Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: AWC, Inc.

File: B-237405

Date: February 9, 1990

Hassell Hill, Jr., Esq., for the protester.
David C. Rickard, Esq., Office of the General Counsel, Defense Nuclear Agency, for the agency.
Susan McAuliffe, Esq., Andrew T. Pogany, Esq., and Michael Golden, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Protest is denied where record supports propriety of agency's use of alternate authorization and consent clause in solicitation (which does not include explicit royalty or patent indemnification requirements) where agency reasonably challenges process patent held by protester, due to rights obtained by the government in the patented process under protester's prior subcontract with prime government contractor.

2. Exclusive remedy for patent infringement is to bring an action in United States Claims Court against government for money damages under 28 U.S.C. § 1498 (1982).

DECISION

AWC, Inc., protests the terms of request for proposals (RFP) No. DNA001-89-R-0072, issued by the Defense Nuclear Agency (DNA) for the cleanup of plutonium contaminated soil within the radiological control area on Johnston Island, Johnston Atoll. AWC specifically contends that the agency improperly included a clause in the RFP permitting the successful contractor to use any invention covered by a United States patent in the performance of the contract. The protester, a patent holder for a soil decontamination process, contends that this clause inadequately protects AWC's rights to collect royalty payments for the use of its patented process.

We deny the protest.

The RFP, issued July 31, 1989, contemplates the award of a cost-plus-fixed-fee contract for the second phase of a plutonium soil cleanup project at Johnston Atoll. Phase 2 of the project, solicited here, calls for further development, improvement and operation of a plutonium decontamination plant erected under Phase 1 of the project. AWC developed the Phase 1 decontamination plant as a demonstration pilot under a subcontract with Holmes and Narver, Inc. in 1985, under a Department of Energy (DOE) prime contract.

The RFP's Statement of Work (SOW) for this second phase of the cleanup project requires two general tasks to be completed by the contractor, including plant development and plant operation. First, under Task 1 of the SOW, the contractor is to activate and improve the plant which is currently in a "stand-down condition." The improvement requirements under Task 1 call for the contractor to prepare final designs and cost estimates for specialized upgrades to further develop the plant. After the contractor has satisfied the SOW's Task 1 requirements, the contractor is required, under Task 2 of the SOW, to process approximately 1,000 cubic yards of contaminated soil per week (for approximately 100 weeks). Task 2 also requires the contractor to package and prepare waste concentrate and other radioactive waste to be shipped for disposal at approved locations.

In 1986, AWC applied for a patent for a process for separating radioactive and hazardous metal contaminants from soils. In 1988, after construction of the Johnston Atoll plant, AWC received a process patent (No. 4,782,253) for the same method it used in developing the government's Johnston Atoll plant.

Section I of the RFP incorporates the clause at Federal Acquisition Regulation (FAR) § 52.227-1 (FAC 84-1) regarding the government's authorization and consent for the use of patented inventions. Specifically, the RFP clause (Authorization and Consent-Alternate I) states the following: "(a) The Government authorizes and consents to all use and manufacture of any invention described in and covered by a United States patent in the performance of this contract or any subcontract at any tier." It is this clause which is the subject of AWC's protest.

AWC contends that the plant upgrades and operations required here necessarily involve the use of the decontamination plant AWC earlier developed using the protester's patented

soil separation process. Consequently, AWC claims that it is entitled to license and royalty fees for the use of its patented process. In this regard, AWC argues that the Alternate I clause, which does not contain any reference to government or contractor patent infringement liability, fails to adequately protect AWC's claimed patent interests because under the RFP offerors are not directed to pay royalty fees or seek licenses from AWC. The protester contends that since DNA knew of its patent, DNA was required to use a different authorization and consent clause (FAR § 52.227-1(a) (FAC 84-1)), along with an indemnity clause (FAR § 52.227-3 (FAC 84-1)), which preserves the liability of contractors to the government for patent infringement and which, AWC claims, would better protect its interests by encouraging offerors to obtain a license from AWC.

In response, DNA emphatically contests the applicability and validity of AWC's process patent (and any resulting requirement for royalty payments) because of intellectual property rights obtained by the government under the terms of AWC's prior subcontract with Holmes and Narver, Inc. In this regard, DNA reports that it has no reason to believe that AWC's soil decontamination process was other than first reduced to practice in the performance of work under the prior government subcontract and, as such, is considered a "subject invention" under the terms of the subcontract. AWC disagrees and claims to have reduced its invention to practice at its own facility several years earlier.

Here, the agency claims to have acquired under AWC's subcontract "sufficient rights to the [patented] process [to permit the agency to proceed] on a royalty free basis." Thus, the record shows that the agency, by not including the patent indemnity clauses AWC seeks, is directly challenging the validity of AWC's patent as not applicable to government use.1/ The protester argues that the agency must accept the validity of its patent or bear the burden to "prove otherwise." We think this is exactly what the agency is doing here--forcing the firm to file suit--and thereby permitting the agency to "show otherwise" in court. In short, what we have here is a dispute between the protester and the contracting agency as to the agency's right with respect to the protester's patent. We think this is properly a matter to be determined by the Claims Court since

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1/ We note that even if the solicitation included the patent clause (and the contractor indemnity clause) that AWC seeks, the agency simply could have excluded the protester's patent process from the terms of the patent indemnification provision. See FAR § 52.227-3 (Alternate I) (FAC 84-48).

the exclusive remedy the protester has if it believes the government is violating the patent is an action in the Claims Court under 28 U.S.C. § 1498 (1982). Since the agency has a reasonable basis (alleged development of the patent under a government subcontract) to challenge the patent, we think that AWC's sole remedy as patent holder is an action in the Claims Court for damages. Diversified Technologies; Almon A. Johnson, Inc., B-236035, Nov. 6, 1989, 89-2 CPD ¶ 427.

The protest is denied.

James F. Hinchman
General Counsel