

## **STATEMENT OF CONSIDERATIONS**

**PETITION FOR ADVANCE WAIVER OF PATENT RIGHTS BY EATON CORPORATION ("EATON") UNDER AGREEMENT NO. DE-FG36-08GO18131 BETWEEN EATON AND DOE; W(A)-08-046; CH-1465**

The Petitioner, EATON, has requested a waiver of domestic and certain foreign patent rights for all subject inventions that may be conceived or first actually reduced to practice under the above-identified agreement, and subcontracts thereof. The agreement is entitled "Prototyping Energy Efficient Thermo-Magnetic and Induction Hardening for Heat Treat and Net Shape Forming Applications."

The objective of the project is the development of a new thermo-magnetic hardening process for treating forged products. More specifically, the objective is the development of a transformational thermo-magnetic process technology approach for bulk and surface treatments and the development of more energy-efficient hybrid technology approaches that couple thermo-magnetic energy process (TMP), induction hardening (IH) and heat treatment, to replace conventional energy-intensive heat treatment and post-hardening methods like carburizing for automotive gears and other tool and die applications.

The total cost of the sub-award is approximately \$6,500,000 with the Petitioner providing about 30% cost sharing. This waiver is contingent upon the Petitioner maintaining, in aggregate, the above cost sharing percentage over the course of the agreement.

As noted in its waiver petition, Petitioner is a world leader in the design and manufacture of heat treated precision forged products for automotive, truck, fluid power, and aerospace applications. EATON invests significant amounts of its profits each year into research and development. In fact, Petitioner has invested \$8.9 million in processing and related equipment and another \$2.5 million in research and modeling applicable to the current project.

As set out in the attached waiver petition, Petitioner has also requested a waiver of patent rights in the subject inventions of its lower tier subcontractors, provided that they agree to the same terms and conditions by which Petitioner will be granted the advance waiver. It is believed that this approach will facilitate timely commercialization of the technology by furthering the establishment of business and technical relationships between the parties and providing a mechanism for obtaining meaningful cost sharing between the parties. This waiver contemplates that the parties will allocate title or other rights to inventions among themselves as they deem appropriate during the course of their association consistent with the terms of this waiver. Accordingly, title will be waived directly to a subcontractor upon mutual agreement of the Petitioner and the subcontractor. However, this waiver will only apply to such subcontractor(s) who provide a letter to DOE acknowledging their right to ask for a waiver and agreeing to the terms of this waiver. This waiver shall not impact the rights of those parties subject to Public Law 96-517, as amended, nor shall it grant any rights in inventions made by employees of the National Laboratories.

Considering Petitioner's technical expertise and significant investment in this technology including sizable cost sharing in this agreement, it is reasonable to conclude that Petitioner will continue to develop and ultimately commercialize the technology and products which may arise from this agreement.

Petitioner has agreed that this waiver shall be subject to the march-in and preference for U.S. industry provisions, as well as the U.S. Government license, comparable to those set out in 35 U.S.C. 202-204. Further, Petitioner has agreed to the attached U.S. Competitiveness provision paragraph (t). In brief, Petitioner has agreed that products embodying a waived invention or produced through the use of a waived invention will be manufactured substantially in the United States unless the Petitioner can show to the satisfaction of the DOE that is not commercially feasible to do so.

Referring to item 10 of the waiver petition, granting this waiver is not anticipated to have any adverse impact on competition. There are several foreign manufacturers of forged auto parts (i.e. hydraulic valves etc.) and this waiver will allow Petitioner to continue to compete against foreign manufacturers that have low labor costs. If anything, the technology forming the subject matter of the collaboration may stimulate competition.

Considering the foregoing, it is believed that granting this waiver will provide Petitioner with the necessary incentive to invest its resources in the commercialization of the results of the agreement in a fashion which will make the above technology available to the public in the shortest practicable time. Therefore, upon evaluation of the waiver petition and in view of the objectives and considerations set forth in 10 CFR 784, all of which have been considered, it is recommended that the requested waiver be granted.


/Brian J. Lally/  
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Intellectual Property Law Division  
DOE Chicago Office

Date: January 13, 2009

Based upon the foregoing Statement of Considerations and representations in the attached waiver petition, it is determined that the interests of the United States and the general public will best be served by a waiver of patent rights of the scope described above, and therefore the waiver is granted. This waiver shall not apply to any modification or extension of the agreement, where through such modification or extension, the purpose, scope or cost of the agreement has been substantially altered.

CONCURRENCE:

APPROVAL:



Douglas E. Kaempf  
Program Manager  
Office of the Industrial  
Technology Program, EE-2F



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

Date: 1-29-09

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WAIVER ACTION - ABSTRACT  
W(A)-08-046

<u>REQUESTOR</u>	<u>CONTRACT SCOPE</u>	<u>RATIONALE FOR DECISION</u>
EATON	The objective of the project is the development of a new thermo-magnetic hardening process for treating forged products.	30% Cost Sharing

**(t) U. S. Competitiveness**

The Contractor agrees that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States unless the Contractor can show to the satisfaction of the DOE that it is not commercially feasible to do so. In the event the DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The Contractor agrees that it will not license, assign or otherwise transfer any waived invention to any entity unless that entity agrees to these same requirements. Should the Contractor or other such entity receiving rights in the invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by the DOE.