



Department of Energy

Washington, DC 20585

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IPI-II-2-82
(Amend 2)

James Chafin, Albuquerque
Harold M. Dixon, Savannah River
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Administrative Update to the Class Waiver W(A)-82-017 "Use of DOE Facilities and Facility Contractors by or for third party sponsors.

I. The above class waiver provides that the waiver is automatic, and granted without a request or petition by the sponsor, upon certification by the local DOE Patent Counsel that:

- (1) The work to be performed under the use agreement is not covered by another contract or arrangement falling under DOE's statutory patent policy, and is not of sufficient interest to the DOE programmatic mission responsibility to justify DOE supporting the work in whole or in part with direct program funding;
- (2) The sponsor is providing appropriate cost reimbursement for the services performed and/or facilities used as set forth in this class waiver; and
- (3) The terms and conditions for the agreement with the sponsor comply with this waiver and instructions for its implementation as issued by the Assistant General Counsel for Technology Transfer and Intellectual Property.

Based on the years of experience that we have in utilizing this waiver, it is clear that these determinations are made based upon information supplied by the laboratory and for the most part are straight forward. Therefore, DOE Patent Counsel may, at your discretion, authorize the Contractor to make the above determinations and apply the class waiver for the benefit of the sponsor without prior review by DOE except as provided in II below.

II. Dear 970.5204-40, requires that all M&O contracts have a technology transfer clause which includes the following language:



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Attachment II.1

- (ii) "Where the Contractor believes that the transfer of technology to the U.S. domestic economy will benefit from, or other equity considerations dictate, an arrangement other than the Class Waiver of patent rights to sponsor in WFO and UFAs, a request may be made to the Contracting Officer for an exception to the Class Waivers.
- (iii) Rights to inventions made under agreements other than funding agreements with third parties shall be governed by the appropriate provisions incorporated, with DOE approval, in such agreements, and the provisions in such agreements take precedence over any disposition of rights contained in this Contract. Disposition of rights under any such agreement shall be in accordance with any DOE class waiver (including Work for Others and User Class Waivers) or individually negotiated waiver which applies to the agreement."

These provisions do not spell out either the circumstances when the class waiver should not apply or the action to be taken when the waiver does not apply. The circumstances when the waiver does not apply are either because the sponsor declines the waiver or because the Department acting through the Contracting Officer based on determination of Patent Counsel finds that in a particular WFO transaction that it is not in the best interests of the United States and the general public to allow the Non-Federal Sponsor to retain title to inventions of the Contractor. Where the sponsor declines the waiver, the M&O contractor is to be permitted to take title to its employees' inventions.

To date, DOE has reached consensus on three fact patterns where the class waiver need not apply even when the sponsor might desire the full waiver. They are:

- (a) It is believed that any invention that might be made would be a research tool, (e.g., a transgenic animal or a DNA sequence), and there is a Departmental and public interest in having the tool available to many potential research and commercial organizations.
- (b) The Sponsor is either foreign or owned or controlled by a foreign organization. The Class Waiver may apply to a Work for Others Agreement with a foreign Sponsor with approval by the field Patent Counsel and with the concurrence of the cognizant Operations Office or Headquarters programs official.
- (c) It is believed that the Sponsor's interest is in fewer fields of use, and it is believed that utilization by the laboratory or commercialization of the underlying technology can be maximized by limiting the Sponsor's exclusivity in any inventions to a particular field of use.

Of course, there may be other fact patterns where special facts exist and the situation is such that it is not in the best interests of the United States or the general public to grant the waiver to the Sponsor.

In providing advice to the Contracting Officer, the field Patent Counsel is the final determiner that an exception to the class waiver should apply. With concurrence of Patent Counsel, the Contracting Officer may delegate to the Contractor the authority to make the determinations that the fact patterns (a) and (c) exist independently of Patent Counsel, but under guidelines approved by Patent Counsel. Whenever fact pattern (b) is believed to exist Patent Counsel must approve the disposition of patent rights. The determinations (a) and (c) are not mandatory and are a judgement call. If one or more of the above exceptions applies to the particular proposed Work for Non-Federal Sponsors activity, the Patent Counsel should also determine whether or not the Contractor may take title to any inventions made by its employees in performing work under a Work for Others Agreement and whether the sponsor shall obtain a royalty free nonexclusive license for its own activities in any such Contractor inventions. In almost all cases the sponsor should obtain at a minimum such a license. DOE should review any circumstance where a sponsor, denied the waiver, is not given a minimum royalty free license to use a facility contractor subject invention. Delegations should specify disposition of title. Normally title should go to the contractor. Where only exception (c) applies, the Sponsor must be granted a royalty free exclusive license in a predetermined field of use or fields of use corresponding to the Sponsor's interest as mutually agreed to by Sponsor and Contractor.

Where the class waiver does not apply, and if the Work for Non-Federal Sponsors agreement is to be performed in the course of or under the Prime Contract for the operation of the facility, then the terms and conditions of the prime contract governing the right of the M&O contractor to elect title to inventions shall govern. Where the class waiver does not apply, and if the agreement is not to be performed in the course of or under the prime contract, then the agreement should provide that the government takes title. An individual waiver or class waivers giving the M&O contractor title in any WFO agreement would also be available.


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

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Department of Energy
Washington, D.C. 20585

IPI-II-1-82

JUN 29 1982

MEMORANDUM FOR Arthur A. Churm, OPC, CH
Richard E. Constant, OPC, RL
Roger S. Gaither, OPC, LLL
John A. Koch, OPC, NV
Robert M. Poteat, OPC, OR
Howard B. Scheckman, OPC, SAN
Albert Sopp, OPC, AL
Allen F. Westerdahl, OPC, SR
Paul D. Gaetjens, OPC, LANL

SUBJECT: Class Waiver of Government's Rights in Inventions Arising
from the Use of DOE Facilities and Facility Contractors
by or for Third Party Sponsors, W(A)-82-017

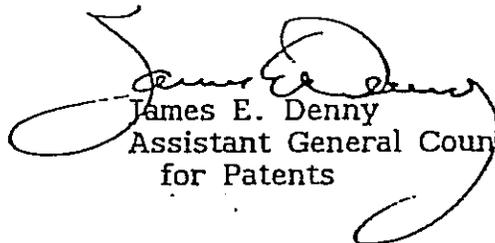
Attached is a copy of a signed Statement of Considerations showing that the above-identified class waiver has been granted. Also attached are model patent and data clauses for agreements with sponsors under the class waiver. As discussed in the Statement of Considerations, the waiver is automatic upon certification of the local DOE Patent Counsel that:

- (1) The work to be performed under the use agreement is not covered by another contract or arrangement falling under DOE's statutory patent policy, and is not of sufficient interest to the DOE programmatic mission responsibility to justify DOE supporting the work in whole or in part with direct program funding;
- (2) That the sponsor is providing appropriate cost reimbursement for the services performed and/or facilities used as set forth in this class waiver; and
- (3) That the terms and conditions for the agreement with the sponsor comply with the waiver and instructions for its implementation as issued by the Assistant General Counsel for Patents.

The attached clauses are approved for use in sponsor agreements under the class waiver, provided, however, that local DOE Patent Counsel shall ascertain whether the clauses should be modified for a particular use-of-facilities arrangement. Where the agreement is between the sponsor and the facility operator, the patent waiver clause may be modified to reflect properly the parties to the agreement. Any other significant changes in the patent waiver clause should not be made without approval of Headquarters.

The data provisions, on the other hand, have been designed to provide DOE's minimum acceptable level of rights in data and data requirements. Local Patent Counsel may modify the data clauses without prior approval to acquire additional rights or data or to fit the particular circumstances of the agreement. For example, where the sponsor's proprietary data are not involved, the provisions for review and removal of data from the facility could be replaced by the sponsor's agreement that none of its proprietary data are at the facility and that DOE shall have unlimited rights in all data at the facility. Local Patent Counsel should work with the facility operator to arrive at contractual arrangements providing the data and rights therein needed by the facility operator. Approval of Headquarters shall be obtained for any confidentiality agreements which do not provide the safeguards of the attached clauses for DOE and the facility operator.

Finally, local Patent Counsel are to coordinate the handling of information and reporting of inventions, as needed, with the facility operator and identify any necessary modifications to the facility operator's contract. Any difficulties in contractual arrangements with facility operators should be reported to this office.


James E. Denny
Assistant General Counsel
for Patents

Attachments



Department of Energy
Washington, D.C. 20585

June 23, 1982

MEMORANDUM FOR R. Tenney Johnson
General Counsel

THRU: Addison G. Wilson *(AGW)*
Deputy General Counsel
for Legal Services

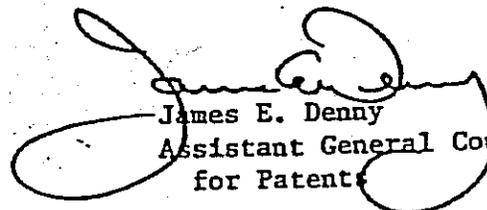
SUBJECT: Administrative Order and Class
Waiver for Use of DOE Facilities

Attached for your approval are a Statement of Considerations for a class waiver for use of DOE facilities and an administrative order based on the waiver determination.

The Statement of Considerations has been rewritten to incorporate explicit references to the regulations (41 CFR Part 9-9) under which the waiver is granted and to remove references to patent and data clauses for use under the class waiver.

The use of the administrative order and the rewriting of the Statement of Considerations clarify the fact that making the class waiver available to users of DOE facilities is an implementation of existing regulations and not a new rule.

If you approve the order and Statement of Considerations, please so signify by signing in the spaces provided and return them to me.


James E. Denny
Assistant General Counsel
for Patents

Attachments

STATEMENT OF CONSIDERATIONS

Class Waiver of Government Rights in Inventions Arising From The Use of DOE Facilities and Facility Contractors By or For Third Party Sponsors

DOE and its predecessor agencies have long considered its national laboratories and other Government-owned, contractor-operated (GOCO) facilities a unique and valuable national resource that should be made available to the extent feasible for use outside the DOE programmatic mission. In fact, some of DOE's GOCO facilities have as a primary purpose the conduct of basic research, and are available to the public, or to "users," on a regular and routine basis. DOE and its predecessor agencies have developed policies, orders and regulations regarding when, and under what conditions, the DOE GOCO contractors and the facilities they operate can be used for work sponsored by third parties outside of the normal DOE programmatic mission responsibilities, including work sponsored by other federal agencies, state and local governments, foreign governments and international organizations, and foreign and domestic private parties.

~~It is the purpose of this class waiver to provide a waiver of patent rights under the authority of the Atomic Energy Act of 1954, as amended (42 USC 2182) and section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 USC 5908) and the regulations of 41 CFR Part 9-9 promulgated thereunder whenever third party sponsors procure R&D and related technical services, or use of facilities, from DOE GOCO facilities and operating contractors on a cost reimbursable basis under any of the established DOE programs for making such services or facilities available. More specifically, this class waiver applies to:~~

- (1) Third party sponsors procuring R&D and related technical services from DOE operating contractors and/or use of DOE GOCO facilities (i.e., work for and/or by others);
- (2) Where the work to be performed is not subject to an existing (a) interagency agreement or memorandum of understanding with another federal agency, (b) international agreement with a foreign governmental organization, or (c) a contract, grant, or cooperative agreement with a state or local government, or private foreign or domestic party under DOE's programmatic activities, but is subject to a written agreement with DOE or its operating contractor for work to be performed or facilities to be used under a DOE established or approved program for making such services or facilities available to third party sponsors;
- (3) Where the work to be performed by and/or for the sponsor is primarily the interest and work of the sponsor, and is not sufficiently within DOE's programmatic mission responsibilities to cause DOE to support the work in whole or in part with direct program funding;

- (4) Where the sponsor is providing DOE or the operating contractor cost reimbursement for the services performed and/or facility used. For the purpose of this class waiver, cost reimbursement means (a) full cost recovery as defined in the DOE order, regulation or policy under which the work by or for the sponsor is performed, (b) full recovery by DOE of the direct costs to the Government under the GOCO contract, or (c) any other reasonable and equitable approach to obtaining full recovery of direct Government costs as certified by the Patent Counsel servicing the DOE activity managing the facility contract;
- (5) Inventions made in the course of or under work by and/or for the sponsor by either the sponsor or the operating contractor; and
- (6) Where the terms and conditions of the written agreement between the sponsor and DOE or its operating contractor are approved by the Assistant General Counsel for Patents.

R&D work performed by DOE operating contractors and/or in DOE GOCO facilities by third party sponsors creates a benefit to DOE, the sponsor and the general public. Normally, programs providing such services and facilities are made available on a basis which is noninterfering with DOE program activities, which is not in competition with private R&D facilities, and which offers the services and facilities to all qualified sponsors equally. While the Government is reimbursed for the costs incurred, the facility and operating contractor are assured of the maintenance of the GOCO's capabilities, are provided the opportunity for stimulation and growth through the challenge of commercially-related R&D activities, and are provided an additional opportunity for transferring Government developed technology to commercial utilization. The sponsor, on the other hand, has the use and application of a unique research capability to its own research problems which would otherwise be unavailable on a reasonable basis, if at all.

The experience of DOE and its predecessor agencies, however, is that past efforts to make GOCO facilities available have not met with widespread success. The reason for this, at least in part, has been the actual or perceived patent and data policies under which the facilities were available. Under AEC policies, the Government took title to inventions, and any technical data generated was made publicly available. Under ERDA and present DOE policies, patent waivers are available on a case-by-case basis and privately developed proprietary data of the sponsor can be protected. Nevertheless, the perception of DOE's policies, the case-by-case nature of their application, and/or the delays incurred in their application have served as a barrier to making DOE's GOCO facilities and R&D capabilities available to private sponsors.

The reluctance of private sponsors to pay the Government to perform R&D services on their behalf without protection of their proprietary commercial rights is understandable, even in view of the fact that the GOCO facilities have unique capabilities and equipment. It is the usual case that the sponsor has invested substantial private capital in its own research efforts prior to contracting with the Government for services. Especially in the case of the

utilization of DOE's unique nuclear facilities, the use of these facilities may well be the final testing that "proves out" an invention in which the sponsor has invested substantial resources, and therefore creates a "reduction-to-practice" of the invention under the use agreement. Without a patent waiver, the invention would be owned by the Federal Government. Additionally, in the normal situation, the sponsor will be required to provide the operating contractor with privately developed background and technical data which the sponsor considers to be, and has treated as, proprietary. The results of the work of the operating contractor, or the data produced as a result of utilization of GOCO facilities, will usually contain much of this proprietary information. In addition, these results and data will contain information which the sponsor wishes, and which the private parties normally consider, to be proprietary.

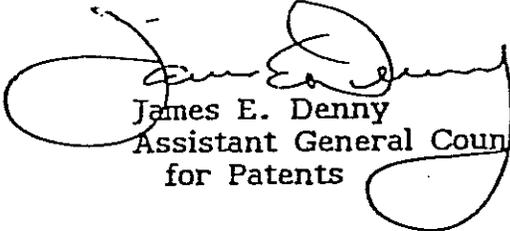
It is believed that a waiver of the class of inventions created by facility contractors and sponsors, to the class of sponsors as defined above, is in the best interests of the United States and the general public, and is justifiable under the objectives to be attained and determinations to be made under DOE's statutory waiver policy. First, such a waiver is necessary in order to obtain a wider utilization by or for third parties of the unique capabilities and facilities of DOE's GOCO contractors. As stated above, utilization of these facilities by and for third party sponsors is not only a benefit to the sponsor, but also to DOE through the maintenance of the operating contractor's capabilities, the experience gained by performing challenging R&D tasks and the retention of competent teams in the facilities for current and future DOE missions. Also, such use better enables the Government to transfer the technology and research capabilities at these facilities to commercial applications. Accordingly the waiver would best address the statutory objectives and considerations regarding participation in DOE's programs and encouraging commercial utilization of the results of DOE's R&D efforts found in Section 9-9.109-6(a) and (b) of 41 CFR Part 9-9.

Secondly, these situations often involve research efforts in which the sponsor has undertaken private research efforts, in which the sponsor has sufficient interest to procure additional research efforts through the use of DOE's operating contractors and/or GOCO facilities, and which presumably the sponsor will continue to support. These activities, by definition, represent research areas where DOE has insufficient programmatic interest to support the research either in whole or in part, and where the facilities involved are available on a noninterfering basis to DOE's own research mission. As a result, the sponsor has the primary equity in these situations. While the Government has some equity under such agreements in view of the fact that its facilities and capabilities, which are unique and not otherwise reasonably available, have been established at the taxpayers' expense, the reservation of the Government's royalty-free license in waived inventions, along with the standard "march-in rights," is believed to be commensurate with this equity. The waiver will also recognize the contribution factors of Section 9-9.109-6(b), in view of the sponsor's past and anticipated future contribution towards commercialization.

The availability of this class waiver shall be automatic, and granted without a request or petition by the sponsor, upon certification by the local DOE Patent Counsel of the DOE activity responsible for the GOCO contractor that:

- (1) The work to be performed under the use agreement is not covered by another contract or arrangement falling under DOE's statutory patent policy, and is not of sufficient interest to the DOE programmatic mission responsibility to justify DOE supporting the work in whole or in part with direct program funding;
- (2) That the sponsor is providing appropriate cost reimbursement for the services performed and/or facilities used as set forth in this class waiver; and
- (3) That the terms and conditions for the agreement with the sponsor comply with this waiver and instructions for its implementation as issued by the Assistant General Counsel for Patents.

Accordingly, in view of the statutory objectives to be attained and the factors to be considered under DOE's statutory waiver policy, all of which have been considered, it is recommended that a waiver of the class of inventions, to the class of sponsors, and under the situations described above will best serve the interests of the United States and the general public. It is therefore recommended that the waiver be granted.

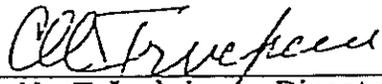

James E. Denny
Assistant General Counsel
for Patents

Order for the Disposition of Patent
Rights Arising from Use of DOE Facilities

Pursuant to the authority provided in section 152 of the Atomic Energy Act of 1954, 42 U.S.C. 2182, and section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974, as amended, 42 U.S.C. 5908 and the implementing regulations promulgated thereunder for waivers of patent rights, 41 CFR Part 9-9, it is in the best interests of the United States and the general public to grant a waiver of patent rights to the class of users who procure research and development or technical services from DOE operating contractors or use DOE Government-owned, contractor-operated facilities. Therefore, it is hereby ordered that a waiver of patent rights shall be available as set forth in the foregoing Statement of Considerations. The Assistant General Counsel

for Patents shall be responsible for issuing instructions for implementation of this waiver in accordance with 41 CFR Part 9-9. This waiver shall not affect any waiver previously granted.

CONCURRENCE:



Alvin W. Trivelpiece, Director
Office of Energy Research

Date: 6/10/82

APPROVAL:



R. Tenney Johnson
General Counsel

Date: June 23, 1982