

Unocal RFG Licenses To Improve Air Quality

Unocal Corporation, creators of reformulated gasoline (RFG) formulas that reduce tailpipe emissions, has announced it will offer a uniform license to refiners, blenders and importers for the use of the company's range of patent-bound RFG formulas.

Under the Clean Air Act, RFG is now required in many parts of the United States and comprises about one-third of all gasoline sold. RFG was originally required in nine severe ozone non-attainment areas beginning in 1995. Other areas have since opted into the program, with RFG or similar low vapor pressure gasolines now sold in more than 20 states.

The license offer is limited to those companies not previously involved in the litigation against Unocal. (See story in April/May 2001 edition of PESA News) Until recently, Chevron, Exxon Mobil, BP Amoco, Texaco and Shell had been involved in a five year battle against the company, challenging the validity of their initial 'Patent 393'. The US Supreme Court ruled in Unocal's favour, awarding damages equaling some US\$91 million.

Unocal CEO, Charles Williamson, commented that the license offer was extended to companies not involved in the litigative action "...because those companies did not force us to spend millions of dollars in

attorney's fees and devote countless hours of staff time to show the validity of our patent claims."

Williamson has repeatedly said that Unocal's goal is to make the gasoline formulations covered under Unocal's five patents as widely available as possible, while protecting Unocal's intellectual property and the interests of its stockholders.

"We believe that our patented formulations provide refiners and blenders with a cost-effective way of meeting California and Federal standards for cleaner burning gasolines", Williamson said.

Refiner, transporter and marketer of transportation fuels and industrial products, CITGO Petroleum Corporation, was the first organisation to accept the licensing opportunity, announcing the execution of a nonexclusive licensing agreement on May 1st, 2001. Under the terms of the license, CITGO has the right to make and import cleaner burning gasolines using formulations patented by Unocal subsidiary, Union Oil Company of California. The CITGO-operated refineries in Louisiana, Texas and Illinois are all covered under the terms of the agreement, as is any gasoline CITGO imports.

"We're very pleased to complete this licensing agreement since it is advantageous for CITGO to use Unocal's patented formulations to maximise our reformulated gasoline (RFG) production", Adolph Lechtenberger, CITGO's senior Vice President of refining said. "The agreement enhances CITGO's ability to supply the motoring public with reformulated gasoline at a reasonable cost."

Other agreements have since been signed with other refiners who serve various RFG markets throughout the United States.

Williamson said that because use of the cleaner burning gasoline improves air quality, the terms of the license encourage and reward the licensees who use the patented formulations the most. The licensee's rate per gallon commences at US\$3.4c and is reduced as more gallons are produced. The lowest rate possible to licensees is US\$1.2c/gallon.

"We estimate that licenses for our patents would add less than one cent per gallon to the cost of reformulated gasolines nationwide," Williamson said.

Williamson acknowledged the argument that other cheaper blends of the patented gasoline formulations were possible.

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"If it were possible for refiners or blenders to blend around our patented formulations for less than a penny a gallon on a practical, sustained basis, we wouldn't expect them to license with us. They would choose not to infringe. Otherwise, it seems to us that reasonable business people would choose to avoid willfully infringing our patents and decide to take the course that is both economic and ethical - license," Williamson said.