants under the CRADAs, thereby enhancing the movement of the waived inventions to the commercial marketplace.

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Further, as a consideration of the grant of the Class Waiver, the Contractors must agree to attempt to commercialize the waived inventions within five years from the time the waiver is effective. This commitment to early commercialization 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.

To implement this Class Waiver, the Contractor will be required to:

1. Report the invention to DOE pursuant to the Contractor's contract obligations, i.e., the Bechtel Prime Contract obligations, the Lockheed subcontract obligations, and the Johnson subcontract obligations, including identification of the cognizant DOE program official in the invention disclosure;

2. Elect in writing whether or not to retain title to the invention within two years of disclosure;

3. Represent, after reasonable inquiry by the Contractor, that the invention falls within the scope of this Class Waiver;

4. Represent, after reasonable inquiry by the Contractor and to the best of the Contractor's knowledge and belief, that the invention is not covered by a treaty or international agreement; and

5. Represent that the Contractor 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, Oakland 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.

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As noted above, the scope of this Class Waiver does not include two types of DOE Defense Programs funded inventions: (1) inventions which 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 and (2) inventions which relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended. These inventions are, accordingly, not available for election under this Class Waiver and if the Contractors desire greater rights in these inventions, then identified waiver petitions must be pursued.

It is recognized that significant research 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 the Contractors would not necessarily compromise national security or DOE's program or patent position if appropriate safeguards are applied. 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 arising under or funded by DOE's Weapons Programs which the Contractors report with an election to retain title, the Contractors shall, to its best knowledge or belief, provide to Patent Counsel and to designated Defense Programs Military Application Field Program Official 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 Program or other defense activities of 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

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4. Whether there is any Export Controlled material present and, if so, how such material will be protected.

Additionally, the Contractor 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 Programs' 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 the respective Contractor's contract. The concurrence of the designated Defense Programs Military Applications Field Program Official shall be based on a review 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 its best efforts to provide approval and concurrence within 90 days of the date the complete election is received.

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 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, the objectives of Section 3160 of the National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160), and NCTTA, all of which have been considered, it is submitted that the 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.

[redacted]

Date 6/30/98

Gary Drew
Intellectual Property Attorney
DOE-Oakland Operations Office

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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 a waiver of the 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:

[redacted] Date 8/31/98

Victor H. Reis
Assistant Secretary
for Defense Programs

APPROVED:

[redacted] Date 9-2-98

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

ATTACHMENT - March-In Rights

The Contractor agrees that with respect to any Subject Invention in which it has acquired title, DOE has the right in accordance with the procedures in 37 C.F.R. 401.6 and any supplemental regulations of DOE to require the Contractor, an assignee or exclusive licensee of a Subject Invention to grant a non-exclusive, 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 the Contractor, assignee, or exclusive licensee refuses such a request, DOE has the right to grant such a license itself if DOE determines that:

(1) Such action is necessary because the Contractor, assignee or their licensees, 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;

(2) Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the Contractor, assignee or their licensees;

(3) Such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the Contractor, assignee or licensees;

(4) Such action is necessary because the agreement required by 35 U.S.C. §204, Preference for U.S. Industry, 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; or

(5) Such action is necessary because the Contractor, assignee or their licensees, has failed to attempt to commercialize the Subject Invention within a five year period and DOE determines that the Contractor has not made a satisfactory demonstration that it or its licensee(s) is actively pursuing such commercialization.

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