



Department of Energy
Washington, D.C. 20585

June 23, 1982

MEMORANDUM FOR R. Tenney Johnson
General Counsel

THRU: Addison G. Wilson *(Signature)*
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.

(Signature)
James E. Denny
Assistant General Counsel
for Patent

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.

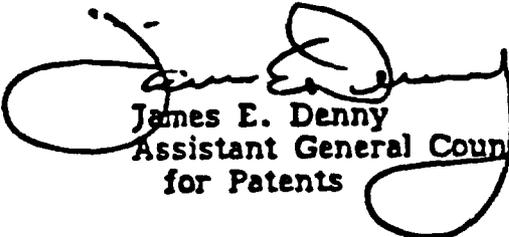
It is believed that a waiver of the class of inventions created by facility contractors and sponsors, to the class of sponsors as defined above, is in the best interests of the United States and the general public, and is justifiable under the objectives to be attained and determinations to be made under 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

Alvin W. Trivelpiece, Director
Office of Energy Research

Date:

6/10/82

APPROVAL:

R. Tenney Johnson

R. Tenney Johnson
General Counsel

Date:

June 23, 1982

ATTACHMENT

1. Patent Rights - Use of Facilities (Class Waiver)

(a) Definitions

(1) "Sponsor" means the person or entity with which this agreement is made.

(2) "Subject Invention" means any invention or discovery of the Facility operator or, to the extent the Sponsor is performing any work under this agreement, of the Sponsor, conceived or first actually reduced to practice in the course of or under this agreement, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plants, whether patented or unpatented under the Patent Laws of the United States of America or any foreign country.

(3) "States and domestic municipal governments" means the States of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, the Trust Territory of the Pacific Islands, and any political subdivision and agencies thereof.

(4) "Government agency" includes an executive department, independent commission, board, office, agency, administration, authority, Government corporation, or other Government establishment of the Executive Branch of the Government of the United States of America.

(5) "Facility Operator" means the operating contractor which manages and operates the Government-owned, contractor-operated facility where the work under this agreement is to be performed.

(6) "Patent Counsel" means the DOE Patent Counsel assisting the procuring activity.

(b) Rights of the Sponsor.

(1) Election to retain rights.

Subject to the provisions of paragraph (c)(2) of this clause with respect to any Subject Invention reported and elected in accordance with paragraph (d) of this clause, the Sponsor may elect to obtain the entire right, title and interest in any patent application filed in any country on a Subject Invention and in any resulting patent secured by the Sponsor. Where appropriate, the filing of patent applications by the Sponsor is subject to DOE security regulations and requirements.

(2) Minimum license.

The Sponsor reserves an irrevocable, nonexclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Sponsor does not elect to retain title or in which the Government acquires title. The license shall extend to the Sponsor's domestic subsidiaries and affiliates, if any, within the corporate

structure of which the Sponsor is a part and shall include the right to grant sublicenses of the same scope to the extent the Sponsor was legally obligated to do so at the time this agreement was entered into. The license shall be transferable only with approval of DOE except when transferred to the successor of that part of the Sponsor's business to which the invention pertains.

(c) Rights of Government.

(1) Assignment to the Government.

The Sponsor agrees to assign to the Government, upon request, the entire right, title, and interest in any country to each Subject Invention of the Sponsor and to each Subject Invention of the Facility Operator to which the Sponsor has acquired title, except to the extent that rights are retained by the Sponsor under paragraph (b)(2) of this clause, where the Sponsor:

(i) Does not elect pursuant to this clause to retain such rights; or

(ii) Fails to have a patent application filed in that country on the Subject Invention or decides not to continue prosecution or not to pay any maintenance fees covering the invention; or

(iii) At any time, the Sponsor no longer desires to retain title.

(2) Terms and Conditions of Waived Rights.

(i) To preserve the Government's residual rights to Subject Inventions, the Sponsor shall take all actions in reporting, electing, filing, prosecuting and maintaining inventions which the Sponsor has acquired title to, in any event, satisfy domestic and foreign statutory and regulatory requirements in sufficient time to permit the Sponsor to file resulting patents prior to the end of such domestic or foreign statutory or regulatory time requirements, or, if the Sponsor decides not to take appropriate steps to protect the invention, it shall notify DOE in sufficient time to permit the Government to file resulting patents prior to the end of such domestic or foreign statutory or regulatory time requirements.

The Sponsor shall convey or assure the conveyance of rights, it shall notify DOE in sufficient time to permit the Government to file resulting patents prior to the end of such domestic or foreign statutory or regulatory time requirements.

The Sponsor shall convey or assure the conveyance of rights necessary to vest in the Government the rights set forth in this clause.

The Sponsor hereby grants to the Government a transferable paid-up license to make, use, and sell each Subject Invention throughout the world by or on behalf of the Government of the United States (including any Government-agency) and States and domestic municipalities.

The Sponsor shall provide the Government a copy of any patent application filed on a Subject Invention promptly after such application is filed, including its serial number and filing date.

in sufficient time to permit the Sponsor to file resulting patents prior to the end of such domestic or foreign statutory or regulatory time requirements, or, if the Sponsor decides not to take appropriate steps to protect the invention, it shall notify DOE in sufficient time to permit the Government to file resulting patents prior to the end of such domestic or foreign statutory or regulatory time requirements.

(ii) The Government shall have the right to file resulting patents prior to the end of such domestic or foreign statutory or regulatory time requirements.

(iii) The Government's license shall be nonexclusive, nontransferable, and non-sublicensable in the United States (including any Government-agency) and States and domestic municipalities.

(iv) The Government shall have the right to file resulting patents prior to the end of such domestic or foreign statutory or regulatory time requirements.

(v) The Sponsor agrees to grant to responsible applicants, upon request of the Government, a license to waived inventions on terms that are reasonable under the circumstances:

(A) Unless the Sponsor, its licensee, or its assignee demonstrates to the Government that effective steps have been taken within three years after a patent issues on such invention to bring the invention to the point of practical application, or that the invention has been made available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why the principal or exclusive rights should be retained for a further period of time; or

(B) To the extent that the invention is required for public use by governmental regulations or as may be necessary to fulfill public health, safety or welfare needs, or for other public purposes stipulated in this contract.

(vi) The Sponsor shall submit written reports at reasonable intervals upon request of the Government during the term of the patent on the Subject invention regarding:

(A) The commercial use that is being made or is intended to be made of the invention; and

(B) The steps taken by the Sponsor or its transferee to bring the invention to the point of practical application or to make the invention available for licensing.

(vii) The Sponsor agrees to refund any amounts received as royalty charges on any Subject Invention in procurements for or on behalf of the Government and to provide for that refund in any instrument transferring rights to any party in the invention.

(d) Invention identification, disclosures, and reports.

(1) The Sponsor shall furnish the Patent Counsel a written report containing full and complete technical information concerning each Subject Invention of the Sponsor within 6 months after conception or first actual reduction to practice, whichever occurs first, in the course of or under this contract, but in any event prior to any on sale, public use or public disclosure of such invention known to the Sponsor. The report shall identify the contract and inventor and shall be sufficiently complete in technical detail and appropriately illustrated by sketch or diagram to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and to the extent known, the physical, chemical, biological, or electrical characteristics of the invention. The report should also include any election of patent rights under this clause. When an invention is reported under this paragraph (d), it shall be presumed to have been made in the manner specified in Section (a)(1) and (2) of 42 USC 5908.

(2) The Facility Operator's contract with DOE requires that Subject Inventions of the Facility Operator will be reported to DOE. In addition, DOE shall direct the facility operator to disclose to the Sponsor any such inventions promptly upon conception or first actual reduction to practice, and the Sponsor shall notify DOE promptly thereafter of any election of patent rights under this clause.

(e) Limitation of rights.

Nothing contained in this patent rights clause shall be deemed to give the Government any rights with respect to any invention other than a Subject Invention except as set forth in the Facilities License of paragraph (f).

(f) Facilities License.

In addition to the rights of the parties with respect to inventions or discoveries conceived or first actually reduced to practice in the course of or under this contract, the Sponsor agrees to and does hereby grant to the Government an irrevocable, nonexclusive paid-up license in and to any inventions or discoveries regardless of when conceived or actually reduced to practice or acquired by the Sponsor, which at any time through completion of this contract are owned or controlled by the Sponsor and are incorporated in the facility as a result of this agreement to such an extent that the facility is not restored to the condition existing prior to the agreement (1) to practice or to have practiced by or for the Government at the facility, and (2) to transfer such license with the transfer of that facility. The acceptance or exercise by the Government of the aforesaid rights and license shall not prevent the Government at anytime from contesting the enforceability, validity or scope of, or title to, any rights or patents herein licensed.

2. Patent Indemnity-Limited

The Sponsor shall indemnify the Government and the Facility Operator and their officers, agents, and employees against liability, including costs, for infringement of any United States patent arising out of any acts required or directed by the Sponsor to be performed under the agreement to the extent such acts are not normally performed at the facility. Further, the foregoing indemnity shall not apply unless the Sponsor shall have been informed in a reasonable time by the Facility Operator or Government of the suit or action alleging such infringement, and such indemnity shall not apply to a claimed infringement which is settled without the consent of the Sponsor unless required by a court of competent jurisdiction.

3. Rights in Technical Data - Use of Facility

(a) Definitions

(1) "Technical Data" means recorded information, regardless of form or characteristic, of a scientific or technical nature. It may, for example, document research, experimental, developmental, demonstration, or engineering work to be usable or used to define a design or process or to procure, produce, support, maintain, or operate material. The data may be graphic or pictorial delineations in media such as drawings or photographs, text in

specifications or related performance or design type documents, or computer software (including computer programs, computer software data bases, and computer software documentation). Examples of technical data include research and engineering data, engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identification and related information. Technical data as used in this subpart does not include financial reports, cost analyses, and other information incidental to contract administration.

(2) "Proprietary Data" means technical data which embody trade secrets developed at private expense, such as design procedures or techniques, chemical composition of materials, or manufacturing methods, processes, or treatments, including minor modifications thereof, provided that such data:

(i) Are not generally known or available from other sources without obligation concerning their confidentiality,

(ii) Have not been made available by the owner to others without obligation concerning their confidentiality, and

(iii) Are not already available to the Government without obligation concerning their confidentiality.

(3) "Unlimited Rights" means rights to use, duplicate or disclose technical data, in whole or in part, in any manner and for any purpose whatsoever, and to permit others to do so.

(b) The Sponsor agrees to furnish to DOE or the Facility Operator those data, if any, which are (1) essential to the performance of work by DOE or Facility Operator personnel or (2) necessary for the health and safety of such personnel in the performance of the work. Any data furnished to DOE or the Facility Operator shall be deemed to have been delivered with unlimited rights unless marked as "proprietary data" of the Sponsor.

(c) All technical data produced in the performance of work under this agreement by DOE or the Facility Operator shall, prior to any dissemination, publication, or further disclosure of the data by or on behalf of DOE, be made available to the Sponsor for review and appropriate marking where such data disclose the Sponsor's proprietary data.

(d) The Sponsor agrees that it shall have the sole responsibility for identifying and marking all documents containing proprietary data which are furnished by the Sponsor or produced under this agreement. The Sponsor further agrees to mark each such document by or before termination of the agreement by placing on the cover page thereof a legend identifying the document as proprietary data of the Sponsor and identifying each page and portion thereof to which the marking applies. The Government shall not disclose properly marked proprietary data of the Sponsor outside the Government and the Facility Operator. The Government reserves the right to challenge the proprietary nature of any markings on data.

(e) The Sponsor is solely responsible for the removal of all of its