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DECISION

THE COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

[Protest of Air Force Refusal to Amend RFP]

FILE: B-201326 DATE: May 21, 1981

MATTER OF: W. S. Spotswood and Sons, Inc.

DIGEST:

1. Even if specifications infringe existing patent, there is no basis for finding specifications restrictive.

2. Contention that liability for patent infringement should be waived in solicitation is objection to business uncertainties in procurement. Offerors are expected to account for such risk in computing offers and mere presence of risk does not make solicitation improper.

3. Use of waiver of patent indemnity clause is discretionary and GAO will not question agency's determination not to use clause unless protester demonstrates determination was unreasonable or made in bad faith.

W. S. Spotswood and Sons, Inc. (Spotswood), protests the refusal of the Warner Robins Air Logistics Center (Air Force) to amend request for proposals (RFP) No. F09650-80-RA085, to protect prospective contractors from the expected infringement during performance of patent No. 3,762,343, held by Bliss & Laughlin Industries (B & L).

The RFP incorporates by reference the Defense Acquisition Regulation (DAR) § 7-104.5 (1976 ed.), Patent Indemnity Clause, which requires the contractor to indemnify the Government for liability incurred as a result of a patent infringement. Spotswood wants the Air Force to amend the solicitation to eliminate the prospective contractor's liability for patent infringement by incorporating the DAR § 7-104.5(b) (1976 ed.), Waiver of Indemnity Clause. In the alternative, a royalty evaluation factor should be included in the RFP

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which would require the Air Force to obtain a license from B & L. In Spotswood's opinion, either of these suggestions would allow competitive bidding without the fear of infringing the patent.

Government contracts should not be restricted to patent holders and their licensees where patents are held, but rather all potential sources should be permitted to compete for these contracts regardless of possible patent infringement. 46 Comp. Gen. 205 (1966). Furthermore, the procuring agency has authority to require patent indemnity agreements from its suppliers. Id.; DAR § 9-103 (1976 ed.).

The Air Force believes that Spotswood's alternate suggestions were impractical for this acquisition. The agency explored the acquisition of a license with B & L but was unsuccessful. Furthermore, the Air Force disagrees with Spotswood's argument that a responsive proposal will infringe on the patent. The Air Force advises that the specifications used in the purchase descriptions were "performance type specifications outlining only the general design and construction requirements," which will provide maximum design flexibility.

In B-166788, July 31, 1969, and B-176678, January 17, 1973, our Office considered a similar question with respect to possible patent infringement by a nonpatent holder which objected to the specifications. We held, in B-176678, supra:

> "* * * section 1498 of title 28, United States Code, authorizes the Government to utilize or permit the use of patented inventions under a Government contract without a license, subject to payment of reasonable compensation for such use. See B-166072(1), March 28, 1969, B-157485, November 26, 1965. Moreover, we have held on facts similar to those of the instant case, that the existence of section 1498, supra, obviates any basis for relaxing a specification even if it actually infringes on an existing patent. B-166788, July 31, 1969. Infringement of a patent,

> therefore, does not provide a basis for finding a specification restrictive."

Accordingly, the disagreement between Spotswood and the Air Force concerning the possible violation of the patent is irrelevant, and we find that the solicitation need not be amended solely because of potential patent infringement.

While not phrased in terms of risk, Spotswood's concern over possible patent infringement liability is, in essence, an objection to the business uncertainties in this procurement. We have recognized that some uncertainty or risk is inherent in most types of contracts and offerors are expected to take such uncertainties into account in the computation of offers. The mere presence of risk in a procurement does not make the solicitation improper. See Applied Devices Corporation, B-199371, February 4, 1981, 81-1 CPD 65.

With respect to Spotswood's request for the insertion of the Waiver of Indemnity Clause, there is nothing in the record that indicated the Air Force's refusal to provide for waiver was unreasonable or in bad faith. DAR § 9-103 (1976 ed.), permissive in nature, provides that:

> "[i]f it is desired to exempt one or more specified * * * patents from the patent indemnity clause in 7-104.5, authority shall first be obtained from the Secretary or his designee * * *."

Here, we note that the record indicates that the contracting officer explained to Spotswood why use of the clause was impractical, when the Air Force would request Secretarial approval and the reason this procurement did not qualify. The record does not contain any reply to this from Spotswood. Consequently, without more, we cannot question the Air Force's determination not to use the waiver of indemnity clause.

Spotswood's protest is denied.

Milton J. Socolar

Acting Comptroller General
of the United States